

**A FUTURE FOR THE ACCOUNTANCY PROFESSION:
THE QUEST FOR CLOSURE AND INTEGRATION
1957-1970**

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FOREWORD

On assuming the Presidency of ICAS in April 2001 there were a number of key strategic issues which the Institute had started to address. Firstly, the unrestricted use of the term 'accountant'. At a time when ICAS is increasingly regulating the activities of its members, there remains a population of 'accountants' whose work is unrestricted and who compete with qualified practitioners. Secondly, investigating how the Institute can become more relevant to the large number of its members who are not in practice but employed in industry and commerce. Thirdly, how to ensure that the governance of the Institute is designed to adequately represent the interests of chartered accountants in the diverse environments in which they work. Fourthly, maximising the use of modern communications to enhance the involvement of the membership in the formulation of policy.

It is intriguing to discover from this monograph by Ken Shackleton and Stephen Walker that these issues were familiar to our forebears. The problem of how to define the 'accountant' in the context of the changing nature of the work performed by qualified accountants has surfaced as a problem during several attempts to draft legislation for the regulation of the profession. At the centre of the efforts to unify the professional organisations during the 1960s was the need to address the fact that while the chartered institutes were established as organisations for practising accountants, an increasing proportion of their members were engaged in other fields. The study reveals the potential difficulties in devising governance structures which are reactive to the changing interests and characteristics of institute memberships. Another key finding is the embarrassing consequences for the profession's leaders of failing to listen to their own constituents.

This monograph, emanating from the Institute's Accounting History Committee, is an important contribution to our understanding of a formative event in the post-war history of the UK accountancy profession. The messages it conveys remain relevant today as the accountancy bodies continue to review their organisation.

Professor Andrew Christie
President
The Institute of Chartered Accountants of Scotland

October 2001

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EXECUTIVE SUMMARY

Attempts at rationalisation have featured large in the history of the accountancy profession in the UK. Ever since the first organisations of professional accountants were formed in Edinburgh and Glasgow in 1853, on a local basis, and under charters which excluded non-public practitioners, the scene was set for a proliferation of other bodies representing accountants in other locations and engaged in other specialisms. By the late 1920s there were at least 17 organisations of accountants. During the late nineteenth century chartered accountants discovered that their incorporation did not secure complete professional monopolies. Subsequent attempts to close off public practice through state registration were unsuccessful because of destructive quarrels between the multiplicity of competing organisations. This monograph reports on the most concerted and ambitious effort to achieve the unification and closure of the UK accountancy profession in modern times, that which culminated in the failure of 1970.

The Co-ordinating Committee, 1942-1951

In 1930 the Goschen Report concluded that the registration of the profession was not in the public interest. The issue resurfaced during the Second World War and a Co-ordinating Committee was formed comprising representatives of chartered, certified and incorporated accountants. The Co-ordinating Committee attempted to secure a statutory monopoly of practice through a Public Accountants' Bill. However, the framing of new companies legislation dominated the agenda of the relevant government department, the Board of Trade. After the passing of the Companies Acts, 1947 and 1948, the major accountancy bodies did not secure registration but did achieve statutory practising rights in relation to corporate auditing. The experiences of the Co-ordinating Committee contributed to the formation of ICAS

in 1951 and the integration of incorporated accountants into ICAEW, ICAS and ICAI in 1957.

An incomplete reorganisation

The dust had not settled on the chartered-incorporated merger before those excluded from the agreement raised the question of the future organisation of the profession. Members of the ACCA in public practice desired integration with the chartered institutes. However, the advances of the ACCA were rejected because only 21% of certified accountants were engaged in public practice and the chartered bodies deprecated the standards of entry, training and examination of the Association.

New proposals for unification

Within the secretariat of the ICAEW a different view prevailed. A memorandum was circulated in November 1959 which suggested that the English Institute was threatened in industrial accounting and should raise its standards of entry, qualification and conduct. In February 1962 the ICAEW appointed a Development Sub-committee to consider the future structure of the accountancy profession. In 1963 this subject was remitted to a Future Plans Committee (FPC). The appearance of the Robbins Report on higher education in Britain heightened concerns about future recruitment to the profession. Concurrent with these developments, discussions took place between the ACCA and ICWA about a possible merger though the Association declared a preference for union with the ICAEW.

The key report of the FPC, *The Future of the Profession*, was approved by the ICAEW Council in 1965. It proposed that the principal accounting bodies would merge into an enlarged chartered institute. Members would enter an upper tier of chartered accountants in public practice or industry, or a lower tier of licentiate accountants.

Admission to Tier I would be on the basis of higher standards of entry and qualification than Tier 2.

These proposals were based on three major assumptions: a statutory 'ring fence' should be established round the profession; unification of the accountancy bodies; and leadership of the new structures would be vested in the ICAEW. The 'ring fence' was considered as an essential prerequisite of the scheme. Its object was to close practice and prohibit the formation of new accountancy bodies. The ICAEW commenced discussions with the Board of Trade on the likelihood of government support for such a measure.

Establishing a statutory ring fence posed a dilemma for the profession. Legislative sanction was likely to be forthcoming if lesser accounting bodies were included within the statutory professional boundary. However, this prospect would also 'dilute the profession'. Senior members of the ICAEW answered that dilution was unavoidable and a price worth paying for a unified accountancy profession.

Discussions between the participating bodies

In the spring of 1965 preliminary meetings were held between the FPC and representatives of ICAS, ICAI, ACCA and ICWA on the future of the profession. ICAS delegates questioned the ring fence concept and demurred at the prospect of a single accountancy body. A second round of talks during summer 1965 identified a number of more detailed concerns regarding training and the status of overseas students. Although the ICAEW was determined to lead the accountancy profession, it became clear that this could not be accomplished within a single unified body for the UK. To accommodate Scottish and Irish sensibilities it was agreed that three separate but parallel unification schemes would be prepared.

Discussions with the Board of Trade

The Future of the Profession was revealed to the Board of Trade in February 1965. While there were no departmental objections to the proposals for unifying the professional bodies, reservations were expressed about establishing a ring fence. This attempt at monopolisation ran counter to the policy of the Labour Government in relation to restrictive practices and the accountants were advised not to proceed with their scheme on the assumption that the government would agree to a ring fence.

The FPC had been enlarged to include the IMTA in January 1966. A Joint Steering Committee (JSC) of the six major accountancy bodies was formed in April 1966 to progress the plans for the future of the profession. The JSC envisaged that a definitive scheme would be presented to the participating bodies by the autumn.

The need for the accountancy bodies to resolve difficult issues surrounding *The Future of the Profession*, meant that the document was not formally submitted to the Board of Trade until April 1966. A reply was promised by the end of May. Meanwhile, the Board requested that additional evidence be supplied of the public damage caused by the activities of unqualified accountants. The ICAEW was unable to provide convincing documentation.

One official in the Board of Trade was sympathetic to the accountants' cause and this, together with a similar proposal for closure in estate agency, resulted in some indecision in Whitehall. This was resolved by suggesting that the Monopolies Commission investigate restrictive practices in the professions and thereby provide a 'wider context' for consideration of monopolies in individual occupations. The accountants were not made aware of these developments until December 1966. The decision by the Board of Trade did not incite accountants to consider the wisdom of continuing with their plans despite the fact that a central tenet – a statutory ring fence – was now in doubt. Neither did officials in the Board of Trade discourage attempts towards rationalisation. Hence, the accountants embarked on a revised strategy of unification.

Working out the details of the scheme

Working parties were established by the JSC to address a range of complex and difficult issues relating to the Scheme. These involved overseas matters; practice rights; reconciling an array of divergent positions on entry standards, examinations and experience; the status of 'other' accountancy bodies; and, the preparation of a draft constitution for the enlarged English and Welsh institute. The latter revealed the deep rift between the public practice and industrial branches of the profession. The absence of information from the Board of Trade on the statutory ring fence made it impossible for many of the working parties to submit firm recommendations to the JSC and several thorny issues remained unresolved. As a consequence the ambitious timetable of the JSC could not be met and the preparation of a definitive scheme was postponed.

Official announcements

An official announcement to members about discussions on unification was made in March 1966. While the JSC and its working parties were attempting to perfect the scheme, the councils of the participating bodies expressed their reservations about a number of issues. ICAS was concerned about the JSC's tight timetable and the need to resolve an internal debate concerning a possible merger with ICAEW. The negotiating bodies also disputed the composition of the council of the enlarged institute. The inclusion of the IMTA in the discussions raised the possibility of the creation of a Tier 3 of accountants in public service.

In the absence of detailed disclosures about the scheme, members tended to focus on divisions within the profession rather than the principles on which unification might proceed. In March 1967 the rank and file were informed that the idea of a single-tiered institute for the UK had been supplanted by plans for three enlarged chartered institutes in England and Wales, Ireland, and Scotland.

A revised scheme

The reference to the Monopolies Commission removed the likelihood of gaining a statutory ring fence. Nevertheless, in February 1967 the JSC recommended that unification proceed. The ICAEW considered that the alternative was a union between the ACCA and ICWA and a consequential loss of its leadership of the profession in commerce and industry. The ICAEW was also anxious to protect the public practice arm of the vocation. The councils of the ICAI and ICAS also recommended progress toward unification though some concern was expressed at ICAS about dilution. The ACCA was concerned that licentiate accountants would be perceived as an inferior class. A vociferous and large minority of the ICWA Council objected to any form of unification with the chartered institutes. Doubts were expressed about the extent to which the interests of the commercial and industrial arms of the profession would be safeguarded under the schemes. The JSC threatened that delay by ICWA would result in progress without the cost and works accountants. The IMTA agreed to the schemes in principle subject to assurances about increased representation on an enlarged Council and promises of specialist examinations.

In October 1967 the accountancy bodies announced that definitive schemes would be presented by the end of the year. However, differences of opinion on practice rights and the inclusion of the junior 'BFI bodies' in the schemes continued. It was agreed that approval of the schemes 'in principle' by all the participating bodies was required before proceeding to a vote of members. The schemes would be published in July 1968, ending a long period of uncertainty for the rank and file.

Opposition and rejection

A small number of members had expressed opposition to the unification proposals since the formal announcement in spring 1966.

A resolution was submitted to the AGM of ICAEW in May 1968 calling for the withdrawal of the Institute from all negotiations with the non-chartered accountancy bodies. The motion was lost but its appearance caused uncertainty among the office bearers of the ICAEW. The ensuing public debate on unification was not conducted with much civility. Most correspondents objected to 'dilution' in terms that were disparaging of 'lesser' accountants. The ICAEW compounded concerns among the members about dilution by proposing to include the 'BFI bodies' in the schemes.

Following district and local meetings of members in autumn 1968, the executives of the institutes considered that no further major changes to the proposals were necessary. The attendance and voting statistics at the meetings of ICAS members demonstrated a significant degree of hostility and opposition, particularly in Glasgow, where the largest concentration of CAs resided. At special meetings of the participating bodies in spring 1969 the members approved the unification proposals 'in principle'. The resolutions included a caveat that all the participating bodies gave approval to the schemes.

A crisis at ICAS

In May 1969 members of ICAS voted for the scheme in principle by only a slim majority. The Council concluded that there was little prospect of achieving the required majority for constitutional change and withdrew from unification. Notwithstanding the 'one out, all out' clause the other accountancy bodies decided to proceed without ICAS with schemes covering England and Wales, and Ireland. It was hoped that Scottish participation would resume later. A number of ICAEW members commented that the 'one out, all out' caveat had been ignored by the JSC.

ICAS faced a crisis. Its Council was almost unanimously in favour of the scheme. The President of ICAS embarked on a propaganda campaign and the Council decided to hold a further postal ballot on the question: 'If the English scheme is to be implemented should

the Scottish scheme be implemented at the same time?’ In January 1970 76% of voting members answered yes. ICAS re-entered the proposed scheme.

Opposition in England and Wales

Although dilution had long been identified by ICAEW as a significant issue no convincing counter argument to this fear was formulated. The issue was downplayed and a mantra was pronounced that dilution should be conceded as a one-off event, with no serious long-term implications for members. At the ICAEW’s agm in 1968, the Council downplayed the extent of opposition to the scheme. Its attitude was bolstered in April 1969 when 66.2% of the votes at a special meeting were cast in favour of the scheme in principle. However, the turnout was only 42%.

The temporary withdrawal of ICAS from the scheme in 1969 encouraged dissenters within the ICAEW. Two opponents, Nicholson and Sutherland, pursued a postal campaign, and based on their shared experience in fighting corporate takeover bids, they sought proxy votes against the scheme. At a special meeting of the ICAEW on 24 June 1970, by which time the members of the other participating bodies had voted in favour, 121 voted for integration and 81 were against. A transcript of the special meeting was sent to ICAEW members together with a voting card. The result of the ICAEW poll was announced on 14 August 1970. The turnout was the highest in the history of the Institute, but the result was not as the Council had expected. The resolution seeking approval for the integration scheme attracted only 44.8% support. The ICAEW office-bearers were stunned at this outcome. A decade of discussion to address the future of the profession had culminated in the rejection of the scheme. The JSC was wound up in September 1970.

Observations

The primary sources utilised for this investigation suggest that there were three underlying reasons for the failure to unify the profession during the 1960s. These, together with the findings of our earlier study (Shackleton and Walker, 1998) offer points of caution in any future attempts to pursue rationalisation.

Firstly, the manner in which leaders of the profession engaged with government. This relates to the failure to recognise the power of mandarin civil servants, to align plans for the profession with prevailing government policy, and, to persuade policy makers that schemes for the profession are in the public interest. Secondly, the integration schemes were not pursued on the foundation of a widespread desire for change. Unification was based on attempts to reassert the hegemony of a particular organisation and fears about the consequences of the merger of other bodies. This encouraged the emergence of particularist-driven schemes for the profession; attempts to impose tight timetables even though disagreement continued to exist on important issues; scorn for dissent; a limited consideration of why previous attempts at unification had failed; limited discussion of alternative plans; and, the continued pursuit of schemes even though central components become unattainable. Thirdly, the detachment of office bearers from their memberships. This was evident in the often disdainful behaviour of the profession's leaders towards the rank and file manifest in the partial attempts to elicit members' opinions; a reluctance or inability to convincingly address deep-seated concerns expressed by the members; the determined pursuit of plans in the face of evident opposition; and, efforts to control debate. This detachment of office bearers was surprising given that the memberships have the ultimate authority to accept or reject constitutional change.

CHAPTER ONE

INTRODUCTION

There can be little doubt that one of the principal difficulties in persuading the members of the participating bodies to accept the integration scheme will be to assure them that professional standards are not being unduly or unjustifiably diluted by the admission of large numbers of people who demonstrably have much less rigorous standards of education, training and examination than themselves (ICAEW, JSCA/B, WP4, 16.6.66).

Background to the project

This monograph constitutes the second report of a wider investigation into the organisation of the accounting profession in Britain during the twentieth century. A particular focus of this investigation has been to study 'the stormy path' (Howitt, 1966, p.150) of the several attempts to restructure the profession and to comprehend the reasons for the success, or, more commonly, the failure of these attempts.

The first report, on the period 1930-57, was published by The Scottish Committee on Accounting History of The Institute of Chartered Accountants of Scotland as *Professional Reconstruction: The Co-ordination of the Accountancy Bodies 1930-1957* (Shackleton and Walker, 1998). That monograph examined the efforts of the accountancy profession to obtain government support for a number of Public Accountants' Bills during a period when there was close collaboration between the state and producer groups such as trades unions, employers associations and professional organisations. The efforts to 'co-ordinate' the profession during the 1940s and 50s were

consistent with the objective of the accountancy bodies from the late nineteenth and early twentieth centuries to achieve the registration of the profession and hence secure a monopoly of practice. But all attempts had ended in failure, primarily due to internecine squabbles between the increasing number of accountancy bodies over fundamental issues such as defining public accountancy, devising uniform systems of qualification, and formulating acceptable constitutional structures. These attempts were also conducted in an environment where perceptions of differential status between the professional organisations and their memberships were keenly felt. An additional obstacle to restructuring was the absence of governmental support for the establishment of a statutory monopoly in the supply of accountancy services.

In the immediate post-war years, a significant advance was made in closing the profession when the Companies Act, 1947 restricted the supply of certain corporate audit services to the members of professional bodies and individuals recognised by the Board of Trade. The internal structure of the accountancy profession was also altered significantly during this period, with the union of the three Scottish chartered accountancy bodies as The Institute of Chartered Accountants of Scotland in 1951, and the absorption of the Society of Incorporated Accountants and Auditors (SIAA) by the three chartered accountancy bodies of England and Wales, Scotland and Ireland in 1957. The organisational structure which existed by the late 1950s has remained substantially unchanged to the present day. This is despite several further attempts to rationalise the profession.

The most notable effort to achieve unification took place during the 1960s when the six major accountancy bodies engaged in lengthy and detailed negotiations on proposals to implement the most fundamental change to the structure of the profession in the British Isles that had ever been contemplated. This monograph focuses on that attempt, tracing the emergence of an ambitious plan to redesign the structure of the accountancy profession: one which envisaged the integration of the ACCA, ICWA and IMTA into the three chartered institutes

in England and Wales, Ireland and Scotland, and the creation of two classes of qualified accountant: chartered accountants and licentiate accountants. This scheme came close to being accepted. But the quest for a new future for the profession was to end in ‘disaster’ when, during the summer of 1970, members of the ICAEW rebelled against it.

Following an explanation of the research method and sources used in the study, the remainder of this chapter offers a brief résumé of the organisation of the accountancy profession since 1853, with a particular emphasis on developments during the period immediately preceding the subject of the current study. Subsequent chapters discuss the way in which the integration of 1957 offered only a partial unification, and the emergence of new plans for the profession during the early 1960s. The content of these plans, and the deliberations of the accountancy organisations are then analysed as are the attempts to persuade the Board of Trade to introduce statutory protection for a unified profession. Subsequent chapters examine the efforts to find agreement among the participating bodies on the details of the scheme, the relationships between the accountancy organisations, the responses to the government’s apparent unwillingness to support legislation for the profession, the attempts to persuade the members of the merits of the unification scheme, and the circumstances which surrounded its rejection in 1970.

Research method

Many previous commentators on the history of the accountancy profession during the twentieth century have relied on secondary sources and, in particular, the official institute histories. We contend that failure to consult the available archive carries the risk that the historical record and the interpretation of that record is incomplete and potentially misleading. No history of developments in the accountancy profession can be related without a consideration of the personalities of the leading players, the objectives of the institutions involved and

the socio-political contexts in which negotiations on rationalisation plans took place. Accordingly, this study follows the same research philosophy and methodology as its predecessor. Both projects have been based on a variety of primary sources, including contemporary journals, government papers and the surviving documents of the principal professional organisations. The methodological approach of triangulation as applied to qualitative archival research has been adopted, whereby multiple sources relevant to the same historical phenomena are contrasted to identify convergences and divergences in the accounts of the principal actors. Triangulation permits us to 'capture a more complete, *holistic*, and contextual portrayal of the units under study' (Jick, 1979, p.605; also see Denzin, 1978).

It should be noted that to enhance the readability of the text, references to manuscript sources have been kept to a minimum. The report contains a number of appendices. These primarily contain copies of key documents. Appendix A contains brief biographical notes on the actors who played significant roles in the integration schemes which were developed and laid before the members in 1969-70. The titles and names of individuals given in the text are stated as at the time of their involvement in the events discussed.

Organisation of the accountancy profession, 1853-1930

It is widely recognised by students of the accountancy profession in the UK that its multi-organisational structure '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). The following sections sketch that development.

The earliest known organisation of accountancy practitioners in Britain was formed in Edinburgh in 1834 as The Committee of Accountants Practising Before the Court of Session. This *ad hoc*, single-issue association lobbied successfully against a Bill which would have removed from Edinburgh accountants a significant component of

their professional practice, the audit of judicial factories (a form of trust under the supervision of the courts). More enduring organisations were founded in Scotland following the appearance in 1852 of proposals to reform the Scottish system of bankruptcy and insolvency and the administration of bankrupt estates by trustees (of whom 60% were accountants). These proposals, which emanated from London, were perceived as a significant threat to the livelihood of professional accountants in Edinburgh (Walker, 1995). Consequently, accountants in the Scottish capital combined in 1853 to protect their interest as The Institute (later the Society) of Accountants in Edinburgh (SAE). Shortly thereafter an Institute of Accountants and Actuaries in Glasgow (IAAG) was founded to protect the interests of accountants in the west of Scotland (Brown, 1905; ICAS, 1954). Both of these societies endeavoured to advance their professional status by obtaining a Royal Charter of Incorporation. This they succeeded in achieving in 1854 and 1855 respectively. Although publicly there was no apparent attempt to form themselves into a national organisation, the IAAG and the Society of Accountants in Aberdeen (SAA) which had been formed in 1866, were willing to unite with the SAE. However these initiatives were frustrated, primarily because the SAE considered itself as holding a higher status than the IAAG and SAA (Shackleton, 1995).

Following the passing of the Bankruptcy Act, 1869, which introduced into England and Wales the Scottish system of bankruptcy administration by trustees, the local pattern of organisation in Scotland was repeated in England with the founding of societies in Liverpool (1870), London (1870), Manchester (1871) and Sheffield (1877). The formation of the Institute of Chartered Accountants in England and Wales (ICAEW) was the outcome of inter-organisational disputes among the extant local English bodies and the intention of the Society of Accountants in England (formed in 1872) to achieve incorporation by means of a parliamentary bill. The bill was rejected and the idea of pursuing independent charters by the separate associations in England was blocked by the Privy Council who suggested that there should be one institute covering England and Wales. Accordingly, the ICAEW

was formed and chartered in 1880 (Boys, 1994; Howitt, 1966). In 1888, The Institute of Chartered Accountants in Ireland (ICAI) also received a Royal Charter (Robinson, 1964).

The SAE, IAAG, SAA, ICAEW and ICAI were initially content with their organisation under Royal Charters. However, while such recognition undoubtedly enhanced the professional status of the members and enabled their use of distinguishing credentials, it did not confer a complete legal monopoly of professional practice. Nor did it prevent the formation of other organisations of accountants. The localised structure of the profession in Scotland together with restrictions on entry to the chartered ranks both north and south of the border, encouraged the establishment of a host of competitor organisations, most notably during the last decades of the nineteenth century, the Scottish Institute of Accountants (1880), the Society of Accountants and Auditors (1885) and the Corporation of Accountants (1891).

Further, because 'professional' and chartered accountancy became equated with 'public practice' there was no room within the ranks of the chartered institutes for those who were engaged in new specialisms such as cost accounting and accounting in local government. Accountants who were involved in such work were obliged to form their own professional associations: The Corporate Treasurers' and Accountants Institute (1885) (Sowerby, 1985); and the Institute of Cost and Works Accountants (ICWA) (1919) (Loft, 1986). The increasing demand for the provision of accountancy and taxation services to small businesses, for whom the engagement of a chartered accountant was unnecessary and uneconomic, also encouraged the formation of 'junior' organisations during the early twentieth century. The consequence of these developments was an inexorable growth in the number of accounting associations, each of which was determined to gain acceptance, not only in the eyes of the public, but also from other accounting bodies and government. The result is a history of the British accountancy profession which has been characterised by 'exclusion,

segmentation and merger' (Willmott, 1986, p.566), and 'creation, amalgamation and fragmentation' (Edwards, 1989, p.277).

The efforts by non-chartered bodies in Britain to obtain equality of status were invariably met with resistance from the 'senior' organisations. In consequence, enduring antagonisms were nurtured and 'junior' societies continued to proliferate throughout the early twentieth century. By 1929 there were seventeen known organisations of accountants who provided a wide range of services and occupied different levels in the professional status hierarchy.

The Search for the *Holy Grail* and the Goschen Enquiry 1930

A fundamental objective of the professional accountancy bodies during the late nineteenth and early twentieth centuries was to extend the closure of public practice to sustain a market monopoly of accountancy services (Lee, 1996, p.170). Initially, professional organisations assumed that securing a Royal Charter would bequeath sufficient status to provide *de facto* closure. However, this did not afford adequate protection from the sustained efforts of increasing numbers of competitor organisations and unaffiliated accountants to obtain a share of available fee income. During the late nineteenth century, there was considerable discord amongst the various accountancy bodies (Macdonald, 1985; Willmott, 1986; Kedslie, 1990; Walker, 1991, 1995; Shackleton, 1995). Initially, *intra*-professional disputes centred on the nomenclature issue of 'CA', but after the Privy Council and the courts decided in favour of the existing chartered societies in 1893 and 1903, the conflict focused on the issue of formal recognition by the state.

From 1890 to 1930, numerous attempts were made by the various accountancy organisations in Britain to obtain the ultimate prize of state recognition by means of registration. These attempts have been well documented (Macdonald, 1985; Kedslie, 1990; Kirkham and Loft, 1992). However, all efforts to promote bills through Parliament failed,

primarily because the profession was unwilling or incapable of uniting behind any one of the several measures proposed. Thus opponents in one or other of the Houses of Parliament were provided with the opportunity of raising crucial objections to these private bills, resulting in their being withdrawn. Macdonald claims that the internecine quarrels between the disparate accountancy bodies was the main reason for the failure to achieve registration (1985, p.546). However, it should also be noted that the quest for a monopoly *de jure* was also affected adversely by internal divisions within those same bodies. Compounding the obstacles to obtaining registration was the limited enthusiasm demonstrated by the sponsoring department of government, the Board of Trade. In a period when the dominant ethos in commercial policy remained 'free trade', governments declined to afford legislative time to a measure that they considered to be an attempt to secure a monopoly of public accounting services.

The last formal government enquiry to consider registration of the accountancy profession was established on 7 February 1930. The President of the Board of Trade created a Departmental Committee of Enquiry under the chairmanship of Viscount Goschen (Howitt, 1966, 66-7). The enquiry was occasioned by the large number of Corporation Bills that were presented to Parliament during the 1920s. The issue of eligibility to conduct audits gave rise to anxiety as the legislation often named or ignored one or more professional bodies of accountants. The issue reached its critical point with the promotion of the Chester Corporation Bill in 1929. The Chairman of the Local Legislation Committee commented on the issue of eligibility, and, in a Special Report, the Select Committee on Local Legislation recommended:

Having regard to the great importance of the profession of accountancy and auditing, (we) recommend that this profession be placed on a unified basis similar to that of other learned professions by the incorporation of a representative body, having control over the whole profession, and keeping a register in which should be inscribed the names of all fully qualified members of

the profession (Special Report, British Parliamentary Papers, 1928-9, vol.iv, p.ix).

The chartered institutes and the SIAA saw acceptance of this recommendation for unification as a serious threat to their socio-economic interests because of the implication that 'junior' societies would secure equal legislative recognition. Accordingly, on 13 June 1929, the ICAEW sent a letter to the Joint Committee of Councils of the Scottish chartered accountants inviting representatives to meet with the Parliamentary and Law Committee of the ICAEW to discuss the matter. At a meeting held on 11 July 1929, it was agreed that a deputation of chartered accountants should make representations to the Board of Trade and request that 'a Departmental Committee be set up to consider in all its aspects the question of Registration' (ICAS, 13/3, p.70-71). The Board of Trade had indicated to Sir William Plender, President of ICAEW, that the SIAA should also be 'joined in any application for a Departmental Committee' as this organisation had been named in the Chester Corporation Bill. A joint memorandum was accordingly prepared and sent to the Board of Trade. At a conference held on 15 October 1929, the President of the Board of Trade was reported as being:

... in sympathy with their object, and that what he wished from the delegation was an indication as to the form of Commission or Committee which would be most suitable, if he consented to set up a Committee, and the interests to be represented upon it (ibid).

Sir William Plender requested that a Departmental Committee of Enquiry be established stating that this lowest-level enquiry would be preferred to a Parliamentary Committee or a Royal Commission. The terms of reference of the Departmental Committee were:

... to consider and report whether it is desirable to restrict the practice of the profession of accountancy to persons whose names would be inscribed in a register established by law and,

if so, to report on the method by which such register should be established and controlled (Registration of Accountants, British Parliamentary Papers, 1929-30, vol.viii).

The Goschen Committee 'heard a large volume of evidence' (Howitt, 1966, p.154). This fell under three broad groupings. The chartered societies, assisted by one junior body, argued that registration was unnecessary as there was insufficient public demand for it. They also claimed that standards of entry and qualification in the profession would inevitably be lowered if the members of all *extant* accounting societies were included on a register (Registration of Accountants, pp.12-16). The senior chartered bodies had one simple objective in mind: to exclude junior societies from gaining recognition through their admission to a register of public accountants.

The junior societies, by contrast, were almost unanimous in their support for registration. To advance their case, the junior societies argued that a register would curtail the activities of unqualified persons who were not subject to any form of disciplinary control. It was claimed that many of the 'accountants' who advertised and touted for business, particularly in the English provinces, were not worthy of public confidence. It was also stated in support of registration that the public were bewildered by the 'number of societies and the diversity of their qualifications, standards and designatory letters' (*ibid*, p.8). In one submission from a junior society it was also asserted:

... the adoption of registration would bring about a cessation of those sectional rivalries and bids for recognition which have unfortunately characterised the profession and that in consequence more attention would be concentrated on co-operative effort in the development of professional education (*ibid*, pp.12-13).

The third set of submissions were from interested parties who were not accountants. This group were generally negative or lukewarm to the idea of establishing a register of accountants. Commercial organisations objected to the likelihood of the creation of a monopoly in accountancy services if registration took place. They feared that this

might lead to an increase in the fee structures of the profession 'out of all proportion to the work required to be done' (*ibid*, p.16).

One major issue that emerged during the Goschen Enquiry was the difficulty involved in adequately defining the practice of accountancy. Although a number of definitions were proposed, it became clear that none covered the whole field.

The report of the Goschen Enquiry was published in August 1930. It unanimously recommended that the public interest would not be served by restricting the practice of accountancy by the creation of a register. The overriding criterion, which determined the stance of the Goschen Committee, was stated to be the preservation of the public interest. The Committee reported it had found no evidence to suggest that the consumers of accountancy services had any desire for change to the existing state of affairs.

The President of the Board of Trade accepted the findings of the Goschen Committee. In consequence the main objective of the chartered societies to maintain the *status quo* and preserve the existing hierarchical structure of the profession, was accomplished. The decision by the President brought attempts to secure a registration bill for the accountancy profession to a temporary halt. Those who led the senior accountancy organisations at the time of the Goschen Enquiry were to remain in influential positions throughout the 1930s. Subsequently, however, a new generation of office bearers came to dominate policy making. Several of these men held different views on registration and were also well placed to promote their ideas before institute councils and the government.

Co-ordination movement, 1942-55

Another attempt to obtain state registration was made in 1942-51. As noted earlier, all previous attempts to achieve that objective had failed primarily because the major societies could not reach agreement. By contrast, the Co-ordination Committee was able

to obtain a broad consensus among the major accountancy bodies in the British Isles.

The formation of the Co-ordinating Committee took place during the Second World War, a period marked not only by the military exigency but also significant socio-economic and political change. In particular, the state became increasingly centralised and corporatist in character. To maximise their influence in the framing and actualisation of policy, interested groups, such as accountants, were required to be co-ordinated. Professional accountants were enlisted by government to assist in war-time policy development and implementation. Such participation was further encouraged by the reconstruction movement whereby the population was not only engaged in a concerted effort to win the military conflict but also in the attempt to create the conditions for a better society after the war was won. It became obvious that the full and effective participation of the accountancy profession was hindered by its fractured organisation.

Representatives of the ICAEW requested a meeting with the minister responsible for reconstruction, Sir William Jowitt, in 1942 to ask for guidance on their potential involvement in post-war activities. At that meeting the Minister was quoted as asking the accountants when they would 'put their own house in order'. This remark was seized on by ICAEW President, Charles Palmour, as support for efforts being pressed by ICAEW and SIAA to co-ordinate the profession and create a form of registration administered by Public Accountants' Councils. The ICAEW established an 'informal' committee involving the SIAA, the three Scottish chartered societies and the ACCA to draft a scheme for the profession. The proposals were not received with unanimity by the accountancy bodies and deep suspicions were aroused about the real motives of the ICAEW President. Palmour held the opinion, publicly expressed, that a full merger of the chartered institutes was his long-term ambition. He wished to proceed with haste on the proposal to institute Public Accountants' Councils and secure attendant legislation, but placed a strict embargo on the disclosure of the details of the scheme to ordinary members. As the terms of the draft

Bill became known, opposition emerged from the government and representatives of industry. Once more, the proposals to co-ordinate the profession were perceived as an attempt to impose restrictions on public practice and create a monopoly. Nevertheless, the accountancy bodies, despite severe reservations about proposed examination and training requirements, approved the plan at special general meetings in 1946. The Scottish societies had insisted on a separate Council for Scotland. Later a separate body for Ireland was also proposed.

Initially the Irish Institute had not been invited to discussions because the cross-border constitutional status of the ICAI wrought confusion to the Co-ordinating Committee. The ICAI proffered convincing evidence to demonstrate that it should be included in any UK legislation and granted the status of a 'qualifying body' under the proposed scheme. This issue was finally resolved when the Board of Trade recognised the ICAI under Section 161 of the Companies Act, 1948. Other 'junior' accountancy organisations that pleaded for recognition under the proposed legislation were ignored and specialist bodies of accountants were informed that the provisions of the Public Accountants' Bill would not impair their ability to practice.

The accountants and the Board of Trade were heavily engaged in discussions during the late 1940s as attempts were made to resolve problems posed for the Board by applications received for recognition as auditors under the provisions of the Companies Act, 1947. The Board suggested that these applicants should be absorbed into a 'fourth' accountancy body. This proposal was received with alarm by the senior accountancy organisations. A compromise was reached between the Board of Trade and the Co-ordinating Committee whereby ACCA agreed to absorb within its ranks the 'better elements' from among the 'junior' accountants. However, this proposal was frustrated when it was rejected by ACCA members in 1955.

From 1948 the Co-ordinating Committee attempted to obtain support from the Board of Trade for a revised Public Accountants' Bill but, by mid-1948, it was becoming clear that considerable differences of opinion were difficult to bridge. In 1950 the ICAEW decided to

abandon the Bill and explore the possibility of preparing alternative legislation. But, by April 1951, it was decided there was little point in proceeding further. The ICAEW was supported directly in this position by the Scots and Irish chartered accountants, whilst the SIAA was anxious to continue with the good relationships it had engendered with ICAEW during the meetings on co-ordination. The ACCA expressed great disappointment that the accountancy profession was 'back to the place from which we started'. This effectively proved the end of the Co-ordinating Committee's efforts to secure registration.

In previous years registration had often been frustrated by the inability of the accountancy bodies to agree on any particular measure. Another reason for the failure to obtain registration during the 1940s and 1950s was as follows:

The Co-ordinating Committee did not comprehend the enhanced power of mandarin civil servants in the corporatist state. Although senior bureaucrats assume brokerage functions between interest groups and Ministers they also constitute powerful intermediaries within the state who are not averse to the protection of their own interests and functional domains. The accountancy profession has to recognise the power of civil servants who monitor and scrutinize their proposals for reorganisation. (Shackleton and Walker, 1998, pp.104-105).

Organisational change, 1946-57

Despite the failure to achieve its principal objectives, the movement to 'co-ordinate' the profession did encourage some changes to the structure of the accountancy bodies. Previous to the 1940s, attempts to merge the chartered societies in Edinburgh, Glasgow and Aberdeen had proved fruitless, primarily because of strong resistance to the idea from the SAE (Shackleton, 1995). The Scottish societies co-operated on matters of mutual interest through a Joint Committee of Councils, formed in 1916 (*ibid*). The constitutional structures of the Scottish

chartered bodies were revealed as cumbersome during the attempt to co-ordinate the profession. Sir David Allan Hay tabled a motion before the Joint Committee of Councils for the amalgamation of the Scottish chartered bodies in December 1945 (Shackleton and Walker, 1998, pp.100-101). Although a number of contentious matters had to be resolved, The Institute of Chartered Accountants of Scotland came into being in 1951. The Institute of Accountants and Actuaries in Glasgow and the Society of Accountants in Aberdeen surrendered their Royal Charters and were merged under a modified supplemental Royal Charter of the Society of Accountants in Edinburgh.

The SIAA had desired a merger with ICAEW for many years but its approaches had always been rebuffed. Attitudes began to change during the 1940s and early 1950s when it was appreciated that the SIAA was perceived as being among the leading institutions of the British accountancy profession. Opinion among the ICAEW representatives on the Co-ordinating Committee had favoured merger with the SIAA, but this had been rejected by the ICAEW Council. It was thought by many in the ICAEW that a merger with ICAS was a more attractive proposition. However, approaches made in 1954 and 1955 were rejected by ICAS and the ICAEW returned to the possibility of merging with the SIAA. An additional stimulus for this reappraisal was the growing realisation that some members of the SIAA were discussing the possibility of a merger with the ACCA. The ICAEW was particularly concerned that a union between the incorporated and certified accountants would create a large and unified second-tier body which would prove threatening to the chartered institutes. Such a body might carry sufficient political weight to carry a registration bill containing provisions detrimental to the ICAEW. Political expediency drew the ICAEW to the conclusion that 'informal' discussions should be opened between the ICAEW and SIAA. In the autumn of 1954 the two presidents discussed a merger. A suggestion from the ICAS President that the merger should be on a federal basis was accepted. The President iterated that such a merger 'would not prejudice in any way the formation of an Institute of Chartered

Accountants of Great Britain in the years to come' (*ibid*, p.103). The merger of the SIAA was consummated in November 1957.

Following the chartered-SIAA merger, the failure of the co-ordination movement to achieve registration, and its own ability to secure the absorption of the better elements of the 'BFI bodies', the ACCA considered itself isolated. The certified accountants made approaches to the ICAEW to seek a merger along the lines of that secured by the incorporated accountants but these advances were rejected (Walker and Shackleton, 1998).

Summary

The first modern and enduring organisations of professional accountants in Britain were formed in Edinburgh and Glasgow in 1853. These city-based societies were granted Royal Charters shortly after their formation and effectively defined chartered accountancy as public practice. The local English societies formed from 1870 united as a national institute under a Royal Charter in 1880. The chartered profession discovered that their incorporation did not provide complete professional monopolies and this, together with exclusivity in their approaches to recruitment and membership, encouraged the formation of competitor organisations and specialist associations. Accountancy bodies sought the closure of public practice through state registration, but these efforts failed because of mutually destructive quarrels. The issue of registration received formal consideration by the Groschen Enquiry in 1930. This reported that registration was not in the public interest.

During the Second World War professional accountants were enlisted to assist in war-time policy development and implementation. The reconstruction movement also provided an opportunity for the profession to become involved in post-war activities. A chance remark by the government minister with responsibility for reconstruction persuaded the President of the ICAEW that formal encouragement for state registration was on the table and led to the formation of the

Co-ordinating Committee. This committee engaged in a determined effort to secure a Public Accountants' Bill with the approval of the Board of Trade. However, the creation of a professional monopoly was not in the Board's mind. After the passing of the Companies Act, 1947 and its provisions relating to the appointment of auditors, the accountants' desire for registration was frustrated and they withdrew their efforts.

The activities of the Co-ordinating Committee were not entirely without results. The experience gained in the discussions impressed on the Scottish societies the wisdom of unification and, after almost a century of separate existence, the three societies formed The Institute of Chartered Accountants of Scotland in 1951. The ICAEW was alarmed at the prospect of the SIAA merging with the ACCA and, in conjunction with ICAS and ICAI, proposed a merger with the incorporated accountants. This long-term objective of the SIAA was realised in November 1957. The merger left the ACCA isolated, even more so when its application for a union on the terms of the chartered-SIAA model fell on stony ground.

CHAPTER TWO

RESPONSES TO THE INTEGRATION OF 1957

This chapter explores the structure of the accountancy profession in the British Isles in the aftermath of the merger of the SIAA with the three chartered institutes in 1957. This reorganisation motivated the members of the ACCA to protest about their exclusion from the integration scheme. The response of ICAEW to the resultant approaches of ACCA is examined. The chapter traces the reconsideration of policy which was undertaken by the English institute during the late 1950s and early 1960s. This resulted in a fundamental shift in the stance of ICAEW on the subject of the organisation of the profession.

Exclusion of ACCA from the merger

The federal restructuring of the major accountancy bodies in 1957 was not as comprehensive a solution to the problem of the structure of the profession as it first appeared. The foremost ‘casualty’ of the accommodation between the chartered institutes and the SIAA was the ACCA. As details of the merger were made public, many certified accountants began to complain to their Council about the exclusion of the Association from the scheme. Correspondents to the professional press expressed their disappointment at the failure to secure a merger with the chartered institutes on the same basis as the SIAA (*The Accountants Journal*, 1958, p.65, p.93).

A Special Committee on Integration, chaired by Lord Latham, a Past-President of ACCA, considered a number of letters on this subject in January 1957 (ACCA, Minutes, No.27, 11.1.57). A meeting of representatives of the branches and the district societies of the

Association was convened on 8 February after which Lord Latham reported to the Council:

... it had become clear that a substantial number of members, both practising and non-practising, desired that an approach should be made to the Institute (ICAEW) and to the other bodies concerned, for the purpose of exploring the possibility of bringing the Association within the framework of the integration scheme (ACCA, Minutes, No.1936, 12.3.57).

Letters on the subject of integration, approved by the ACCA Council, were despatched to the chartered bodies on 15 February 1957. These communications had been anticipated by the ICAEW secretariat. A private and confidential memorandum dated 4 February from the ICAEW Secretary, MacIver, to his President, W H Lawson, contained a review of the regulation of the profession and referred to the position of the Association. The memorandum explored the means of ensuring the further closure of the profession and the ability of the ICAEW to assert a leading and controlling influence over the occupation in the UK. MacIver stated it was fairly obvious, from discussions which had taken place over the SIAA merger, that members of the ICAEW:

... generally wish to close the profession and that the absorption of the professionally qualified certified accountants would not be repugnant to members. I shall be surprised if the pressure which is now being exercised on the Council of the Association does not result in some kind of approach being made to us by the Association, possibly at an early date (ICAEW, 2-19-1, 17(37), 4.2.57).

Nevertheless, MacIver cautioned that the possibility of a merger with the ACCA could not be pursued until the absorption of the SIAA had been completed. He also considered that 'a very full investigation' would have to be made on entrance standards to the ACCA before a merger could be contemplated (*ibid*). This expression of the Secretary's

opinion was influential in determining the stance taken by the ICAEW when it responded formally to the approach from the ACCA. In a letter dated 15 February 1957 it was stated that ‘as soon as the present scheme of integration had been decided, the several chartered accountants would be pleased for their representatives to meet those of the ACCA’ (ACCA, Minutes, No.1936, 12.3.57). On 12 March 1957 the ACCA Council appointed representatives for the expected meeting with the chartered accountants (ACCA, Minutes, No.1936, 12.3.57).

Debate within the ACCA

Although the overtures of the ACCA to the chartered institutes had appeared to be a simple response to members’ concerns regarding the integration of the SIAA, the issue had a deeper significance for the Association. Lord Latham described the merger as ‘the most serious problem with which the Association had been faced for many years’ (ACCA, Minutes, No.2023, 17.6.57) and throughout the remaining months of 1957 the Special Committee on Integration, together with the full ACCA Council, struggled with a series of political problems surrounding its relationship with the other accountancy bodies. The ACCA had consistently advocated, and actively pursued, the registration of the profession. In part, this was seen as a way in which the Association could obtain parity of status with the chartered bodies and elevate its position in wider society.

But, the ACCA recognised that achieving such parity might be unattractive to chartered accountants. In contrast to the chartered bodies, the ACCA was conscious and proud of its ‘egalitarian’ recruitment policy which permitted entry to those whose training was not in professional practice. The Association was acutely aware of chartered bodies’ concerns about the standards of training and examination required to qualify as a certified accountant. Furthermore, the ACCA had also begun to develop strong international connections (Briston and Kedslie, 1997) which were likely to pose problems in any restructuring of the profession because the chartered societies had

traditionally eschewed the expansion of their operations overseas. The terms of the Royal Charter of the ICAEW specifically excluded such internationalism. The issues of differential standards of training and expansion overseas had to be resolved if an integration of the chartered institutes and the ACCA was to be contemplated.

The ACCA recognised that if integration was to be pursued then the chartered institutes would require a profile of its members, analysed between those engaged in public practice and those occupied in other spheres of accountancy work. Accordingly, the Association's Special Committee on Integration recommended that a questionnaire be circulated to members requesting information concerning their training and experience. This data was not held centrally because the ACCA had been formed as the result of a sequence of mergers culminating in 1941 and there had been inadequate amalgamation of members' records. The information, which was collected with some difficulty through 1957-58, was eventually supplied to the ICAEW in the summer of 1959 (see Tables 2.2 and 2.3, p.32-33).

Whilst the chartered accountants were concerned about the ACCA's 'lesser' system of training and qualification and the lower professional status of certified accountants, it was the *composition* of its membership which posed the major political headache for the Association. The initial pressure for the inclusion of the ACCA in the integration scheme of 1957 had come from its practising members. It was also clear that any scheme of reorganisation involving the Association would be on the same terms as had been offered to the SIAA. The consequence of this was that a significant rump of non-practising certified accountants could not be integrated into the chartered bodies. These might remain in a separate organisation but this would lose the 'recognised' status currently accorded to the whole ACCA membership under the audit clauses of the Companies Act. These concerns exercised the ACCA Council through the spring and summer of 1957. As a safeguard it was agreed that informal approaches should be made to the ICWA and the IMTA to explore whether some form of joint action could be taken to accommodate the interests of

those certified accountants who might be excluded from a scheme which integrated the practising membership of the Association with the chartered bodies (ACCA, Minutes, No.34, 29.4.57).

At a special meeting of the Council of the ACCA on 17 June 1957 Lord Latham stated that the Special Committee on Integration had deemed it 'essential that the Council should consider its general policy for the guidance of representatives' who would soon be meeting with the chartered institutes (ACCA, Minutes, No.2023, 17.6.57). A number of policy options were presented but it was noted that the problems surrounding each alternative were such that it might prove difficult to gain the approval of the membership. The Council considered the following resolution:

The representatives should ask the Institutes of Chartered Accountants to consider a scheme for taking over practising members of the Association on the same terms as those offered to the SIAA: that the deputation should resist any proposal that future membership should be restricted to articulated service and instead offer the introduction of the 30 month rule; and that members who would not be covered by the scheme should retain the opportunity to qualify for admission as a chartered accountant by an appropriate period of service in a practising office (ibid).

The approval of this motion would have ensured that practising members of the ACCA would be included in an integration scheme while the remainder (the majority) would be consigned to an uncertain professional and institutional status. The motion was defeated. Unable to reach agreement on integration the ACCA Council adjourned to allow further time to consider the matter.

When the Council reconvened for a special meeting on 30 July 1957 it was concluded that the ICAEW 'could not possibly offer better terms than those which the Society had received ... There were some grounds for believing that even *the same* terms as the Society might not be acceptable to the membership of the Association as a whole'

(ACCA, Minutes, No.2048, 30.7.57, emphasis added). The Council appreciated, albeit with reluctance, that the chartered institutes would only contemplate admitting the practising members of the Association to their ranks and that without some guarantees for non-practising certified accountants, it was unlikely that ACCA members would agree to such a proposal. As a result of these deliberations the Council determined:

There was indeed some weight of opinion, which appeared to be growing, that the best course for the Association would be to remain as it was (ibid).

This judgment was no doubt influenced by a rumour reported at the Council meeting on 30 July that the ICAEW had formulated a 'general plan' for the re-organisation of the whole profession. Initial discussions at the Council meeting presumed that 'if any such plan existed it was probably restricted to the practising side' (*ibid*). The ACCA representatives who had been appointed to meet with chartered accountants for informal discussions were specifically asked to discover more details about the plan. The special meeting of the Council concluded that when the meeting with the ICAEW was convened, ACCA delegates should pursue an integration scheme which was similar to that agreed between the chartered institutes and the SIAA, or some other scheme for the unification of the whole profession. However, because any schemes would have to be submitted to the members of the Association in general meeting, the delegates were reminded that they were not in a position to accept or reject any plan on behalf of the ACCA which might be presented to them by the chartered societies.

Discussions between ACCA and the chartered institutes 1957-58

Through the summer and autumn of 1957 the foremost concern of the chartered institutes was not the position of the ACCA but

securing the agreement of the Privy Council for the integration scheme with the SIAA. A lengthy objection to the scheme had been lodged with the Privy Council by a Mr B V Piggott. This necessitated the preparation of responses and the presentation of a united front by the chartered institutes and the SIAA (ICAS, 1/3, Minute No.1192, 14.6.57). These responses appear to have satisfied the Privy Council. During the autumn of 1957 the members of the SIAA agreed to the integration scheme on a poll of 8,747 (86.8%) votes in favour. This allowed the Society to hold a meeting in November 1957 at which resolutions were passed for its winding up.

In this context the proposed negotiations between the chartered societies and the ACCA, which had been mooted in February 1957, were not given further consideration until 1958. In February of that year the ACCA Special Committee on Integration returned to the subject, it having become apparent that the ICAEW was unlikely to take the initiative in the aftermath of the integration with SIAA. At the meeting of the Special Committee on 3 February 1958, Lord Latham again emphasised that if the terms of the chartered-SIAA scheme were applied to the Association only 5,700 members (58%) would secure admission to the chartered bodies out of a total of 9,800. He asked if the Council would be prepared to recommend such a scheme, 'and more importantly, would the members accept such a scheme?' (ACCA, Minutes, No. 37, 3.2.58). The Special Committee on Integration recognised this difficulty but determined nonetheless to continue with the pursuit, without commitment or obligation, of a scheme akin to that offered to the SIAA. The Association communicated with the ICAEW to ascertain when the Institute would 'find it convenient to arrange the promised meeting' (*ibid*).

A meeting of the Accountants' Joint Parliamentary Committee, which acted as a forum for conveying the profession's views to MPs, and which included representatives of the major accountancy bodies, was to be held in the Houses of Parliament on 19 March 1958. The ICAEW Secretary, A S MacIver, suggested that after lunch the members of the committee should arrange a meeting between the chartered

institutes and the ACCA. This suggestion was accepted. However, the Association was later shocked to discover that the representatives of the chartered bodies had assembled before lunch to discuss:

... not merely the question of a date but also the issues of principle involved. The Association's representatives had had no warning that such issues might be mentioned and the Chairman had therefore expressed his dissatisfaction that they were sought to be introduced (ACCA, Minutes, No.42, 28.4.58).

It transpired that on the morning of 19 March the representatives of the chartered institutes had agreed to adopt an entirely passive role in relation to the ACCA and to warn the Association not to raise 'any unjustifiable anticipations or assumptions on the part of the ACCA membership' (ICAS, 1/3, Minute No.1393, 8.5.58). Further, they agreed that if the Association presented 'material for discussion' then a preliminary meeting would be necessary, but if no such papers were received then the representatives of the chartered bodies would simply report the matter to their respective councils (*ibid*). The onus was thereby placed on the ACCA to frame any proposals for integration.

On the 19 March 1958 the Association pressed for a meeting on integration to be held during July but were advised that the holiday season prevented this before October. Furthermore, W H Lawson (the immediate Past-President of ICAEW) responded that it would be a considerable time before another integration scheme could be envisaged. He hinted that 'considerable time' meant anything from two to ten years. When this response by the ICAEW was reported back to the ACCA Special Committee on Integration on 28 April 1958, some members expressed the opinion that the meeting planned for October was pointless and should be cancelled immediately. However, the majority of the Special Committee assumed a more cautious stance and argued that as the ACCA had requested the meeting with the chartered accountants, cancellation would not be an appropriate response. It was recognised that it would not be politically astute to

curtail discussions even though little was likely to come of them. The ACCA Special Committee decided to refer the matter to a meeting of Council to be held on the following day (ACCA, Minutes, Special Committee, 28.4.58).

At the meeting of the ACCA Council on 29 April 1958 tensions within that body on the issue of integration resurfaced. Lord Latham reported on the discussion of the Special Committee and reminded Council that *'they acted as trustees for the whole membership of the Association, not for one or more sections of it'* (ACCA, Minutes, No.2192, 29.4.58, emphasis added). He pointed out that while there was pressure from provincial members to pursue integration, the Council was divided on the issue. Latham, who had been chairman of a committee which had failed to secure the absorption of the junior, or, 'BFI' accountancy bodies into the ACCA during 1951-1955 (Shackleton and Walker, 1998, pp.83-87), concluded by relating his opinion on integration and assessing his personal position. He reflected:

... if the members of Council themselves had displayed their faith in absorption, and moreover done so within their own areas, it would have been carried through. Failure of the scheme had reflected on him. On the question of integration, he did not feel he would be expected to continue as chairman of the Special Committee, when his attitude as a member of Council towards the problem and arising matters, was not in tune or consonance with the feeling, expressed and unexpressed of the Council. He did not, therefore, propose to offer himself for re-election to the Chairmanship of the Special Committee or to accept it if so asked (ACCA, Minutes, No.2192, 29.4.58).

During the summer of 1958 representatives of the branch and district societies of the ACCA pressed for information on the possibility of a merger with the chartered societies. The Council of the Association stated that "at this moment there was nothing to add to the information which had already appeared in the *Accountant's Journal*". This had stated that exploratory discussions were being held (ACCA, Minute of

Meeting with Branch and District Society representatives, 29.7.58). On 30 September 1958, in preparation for the meeting with the chartered bodies on 8 October, the Council of the ACCA affirmed that the Association should not withdraw from the negotiations and be left in a position where it could be blamed for not engaging with the chartered institutes. It was revealed that the Council had before it three schemes (see Table 2.1) which had been the subject of considerable discussion in 1957 and 1958. Those who were to represent the ACCA at discussions with the chartered bodies requested the guidance of the Council on the stance to be taken in relation to each scheme. The Council proceeded to vote on all three. The outcome was as follows:

Table 2.1 Three Integration Schemes for the ACCA

| <i>Scheme</i> | <i>Proposal</i> | <i>In Favour</i> | <i>Against</i> |
|---------------|---|------------------|----------------|
| 1 | Integration of the ACCA with the chartered bodies (similar to the SIAA). | 2 | 13 |
| 2 | Integration of those members with a professional qualification involving a requisite period of training in a practising accountant's office | 0 | 18 |
| 3 | Eligible members absorbed by the chartered institutes and the remainder joining the ICWA or IMTA | 5 | 11 |

Source: based on ACCA, Minutes, No. 2261, 30.9.58.

The negative results of these 'guidance votes' proved quite disturbing to those members of the Council who had supported union with the chartered bodies. It also reflected the shift of opinion which had taken place within the ACCA Council as it struggled to reconcile the conflicting demands of the membership. Lord Latham, who had articulated the major objections to any integration scheme which left the Association bereft of recognition under the Companies Act or

compromised the essential principles on which the Association had been built, then moved the following motion:

This Council is of opinion that it is essential to maintain the purpose and objective for which the Association was founded, namely, that the accountancy profession shall remain open to the talents based upon training, experience, knowledge and probity; and that no scheme for integration or other re-organisation of the profession will be acceptable to the Association which does not provide for the maintenance of the 'open door' entry to the profession (ibid).

The voting on this motion was twelve in favour and three against (*ibid*). However, notwithstanding the passing of this motion and the voting on the three possible integration schemes, the Council proceeded to appoint further members to the team who were to meet with the chartered institutes. It also accepted the resignation of Lord Latham as Chairman of the Special Committee on Integration.

Meeting on 8 October 1958

The representatives of the ACCA and the chartered bodies duly met on 8 October 1958. During the discussions the Association's representatives attempted to obtain clarification from ICAEW on its policy regarding the future structure of the profession. J E Harris (ACCA) asked past-president Lawson (ICAEW) to clarify comments which he had made at a Special Meeting of the ICAEW in February 1957. Lawson had been quoted as saying that the structure of the profession was unsatisfactory and further steps might be taken towards integration. Harris asked if the chartered bodies were now in a position to explain the nature of the steps they had in mind. Lawson avoided this question and stated that any progress should not be hurried given that the chartered-SIAA integration 'had not yet been digested' (ICAEW, 2-19-1, 17(37), 8.10.58).

The representatives of the chartered institutes then asked the ACCA representatives what proposals they wished to make. The response was to enquire whether the chartered bodies were prepared to offer the Association a scheme similar to that agreed with the SIAA. In answer to a question from Sir Harold Howitt (ICAEW), the ACCA delegation asserted that their objective was the statutory recognition of the profession and the establishment of a closed shop so far as practice was concerned. However, if non-practising members of the ACCA could not be absorbed into the institutes and, as a consequence, the ACCA's recognition under Section 161 of the Companies Act was lost, then 'questions of some difficulty arose' for the Association (*ibid*). The ICAEW Secretary stated that the biggest difficulty he had with the SIAA integration was the verification of claims made by incorporated accountants about their training, examination and experience. In recognition that this would also be a problem in relation to certified accountants it was agreed that full information on the composition of the ACCA membership should be provided before the chartered bodies reported back to their appropriate committees (*ibid*).

Harris of the ACCA made it clear at the meeting that his Council would not be able to recommend a scheme which was to the detriment of its industrial members. The possibility of an arrangement with the ICWA and/or the IMTA to accommodate non-practising certified accountants was mentioned but the representatives of the Association thought that this should be explored at a later stage and 'that it would be better if it could be a joint approach' from the ACCA and the chartered bodies (*ibid*). Further, it was agreed at the meeting:

... it was most important that no statement should be published as to the lines which the discussion had taken. In the event of pressure by members, at a meeting or otherwise, to give information, the most that could be said would be that an exploratory meeting was held on 8 October 1958 (ICAEW, 2-19-1, 17(37), 8.10.58)

This agreement proved to be unsustainable. In March and April 1959 the ACCA complained that disclosures contained in the annual reports of ICAS and ICAEW were in breach of it (see *The Accountant*, 25 April 1959, p.510) (ACCA, Minutes, No.50, 27.4.58).

The meeting on 8 October 1958 did not secure advance towards the further integration of the accountancy bodies. There remained a level of mutual misunderstanding and suspicion which reflected the distrust and animosity which had existed between the ACCA, its antecedent bodies, and the chartered institutes for much of the twentieth century.

Proposals by ICAEW secretariat

In November 1959 the Council of ICAS decided that 'no case has yet been made out for falling in with a proposal for an integration scheme with the Association' (ICAS,1/3, Minute No.1778, 30.11.59). Meantime, in London, a more fundamental review of the structure of the profession was taking place.

Data on the composition of the ACCA membership had been supplied to the ICAEW in July 1959. A rather confusing analysis was presented, as shown in Tables 2.2 and 2.3.

Table 2.2 Classification of ACCA membership at August 1958

| | | | |
|---|----------------------------|--------------|----------------------|
| (a) Number of existing members who were admitted without examination comprising: | (i) In Practice | 357 | |
| | (ii) Non-Practising | 160 | |
| | (iii) In Retirement | <u>212</u> | |
| | | <u>729</u> | |
| (b) Number in Practice | | | <u>2,141</u> |
| (c) Number who qualified by articles | | | 324 |
| (d) Number who qualified by employment in professional offices | | | 3,127 |
| Members who qualified by service partly in professional offices and partly otherwise: | | | 787 |
| (e) Number of those admitted in (d) who were admitted by examination | | <u>2,860</u> | |
| (f) All other members - how qualified | 1. Government employment | 346 | |
| | 2. Local government | 580 | |
| | 3. CWS Audit Department | 20 | |
| | 4. Nationalised Industries | 643 | |
| | 5. Industry & commerce | <u>4,206</u> | <u>5,795</u> |
| | | | 10,033 |
| Members who are also chartered or incorporated accountants | | | <u>311</u> |
| | | | <u>10,344</u> |

Table 2.3 Classification of ACCA students at August 1958

| | | | |
|---|----|-------------------------|---------------------|
| (a) Articled Clerks | | | 158 |
| (b) Employed in Professional Offices | | | 2,173 |
| (c) Otherwise employed: | 1. | Government employment | 869 |
| | 2. | Local government | 421 |
| | 3. | CWS Audit Department | 20 |
| | 4. | Nationalised industries | 876 |
| | 5. | Industry & commerce | <u>3,192</u> |
| TOTAL | | | <u>7,709</u> |

Source: adapted from ICAEW, 13-1-3, 10.8.1959.

The data revealed that 33% of ACCA members had qualified through articles and employment in professional offices, whilst 56% had been trained in government service, or in industry and commerce. On the basis of this information the Association was to argue that a significant proportion of its members had qualified on a basis similar to that of chartered accountants. This view was not shared by the ICAEW:

... whatever claims the Association make regarding its present day requirements, there can be no doubt that the vast majority of its members have been neither examined nor trained in a manner remotely comparable with the Institute's requirements (ICAEW, 13-1-3, 19.11.59).

An internal meeting of under-secretaries of the ICAEW (Messrs Loveday, Allan and Wilkinson) had reviewed the approaches by the ACCA and entered into a discussion on the structure of the accountancy profession. The outcome of these deliberations was the submission, on 19 November 1959, of a paper by F M Wilkinson to the ICAEW

President, C U Peat. This paper set in train a re-examination by the Institute of its relationship with the ACCA and was formative in the development of a new strategy on the future organisation of the profession. Notable features of Wilkinson's paper were the extent to which the policy considerations it addressed were motivated by protectionism and the disparaging language employed in relation to the ACCA. His paper was couched in terms which had previously caused the ACCA to refer to the 'antipathetic tendencies' of the chartered institutes (ICAS, 121/1/1, doc.16).

Wilkinson argued that ICAEW should not offer the Association a scheme similar to that which had resulted in the integration of the SIAA. Rather, he advised that 'we should close down (the negotiations) with the Association and concentrate on the real problem' (ICAEW, 2-19-1, 17(37), 19.11.59). In support of this recommendation, Wilkinson reviewed the nature of the bodies which had formed the ACCA and also commented on the processes of qualification through which its extant membership had passed. In neither case was Wilkinson complimentary. He stated that none of the four parent bodies of the ACCA 'had or deserved the respect of the Institute' (*ibid*). He considered that the qualifications for membership of the Association were not 'remotely comparable with the Institute's requirements' (*ibid*). Even those ACCA members who had qualified by service under articles or training in a professional office were not spared unfavourable and derogatory comparison. Wilkinson asked: 'what sort of offices, under what conditions and for how long?' (*ibid*). He suggested that ICAEW could not approve an integration scheme with ACCA unless 'it could be demonstrated that this would be a final cleaning up of the profession ... (which it could not)' (*ibid*).

Wilkinson's paper also addressed a number of fundamental problems confronting the ICAEW. There were dangers ahead. He argued:

(a) This Institute will die if the Association (either alone or with the ICWA) is allowed to establish a claim to be the leading body in the industrial field. Such a result would follow any

scheme under which the 'professional' elements of the Association were transferred to the Institute[of Chartered Accountants in England and Wales].

(b) The chartered accountant must be accepted by the public as the accountant, and to ensure that this is so our standards will have to be raised. By this I mean our standards of training, examination and conduct and our initial requirements as to general education.

(c) I do not believe there are sufficient available candidates of the right calibre, education and outlook to enable us to produce improved chartered accountants in numbers comparable with present output. Nor do I believe that there will be sufficient work for such numbers of improved chartered accountants. We must therefore turn our attention to means of creating a subsidiary qualification.

(d) The Association is unlikely to accept voluntarily the role of a subsidiary body and we must therefore find some other way of creating a subsidiary qualification, probably within the Institute's own framework, or of producing a situation in which the Association has no option but to accept a subsidiary role.

(e) Past efforts have shown the impossibility of closing the profession by legislation for that purpose, except under conditions which are not acceptable. For all practical purposes however, the profession could be closed by -

- (i) extending section 161 to all companies and imposing a practical experience requirement in relation to all future members of recognised bodies (but retaining the power of individual authorisation).*
- (ii) tax legislation restricting to accountants qualified under section 161 (as revised in (i) above) all tax work involving business accounts.*

(iii) *unyielding resistance to recognition by the Board of Trade of any further body.*

(f) *If (b), (c) and (e) can be achieved the rest of the problems, including the Association, may in time resolve themselves; but at worst we should have produced a position from which remaining problems could be tackled more easily (ibid).*

The first fundamental problem identified by Wilkinson alluded to a structural shift in British accountancy: the expansion of the non-practising branch of the profession. Since the inter-war period there had occurred a substantial change in the sources of employment of chartered accountants. While the public practitioner still predominated, increasing numbers of chartered accountants were being employed in industry and commerce. This 'profound change' has been tracked by Matthews *et al* (1998). They suggest that almost half of the members of the major accountancy bodies were employed in business in 1951 (*ibid*, p.138). Whereas only 1% of ICAEW members were engaged 'in business' in 1911, 28% were in 1951 and this proportion increased with the integration of the SIAA in 1957. Data provided in *The Accountant* in 1968 indicates that over half of the members of ICAEW were not in practice in 1950 (Vol.159, p.150).

This trend had serious implications for ICAEW and the other chartered institutes. If they persisted with the traditional notion of a profession based on public practice they risked losing their occupational dominance to other bodies. The ACCA and ICWA were specifically attuned to training accountants for industry and commerce. Wilkinson foresaw that if ICAEW did not dominate the 'industrial field', its demise was a distinct prospect. However, if ICAEW encouraged its members to work in this sector, it came into conflict with its founding professional ideology: a vocation centred on public practice with training systems geared to its members' engagement in that calling (Hastings and Hinings, 1970; Hanlon, 1994, 1996; Walker, 2000). Discovering ways of capturing industrial accountancy while at the same time retaining the ascendancy of public practice was to colour

the plans which were to subsequently emanate from ICAEW for the unification of the accountancy profession.

Wilkinson was careful to state that he was not offering a solution to the long-term organisational problems of the profession. However, he clearly envisaged that his list of issues would stimulate proposals for its future: proposals which should emanate from the chartered bodies. The arguments advanced by Wilkinson provided the office bearers of the ICAEW with adequate reason to revisit the perennial question of the structure of the accountancy profession. This re-examination was to commence at an informal gathering hosted by the President of the ICAEW.

A Presidential dinner, December 1959

Wilkinson's memorandum of 19 November 1959 was discussed at a dinner party on 2 December 1959. Those present were: C U Peat (President); C P Barrowcliff; W L Barrows; Sir William Carrington; D V House; Sir Harold Howitt; W H Lawson; B Nelson; S J Pears; Sir Thomas Robson; Sir Richard Yeabsley; and A S MacIvor (Secretary). Wilkinson's paper had been previously circulated to these gentlemen.

The President's dinner party discussed all the problems identified by Wilkinson and reached a set of conclusions 'with complete unanimity' (ICAEW, 2-19-1, 17(37), 29.12.59). These indicated a fundamental shift in the Institute's approach to the structure of the profession and the means of securing its closure. In his memorandum Wilkinson suggested achieving the closure of the profession by restricting the performance of particular accounting functions, such as corporate auditing, through legislation. At this point it should be noted that there was, and had been for many years, pressure from the provincial members of ICAEW for the closure of the profession. This demand was in accord with the long held policy of the ACCA. All efforts to secure this objective since the early 1950s had concentrated on institutional closure, that is, achieving a monopoly through the integration of the major professional bodies.

The unanimous conclusions reached by those at the President's dinner party were presented to a meeting of the Council of the ICAEW on 6 January 1960. These conclusions identified the change of direction in the pursuit of monopolisation and the perceived threats to the hegemony of ICAEW:

1. *Council should recommend no integration with ACCA on SIAA lines and ACCA to be informed at an early stage.*
2. *the ICAEW should secure an amendment to section 161 of the Companies Act to extend the qualification of auditors to all companies and to incorporate the 30-month (training) rule.*
3. *the ACCA be persuaded to support these amendments and adopt the thirty-month rule voluntarily, in which event future developments in the profession might usefully be discussed with them.*
4. *the ultimate objective was the closing of the profession in respect of company audit work and, ultimately if possible, in respect of taxation in relation to traders and other business accounts.*
5. *a Diploma for unqualified clerks was considered but it was agreed this matter, already within the terms of reference of Parker Committee, should be left with that committee [The Parker Committee on Education and Training had been formed in 1958].*
6. *they were in favour of a post-graduate qualification in specialised subjects, eg cost and management accounting! "It was agreed that such a step was desirable in order to counter the expansion of the Institute of Cost & Works Accountants and of the Association in the industrial field."*

7. *the Overseas Accountancy Examinations Advisory Board should consider a Diploma for unqualified clerks. If combined with “the creation in countries abroad of their own professional associations, (this) might tend to weaken the recruiting opportunities of the Association overseas”.* (ICAEW, Minutes of Council, Vol.S, 6.1.60, *emphasis added*).

It is difficult to over-emphasise the significance of Wilkinson’s memorandum and the conclusions reached at the presidential dinner party. Almost every policy decision taken by the ICAEW on matters affecting the structure of the profession during the 1960s can be shown to have its origin in the issues raised on 19 November and discussed on 2 December 1959.

The chartered institutes meet ACCA, January 1960

While ICAEW was considering Wilkinson’s memorandum, discussions were taking place in Scotland on the position of the ACCA. At a meeting of the Chartered Accountants’ Joint Standing Committee in Glasgow on 1 December 1959, arguments against integration with the Association were presented. The ICAS Council was informed of this view and also that ‘the Past Presidents of the ICAEW, had decided to recommend the Council of the ICAEW NOT to proceed with any integration scheme with the Association’ (ICAS, 1/4, Minute No.1805, 22.1.60).

Representatives of the chartered institutes met with their counterparts from the ACCA on 13 January 1960, for what was termed a ‘second informal meeting’. The chairman of the meeting, T Lister (ICAS), stated that the representatives of the chartered bodies were to recommend to their respective councils that ‘no integration on the lines of the Society scheme should be initiated’ with the ACCA (ICAEW, 2-19-1, 17(37), 13.1.60). Lister stressed that the primary objective of the chartered accountants was now to achieve the closure of the accountancy profession and it was anticipated that this would

be supported by the Association. He explained that this aim could be achieved through amendments to Section 161 of the Companies Act and not through an integration scheme with the Association. It was stressed that the chartered bodies would 'be happy to bring the Association into discussions on the subject of closure' (*ibid*). The ACCA representatives indicated their support for such measures but mentioned that 'there was a school of thought that was in favour of the separation of the profession into two parts, namely the professional public accountants and the industrial accountants' (*ibid*). It was also stressed that the pursuit of this idea would require discussions with the ICWA and IMTA (*ibid*).

Other subjects related to integration were discussed at the 'second informal meeting' on 13 January. Among these was competition from non-qualified accountants and the representatives agreed to recommend to their councils the formation of a study group to consider this question. The ICAEW Council confirmed the formation of this study group on 2 March 1960 by appointing Sir Harold Howitt and C M Strachen as its representatives (ICAEW, Minutes of Council, Vol.S, 2.3.60; ICAS, 1/4, Minute No.1804(5), 22.1.60). Interestingly, by the 8 March 1960, the ICAEW denied the existence of the study group, stating that disclosure of its formation would reveal the nature of the hitherto covert discussions which had taken place with the ACCA and the conclusions reached (ACCA, Minutes, No.63, 8.3.60). The ACCA agreed to delete reference to the study group in its own annual report but 'was quite unable to accept the Institute's wording on the primary result of the meeting in January' (*ibid*).

The thorny issue of the '30-month rule' was also discussed on 13 January. This concerned the period of training in a public accountant's office required before an accountant would be allowed to commence in practice. This issue had bedevilled relationships between the chartered bodies and the ACCA since the 1940s (Shackleton and Walker, 1998, pp.37-39). On this occasion the matter was resolved expeditiously and it was made clear that the rule would not be applied retrospectively

to ACCA members who had already been recognised under the Companies Act and thus had 'sitting tenants rights'.

On 25 April 1961, ACCA formally reversed its hostility to the 30-month rule (Walker and Shackleton, 1995, p.481). The effect of this decision was to ensure that ACCA members who had served an articulated apprenticeship in practice or had acquired 30 months experience in practice would be permitted to engage in public practice. The voluntary acceptance of this principle represented a significant point of reconciliation between the chartered bodies and the ACCA, bringing a degree of harmony on the key question of the qualifications necessary for the practice of public accountancy.

There were no further developments involving office bearers in what remained of 1961. However, the issue of registration and the status of the provincial chartered accountant featured prominently in letters to the accountancy journals. Many correspondents criticised the ICAEW Council for its 'failure' to secure registration and a number of letters called for a referendum on the issue (*The Accountant*, 1961, pp.53, 163, 239, 358/9, 386/7). This represented the continuation of a debate which had appeared in the previous year. For example, a letter of 30 April 1960 contended that 'to the majority of provincial members, the main burning question at present is the deplorable lack of co-ordination within the profession as a whole' (Gentle, *The Accountant*, 1960, p.533). The author contended that 'the majority looked forward to the time when registration in some form is introduced to bring our profession into line with others' (*ibid*).

An 'informal' meeting of ICAEW members was held in Birmingham on 18 March 1961 to discuss these issues. The outcome of the meeting drew a response from S J Pears, ICAEW President, in his address to the annual meeting on 2 May 1961. Pears reviewed the failure to obtain registration, especially during the mid-late 1940s. He identified the inability to 'arrive at a statutory definition of accountancy' as a fundamental difficulty and stated that the Council had concluded 'that it was not possible to introduce a registration measure which would be of benefit to the public and satisfactory to the

profession' (*The Accountants' Magazine*, Vol.MCMLXI, pp.409-411). This intervention by the President appeared to quell demands for registration from the provincial members.

On 7 February 1962, for reasons which are not fully revealed in the surviving sources, the ICAEW appointed a general purposes sub-committee, known as the Development Sub-committee. The principal term of reference of this sub-committee was to 'consider the desirable future structure of the profession, particularly in relation to the ACCA' (ICAEW, Minutes of Council, Vol.T, p.222, 7.2.62). The activities of this committee and its successor, the Future Plans Committee, are the subject of chapter three.

Summary

The integration of the SIAA with the three chartered institutes in 1957 did not satisfy all the accountancy bodies in Britain. The dust had not settled on the integration scheme before those who it excluded raised the question of the future organisation of the profession. The most vociferous appellants were ACCA members in public practice. This group pressured their council, to achieve a similar integration for the Association. However, there were two major impediments to rationalisation involving the ACCA. First, the diverse composition of the Association's membership. Only 21% of certified accountants were engaged in public practice, the majority of the remainder were employed in industry and commerce. Any integration of the certified accountants in public practice to the chartered bodies would exclude non-practising ACCA members. Second, the chartered institutes considered that the standards of entry, training and examination of the ACCA did not bear comparison with their own. The chartered institutes therefore assumed a passive stance in their reaction to advances from the ACCA on integration, and indicated a marked reluctance to become too closely involved in further discussions on restructuring the profession.

Within the ICAEW secretariat another view was emerging and an influential memorandum was circulated in November 1959. This was to constitute a progenitor of the Institute's developing policy on the future of the profession. The paper suggested that the ICAEW was under threat in industrial accounting and should raise its standards of entry, training, examination and conduct. Closure of the profession would be secured, not by further mergers of the professional bodies but by the extension of state conferred monopolies over the performance of particular accounting functions. A presidential dinner party unanimously adopted these observations and in February 1962 the ICAEW Council appointed a Development Sub-committee to consider the structure of the accountancy profession.

CHAPTER THREE

THE FUTURE PLANS COMMITTEE 1962-1965

Achieving a monopoly of public accounting services through the closure of the profession had been a cherished objective of the principal accountancy societies in Britain since the late nineteenth century. During the early-mid 1960s this quest was pursued by the Future Plans Committee of the ICAEW. The FPC considered issues of entry, education and training and also promoted the idea of a unified accountancy profession comprising two tiers. The agenda of the FPC emphasised that an essential prerequisite of unification was a statutory ring fence around the profession. The ring fence was, in fact, a subtle variant of registration: an objective which had not been favourably received at Whitehall in the past.

Formation of the Future Plans Committee (ICAEW)

The Development Sub-committee which had been established in February 1962 was chaired by W H Lawson, a Past-President of the ICAEW. This sub-committee reported to the ICAEW Council on 6 March 1963. Its main conclusions were that further liaison with ICAS and ICAI should take place to promote closer relations among the chartered bodies. However it was agreed that 'the question of integration should not be raised at present'. It was also recommended that no attempt should be made to secure the registration of the profession or a merger with the ACCA. These conclusions were accepted at a special meeting of the ICAEW Council on 20 March though one dissentient was recorded on the issue of registration (ICAEW, Minutes of Council, Vol.U, 20.3.63).

The special meeting of the ICAEW Council also decided to form a steering committee, to be chaired by Sir Henry Benson. This committee became active in November 1963 and reported to the Council on 29 June 1964. The Council decided to reconstitute the steering committee into an *ad hoc* forum to be known as the Future Plans Committee (FPC). Sir Henry Benson was to remain in the chair. The terms of reference of the FPC, which were clearly informed by Wilkinson's conclusions in 1959, were defined as follows:

To consider the long term future of the Institute with reference to the following matters:

- (1) *Whether the Institute policy requires revision as regards the standards of entry to the profession; the system of education and training under articles; and the right to practice immediately upon qualification.*
- (2) *Whether the time is ripe to try and bring about unification of the profession by amalgamation with other professional accountancy bodies. If so an outline of the terms on which this should be attempted.*
- (3) *Whether the Institute should establish a technical qualification in accountancy which would require a lower educational and technical standard than that of 'CA' so as to establish a profession with more than one tier (ICAEW, Minutes of Council, Vol.V, 1.7.64).*

Robbins Committee on Higher Education

The terms of reference of the FPC also reflected the ICAEW's concern about the impact on recruitment of developments in higher education. In 1961 the ICAEW's Parker Report on education and training asserted that the fundamentals of training under articles should persist (*The Accountant*, 6.5.61, pp.553-560). Some senior members of the Institute considered that greater change was necessary and efforts

should be made to attract more graduates to the profession (Walker and Shackleton, 1998, pp.41-2). The appearance of the Robbins Report on Higher Education in 1963 heightened concerns about the impact of the expansion of higher education on recruitment. Robbins recommended, and the government supported, an 84% increase in university places by 1967-8. The report was also critical of the 'lack of humanistic breadth' and 'narrow technicality' of professional education and indicated that a more appropriate vocational preparation might be found in the universities:

A lawyer, an accountant or a company secretary ... was not likely to be lacking in professional knowledge as compared with his counterpart who had passed through a university or some other institution of higher education. But he was perhaps less likely to be sensitive to the general implications of his subject, and for that reason less aware of the currents of change (quoted in Solomons, 1974, p.100).

In December 1963 the ICAEW Education Committee appointed a Robbins Sub-Committee to investigate the implications of the report 'mainly with reference to the education standards and sources of recruitment of the desired type of future student for membership of the Institute' (Education Committee, Minute Book A, 14.5.1964). The report of the Robbins Sub-Committee was presented in May 1964. It contained some worrying conclusions for the ICAEW Council. The Sub-Committee considered that the implementation of the Robbins Report would require an urgent response from the Institute. Robbins' recommendations that higher education should be significantly expanded and the range of degree courses widened, offered the prospect of the development of university degree programmes in accounting and business which might prove more attractive to employers than the chartered qualification. The direct recruitment by industry and commerce of accountancy graduates whose education was funded by the state would prove more cost effective than expensive training under articles. Faced with the prospect of a decline in

recruitment the Robbins Sub-Committee recommended that the ICAEW would have 'to sell membership of the Institute as a valuable supplement to professionally relevant degree studies' (Education Committee Minute Book A, 14.5.64). However, this would 'involve a re-examination of much that is now accepted as fundamental in the training of members' (*ibid*).

The Robbins Sub-Committee also recognised that the 'explosion' in the award of scholastic qualifications ('O' and 'A' levels) which was forecast in the next two decades rendered urgent a review of standards of entry to the profession. Unlike other leading professions, access to chartered accountancy training was at the 'ordinary' level. To maintain the status of the profession the Sub-Committee argued that entry should be raised to 'advanced' level standard. The Robbins Sub-Committee recognised, however, that such a move would open a Pandora's box of issues pertaining to the structure of the profession. Raising entry standards might result in a decline in recruitment to the ICAEW and encourage the expansion of those accountancy organisations, particularly the ACCA, which had lower standards of admission. One means of averting this politically unacceptable prospect was the introduction of a two-tiered structure comprising those practitioners who conducted the more advanced work of the profession and a new junior qualification for those seeking entry at ordinary level. In this way potential recruits would not be driven into the hands of the competitors of the ICAEW.

The Robbins Sub-Committee concluded 'that a raising of the minimum standards of entry, coupled with the creation of [a] junior qualification, is inevitable and will best serve the interests of the Institute' (*ibid*). However, given the broader implications of its findings, more comprehensive deliberation was necessary. Having considered the recommendations of the Robbins Sub-Committee in June 1964, the Council of the ICAEW resolved that the Institute's Steering Committee 'should consider these matters in relation to their implications for the future structure of the profession and the

possible need to appoint an *ad hoc* committee' (ICAEW, Minutes of Council, Vol.V, 3.6.64).

Further discussions between ACCA and ICAEW

In August 1964 the ICAEW secretariat received a telephone call from the Secretary of the ACCA, F C Osbourn, requesting a meeting between the ACCA President and the ICAEW Vice-President, W G Densom. The subject was to be a discussion about 'matters arising from the implementation of the Jenkins Report' on company law and also the structure of the profession. On receiving this approach the ICAEW Secretary, C Evan-Jones, formed the impression that although a discussion about the structure of the profession was requested the subject of integration might easily arise. Evan-Jones suggested that the meeting could be arranged at the International Congress on Accounting which was to take place in Vienna in September (ICAEW, Council Minutes, Vol.V, 7.8.64).

A meeting was duly held on 1 September and it became clear that the main concern of the ACCA representatives was the possibility that the Association of International Accountants, one of the junior 'BFI bodies', might achieve statutory recognition if the recommendations of the Jenkins Report were passed into law. This problem might be averted if the ACCA absorbed the Association of International Accountants and other 'BFI bodies'. The ACCA representatives indicated that this might be possible but signalled that it could prove unacceptable to their practising members, particularly if it was thought that such an absorption endangered the prospect of a future integration with the ICAEW. It was made clear by the ACCA representatives that many of their practising members considered that their integration with the chartered bodies was only a matter of time. The ICAEW representatives noted that if only 25% of certified accountants were in practice, the achievement of the necessary 75% majority of ACCA members to effect such an organisational change was unlikely, unless satisfactory provision was made for the non-practising members (ICAEW, Minutes of Council, Vol.V, 1.9.64).

Following the meeting in Vienna ACCA sent a formal letter to ICAEW on 28 September 1964. This enquired whether the ICAEW would contemplate either a scheme for the complete integration of the ACCA, or, a partial scheme involving those certified accountants who had trained in practicing offices. The immediate response to this within the ICAEW was to advise Council that the matter be referred to the FPC. It was also noted that the FPC was unlikely to offer a report before March 1965. This revelation effectively stifled debate on the ACCA's letter. On 8 October the ICAEW Council did, however, request the Secretary, Evan-Jones, to discover if there existed any underlying matters which had motivated this latest approach from the ACCA. This query may have been raised within the ICAEW by the knowledge that the ACCA was involved in discussions on the structure of the profession with other accountancy bodies. Evan-Jones had reported a conversation he had with Ian Morrow, the ICWA President, at a recent cocktail party. Morrow had spoken in general terms about the future organisation of the profession and suggested that the practising members of the ACCA be merged into the ICAEW and its industrial members be absorbed by the ICWA. Evan-Jones commented that he had formed the impression that 'Ian Morrow was not so much talking aloud but covering ground which possibly the Council, or a committee of the Cost and Works had already covered' (ICAEW, Minutes of Council, Vol.V, 8.10.64).

Evan-Jones arranged a lunch meeting with Osbourn, his opposite number at the ACCA, on 13 October 1964. Osbourn confirmed that the likely recognition of the Association of International Accountants in future companies legislation would have a serious impact on the ACCA, and that this fear had motivated the latest approach by the ACCA to the ICAEW. Osbourn was informed that the investigations of the FPC were underway and its report was not expected until spring 1965. This would delay any merger discussions between the ICAEW and the ACCA. Osbourn informed Evan-Jones that in these circumstances the ACCA was considering opening negotiations with the 'BFI bodies' on merger to obviate the need for a revision

of Section 161 of the Companies Act following the Jenkins Report. Whilst such a merger with the lesser accountancy bodies might be in the interests of the profession generally, Osbourn noted that the ACCA Council 'would have to accept the risk that any such move on their part might prejudice any chance of integration with the Institute [of Chartered Accountants of England and Wales] in one form or another' (ICAEW, 2-19-1, 17(37), 14.10.64). Osbourn also disclosed that at a recent meeting of the presidents and secretaries of the district societies of the ACCA, it was considered that any proposed scheme would have to provide for the interests of both practicing and non-practising members. Evan-Jones enquired if the ACCA had taken part in conversations with the ICWA as a result. Osbourn replied in the affirmative and stated that these discussions had been 'informal', even though they had reached the stage where the ICWA, while prepared to accept the industrial members of the Association, had determined not to change the title or designatory letters of its organisation. Evan-Jones later reported this information as confirmation that the ICWA was 'progressing very well as a body and they would not be prepared to risk any possible set back to their present momentum' (*ibid*).

Following his meeting with Osbourn, the ICAEW Secretary reported that he was unsure about the reasons why ACCA had approached the ICAEW. He could not decide if the threat of action by the Board of Trade to recognise the 'BFI bodies' in companies legislation was the prime reason or whether ACCA was motivated by fears of stagnation and required a 'shot in the arm'. He did concede that nothing had been said during the meeting which confirmed the latter (*ibid*).

At the conclusion of the informal meeting between the secretaries of ICAEW and ACCA, Osbourn, requested a further discussion once the FPC had reported to the ICAEW Council. The FPC had been pursuing its remit for over two months when Evan-Jones and Osbourn met for lunch.

Early meetings of the Future Plans Committee

The FPC was to become the principal think tank for the development of ICAEW's policy on the organisation of the profession. Its relationship with the ICAEW Council was strong and it contained a number of senior figures in the Institute. The original members of the FPC were: C J M Bennett; Sir Henry Benson (Chairman); S Dixon; W W Fea; W B Nelson; W E Parker; D Steele; A G Thomas; A H Walton; J C M Williams; and R P Winter. The committee was given a very wide remit. Reference was often made to the 'informal' and 'non-committal' nature of the discussions which it conducted. As will be seen, these characteristics ensured that proposals emanating from the FPC were progressed to an advanced stage without ICAEW offering public pronouncements on the Committee's work, or official support for its conclusions. This ability to engage in 'informal' discussions was to be of considerable importance when the FPC was joined by representatives of the other accountancy bodies. It provided a constitutional smokescreen behind which major strategic objectives could be pursued and debated by an influential coterie with the minimum amount of disclosure to the memberships of the professional organisations.

The first meeting of the FPC was held on 28 July 1964 when it was decided that the under-secretary of ICAEW, W M Allan, should prepare a document offering a view 'as to the future of the profession in 20/30 years time' (ICAEW, FPCA, 8.7.64). This paper would form the basis of discussions by the FPC. The terms of reference included an examination of 'the position of incorporated accountant members' following the integration of the SIAA in 1957 (ICAEW, FPCA, 28.7.64). This issue was considered urgent and related to the thorny issue of training. In 1957 ICAEW had insisted on admitting only those incorporated accountants who had trained in public practice. A sub-committee of the FPC, whilst sympathetic to the position of incorporated accountants, reached a unanimous conclusion that the fundamental principle of training in public accountancy should be

maintained (ICAEW, FPCA, 8.10.64). The discussion of this issue was significant to future developments because elsewhere it was considered that any move towards the 'greater unity in the profession' would necessitate the modification of this principle (*ibid*).

When the FPC met again on 8 October 1964 the issue of the incorporated accountants was submerged by matters of greater moment. Papers presented to the FPC by the Consultative Committee of Members in Commerce and Industry together with W M Allen's paper on the future of the profession suggested that 'greater unity within the profession was either undesirable or impracticable at present' (*ibid*). Further, it was argued that attention should be directed towards enhancing standards of entry, education and training in the ICAEW. Whilst these views received some support on the FPC the minute records that opinion was expressed strongly that these matters could not be considered in isolation, and in particular:

... many of the fundamental problems facing the profession would remain if the structure was left untouched - indeed, difficulties would be increased substantially if no steps were taken at this stage (ibid).

Accordingly, the FPC decided that Sir Henry Benson and W E Parker would submit a paper on the future structure of the profession for consideration at the next meeting (*ibid*). The result was the preparation of a document entitled *The Future of the Profession*. This was discussed and refined at meetings of the FPC on 1 December 1964 and 20 January 1965. It was decided that this paper, together with a submission on the subject of incorporated accountants, should be placed before the full ICAEW Council on 3 February 1965, (detailed consideration was, in fact, deferred until 23 February). *The Future of the Profession* invited the Council to 'give an expression of view in order to indicate whether it thought the [FPC] committee was on the right lines' (ICAEW, FPCA, 20.1.65). The following statement was flagged for the attention of the Council: 'an informal and personal approach should be made to the Permanent Secretary of the Board of Trade'

regarding the establishment of a 'ring fence' around the profession. It was suggested that further consideration of *The Future of the Profession* might 'be more profitable after the views of the Permanent Secretary were known' (ICAEW, FPCA, 20.1.65).

The Future of the Profession

The paper submitted to the Council of the ICAEW on 23 February 1965 contained the most radical set of proposals for the re-organisation of the profession which had appeared for many years. This was indicated in the preamble which stated:

It is recognised that there will be many objections and difficulties but in the first instance these are relegated to a subordinate place lest the possibility of objections should be allowed to determine the final structure. It is suggested that it is preferable to find the best structure and then seek to overcome the difficulties (ICAEW, Minutes of Council, Vol.W, 23.2.65).

Fifteen statements, assertions and key assumptions were offered at the beginning of *The Future of the Profession*. The paper contended that the current standard of entry to ICAEW was too low for the range of work undertaken by many chartered accountants, and that this created a shortage of high calibre accountants, in practice and industry. This shortage was exacerbated by the fact that much of the work performed by ICAEW members was conducted at a 'lower tier level'. Concern was expressed that a unilateral enhancement in entry standards by ICAEW 'without some other radical step' might make the limited supply of good quality accountants even worse, and this would adversely affect the ability of professional firms to staff their practices. Many of these firms were suffering from an 'erosion of their positions by other accountants'. It was claimed:

The present weakness of the profession is, in part at least, to be attributed to the variety and number of existing bodies of accountants and to the fact that new bodies of accountants

can continue to come into being. Greater unity is desirable in itself. It is desirable that leadership should be in the hands of the Institute of Accountants in England & Wales (ICAEW, FPCA, 20.1.65, emphasis added).

The occupational and institutional implications of the increasing number of accountants in industry was discussed in *The Future of the Profession*. It was recognised that many ICAEW members were entering commerce and industry, yet training under articles did not offer the best preparation for the progress of chartered accountants to the most senior posts in industry. It was considered that the basic purpose of a unified accountancy body would be to ensure that the leadership of the profession continued to emanate from public accountancy and would not be ceded to those organisations which specifically represented industrial accountants. The FPC suggested that constitutional arrangements would have to be established to ensure that industrially trained members did not dominate the leadership of a reconstituted professional body.

The basic solution to the catalogue of organisational, political and recruitment difficulties identified in *The Future of the Profession* was a proposal to create a two-tier accountancy profession. Tier I would comprise chartered accountants and Tier II would consist of a new class of licentiate accountants. Tier I was intended to contain two streams of chartered accountant, the professional accountant (CPA: chartered public accountant) and the industrial accountant (CIA: chartered industrial accountant). Tier I accountants would conduct the more advanced work of the profession. Entry to the upper tier would be set at 'A' level or university entrance level and training and examination standards would be higher than those pertaining in Tier II. Entry to Tier II would be available to candidates who possessed five 'O' levels.

There would be a bridge between the two streams within Tier I to allow CIAs to transfer to CPA status. Such transfers would be dependent on CIAs gaining 30 months additional experience in a public practice. However, no bridge was envisaged for transfers

in the other direction: it was assumed that a CPA could undertake the work of a CIA without the need for additional training and experience. The examination and training syllabuses for Tiers I and II would reflect the different occupational specialisms. There would also be a bridge to permit the transfer of licentiate accountants from Tier II to Tier I.

On the question of the unification of the accountancy organisations the FPC proposed that future planning involved two fundamental concepts:

- (a) *The establishment of a ring fence around the whole of the accountancy profession.*
- (b) *A greater unity of organisation in place of the present diversity of bodies of accountants (ICAEW, FPCA, 20.1.65).*

The FPC offered proposals which would facilitate unification. These provided that the professionally trained members of ACCA would assume CPA status in Tier I whilst the remaining certified accountants and all members of ICWA would be admitted as CIAs in Tier I. The members of other accountancy bodies would enter Tier II as licentiates although it was postulated that members of the IMTA might be assumed as CIAs or that an additional 'third tier' might be established to accommodate accountants engaged in government service and local authorities.

Although unity of organisation was stated as a fundamental concept in *The Future of the Profession*, the determination of the ICAEW to maintain its pre-eminence among the professional bodies and the dominance of public over industrial practice, posed significant impediments to the achievement of this objective.

Ring fence: an essential pre-requisite

The concept of a ring fence round the profession was promulgated as a basic condition of the actualisation of the proposals contained in *The Future of the Profession*. This central object was also consistent

with the increasing desire of the ICAEW to close the accountancy profession. The Council of the ICAEW had been pressured on this issue by members in smaller provincial practices who had expressed concerns to their district societies about competition from unqualified 'accountants' (ICAEW, FPCA, 20.1.65).

The FPC's approach to the closure of the profession stressed that an attempt to secure statutory registration would not succeed because the fundamental difficulty of defining 'accountants' and 'accountancy' had never been resolved (Walker and Shackleton, 1995, p.496). In addition, it was observed that the party composition of Parliament was not conducive to the passing of a registration measure (ICAEW, 2-19-1, 17(36), 3.2.65). Thus the FPC formulated the alternative strategy of attempting to secure greater functional closure for a unified accountancy profession. This would have the added advantage of presenting an operational means of achieving a ring fence for the profession. This alternative to registration was codified in paragraph 8 of *The Future of the Profession*:

Application should be made to the Board of Trade to put a ring fence around the profession on the following lines:

- (a) Everyone with practising rights now to continue to have them but the right to practise as an accountant would be restricted in future to membership of the new body.*
- (b) In future only CPAs could undertake audits; other representations should also be made including, for example, a redefinition in Section 52(4) of the Income Tax Act 1952, so that where business profits are involved the Inland Revenue should decline to accept accounts prepared except from a member of the new body.*
- (c) Prohibition on the formation of any new body whose members hold out to the public that they are qualified in or have special skills in book-keeping, accountancy, auditing and taxation (ICAEW, FPCA, 20.1.65).*

The relationship between the ring fence and the unification of professional organisations was also alluded to: 'The ring fence should first be considered in conjunction with the concept of unification; but if unification is impracticable, a modified form of ring fence around the existing professional bodies should be pursued as a desirable objective in itself' (*ibid*).

At its meeting on 23 February 1965 the ICAEW Council referred *The Future of the Profession* back to the FPC for more detailed discussion given the many consequential points made in the document. However, by the summer of 1965 the Council was in a position to authorise the FPC to:

... engage in a further series of talks, jointly or severally with the four bodies concerned [ICAS; ICAI; ICWA; ACCA] on the basis that the talks are exploratory and without commitment and that the greatest degree of security be attached to all discussions (ICAEW, Minutes of Council, Vol.W, 2.6.65).

At a Special Meeting on 24 November 1965 the Council finally adopted *The Future of the Profession*. It 'accepted that there should be a ring fence around the profession' and was assured by the FPC that '*the ring fence was regarded as an integral part of the proposals of the committee*' (ICAEW, Minutes of Council, Vol.W, 24.11.65, *emphasis added*).

Legal opinion on the ring fence

The ICAEW also determined to obtain legal opinion on the possible implementation of a ring fence. The ICAEW's lawyers presented a memorandum on the subject to Sir Milner Holland QC which also outlined the work undertaken by the Co-ordinating Committee from 1942-50. Copies of the draft Public Accountants' Bills from that period were supplied. Counsel was advised that 'fundamentally, it was thought that both of the two Bills failed to 'get off the ground' because of the basic difficulty of defining 'accountancy'

and/or 'accountant' in a way which was satisfactory to the many interests involved' (ICAEW, 2-19-1, 17(34), 5.1.66, Appendix B). This interpretation of the reason for the failure of the Co-ordinating Committee to secure registration was a misleading oversimplification and indicates that only a cursory investigation had been undertaken of events during the 1940s and early 50s (see Walker and Shackleton, 1995; Shackleton and Walker, 1998).

After explaining the background to the FPC's proposals the ICAEW's lawyers explained that:

Counsel will appreciate ... that the way the Institute is now thinking is to get away from the principle of registration but to effect unification of the profession as it stands at present with legislation in the background to prevent the formation of any new bodies using the word 'accountants' or 'accountancy' or 'auditors' in their titles, and if it is possible for such legislation to go further and to prevent people who are not members of any body within the new unified profession from holding themselves out as professionally skilled in accountancy matters (ibid).

Sir Milner Holland was asked if there would be any insuperable difficulties in drafting legislation to prevent the formation of new accountancy bodies and whether it would be possible to go further and prevent unqualified persons from presenting themselves as professionally skilled. Sir Milner considered that there was no difficulty in drafting a clause that would prohibit the formation of organisations which issued accountancy qualifications. Counsel was of opinion that the 'prohibition would lie, not against the practice of accountancy which gives rise to such serious difficulties of definition and prohibition, but against the conferment of professional qualification' (*ibid*). On the second question posed by the ICAEW Sir Milner was less assured and indicated that the ultimate objective of the total closure of the profession might be secured by proceeding in two stages, that is, once a unified body had been formed 'the climate would become more favourable towards a more sweeping embargo on unqualified practitioners' (*ibid*).

The FPC stated that it was 'encouraged by the discussion with Sir Milner Holland and by his opinion, which it takes as an indication that an effective (although not an absolute) ring fence is capable of being established' (*ibid*). However, for the ring fence to come into being it was necessary for the accountancy profession to persuade the Board of Trade that such a measure was in the public interest. Based on previous attempts to secure such privileges from government, the omens were not good.

Summary

For more than eighty years the accountancy profession had sought to obtain the closure of public accounting through legislation. However, disagreements among the professional organisations and the lack of government support destined all efforts to fail. The structure of the profession and the competitive pressures within it during the 1950s and early 60s obliged the ICAEW to give consideration to a fundamental review of its policies on recruitment, training and practice. In 1962 a Development Sub-committee was formed to discuss these issues and in 1963 its work was remitted to a steering committee, later named the Future Plans Committee. The FPC pursued a wide remit and became the driving force for a review of the structure of the accountancy profession. Concurrent with these developments discussions continued to take place between the ACCA and ICWA. The ACCA made it clear to ICAEW that it favoured a merger with the ICAEW. The publication in 1963 of the Robbins Report on higher education in Britain and the implications for recruitment to ICAEW if its recommendations were implemented by government, provided an additional incentive to re-examine the structure of the profession.

The report of the FPC was titled *The Future of the Profession*. This key document received the approval of the ICAEW Council in 1965. *The Future of the Profession* proposed a unified, two-tier profession comprising chartered and licentiate accountants. Tier I

would contain two streams of chartered accountants: those in public practice and those in industry. Admission to Tier I would be on the basis of high standards of entry, examination and training. A new grade of accountant, termed licentiate, would be created to occupy Tier II. Access to Tier II would be based on lower standards of entry, training and examination. A bridge to allow the transfer of licentiates to the higher tier was suggested.

These proposals were based on three major assumptions. Firstly, that a statutory ring fence should be established round the profession. Secondly, that the profession should be unified. Thirdly, that leadership of the new structures would be provided by ICAEW. The ring fence was perceived as an essential prerequisite of the scheme. Its object was to close professional practice and to prohibit the formation of new accountancy bodies. Before commencing discussions with the Board of Trade on the likelihood of government support for such a measure, legal opinion was sought by ICAEW. Counsel assured the ICAEW that legislation could be drafted which would prevent the formation of new bodies. Counsel was less confident that an embargo on competitive practice from 'unqualified' accountants could be achieved by an act of Parliament and suggested an incremental approach.

It is interesting to note that although the idea of the closure of the profession resurfaced in the mid-1960s, the experiences of the co-ordination movement of the 1940s and 50s on this subject did not appear to have formed a deep impression on, or provided a learning experience for, the leaders of ICAEW (Walker and Shackleton, 1995). The attempt to secure the passage of a Public Accountants' Bill during the 1940s had failed to attract government support primarily because it was perceived that the proposals were monopolistic in intent (War Cabinet, CAB 117/46, f.44). This failure to fully comprehend and respond to the lessons of the past was to result in the next generation of leaders of the profession becoming embroiled in protracted and, ultimately abortive, discussions with the Board of Trade through 1965-68.

CHAPTER FOUR

INVOLVING THE OTHER ACCOUNTANCY BODIES 1965

The relationship between the proposed ‘ring fence’ and unification meant that the work of the Future Plans Committee had to extend beyond the ICAEW. The ICAEW agreed that the FPC should engage with the other major accountancy organisations and meetings were held with ICAS, ICAI, ACCA and ICWA throughout 1965. The requirement to absorb as many fringe accountancy bodies as possible within the scheme raised concerns about the dilution of the profession. This, and associated matters troubled the committees established by the chartered institutes to discuss *The Future of the Profession*. A response to the fear of dilution was formulated which became a defensive mantra over the next five years. This chapter examines the initial meetings of the FPC with other accountancy bodies in the British Isles and the issues which were raised.

Formulating an exclusionary base

Having established that a ring fence round the profession was a fundamental component of its scheme for unification the FPC had to address the means of achieving this objective. The principal fear of the FPC was that failure to establish a statutory ring fence would mean that it would be impossible to ‘prevent the formation of new accountancy bodies’ (ICAEW, FPCA, 22.6.65). Sir Henry Benson was to comment in 1966 that ‘A ring fence must exist at least to prevent the existence and growth of pariah bodies’ (ICAEW, 2-19-1, 17(34), 12.1.66).

The link between the ring fence concept and unification meant the other accountancy bodies had to enter discussions on *The Future of the Profession*. Although it was recognised that ‘it would be unwise to proceed too far with negotiations which depended on a ring fence without knowing to what extent it might be possible to obtain such protection’ (ICAEW, FPCA, 22.6.65), the FPC was authorised by the ICAEW Council to meet with other accountancy bodies. The object being to discuss some of the ideas which had emerged and to confront obstacles to institutional reform. Unification, if successfully achieved, would demand substantial compromises among the memberships of the major accountancy bodies.

Entering into discussions with other organisations required that attention be given by ICAEW to pre-defining the institutional boundaries of the proposed ring fence. And here there was a delicate balance to be struck (Walker and Shackleton, 1998). If the profession was to enhance its case for a statutory ring fence, then it would be necessary to demonstrate to government that unification would ‘sweep up’ the satellite bodies and thereby offer a comprehensive re-organisation of the accountancy profession (ICAEW, 2-19-1, 17(34), 12.1.66). In 1967 it was acknowledged by the ICAEW Council:

A necessary corollary to the ‘establishment’ of a ring fence would be the need to absorb the existing fringe bodies of accountants under the best terms that could be obtained (ICAEW, Minutes of Council, Vol.Y, 26.4.67).

The absorption of fringe bodies would involve offering inducements to encourage their participation in the scheme. However, whilst a wide definition of the ring fence carried with it the benefit of inclusion and would reveal to policy makers that a comprehensive rationalisation was contemplated, the broadening of the ‘professional’ boundary posed significant problems for the chartered societies. It was likely that chartered accountants would be anxious about dilution. The inclusion within the ring fence of members drawn from ‘lesser’ accountancy bodies would degrade the status of the whole profession. This concern

was to be countered repeatedly in terms which were expressed by R G Leach in 1967 when he claimed that dilution: 'was an inevitable consequence of any merger or amalgamation. The long-term benefits had to be examined in relation to short-term disadvantages' (*ibid*). Leach was to argue that while some members of the junior accountancy bodies 'might not measure up to the required standard ... this was the price which would have to be paid to establish the profession on proper lines for the future' (*ibid*).

Exploratory and confidential discussions

In relation to the inclusion of the major accountancy bodies in discussions on the scheme, the FPC suggested that ICAEW should first approach the Irish and Scottish institutes but 'that no move should be made to the ACCA, or to the ICWA or to the IMTA beforehand' (ICAEW, FPCA, 20.1.65). However, the ICAEW Council decided to honour its previous assurance to ACCA to communicate once the FPC had reported. Accordingly the FPC arranged to meet with the ACCA. The ICAEW's stance was not entirely motivated by courtesy and goodwill towards the ACCA. At its meeting on 3 March 1965 the ICAEW Council had been forewarned by the FPC that although formal discussions should not be considered with the ACCA, there was a danger that silence might instigate:

... a move on the part of the Association to enter into negotiations with other accountancy bodies and that such a move might be prejudicial to or inconsistent with proposals which the Council may have to consider on the future of the profession (ICAEW, 2-19-1, 17(37), 3.3.65).

The ICAEW Council approved a letter to ACCA which indicated a willingness to meet on an informal basis, without any commitment on either side. An exploratory meeting between the FPC and ACCA was arranged for 24 March 1965. The FPC enquired at this meeting how far the ACCA had considered the wider problems of the structure

of the profession, to which the ACCA's representatives answered that its Policy Committee had given much thought to the issue. However, the Policy Committee had concluded that any restructuring of the profession which was based 'wholly on the requirement of service in practising accountant's office would be unacceptable' to the ACCA (*ibid*). The ACCA representatives also mentioned that consideration had been given to the inadvisability of absorbing the BFI bodies until wider discussions on the future structure of the profession had taken place. Of particular interest to ICAEW was the revelation that recently 'the Association had ... made little progress with the ICWA' (*ibid*).

The exploratory meeting with the ACCA on 24 March was deemed by the FPC to have been most helpful (ICAEW, 2-19-1, 17(37), 24.3.65). Accordingly, the FPC recommended that ICAS and ICAI should now be informed of the ongoing consideration of the future of the profession. In April 1965 there followed a series of separate meetings of the FPC with representatives from ICAS and ICAI, and a joint meeting with representatives from the ICWA and IMTA. The major concern of the FPC at this stage was to ensure:

... as these discussions are purely exploratory and may be terminated by any party, it is suggested that there should be no reference to them either at district society committee level or individually (ibid).

An initial meeting between three representatives of the FPC and delegates from ICAS was held on 26 April 1965. A meeting with representatives of the ICAI took place on the following day. *The Future of the Profession* was not made available to ICAS before or during the meeting, the FPC's proposals were communicated orally. It was declared at the meeting that 'The Council of the English Institute felt that the three chartered institutes should work together in the sense of keeping in touch' (ICAEW, 2-19-1, 17(34), 3.5.65). At a later point R P Winter (Immediate Past-President of ICAEW) expressed the hope that:

... a start would be made by an integration of the three chartered Institutes: to him that would be the most desirable first step, seeing how close the chartered bodies were to each other and how friendly the relations were between them (ibid).

This comment did not find favour with Thomas Lister, a Past-President of ICAS, who stated that ‘he was not “sold” on the idea of one huge accountancy profession - not by a long way’ (*ibid*). Lister focused his attention on the education and training requirements in the FPC’s proposals. He noted that a consequence of enhanced standards of entry under the scheme might be a reduction in the rate of growth of ICAS. This would be acceptable provided the higher overall standards envisaged for new members were achieved in practice. Lister also questioned the ring fence concept, and argued that whilst it should be practicable to draw a boundary round auditing and taxation practice, he doubted that other forms of work could be clearly defined.

On 2 July 1965, the ICAS President, Professor Browning, wrote to his counterpart at ICAEW, R McNeil, stating that without having sight of any memoranda of the FPC ‘it was not altogether easy to appreciate fully the implications of the proposals which the FPC had in mind’ (ICAEW, 2-19-1, 17(34), 11.1.66). McNeil responded that ‘It would be a mistake at this stage to elevate the quality of the discussions by the introduction of presidents and vice presidents, but that the Council was being asked to indicate whether or not it approved of the objectives and to give directions to the FPC’ (*ibid*).

The representatives of the FPC met with delegates from the ICWA on 30 April 1965. At this meeting Sir Henry Benson attempted to reinforce the interest of ICAEW in industrial accountancy. He said that given ‘the enormous growth of the profession since the war, it must surely be accepted that the ICA must train for industry’ (ICAEW, 2-19-1, 17(36), 6.5.65). H Hodgson of the ICWA countered this by stating:

... an increasing number of intelligent and able men would qualify as accountants through service in industry. This would be especially true of university graduates. This was the sphere of the ICWA - the 'dead straight line' of industrial training and qualification (ibid).

Once the discussion had moved from this delicate issue, the representatives of the FPC argued that working to a common objective would be of considerable assistance in advancing relations with the Board of Trade. The importance of obtaining a ring fence around public practice, which excluded industrial accountancy, was not explored in the discussion with the ICWA. The cost and works accountants were informed that great tolerance would have to be displayed by the major accountancy bodies if the fear of dilution was not to impede unification and the attendant advantages that this would bring. There does not appear to have been any major points of difference between the participants at this meeting. The ICWA delegates agreed that 'some plans and outline for the future were required to avoid increasing chaos' in the profession (*ibid*). Such equanimity probably reflected the fact that ICWA had also been discussing the structure of the profession with ACCA.

Discussions between ACCA and ICWA

The concern expressed at the meeting of the ICAEW Council on 3 March 1965 about discussions between ACCA and ICWA and the way in which the outcome of these might prove prejudicial to the scheme advanced by the FPC had been accurate. Sir Henry Benson was to elucidate this concern most starkly during a meeting between the FPC and the chartered institutes on 11 May 1965. He declared that:

There was a danger of an amalgamation between ACCA and ICWA; such an amalgamation could, if it came about, quickly take over the industrial side of the accountancy profession (ICAEW, 2-19-1, 17 (34), 11.5.65).

Meetings had been held between ACCA and ICWA in late 1964. The ACCA Policy Committee was to report that, by the end of April 1965, its representatives had held 'two or three meetings with representatives of the ICWA' (ACCA, Minutes, No.3590, 27.4.65). At a meeting of the Executive Committee of ICWA on 22 January 1965 it was also reported:

There was discussion on the degree of urgency with which the conversations with the Association should be pursued and it was agreed that after the meeting on 29 January, the Institute's representatives should prepare a report on the situation for the Executive Committee (ICWA, Executive Committee Minutes, No.2984, 22.1.65).

The resultant report on the meeting of 29 January 1965 related that it had been agreed with ACCA that the ICWA representatives should prepare an outline scheme of integration between their two organisations. The ICWA minute of the resultant meeting in April merely records that the scheme as presented:

... proved unacceptable to the ACCA representatives and a further meeting planned with them for 12 March 1965 had been cancelled at their suggestion because they had been invited to talks with the ICAEW (ICWA, Executive Committee Minutes, No.3004, 9.4.65).

It was generally understood that the proposals devised by the ICWA for integration with the ACCA involved the commercial and industrial members of the Association being merged into ICWA, whilst those in public practice would be merged with ICAEW. The elimination of ACCA as a professional body in this manner was unacceptable to its Council. However, by the time that this opinion was relayed by the ACCA to the ICWA, the latter had received an invitation from the ICAEW to a meeting with representatives of the FPC. The ICWA delegated the same team to this meeting as had been involved in the discussions on integration with ACCA.

A second round of talks

Following their exploratory discussions with the other accountancy bodies in March and April 1965, the representatives of the FPC reported to the full committee. At its meeting on 11 May the FPC decided that an oral report would be conveyed to the ICAEW Council and that Council would be invited to authorise the FPC to arrange 'further talks with the ICWA and ACCA on the present basis, *ie* that such talks should be exploratory and without commitment' (ICAEW, FPCA, 11.5.65). If approval was given to this suggestion, a detailed report might be submitted by the FPC to the Council during autumn 1965. This would indicate the extent of agreement and disagreement between the accountancy bodies on the scheme for the future of the profession (*ibid*).

On 2 June 1965 the ICAEW Council granted the FPC permission to engage in a further round of talks (ICAEW, Minutes of Council, Vol.W, 2.6.65). These took place June and July 1965. In advance of these meetings the FPC prepared 'five heads of discussion' which were circulated to the relevant accountancy bodies on 15 June. These 'five heads' were as follows:

- (i) *Is the (named accountancy body) interested in a unified profession with chartered status with all that this entails?*
- (ii) *Is the principle of a two stream profession acceptable?*
- (iii) *Is the principle of a two tier profession acceptable?*
- (iv) *Is the principle of articles in industry accepted as both necessary and desirable?*
- (v) *Is it agreed that the minimum entry standard for Tier 1 should be two passes at the advanced level?* (ICAEW, FPCA, 22.6.65).

The FPC debated these issues to provide guidance to its representatives involved in the second round of discussions with the accountancy bodies. There was general agreement on the objective of a unified profession but some members of the committee had reservations 'if a half way stage were contemplated'. The erection of

a ring fence was reasserted as a basic condition of unification. On the proposal for a two stream profession it was agreed that the ICAEW 'would not be serving the needs of the public unless it played a more direct part in training for industry' and that this might entail articulated service in industry. The implementation of a two tier profession was also deemed to require unification as an 'essential pre-requisite'. It was asserted that the difficult issue of entry standards would be left 'until the question of unification had been fully explored' (*ibid*). Thus guided, the representatives of the FPC prepared to meet delegates from ACCA, ICWA, ICAI and ICAS.

Further discussions with the ACCA and ICWA

Representatives of the FPC held separate meetings with delegations from ACCA and ICWA on 30 June 1965. The meeting with the ICWA was held in the morning and responses to the 'five heads of discussion' indicated general agreement between the parties. However, some concern was expressed by the ICWA on the ability of the accounting profession to obtain a ring fence. The ICWA representatives were also anxious about the suggestion of establishing articles in industry, particularly in respect of the relationship between the articulated clerk and the principal. It was thought that the employing firm should be a third party to a training agreement and would be obliged to provide a suitable training environment. It was agreed that the ring fence would play an important part in any scheme of unification. Another issue arose because ICWA was involved in examining and admitting members from overseas. It was stated (by the FPC representatives) that any scheme for the future of the profession would be based solely on vocational experience gained in the United Kingdom and that the ICWA should find it possible 'to set examinations with a different designation for those students who received their training abroad' (ICAEW, 2-19-1, 17(36), 8.7.65). The FPC's position on this issue was conditioned by the terms of the Royal

Charter of the ICAEW which identified the national boundaries of the Institute. The FPC had proposed:

- (a) *The establishment of a separate Institute examination(s) of a standard appropriate to overseas students; and*
- (b) *encouraging the development of the activities of the Overseas Accountancy Examinations Advisory Board - the examinations are not those of the Institute (ICAEW, FPCA, 22.1.65).*

It would appear that the discussions between the FPC and the ICWA became time lapsed and a number of issues, such as overseas students, were not explored fully. A further meeting was scheduled for 29 July 1965. It was made clear to the ICWA representatives that ICAS and ICAI would be made aware of the discussions between the FPC and ICWA and ACCA.

On the afternoon of 30 June 1965, representatives of FPC met with a delegation of ACCA. At this meeting concern was expressed that members of 'fringe bodies would need to be included if a ring fence was to be established'. The ACCA representatives expressed concern about the practicalities of establishing training in industry by means of articulated service but this was brushed aside as a matter of detail to be decided by a joint working party. The issue of training overseas was also important to the ACCA. And here the FPC applied the same formulation as presented to the ICWA, that is, that the scheme for the future of the profession would be based on vocational experience gained in the United Kingdom and that the ACCA should offer membership with a different designation to its students who were trained abroad (ICAEW, 2-19-1, 17(37), 5.7.65).

On receiving the FPC's minute of this meeting the ACCA Secretary, Osbourn, complained that his understanding of the deliberations on overseas training were different. Osbourn responded that 'we understood you to say that you were in favour of creating, subject to safeguards, a separate UK body for students overseas wishing to obtain a UK qualification'. Although the ICAEW Secretary, Evan-Jones, stated that 'I did not think we went as far', there is no

record of the ICAEW secretariat amending their note of the meeting, nor of the preparation of any response to a letter from Osbourn dated 14 July 1965 (ICAEW, 2-19-1, 17(37), 14.7.65). The documentary sources suggest that the ACCA also left this issue quietly aside for the time being. Later, however, it was to emerge as a significant source of dispute between the accountancy bodies.

Further discussions with ICAS and ICAI

The FPC held a joint meeting with ICAS and ICAI on 28 July 1965. The meeting had been called by the ICAS representatives. W E Parker of the FPC reminded those present that it was the intention of the committee to report to the ICAEW Council in October 1965 on the progress of the discussions which had taken place with ICWA and ACCA. He indicated that there had been 'substantial identity of thinking on the five heads of discussion'. Lister, for ICAS, said that after the meeting with representatives of the FPC in April 1965, considerable thought had been given by the ICAS Council to the documents emanating from the FPC on the future of the profession. He asserted:

... his difficulty was that there were three or four major issues which were intertwined, and he was left wondering what was sought to be done, and how (ICAEW, 2-19-1, 17(34), 28.7.65).

Lister then addressed a number of issues which served to reveal that some fundamental aspects of the proposed scheme required detailed consideration. His principal concern was the definition of the practice rights of accountants in the proposed Tier II. In particular, he wondered whether licentiate accountants 'were to be allowed to perform any other auditing functions [than those enshrined in Section 161] and whether they would have equal status regarding taxation work' (*ibid*). Lister claimed that whatever decisions were made on this issue, the non-recognition of licentiates for purposes of

Section 161 of the Companies Act would lead in the short term to the creation of two tiers of company for audit purposes. In response, Parker stated that it would not be possible to preclude those in the lower tier from practising in certain fields where they already held personal practice rights under company law. However, practitioners who would transfer to licentiate status, and who were currently able to practise as auditors, would 'gradually die out over a period of time' (*ibid*). Lister pursued his concerns about the members of the proposed Tier II by claiming that it would be difficult to exclude them from all practising work. Parker responded by saying that 'he and his colleagues were impressed by all the difficulties'. Lister asked if the practising offices were to participate in the training of licentiate accountants. The response was it had not been envisaged that there would be any form of apprenticeship and that study for professional examinations in Tier II could be undertaken by a variety of methods, although these were not yet defined.

N V Hogan, the senior ICAI representative, stated that his institute's Policy Committee favoured the idea of a unified profession comprising 'one institute which included Ireland' (*ibid*). It was understood by representatives of the FPC and ICAS that the Scottish Institute was not prepared to go quite so far.

Subsequent discussion concentrated on the issue of 'theoretical training'. Hogan said that the ICAI was working towards a graduate profession. The ICAS representatives anticipated the report of its own Special Committee on Education and Training by stating that this Committee 'had arranged for additional concessions to be given to University graduates whose degrees were slanted towards the needs of the accountancy profession' (*ibid*, see Shackleton, 1992). The FPC representatives conceded that theoretical training in advance of practical instruction 'would be a difficult pill for members of the English Institute to swallow' (*ibid*).

The discussion on education and theoretical training revealed the deep differences between the chartered institutes on these subjects. Whatever the rhetoric, the fact remained that the ICAEW's thinking

lagged significantly behind the policies being formulated by ICAI and ICAS. The ICAEW was wedded to the recruitment of apprentices at a lower educational level than ICAS and ICAI. This difference had been highlighted in Wilkinson's memorandum of November 1959.

The ICAS representatives also questioned the feasibility of introducing training under articles in industry and also referred to the need for the 'independence' of the training principal. ICAS representatives were informed that the ICAEW's current scheme for seconding articled clerks to industry for a period of six months had been a 'wash-out'. Despite this exposition of ICAEW experience, J W Dallachy, ICAS, expressed his fear:

... if apprenticeship in industry were available for intending chartered accountants, perhaps 80 per cent of the present rate of intake into articles would never go into a professional office at all, and would simply serve articles in industry (ibid).

The response of the FPC representatives to this was to highlight the proposal to make the period of training in industry longer than that in practising offices. This solution was advanced as a means of maintaining a numerical balance between the two streams of entry. The objective of the FPC was to make industrial training appear less attractive, thereby promoting the tradition of training in public practice.

When ICAS representatives raised the possibility of entering into discussions with ACCA and ICWA they were politely informed that 'this would be wrong and that it would muddy the waters' (*ibid*). The FPC representatives did not disclose that such inclusiveness would interfere with the determination of ICAEW to provide leadership and control of the agenda on *The Future of the Profession*. The ICAS representatives concluded at the meeting:

At the present stage the Scottish Institute's representatives felt that it might be more helpful to explore improved co-ordination of the profession, rather than unification (ibid).

E H V McDougall, the ICAS Secretary, compiled the original draft minute of the meeting with the representatives of the FPC. Following its transmission to London the FPC noted that the draft contained ‘a number of statements attributed to members of the committee which did not necessarily represent their considered views on the matters under discussion’ (ICAEW, FPCA, 8.9.65). Agreement was eventually reached on a minute of the meeting. When McDougall forwarded the final version on 5 August 1965, he also sent a covering letter in which he indicated that the ICAS representatives had also intended to take up a position which ‘was not made sufficiently clear at the meeting’:

The Scottish Institute’s representatives should be very conscious of the desirability of the three Chartered bodies keeping in step and should assure the representatives of the English Institute’s Future Plans Committee and the representatives of the Irish Institute that very serious consideration will be given by the Scottish Institute to any fundamental changes which the English Institute may consider it wise to initiate, and to the practicability of the Scottish Institute’s acting on lines which might be parallel or complementary (ICAEW, 2-19-1, 17(34), 11.1.66).

McDougall’s counterpart at the ICAEW offered a reply dated 8 September 1965. Evan-Jones stated that there was now only one issue in the minutes which required clarification. In the original minute Lister of ICAS was quoted as saying that ‘the Scottish Institute’s representatives had been appointed by the President to enter into discussions, but were not authorised to support any proposal for a unified profession in one institute’ (ICAEW, 2-19-1, 17(34), 8.9.65). In response, Evan-Jones clarified what the FPC understood by a ‘unified institute’:

The reference by this Institute’s representatives at that meeting to a single unified institute meant the absorption by this Institute of the Cost and Works Institute and the Association, together with any other bodies which it was felt it would be appropriate

to absorb. Following conversations which I and others have had with you, Alec McKellar and Thomas Lister, it was clear that your Institute would not want to throw its lot in with us and I think on balance the same thing can be said for the Irish. The representatives of our Future Plans Committee accepted this position quite early in its deliberations. Having said all this, the last thing the representatives of our Future Plans Committee, or indeed the Council, would want to do would be to 'corner the market'. Consequently the hint that your Institute and the Irish Institute might be prepared to consider proposals for Scotland and Ireland similar to those proposed for England and Wales was warmly received (ibid).

This statement represents the first explication of a proposed structure comprising three independent but parallel schemes within the British Isles. Unified professional bodies would be formed by absorbing into the English, Scottish and Irish chartered institutes, existing members of the ACCA, ICWA and IMTA. As had been the case with the co-ordination movement of the 1940s, the ICAEW conceded the notion of separate schemes in England and Wales, Ireland and Scotland in order to progress institutional reform.

Additional meetings with ACCA and ICWA

The day after the meeting between the representatives of the FPC, ICAS and ICAI on 28 July 1965, the FPC held a joint meeting with the representatives of ACCA and ICWA. The FPC's document outlining the 'five heads of discussion' had been circulated prior to the meeting along with sixteen detailed questions. In preparation for its meetings with the accountancy bodies, the FPC indicated provisional responses to these questions. Among these responses was a statement that the standard of entry to Tier I would be at least two GCE 'A' levels, subject to any subsequent increase in university entrance requirements. Another response was that articles should commence with one year's theoretical training before proceeding to practical

experience. The FPC had already flagged this as a contentious issue and the apparent incompatibility of the opinions expressed at the meeting with representatives of ACCA and ICWA on 29 July indicated that this would continue to be a subject of intense debate for some time. No agreement was reached at the meeting on the timing of theoretical education within the training programme. Differing opinions were also expressed on the question of the point at which articulated service began. Was it to be prior to, or on completion of, theoretical training? Everyone agreed that a graduate who had studied 'relevant' subjects should be treated differently to the graduate who had read non-relevant subjects, and a 'conversion' course would be required for the latter.

The next issue to be considered at the meeting also raised considerable difficulties. This concerned the minimum period of training under articles required for entry to Tier I. The FPC's draft answer on this question indicated that in order to achieve direct entry to the profession, school leavers should be required to serve four years in a practising office or five years in industry or commerce. Graduates would be required to serve two and a half years or three and a half years respectively. It was explained that the FPC's stance on this issue was based primarily:

... on the belief that if the periods for practice in industry were equal there would be no attraction to the professional office: it was thought that the rate of accumulating experience was naturally faster in a practitioner's office with year ends taking place at all times (ICAEW, FPC, 2-19-1, 17(34), 26.10.65).

The ICWA representatives, Messrs Hodgson and Morrow, strongly disagreed with Parker of the FPC on this issue and claimed that whilst training outside public practice assumed a very different character to that received in practice there was no justification for a longer period of training in industry. Sir Henry Benson of the FPC considered that industry would not take a great number of students anyway, thus rendering the issue as marginal. This statement was at variance with the FPC's earlier concern that industrial training might prove more

attractive than that received in professional offices. Parker summarised this part of the discussion by stating it was the general view that there should be no difference in the period of training. Nevertheless, he followed this comment by stating:

If it were intended to ensure that the practising side of the profession obtained an adequate supply of new recruits, this might have to be done through regulation of the flow into industrial training (ibid).

On other matters concerning the requirements of entry to the proposed Tier II and the means of providing a bridge to Tier I there was general agreement between the parties. However, two difficult issues were not pursued. These were the status of overseas students and the junior accountancy bodies who might be brought into a scheme of unification. At the conclusion of the meeting on 29 July 1965 it was agreed that the representatives of ICWA and ACCA might now make confidential reports to their respective councils, basing their submissions on the minute of the meeting. The councils would then be invited to further discussions.

The report of the ACCA representatives to Council was channelled through the ACCA's Policy Committee, which had just been accorded the status of an executive committee. The terms of reference of the Policy Committee included, *inter alia*, 'to engage in discussions with the representatives of other bodies of accountants for the improvement of the status or structure of the profession' (ACCA, Minutes, 23.11.65). The Policy Committee furnished a brief report on the meetings which had taken place with the representatives of the FPC. The report concluded that:

While these meetings have been most cordial in tone, it is necessary to keep firmly in view the fact that, however friendly these exchanges may be, there is no guarantee that anything will come of them, either in the short or the long run.

In these circumstances, it would in our view be fatal to the best interests of the Association if the formulation of a new and energetic policy for the Association were deferred to await the outcome of these talks. Indeed, to take the least charitable of views, it is even possible that such is the very intention of the talks (ibid, emphasis added).

In its final pronouncement on the discussions held with the representatives of the FPC, the Policy Committee restated its position thus:

(We) declare continued intention of working for the unification of the profession on the basis of:

- (a) adequate provision for the integration of all members of the Association without preference of any kind.*
- (b) adequate provision for all students of the Association.*
- (c) the preservation of open entry to the profession, subject only to a minimum educational requirement.*
- (d) protection of the public and the profession against the activities of the unqualified by way of regulation of the profession or otherwise (ACCA, Minutes, Appendix, 23.11.65).*

A full report of the Policy Committee to the ACCA Council was made on 12 January 1966. This provided a comprehensive summary of the FPC's proposals. It was noted that the issue of overseas training had not been resolved:

The question of what to do with members of the Association and the ICWA trained overseas, and students in the course of being so trained has been left open. One early suggestion was that a special body should be formed for their benefit which would enable them to continue to obtain a British qualification in their

own countries (ACCA, Minutes, No.3708, Appendix: Report of the Executive Committee, 7.1.66).

The relevant sub-committee of the ICWA, the Relationships with Kindred Societies Committee, prepared an initial report on the FPC's scheme (ICWA, Executive Committee Minutes, No.3041, 10.9.65). The report was delivered to the Council on 26 November 1965, when it was also decided to draft a summary of the discussions which had taken place. It was reported that two major concerns remained: the composition of the proposed council of the ICAEW as the new body, and the status of ICWA members overseas. During 1966 the cost and works accountants elevated these issues to the status of fundamental principles on which the continued participation of their institute in the discussions depended.

Issue of leadership by ICAEW

Throughout the period in which unification plans were formulated, ICAEW was intent on establishing and/or consolidating its leadership of the profession. There were three dimensions to this pursuit during the 1960s. Firstly, the Institute sought to control the reform movement by directing the effort from its own organisations to the exclusion of the other accountancy bodies. Secondly, it sought to devise proposals which would preserve the dominance of public practice over industrial accounting. Thirdly, the Institute, increasingly alarmed at the growth of the ICWA, developed a scheme for the future of the profession aimed at neutralising this threat. In messages about the scheme prepared for external consumption the leadership ambitions of the ICAEW were muted and oblique. Behind the closed doors of its committee rooms these hegemonic intentions were expressed more freely.

In 1959 Wilkinson's memorandum had attempted to frustrate the ACCA's desire to be merged with the chartered institutes on the same terms as the SIAA. Wilkinson had made it abundantly clear that the profession was centred on the activities of the chartered bodies (ICAEW, 2-19-1, 17(37), 19.11.59). It was the opinion of many

ICAEW members that the chartered institutes should be merged and this would ensure the dominance of the ICAEW by virtue of its size and London base. Such ideas had a long pedigree (see Shackleton and Walker, 1998, pp.21-28). At the president's dinner party in December 1959, ICAEW members were referred to as 'the' chartered accountants. By June 1964 ICAEW was minded to embark on a more overt form of leadership when it decided that 'the time is ripe to try and bring about unification'. Documents dated February 1965 allude to the belief that the 'basic purpose of (a unified body) is the leadership of the profession of Public Accountancy' by the Institute (ICAEW, FPCA, 3.2.65). This sentiment highlighted the fact that the ambitions of ICAEW extended beyond the leadership of public practice to the increasing number of accountants trained and employed in industry and commerce.

The efforts of ICAEW to lead the unification movement of the 1960s was also evident in its relationship with the other chartered bodies. The FPC, acting on behalf of the Council of the Institute, fulfilled a political and diplomatic role in keeping ICAS and ICAI informed of the progress of discussions which had been held with ACCA and ICWA. However the luminaries of ICAEW were also intent on keeping this discourse on an arms length basis. It was said that the chartered societies should work together in the sense of keeping in touch, but when on 28 July 1965 it was suggested by ICAS representatives that ICAS and ICAI might attend the discussions with the ICWA and ACCA, the reply was initially negative.

By November 1965 the discussions conducted by the FPC had progressed and the ICAEW Council was contemplating the drafting of a formal proposal for unification. At this important stage it was also anxious to remind the FPC of a clause in its report of February 1965 which had been omitted from that prepared in November. The following was considered by the ICAEW Council to be an integral part of the Institute's objectives in restructuring the accountancy profession:

It must be borne in mind that a basic purpose of such a body (perhaps the basic purpose) is the leadership of the profession of

Public Accountancy and the uplift of its standards. Accordingly, precautions must be taken in its constitution against such a predominance of members industrially trained and occupied as might prejudice such basic purpose. It must be an objective to ensure an adequate intake of members with training in professional offices (ICAEW, Minutes of Council, Vol.W, 24.11.65).

Summary

The FPC promoted the concept of a ring fence round the profession as a fundamental component of the unification of the accountancy bodies. However, establishing a statutory ring fence posed a dilemma. Legislative sanction for such a measure was only likely to be forthcoming if a number of lesser accounting bodies were included within a revised professional boundary. This prospect was feared by those with established professional status due to its diluting effects. Senior members of the ICAEW claimed that dilution was an unavoidable consequence of rationalisation and was a price worth paying for a unification.

In the spring of 1965 a series of preliminary meetings were held between representatives of the FPC and delegates from ICAS, ICAI, ACCA and ICWA. These meetings explored a variety of issues concerning the future of the profession without commitment on either side and without disclosure in the public domain. ICAS delegates questioned the ring fence concept and demurred at the prospect of a single accountancy body for the British Isles. The ACCA, which had been engaged in merger discussions with the ICWA, was attracted to the FPC's proposals and negotiations with ICWA about a possible merger ceased. A second round of talks between the representatives of the FPC and the accountancy bodies was convened during the summer of 1965. These identified a number of more detailed concerns regarding theoretical training and the status of overseas students.

Although the ICAEW was determined as a matter of policy to maintain leadership of the accountancy profession, it became clear that this could not be accomplished within a single unified body. To accommodate Scottish and Irish sensibilities it was agreed that three separate but parallel schemes for the future of the profession might be prepared. The opportunity for the ICAEW to entrench its perceived leadership of the profession through the implementation of the scheme devised by the FPC was now to depend heavily on persuading the Board of Trade of the case for a ring fence. This effort and its reception by senior bureaucrats is the subject of the next chapter.

CHAPTER FIVE

ACCOUNTANTS AND THE BOARD OF TRADE 1965-1967

Legislation to implement a ring fence depended on obtaining the support of the relevant sponsoring ministry, the Board of Trade. This chapter traces the discussions which were held between representatives of the accountancy profession and the civil servants at the Board through 1965 and 1967. It relates the attempts by the accountants to allay fears that a ring fence would establish a new professional monopoly which was against the public interest and the policy of the Labour Government.

An interview at the Board of Trade

When, in February 1965, the FPC's blueprint, *The Future of the Profession*, was submitted to the ICAEW Council, considerable emphasis was placed on paragraph 11. This was headed 'The next move'. The paragraph contained the suggestion that 'an informal and personal approach be made to Sir Richard Powell' (the Permanent Secretary of the Board of Trade) to invite his comments on the ring fence (ICAEW, 2-19-1, 17(37), 3.2.65). The FPC informed the Council that consideration of the details of *The Future of the Profession* would 'be more profitable after the views of the Permanent Secretary were known' (ICAEW, FPCA, 22.1.65). It was also deemed important that the approach to Sir Richard Powell take place before 'making any move to ACCA, ICWA or IMTA' (*ibid*).

Sir Henry Benson, the Vice-Chairman of the FPC, duly wrote to Sir Richard Powell on 4 February 1965 and a meeting was arranged

for 22 February. The Permanent Secretary informed Sir Henry that he might be able to provide an informal indication of the views of the Board of Trade at the planned meeting (BT 298/139, Nos 1 & 2). Immediately after the meeting was arranged, civil servants began preparing briefing notes in order that the Permanent Secretary could take soundings before committing himself to 'any legislation that would follow from the Institute's proposals' (*ibid*).

David R Serpell, the Deputy Secretary of the Board of Trade, submitted a comprehensive briefing note to Powell on 17 February. This summarised a wide-ranging discussion which had taken place within the Board of Trade on the accountants' proposals. The briefing note covered the period from the early 1960s and referred to the considerable difficulty which the 'ring fence' presented to the Board of Trade. Concern was expressed that the accountants' plans would effectively involve the Board in supporting anti-competitive legislation. The briefing note referred to two aspects of the ring fence proposals which were particularly 'unacceptable'. Firstly, it was considered:

While a high standard might be expected of members of the new accounting body, a considerable amount of 'accountancy' work can be, and is done by individuals whose main qualifications are a talent for figures and some specialised experience (ibid).

The second objection concerned the perception and reality of 'Government acceptance of a new professional monopoly':

Leaving on one side any political difficulties, it [a monopoly] would run contrary to Board of Trade policy to insist that all 'accounting' work must be done by members of the new organisation, since the 'consumer', if given a free choice, would not avail himself of the services of its members at the fees the organisation would require its members to charge. Further, the new organisation by protecting itself against outside competition, would be depriving itself of an important means of judging the effectiveness of its own standards (ibid).

It was stated in the briefing note that the Board of Trade had 'a direct interest in an efficient accountancy profession due to Section 161(1)' of the Companies Act and was also concerned with 'helping the profession to equip itself to meet the needs of the public' (BT298/139, No.2). Nevertheless, this did not 'necessarily mean that we feel we must subscribe to the way in which the profession itself would like to fulfil this aim' (*ibid*). It was further considered that the proposals of the FPC for restructuring the profession were matters for resolution within the profession itself and that these ought to be pursued on the basis of consensus among all the accountancy bodies. The conclusion of the briefing note was unambiguous: "We would see very considerable difficulties about a 'Ring Fence' and for the reasons given the answer must be 'No'" (*ibid*).

The meeting between the representatives of the FPC and the Board of Trade took place as planned on 22 February 1965. R P Winter, Chairman of the FPC, introduced *The Future of the Profession* by stating that the FPC:

... would like to bring in as many of the existing bodies as possible but this depended on there being a prohibition on the establishment of new bodies in the accountancy field. He felt that it would be impossible to take in the fringe bodies in the accountancy field if their place was likely to be taken by new bodies (BT 298/139, No.3).

The ring fence proposal appears to have dominated the discussions. Sir Henry Benson stated that he regarded it as crucial to the success of the unification scheme that there be some protection from the activities of unqualified practitioners. He stressed the intense competition which smaller firms of chartered accountants in the provinces, prohibited from advertising, had suffered due to the incursions of uninstructed 'accountants'. To persuade beleaguered professional practitioners to support moves to raise standards it was essential that they be offered some form of statutory protection. The response of the Permanent Secretary to this assertion was to state:

... the proposal would cause a great deal of difficulty. He had not consulted Ministers on this particular proposal but was certain for their general policies that they would need to be given very powerful arguments before they would agree to introduce legislation which could be presented as establishing a monopoly and restricting the choice of the consumer. He therefore advised that it would be unwise to proceed on the assumption that the government would agree to establish a ring fence (ibid, emphasis added).

A general discussion then took place on three alternatives to the ring fence. Firstly, consideration was given to restrictions on the right to practice but this was deemed unacceptable to the Board of Trade. Secondly, restricting audits to practising chartered accountants in the proposed Tier I was discussed. This was thought not to pose a significant problem although it was recognised that the Board of Inland Revenue would need to be consulted. Thirdly, restricting the formation of new bodies. The Board of Trade agreed that it would be prepared to ask ministers their views on this idea but stressed that their responses might depend in part on how strongly they wished to see the reorganisation of the accountancy profession. It was concluded that if the ICAEW Council agreed the proposals of the FPC at its meeting on 23 February 1965 then the Board of Trade should be sent a full exposition of:

- (a) the advantages to the public, industry and the profession of the reorganisation; and*
- (b) the conditions which were regarded as essential to persuade the profession as a whole to endorse the scheme (ibid).*

Responses to the meeting

Following the meeting at the Board of Trade on 22 February, G Parker, an Under-Secretary at the ministry analysed the position. Parker had been one of the civil servants consulted by Serpell when

the briefing note of 17 February was being prepared. Parker appears to have dealt specifically with the issue of restricting the formation of other accounting bodies. He prepared a paper which opened with the general observation:

... there is a very strong onus on those who seek restrictive provisions of this kind to show that the public interest (ie not only their own interests) requires them. There may be evidence that this is so but I have not seen it and am prima facie inclined to doubt it (BT 298/139, No.5).

Parker noted that the Board of Trade was often approached by professional bodies and trade associations who sought restrictive practices. He argued that as a general principle the Board should 'stoutly resist such claims' (*ibid*). Parker based this opinion on his declared passion for freedom and his rejection of closed shops. In accord with this view he objected to the idea of restricting the formation of other accountancy bodies:

*... it seems to me, in the absence of a conclusive case to the contrary, objectionable in general principle and contrary to democratic practice, to prohibit the formation of new bodies. I cannot see that the advantages (what are they?) which would flow from the existence of one 'umbrella' body could possibly outweigh this general presumption of freedom to combine for any legal purpose (*ibid*).*

The accountants who had attended the meeting with officials at the Board of Trade in February 1965 did not appear to fully appreciate the substance of the messages that had been conveyed to them. At Moorgate Place the FPC continued to insist that the ring fence was 'an integral part of the proposals'. This was despite the negative soundings of the Board of Trade. During subsequent discussions with other accountancy bodies through 1965, no hint of the less than enthusiastic response of the Board was given by representatives of the FPC. An exception occurred when the committee met with the representatives

of ICAS on 28 July 1965. As reported earlier, the original minute of this 'informal' meeting was prepared by the Secretary of ICAS. The minute stated that the following response was offered by civil servants to the question put by the FPC:

Is it agreed that the Board of Trade should be pressed to impose a ring fence by prohibiting the formation of other accountancy bodies except under licence?

*A preliminary meeting with the Board of Trade had already been held, and the reactions of the Board had **not been unfavourable**.*

(ICAEW, 2-19-1, 17(34), 28.7.65, *emphasis added*).

Importantly, these minutes were subsequently modified at the request of the representatives of the FPC. The revised minutes were drafted as follows:

*A preliminary meeting with the Board of Trade had already been held, and the reactions of the Board had **not been favourable***

(ICAEW, 2-19-1, 17(34), 26.10.65, *emphasis added*).

Further meetings at the Board of Trade

The timing of the next request for a meeting at the Board of Trade was determined by the scheduling of meetings of the FPC and the ICAEW Council. As outlined in the previous chapter, the meetings between representatives of the FPC and the other accountancy bodies had proceeded during the spring and summer of 1965. At a meeting of the FPC on 8 September 1965 the outcomes of these discussions were still being digested, and discussion took place on a draft report to Council. It was decided that the report should have 'less space devoted to the attitude of Scotland and greater emphasis on the response of the ACCA and ICWA' (ICAEW, FPCA, 8.9.65). A later meeting of the FPC on 20 October received an amended version of the minute of the meeting held between the FPC and ICAS and ICAI. The legal opinion of Sir Milner Holland on the ring fence proposal was also

tabled. The report of the FPC was, however, not discussed until the Council meeting of 24 November 1965 when it was resolved 'to accept in principle the view that there should be a ring fence around the profession'. During the meeting the Council was assured by the FPC that 'the ring fence was regarded as an integral part of the proposals of the committee' (ICAEW, Minutes of Council, Vol.W, 24.11.65).

Subsequently, Sir Henry Benson, in his capacity as Vice-Chairman of the FPC, requested a meeting with the Permanent Secretary at the Board of Trade. This was arranged for 6 December 1965. Officials at the Board anticipated that the main purpose of the meeting was 'to discuss the Estate Agents Bill' (BT 298/139, No.7) and C W Jardine, Under Secretary at the Insurance and Companies Department, prepared a briefing note. The Estate Agents Bill was a Private Members Bill which proposed the creation of a closed shop in estate agency. This Bill had been considered by ministers on 14 November 1965 and received the approval of the Home Office. Interestingly, Jardine noted that previous attempts to secure the registration of estate agents 'had been prevented by discord between upper and lower status bodies in the profession but (these) differences had now been resolved' (*ibid*). Jardine speculated that Sir Henry Benson would 'suggest that the accountants should be treated as favourably as the estate agents' (*ibid*). Officials argued that the Board's response to such a request should stress that the estate agents' measure was based on a consensus in the profession. By contrast, the ring fence proposed by the accountants involved the exclusion of some bodies. Further, the Estate Agents Bill was deemed to be in the interests of the consumer and clear evidence had been presented of scandals arising from services being offered to the public by unqualified agents.

In the event, Jardine's briefing note was not required. In an episode which revealed the detachment of leading accountants from wider legislative developments, the Estate Agents Bill was not raised. The presence of the Bill on the parliamentary timetable and its implications for the pursuit of their cause appears to have by-passed

those accountants involved in laying plans for the future of the profession. The timing of the request by Sir Henry Benson for a meeting with the Board of Trade was determined solely by the scheduling of meetings of the FPC and the ICAEW Council.

The meeting at the Board of Trade took place on 6 December 1965. Sir Henry Benson's memorandum of the meeting stated:

... (he) had come with the full authority of the President and the chairman of the FPC to tell him (the Permanent Secretary) of the latest developments as regards the accountancy profession and to ascertain 'unofficially' what the attitude of the Board of Trade might be expected to be (ICAEW, 2-19-1, 17(34), 6.12.65).

The Board's minute of the meeting stated that the purpose of Sir Henry's visit 'was to seek approval for the erection of a ring fence around the reorganised profession' (BT 298/139, docs. No.4). Sir Richard Powell informed the accountants that 'government would need satisfaction on a number of points before it could agree to the establishment of what was essentially a closed shop and a monopoly over an important service' (*ibid*). The Permanent Secretary also referred to other concerns. In particular, the impact on the public of the withdrawal of the rudimentary accountancy services provided by small practitioners outside the main professional bodies. Under the scheme these services would be provided by accountants 'with unnecessarily high qualities possibly at a higher cost to the consumer' (*ibid*). Sir Richard also referred to the need for the profession to present evidence of scandals arising from the activities of unqualified accountants; to give assurances that the abolition of competition would not result in higher fees; and, that legislation would not lead to a general shortage of accountants. An indication of the likely sources of opposition to the proposals would also be necessary. The Board of Trade record of the meeting stated that the ICAEW was expected to 'submit a memorandum addressing these issues, which ideally reported the views of all the main bodies' (*ibid*).

The Board of Trade's concerns about the dangers of monopoly power and the need for assurances about the protection of the public interest, required that the accountancy profession directly address these fundamentals before proceeding with other aspects of the unification scheme. However, although Sir Henry Benson noted the Board's anxiety on these matters, his minute of the meeting laid more emphasis on other points of detail. Sir Henry appears to have left the meeting in an unduly optimistic frame of mind:

After I had explained in brief outline the nature of the Council's proposals, Sir Richard Powell said that he felt that the time was appropriate for us to submit a formal memorandum explaining exactly what was intended and what we would like the Board of Trade to do. Naturally he did not commit himself but I formed the impression that in general he was sympathetic; he said that the Board of Trade would look into the whole matter quite dispassionately and would certainly not adopt an entrenched position. Apart from anything else the ultimate decisions will, of course, rest with Ministers and not with the permanent staff (ICAEW, 2-19-1, 17(34), 6.12.65).

Sir Henry observed that following a brief discussion, the Permanent Secretary had indicated that the best way to proceed with legislation would probably be by means of 'a private members Bill supported by Government'. He concluded his report by advocating an expeditious approach:

In the light of the foregoing it seems to me that work should be set in hand at once to prepare this paper which should be approved by the FPC and then submitted for approval to the Association and the Cost and Works. It should go before the Board of Trade as soon as it possibly can (ibid).

The Future of the Accountancy Profession

The FPC followed Sir Henry's advice and a formal paper on *The Future of the Accountancy Profession* was despatched to the Board of Trade on 30 March 1966. This document, which was agreed by the ICAEW Council on 2 March 1966, is presented in Appendix B (ICAEW, Minutes of Council, Vol.X, 2.3.66). *The Future of the Accountancy Profession* bore the imprimatur of the ICAEW. It referred to discussions which had taken place with other accountancy bodies, now including the Institute of Municipal Treasurers and Accountants (IMTA). The submission emphasised the progressive and altruistic motives which lay behind the proposals to rationalise the profession. It was asserted that the general aim of the discussions between the leading accountancy bodies had been to reach agreement on the steps necessary:

- (1) *to unify and rationalise the accountancy profession so that it is better adapted to modern needs;*
- (2) *to improve the quality of its services, in particular by a general improvement in standards of training ...; and*
- (3) *to provide the public with better protection, in particular by bringing all professional accountants under a common and higher professional discipline, by enabling the public to distinguish more readily those who are qualified to perform the more advanced services and by ensuring that those entering public practice, have had adequate experience* (ICAEW, 2-19-1, 17(50), 29.3.66).

The Future of the Accountancy Profession recalled the state of accounting at the time of the Goschen Enquiry and stressed the increased demand for accountancy services in commerce, industry and finance which had taken place since 1930. The claim was made that the public interest would now be best served if accountancy was restricted through the issuance of practising certificates and if the audit

function was confined to accountants holding a higher credential. These measures would prove most beneficial if:

... steps could be taken at the same time (a) to preclude the subsequent formation of new accountancy bodies purporting to offer accountancy or audit qualifications of their own, and (b) to prevent unqualified persons who subsequently set up in public practice holding themselves out to the public under the description 'accountant' or 'auditor' (ibid).

Legislative support was requested to protect the profession from the activities of unqualified practitioners. At a later point in the document it was argued that these restrictions should be enforced by means of an act of parliament. Furthermore, 'an amendment should be sought to Section 52(4) of the Income Tax Act 1952 to ensure that accounts should be submitted only by a member holding one or other of the proposed qualifications' (*ibid*). It was stated that these restrictions on practice were different in character to those contemplated at the time of the Goschen Committee or the Co-ordinating Committee (Walker and Shackleton, 1995). Whereas the work of these bodies had centred on the *nature* of the accountancy services provided, the current proposals concerned the *designation* under which services were offered. Why the accountants expected this subtlety to be received by government with more sympathy than had been forthcoming during the 1930s and 40s, particularly given the level of antipathy expressed towards restrictive practices during two recent meetings at the Board of Trade, is not clear. The only concession in *The Future of the Accountancy Profession* to the concerns of the officials at the Board was the deletion of any reference to the 'ring fence'. However, to all intents and purposes, the submission remained consistent with the achievement of this objective.

As mentioned above, the FPC had been asked by senior civil servants at the Board of Trade to identify likely objections to its proposals. *The Future of the Accountancy Profession* addressed these under the headings of (a) professional objections and (b) possible

objections from the public. The latter were considered to include fears of reduced competition, and the creation of artificial scarcity in the supply of professional services as ring fenced accountants would 'be able to hold the public to ransom' (*ibid*). In response to this likely complaint the document ventured no further than quoting the provisions contained in the Royal Charter of the ICAEW:

This objection would have some force if the body were to be a trade association formed to promote the interests of its members. On the contrary ... under the terms of its Royal Charter, which can be amended only with the consent of the Privy Council, the purpose of the English Institute is to serve the public interest, specifically by securing for the community 'the existence of a class of persons well qualified to be employed in the responsible and difficult duties devolving on professional accountants' ... It follows that, while the pecuniary rewards of professional accountants are relevant to the attraction of a sufficient number and quality of recruits to enable the profession to meet the demands made upon it, the paramount consideration of the Institute under the terms of its Charter is that the public interest should be properly served. To that end one of the main objects of the scheme is to increase the number and quality of qualified accountants all subject to a high standard of professional ethics (ibid).

These assertions of altruism were in stark contrast to the particularist agenda which the accountants had advanced before the Board of Trade from the 1940s to the 1960s. As far as the officials at the Board were concerned the legislative protection sought by the accountants had one clear objective: to establish and control a professional monopoly (BT 298/139, docs. No.8).

A meeting at the Board of Trade to discuss responses to *The Future of the Accountancy Profession* was arranged for 26 April 1966. Jardine had prepared a briefing note for the Board on 22 April. In this paper Jardine assumed a more sympathetic stance towards the accountants' proposals. While he considered:

... the proposed ban on the use of the term 'accountant' by the unqualified needs further consideration ...

... a good enough case is made for the need to raise educational standards of the higher of the two tiers of the profession ...

... Against this background I would have thought that the demand was justified for legislation to preclude the formation of new bodies purporting to confer qualifications covering the same field as the enlarged Institute would cover (BT 298/139, No.10).

Jardine concluded that the time 'may now have come when preliminary views of Ministers should be sought, but before that there is a need to consult the Board of Inland Revenue and the Ministry of Housing and Local Government' (*ibid*). His paper was to have a significant effect on the Board's attitude to the accountants' proposals when the meeting with the JSC convened on 26 April 1966.

Meeting on 26 April 1966

The accountants who arrived at the Board of Trade on 26 April did so as representatives of the newly formed Joint Steering Committee (JSC) (see chapter 6). The delegation included two ICAEW representatives, and one from each of the other five participating bodies. At the meeting, Sir Henry Benson, who acted as the main spokesman for the JSC, said that the profession regarded the current gathering as most important. There were two major issues on which advice from the Board of Trade was required. Until the Board's position on these issues was made known to the JSC 'it would be undesirable to proceed much further with the joint discussions' (ICAEW, 2-19-1, 17(50), 27.4.66). The first issue was the treatment of the minor accountancy bodies who were not involved in the integration scheme. The second issue concerned the proposals to place restrictions on the right to practice auditing.

On the first issue, the accountants claimed that there were approximately twenty minor accountancy bodies in the UK, some of which could be absorbed into the proposed lower tier of the unified profession. The remainder were deemed ‘disreputable organisations against which the public should be protected’ (BT 298/139, docs. No.9). The Board, whose minute of this meeting is sparse, determined that the Permanent Secretary would require a list of the ‘disreputable’ bodies. On the second issue, the accountants’ minute records that it was agreed that other government departments would have to be consulted before the views of the Government could be made known. However, it was considered ‘likely that there would be support for the proposed restrictions of audit work to Tier I members of the integrated body’ (ICAEW, 2-19-1, 17(50), 27.4.66). It was also agreed:

... there was a need to restrict the formation of new bodies purporting to confer qualifications which would give their members the right to do audits. The Board of Trade undertook to examine and advise on the way in which this might be done and the extent to which the Government would give support (ibid).

The Board of Trade also undertook to examine how to deal with unqualified persons who held themselves out to be accountants in public practice. Consultations would be held with the Board of Inland Revenue on this issue.

The representatives of the JSC stressed to the Board of Trade that the proposals for *The Future of the Accountancy Profession* involved a risk to the profession. There was a fear among some sections of the participating bodies that the scheme would result in dilution. Nevertheless it had been agreed that the proposals should be submitted:

... in the public interest and in the interests of the profession as a whole. It was hoped that legislation might be introduced as an all-party measure. The Board of Trade agreed to consider how

best the required legislation might be affected and to advise the Joint Steering Committee (ibid).

The importance of legislation was re-emphasised thus:

For members of the participating bodies to support the proposals as a whole it was necessary for them to be informed of what could be achieved by legislation. Therefore the likely degree of support by ministers for such legislation should be made known as a matter of some urgency (ibid).

The Board of Trade minute indicated, however, that legislation was not an immediate prospect. It was noted that the profession would not be able to produce draft legislation until summer 1967. Hence, no bill could be presented at Westminster until the 1967-68 session at the earliest.

The Permanent Secretary concluded the meeting on 26 April by saying that action on all these matters now rested with the Board and consultations with appropriate departments and their ministers would take place. The attitude of government would, if possible, be made known to the JSC by the end of May 1966. At that time advice would also be forthcoming on the appropriate technique for pursuing the legislation desired.

The accountants' minute of the meeting in April is voluminous, explicit and, if accurate, indicates that their submissions received a more favourable response from departmental officials than had been the case hitherto. The JSC was so heartened by the outcome that two days after the meeting it requested the ICAEW's solicitor to brief parliamentary counsel on a draft bill (ICAEW, FPJSC, 28.4.66). This haste was tempered at a meeting with the parliamentary agent on 3 June 1966 when it was stated that 'it would be wasteful of time to commit to paper any draft of a bill until the Board of Trade had made known the Governments' attitude to the proposals' (ICAEW, 2-19-1, 17(50), 3.6.66).

A debate within the Board of Trade

On 2 May 1966 the Board of Trade was sent a slightly amended version of *The Future of the Accountancy Profession*. On receiving this document the accountants' supporter at the ministry, Jardine, circulated a memorandum which concluded that although the Board had to resolve issues relating to the proposed closed shop of accountants, 'the way is now clear for the preparation of a submission to Ministers about the accountancy profession's proposals' (BT 298/139, No.11). This assumption was rapidly countermanded by Serpell, who in a memorandum to the Permanent Secretary, implied opposition to the accountants' proposals by expressing his fears about the 'creation of a formidable new monopoly' (BT 298/139, No.12). Jardine responded to Serpell's comments by arguing:

In general, it seems to me that, unless the Government are prepared to undo the existing professional monopolies, eg the Law Society, they will have no answer to the complaint which the accountancy profession will make, in the event of their case being rejected, that they are only seeking what others already have (ibid).

Following discussions between officials at the Board the memorandum from Serpell to the Permanent Secretary was modified. The revised paper was to be the basis of a submission by Sir Richard Powell to the President of the Board of Trade. The memorandum, dated 12 May 1966, concentrated on those aspects of the accountants' proposals which involved restrictive practices:

The main problem is, of course, the Institutes' desire for a closed shop. Although Sir Henry Benson said at the outset of the meeting, that the Institutes were dropping any reference to a 'ring fence', the fact is that they continue to desire one ... they want legislation but this meant that Parliament would be creating, and the Government having to defend the creation of, a new monopoly (BT 298/139, No. 13).

Deputy Secretary Serpell conceded that the provisions of Section 161 of the Companies Act demanded that a higher echelon of accountants should perform corporate audits. However, on the accountants' proposal to impose restrictions on taxation work the memorandum was scathing. Serpell asserted that the accountants:

... have not shown cause why Section 52 (4) of the Income Tax Act 1952, should be amended to exclude non-members of the enlarged Institute. Provided that the work is properly done, it may help to keep charges down and to expedite the execution of the very large considerable volume of business which nowadays requires some knowledge of 'accounting'. Why, therefore, should these individuals who 'do accounts' for others be debarred from calling themselves 'accountants'? (ibid).

Serpell was to receive considerable support from the Board of Inland Revenue on this point. The Board had responded to a request for views on the accountants' scheme by stating that while it worked closely with this profession, the proposal to restrict work to members of an enlarged Institute was 'quite unacceptable' because 'there are not enough qualified to fill the gap' (BT 298/139, docs. No.20, 23.5.66).

Serpell also claimed that the accountants had failed to show that work performed by 'unqualified' accountants was being conducted improperly. The accountants had produced only one press cutting from the *News of the World* to support their assertions on this point. More damning was Serpell's claim that 'there appears to have been instances of negligence in 'highly reputable firms, even of Tier 1 level' as well as among the unqualified (*ibid*). On the issue of non-qualified accountants having an unfair market advantage due to there being no restrictions on their advertising, Serpell said that this merely raised the question of why accountants themselves should not advertise.

In conclusion the Deputy Secretary recommended that:

... the Institute should be asked to provide firm evidence in support of their proposals that

- (a) no-one should be allowed to practice as an 'accountant' unless he is acceptable to the enlarged Institute
- (b) the formation of new accounting bodies should be prohibited (*ibid*, emphasis in original).

It was argued in Serpell's memorandum that the submission of evidence 'was the next essential step' in progressing the accountants' case and also that other matters required consideration before any submission was made to ministers. Among these matters were: how the public might be protected from a rise in professional fees if ring fence legislation were enacted; the relationship between legislation for accountants and that covering estate and travel agents; and, the reaction of industry, commerce and excluded accountancy bodies to such measures. On the latter point Serpell concluded:

It must be difficult for HM Government, or the President of the Board of Trade, to express even an initial view on the Institutes' proposals for a 'closed shop' before they have been published and have been the subject of comment by those most affected. So far in their public pronouncements, the accountancy bodies have said no more than that they are considering whether a single professional designation can be adopted (ibid).

The request for 'firm evidence in support of their proposals' referred to in Serpell's memorandum was communicated by Sir Richard Powell to the JSC. The Permanent Secretary reiterated that ministers 'would require powerful arguments before they would agree to introduce legislation which could be presented as establishing a monopoly and restricting the choice of the consumer' (ICAEW, 2-19-1, 17(50), 12.5.66). He therefore sought more evidence than had been supplied thus far by the accountants: evidence which would establish the necessity for the measures sought. This request was to cause some difficulty for ICAEW.

While its provincial members had voiced their concerns about the problem of 'unfair competition', the ICAEW did not maintain a central register of instances of the public being damaged by the

activities of 'unqualified' accountants. In response to the Board of Trade's request W E Parker, Chairman of the JSC, commented to the Institute's secretariat that:

No doubt we can scrape together some bits and pieces of evidence but I doubt very much whether the sum total of what is at present available is likely to be anywhere near sufficient for the case to be proved in that particular way (ICAEW, 2-19-1, 17(50), 19.5.66).

Further evidence was duly sent to the Board of Trade on 25 May 1966. This referred to three organisations of 'professional' accountants in Britain which offered qualifications of dubious distinction and twelve instances of individual 'accountants' whose misdemeanours had been reported in the press. The flavour of the newspaper cuttings sent to the Board may be gauged from the headlines cited below:

'Accountant fined £40 for fraud'
 'Accountant gaoled for three years'
 'Accountant accused of stealing £7,500'
 'Accountant gaoled for forgery'
 'Accountant stole £2,000 in four months. Jailed for a year'
 'Accountant for trial'
 'Accountant who drank...' (BT 298/139, 25.5.1966).

Given the meagre evidence available, Parker suggested that the FPC should emphasise that the accountants 'were not proposing a monopoly of services; only of the professional designation under which they are offered' (*ibid*). In his reply to the Board of Trade's request, therefore, Sir Henry Benson claimed that the uplifting of educational and training standards might mean that those who were unable to meet the new standards would find a haven in less reputable accountancy bodies: they would 'flood into these bodies and sooner or later would inevitably create a series of public scandals'. This calamity could be averted if legislation were passed to prevent the formation of such organisations (ICAEW: 2-19-1, 17(50), 17.5.66).

The assurances in Sir Henry Benson's letter and the examples of the activities of unqualified practitioners failed to settle the argument over the accountants' proposals at the Board of Trade. Jardine considered that it was:

... difficult to be categorical on the question of whether the Institutes have produced adequate additional evidence of the need for a ban ... It is very much a matter of opinion. I do not see how the accountancy bodies can make a better case. It is for us to make up our minds (BT 298/139, No.16).

Other civil servants, however, considered that the evidence supplied did not strengthen the accountants' case (BT 298/139, No.17).

On 14 June Serpell received a telephone call from Sir Henry Benson who asked if there had been any progress on the accountants' submission. Sir Henry was assured that the Board now had 'all the information it required' from the accountants to reach a decision (ICAEW, JSCA, 16.6.66). Following this conversation Serpell recorded that the accountants' representatives 'will no doubt soon be pressing for an indication of Ministers' reactions to their proposals (especially re the ring fence)' (BT298/139, No.18).

Reference to the Monopolies Commission

In a defining memorandum dated 15 June 1966, Serpell summarised the current position on the accountants' question. The memorandum introduced a policy initiative which was to resolve the internal difficulties of the Board of Trade over the accountants' demands but which thwarted the ambitions of the JSC. In his memorandum Serpell considered that the accountants' plans for introducing improvements in education and training should be welcomed by the Board. Furthermore:

None of us feels that there are any grounds for discouraging the voluntary bringing together of qualified accountants into a large, integrated, powerful and well disciplined professional body.

And in principle, the proposed division of the voluntary body into two tiers could also be welcomed by the Government, eg for purposes of the Companies Act. But this is not what the accountants' representative want - they are only prepared to come together, and give up their organisations' separate identities, if the Government will legislate to protect the new body (BT 298/139, No.18, 15.6.66).

Serpell argued that before ministers reached a formal view on the accountants' proposals, the 'wider context' should be considered (*ibid*). What was in Serpell's mind was 'the desirability and practicability of a general reference to the Monopolies Commission on what may loosely be called 'the professions' under Section 5 of the Monopolies and Mergers Act, 1965' (*ibid*). He anticipated that such a proposal would be welcomed by the Department of Economic Affairs, which was known to favour an investigation of the legal profession. A general reference would also assist the Board of Trade in its consideration of the claims of estate and travel agents and the accountants, who were seeking to establish closed shops. A report from the Monopolies Commission would offer guidance on 'the extent to which Government should play a positive part' in the control of the professions (*ibid*). Serpell's recommendation also received support from a colleague at the Board of Trade who noted that a book entitled *The Economic Consequences of the Professions* by Professor D S Lees had stimulated wider public interest in restrictive practices in the professions (BT 298/139, docs. No.29, 22.6.66).

In his memorandum Serpell related how the debate on the accountants' proposals within the Board of Trade had not proved conclusive because: 'While we have felt uneasy about many of the proposals, we have not either the information or the experience to take a firm line' (BT 298/139, docs. No.20, 22.6.66). A general reference to the Monopolies Commission would, he argued, resolve a difficulty for the government. There was an added advantage: 'the fact that a thorough investigation was in train would be a good reason for not embarking on hasty legislation' (*ibid*).

Serpell's memorandum also raised issues which had not emerged in previous discussions with the accountants. He asked:

- (i) *How would the new organisation ensure that it was responsive to the needs of its customers, eg by the presence of 'independent' members in its councils?*
- (ii) *What remedy, other than new legislation, could the Government have if, for one reason or another, the performance of the new organisation was unsatisfactory, eg on charges, or standards of admission (BT 298/139, No.18).*

Serpell responded to his rhetorical questions by stating that these issues 'required a good deal of thought' and 'a good deal of further enquiry and consideration' (*ibid*). It did not occur to the Board of Trade that answers to these questions could have been found by examining the activities of the Co-ordinating Committee and its relationship with the Board around 1943. At that time it was suggested that outside representatives should become involved in the proposed Co-ordinating Council. This suggestion was rejected by the chartered bodies as an infringement on their self-regulatory status (see Shackleton and Walker, 1998, pp.58-59).

Serpell concluded his memorandum by stating:

On balance, the view of the department is that:

- (i) *there should be further consideration and enquiry before the government could commit itself to even part of the legislation sought by the accountants;*
- (ii) *it would be helpful if the proposed 'closed shop' of the accountants could be considered at the same time as other existing or could be 'closed shops' among the professions;*

- (iii) *the best means of doing this would be by a general reference to the Monopolies Commission if (as are believed a suitable one can be drawn up);*
- (iv) *While this course would cause a delay - probably a long one - in giving the Government's considered verdict on the Institute's proposals, and this delay would have to be accepted, the sooner the general reference is made, the better (BT 298/139, No.18).*

Following the composition of this defining paper Serpell wrote to Douglas Jay, the President of the Board of Trade, on 22 July 1966. He stated that the department did not feel that it could accede to the accountants' proposals for legislation and summarised the arguments which he had elucidated in his memorandum (BT 298/139, No.20). Serpell recommended to his political master that a general reference should be made and that the accountants should be informed that 'it would not be appropriate for the Government to agree to legislate ... until the Monopolies Commission have completed their study and reported' (*ibid*).

On 27 July the President of the Board of Trade let it be known that he agreed with the recommendations contained in Serpell's communication of 22 July. This decision, it should be noted, was the first ministerial involvement in the accountants' case.

Accountants in a state of suspension

Although the President of the Board of Trade agreed to a general reference to the Monopolies Commission on professions, this decision required the ratification of other interested ministers. In fact, twelve ministers were circulated with the relevant papers (BT 298/139, docs. No.29A). Jardine of the Board of Trade warned his colleagues that the proposal to make a general reference 'is not likely to be cleared by Ministers before the end of October' (BT 298/139, No.24). As this deadline slipped, it was noted in December 1966 that the Prime

Minister, Harold Wilson, was also interested in the issue (BT 298/139, docs. No.32).

This timescale was a source of frustration for the accountants. They had initially anticipated a response from government on the integration proposals by the end of May 1966. When the JSC met for the first time on 30 March 1966 (see chapter 6) it had formulated an outline timetable. The accountancy bodies represented on the JSC wrote to their members about the scheme on the same day and on 1 April the ICAEW issued a press release. These communications indicated that no further details would be disclosed until the autumn of 1966. The JSC's timetable anticipated that more specific proposals would be available by that time which would form the basis of discussions with the members during the autumn/winter of 1966-67. It was hoped that approval for the scheme by the memberships, in principle if not in detail, might be obtained by early summer 1967 (ICAEW, JSCA, 22.3.66).

At a meeting of the JSC on 28 April 1966 a more comprehensive timetable was agreed and working parties were formed to thrash out detailed aspects of the scheme for the future of the profession. During the summer of 1966 some of these working parties began to express concerns about the lack of information from the Board of Trade given the centrality of legislative support to the success of the whole scheme. On 4 July 1966 Sir Henry Benson reported to Committee A of the JSC that:

... he had recently met the Permanent Secretary to the Board of Trade at a social function. The Permanent Secretary had indicated that his Department's views on the proposals contained in the memorandum might be available in 2 or 3 weeks. He had further indicated that his department might have some reservations on the proposal for a 'ring fence' (ICAEW, JSCA, 4.7.66).

At this time a more general concern was filtering through the various working parties of the JSC (see chapter 6). The second report of Working Party 4 had concluded in July 1966 that:

If adequate supporting legislation is not forthcoming, the Working Party has very serious doubts as to whether unification as at present visualised could be achieved (ICAEW, JSCA 20.7.66).

At the meeting of Committee A of the JSC on 20 July, the new chairman, R G Leach, reported that he had spoken informally to David Serpell but that there was still no indication of when the views of the Board of Trade would be made known. Consequently, the timetable for the submission of a definitive scheme to the members of the participating bodies would be delayed (*ibid*).

At the next meeting of the JSC, on 13 September 1966, Leach reported that he had spoken to the Permanent Secretary:

... who had agreed to find out what was causing the delay in making known the Board of Trade's views on the proposals contained in the memorandum. Sir Richard Powell had expressed the view that he did not think that pressure of business was causing the delay (ICAEW, JSCA, 13.9.66).

In response to this news the JSC prepared itself for a meeting at the Board of Trade which 'might be required at very short notice' (*ibid*). Leach phoned Jardine on 15 September 1966. The civil servant's note of the conversation indicated the terse nature of the exchange. Leach expressed disappointment at the lack of response from the Board. Jardine stated that the delay was caused by the fact that 'the matter was being considered against the background of wider questions affecting professions'. The note added that Leach did not make further inquiries on this point (BT 298/139, docs. No.31). Two days later, Serpell also made reference to a conversation with Leach. Serpell had offered a disingenuous apology:

... for a collective lapse of memory on the part of myself and my office ... I made it clear that the difficulty for us was the proposal for a 'ring fence' which raised issues of policy going much wider than the accountancy profession ... I did not mention the Monopolies Commission reference but warned not to expect response for some time (BT 298/139, docs. No.31, 20.9.66, emphasis added).

Between 13 September 1966 and 26 January 1967, the various working parties of the JSC proceeded with their discussions on detailed aspects of the scheme, always with reservations about the absence of any commitment by the Board of Trade to the legislation which was so central to the integration proposals. Near the end of 1966, Sir Henry Benson decided to take the initiative. He approached Sir Richard Powell on 13 December and asked if the Board of Trade had formed an opinion on the accountants' scheme, as it was not possible to make any progress until the view of the Board was known (ICAEW, 2-19-1, 17(50), 13.12.66). Sir Henry was informed that the general question of the 'closed shop' was not resolved by the Board but it was hoped that a response would be forthcoming early in the new year (BT 298/139, docs. No.34, 19.12.66). Sir Henry called on the Permanent Secretary again on 20 December when it was revealed to him that the Government was considering making a general reference to the Monopolies Commission on restrictive practices in the professions. Sir Henry's response was to claim that:

... integration was going well so far as the professional organisations were concerned but any reference to the Monopolies Commission would however cause the movement to come to a standstill. Sir Henry in strict confidence expressed the opinion that integration would fail unless the 'ring fence' proposals were acceptable (BT 298/139, docs. No.35, 20.12.66, emphasis added).

Sir Henry attended a further meeting at the Board of Trade on 22 December 1966 to reinforce his message that 'any delay would cause

the movement towards integration to fail'. The Permanent Secretary attempted to reassure him by stating that even if a general reference to the Monopolies Commission was made 'the movement should go on because it was desirable for its own sake'. Sir Henry agreed that if a general reference or rejection of the 'ring fence' was the outcome of the government's deliberations, then the integration of the accountancy profession should still be proceeded with. However, 'he did not express any confidence that he could carry his colleagues with him' (*ibid*, *emphasis added*).

Sir Henry Benson submitted a report of his meetings with Sir Richard Powell to a gathering of the JSC on 26 January 1967. He said that he had been informed that the proposals were being considered in a wider context and that the Board's reply could be expected by Easter, and possibly by the end of January. It was recorded in the minute of the JSC:

Sir Henry had gained the firm impression that, even when this reply was forthcoming, it would be non-committal and that there was little likelihood of a positive decision about the proposals for some considerable time to come. Accordingly he considered that the Councils of the participating bodies should be asked to consider whether discussions should proceed on the basis that the proposals for legislation would be deferred for the time being (ICAEW, FPCA, 26.1.67).

Although he hinted that an extensive delay in receiving a response from the Board of Trade was likely, the record does not show that Sir Henry disclosed to his colleagues, even at this late stage, that a general reference to the Monopolies Commission was pending.

The ICAEW representatives on the JSC were not impressed by this outcome and considered that 'the English Institute might have difficulty in obtaining approval from the Council and from their members for a scheme without supporting legislation'. However, the minute of the meeting on 26 January also records that 'the representatives of the other participating bodies indicated that it was likely that their Councils would give approval for the work to continue' (*ibid*).

A few days after this meeting of the JSC, Douglas Jay, the President of the Board of Trade, made an announcement in the House of Commons:

Over the past year it has been increasingly suggested that there may be restrictive practices in the professions which are contrary to the public interest. I have therefore decided to ask the Monopolies Commission to investigate this matter and to make a general report to me under the extended powers on Section 5 of the Monopolies and Mergers Act, 1965. The Commission will be asked to consider such questions as restrictions on entry into a profession, the practice of charging standard fees or commissions for professional services, the terms and conditions on which the professional services are to be supplied, and restrictions on advertising (Hansard, fifth series, Session 1966-1967, Vol.40, 44-48, 30.1.67).

Unification and the loss of the ring fence

The reluctance of the Board of Trade to support legislation for the creation of a new professional monopoly was consistent with the Labour Government's policy on competition and restrictive practices (Walker and Shackleton, 1998). The Board's decision to demur at the accountants' request for a ring fence was not surprising in this context. It reflected long-held views in Whitehall on the registration of the profession and the fact that the ring fence was little more than an unobtrusive proposal for a state sanctioned monopoly. As seen earlier, in 1965 warning signals were provided by senior civil servants at the Board of Trade which indicated that the accountants' objectives might not be realised. The eventual solution of a general reference to the Monopolies Commission provided a means by which the Board could defer a decision without embarrassment, particularly given the existence of proposed legislation for estate agents. However, the manner in which the accountants were kept uninformed by the ministry, given that government support was known to be important to the success

of the scheme, and at a time when the FPC was attempting to refine its proposals, was at best, impolite. Further, the manner in which this policy outcome was implemented by the Board of Trade was not sensitive to the constitutional difficulties which confronted the FPC in advancing its plans for *The Future of the Accountancy Profession*.

The accountants, who seemed to have a selective recollection of the outcome of meetings at the Board of Trade, faced a dilemma which intensified as departmental officials procrastinated on the issue of the ring fence. The chartered accountants had identified dilution as a potential barrier to securing the support of their members for constitutional change. The ICAEW Council persisted in reminding the FPC that a statutory ring fence was an essential requirement for unification. Given the Board of Trade's experience during a similar episode in 1955 when, at its instigation, the ACCA had attempted to integrate the 'BFI bodies' only to find the proposal rejected by its members, one might have expected a greater sympathy among civil servants for the accountants' predicament and the importance of speedy deliberation if reform was to be effected in the profession (Shackleton and Walker, 1998, pp.83-87).

When it became clear that the ring fence proposal was unlikely to be acceptable to the Labour Government, the *quid pro quo* for dilution disappeared and ensured that securing the support of the rank and file for unification would become much more difficult. At this stage the chartered institutes might have undertaken a careful and realistic re-examination of the proposals contained in *The Future of the Accountancy Profession*. In retrospect, if the conclusion of such a review was that the failure to secure government support for a ring fence would result in the proposals being unattractive to the membership, they should have faced that position. It was at this pivotal moment during the early months of 1967 that the FPC did not adequately address its predicament. Withdrawal from the quest for institutional change was not considered an option because its instigators had committed themselves to a scheme and were too far engrossed to contemplate a fundamental re-appraisal. This reluctance to call a halt was redolent of

the fate of the Co-ordinating Committee's initiatives during the 1940s. There was no 'plan b' to fall back on once the central component of the scheme, the erection of a state sanctioned ring fence round the profession, was patently not forthcoming.

Summary

The Future of the Profession was approved by the ICAEW Council subject to a re-affirmation that the ring fence was a basic condition of the unification of the profession. Sir Henry Benson revealed these proposals to the Board of Trade in February 1965. This event instigated a discussion of the scheme among senior civil servants. While it was concluded that there were no departmental objections to the accountants' proposals for raising standards of professional education and for unifying the accountancy bodies, the establishment of a ring fence met with less favour. This attempt at monopolisation ran counter to the policy of the Labour Government in relation to restrictive practices. The accountants were informed that it would not be advisable to proceed with their scheme on the assumption that the government would agree to establish a ring fence.

The need for the accountancy bodies to resolve difficult issues surrounding *The Future of the Accountancy Profession* meant that further discussions with the Board of Trade were not held until December 1965. A formal submission of the accountants' proposals was presented during a meeting at the Board on 26 April 1966. The accountants insisted that they had to know the views of the department before they could make further progress on their scheme. The Board sought additional evidence of instances of the public being damaged by the activities of unqualified accountants. The ICAEW was unable to offer such persuasive evidence in support of their claim for monopolisation.

At least one official in the Board of Trade, however, was sympathetic to the accountants' cause and this resulted in some indecision in Whitehall. Officials at the Board of Trade found a convenient

way round their dilemma by suggesting a general reference to the Monopolies Commission on restrictive practices in the professions. The accountants were not made aware of these developments until December 1966. An announcement of the general reference to the Monopolies Commission was made in Parliament on 30 January 1967. This decision meant that the accountants had to contemplate furthering their scheme without the central component of a statutory ring fence. The Board's decision did not incite a fundamental rethink among the accountants as to the wisdom of continuing the pursuit of plans for *The Future of the Profession*. Neither did officials in the Board of Trade discourage attempts to achieve unification. Hence, the accountants embarked on a revised strategy: one which emphasised unification without the likelihood of legislative support. This strategy, and the difficulties which confronted the professional bodies in its pursuit, is examined in chapters six to eight.

CHAPTER SIX

FORMULATION OF AN EXCLUSIONARY BASE 1966-67

In March 1966 the accountants formed a Joint Steering Committee to refine the scheme devised by the Future Plans Committee and to prepare the details of its implementation. This chapter reviews the meetings of the JSC through 1966 and examines the discussions which took place on a variety of complex issues by working parties of the FPC. Conclusive deliberation by most of the working parties was frustrated by the unwillingness of the Board of Trade to offer a firm opinion on the question of the establishment of a statutory ring fence.

Formation of the Joint Steering Committee

The IMTA was not originally invited to participate in discussions on the future of the profession. It was, however, aware of the activities of the FPC through public finance accountants who were dual members of another institute. In December 1965 moves to include the IMTA were set in train. This development was a response to comments made by the Permanent Secretary of the Board of Trade. Sir Henry Benson reported his meeting with Sir Richard Powell on 6 December 1965 thus:

Sir Richard Powell asked specifically about IMTA and I told him that we hoped to bring IMTA within the proposals. I trust that by the time the paper goes to the Board of Trade we shall have had preliminary and successful discussions with IMTA (ICAEW, 2-19-1, 17(34), 6.12.65).

On 7 December 1965 the ICAEW President, R McNeil, invited his opposite number at the IMTA, H Keeling, to attend a meeting of the FPC on 14 January 1966 (ICAEW, 2-19-1, 17(35), 14.1.66).

With the IMTA on board, the Chairman of the FPC, W E Parker, was able to report to a meeting on 22 March 1966 that the gathering 'was historic in that representatives of the six accountancy bodies were now meeting for the first time in a matter of mutual interest' (ICAEW, JSCA, 22.3.66). Parker proceeded to outline the chartered accountants' stance on the proposals of the FPC and referred to a number of minor reservations. He also identified problems in the scheme for the IMTA. These arose because members of the IMTA performed functions additional to those usually associated with an organisation of professional accountants. Despite this difficulty it was agreed that an announcement to the press should be made on 4 April 1966. This would reveal that the six major accountancy bodies were holding discussions about the future of the profession (see chapter 7).

It was also agreed to form a new JSC, with a secretariat supplied by the ICAEW. The terms of reference of the JSC would be 'to prepare proposals for the implementation of the schemes envisaged in the Memorandum by the FPC' (*ibid*). It was further agreed that the work of the JSC should be informed by the deliberations of a number of working parties and that a joint committee of the Secretaries of the participating bodies should also be established. The membership of the JSC is detailed in Appendix C.

The first meeting of the JSC was held on 13 April 1966. Its chairman stated that the Joint Committee 'was a single body whose members would participate as colleagues with a mutual concern to work out acceptable solutions and with a common responsibility to their six sponsors' (ICAEW, JSCA, 13.4.66). The JSC proceeded to discuss a number of issues and this served to establish the remits of a number of working parties. Among the issues identified was the status of members and students of ACCA, ICWA and IMTA who were undergoing training overseas. As mentioned earlier, the chartered

societies were adamant that the plan for the future of the profession would relate to the British Isles only. Overseas territories were to be encouraged to establish their own local accountancy bodies.

At the second meeting of the JSC on 28 April Sir Henry Benson took the chair and announced that 'the representation of the English Institute was being changed'. It was reported that W E Parker had other commitments and consequently 'would be unable to devote the necessary time to chairmanship of the JSC' (ICAEW, JSCA, 28.4.66). Parker was succeeded by R G Leach, who had not previously been a member of the committee. Many years later Leach was to recall that Sir Henry Benson had challenged him to take up this initiative, which he was honour bound to accept, and thereby 'slog around the country' to sell the scheme (*Accountancy*, October 1994, p.30).

At its meeting on 28 April 1966 the JSC approved the following timetable:

- (a) *Working Parties* to make recommendations on matters of principle by *End of June 1966*.
- (b) *Joint Steering Committee* to reach decisions on all matters of principle by *End of July 1966*.
- (c) *Secretariat* to prepare definitive scheme in the light of decisions by the JSC by *End of August 1966*.
- (d) *Standing Committees* of the participating bodies receive the definitive scheme as a basis for discussions with their members by *1st Week of October 1966*.

(ICAEW, JSCA, 28.4.66, *emphasis in original*).

This timetable was deliberately ambitious: the intention being to maintain momentum towards unification. Although the tight schedule was to slip, intense activity took place during 1966 and early 1967 in an effort to perfect the scheme. The scene of much of this endeavour was the working parties of the JSC. Four Working Parties (WP) were appointed on 28 April. The full terms of reference of these

are provided in Appendix C. WP1 dealt with overseas matters. WP2 considered practice rights. WP3 addressed the difficult issues of entry standards, examinations and experience. WP4 was concerned with other accountancy bodies. Subsequently, two other working parties were established. These were WP5 which examined constitutional matters, and a working party of the Secretaries of the participating bodies (ICAEW, JSCA, 16.6.66). The deliberations of these working parties are examined in turn.

Working Party 1 (overseas matters)

The status of overseas members and students under the proposed scheme was an important issue which required resolution if the accountancy bodies were to make progress towards unification. The ACCA, ICWA and IMTA contained a significant number of members who had received their professional education overseas. Many of these members were themselves training students outside the UK. Indeed, it was part of the strategy of ACCA, ICWA and IMTA to act as a mother body to overseas accountants who desired a UK qualification (Briston and Kedslie, 1997). However, the chartered institutes refused to countenance this policy under the proposals for the future of the profession in the British Isles and this was reflected in the terms of reference of WP1. The JSC established that these should:

... include a recommendation as to the dates when the ACCA, the ICWA and the IMTA should cease to register new (overseas) students (ICAEW, JSCA, 28.4.66).

The first meeting of WP1 was held on 18 May 1966. The Chairman of the JSC, Leach, was appointed chairman of the working party. Although it was originally intended that WP1 would formulate its recommendations by the end of May, it was decided at the first meeting to submit a report to the JSC in mid June. It was also agreed that no further meetings of the working party would be held until the JSC had 'considered the main recommendation of the working

party': the establishment of 'an overseas accountants' organisation' (ICAEW, JSCA/B, WP1, 18.5.66).

WP1 approved its first report on 1 June 1966 and this was submitted to the JSC. The report contained a review of the overseas interests of the participating bodies. It was noted that the scope of chartered accountancy was restricted 'to the needs of the profession within the United Kingdom' (*sic*) especially as overseas training and service was not recognised by the chartered bodies (ICAEW, JSCA/B, WP1, 1.6.66). By contrast, ACCA, ICWA and IMTA boasted a total of: 2,750 members overseas, 9,000 students overseas, 68 examination centres overseas in 33 countries, and 21 branches and societies overseas (*ibid*). A survey of the profession abroad revealed that whilst a number of affiliated accountancy bodies might be able to operate independently of their UK parents, in many countries there was no indigenous organisation that might be joined by those excluded from a unified profession in the British Isles. It was recognised that a decision to withdraw support from such countries would create local professional vacuums and this would have serious consequences for individual members. There also existed a political dimension to the problem of 'overseas matters' because the Ministry of Overseas Development had provided support for training arrangements in a number of countries, 'based upon students achieving membership of UK accountancy profession bodies' (*ibid*).

Although WP1 was aware of these difficult problems, it moved expeditiously to adopt certain principles:

The WP accepts the decision of the JSC that an integrated accountancy profession should not be an international body, and that therefore in the long-term it should not recognise overseas service.

*The WP considers that the fixing of a date after which the UK accountancy profession would cease to register students or to recognise overseas service is not a practical solution to the problem of terminating present overseas commitments (*ibid*).*

The first report of WP1 concluded that to fulfil overseas obligations and take account of the political dimension, the integrated profession in the British Isles should 'assist directly in the development of the accountancy profession' in foreign countries. The degree of assistance offered 'would vary from country to country and might be needed for a period of approximately 10 years' (*ibid*). This recommendation was accepted by the JSC at its meeting on 16 June 1966, with a codicil that the position would be reviewed at the end of ten years (ICAEW, JSCA, 16.6.66). It was agreed that the recommendation would be implemented through the appointment of an Overseas Accountancy Board.

WP1 issued a second report on 13 September 1966. This noted that the proposed Overseas Accountancy Board should be constituted as a branch of the accountancy profession in the UK and Ireland and that it should have a degree of independence. It was noted that the names of the three institutes of chartered accountants 'shall not be published in letter headings, examination papers or examination diplomas' emanating from the Overseas Accountancy Board (ICAEW, JSCA/B, WP1, 13.9.66).

During the summer of 1966, WP1 and WP4 resolved differences on the status of overseas students training with the 'other' accountancy bodies. WP4 had recommended that these students be granted status equivalent to UK-based students who were training overseas with one of the participating bodies (ICAEW, JSCA/B, WP4, 7.7.66). WP1 objected to this proposal on the grounds that:

... it is not unreasonable to assume that the education standards, and opportunities for professional experience, of many of these overseas students are markedly different from those of participating bodies. The introduction of a large number of these students at a time when the profession is considering raising its basic education standard would be in the interests neither of the profession nor of the students (ICAEW, JSCA/B, WP1, 13.9.66).

Accordingly, at its meeting of 31 October 1966 the JSC agreed that while the overseas students of 'other bodies' should 'be brought within the ambit of the Overseas Accountancy Board' they should not 'be eligible for Registration with the future Institutes ... subject to any views which might be expressed by the Board of Trade' (ICAEW, JSCA, 31.10.66).

Working Party 2 (practice rights)

The remit of WP2 was to consider the practice rights of the members of the unified profession. This was a complex issue because those who were to become chartered accountants in Tier I under the scheme had been trained under a variety of systems. In addition, the practising rights of licentiate accountants in Tier II required clarification.

WP2 was required by the JSC to complete its deliberations by 30 June 1966. The first meeting was held on 13 May 1966 and A H Walton of the ICAEW, an original member of the FPC, was appointed chairman. The early work of WP2 raised two issues of principle, both of which related to the position of accountants in Tiers I and II who had received their training in the offices of practising chartered accountants. First, the working party had 'generally agreed' that the newly qualified chartered accountant in Tier I 'should be entitled to full practice rights on attaining the age of 25 years' (ICAEW, JSCA/B, WP2, 13.5.66). This meant that having completed 30 months experience in a practising office, the qualified chartered accountant could assume practice rights in the practising, industrial, and public service streams of Tier I. However, this transferability was deemed a one-way process. Those admitted to the industrial or public service streams of Tier I were not permitted to enter the practising stream unless they acquired 30 months experience in public practice (ICAEW, JSCA/B, WP2, 12.5.66). J P Wilson, the ICWA representative on the working party, argued that chartered accountants in public practice:

... who wished to enter into practice in the specialised field of cost or management consultancy should be required to obtain 30 months approved experience in industry (ibid).

Wilson's view received some support but was not accepted. WP2 decided that 'there would be insuperable practical difficulties in defining the fields which would become restricted to those who had obtained 30 months approved industrial experience' (*ibid*).

The second issue, which caused a major difference of opinion between the ICAEW and ICAS, related to the practice rights of accountants in Tier II. WP2 proposed that, with the exception of the 'audit function', licentiate accountants should have full practice rights two years after qualification. With the exception of the ICAS representative, Professor Browning, WP2 'accepted that membership in the licentiate accountant category might grow rapidly. In England and Wales this would enable the best use to be made of the limited availability of fully qualified persons' (*ibid*). Browning expressed reservations on the desirability of the growth of Tier II, and referred to differences between England and Scotland. Browning was no doubt mindful that ICAS, and its forerunner organisations, had secured an effective monopoly of professional practice in Scotland and was not prepared to contemplate incursions from lower-tier accountants (Walker, 1991).

In a detailed report of 6 June 1966, WP2 modified its position on the issue of the practice rights of newly qualified chartered accountants who had been trained in a professional office. The new proposal was akin to that for licentiate accountants, such that two years post qualifying experience would be necessary before engaging in professional practice. This replaced the original proposal of practising rights being conferred once the age of 25 years had been attained. It was recommended, however, that a newly qualified accountant could be granted practising rights if s/he entered into partnership immediately and where a majority of partners held practising certificates for at least five years. The report of WP2 also contained Wilson's minority proposal on the position of chartered accountants who intended to

practice as cost and management consultants. The report noted that the majority view was:

... that such a provision would lead to similar demands in other forms of consultancy which would have to be categorised. The practical difficulties in defining restrictions and in enforcing them were thought to be insuperable (ICAEW, JSCA/B, WP2, 6.6.66).

The proposals for the practising rights of licentiate accountants met with the general approval of WP2. The reservations of ICAS on this issue were merely noted in the report, as was the fact that ICAS had determined to reserve its position.

A number of other recommendations were made by WP2 in its report of June 1966. It was suggested that control over members entering practice should be instituted by adopting separate practising certificates for performing the 'audit function'. Practices which included non-qualified partners were not to be allowed to describe their firms as 'Accountants', and it was suggested that other mixed practices (of chartered and licentiate accountants) should not be permitted to use the description 'Chartered Accountants' (*ibid*).

At its meeting on 4 July 1966 the JSC considered a supplementary report by WP2, which had been requested on the specific issue of defining the term 'audit function' (ICAEW, JSCA/B, WP2, 28.6.66). This report addressed the dispute between the ICAEW and ICAS on the practice rights of licentiate accountants. WP2 reported that there was considerable sympathy for 'the view that Licentiate Accountant members should not be allowed to enter into practice' (ICAEW, JSCA, 4.7.66). Despite this the working party recommended that limited practice rights be granted to licentiate accountants. It was argued that this would encourage recruitment to Tier II and the licentiates therein might be in a position to offer services which Tier I accountants could not.

These proposals aroused considerable disquiet at ICAS. So much so that its representatives argued that if practice rights were granted

to licentiate accountants ‘the scheme as a whole might be rejected by members of the Scottish Institute’ (*ibid*, emphasis added). The ICAEW’s response to the proposals was founded on economic and political considerations. The economic arguments were based on fears that it would be inequitable for the licentiate members to be precluded from offering services that might be provided by ‘unqualified’ non-members. Exclusion carried the danger that licentiates would resign from the unified institute in order to be in a position to provide these services. The political argument was that the resignation of Tier II members would ‘nullify the whole concept of the integration proposals’ and raised fears that ‘the more restrictions which it was sought to apply, the less the likelihood of the Board of Trade supporting the proposals (for legislation)’ (*ibid*). WP2 was asked to give further consideration to this question when the views of the Board of Trade were known (ICAEW, JSCA/B, WP2, 21.7.66).

A Third Supplementary Report of WP2 was presented to the JSC on 13 September 1966. This contained a definition of the ‘audit function’ which the working party had obtained from counsel:

The ‘audit function’ means that function which a member discharges when that member, acting on the instructions of a client: -any accounts or other financial statement (whether or not such member shall also have been wholly or in part responsible for the preparation of the same); and in addition any report on or with regard to the truth, accuracy, reliability or fairness of the accounts or other financial statement so examined with a view to such report becoming available for the use or information of other parties other than or in addition to such client (ICAEW, JSCA/B, WP2, 23.8.66).

WP2 considered that this definition provided only a basic guide which, if incorporated within bye-laws, would require the Council of the unified institute to determine ‘from time to time’ what species of work did and did not fall within ‘the audit function’. WP2 stated that the definition did not distinguish the practice rights of chartered

and licentiate members and, yet again, desisted from providing a recommendation to the JSC on this subject until the views of the Board of Trade on the ring fence were known (*ibid*).

Working Party 3 (entry standards, examinations and experience)

WP3 was required to consider matters relating to entry standards, education, professional examinations, experience and training. These fundamental but troublesome issues, ensured that this working party convened more meetings, produced more reports, and encountered more difficulties than its peers. WP3 had to reconcile the often conflicting provisions of an array of extant education systems among the participating bodies. The timetable of WP3 was also very tight, as is made clear in Appendix C.

The JSC asked that a parallel working party be appointed by ICAS to consider the future pattern of entry standards, professional education and examination in Scotland, given that these were currently significantly different to structures in England and Wales. In another development, the JSC determined to make the Confederation of British Industry (CBI) aware of developments in the training of accountancy students. The objective here was to obtain the co-operation of industry in relation to industrial/commercial training places (ICAEW, JSCA, 28.4.66).

WP3 began its deliberations under the chairmanship of W B Nelson of ICAEW, on 17 May 1966. The working party's remit was to obtain harmonisation of entry standards, and thereafter to reach agreement on professional examinations and experience requirements. The basis of such agreement was to be the provisions contained in *The Future of the Profession*. It soon became clear that despite claims to leadership, the ICAEW was not in the vanguard on this subject. It was also apparent that standards of entry and examination among the participating bodies were diverse, and based on differing philosophies and practical requirements. This diversity was to plague WP3 throughout its

deliberations and led to tensions within the working party and with the JSC. However, despite these fundamental difficulties the working party did agree on one point:

... the image of the qualified accountant had declined, at least in the eyes of those responsible for advising young men on their careers, in that current entry standards were generally based on passes at the ordinary level in the GCE examinations: this meant that with the extended opportunities for higher education, including the universities, the profession might not be attracting its due proportion of the more intelligent and able pupils (ICAEW, JSCA/B, WP3, 17.5.66).

WP3 also concurred that the appropriate standard for entry to Tier I should be university entrance. It was noted that IMTA and ICAS intended, or had already, moved to that position. The working party confirmed that the measure of university entrance standard should be two passes at GCE 'A' level, and a minimum age of 17 years. It was agreed that entry to Tier II should be on the basis of five passes at GCE 'O' level, including Mathematics and English, and a minimum age of 16 years. The conditions of entry to Tier II conformed to the existing regulations of the ICAEW. A provision was also made for the admission of mature students over the age of 27. In setting these entry requirements the working party was at pains to ensure that students were 'not able to take advantage of the lowest entry standards prevailing with one of the participating bodies' (*ibid*).

WP3 expeditiously reached agreement in principle on the examination and training arrangements of the proposed scheme. It was advocated that Tier I students should undertake full-time study prior to practical experience, and that an Examination I should be taken at the end of the period of full-time study. The period of full-time study was to be nineteen months on a grant-aided basis. Students who had studied sufficient accountancy, economics and law at university would be exempt from this requirement. Graduates with non-relevant degrees would be required to undertake conversion courses in the

higher education sector. Because the universities and colleges would be providing internally assessed examinations, it was argued that their courses required formal approval by the accountancy profession. Tier II students were expected to follow the current ICAEW model of no full-time study and attendance at voluntary evening/day release courses in the further education sector, or by correspondence.

A meeting of WP3 on 3 June 1966 agreed a general scheme for examinations. Examination I was intended to impart the acquisition of 'a common basic knowledge' among all Tier I students irrespective of their stream of training (ICAEW, JSCA/B, WP3, 3.6.66). The curriculum for Examination I was prescribed as: Accounting including Auditing; Mathematics Applied Statistics, Data Processing and other Business Analysis Techniques; Economics; Principles of English Law; and, Business Organisation and Structure.

It was proposed that Examination II for Tier I students be split into two parts with examination diets 'after not less than one year's practical experience' (*ibid*). It was expected that the curriculum 'should, so far as practicable, be the same for all Tier I students irrespective of their stream of training'. Variation according to stream would be accommodated by setting alternative questions rather than separate papers (*ibid*). The curriculum for Examination II was prescribed as: Financial Accounting (possibly two papers); Taxation; Cost Accounting (possibly two papers); Business Administration; and Law. In its Third Report to the JSC, WP3 recommended that Tier I, Examination III would comprise papers divided into two parts which were 'designed to be related to, and to test, the experience gained by the student in his particular stream of training' (ICAEW, JSCA/B, WP3, 7.7.66). The curriculum for Examination III was prescribed as follows. Papers in Accounting and in Business Analysis Techniques and Systems were to be taken by students in all streams as was a general paper in Business Organisation which contained a specialist element. In addition, specialist papers would be taken by those in particular streams:

Table 6.1 *Proposed specialist papers*

| <i>Practising Stream</i> | <i>Industrial Stream</i> | <i>Public Service Stream</i> |
|------------------------------------|-----------------------------|--------------------------------|
| Accounting I | Accounting I | Accounting I |
| Accounting II | Accounting II | Accounting II |
| Law | Industrial Organisation | Law |
| Auditing, including Investigations | Data Processing and Systems | Public Administration Auditing |
| Taxation | Law | |

WP3 envisaged the same principles of examination when it turned its attention to the requirements for Tier II candidates. The first examination was to be common to all candidates; the second stage examinations contained specialist questions in each general paper; and the third examination comprised specialist papers. This recommendation was made even though the working party had experienced ‘some difficulty ... in view of doubts as to the likely role of the Tier II accountant’ (ICAEW, JSCA, 20.7.66). The JSC advised WP3 that licentiate accountants should ‘be regarded as a general purpose accountant and no attempt should be made to categorise him into streams’ (*ibid*). This inspired the Chairman of WP3 ‘to submit revised and simpler proposals ... for the Tier II examinations’ (*ibid*). However, the JSC’s viewpoint was not accepted unanimously by the other members of WP3. The working party argued that licentiate accountants would provide assistance to chartered accountants in the respective streams. It followed, therefore, that examinations in Tier II should follow the experience gained in the relevant practising stream. It was agreed by WP3 that the first examination only should be common to all streams. Thereafter, particular streams of training would require different questions in Examination II and specialist papers in Examination III. It was noted that there was a need for a definition of the practice rights of Tier II students. This was considered to have ‘a direct bearing on many of the educational and

examination problems relating to students in that tier' (ICAEW, JSCA/B, WP3, 5.8.66).

At its meeting on 16 September 1966, the JSC decided to convene a joint meeting with the working party in order 'to discuss the recommendations in the Fourth Report of WP3' (ICAEW, JSCA, 16.9.66). In the meantime WP3 was invited to reconsider the examination curriculum 'with a view to eliminating references to "streams" and "specialisation"' (*ibid*). Although the meeting had been called to resolve the issue of Tier II examinations a dispute between the JSC and WP3 had also arisen in relation to the length of training of graduates. When submitting papers for the joint meeting it was reported:

The working party has felt it necessary to incorporate detail in its reports (and in particular its Fourth Report) in order to show the Joint Steering Committee of the bases for reaching its recommendations, and in certain cases, the consequential results of arriving at a particular conclusion. It is recognised on one hand that the drafting of any scheme will involve serious problems of presentation, on the other hand, the working party believes that the Joint Steering Committee itself should be informed by way of its reports, the depth to which some of the problems have been studied and the way these have been thought through (ICAEW, JSCA/B, WP3, 24.10.66).

It was becoming clear by the autumn of 1966 that the deliberations of WP3 were resulting in recommendations which the JSC was unable to reconcile with the objectives and aspirations of the participating bodies. Accordingly, the Chairman of the JSC, Leach, called a joint meeting with the working party on 31 October 1966 to 'seek agreement first on certain matters of principle ... and if time was available to deal with some of the matters of detail' (ICAEW, JSCA, 31.10.66).

WP3 had initially proposed that graduates who had studied relevant subjects should be offered examination concessions and reduced periods of training. At the joint meeting, the JSC re-iterated

its view that 'It would be undesirable for any student to have less than three years practical experience' (ICAEW, JSCA/B, WP3, 31.10.66). WP3 argued that the 'relevant graduate' proposal was 'based upon giving special incentives to graduates and other comparable candidates' to enter the profession (*ibid*). The JSC argued that enhanced quality in recruitment should be addressed by realistic scales of remuneration and attractive career prospects. It was agreed that the required period for practical experience should be four years for the school leaver with 'A' levels and three years for the graduate. Graduates were to be offered the opportunity of sitting their final examinations during the third year of practical experience.

The JSC's position on the examination of licentiate accountants was re-affirmed at the joint meeting in October. The concept of a unified profession with two tiers and three streams was abandoned *de facto* and replaced with a revised structure of two tiers, with three streams in Tier I, but effectively one stream in Tier II. The JSC argued that:

... the Licentiate Accountant category of membership should produce a technician with at least a theoretical grounding in all the main aspects of the profession's work who would be qualified to seek employment at the appropriate level in any 'stream'. Any specialist techniques which he might acquire would be obtained as a result of his practical experience before and after qualification. His basic professional education (and therefore the relevant examinations) should be of a general nature (ibid).

The JSC's opinion on this issue prevailed and it was agreed that the examination papers at Examination II should be of a common and general nature with only one paper at Examination III offering specialist questions. The joint meeting concluded by inviting WP3:

... to revise the recommendations contained in its Fifth Report in the light of the decisions of the Joint Steering Committee at this meeting and to re-submit the revised Report without the supporting argumentation (ibid).

WP3 held a meeting on 15 November 1966 to discuss this request from the JSC. The representatives of IMTA insisted that 'it be placed on record their view that the syllabuses of examinations in Tier II must be related to the needs of the public sector' (ICAEW, JSCA/B, WP3, 15.11.66). The working party reconvened on 21 December to consider a draft of its Sixth Report. The Chairman of the JSC was present 'by invitation, for a discussion on certain parts of the Report' (ICAEW, JSCA/B, WP3, 21.12.66). This draft, after amendment, appeared as the Seventh Report and recommended that Tier II, Examinations I and II, should be common to all student licentiates. Examination III would contain an Accountancy III paper which would permit a choice of questions based on practical experience and two papers to be selected from a list which included: Auditing; Public Administration, Law and Finance; Industrial Organisation; Data Processing; and Taxation.

The Seventh Report of WP3 referred to the IMTA's reservations on the content of examinations in Tier II. At the meeting of the JSC on 26 January 1967 these reservations were noted and the hope was expressed that they 'would be resolved when the detailed proposals of the syllabus sub-committee were in due course made known' (ICAEW, JSCA, 26.1.67). This response was disingenuous because the syllabus sub-committee would be required to develop detailed curricula within the constraint of the principle of common knowledge and experience. It was not intended that the sub-committee should be empowered to re-open matters of principle.

Working Party 4 (other accountancy bodies)

WP4 was asked to examine the position of those accountancy organisations not participating in the scheme for the future of the profession. This working party faced a major problem in reconciling the inducement-dilution dilemma which had already been identified by the chartered bodies. As indicated earlier, there were two dimensions to this problem. For chartered accountants, a dilution of status was

threatened by the absorption of members of the ACCA, ICWA and IMTA in unified institutes. For the ACCA there was a long-standing concern about the dilution of status associated with an absorption of the members of the 'BFI bodies' (Shackleton and Walker, 1998, pp.83-7). The leaders of the chartered bodies argued that dilution arising on the integration of ACCA, ICWA and IMTA was a necessary inducement and acceptable price for the greater goal of unifying the chartered societies. This being taken for granted, WP4 was required to consider the possible admission of members of 'non-participating' bodies (Walker and Shackleton, 1998, p.48). Among these bodies were organisations which the Board of Trade had wished to see subsumed within a restructured profession during the 1950s.

WP4 was chaired by G L Barker of the ACCA. Its terms of reference centred on two issues. The first, on which a report was expected by the end of May 1966, was the extent to which accountancy bodies not represented on the JSC, and seven organisations in particular, should be investigated 'with a view to admission of their members' to the scheme (ICAEW, JSCA/B, WP4, 28.4.66). The seven 'other' bodies comprised the three 'BFI bodies': The British Association of Accountants and Auditors, The Faculty of Auditors, and, The Association of International Accountants; together with four other associations: The Institute of Company Accountants, The Incorporated Association of Cost and Industrial Accountants, The Society of Commercial Accountants, and The Institute of Bookkeepers. The second issue, on which recommendations were expected by the end of June 1966, was the determination of the full terms and conditions under which members of non-participating bodies would be admitted as licentiate or chartered accountants.

It was decided at the first meeting of WP4 on 17 May 1966, and without further debate, that The Institute of Bookkeepers would not be investigated for potential inclusion in the scheme as 'there could be no confusion in the minds of the public over the respective roles of the accountant and the book-keeper' (ICAEW, JSCA/B, WP4, 17.5.66). Further discussion resulted in the removal of a number of

other organisations from the list of potential participants. The English Association of Accountants and Auditors was described as a 'highly disreputable organisation, which offered membership on payment of a fee but without any form of investigation' (*ibid*). The Institute of Statisticians had previously held the nomenclature of The Institute of Statisticians and Accountants but no longer included accountancy among current services. The Institute of Taxation was deemed a specialist body which provided sound taxation advice but did not 'concern itself with those activities which lie strictly within the accounting and auditing fields' (*ibid*). The Society of Investment Analysts and The Institute of Management Consultants were also deleted from the list on the grounds that the functions performed by their members did not impinge on the activities of the participating bodies. The secretary of working party was also asked to investigate a variety of other accountancy bodies, most of which were expected to be defunct.

A number of other issues were discussed at the first meeting of WP4. Difficulty was expected over the remit from the JSC to establish the terms and conditions for the entry of members of non-participating organisations to Tiers I and II. Concerns over this issue were exacerbated by the absence of a decision by the Board of Trade on the statutory ring fence, together with a lack of knowledge about the exact education and experience of members of the 'BFI bodies'. The latter issue essentially concerned the inducement-dilution problem. At the meeting of WP4 on 17 May a short discussion had taken place on this subject. It was concluded:

Whilst it was clear that the integration proposals would not be accepted by members of the JSC bodies if they thought that standards were being lowered unduly, it might be necessary to offer the other bodies a small number of entries into Tier I as an inducement to joint (sic) the scheme. It might have to be accepted that some unsuitable persons would have to be admitted into both Tiers I and II but they would, of course, be subject to the discipline of the new unified Institute (ibid).

At a meeting of WP4 on 1 June 1966 the chairman re-opened this discussion and introduced an alternative means of accommodating 'members of other bodies whose standards of examination and training were much less rigorous than their own' (ICAEW, JSCA/B, WP4, 1.6.66). Barker's proposal was as follows:

... there might be a case for the establishment of a third tier, perhaps a register, on which would be placed the names of all the members of those other bodies and the names of individuals practising as accountants without membership of any body. The register could be under the control of the unified institute (ibid).

The working party thought this plan might allow the preservation of 'sitting tenant' rights, whereby accountants who already held recognition under the companies acts would have these rights preserved. This issue was known to concern the Board of Trade. Acknowledgement of sitting tenants would, at the same time, address the perception that a large number of the potential entrants to Tier II would lower the standards of the profession. This issue was seen as one of principle and it was decided that the Chairman of WP4 should prepare a paper to enable the JSC to make a decision. The resulting Request for Guidance elucidated the circle which the working party needed to square. The participating bodies were concerned about dilution, the Board of Trade wished to preserve existing rights and looked unkindly on the creation of monopoly powers, other working parties required recommendations on entry criteria, and inducements to other bodies were necessary to protect the interests of their members prior to the disbanding of their organisations (ICAEW, JSCA/B, WP4, 16.6.66).

WP4 recommended that this dilemma might be solved if the JSC were to consider 'the suggestion of the creation of a third tier as a temporary 'class' to which no further admissions would be made and which would disappear with the passage of time' (*ibid*). The JSC was 'unenthusiastic' about this idea. It argued that a third tier

was not a sufficient incentive for other bodies to join the scheme. WP4 subsequently cancelled its next two scheduled meetings on the grounds that it awaited a reply from the Board of Trade on the ring fence proposal and the findings of WP2 on the subject of practice rights in Tier II.

It is clear from a minute dated 7 July 1966 that WP4 was frustrated in the pursuit of its remit. The original timetable required that clear terms and conditions for the potential admission of members of 'other bodies' to Tiers I and II be formulated expeditiously. The Chairman of WP4 informed his committee on 7 July that 'he had asked the Steering Committee for advice as to whether he should hold today's meeting in view of the absence of information from the Board of Trade' (ICAEW, JSCA/B, WP4, 7.7.66). Barker reported that he had 'been asked to examine again the question of entry criteria and to formulate conditions which could be applied in the alternative circumstances of the provision of adequate supporting legislation and of no legislation' (*ibid*).

WP4 subsequently concluded that the majority of accountants from the 'other bodies' would be placed in Tier II, and that their entry to Tier I should be 'kept to a minimum' (*ibid*). The results of the working party's deliberations on the claims of 24 'accountancy related bodies' are revealed in tables 6.2, 6.3 and 6.4 (Walker and Shackleton, 1998, pp.50-51).

*Table 6.2 Proposed composition of the Unified Profession
(as at 1966)*

| <i>Tier 1</i> <i>Chartered Accountants</i> | |
|--|---|
| <p><i>All Members of the 'Participating Bodies':</i></p> <p>Institute of Chartered Accountants in England and Wales Institute of Chartered Accountants of Scotland Institute of Chartered Accountants in Ireland Association of Certified and Corporate Accountants Institute of Cost and Works Accountants Institute of Municipal Treasurers and Accountants</p> | <p><i>Qualifying Members of the 'BFI Bodies':</i></p> <p>British Association of Accountants and Auditors Faculty of Auditors Association of International Accountants</p> <p><i>Qualifying Members of:</i></p> <p>Incorporated Association of Cost and Industrial Accountants</p> |
| <i>Tier 2</i> <i>Licentiate Accountants</i> | |
| <p><i>All Members of:</i></p> <p>Society of Commercial Accountants Association of Industrial and Commercial Executive Accountants Association of Management Accountants Institute of Company Accountants</p> | <p><i>Non-Tier 1 Members of the 'BFI Bodies' (above)</i></p> <p><i>Qualifying Members of:</i></p> <p>Incorporated Association of Cost and Industrial Accountants</p> <p><i>Non-affiliated Qualifying Individuals</i></p> |

Table 6.3 Organisations excluded from the Ring Fenced Profession (as proposed in 1966)

| <i>Organisations assumed to be defunct</i> | <i>Organisations deemed as non-professional/non-accounting</i> |
|---|--|
| Society of Industrial Accountants Society of Practising Accountants Society of Taxation Accountants Federation of Licentiate in Accounting Institute of Poor Law Accountants British Institute of Accredited Accountants Association of Public Accountants and Auditors | English Association of Accountants and Auditors Irish Society of Certified Public Accountants Institute of Bookkeepers Institute of Statisticians Institute of Taxation Society of Investment Analysts Association of Local Government Finance Officers Institute of Management Consultants Society of Incorporated Cost Accountants |

On the assumption that the government would support legislation to establish a ring fence, WP4 envisaged that the enclosed and unified accountancy profession would comprise members of the following organisations:

Table 6.4 Proposed membership distribution of the Unified Profession

| Organisation | % |
|---------------------------------|------------|
| <i>The Participating Bodies</i> | |
| ACCA | 13 |
| ICAEW | 45 |
| ICAI | 2 |
| ICAS | 9 |
| IMTA | 4 |
| ICWA | 10 |
| <i>The 'BFIBodies'</i> | |
| | 3 |
| <i>Other Bodies</i> | |
| | 14 |
| TOTAL | 100 |

The final report of WP4 was considered by the JSC at a meeting on 20 July 1966. It was confirmed that its recommendations were:

... subject to adequate supporting legislation being forthcoming; furthermore the issue of a separate Tier III might be re-examined. It was concluded that any proposals for the integration of 'other bodies' should not be disclosed to the Board of Trade ... at this stage (ICAEW, JSCA, 20.7.66, emphasis added).

WP4 held no further meetings during 1966 as the Board of Trade refused to disclose its position on the question of supporting legislation.

Working Party S (Secretaries)

A working party of the secretaries of the participating bodies (WPS) was formed by the JSC at its meeting on 28 April 1966 (ICAEW, JSCA, 28.4.66). The working party held its first meeting on 31 May. The remit of WPS was to determine the constitution of the unified and enlarged institute in England and Wales. At the first meeting the secretaries of ICWA and IMTA made it clear that 'their members would look very carefully at any appearance of a 'built in' domination which would give an advantage to members in practice or to members in industry' (ICAEW, JSCA/B, WPS, 31.5.66). The fear that one intra-occupational group might achieve hegemony was well founded. The highest proportion of members in the participating bodies worked in commerce and industry, yet the membership of the councils of the chartered societies was predominantly drawn from those engaged in public practice. As has already been seen, during the early discussions within ICAEW on the future of the profession it was established that a central tenet of unification was the leadership of the profession by the practising wing.

At the meeting of WPS on 31 May it was recognised that 'care should be taken, when reconstituting the Council, to show that it

was formed as the result of an integration of the participating bodies and not an absorption (*sic*) by the Institute of Chartered Accountants' (*ibid*). The ICAEW representative suggested that the composition of the new council should be based on one-third members from practice, one-third from members not in practice and one-third from either stream.

The First Report of WPS, which was forwarded to the JSC on 16 June 1966, contained a number of recommendations. Foremost among these was the suggestion that the existing standing committee structure of the ICAEW should be adopted in the enlarged institute with the addition of a Planning Advisory Committee to discuss measures to meet changing circumstances. Examples of changing circumstances were given as possible entry to the Common Market and decimalisation. A major problem was identified as the potential for the dual/triple membership of members of ACCA, ICWA and IMTA on joining one of the three unified institutes. An appendix was provided to the First Report which laid out a suggested constitution for the future English and Welsh Institute. It was recommended that on integration, membership of the council would comprise 50 representatives from members in practice; 35 from members not in practice and 5 licentiate members. The ultimate aim would be an 80 member council of which five would be licentiate accountants and the remaining 75 apportioned according to the proposal presented by the ICAEW at the meeting of WPS on 31 May.

Working Party 5 (constitutional matters)

WP5 (Constitutional Matters) was appointed on 16 June 1966 and held its first meeting on 4 July. The meeting was chaired by H Hodgson of ICWA and discussed the constitutional proposals devised by WPS. The working party was asked to consider not only the constitution of the proposed English Institute but also district organisation, the selection of council members, the question of dual/triple membership, the choice of institute for ACCA, ICWA

and IMTA members, and the voting rights of the various categories of member (ICAEW, JSCA/B, WP5, 4.7.66). WP5 adopted the proposals of WPS and stressed the need for proportional representation and approximate parity on the new council between practising and non-practising members at the date of integration (*ibid*).

The JSC considered the First Report of WP5 on 20 July 1966 and it was decided to accept its recommendations despite the fact that 'there may be some difficulty in obtaining approval by the respective Councils' (ICAEW, JSCA, 20.7.66). This concern was highlighted by the immediate reservation of position by ACCA which was anxious about its allocation of seats on the new enlarged council and the proportionate representation of practising/non-practising members. The composition of the council of the new institute suggested by WP5 provided for a majority of practising members:

Table 6.5 Proposed composition of Council

| | <i>Non-Practising</i> | <i>Practising</i> | <i>Total</i> |
|--------------|-----------------------|-------------------|--------------|
| ICAEW | 15 | 45 | 60 |
| ACCA | 6 | 4 | 10 |
| ICWA | 10 | - | 10 |
| IMTA | 4 | - | 4 |
| TOTAL | 35 | 49 | 84 |

At a joint meeting of WPS and WP5 on 17 October, it was decided to recommend that licentiate accountants should not be eligible for membership of the council of the institute and no seats should be allocated to them. The joint meeting stressed that departure from this recommendation would only be tolerated if necessary 'as a result of the conditions required by the Government' (ICAEW, JSCA/B, WP5 & WPS, 17.10.66). It was conceded however, that licentiates should have their own standing committee whose chairman

would have the right of audience with the council of the institute (*ibid*).

WPS was asked to concentrate on formulating an outline 'scheme' for the unification of the profession. The resultant deliberations generated a number of drafts. During discussions on licentiate accountants, the WPS noted, and brought to the attention of WP3:

... the concept of the role of the Licentiate Accountants which was now emerging departed in some material respects from the original proposals (which) envisaged that a new category of member was necessary to fill a void which would be created by raising educational entry standards and the standard of subsequent professional examinations ... However the concept which now appears to be emerging is that the Licentiate Accountant category of membership should consist mainly of persons who would not, at present, attain membership of any of the participating bodies (ICAEW, JSCA/B, WPS, 14.11.66).

Summary

Following subtle pressure from the Board of Trade the FPC was enlarged to include the IMTA in January 1966. To establish an independent body which was capable of pushing forward the FPC's proposals for the future of the profession, the six participating bodies formed a Joint Steering Committee in April 1966. It was intended that discussions would culminate in the production of a definitive scheme for presentation to the participating bodies in October 1966. Working parties were established by the JSC to address many complex issues.

A working party was necessary to examine overseas matters because of the extensive international interests of the ACCA, ICWA and IMTA. The chartered institutes confirmed that the spatial remit of the unification scheme was the UK and Ireland. The working party proposed that an Overseas Accountancy Board should be established,

which would be dependent on, and a branch of, the profession in the British Isles.

WP2 considered matters relating to practice rights. This was an especially difficult remit because of conflicting views about the role of chartered and licentiate accountants. Representatives of ICAS warned that granting practice rights to Tier II accountants might lead to rejection of the scheme by its members.

WP3 addressed entry standards, examinations and experience. This was the most active of the working parties and struggled to reconcile an array of policies, divergent positions and an accretion of new proposals from the participating bodies. In part, the reason for the difficulties stemmed from the fact that ICAEW was not the leading authority in this area. Whereas ICAS, ICAI and IMTA were currently introducing or formulating policies based on graduate entry, the ICAEW was moving very slowly into this sector of recruitment. Most of the recommendations of WP3 were based on full-time theoretical study at a university. The first professional examination was expected to be in core subjects with increasing specialisation being introduced into the second and third stages of examination. The JSC considered that Tier II accountants should not be divided into streams. This appeared to abandon one of the central pillars of the FPC's proposals. A compromise was reached.

WP4 was asked to consider the composition, standards of entry and examination of the junior accountancy bodies with a view to the inclusion of some of their members in the unification scheme. Debate within WP4 was frustrated by the absence of a decision by the Board of Trade on legislation for the profession. The working party recommended the formation of a third tier as a temporary class of accountants which would disappear over time. The JSC was unenthusiastic about this proposal.

A Working Party of Secretaries was formed in April 1966 with responsibility for producing a draft constitution for the new and enlarged English and Welsh Institute. The major problem for this working party was arriving at balanced representation on the new

council. Public practice dominated the existing executive of the ICAEW and the Institute was determined that the more numerous commercial and industrial members did not control the decision making structures of the unified profession. Equally, the industrial members were not prepared to accept domination by accountants in public practice. WP5 was created in July 1966 and much of its work on constitutional matters overlapped with WPS.

The absence of information from the Board of Trade on legislation for a ring fence made it impossible for many of the working parties to submit firm recommendations to the JSC in 1966. As a consequence the original timetable was unattainable and the preparation of a definitive scheme for the future of the profession was postponed. Additionally, a number of issues were identified on which agreement between the participating bodies was proving difficult.

The deliberations of the JSC and its working parties excited debate among the participating bodies on a number of issues. Questions were raised about the wider dissemination of the details of the scheme. These subjects are explored in the next chapter.

CHAPTER SEVEN

INSTITUTIONAL REACTIONS TO THE UNIFICATION SCHEME 1966-1967

Despite serious reservations about a number of the FPC's proposals, discussions among the accountancy bodies during 1965 resulted in a fragile consensus on the general principles contained in *The Future of the Profession*. In this chapter, the decision to make an official public pronouncement about the FPC's plans and reactions following their disclosure are explored. A press release in April 1966 revealed the fundamentals of the scheme at a time when the accountancy bodies were engaged in negotiations over a number of issues, some of which remained controversial.

Official announcements

While discussions about the future of the profession were being conducted behind the scenes by the office bearers of the accountancy bodies during the early to mid-1960s, individual accountants expressed their views on the subject of rationalisation through a more public medium. In July 1965 an anonymous but perspicacious letter by an industrial member of ICAEW suggested a number of reforms which foresaw some of the proposals generated by the FPC (*The Accountant*, 17.7.65, p.82). Among these were moves to combine other accountancy bodies with the chartered institutes; establishing graduate level entry to the profession; extending the training programme to include commercial or public sector experience and requiring three years service in public practice before a practice certificate was awarded.

The fact that the major accountancy bodies were attempting to progress a scheme for the future of the profession along these lines was not the subject of an 'official' announcement until 4 April 1966. On 31 March, the members of each institute were sent a personal letter. A press release was distributed in the names of the six participating bodies a few days later. This stated that discussions were underway on the 'scope and structure' of the profession. Attention would focus on:

- (i) *whether there is scope for reducing the number of separate professional bodies and qualifications in England and Wales, Scotland and Ireland respectively;*
- (ii) *whether changes should be made in the form, methods and standards of education, training and experience, bearing in mind the qualities now needed for the performance of the more advanced professional services whether in public practice, industry, commerce or public service;*
- (iii) *whether in the future there should be two recognized levels of professional qualification related respectively to higher and lower standards of education, training and experience and, if so, what arrangements there should be to enable those qualified in the lower level to proceed to the higher level;*
- (iv) *whether a single professional designation can be adopted having regard to the fact that training will be in public practice, industry, commerce or public service (The Accountant, Vol.154, No.4764, pp.417-418).*

Members were cautioned that these subjects would require 'extensive study', it would be premature to disclose further details and it was hoped to offer a further statement during the autumn. When this announcement was made, there was little additional effort to ensure that public debate centred on the lines of thought pursued by the participating bodies. The response of *The Accountant* was founded on

the assumption that the ideal solution to the problem of the structure of the profession would be the creation of a single accountancy body for the British Isles. In noting that differences in the proposed systems of education and training for public practice, industry and commerce, and public service, would cause difficulties, *The Accountant* suggested 'that there should be two levels of professional qualification' (Vol. 54, No.4764, p.418). No attempt to correct this misinterpretation was made by the participating bodies. The leader in *The Accountant* exhorted each member of the profession to 'give serious thought to the outline proposals during the summer months ahead' (*ibid*).

Other periodicals pursued much the same line. *Accountancy* welcomed the effort to 'advance the standards' of the profession in the rapidly changing world of modern business and education (May 1966, p.294). A business editorial in *The Times* considered the attempt to streamline the organisation of the profession was 'encouraging news', particularly if it enabled the profession to 'speak with one-more powerful-voice' (4.4.1966, p.17). It was sanguinely envisaged that since accountants were experts in the field of mergers and acquisitions there was every prospect that the leaders of the profession could agree a unified organisation for themselves. However, letters received by the editors of the professional journals in the immediate aftermath of the announcement offered an early indication that persuading chartered accountants of the merits of unification might prove difficult. Concerns were expressed immediately about dilution. A correspondent to *Accountancy* urged the President of the ICAEW to 'safeguard the qualifications of ACA.' (June 1966, p.443). Letters from Scottish CAs called for resistance to 'all attempts to dilute our proven ability' and cautioned against opening 'the stately home' of ICAS 'to the public at large' (*Accountants' Magazine*, 1966, 408).

In their addresses to annual meetings following the announcement of 4 April, the presidents of the negotiating bodies spoke of the need for patience and understanding among the participants and their memberships. There were no further 'official' revelations about the work of the JSC during the spring and summer of 1966. As has been

seen, the JSC and its working parties were heavily engaged at this time in attempts to resolve complex issues. This, in an effort to perfect the scheme without knowledge of the Board of Trade's view on a fundamental component of the plan. The issues which confronted the JSC and its working parties were, however, discussed within the councils of the participating bodies. These deliberations indicated significant differences of opinion on a number of fronts including timetabling and constitutional matters, issues surrounding the proposed streams, the concept of the two-tiered profession, dual membership, and the importance of the ring fence.

Timetabling and constitutional issues

Following the first meeting of the JSC on 13 April 1966, a major dispute arose over the foreshortened timetable which was set. The tight timetable and the delegation of important issues to working parties were redolent of mistakes which had been made by the Co-ordinating Committee during the 1940s and 50s (Walker and Shackleton, 1995, pp.499-500; Shackleton and Walker, 1998, pp.105-107). The identification of problems which might constrain the ability of the participants to make substantial progress were swept to one side or ignored in the pursuit of unification. It was assumed that the restriction on debating time would concentrate the participants' minds, forcing them to reach agreement within the confines of the timetable. Given the history of inter-organisational conflict, the requirement to shelve committed positions and to subsume antagonistic attitudes within such a short timescale was naïve.

In a reprise of similar complaints made during the 1940s, the lack of time permitted for consultation was discussed at an ICAS Council meeting on 12 May 1966. It was noted:

... the President be requested to write to the President of each of the other five accountancy bodies participating in the discussions expressing the Council's concern at the target dates set by the Joint Steering Committee, since these dates would not seem

to allow adequate time for consideration or consultation, and urging a deferment of at least three months in the 'target' date for submission of the definitive scheme to the Councils of the participating bodies ([originally targeted for delivery] during the first week in October) (ICAS, 1/6, Minute No.3313, 12.5.66).

The resulting letter from ICAS did not attract support from other participating bodies. The ICAEW conceded that 'the proposed timetable might be over-optimistic' but attached the major share of the blame for this to the 'delay in obtaining the views of the Board of Trade' (ICAEW, Minutes of Council, Vol.X, 6.7.66). The ACCA's reaction to the ICAS request for more time was to state that although there was sympathy with the position of Scottish institute:

... these difficulties were to some extent common to all the participating bodies and that since delays in the production of the definitive scheme would almost certainly occur for other reasons (it was not thought that) it would be wise at this stage to alter the timetable to the extent suggested (ACCA, Minutes, 14.6.66).

It would appear that the request of ICAS for a slower pace was motivated by the establishment of its own Special Committee on the Future of the Profession. The JSC's agenda became embroiled in the separate deliberations of ICAS on the structure of the profession. The Special Committee was formed in the wake of exploratory discussions between representatives of the FPC and ICAS in July 1965 (see chapter 4). It did not hold its first meeting until 19 November 1965 (ICAS, 1/6, Minute No.3145, 17.9.65; No.3198, 30.11.65). During May 1966 five influential members were added to the Special Committee and papers were passed to the Past Presidents Committee for consideration (ICAS, 1/6, Minute No.3313, 12.5.66). The major questions considered by these committees were the advantages and disadvantages of a merger with ICAEW and whether ICAS should participate fully in the negotiations currently engaging the other

bodies (*ibid*). The latter question was quickly resolved. The former question, which opened an alternative agenda to that pursued by the FPC, was more intractable.

This was the third occasion on which a merger with the ICAEW had been considered by ICAS since the amalgamation of the three Scottish societies in 1951. Approaches had been made in 1954 and 1955 (Shackleton and Walker, 1998, pp.102-103). At a Council meeting on 1 April 1966 it was agreed that 'before any final decision on any proposals which may emerge from the negotiations, the Council wishes to debate the possibilities of a full union of the Scottish and English Institutes' (ICAS, 1/6, Minute No.3286, 1.4.66). This decision was not forthcoming until 15 June 1967 when the Special Committee reported to the Council that it recommended that the independence of ICAS be maintained. This recommendation was approved unanimously by the ICAS Council (ICAS, 1/7, Minute No.3592, 15.6.67).

The ACCA, ICWA and IMTA raised other constitutional issues. Each body was anxious to ensure that its own interests were not subsumed within a new professional body which prioritised the interests of public practice. A related concern was that the composition of the new council should reflect the occupational composition of the membership of the new professional organisation (ACCA, Minutes, 5.10.66, 22.11.66, 11.1.67; ICWA: Executive Committee, Minute No.3115, 18.3.66; No.3165, 15.7.66; No.3185, 29.9.66; IMTA: Policy Committee, No. 39, P5/67, C6/67, 15.7.66). In October 1966 the ACCA was especially concerned about the balance of representation, between itself and the ICWA, on the council of the new institute. When proportional representation was conceded in July 1966 this dispute was resolved (ICAEW, JSCA/B, WPS, 29.7.66).

The ICWA was concerned about the manner in which elections to the council of the enlarged institute would take place. It became clear that the procedure of the ICAEW was to be adopted whereby district societies submitted a list of three ranked names, from which the council selected a representative (ICAEW, JSCA/B, WPS, 13.9.66).

The ICWA expressed disquiet at the continuance of this practice (ICAEW, 2-19-1, Secretary Memorandum, 9.5.67). The ICAEW secretariat responded formally to the ICWA on 20 July 1967 explaining that a careful examination of elections to the ICAEW Council over the previous ten years had revealed that Council failed to follow the preferences of the district societies on only one occasion - the election of Leach. When it was later proposed that direct elections would be established to select the new council, the concerns of the ICWA were allayed.

The major constitutional issue which troubled the ICAEW was the preservation of the rights of the public practice section of its membership and fending off potential criticisms that the enlarged institute 'would be administratively unwieldy' (ICAEW, 2-19-1, Memorandum to the Board of Trade, 30.3.66). In the memorandum to the Board of Trade the ICAEW commented on this issue by stating that:

(This objection) is one which troubled the English Institute in earlier days and was recognised in its own evidence to the Goschen Committee. Since then, however, there has been a huge expansion in its own membership, accentuated by its absorption in recent years of the substantial membership of the Society of Incorporated Accountants. The English Institute has in fact found no difficulty in handling this expansion and with its strong district organisation would not now consider that the objection is valid (ibid).

Professor Browning (ICAS) had raised the issue of the size of a unified profession during a meeting of the three chartered institutes on 12 January 1966. He argued that the unification proposals 'would involve a very large Institute. This might well lead not only temporarily but also permanently to the reduction in status of a chartered accountant' (ICAEW, 2-19-1, 17(34), 12.1.66).

Streams

The initial proposal of the FPC for the unification of the profession envisaged the establishment of two streams of chartered accountants: those in public practice, and those engaged in industry and commerce. This demarcation did not pose a significant problem for the five original participating bodies. However, the introduction of the IMTA to the discussions required that the proposal to establish two streams in Tier I be reviewed. At a meeting between ICAEW and IMTA on 14 January 1966, I M Cowan (IMTA) raised the question of whether 'it was intended to have a separate stream for those (accountants) trained in central and local government finance' (ICAEW, 2-19-1, 17(35), 25.1.66). Cowan argued that the creation of a third stream was essential 'to respect and protect the special position of members in the public service' (*ibid*). A further meeting between the ICAEW and IMTA was arranged for 23 February 1966. The ICAEW secretariat noted that a third stream was acceptable but its creation 'should not be overdone as such recognition could be regarded as divisive' (ICAEW, 2-19-1, 17(35), 28.2.66). The working parties of the JSC thereafter proceeded on the basis that there would be three streams.

Another problem, related to the creation of streams, was the issue of transferability. It was proposed that accountants in all three streams of Tier I should bear the nomenclature 'chartered accountant'. However, accountants who had qualified in industry or the public sector would be required to gain 30 months' experience in a practising office if they wished to transfer to another stream. This was in accord with the adherence by public practitioners to the principle of the 30 month rule. However, no such experience was required for a transfer in the other direction, that is from the practising stream to the public service or industrial streams. Tensions over this issue had also surfaced when WP2 discussed practice rights (see chapter 6).

Tiers

As seen earlier, it was originally intended that the unified accountancy profession would operate within two tiers comprising chartered accountants and licentiate accountants. The FPC conceived that unification involved the establishment of a ring fence and 'a greater unity of organisation in place of the present diversity of bodies of accountants' (ICAEW, FPCA, 22.1.65). It was considered that unity of organisation, which embraced a wider spectrum of accountants than the original participating bodies, would require the formation of a second tier. The occupants of this tier, with lower standards of entry and examination, would provide a professional support to Tier I accountants, whilst remaining within the organisational control of the enlarged institute. It was argued that this structure would prove an effective way of supplying accountancy services within a 'limited availability of qualified accountants' (ICAEW, JSCA/B, WP2, 13.5.66). However, the proposed Tier II proved to be one of the more contentious issues because it involved the thorny questions of dilution and practice rights.

For a number of the leaders of the profession the admission of some of the members of the 'other bodies' to these tiers, especially to the lower tier, was deemed important to reveal to government that the participating bodies assumed a liberal stance in their quest to close the profession. At a meeting with ICAS representatives on 11 May 1965 R P Winter of the ICAEW stated that 'The intervention of the Board of Trade would be needed in order to obtain a 'ring fence' to keep out mushroom bodies. To achieve this it would be necessary to take in the BFI bodies now' (ICAEW, 2-19-1, 17(34), 11.5.65). Others had misgivings about the entry to the ring fenced profession of those with inferior qualifications.

From the outset of discussions in 1965, ICAS made it clear that the licentiate accountants of Tier II should not hold any practice rights, although it was noted that 'as the years went by it would be difficult to keep the lower tier members out of practising work' (ICAEW, 2-19-1,

17(34), 28.7.65). When WP2 examined the question of practice rights in 1966 ICAS opposed the recommendation that these be restricted 'on grounds both of principle and of practicability' (*ibid*). ICAS raised the principle that 'no person in practice should be precluded from expressing an opinion' and that this opinion might be tested in the courts or before the Commissioners of Inland Revenue (*ibid*). Therefore, it was argued, the grounds for restrictions were impossible to define and were, therefore, incapable of being enforced.

Dual membership

Another difficulty for the participating bodies emerged in relation to dual membership. During its initial discussions with the FPC, the ICAI stated that it wished to engage in deliberations on the future of the profession 'with a view to preparing a unification scheme in parallel' (ICAEW, Minutes of Council, Vol.X, p.68, 2.3.66). This notion was accepted by the ICAEW in March 1966 when it was envisaged that unification would proceed on the basis of three chartered institutes in England and Wales, Ireland, and Scotland. However, the constitutional position of the ICAI was more complex than that of the other participants. Any amendments to the Charters and bye-laws of the ICAI:

... required the consent of two Parliaments with the inevitable result that the implementation of any scheme in Ireland would be very much later than any implementation by the English and the Scottish Institute (ibid).

This difficulty was addressed, at the suggestion of the ICAI, by the notion of dual membership:

... if the English Institute could see its way clear to electing to membership initially members of the ACCA and ICWA resident in Ireland, then the Irish Institute, under its existing charters and bye-laws could elect such members to the Irish Institute.

The President of the Irish Institute had also expressed the hope that (if this arrangement was acceptable to the English Institute) at the appropriate time the English Institute would alter its charters and bye-laws to enable members of the Irish Institute resident in England and Wales to become members of the English Institute (ibid).

The issue of dual or even triple membership was considered by WPS. In its report of 31 May 1966 this working party agreed in principle with the Irish Institute's suggestion. A related question was the choice of institute to be made by ACCA, ICWA and IMTA members in Ireland on integration (ICAEW, JSCA/B, WPS, 31.5.66). The three chartered bodies held a joint meeting on 17 October 1966 at which Sir Henry Benson reported on discussions with the President of ICAI. These resulted in a proposal that 'a member resident in the country of his 'original' institute could train students for that institute only. A member not so resident could train students for any of the three institutes of which he was a member' (ICAEW, JSCA, 17.10.66). It was further agreed that ACCA, ICWA and IMTA members would be able to join as their 'original' institute, the institute in their country of birth, provided they were still resident there. If this provision did not accommodate the circumstances of the member then s/he would have complete freedom of choice (*ibid*).

Ring fence

As stated earlier the ring fence concept was a key feature of the FPC's proposals. However, the extent to which the participating bodies were enthused by this measure varied.

The Council of the ICAEW considered that legislative support for the profession was necessary for two reasons. First, to suppress the 'unfair competition' posed by 'unqualified' accountants, particularly in the provinces. Second, to pre-empt the formation of new societies. Thus some members of the ICAEW Council 'regarded the ring fence as vital' even though 'others doubted if it was capable of achievement'

(ICAEW, 2-19-1, 17(34), 12.1.66). The ACCA assumed a similar stance. The Association claimed that it had long been an enthusiastic supporter of such regulation of the profession (Shackleton and Walker, 1998, p.96). ICAI and ICAS were of a similar mind to the ICAEW, but, existing in less competitive markets for professional services, did not see the ring fence as having the same degree of importance as in England and Wales.

Indeed, at the first meeting between representatives of ICAS and the FPC on 11 May 1965, Lister of ICAS had questioned the all-embracing ring fence concept (ICAEW, 2-19-1, 17(34), 11.5.66). This viewpoint was re-iterated by Browning of ICAS, at a meeting of the FPC with ICAI and ICAS on 12 January 1966. Browning considered that the ring fence 'might have some value to the practising side. But in Scotland there was very little competition from unqualified accountants' (ICAEW, 2-19-1, 17(34), 12.1.66). Further, at a meeting of the FPC, ICAI and ICAS on 28 February 1966, Browning mentioned that doubts about the value of the ring fence and the likelihood of obtaining legislative support for it were being expressed by the Council of ICAS (ICAEW, 2-19-1, 17(34), 28.2.66). At the same meeting it was reported that the ring fence could not relate to members in industry or commerce. It is likely that this was the reason why the ICWA and IMTA seemed indifferent to the concept.

Public pronouncement of the outline scheme

While the participating bodies were discussing these contentious issues, a number of letters on the future of the profession appeared in the accountancy press. During the summer of 1966 a number of correspondents advocated division rather than the unification of the accountancy bodies. The views expressed appear to have depended on whether the contributor hailed from public practice or industry.

Following the public announcement of the scheme in April 1966 the activities of the JSC and its working parties were not the subjects of further 'official' comment until September 1966. The event which

stimulated a further announcement was the 64th annual conference of the Canadian Institute of Chartered Accountants, held in Regina, Saskatchewan during late August. Among the guests were Sir Henry Benson and Evan-Jones, President and Secretary of the ICAEW respectively. During the conference Benson addressed the delegates and referred to 'the exploratory talks now in progress with other bodies in the United Kingdom to consider the future of the accountancy profession' (Englebert, 1966, pp.387-391). Had Benson's address remained at a general level, little controversy would have ensued. However, although the speech was structured around the press release of April it lifted the veil on other aspects of the scheme. The speech was reported in *The Accountant* on 24 September 1966 and immediately caused the participating bodies to issue a brief account of their discussions. Their joint statement emphasised:

... whilst the working parties have made considerable progress in formulating proposals it is stated that the views of Government departments on certain questions which vitally affect the future of the profession are not yet available. In these circumstances it is not yet possible to submit the proposed statement (The Accountant, 24.9.66, p.467).

A more detailed statement was issued by ICAS in the November edition of *The Accountants' Magazine* (1966, p.859).

The report of Benson's speech in Canada together with the press releases printed in October and November informed the rank and file of the participating bodies about the detailed consideration of unification by the JSC and its working parties. The members subsequently waited patiently for the publication of details of the plan. Their restlessness surfaced once the announcement of the reference of professions to the Monopoly Commission on 30 January 1967 was made. One member wrote:

... please may we now have some hard news from our respective Councils? For a profession which likes to impress on others the virtues of disclosure, we are showing an unbecoming reticence

which is scarcely calculated to inspire confidence that we believe what we say – and say what we believe (Goch, The Accountant, 18.2.67, p.223).

On 30 March 1967 each participating body posted a letter to its members. The epistle stated:

... the most important matters which have been thought to merit examination by the Joint Steering Committee are:

- (1) The possibility of reducing the number of professional bodies. There are six generally recognised bodies, but there are many others which are less well known. The concept emerging is of three enlarged Institutes – one based on England and Wales, one based on Scotland and one based on Ireland – with close contacts among them at all levels and arrangements whereby students could be trained in a practising office, or in industry, or in the public service, as they might select.*
- (2) The need to raise the entry standard to that of graduates or of school-leavers who have attained minimum university entrance requirements.*
- (3) The possibility of requiring students to undertake a period of full-time study of accounting and related matters: this might be before entry into or at an early stage in articulated service.*
- (4) The advisability of broadening the syllabus in which students are examined to include an appropriate knowledge of both industrial and public service accountancy subjects.*
- (5) The possibility, if it is thought right to raise the educational and training standards of chartered accountants, of introducing a second tier of qualified accountants who would not be 'chartered' accountants. The second tier might be expected to have lower educational and training standards but nevertheless be able to fill an important role in carrying out the more routine accountancy tasks in industry, in the public service and in practising offices. A ladder*

from the lower tier to that of chartered accountant would, of course, be necessary for those who have the determination and ability to climb it.

- (6) *The extent to which specialisation should be recognised and encouraged by way of post-qualification diplomas in, say, taxation, management information and other subjects. There is already a trend in this direction.*
- (7) *A plan for dual or triple membership under which a member of one or other of the three Institutes of Chartered Accountants in Great Britain and Ireland would be eligible to join, if he so wished, either or both of the two on paying the appropriate annual subscription.*
- (8) *The scope for closer collaboration between the three Institutes of Chartered Accountants, in particular by the establishment of joint committees to consider and deal with a wider range of matters of common interest than has previously been found practicable (ICAEW, JSCA, 30.3.67).*

The letter stated that an outline scheme had now been prepared but the reference to the Monopolies Commission would delay any prospect of legislative support. The scheme would be revisited and a further announcement was likely during the summer.

Summary

An official announcement about the existence of discussions between the six major accountancy bodies was made on 4 April 1966. The members received a personal letter on this subject from their respective Councils, dated 31 March. Both communications stated that the scope and structure of the accountancy profession was being discussed with a view to reducing the number of separate bodies and modifying the systems of education and training. Letters to the professional press revealed that chartered accountants were concerned about dilution. No further information was promised until autumn

1966 because discussions with the government on issues that would vitally affect the future of the profession had not been concluded.

While the JSC and its working parties were attempting to perfect a scheme for the future of the profession, the councils of the participating bodies expressed concerns about a number of issues. As was the case during the attempt to co-ordinate the profession during the 1940s, ICAS was anxious about the haste implied by the JSC's tight timetable. ICAS also sought less expedition in order to resolve an internal debate about a merger with ICAEW. It was subsequently decided that this would not be in the best interest of ICAS. Constitutional issues also surfaced among other participating bodies. These centred on the composition of the enlarged council of the new institute given the ICAEW's insistence on the domination of the public practice stream of the profession. The inclusion of the IMTA in the discussions on the scheme raised the possibility of the creation of a third tier. This was reluctantly conceded by ICAEW. Discussions on the ring fence proposal indicated varying degrees of enthusiasm but this potential problem was deflected because the Board of Trade had not indicated a firm view on the prospect of legislation for the profession.

Individual members were encouraged to give the outline proposals serious thought. However, given the disclosure of limited information most members' comments focused on divisions within the profession rather than examining the principles on which unification might proceed. On 30 March 1967, further news was released to members who were informed of the proposal for the creation of three chartered institutes with graduate level entry and the establishment of a second tier. This notification stated that the reference to the Monopolies Commission on the professions meant that a re-examination of the original proposals would now be required. A revised scheme for the unification of the profession had to be devised without the immediate prospect of a statutory ring fence.

CHAPTER EIGHT

COMPOSING A REVISED SCHEME 1967-1968

It was accepted as inevitable that the reference to the Monopolies Commission in 1967 would retard the accountants' pursuit of a statutory ring fence and necessitate the redrafting of proposals for unification. The development of a revised scheme by the JSC resulted in discussions within and between the participating bodies and these revealed that differences on matters of principle remained. Overcoming these differences required sensitive negotiation by the JSC. But detailed deliberation would only serve to slow the progress towards actualising a scheme for the future of the profession.

Proceeding without the ring fence

A meeting of the JSC was called for 8 February 1967:

... to consider the implications of the reference to the Monopolies Commission of certain practices in the professions which might be considered restrictive. It was regarded as inevitable that the reference would delay for a considerable time any support which the Government might give to the proposed legislation (ICAEW, JSCA, 8.2.67).

The meeting decided that an amended scheme which excluded supporting legislation should be devised and submitted to the councils of the participating bodies (ACCA, Executive Committee, Minutes, No.3973, 8.3.67). The resulting proposals were substantially based on the work of the JSC and its working parties in 1966. The councils of

the participating bodies were informed that it remained the objective of the JSC to achieve three enlarged chartered institutes for England and Wales, Scotland and Ireland. This was despite the absence of legislative support which had hitherto been considered as an essential prerequisite of the scheme.

The revised scheme differed from the original proposal in three respects. First, it was decided to abandon the suggestion of different designations according to the stream of training. It was accepted that the CPA and CIA labels 'cut across the whole concept of integration' (ICAEW, Minutes of Council, Vol.Y, 26.4.67). Consequently, all members of Tier I would be known as 'chartered accountants'. Second, further safeguards were introduced to ensure that the profession would not be dominated by industrially trained members. If necessary this would be achieved by exercising controls 'to ensure an adequate flow of students to the practising side of the profession' (*ibid*). Third, was the inevitable adjustment required by the absence of government support for a ring fence.

The responses of the professional organisations to the revised scheme are explored in the following sections. These indicated that significant differences persisted among the participating bodies.

Response of ICAEW

The JSC's communication to the Council of the ICAEW on a revised scheme was presented at a special meeting on 26 April 1967. This was to prove a defining meeting. The President, Sir Henry Benson, stated that he had studied the structure of the accountancy profession in other countries and was convinced that the adoption of the proposed scheme would result in the profession in Great Britain and Ireland assuming world leadership. There was, however, a less desirable alternative scenario. Sir Henry warned that if the proposals were rejected 'there were clear indications that the ACCA and ICWA would amalgamate and take all possible measures to increase the position and prestige of the resulting body' (*ibid*). Furthermore,

he drew attention to views recently expressed in Parliament that integration of the profession might be pursued by the government (*ibid*). The aversion of such dangers required that the attempt to unify the profession be continued by the participating bodies.

Leach, who chaired the JSC, introduced the revised scheme to the Council. He now argued that the ring fence had 'assumed too great an importance', and that its demise provided the opportunity to absorb the existing fringe bodies 'from a position of strength' (*ibid*). In reply to a question during the discussions, the ICAEW President said 'that it would be inappropriate to advise members of the district society and branch committees of the attitude of the officials at the Board of Trade to the proposals' (ICAEW, Minutes of Council, Vol.Y, 26.4.67). It was thought more politic to refer members to the 'threat' posed by comments in Parliament in Committee 'E', which appeared to presage a government-inspired amalgamation of the profession. Once more Leach enunciated the defensive mantra adopted by the leadership that dilution of the profession was 'an inevitable consequence of any merger or amalgamation' but that the short-term disadvantages should be balanced by the long-term benefits of unification. He reiterated that integration would result in the domination of the accountancy profession by the Institute and that 'dilution was not too high a price to pay for it' (*ibid*). Leach summarised the main advantages and disadvantages of the revised scheme:

(a) Disadvantages

- (i) *the acceptance of a limited number of practising certified accountants as practising Chartered Accountants;*
- (ii) *the acceptance of non-practising certified, cost and works accountants and a lesser number of municipal treasurers as Chartered Accountants.*

(b) Advantages

- (i) *an enlarged Institute which would lead the world;*
- (ii) *higher standards of education and training;*
- (iii) *closer co-ordination with the Scottish and Irish Institutes;*
- (iv) *the reservation of certain functions to those with appropriate experience;*
- (v) *the provision of a second Tier which would help practitioners as well as industry and commerce (ibid).*

A revised outline timetable was presented to the Council which envisaged that if it agreed to the general terms of the draft scheme, and the views of the district societies and their branches were obtained in an expeditious manner, a definitive scheme could be submitted to Council in August 1967 and to meetings of members in the spring of 1968. The latter would complete the unification of the profession by authorising amendments to the Royal Charter and bye-laws of the Institute and these would be formally approved at a subsequent meeting.

Members of Council then proceeded to discuss the revised proposals. A principal concern was dilution. S C Hand went so far as to say that membership of ACCA, ICWA and IMTA 'was insufficient in itself as a criterion for membership of the Institute because of the inevitable lowering of standards' (*ibid*). This viewpoint received some support. Other members of Council identified the failure of the revised scheme to provide for the closure of the profession. It was stated that the main feature of the chartered-incorporated merger in 1957 was the progress it represented towards this objective. By contrast, the present scheme did not hold out the promise of closure because it might not prevent 'a proliferation of bodies concerned with industrial accountancy which would later force upon the Institute the need for a further integration exercise' (*ibid*).

Two members of Council deprecated the existence of separate schemes for Scotland and Ireland. The President retorted that 'there were difficulties in setting out the main disadvantages to the scheme without causing offence to professional colleagues in the other

participating bodies' (*ibid*). Other concerns related to the constitution of the council of the Institute under the revised scheme. It was feared that the new council would contain a majority of members who 'were neither in practice nor had received their training in practice' (*ibid*). The response to this point was that the ICWA and IMTA had raised concerns in the opposite direction and that the solution agreed by the JSC 'would in fact achieve a majority of practising and/or practice trained members on the Council' (*ibid*). At the end of a lengthy meeting the ICAEW Council resolved by a vote of 38 to 6 to approve the general terms of the revised scheme and agreed to hold discussions with the committees of the district societies.

On 7 June 1967 a report of the views of the Council and the district societies of the ICAEW was provided to the JSC. The report referred to a number of issues which had been raised by some members of the Council and committees of the district societies. The first of these was the identification of those who were 'unconvinced of the need for integration' (ICAEW, JSCA, 20.6.67). To address this the report suggested that 'more emphasis should be given to the need for integration by incorporating positive arguments (which may not be entirely common to each body)'. The report revealed that a suggestion was made to open negotiations with the 'fringe' bodies in order to 'close the profession'. It was suggested that negotiations with the 'BFI bodies' should take place as this might influence the Board of Trade if an approach was made by the BFI bodies for recognition under Section 161(1)(a) of the Companies Act, 1948 (*ibid*).

The final concern raised in the report was the balance of students within the three qualifying streams. There was a fear in the ICAEW Council that the practising stream would become the least popular and that its influence in the profession as a whole would be reduced. The report to the JSC suggested that if the streams were to fall out of balance then 'it would be contrary to the public interest and to the interests of members generally because of the resulting surplus of qualified members in some fields of activity and deficiencies in other fields' (*ibid*). The ICAEW proposed to address this problem

by suggesting that quotas should 'be established to maintain a proper balance of recruitment', with adjustments made as necessary 'in the light of prevailing circumstances' (*ibid*).

Responses of the chartered bodies in Ireland and Scotland

The response of ICAI to the reference to the Monopolies Commission and the revised scheme was the most unequivocal of the accountancy bodies. Whilst the ICAI requested modifications to the main scheme to take account of different educational standards and also its constitutional position, these issues had already been agreed in principle.

The response of ICAS to the revised proposals of the JSC was to recommend that a revised parallel scheme be prepared for Scotland which would incorporate many of the principles contained in the scheme for England and Wales. Although there was general agreement that members of ACCA, ICWA and ITMA would be accepted as Scottish chartered accountants, one Glasgow member of the ICAS Council, T Lynch, requested that 'his dissent be recorded from this proposal insofar as it affected the members of the ICWA and IMTA' (ICAS, 1/7, Minute No.3593, 15.6.67). The scheme for Scotland was anticipated to differ from that for England in respect of licentiate accountants. ICAS thought that the original proposals of WP3 whereby the examinations should be streamed at an earlier stage than was contemplated by the JSC, should be accepted. A further difference from the English scheme was that licentiates would be licentiate members of ICAS as distinct from being given a certificate without membership of a particular organisation (*ibid*). The report of ICAS on the revised scheme was accepted by the JSC without comment (ICAEW, JSCA, 20.6.67).

Response of ACCA

ACCA was a little reluctant to follow the lead of ICAEW in seeking the opinion of district societies on the revised scheme. Its Council formed the opinion that 'the Institute had special problems which were not likely to find their counterparts in the case of the Association' (ACCA, Minutes, No.3995, 25.4.67). Nevertheless, it was agreed to make some communication with the branches and district societies 'from the point of view of information' (*ibid*).

In its report to the JSC, the ACCA concentrated on 'those matters which may constitute possible obstacles to the smooth passage of the scheme' (ICAEW, JSCA, 16.6.67). Three concerns were identified. Firstly, ACCA asked that the proposals for licentiate accountants be completely re-examined because at present they created an inferior class of members. It was argued that:

... in the handling and training of licentiate accountants there is a suggestion of invidious discrimination rather than a continuous process of encouragement for the licentiate to move upwards towards the top stream (ibid).

The second concern was that the entry standard for Tier I of two GCE 'A' levels was likely 'to militate seriously against adequate recruitment' to the profession (*ibid*). This concern should be set in context. In June 1967, the ACCA Council rejected a request by WP3 for the ACCA to raise its entry standard to that of the ICAEW, and to two 'A' levels on publication of the revised scheme. The ACCA responded that it 'would not be prepared to take that or any other similar step until the scheme had been approved by all the participating bodies' (ACCA, Minutes, No.4019, 13.6.67). Clearly, the Council was not prepared to destabilise its current entry requirements. This ensured that if the unification proposals failed then the ACCA would continue to have access to the larger recruitment market in which it operated. Thirdly, ACCA observed that proposals to regulate the level of recruitment to each stream might be construed by government as a restrictive practice.

The JSC responded to the ACCA's report by referring the proposals on licentiates to WP3 and assumed that if the provision of an appropriate ladder between Tier I and II could be agreed the issues of entry and training would be resolved. On regulating student recruitment the JSC responded thus:

... in the light of the enquiry by the Monopolies Commission ... it was undesirable to detail in the scheme what measures might be taken to regulate the flow of Chartered Accountant students between the three 'streams' – the Council should, however, have the power to take such measures as it might, from time to time, consider to be necessary (ICAEW, JSCA, 20.6.67).

The possibility that the regulation of student intake might subsequently be identified as a restrictive practice did not appear to disturb the professional bodies in 1967. Of more immediate concern was the need to assure ICAEW members that the practising stream would dominate the profession.

Response of ICWA

The ICWA Council called a special meeting on 28 April 1967 to consider the revised scheme although this was contingent on the ICAEW declaring its wish to proceed with the unification proposals (ICWA, Minutes, No.3273, 31.3.67). It was agreed to submit the revised scheme to the branches for comment 'with a note to the effect that it is still under consideration by the Council' (ICWA, Minutes, No.3289, 31.3.67).

At a special meeting of the Council on 16-17 June 1967 considerable opposition to the proposals was expressed (ICWA, Minutes, No.3296, 16.6.67). Some members repeated their fundamental opposition to the scheme while others identified concerns 'which might lead to difficulties in the Scheme as a whole proving acceptable to a sufficient majority of members' (ICAEW, JSCA, 20.6.67). In a report of this meeting to the JSC, the ICWA stated that a resolution to accept

the scheme in principle had been rejected although a resolution to accept the principle of one integrated accountancy body for England and Wales was passed by the Council. The opinion of the Council was not reflected in the views of the branch committees who were generally in favour of unification. Most of the problems with the scheme identified by the Council were categorised as constitutional in nature:

There is a widespread fear that the development of the industrial side of the profession and the interests of industrial members of the enlarged institutes would not be fully safeguarded and promoted and that these interests would be subordinated to those of members in practice. The Council would not feel able to recommend acceptance of the scheme to members unless it were altered to provide for the establishment of a three-committee structure at Council and district society level (ibid).

In its report to the JSC the ICWA Council repeated earlier concerns about the method of conducting elections to the proposed council and district societies of the enlarged institute. The ICWA also reiterated its anxiety about the Overseas Accountancy Board. This body was not deemed an adequate substitute for the ICWA's worldwide influence and it recommended that the overseas issue be reconsidered.

The negative tone adopted in the ICWA's report of 20 June 1967 did not come as a surprise to the ICAEW members on the JSC. There had been conversations on 5 May 1967 between the secretaries of the ICWA and ICAEW during which reference was made to 'a vociferous minority' of the ICWA Council who objected in principle to the unification scheme (ICAEW, 2-19-1, 17(36), Report 9.5.67). The ICWA Secretary, Walters, had indicated his institute's general concerns about the scheme. The ICAEW Secretary, Evan-Jones, reported that his counterpart at ICWA had also referred to two more specific questions:

- (1) *if the Cost and Works decided not to proceed with the present integration proposals, would the English Institute go into industry. I told him that in my view this would certainly be the case;*
- (2) *in the event of the Cost and Works not proceeding with the present integration proposals would the English Institute continue negotiations with the Association and the IMTA.*

Again I told him that I thought it was likely that we would but in any case I reminded him that the whole of the present integration proposals had started with a letter from the Association ...

In confidence, the secretary of the Cost and Works advised me that the vociferous minority to which he had referred numbered 18 out of a total Council of 43!! (ibid).

On receipt of this information the JSC concluded that an *ad hoc* working party should be established to consider ways of resolving the problems identified by the ICWA (and IMTA) regarding the special interests of accountants in commerce and industry, and the public sector. It was also agreed 'that the present difficulties experienced by the ICWA representatives would not be made public' (ICAEW, JSCA, 20.6.67). The ICWA was requested by the JSC not to submit further proposals in a form which left no room for negotiation (*ibid*).

Having pursued its remit the *ad hoc* working party agreed to the formation of 'three standing advisory committees, each responsible to the Council of the enlarged Institute for promoting the development of one of the three streams of the profession' *viz* covering public practice, commerce and industry, and the public sector (*ibid*). By a narrow majority, the ICWA Council accepted this compromise. However, it was reported to the JSC on 18 July 1967 that a number of members of the Council had been absent when this decision was taken and that 'if they had been present the resolution might have been narrowly defeated' (ICAEW, JSCA, 18.7.67). Once their position had been discussed by the JSC on 18 July, the ICWA's representatives left the room to allow free discussion among the remaining participants. The

ICWA was subsequently informed that three standing committees would be formed and a range of constitutional provisions had been agreed to meet the ICWA's concerns. It was also reported to the ICWA that among the other participating bodies:

... there was considerable concern at the time which was being taken to bring the discussions to a conclusion and issue a definitive scheme for consideration by members. If the Council of the ICWA was unable to accept the scheme with the changes proposed ... the other five bodies would have to proceed without the participation of the ICWA. This would cause further delay because of the need to recast parts of the Scheme. In consequence a time limit of two months should be set within which the Council of the ICWA should be asked to reach a decision (ibid).

This hard-line stance was not without its own level of absurdity. The JSC had to minute that the agreement to establish the three standing committees was not approved by the ICAEW and the earliest that approval could be granted was 2 August 1967.

For the ICWA the constitutional and negotiating difficulties which had emerged were sufficiently serious for it to contemplate withdrawal from the discussions on the future of the profession. The level of concern and the extent of internal opposition may be gauged by the Council's decision to refer to its Ways and Means Committee consideration of 'the Institute's future policy if integration of the profession did not come about' (ICWA, Minutes, 14.7.67, 11.8.67). However, when the ICAEW Council later confirmed that it was prepared to concede the formation of three standing committees, the ICWA Council approved the JSC's revised scheme in principle (ICWA, Minutes, No.3319, 15.9.67).

Response of IMTA

The IMTA Council agreed in principle to the proposed unification scheme *nem. con.* at a meeting held on 19 May 1967. It was also

agreed to call meetings of the branches on 8 June to discuss a number of issues. These related to student numbers, a removal of restrictions on recruitment to the public sector to increase intake to the practising stream, and an assurance that the examination of licentiate accountants in the public sector would be in subjects 'which were relevant to the basic needs of the public service' (IMTA, Minutes, Book 39, No.76, 19.5.67). Following the meetings of the branches, it was reported that although some branch officers 'had some misgivings about particular features of the scheme' they all agreed with the Council's intention to approve the scheme in principle (IMTA, Minutes, Book 39, No.85, 13.6.67). The IMTA Council, did, however, request that the JSC consider increasing the representation of members from public service on the enlarged Council (to a minimum of 15) and sought an assurance that examinations for licentiate accountants would reflect their occupational experience (*ibid*).

All these matters were included in the IMTA's report to the JSC on 20 June 1967. The response of the JSC to these points was to refer the representation issue to the *ad hoc* working party because it was thought that concession on this issue would have a consequential effect on the representation of other participating bodies (ICAEW, JSCA, 20.6.67). The IMTA's suggestions about the examinations curriculum were later approved by WP3 and recommended to the JSC on 26 October 1967.

As a result of the strong representations made by IMTA on constitutional matters, the JSC drafted a new definition of the accountancy profession for inclusion in the English scheme. The ICAS representative confirmed that this definition would appear in the Scottish scheme. The effect of this amendment was to incorporate public service as a third stream in the revised proposals. The definition was as follows:

The profession of accountancy is not conducted only by members in practice; it covers the whole range of the business life of the nation and includes members who are engaged in preparation, presentation and interpretation of the accounts of limited

companies, public corporations, partnerships, sole traders and those who are employed by central government or local authorities. For the purposes of this Scheme, the majority of members are regarded as being in one or other of three main 'streams' in the profession, namely:

(a) *'The practising stream'*

comprising members engaged in public practice and those employed by practitioners;

(b) *'The industrial stream'*

comprising members engaged in industry, commerce and finance – including those employed by public corporations, services, utilities and all other public enterprises of a trading and industrial nature;

(c) *'The public service stream'*

comprising members employed either directly in the administration of central and local government or in public undertakings of a non-trading or non-industrial nature (ICAEW, JSCA, 15.9.67).

The announcement in October 1967 and aftermath

During the summer of 1967, the institutes of chartered accountants were asked by the JSC to draft unification schemes for England and Wales, Scotland, and Ireland based on the revised proposals (ICAEW, JSCA, 20.7.67). These schemes were suitably modified to take account of differences between the countries concerned and the agreements struck during the long negotiations of 1966-67. By 25 September 1967 the JSC noted that there remained certain divergences in the presentation of the draft schemes:

During a discussion on the format of the Schemes, the view was expressed by the representatives of the ICWA that over-much

detail was included in the English Scheme. This was supported by the Scottish Institute's representatives who explained that it was the normal practice of their Institute to inform members of main features only and for details to be incorporated in such other documents as may be necessary at a later stage. The English Institute's representatives expressed the contrary view that their members would expect to receive all material details.

It was accepted that the differences in approach might present difficulties to the ACCA, ICWA and IMTA which would probably need to circulate all three schemes to each member (ICAEW, JSCA, 25.9.67).

Formal notification of the revised schemes was issued to the members of the participating bodies in October 1967. This announced that it was hoped to have a definitive scheme with the councils of the negotiating bodies by the end of the year with a view to distribution to the memberships in spring 1968 (ICAEW, Minutes of Council, Vol.Z, 4.10.67). It was also revealed that district society and branch meetings of members would be held next spring and summer as a precursor to meetings in the autumn to formally approve the revised schemes in principle (*ibid*).

The apparent unanimity among the participating bodies in their public announcement disguised a continuing inability to achieve consensus on all details of the proposals and the manner in which disagreement had delayed the presentation of the revised plans for unification. Attempts to resolve a number of difficult issues continued during the autumn and winter of 1967-68.

Representatives of the three chartered bodies met on 26 October because an examination of the schemes presented by each of the chartered bodies appeared to show that the Scottish scheme differed from the English and Irish schemes in two particular respects. The ICAEW representatives considered these to be fundamental in character (ICAEW, JSCA, Tripartite meeting, 26.10.67). The differences concerned, firstly, the definition of the reserved function

and, secondly, the treatment of former incorporated and certified accountants who were recognised by the Board of Trade for the purposes of Section 161 of the Companies Act, 1948. Both of these issues affected practice rights.

The reserved function issue arose because in the schemes for England and Wales and Ireland, licentiate accountants were to have restricted practice rights in respect of auditor appointments. ICAS now considered that this was inequitable because 'it would be unjust to restrict a member from doing work which an unqualified person was free to do' (*ibid*). The ICAEW representatives answered that without such restrictions, 'there was little prospect of selling the scheme' to its members, particularly in the provinces (*ibid*).

The treatment of former members of the SIAA, and members of ACCA who were recognised by the Board of Trade under Section 161,1(a) of the Companies Act, who had not formally satisfied the 30 months experience requirement, also divided the chartered institutes. The ICAEW thought that it was fundamental that no such person should carry out any of the reserved functions. Nevertheless, the practicality of removing practice rights conferred by the Board of Trade was questioned.

Another meeting of the chartered bodies on 21 November 1967 failed to resolve the question of reserved function and the ICAS representatives were asked to consult their council on the matter. ICAS also revealed at this meeting that 'their Council would be very reluctant to agree to any extension of the Scheme to embrace the BFI or other bodies unless there is a good prospect of obtaining supportive legislation' (ICAEW, JSCA, Tripartite meeting, 21.11.67). On the latter issue the ICAEW representatives stated that it would be explained in the scheme for England and Wales that:

... exploratory discussions had taken place with the representatives of a number of other accountancy bodies with a view to arriving at an acceptable basis for the absorption of their members into the upper or lower tiers of membership as might be appropriate. If provisional agreement could be reached, further discussions

would be held with the Board of Trade and, in the light of their attitude to the enactment of suitable legislation to preclude the formation of new accountancy bodies, further proposals might be submitted to members in order to regularise, for all time, the structure of the accountancy profession in Great Britain and Ireland (ibid).

Despite the reference here to Great Britain and Ireland it was agreed that the schemes for England and Wales, Scotland and Ireland might have to differ on the subject of the 'other' accountancy bodies (*ibid*).

The JSC was informed of the differences between the English and Scottish schemes in relation to the position of the 'BFI bodies' when it met on 22 November 1967. It had been hoped that this and other divergences might be resolved at a tripartite meeting on the previous day. The JSC heard, however, that while 'good progress had been made ... it would not be possible to report changes until after the Scottish Council had met in December' (ICAEW, JSCA, 22.11.67).

At a meeting on 20 December 1967 other problems were revealed to the JSC. It was reported that 'a number of drafting amendments ... had to be incorporated in the English scheme' (ICAEW, JSCB, 20.12.67) and that the approval process for the ICAEW would not be completed until 6 March 1968. This timing would create difficulties. If the scheme was published in mid-April 1968 there would be insufficient time for the district societies to discuss it before the summer holidays. This scheduling was also deemed undesirable because it would 'make it difficult to avoid debate at the Annual Meeting' during the late spring (*ibid*). The solution was to delay the scheme still further. ICAEW representatives suggested that the programme be altered so that meetings of the district societies be held from late September to November 1968 with integration taking place no earlier than mid-1970. This was accepted by the JSC. A meeting of the JSC on 16 January 1968 confirmed that the publication of the scheme to members would take place on 26 July 1968 (later changed to 25 July) (ICAEW, JSCB, 16.1.68).

On 8 March 1968 the ICAS Council accepted the scheme in principle subject to a caveat concerning the arrangements for the formation of a new Joint Standing Committee of the three enlarged institutes. Importantly, the Council's acceptance of the scheme was also on the basis that:

... all six participating bodies are prepared to approve the integration proposals for Great Britain and Ireland, noting, however, that while the non-acceptance of the proposals by any of these bodies would absolve the Council from any obligation to proceed further with integration proposals, in fact it would be unlikely that there would be a return to the status quo (ICAS, 1/7, Minute No.3775, 8.3.68).

Preparations for publication

During the spring of 1968 the attention of the JSC focused on the public relations aspects of disclosing the schemes, the resolution of contentious issues in relation to the proposed examination structure (ICAEW, JSCB, 19.3.68), and settling the financial arrangements for integration (ICAEW, Minutes of Council, Vol.Z. p.182, 3.4.68). An *ad hoc* working party on public relations was established on 8 April 1968. It was agreed that the editors of the professional press should be asked if they would bring to the attention of the JSC any correspondence concerning the proposed schemes. It was also decided that the councils of the participating bodies should be asked 'for authority to be given to the Joint Steering Committee' to co-ordinate the terms of published replies to any correspondence (ICAEW, JSCB, 8.4.68, 8.5.68).

The Working Party of Secretaries considered the procedure to be followed at district and branch meetings once the scheme was publicised. It was agreed that an informal vote on the acceptability of the proposals should be taken. It was stressed that the chairman of each meeting should explain that the scheme was formulated by all six bodies and that compromise solutions had been found to some

problems. It was stipulated that the chairman at district and branch meetings should ask dissentient members present: 'whether their disagreement was of such a fundamental nature that it outweighed the benefits to be gained by the profession from the remainder of the proposals to the extent that they must reject the scheme as a whole' (ICAEW, JSCA/B, WPS, 29.4.68).

Chairmen were also provided with a set of 27 questions, to put to members in the event that it was considered necessary to identify support or opposition once a debate had taken place. Among the questions to be put, five, identified by asterisk, were deemed to be 'those on which an adverse vote would be tantamount to rejection of the scheme' (*ibid*):

1. *Integration: Is the meeting in favour of the integration, as Chartered accountants, of members of the ACCA, the ICWA and the IMTA with members of the three Institutes of Chartered Accountants?*
2. *Integration: Is the meeting in favour of reciprocity of membership and facilities between the three enlarged Institutes on the lines proposed in the scheme?*
3. *Structure: Is the meeting in favour of a two tier profession on the lines proposed?*
4. *Education and Training: Is the meeting in favour of the extension of the system of formalised training under a contract to industry, commerce and the public service?*
5. *Practice Rights: Is the meeting in favour of the proposals for unrestricted and restricted practising certificates – the former being granted only to those Chartered Accountants with 30 months' appropriate experience?*

In advance of the district meetings the ICAEW convened a gathering of representatives of the district societies. This was held on Friday 26 July 1968 in the Painters' Hall, London. A total of

47 representatives attended and heard a call to arms by S Dixon, their President. Dixon stated that the meeting offered the ICAEW Council the opportunity of being 'forewarned of the problems which were likely to arise' (ICAEW, JSCB, 26.7.68). He reviewed the negotiations that had taken place over the past three years and commented that two previous meetings of the representatives of the district societies had indicated overwhelming support for the proposals. To counter the argument that earlier disclosure of a skeletal scheme should have been made, he stated that this would have been criticised for not fully explaining the schemes which had now emerged. Dixon stressed that the members were not being presented with a *fait accompli*:

... the decision upon whether and to what extent the proposals were implemented rested entirely with the memberships of the six participating bodies (ibid, emphasis added).

The ICAEW President also stated that some opponents of the scheme had argued that the proposals would lead to recruitment problems in provincial practices where students would be attracted to the industrial stream. He related how some members thought that integration with the ICWA would lead to a fall in standards. To counter this concern Dixon presented statistics which demonstrated that the entry standards of ICWA were already equivalent to those of the ICAEW. This data is reproduced in Table 8.1:

Table 8.1 Qualifications of ICAEW and ICWA students, 1964-67

| Entry qualification | Number of students in: | | | |
|---------------------|------------------------|------|------|------|
| | 1964 | 1965 | 1966 | 1967 |
| ICAEW: 2 'A' levels | 909 | 1162 | 1283 | 1549 |
| UK graduates | 328 | 325 | 367 | 463 |
| ICWA: 2 'A' levels | 1032 | 1119 | 1687 | 1525 |
| UK graduates | 178 | 203 | 251 | 289 |

The President envisaged the need for a graduate profession. He contended that graduates were more likely to be attracted to the occupation if it were constituted as 'a single united profession which they could compare with law, medicine, architecture and surveying' (*ibid*). If this image could be promoted it would safeguard recruitment to practising offices. The alternative was a disunited profession with ACCA and ICWA intensifying their recruitment efforts. Dixon concluded that 'the fundamental question was whether accountancy was to be one profession or fragmented' (*ibid*). Following this expression of Institute opinion the minute of the meeting contains no trace of significant opposition to the scheme. Some detailed questions on the implementation of the scheme were answered, apparently successfully, and it was concluded:

... much could and should be done by Presidents of District Societies whose task it was to satisfy themselves that they had the support of their committees. The latter should then take every opportunity to discuss the proposals with members generally. This must be done well in advance of the autumn meetings and supporters must be encouraged to attend these meetings and to speak 'from the floor' (ibid, emphasis added).

The ACCA's preparations for the meetings of members in autumn 1968 were characterised by a sense of foreboding about likely outcomes. The ACCA Council was informed on 18 June 1968 that 'in the event of failure of the unification scheme, the Association would have to resume activities at a very high level without delay' (ACCA, Minutes, No.4171, 18.6.68). The ACCA's disquiet resurfaced when the Council received a report from the ACCA's Executive Committee on Future Plans. This report was tabled on 26 September and contained a point of principle which was later to create major difficulties for the ICAEW and ICAS:

It has already been explained to members of Council that the scheme of unification now before the profession presents only two possibilities. One is that it will succeed, the other is that it will

fail. There is no middle course involving a kind of partial success and if only one of the participating bodies rejects the scheme it will fall to the ground for them all (ACCA, Minutes, 26.9.68, emphasis added).

The ICWA Council, as noted earlier, contained a significant number of opponents to the unification scheme. When panels were being constituted to address the meetings of cost and works accountants in the autumn, it was decided that panellists should be appointed only by invitation from the Secretary following consultation with the President. A motion to include a known opponent of the schemes on each panel failed to receive a seconder (ICWA, Minutes, No.3348, 8.12.67). One development that caused 'considerable concern' to the ICWA Council was a draft statement attributed to the ICAEW that it would not proceed with a special meeting to vote on the scheme if the district societies did not indicate support for it. The ICWA Council determined to raise this with the ICAEW because in all previous discussions a special meeting had not been made conditional on the support of members at local meetings. The ICAEW agreed that the statement be redrafted to state that 'views expressed at local meetings would be taken fully into account ... before the scheme is submitted to members for decision by vote' (ICWA, Minutes, No.3429, 14.6.68).

The constitution of the IMTA required a three quarter majority of corporate members present at an annual general or special meeting to effect constitutional change and there was no provision for either proxy or postal voting. The Policy Committee of the IMTA determined to seek the opinion of members by means of a postal ballot 'for the guidance of Council in framing the resolutions to be submitted to the formal meeting ... It would be necessary to make it clear that the postal enquiry had no constitutional authority' (IMTA, Minutes, Book 40, No. 37, 12.1.68). The Policy Committee recommended to Council that 'contingency plans for operation if integration of the profession does not take place' should be started immediately (IMTA: Policy Committee, Minute 9, 12.7.68). This proposal was accepted and resulted in a recommendation to form an Institute of

Public Finance should the unification venture fail (IMTA, Policy Committee, Minute 13, 13.9.68).

Publication of detailed schemes

Details of the unification schemes were published on 25 July 1968 and a press conference was held two days later. The briefing script for the press conference concluded with a number of observations:

- (a) In the first place ... the profession is concerned at the confusion and misunderstanding which exists in the public mind owing to the multiplicity of professional accountancy bodies.*
- (b) You will note that an important part of the proposals relate to the unification of entry standards, and of training, at a level which will enable the profession to provide the more sophisticated services which the economy can now demand.*
- (c) Our proposals thus recognise the need for accountants of a high calibre, but also ... the continuing need to use the services of those whose educational achievements are not so extensive.*
- (d) There is a vital need for the profession to speak on matters of public importance – such as the framing of fiscal legislation - with a single and powerful voice.*
- (e) We are concerned also at the duplication of effort on recruitment which inhibits effective competition for the sort of entrant we need; and at the multiplicity of training and examination requirements which present difficulties for our schemes of full-time education at college level and in industry and commerce (ICAEW, JSCB, Report of Working Party on Public Relations, 8.5.68).*

The formulation of unification plans had a gestation dating to the merger of the chartered institutes with the incorporated accountants in 1957. Although a small number of individual members had involved themselves in public debate, mainly through the professional journals, the leaderships of the accountancy bodies had conducted their negotiations and investigations within their own corridors of power. These discussions had taken place with only the merest outline of their content being presented to the wider memberships. The publication of the revised schemes for the future of the profession in July 1968 marked the formal commencement of the quest to seek the approval of the wider memberships.

Summary

The general reference to the Monopolies Commission to investigate restrictive practices in the professions was a severe blow to those planning the future of the accountancy profession. It appeared to remove the possibility of gaining a statutory ring fence, which had become a central and symbolic component of the schemes for restructuring published in April 1966. In response to this development, the JSC referred the plans back to the councils of the six participating bodies with a recommendation that the pursuit of unification should remain a priority.

The ICAEW was comforted by Sir Henry Benson's assertion that the unification scheme, without the ring fence, would ensure that the Institute would be a world leader. By contrast, rejection of the scheme offered the prospect of a union between the ACCA and ICWA, and a diminishment of the Institute in the spheres of commerce and industry. Another concern of the ICAEW was the need to ensure that it should dominate the profession through the protection of the public practice arm of the vocation. Dilution continued to be accepted by the ICAEW as an inevitable consequence of the scheme and its disadvantages were outweighed by the long term benefits of unification.

The ICAI had no difficulties with the revised proposals and raised no matters of substance. ICAS appeared to approve the decision to proceed on the basis of parallel schemes in Scotland and Ireland. Dissent in the ICAS Council was restricted to one member who objected to the dilution of the profession.

The ACCA asked for a reconsideration of the proposal to create licentiate accountants because the scheme appeared to establish them as an inferior class. The ACCA was also anxious about proposals to increase the standards of entry to the restructured profession. It was argued that this might adversely affect the number of entrants. Further, the ACCA was unwilling to proceed with an enhancement of entry standards on its own account until the schemes were approved.

It was in the ICWA that decision makers embarked on the most turbulent discussions concerning the revised scheme. A vociferous and large minority of council members objected to any form of unification with the chartered institutes. Doubts were expressed about the extent to which the proposals safeguarded or promoted the interests of the commercial and industrial arms of the profession. However, opinion in the branches supported the principle of the proposed schemes. The JSC was frustrated by the debate within the ICWA and threatened that further delay would entail the remaining five participating bodies proceeding without the cost and works accountants. Eventually the ICWA agreed to the scheme in principle. However, the difficulties for the ICWA were sufficiently serious for its Council to instigate a special study of future policy should integration not be achieved.

The IMTA agreed to the schemes in principle subject to assurances about increased representation on the enlarged council and promises of specialist examinations for licentiate accountants in the proposed Tier II. The concerns of the IMTA on the status of public sector accounting were satisfied by the inclusion of a third stream in the revised proposals.

In October 1967 the accountancy bodies announced that definitive schemes would be presented by the end of the year. However, further discussions had revealed differences of opinion on practice rights and

ICAS warned that the inclusion of the 'BFI bodies' in any scheme would pose problems unless there was a good prospect of obtaining legislative support for the profession. It was agreed that full approval of the schemes in principle by all the participating bodies would be required before proceeding to a formal vote. The schemes would be publicised in July 1968, ending a long period of uncertainty for the memberships, who had been given only outline information on the negotiations which had taken place since 1965. The stage was now reached where their voice had to be heard.

CHAPTER NINE

SEEKING THE MEMBERS' MANDATE

This chapter examines members' views on the revised unification schemes from their announcement in autumn 1967 to special meetings which were held in April 1969. Opposition to the proposals was expressed at the annual general meeting of the ICAEW in 1968 when a motion to withdraw from all negotiations with the non-chartered bodies was presented. The discontent of many ICAS members with the scheme also became apparent at a series of district meetings. In spring 1969, despite these rumblings, the accountancy bodies sought the approval of their members for the scheme in principle and for authority to proceed to special meetings in 1970 where votes would be taken on the implementation of new constitutional structures.

'The Tanfield resolution'

The announcement on 18 October 1967 that a definitive scheme would be presented to members of the participating bodies in the spring inspired a letter to *Accountancy* (1967, pp.821-2). This claimed that the circular to members raised constitutional issues. The correspondent, Watt, complained about the secrecy of the negotiations on the future of the profession and lamented the fact that the rank and file membership appeared to have no real control over their own destiny. He requested that opposing views, if voiced, should be made known to those involved in negotiating the unification schemes.

Following this intervention there followed a period of relative calm. During the early months of 1968 discussion of the proposals in *Accountancy*, which termed itself the monthly journal of the ICAEW, was very brief. The weekly journal *The Accountant* did not publish

any letters on the proposals until 27 April 1968. However, the letter which appeared on that date marked a clarion call for an emergent opposition movement within the ICAEW. The letter was from D E T Tanfield who revealed his intention of submitting a resolution to the forthcoming annual general meeting of the ICAEW. Tanfield feared the consequences of unification for the chartered-practising side of the profession. He estimated that under the terms of the integration scheme, by 1970 members in practice would account for only 28% of the total membership of the unified bodies. However, his comment that 'no one doubts that the Institute towers above the non-chartered bodies' (Tanfield, *The Accountant*, 1968, p.569) incited a number of correspondents to query the supposed superiority of the chartered qualification. One writer characterised Tanfield's views as 'reactionary, sectarian opposition' (Clayton, *The Accountant*, 1968, pp.637-8).

As a consequence of Tanfield's intervention, the ICAEW's attempt to avoid a general debate on the integration scheme at its annual general meeting in 1968 was thwarted. In March 1968 it was announced that the details of the scheme would not be issued until July, several weeks after the annual meeting which was scheduled for 22 May. This timetable did not prevent Tanfield from submitting a resolution to the meeting. The motion read:

That this meeting considers that a merger of the Institute and The Association of Certified and Corporate Accountants and The Institute of Cost and Works Accountants would be harmful to the interests of present members and their articulated clerks and that in particular:

- (a) the overwhelming majority of membership in non-practising employment resulting from such a merger would be a negation of the Institute's Charter and the body which has grown out of it;*

- (b) *the sharing of the status and title of chartered accountant with those other bodies would lower the standing of all the Institute's present members;*
- (c) *the very large increase in the number of employees in industry and commerce and the resulting training by them of articled clerks in their employers' offices would destroy the present recruitment arrangements for articled clerks in all but the largest practising firms and would reduce the status of a chartered accountant in industry and commerce.*

In order to protect the interests of present members of the Institute this meeting requests the Council of the Institute to withdraw from any negotiations which would result in a merger with any non-chartered accountant bodies (Accountancy, 1968, p.504).

Tanfield introduced his motion at the annual meeting by stating that although the members had yet to vote on the matter, the decision to proceed with integration had already been taken. The publication of the scheme in July 1968 was little more than a presentation of details. Tanfield claimed that he was: 'quite clear in his own mind that looking backwards members should have been asked for a clear vote on integration in May 1967 before the steam roller of a scheme of this magnitude started to change the Council from "if" to "when"' (*ibid*). He argued that ICAEW had strayed beyond the terms of its own Charter by planning for an accountancy profession which accepted 'technicians' as professional men:

*The jettisoning of public accountancy carried with it the abolition of Articles and the introduction of students who could be trained in a 'public accountant's office' or by a corporate employer as was being done by the vast majority of Certified and Cost and Works students ... Most had nothing in common with a public accountant (*ibid*).*

Tanfield concluded by informing the President:

... his resolution asked the meeting to record that integration other than with the Scottish and Irish Institutes, was harmful to present members and their articulated clerks. The merger was obviously to the immense advantage of the overwhelming proportion of the Certified and Cost and Works. An eminent Council member had advised them 'to make the effort of a huge swallow', presumably assuming that it was good for them and that the Institute could assimilate an unlimited quantity of foreign bodies. Why should they swallow unpalatable a mass when it was obvious that far from assimilating these bodies, it was their way of life with training by employers and an emphasis on staff employment to the virtual exclusion of a professional upbringing: it was their way of life that would drive out the best in the Institute (ibid).

The President, S Dixon, responded by stating that the difficulty faced by the Council in relation to Tanfield's resolution was 'simply and solely a question of timing' (*ibid*). He argued that there were many difficult problems, all of which were interlinked, and which therefore needed careful balancing of advantages and disadvantages. In the Council's view, a decision on Tanfield's motion would be based on incomplete information. The President urged members to vote against the resolution on the grounds that there would be adequate discussion at district society meetings before the proposals were remitted back to members for a formal expression of opinion on the scheme in principle.

There followed a general discussion at the annual general meeting after which the President asked Tanfield and his seconder if they would be willing to withdraw their motion. This request was declined. Although Tanfield's motion was lost, with 5,744 for and 5,937 against, the narrow margin indicated the existence of a substantial degree of concern among the members about the scheme and its handling. To compound a dismal meeting, the ICAEW Council also lost a motion

to increase subscriptions. *The Accountant* commented poignantly that 'the Council must be wondering how the full scheme when published will be received, and again, what the reactions of the so far silent thirty thousand members will be' (1968, p.733).

The reverberations of the appearance of the Tanfield motion were felt outside the ICAEW. On 8 May 1968, before the annual general meeting of the ICAEW, the JSC met. The ICAEW President revealed to Professor Browning of ICAS that Tanfield's motion might 'affect the whole future of the integration proposals, and in particular the timetable of events' (ICAS, 1/7, Minute No.3807, 9.5.68). A sample of poll votes had indicated to the ICAEW Council that Tanfield's motion would succeed (*ibid*). Browning reported that:

... these developments had clearly come as a shock to the representatives of the ICAEW on the JSC and they were obviously confused and uncertain as to how to proceed. Although he had at one time been led to believe that even if motion (ii) [Tanfield] were carried, the English Institute might still issue its scheme on 25 July, its representatives had, on reflection, agreed that in that case the issue of the Scheme would have to be postponed at least until the autumn, to permit an appraisal of the new situation (ibid).

These indications of significant opposition to the proposals in England and uncertainty among the office bearers of the ICAEW gave added impetus to the efforts by some of the other accountancy bodies to re-assess their future strategy.

The ICAEW Council returned from the annual meeting in May 1968 to consider its next move. It had been suggested that in the wake of the Tanfield Resolution 'it might be useful to carry out an analysis of the proxy voting cards ... according to (a) practising and non-practising membership and (b) district societies' (ICAEW, Minutes of Council, Vol.AA, 3.7.68). Academic guidance was sought on this issue and a 10% random sample was taken of the proxy voting cards lodged at the annual meeting. The results appeared to show that there was

no overall pattern to the results and that no significance could be attached to the voting behaviour of different district societies. On the basis of this analysis the ICAEW concluded that the scheme should be published in accordance with the original timetable. This decision appears extraordinary given the absence of any explanation for the inconclusive analysis of the poll. The sample was based on a small minority of the total membership and was not stratified by key variables such as age and year of admission. Nevertheless, the ICAEW indicated to the JSC on 16 July 1968 that the detailed schemes would be issued to members and discussions held at district society and area meetings during the autumn of 1968.

Members' opinions and official responses

In the immediate aftermath of the annual meeting of the ICAEW on 22 May 1968 a number of letters were published in the professional press. From late May to the beginning of the district meetings in September, 22 letters were published in the two main London-based accountancy journals from a total of 18 correspondents. This low level of interest (the membership of the ICAEW was 43,742) appeared to indicate a high degree of disinterest among the rank and file over the proposals for unification at this time. Furthermore, when public debate did ensue, its quality was considered disappointing:

*The discussion in progress does not seem to be living up to the best standards of the professional men concerned, whatever their qualification, either as to intellectual content or as to personal behaviour. The eyes of many are upon us all. If we indulge in pettiness and in cheap rhetoric, it will be a real tragedy (Price, *The Accountant*, 1968, pp.294-5).*

The correspondents who wrote to the London-based journals were primarily concerned about two issues. Firstly, the merits and demerits of accountants in practice, or in commerce and industry, moving out of their original professional organisation to join an enlarged and unified

institute. The second and more persistent concern was the dilution of the profession. A majority of the correspondents expressed support for the integration proposals (by a margin of 11 to 8). However, two long and trenchant contributions expressed fundamental opposition to the schemes. One member of the ICAEW Council, S C Hand, broke ranks with his fellow office bearers in a very public way. He submitted a letter to *The Accountant*, which was published on 21 September 1968 (pp.389-390), and authored a short article in the October issue of *Accountancy* (1968, pp.683-685). Hand argued that unification was being proposed to strengthen the profession and to allow it to speak with one voice. Yet, the three chartered institutes 'do not consider these major objectives of sufficient importance as to require the resolution of the constitutional and other regional differences which are stated to exist' (*The Accountant, op.cit.*). The remainder of Hand's letter comprised a blunt iteration of the dilution argument:

It is my experience that members of these bodies [ACCA & ICWA] tend to occupy subordinate positions in industry, much of their work is routine or the carrying out of instructions given by others. It is frequently the chartered accountant who directs; it is the chartered accountant who plans and initiates, who is in top control and does the real thinking, the man who carries the responsibility (ibid).

This letter drew an immediate response from the ICAEW President. Dixon conceded that in the short term there would be 'some measure of dilution, but the integration proposals must be considered in the light of the long-term benefits which will accrue to the accountancy profession' (*The Accountant*, 1968, pp.424-426). Dixon also hinted that one of the motivations for the integration scheme was ICAEW's fear that the position of certified and cost and works accountants in commercial and industrial accounting might damage the ICAEW's ability to lead the profession. He stated that 'to quote the achievements of the past is no valid argument against the scheme ... The changes which are taking place in the scope and

emphasis of the work of professional accountants are tremendous' (*ibid*). Hand had argued that the proposals which referred to an approach to government for support were no more than 'pious hopes' and requested the Council to disclose to the membership the Government's reaction to previous approaches (Hand, *op.cit.*). Dixon replied that the reference in the scheme to legislative support was indeed an expression of intent and that members were already aware of the previous approach to government which had been hindered by the reference to the Monopolies Commission (*op.cit.*).

Concurrently with the Hand *v* Dixon letters, Tanfield and some supporters made an approach to the ICAEW asking 'for facilities to circulate a statement setting out their objections to the integration proposals' (ICAEW, 2-19-1, 17(34), 12.9.68). The ICAEW circulated the statement, together with a formal reply by the President, in a *Newsletter* dated 12 September 1968.

The BFI proposal

The problem of the 'BFI bodies' had exercised the collective minds of the accountancy profession and government since 1946 (see Shackleton and Walker, 1998). In 1955 the ACCA membership had narrowly rejected a merger (*ibid*, pp.83-87). As shown in chapter six discussions on the BFI bodies had taken place since 1966. The proposals which were circulated to the members of the participating bodies in July 1967 had referred to the possibility of absorbing the members of the BFI bodies into the new structure. On 16 July 1968 WP4 also recommended that the BFI bodies should be integrated.

In early October 1968, just as district, regional and area meetings were being convened, an 'Addendum to the Scheme for the Development of the Accountancy Profession in Great Britain and Ireland' was issued to the memberships. This statement announced that it might be desirable to bring members of the BFI bodies, some of whom held Board of Trade recognition, into the scheme. It was argued that this was seen as a means of binding these junior

accountants to a uniform ethical code and discipline. It was also argued that such integration would assist the profession's case for supporting legislation. The introduction to the Addendum sent to ICAEW members stated:

The question of whether or not the present scheme should be extended to include any other accountancy bodies is an issue which members may be asked to consider at the autumn meetings in district society areas. Members are, therefore, invited to consider this note before they attend any district society meeting. A decision will be made subsequently as to whether (and, if so, in what form) the issue will be put to a special meeting of the Institute (The Accountant, 1968, pp.505-507).

The issue of the Addendum to members was consistent with a holistic approach to the unification of the profession. For some members of the JSC resolving the problem of the BFI bodies was an important stage towards the completion of the plans for unification. However, as a political act this declaration of intent was poorly timed. It has been seen that from the very beginning of the discussions on integration, dilution had been recognised as the most likely objection to the proposals. Comments made at the annual general meeting of the ICAEW in May 1968 and the subsequent correspondence in the professional press should have left the leaders of the profession in no doubt that it remained a sensitive issue. The prospect of the inclusion in the scheme of the even more 'junior' BFI bodies was bound to exacerbate such concerns.

The only signal of the additional political difficulty arising here came from Browning of ICAS. He appreciated that many chartered accountants had deep misgivings about unification with the ACCA, ICWA and IMTA due to its diluting effects on professional status. At a meeting of the JSC on 8 May he warned of the possible rejection of the scheme if the BFI bodies were also included in the proposals. Browning recommended that the position of the BFI bodies be dealt with separately from the main scheme at the district meetings in the

autumn because 'Although the question of the BFI bodies was barely relevant to Scotland, it was an emotional subject which might cloud the main debate' (ICAS, 1/7, Minute No.3807, 9.5.68).

District, local and area meetings

In accordance with the timetable, district meetings of the members of the main participating bodies were held through autumn 1968. These gatherings also stimulated further correspondence in the professional journals (*eg The Accountant*, 1968, pp.156, 193, 205, 228, 267, 294; *The Accountant's Magazine*, 1968, pp.502, 560-562, 616). The JSC received reports on 25 November 1968 from each of the participating bodies on the matters raised at the regional meetings. The principal issues related to: integration; dilution; training; membership; structure and organisation; and legislation. These are now discussed in turn.

Integration

At some of the meetings it was argued that the integration of the three chartered institutes should precede, or take place concurrently with an absorption of the ACCA, ICWA and IMTA. This point was made most strongly at the meetings of the ICAEW but received less support from ICAS members. ICAI members in London 'favoured the reduction of the participating bodies into one chartered Institute' but there was little support elsewhere for this idea (ICAEW, JSCB, 25.11.68). Members of the ICWA and IMTA also identified the apparent inconsistency of claims of unification when the proposals referred to separate institutes for England and Wales, Scotland and Ireland. Some ICAEW and ICAS members considered that a federal structure could be achieved without requiring full integration. ACCA members expressed full support for the proposals on unification. The members of ICAI did not object in principle to the form of integration on the table but 'a substantial number of members (thought) that

integration did entail some disadvantages, at least in the short-term, and that the arguments in favour of integration were not strong enough to offset such disadvantages' (*ibid*). The ICAI reported that a vote on integration had showed less than a three to one majority.

Dilution

It was at the meetings of ICAS members that the issue of dilution featured most prominently. The report of ICAS to the JSC on the results of local meetings communicated at great length Scottish chartered accountants' concerns on this issue. It was stated that the members had referred to the specialist nature of the ICWA and IMTA and to the fact that the members of these two bodies 'did not have the broadly based education and training enjoyed by CAs: it was a contradiction in terms to have a CA who had never been in a practising office' (*ibid*). It was further claimed that 'some members of the non-chartered bodies had lower standards of professional competence and conduct than were expected of CAs' (*ibid*). It was suggested that the members of the three institutes in England and Wales, Scotland and Ireland might be separately identified by a distinctive designation.

Training

The members of the three chartered institutes were unable to grasp the concept of training in industry and commerce or the public sector. It was argued that this form of vocational preparation would be impossible to control. Some ICAEW members believed that all entrants to the profession should be trained in public practice. Members of ICAI and ICAS were of opinion that training in industry would lead to a diminution of professional ethics and attract a majority of recruits because of the higher financial rewards prevailing in that sector. The concerns of members of the ICWA and IMTA on training were more pragmatic, and centred on the need for further elaboration

of the proposals relating to formal contracts and job mobility within the training period prescribed under the schemes.

Membership, structure and organisation

There was universal condemnation at the local meetings of the nomenclature 'licentiate accountant', and some concern was expressed at the difficulty in moving from Tier II to Tier I. ICAS members considered that the status of licentiate would have no appeal in Scotland because of restricted practice rights and also objected to the two-tier concept on grounds of social division. The proposed council in the scheme for England and Wales was severely criticised for being too large (90 members). There were concerns that the scale of the expanded institute would threaten good communications with the membership. The members of the ICWA raised concerns about the processes involved in the election of the council.

Legislation

All reports of the district meetings referred to the fact that the members considered statutory protection to be a pre-requisite for the schemes. In the case of the ICAEW legislation was deemed an absolute necessity if the scheme was extended to the BFI bodies. The report from ICAS to the JSC noted that the issue of legislation was raised on several occasions and that members considered it essential that statutory safeguards were obtained, otherwise a further integration exercise would be required in the future. The report added that it would be wrong to proceed with the scheme on the basis of some 'pious hope' that supporting legislation would be forthcoming (*ibid*).

Additional evidence of the level of support

The reports to the JSC on the district meetings of autumn 1968 suggested that the memberships gave vent to a number of concerns

about fundamental aspects of the schemes. These reports were not the only media for relating problem areas. Other communications often contained more brutal and less anodyne assessments than the 'official' reports to the JSC. For example, on 25 October 1968, J S Lawson, Assistant Secretary of ICAS, wrote a letter to A C Dunlop, Under-Secretary of ICAEW which referred to a meeting held in Glasgow on 10 October. Lawson reported:

This was not a good meeting, since there appeared to be a fairly large body of younger members among the three hundred or so in the Hall who were strongly opposed to the scheme and not prepared to listen to any arguments in its favour. Their main ground for opposition was the 'devaluation' of the CA qualification, and it was summed up by one militant opponent in the final injunction: 'do not sell our birthright for a mess of pottage'. A substantial number of the audience left before the vote was taken, and the final figures were 111 against the scheme and 68 in favour (ICAEW, 2-19-1, 25.10.68).

The full significance of this information was downplayed somewhat, because Lawson also mentioned that 'good meetings' had been held in Aberdeen and Dumfries where majorities in favour of the scheme were recorded. However, the meeting in Glasgow was by far the most important, because of its revelation of latent 'militancy' and because 31% of the ICAS membership was resident there. Many of the concerns about the integration proposals discussed by the Council of ICAS were voiced by representatives from Glasgow who clearly reflected the views of the local members.

In February 1969 a statistical analysis of the outcome of the local meetings of ICAS members was published. A modified version of this is provided below:

*Table 9.1 Attendance and informal votes at area meetings of ICAS,
26 September to 28 November 1968*

| <i>Centre</i> | <i>Attendance (N)</i> | <i>Number voting</i> | <i>Voting for scheme</i> | <i>Voting against scheme</i> | <i>Voting don't know</i> |
|--------------------------------------|---------------------------|--------------------------|----------------------------------|--------------------------------------|----------------------------------|
| Dundee | 65 | 43 | 37% | 61% | 2% |
| Inverness | 32 | 28 | 75% | 25% | - |
| Ayr | 57 | 56 | 63% | 28% | 9% |
| Glasgow (10.10.68) | 309 ^A | 179 | 38% | 62% | - |
| Aberdeen | 71 | 58 | 66% | 15% | 19% |
| Dumfries | 25 | 24 | 63% | - | 37% |
| Edinburgh (29.10.68) | 154 | 111 | 44% | 48% | 8% |
| Kelso | 18 | 18 | 83% | 17% | - |
| London | 159 | 146 | 52% | 42% | 6% |
| Bristol | 19 | 19 | 53% | 42% | 5% |
| Birmingham | 33 | 31 | 78% | 19% | 3% |
| Manchester | 27 | 25 | 72% | 16% | 12% |
| Newcastle | 14 | 14 | 93% | - | 7% |
| Edinburgh ^B (27.11.68) | 48 | 48 | 58% | 31% | 11% |
| Glasgow ^B (28.11.68) | 129 | 108 | 60% | 35% | 5% |
| TOTALS | 1,160 | 908 | 54% | 39% | 7% |

^A It was estimated that the real attendance was nearer 400 than 300. The number recorded as attending was by signatures received.

^B The Council of ICAS decided on 18 October 1968 that additional meetings should be held in Glasgow and Edinburgh. These were to take place during the evening 'to meet the needs of those who had been unable to attend the (previous) afternoon meeting' (ICAS, 1/7, Minute No. 3892, 18.10.68).

Source: based on *The Accountant's Magazine*, February 1969.

The votes against the scheme in Edinburgh and Glasgow, the major centres of the Scottish profession, indicated that ICAS faced a signal problem in persuading the membership that the scheme should be approved by spring 1969. This was especially the case given that a 66.7% majority would be necessary to implement constitutional change. The statistics revealed only 42% of those present at the meetings voted for the scheme. Following the local meetings the ICAS Council was informed of the stark reality:

Those opposed to the scheme indicated that it was integration itself to which they objected (ICAS, 1/7, Minute No.3892, 18.10.68).

Proceeding with the schemes

Having considered the reports from the participating bodies on the results of the meetings of members during autumn 1968 the JSC determined to proceed with the schemes. At its meeting on 25 November it was acknowledged that 'conflicting views had been expressed' but this did not indicate that significant amendments should be made to the proposals. Moreover, the JSC was comforted by the fact that opinion appeared to be malleable:

It was agreed that the experience of all bodies was that when members had attended meetings with representatives who could explain the background and answer questions, there had been a noticeable change in opinion in favour of the scheme. This indicated a need for further effort to reach the large number of members in each body (except for the IMTA which had achieved 50% attendance) who had not attended any meeting so far held (ICAEW, JSCB, 25.11.68).

The JSC was informed on 25 November 1968 that 'at meetings held by the English Institute there had been no pronounced feelings either way on the question of extending the scheme to cover the BFI bodies' (ICAEW, JSCB, 25.11.68). However, the members of ICAI

and ICAS had appeared to be against such an extension and the ACCA members had expressed only conditional support. It was reported that certified accountants required an 'off the record' undertaking from government that legislation would be forthcoming to prevent the formation of new accountancy bodies (*ibid*). The JSC determined to make another informal approach to the Board of Trade 'on the basis that an extension of the scheme might be made conditional upon such legislation' (*ibid*).

Some points of detail were referred to the Working Party of Secretaries but these were not deemed central to the schemes. The JSC concluded in November that the district meetings had revealed a sufficient level of support for the councils of the participating bodies to call special meetings in the spring of 1969 for the purpose of seeking approval of the schemes in principle. It was agreed that members of the ICAEW should meet first, on 17 April 1969, and the result of this vote would be communicated to the other organisations in advance of their special meetings (*ibid*).

A mild *frisson* swept through the councils of the participating bodies when it was reported in *The Times Business News* in December 1968 that the scheme was ultimately doomed to failure. It was said that 'officials of the senior body, the Institute of Chartered Accountants, feel that the qualification of the members of the other two bodies would tend to drag down any such merged group to the lowest common denominator' (*The Times*, 9 December 1968). Whilst this opinion accurately reflected the view of many members of the ICAEW and a minority of Council members, it did not report accurately the stance of the majority of the office bearers of the ICAEW. The ICWA registered a formal complaint about the article which drew a published apology on 12 December 1968 (ICWA, Executive Committee Minutes, Secretary's Report, 13.12.68).

Given the significance of the district meetings in autumn 1968 to broadening the debate among members it is surprising that there was no published record of the discussions which took place. It took three months before members were presented with any form of minute of

what transpired at these meetings. An interesting sub-plot about the meetings was revealed when *The Accountant* reported a gathering of the Chartered Accountant Students' Society of London in early February 1969. This had been convened to discuss the integration proposals. In expressing disappointment at the poor attendance at the meeting the journal noted:

About ten students participated in the debate but – as at the qualified members' meetings held throughout the country in recent months – reporting of the discussion has been prohibited (The Accountant, 1969, p.206, emphasis added).

By February 1969, the six participating bodies had compiled a statement of the members' views which were voiced at the district meetings the previous autumn and provided a summary of replies from the platforms. The replies by the officials did not extend in scope beyond the contents of the integration proposals and made little concession to any substantive criticisms (*The Accountant*, 1969, pp.298-301; 407-412; 523-525). The resultant document was circulated to the members of each participating body in advance of the special general meetings scheduled for April 1969.

Special general meetings

A joint announcement by the participating bodies was issued on 3 February 1969. This noted that the programme of local meetings had been completed, and:

In the light of the support for these proposals the Councils have decided that they will submit them to members of the six bodies in the spring of 1969 in order to seek approval in principle and, if such approval is given, authority to take such steps as may be considered necessary to enable formal proposals for the implementation of the scheme to be submitted at a later stage (ICAEW, JSCB, 8.1.69).

As planned, the first special meeting was called by the ICAEW and took place on 17 April 1969. Two resolutions were submitted by the Council for consideration. These sought agreement in principle for the unification scheme and its extension to the BFI bodies. A third resolution was tabled by Tanfield in which he asked members to reject the proposal to include members of the ACCA, ICWA, IMTA and the BFI bodies in the scheme.

Resolution 1 is given in full below. Its terms are significant because they later became a focus for differences between the participating bodies and because decisions were taken subsequently which appeared to be in direct contradiction to their content and spirit:

Resolution 1 (submitted by the Council)

That the scheme for the development of the accountancy profession in Great Britain and Ireland, which was issued to members on July 25th, 1968 (a print of whereof has been produced to this meeting and for identification signed by the chairman hereof), be approved in principle and the Council be authorized to take such further steps as may seem to the Council to be necessary or desirable to enable formal proposals for the implementation of the scheme to be submitted, subject however:

A. to further consideration being given:

- (a) to the description of and designatory letters for members holding the proposed junior qualification;*
- (b) to the number and timing of examinations for chartered students;*
- (c) to the maximum permissible period of secondment for chartered accountant students;*

B. to changes being made so as:

- (a) to extend from three months to six months the probationary period of service under a training contract for a chartered accountant student;*

(b) *to require any former member or student of The Association of Certified and Corporate Accountants to adopt the description 'Certified Accountant' if he engages in practice to perform certain reserved functions unless either:*

- (i) *he has been engaged, whilst a member of that Association, in public practice as his main occupation at any time prior to July 1st, 1968; or*
- (ii) *he has obtained thirty months 'appropriate experience', as defined in the scheme except that, as a transitional provision, such experience may be obtained in the case of a member who will neither be in practice nor be a partner in a firm which is in practice in Great Britain or Ireland;*

C. *to similar approval and authority being obtained by the Councils of the other participating bodies, namely:*

The Institute of Chartered Accountants of Scotland;
The Institute of Chartered Accountants in Ireland;
The Association of Certified and Corporate Accountants;
The Institute of Cost and Works Accountants;
The Institute of Municipal Treasurers and Accountants
(Accountancy, 1969, pp.240-241, emphasis added).

The other participating bodies, presented a similar resolution to meetings of their members, including the important caveat represented by clause C. All the bodies interpreted 'agreement in principle' to be conferred by the achievement of a simple majority. This was despite the fact that major constitutional amendments to enact the proposals would require majorities of 66.7% for the chartered bodies, and 75% for the ACCA, ICWA and IMTA. Because the ICWA Council was split over the proposals, it had been decided that the majority should be as required for a special resolution at an extraordinary general meeting,

that is, 75%. The resolution was also accorded the status of a special resolution by the ACCA.

The special meeting of the ICAEW on 17 April 1969 lasted four hours. At the end of the meeting a poll was called on each resolution. Resolution 1 (above) was carried by 66.2% in favour and 33.8% against (*Accountancy*, 1969, pp.394-411). Resolution 2, which related to the BFI bodies, was carried by a wafer thin majority: 9,225 (50.1%) for, and 9,178 against (49.9%) (*ibid*). Tanfield's motion was defeated by 6,165 in favour (33.8%) and 12,095 against (66.2%).

The special meetings held by the other participating bodies during April and May reported the undernoted results on the resolution to approve the scheme for the accountancy profession in principle. The resolution was also stated to authorise the (respective) councils to take such further steps as deemed necessary to implement the scheme:

Table 9.2 Results of voting on the scheme in principle, spring 1969

| <i>Body</i> | <i>In Favour</i> | <i>Against</i> | <i>% in Favour</i> | <i>% of membership voting</i> |
|-------------|------------------|----------------|--------------------|-------------------------------|
| ICAEW | 12,268 | 6,255 | 66.2 | 40.7 |
| ICAS | 2,324 | 1,571 | 59.7 | 47.0 |
| ICAI | 951 | 164 | 85.3 | 50.0 |
| ACCA | 4,857 | 249 | 95.1 | 42.1 |
| ICWA | 4,033 | 1,437 | 73.7 | 52.0 |
| IMTA | 285 | 42 | 87.0* | n/a |

* The IMTA result was based on a simple vote at the special meeting because a poll was not provided for in its constitution.

Reactions of ICWA and ICAS

A special meeting of the ICWA Council was held on 16 May 1969 at which the failure to secure the necessary 75% majority was discussed. Their resolution on 9 January 1969 was noted which stated that 'Council shall decide further action depending on the voting'

(ICWA, Minutes, No.2195, 9.1.69). The President, R Glendinning, had written to all members of Council on 9 May suggesting two alternative courses of action. First, it was possible to proceed with plans for the development of the Institute as an independent entity. A second option was to resubmit the scheme to members with a recommendation that it be approved in principle. It was agreed (26 votes to 8) that the scheme should be resubmitted as an ordinary resolution (requiring a simple majority) to the annual general meeting on 14 June 1969 (ICWA, Minutes, No.2208, 16.5.69). On 23 June it was announced that 78.3% of the members voting had approved the scheme in a poll comprising 65% of the membership.

The special meeting of ICAS members to discuss the resolutions was held on 25 April 1969. Although a poll result of almost 60% in favour was obtained, in accordance with a previously stated intention, the President directed that a referendum now be held. The special meeting was adjourned until 30 May 1969 (*The Accountants' Magazine*, 1969, pp.258-259). The result of the referendum was duly declared on 30 May: 2,409 (50.5%) votes were cast in favour of the scheme and 2,365 (49.5%) were cast against. The turnout was 57.6% of the membership (*The Accountants' Magazine*, 1969, p.306).

A special meeting of the ICAS Council had been planned prior to the meeting of the members on 30 May 1969 to consider the outcome of the referendum. Given the failure to achieve a two-thirds majority in favour of the scheme 'The President said the Council was faced with a difficult and potentially serious situation which required all the resources of statesmanship which the Council could muster' (ICAS, 1/8, Minute No.4092, 30.5.69). Detailed consideration by the Council on how to proceed ensued. A general, though not unanimous view was expressed that the Council could not persist with the integration scheme. It was decided to inform the other participating bodies of this grave decision.

Summary

A small number of members of the accountancy bodies voiced opposition to the unification proposals shortly after the announcement, in October 1967, that definitive schemes were being prepared. A resolution was submitted to the annual general meeting of ICAEW in May 1968 calling for the withdrawal of the Institute from all negotiations with the non-chartered accountancy bodies. The motion was lost narrowly but its appearance served to arouse confusion and uncertainty among the office bearers of the ICAEW.

The public debate on integration was not conducted with much civility. Most correspondents stressed the issue of dilution in terms that were disparaging of 'lesser' accountants. Despite the anxiety among its rank and file about dilution the ICAEW introduced the possibility of extending the scheme to include the absorption of the 'BFI bodies' and thus acted to compound such concerns. The ICAEW appeared to assume that dilution was not really a major issue with the members.

District and local meetings of members were held throughout the autumn of 1968. Following these gatherings the executives of the institutes considered that the proposals had achieved the right balance and no fundamental changes were needed. Nevertheless the statistics of attendance and votes cast at the meetings of ICAS members demonstrated a degree of apathy and a sizeable level of opposition, particularly in Glasgow, the city in which there resided the single largest concentration of Scottish chartered accountants.

Special meetings of the members of the participating bodies were held in April 1969. The resolutions called for the unification proposals to be approved in principle and to provide authority to the councils to prepare for major constitutional change. The resolutions were subject to a number of caveats, the most important of which required that all the other participating bodies approved the resolutions. The results of the votes showed significant levels of approval among all the bodies except ICAS where a referendum revealed only a slim majority

in favour of the scheme. The ICAS Council took the view that it must inform the other participating bodies that it saw little chance of obtaining the necessary support of its members for the scheme. Accordingly, ICAS decided to withdraw from further negotiations on unification.

CHAPTER TEN

A PERIOD OF CRISIS FOR ICAS

This chapter analyses the outcome of the ICAS referendum in May 1969 and the efforts by the ICAS Council to reformulate its policy in light of that result. An informal meeting of the presidents and secretaries of the accountancy bodies was held in London on 2 June 1969 at which a decision was taken to proceed with unification without ICAS participation. A debate subsequently ensued within ICAS and the President campaigned for a reconsideration of the decision to withdraw from the unification scheme.

ICAS referendum

As mentioned in chapter nine, the result of the ICAS referendum was due to be announced on 30 May 1969. An initial analysis of the vote was reported by the President to Council at an emergency meeting immediately before the result was declared. The Council heard that the proportion of members voting had increased from 47% at the poll in April to 57.5% in the referendum. However, the 50.5% majority in favour of the scheme was wafer thin and, more significantly, was less than the 59.7% recorded in April. The President stated that he had convened the emergency meeting of Council because a joint meeting of the presidents of the six bodies had been called for 2 June to discuss the outcome of the votes on the schemes and to determine the next step. This meeting was to be followed by a gathering of the JSC on 9 June 1969 (later deferred to 24 June). He, therefore, required to have the 'feelings of Council' prior to these important meetings (ICAS, 1/8, Minute No.4092, 30.5.69).

The President offered the following analysis of the situation:

... every possible encouragement had been given to the members to vote, whether they were for or against the scheme. In the event the poll on the referendum was still less than 60% of the total membership and was divided right down the middle. In order to make the vote effective and alter the constitution, a majority of 66% of those voting would be required: in relation to that vote if all those who had voted against on the referendum were to continue to vote against, almost 2,400 extra votes would be needed to get the scheme through, which would imply a poll of about 86% of the total membership, and assumptions that these results could be obtained were unrealistic (ibid).

It was also noted that 800 of those who had voted against the scheme would have to change their minds to obtain the requisite majority. It was concluded that this was unlikely. One council member, Professor D S Anderson, suggested that a further approach should be made to the members. The President retorted:

... he personally could not see any constitutional method of canvassing votes again on the principles of the proposals. To invite the members to vote a third time on the proposals in principle would, he felt, be calculated to antagonise them rather than to induce them to see matters in a different light. He was desperately anxious not to make a difficult situation for the Institute worse. In his view, they would make the situation substantially worse if they did anything which would appear to over-ride a vote of the membership which had been democratically taken and given. If the 'bogey of fear' were raised, the result, in his view, would not only harm the constitutional position but would lead to a still further hardening of opinion of those who had voted against and possibly also among members who had abstained or voted in favour with some reluctance (ibid).

An analysis of the voting behaviour indicated that the only group of members clearly in favour of the proposals were partners and sole practitioners in London. It was also claimed at the council meeting that while ICAS members were more likely to express their opposition to the scheme, disdainful members of the ICAEW tended to be apathetic.

The strength of the opposition to the scheme among significant sections of the ICAS membership became clearer when further analysis of the voting at the referendum was performed. The results, which were published in November 1969, are summarised in the following table.

Table 10.1 Status of ICAS members who voted against integration at the referendum of May 1969

| <i>Employment Status</i> | <i>Year of Admission</i> | | | | <i>N of members who voted</i> |
|---------------------------------|---------------------------|----------------------|----------------------|------------------|-------------------------------|
| | <i>1939 or before (%)</i> | <i>1940-1959 (%)</i> | <i>1960-1969 (%)</i> | <i>TOTAL (%)</i> | |
| Partners and sole practitioners | 48.7 | 44.3 | 43.0 | 45.6 | 1,025 |
| Qualified assistants | 30.1 | 53.2 | 63.4 | 57.0 | 734 |
| Non-practising | 38.6 | 48.3 | 59.8 | 49.9 | 2,522 |
| Retired | 42.3 | 58.5 | 47.0 | 44.6 | 493 |
| | | | | | |
| <i>Residence</i> | | | | | |
| Scotland | 49.6 | 55.1 | 64.5 | 56.9 | 2,610 |
| Rest of UK | 35.7 | 42.6 | 51.6 | 42.1 | 1,547 |
| Overseas | 29.8 | 31.9 | 48.4 | 37.1 | 617 |
| | | | | | |
| TOTAL | 41.7 | 48.0 | 59.0 | 50.5 | 4,774 |
| N of members who voted | 1,423 | 1,870 | 1,481 | | 4,774 |

Source: based on data in *The Accountant's Magazine*, Vol. LXXIII, No. 761, November 1969, pp.593-595.

The significance of this illuminating analysis of voting behaviour was not fully recognised outside Scotland. Whereas the earlier sampling of ICAEW members had focused on identifying differences of opinion according to variables such as location and whether the member was in public practice or industry, the ICAS data was based on the population of voters and opinion was analysed according to whether the member was a partner, a qualified assistant, or retired. Moreover, the data for each of these categories was analysed according to date of admission. This demonstrated *ceteris paribus* that a key variable was the age and stage of career of the member.

As revealed by Table 10.1 it was the younger members, engaged as qualified assistants and not in practice, who were predominantly against the proposals. Antagonism towards integration was most virulent among the recently qualified members resident in Scotland (65%). 68% of young qualified assistants and non-practising CAs in Scotland - who represented 16% of all those who voted in the referendum - were against the proposals. This data suggests that it was those who had most recently acquired their CA qualification, who were most concerned about the dilution of the profession and the loss of their 'birthright'. Having made a considerable personal investment in the acquisition of a respected professional nomenclature, they were disinclined to see that status conferred on others whom they regarded as holding inferior qualifications.

Support for the integration proposals among ICAS members resident in the rest of the UK reflected the fact that Scottish chartered accountants practising in England had a long history of aligning themselves with the stance of the ICAEW (see Shackleton and Walker, 1998, pp.44-51). However, the support of this group was of marginal significance to the total vote. Whilst 71% of the England-based CAs supported the proposals, they constituted only 3.7% of the voting membership. Scottish-based partners and sole-practitioners, who comprised almost 14% of the voting membership, were not so convinced that the proposals should be supported.

ICAS withdrawal

Having analysed the results of the referendum at its emergency meeting on 30 May, the ICAS Council assumed that a new scheme would emerge allowing the remaining five bodies to proceed with the integration proposals. The Council decided unanimously that it should not seek the approval of the scheme in principle from the members a third time (ICAS, 1/8, Minute No.4092, 30.5.69). This left the Council facing the question of how to proceed. The President argued that explaining to the participating bodies that ICAS was 'completely out' would be too blunt:

He felt, however, that he must say that a meeting of Council had given very careful consideration to the vote on the referendum and that the Scottish Institute would be misleading the other bodies if its Council gave them any reason for optimism that any further vote of the Scottish Institute's membership would rectify the position at any future time.

The President felt that if any of the other bodies took the point that, at least nominally, the Scottish Institute had voted in favour and that therefore the Council was under a duty to go forward, this would be a wrong view: the Scottish Institute should not let the other bodies go ahead on a false prospectus.

On this reasoning the Scottish Institute was not in a strong position to suggest a new answer. His own hope was that the other five bodies would realise that, however wrong they might think the attitude of the members of the Scottish Institute was, this attitude could create a new situation for the other bodies, and particularly for the English Institute. The English Institute was teetering on the margin of a 66% majority and it was conceivable that publication of the attitude of the Scottish Institute could create a hardening of the attitude of those members of the English Institute who had not yet voted. Thus the English Institute

chances of getting a two-thirds majority in favour of a five body scheme would not be outstandingly good.

Mr Morrow pointed out that if the Scottish Institute decided not to go ahead, all the other bodies' votes in favour of the scheme 'fell down' and the whole matter was back in the melting pot (ibid).

It was concluded that in light of the result of the referendum ICAS could not go ahead with the integration scheme. This decision, did not however, receive the unanimous support of the Council. It was resolved, therefore, to 'test the atmosphere' among the other participating bodies at meetings scheduled for early June. Further, ICAS would accept an invitation from the JSC to send observers to its meetings in the future (*ibid*).

Institutional responses to the votes and withdrawal of ICAS

When the results of the voting by members of the participating bodies were reported in May 1969 a number of issues were raised. In light of the uncertain outcome of some of the ballots, it was decided that an 'informal' (dinner party) meeting of the presidents and secretaries of the participating bodies should be held on 2 June 1969 to undertake a review of policy. Although no minutes were taken at this meeting, the main strands of opinion and the decisions made can be gleaned from the minutes of the councils of the participating bodies.

The initial reaction of the IMTA to the results of the ballots was to observe that the ICWA poll, although providing a substantial majority, did not comply with constitutional requirements. The Policy Committee of the IMTA raised the possibility that the ICWA might not be in a position to proceed with the schemes. The Policy Committee also noted 'that it would be unfortunate, having regard to the strength of the voting in the profession generally, if the proposals were not now implemented' (IMTA, Minutes, Policy Committee,

Book 41, No.48, 9.5.69). When the Council of the IMTA met on 3 June, the day following the meeting of the presidents and secretaries of the participating bodies, it also heard that 'the representatives of the English Institute had made it clear that they intended to proceed with the integration proposals' (IMTA, Minutes, Book 41, No.95, 3.6.69). In light of this evidence, the IMTA Council determined to inform its members that it 'interpreted the results of the voting as a firm indication by the Institute of its intention to integrate' (*ibid*).

The ACCA Council was informed of difficulties concerning the participation of ICAS in the integration schemes on 6 June. The ACCA report of the meeting of presidents and secretaries on 2 June stated:

... the discussion had largely turned on the position of the ICAS following the referendum, and although a meeting of the Scottish Council had not at that time been held, Sir William Slimmings had said that he very greatly feared that his Council would have no option than to decide to withdraw from the scheme.

At the informal dinner party ... there had been a good deal of discussion on the question whether the remaining participating bodies would be prepared to proceed without the Scottish Institute and it seemed clear that, subject to the approval of their Councils, that course could be followed. The Executive Committee, therefore, sought authority from the Council to proceed on a partial basis ... The Council received the report and authorised the Association's representatives to proceed with schemes based on those of the ICAEW and ICAI, subject to similar decision by the other bodies concerned (ACCA, Minutes, No.4274, 6.6.69).

The ICWA Council considered the withdrawal of ICAS at a meeting on 11 July 1969 when it was also recorded that the second poll of cost and works accountants had shown a 78.3% majority in favour of unification (ICWA, Minutes, No.2228, 11.7.69). The Council noted the intention of the meeting of presidents and secretaries to

recommend proceeding 'on a five-body basis' and decided likewise after a long discussion. Having considered the position of ICWA members in Scotland who would now be unable to join a Scottish institute, it was deemed:

... essential to proceed to a final decision with the minimum of delay; any further reference back to members on the position of the Scottish Institute would be very time-consuming.

The Council then resolved, by 25 votes to 4:

That this Council agrees to continue with the negotiations on the scheme of integration on the basis of five bodies with a view to putting final proposals to members in 1970 (ibid).

A number of members of the ICWA Council were disturbed by the terms of a draft press release dated 2 July 1969 which, in referring to the withdrawal of ICAS, stated 'Notwithstanding this development, the Councils of the remaining five bodies are all agreed that it does not affect the viability of the English and Irish schemes' (*ibid*). Some members claimed that this statement was not an accurate reflection of the situation and the Council voted to accept the statement only by the narrow margin of 17 votes to 15. The opponents of the scheme on the Council proposed that members should be presented with a clear statement of the alternatives open to the Institute if integration was not approved. This motion was lost by 14 to 11 (*ibid*).

The ICAEW was so committed to the unification scheme that it had already decided on 7 May 1969 to proceed with the drafting of a revised Supplemental Royal Charter and bye-laws for the enlarged institute (ICAEW, Minutes of Council, Vol.AA, 7.5.69). The first formal consideration of the outcome of the meeting of presidents and secretaries on 2 June took place at the General Purposes and Finance Committee on 18 June. It was merely recorded that a meeting of the JSC was to be held on 24 June and that consequently any recommendations from that Committee would be reported to Council on 2 July (ICAEW, Minutes of Council, Vol.AB, 18.6.69). The

Council duly received the report of the JSC and agreed that the scheme would proceed with five rather than six participating bodies (*ibid*). It was also agreed to explain to the members that ‘consequential modifications to the English scheme as voted upon in April 1969 are minor in character and involve no points of principle’ (ICAEW, JSCB, 21.7.69).

The ICAS Council met on 19 June 1969 to consider the next step in relation to the integration scheme. It was reported that informal conversations had been held with the other bodies at the meeting of presidents and secretaries in London on 2 June. Further:

... although there had been a keen desire that the Scottish Institute should not ‘opt out’, it had eventually become clear to everyone present that there could be no further immediate approach by the Council to the members of the Scottish Institute to ask them to vote for a third time on the integration proposals. The representatives of the other five bodies had all appeared anxious to proceed, if not with a six body scheme, then with a five body scheme ... The Council of the Scottish Institute had been earnestly requested to consider its position so that its representatives could report on it at the meeting of the JSC on 24 June (ICAS, 1/8, Minute No.4116, 19.6.69).

The ICAS Council confirmed its earlier decision not to hold a third vote of the members. It assumed, however, that the promotion of a five-body scheme would create a new situation and ‘in due course the members of the Scottish Institute should be given an opportunity of expressing their opinion’ (*ibid*).

It is clear from these extracts that the ICAEW expressed a determination at the meeting of 2 June 1969 to proceed with integration on the basis of the remaining five participating bodies and schemes covering England and Wales and Ireland. The decisions made at this gathering of presidents and secretaries were rubber stamped by the JSC at a meeting on 24 June.

A five-body scheme

At its meeting on 24 June 1969 the JSC received reports on the results of the ICAS referendum and the second poll of ICWA members. The representatives of ICAS 'expressed disappointment with the results of the Scottish Institute's referendum and circulated a draft letter which it was proposed to issue to its members' (ICAEW, JSCB, 24.6.69). They then withdrew 'temporarily' from the meeting to allow discussion among the remaining participating bodies. On their return the ICAS representatives were informed that whilst there was sympathy for their position, the five bodies would recommend to their respective councils that they proceed with schemes for England and Ireland. It was hoped:

... the Scottish Institute might be able to resume participation at a later date and, in consequence, would try, so far as it was practicable to do so, to modify the English and Irish schemes in such a way that future participation would not be precluded.

... the representatives of the Scottish Institute would feel able to attend, as observers, future meetings of the Joint Steering Committee (ibid).

There were two other developments at this meeting. First, the JSC approved a recommendation that 'no further action should be taken on the proposal to extend the English scheme to include the integration of members of the BFI bodies' (*ibid*). Second, Leach announced that other duties (his election as ICAEW President for 1969-70) made it necessary for him to resign as Chairman of the JSC. Dixon, the immediate past President, was elected in his place.

The decision to proceed with the plans for the future of the profession on the basis of a five-body scheme appeared to fly in the face of a principle which had been previously agreed by the six participating organisations. As was shown in the previous chapter, the resolution presented to the memberships in April 1969 contained an important proviso - Clause C - which stated that approval of the scheme in

principle was subject to 'similar approval and authority being obtained by the Councils of the other participating bodies'. The interpretation of the word 'approval' became very important. Many of those who played a significant part in the negotiations were quite clear that the vote on the principle of the scheme had been on the basis of all participants securing approval and authority. This was later reiterated by E H V McDougall, the Secretary of ICAS, (1980) who noted that whilst the approval of ICAS members might have been indicated by virtue of the slight majority in favour of the scheme, the vote could not be said to have conferred authority to proceed:

Therefore, on the basis of 'one out, all out' which had been previously agreed among the six bodies, the integration proposals should be regarded as dead. The other five bodies, advised by their own lawyers, thought otherwise and made clear their determination to proceed without ICAS (op.cit. p.41).

Although McDougall referred to the involvement of lawyers in the decision to proceed by the five participating bodies, there is no evidence in the records consulted, of legal opinion having been either sought or given on the issue of proceeding with the schemes for England and Wales, and Ireland.

A direct challenge to the decision by the participating bodies to proceed with a five-body scheme took the form of two letters published in *Accountancy* during September 1969. The first correspondent, J Butcher, a London ICAEW member, referred to a letter from Leach dated 21 July 1969, in which he had announced to members the decision to go ahead on a five-body basis. Leach had stated that the resulting modifications to the scheme were 'minor in character and involve no points of principle' (*Accountancy*, 1969, p.702). Butcher disputed this claim and countered that six of the ten aims of the scheme would be frustrated by the withdrawal of ICAS. He stated that the consequential requirement to absorb additional ACCA, ICWA and IMTA members resident in Scotland would lead to an even greater dilution of the profession. Butcher concluded that there had been

significant changes to the original proposals and that members should not hesitate to vote against them (*ibid*).

The second letter was authored by R W Maas, B D Segal, V W Rees and M D Moss of London. This was even more critical of the decision to pursue a five-body scheme. Maas *et al* asserted that 'the English Institute ... has no authority to proceed with the integration proposals on the basis now envisaged' (*Accountancy*, 1969, p.702-3). They stressed that the resolution on which the members had voted during the spring contained the 'one out, all out' proviso. They noted that the ICAEW President had said on 14 March 1969 that the scheme was 'not a series of unrelated proposals some of which can be adopted and others rejected. It is a logical whole in which the main proposals are interrelated'. Maas *et al* stated that the ICAEW Council now appeared to have changed their minds on the holistic nature of the original proposals and asked why it now suited them to remove components which had previously been deemed essential. Maas *et al* concluded that the withdrawal of ICAS struck at the root of the schemes. It would now be necessary to obtain fresh authority to proceed because 'the withdrawal of the Scottish Institute vitiates a number of the advantages claimed for the original proposal' (*ibid*).

The letter from Maas *et al* drew a response from Leach, in his new capacity as ICAEW President. Leach stated that the ICAEW Council had concluded that despite the withdrawal of ICAS there had been no alteration in the principles upon which the scheme was based and it was on principles that the members had voted in spring 1969. There was, therefore, no need to call another special meeting of the institute especially given the expense and loss of time which that entailed. Leach argued that another meeting would not yield 'any more comprehensive expression of opinion' and that it was 'likely that a majority of members will vote when definitive proposals are put before them' (*Accountancy*, 1969, p.703). Leach concluded his response with the following statement:

I should point out an inaccuracy in the letter to which I am replying. The requirement for the Councils of the other

participating bodies to obtain similar approval and authority was, in fact, fulfilled. It was the size of the majority obtained by the Council of the Scottish Institute which resulted in its decision not to proceed at the present time (ibid).

In fact, this argument was totally disingenuous for two reasons. Firstly, it confused the issues of approval and authority. The participating bodies had anticipated that approval would be provided in principle by a simple majority vote. This would be sufficient to indicate that a special resolution (where a two-thirds or three quarters majority was necessary) would be passed when a complete scheme was put to the members. However, as noted by Slimmings of ICAS on 30 May 1969, a small majority, as experienced by ICAS, placed the conferment of authority in considerable doubt. Secondly, Leach's argument that ICAS had secured a majority and therefore fulfilled the formal requirement was inconsistent with the treatment of the ICAEW vote on the BFI bodies. This vote had produced a wafer-thin majority of 50.1% and therefore the ICAEW had decided not to make any further moves to integrate the BFI bodies. On the basis of the vote, the ICAEW had concluded that the BFI proposal would not be furthered because it was not likely that the requisite majority would be achieved on a special resolution. The evidence provided by this decision would appear to demonstrate that the ICAEW was able to differentiate between approval and authority on some subsidiary issues whilst selectively ignoring the distinction on a fundamental issue.

Some evidence is available which helps to explain why the ICAEW was insistent on proceeding with a five-body scheme. Part of the explanation is contained in a letter prepared by Leach on a flight to America on 9 October 1967. At that time there was continuing discussion on the differences between the drafts of the three schemes. ICAS had presented a short paper declaring that there were 'historical, social and economic factors which make it desirable that certain activities should be handled by separate Institutes' (ICAEW, 2-19-1, 17(34), 28.9.67). The ICAS paper referred to matters where divergence of opinion might be found and stated that differing viewpoints should

be put to the test of public opinion (*ibid*). Leach responded to the ICAS document by saying:

The statement concerning the continued existence of the three Institutes is illogical. It suggests that the main argument is that different points of view should be put to the test of public opinion. This seems to be dead against the principle of integration. Moreover, it is contradictory with the letter ... which suggests delegation of powers to act in the name of the three enlarged Institutes.

The suggested basis of collaboration is dangerous. Our Council could not, I imagine, delegate powers to make public statements. I am afraid collaboration on these lines means the perpetuation of the Scottish Institute 'suckled' by the Institute in England & Wales.

*Obviously we must have some appearance of collaboration to present our case for integration, but I feel we must keep the lead. Public statements purporting to be on behalf of the three Institutes will benefit chiefly the other two. Statements by the English Institute on behalf of the three are acceptable (*ibid*).*

Leach's views were a repetition of the objectives of the ICAEW, stated in 1966, that leadership of the accountancy profession was to be vested in the ICAEW. Thus the temporary inconvenience of an adverse vote by the membership of ICAS was to be de-emphasised if it constituted a barrier to the *stratégie d'ensemble* of the ICAEW. This behaviour was redolent of the ICAEW's efforts to keep the Scottish societies compliant with London policy during the co-ordination movement of the 1940s. If the Scots adhered to alternative policies, then the ICAEW representatives were prepared to advance without them (Shackleton and Walker, 1998, pp.43-55). Hence, after the JSC meeting on 24 June 1969, the ICAEW proceeded with the administrative arrangements necessary to pursue the unification scheme covering England and Wales.

Propaganda campaign in Scotland

An intense debate on the position of ICAS, now outside the scheme, engaged the Council and members of ICAS during the second half of 1969. McDougall referred to this as 'a period of crisis for the ICAS' (1980, p.42). This is best understood when it is recalled that the Council and its other office bearers were substantially in favour of the integration proposals. At all stages in the discussions on the future of the profession up to mid-1969, opposition to the scheme had been muted within the ICAS Council. The Council was deeply embarrassed by the expression of rank and file opinion in the May referendum. Some of its members were reluctant to accept the outcome of that vote.

The Council was also unsure how to react to the rapidly changing situation with the remaining five participating bodies. It was outmanoeuvred by the ICAEW's determination to proceed with an integration scheme excluding Scotland. The President, Sir William Slimmings, reported that when, at the 2 June meeting of presidents and secretaries, the withdrawal of ICAS had been discussed, Sir Henry Benson of the ICAEW said that it would be of tremendous assistance if the ICAS Council would make a statement to the effect that it:

- a. *Re-affirmed its belief in the merits of the integration proposals.*
- b. *Recognised that the referendum showed no prospect that members of the Institute would support by the requisite majority measures to implement the proposals in Scotland; and*
- c. *Would be prepared, in due course, to consider bringing the matter forward for further consideration by the members of the Scottish Institute in three to five year's time (ICAS, 1/8, Minute No.4116, 19.6.69).*

In this way ICAEW secured ICAS compliance with its desire to proceed with a five-body scheme.

Debate within the ICAS Council continued at a meeting on 17 July 1969. A letter of support from the ICAI was read. The letter stated that it was the unanimous wish of the ICAI to ‘continue to do everything possible to maintain and enhance the friendly relations which had always existed between the two Institutes’ (ICAS, 1/8, Minute No.4145, 17.7.69). The President of ICAS reported that he had asked the Secretary to draft new rules based on the assumption that the Institute ‘might either resume participation in the integration plans or might, without integration, introduce three streams and two tiers’ (*ibid*). The Council also approved the draft of a President’s letter which was to be sent to members. Council also resolved:

... that it is desirable that every Council member should do his best by personal propaganda amongst the membership of the Institute to encourage a better appreciation than presently exists amongst members of the issues which the integration proposals present from the Scottish Institute’s point of view (ibid, emphasis added).

The President’s letter to the members, dated 21 July 1969, explained why the Council had, on the evidence of the voting, withdrawn from the proposed integration scheme. The letter, which is reproduced in full in Appendix D, claimed that the Council ‘gave this information with regret, because it believed – and still believes – that adoption of the integration proposals would be in the best interests of the accountancy profession as a whole, and of the Scottish Institute’. The letter stated quite clearly that the revised integration scheme based on the other five bodies had been prepared ‘in such a way as would permit the resumption of participation by the Scottish Institute, should this be sanctioned by a sufficient majority of the members of this Institute’. The President concluded with a request that members write to him offering their views ‘in the light of the information that I have given you in this letter’ (*ibid*).

President Slimmings reported to the ICAS Council on 29 August 1969 that he had received 531 replies to his letter. This represented 6.4% of the total membership. Of these replies 350 favoured ‘further

action by the Council with a view to resumption of participation by the Scottish Institute in the integration proposals' (ICAS, 1/8, Minute No.4175, 29.8.69). It was reported that between 150 and 160 letters were against any further overtures on integration. The Council conceded:

Although there was some evidence that a number of members had changed their views since the holding of the referendum, there was no evidence on the raw figures of a big enough switch of opinion to make any essential change in the balance of the voting on the referendum (ibid).

Nevertheless, based on this totally unsystematic 'poll', and despite the conclusions drawn, the President said that he felt a 'hunch' that the 'penny was beginning to drop' among the membership. Accordingly he announced that he would write another letter to the members, his main objectives being:

- to indicate the nature of the response which he had received to his letter of 21 July;
- arising out of points raised in the replies to his letter, to clarify what the integration proposals in fact were;
- to sum up the Institute's position (*ibid*).

At a Council meeting on 29 August, Slimmings outlined the points which he intended to bring to the attention of members in his second letter. The Council then discussed how 'the Scottish Institute should move constructively – should there be another test of members' views and, if so, how should it be conducted?' (*ibid*). The timing of the next move was to be determined by the issuance of the second President's letter in November 1969 with 'an appropriate question in the annual subscription and directory schedules sent out at about Christmas time' (*ibid*). This scheduling was intended to allow time for cultivating support for the Council's position on integration. It would provide pro-integrationists with an opportunity to persuade other members, to write to *The Accountants' Magazine*, to hold office

meetings, and to brief new members who would be admitted to the Institute at the special meeting in November (*ibid*). All members of the ICAS Council approved the President's approach, including those who had voted against integration at the referendum.

It was also decided to inform the JSC that ICAS was reconsidering its position. The four ICAS observers on the JSC duly reported to that body on 8 September 1969 that 'in the light of the replies received by their President ... the Council had decided to conduct a further postal ballot on an informal basis ... supported by a strong recommendation and promotional activities' (ICAEW, JSCB, 8.9.69).

At its meeting on 17 October the ICAS Council was informed about further responses from the members to the Presidential letter of 21 July 1969. One hundred letters had been received since the last meeting and these revealed that the proportions in favour and against integration remained as reported in August. A draft of the President's second letter was submitted for comment, although it was minuted that the President reserved the right to determine its final form (ICAS, 1/8, Minute No.4207, 17.10.69). It was also decided that the full analysis of the May referendum results should be submitted to members. This drew the complaint that such disclosure compromised the anonymity of the poll (Lee, *The Accountants' Magazine*, 1969, p.695).

The second letter from the ICAS President was duly sent to the members on 5 November 1969. The letter is reproduced in full in Appendix E. In the letter Slimmings conceded that some members had written to him to 'object strongly to any further canvas of opinion' and deprecated being pressurised by the Council. He stated, however, that it was the Council's duty:

- (i) *to ensure that the members make no irrevocable decision until they have been made aware of the relevant issues.*
- (ii) *to state without equivocation the opinion of the Council on these issues* (Appendix E).

Slimmings argued that the debate was no longer about the merits of the proposed integration scheme but the part which ICAS should

play in shaping the future. He asserted that the Council was obliged to present its conclusions to the members. These conclusions were that there should be a resumption of participation in the scheme and that members should have the opportunity to express an opinion on this suggestion. The letter appended a detailed analysis of the referendum voting and responses to the President's first letter of 21 July. The latter section attempted to allay the fears of the younger members about dilution by claiming that this was a 'once for all' feature of the proposals. The letter warned that if ICAS did not participate in the scheme then the 1,200-1,500 members of other bodies currently resident in Scotland would join the ICAEW (also *Accountancy*, 1969, p.570). This would require the establishment of district organisations of the ICAEW in Scotland which might compete with ICAS. The final section of the President's letter postulated that if ICAS remained outside the scheme 'each member will bear a substantially heavier burden by way of increased subscription' (*The Accountants' Magazine*, 1969, p.592).

During the last four months of 1969, a total of thirteen letters were published on the subject in *The Accountants' Magazine*. Six supported a new initiative, and seven objected to any further attempt to secure approval in principle for integration. Those in favour of a new initiative supported the President's view that ICAS could not stand aside if the other five bodies went ahead with a unification scheme. The majority of the letters against a fresh initiative appeared in the December edition of the journal, that is, after the President's letter of 5 November had been distributed. These objections centred on the 'undemocratic' nature of the re-evaluation of the Institute's position:

Now, apparently, we are to vote again. So be it, but just how often do the members have to fight their own Council to exercise their will? Three times? Four times? How long will it be ... until the Council re-phrases the matter or changes the procedure slightly, and wins approval on a simple majority?

(The President's letter) has brought me to the unhappy conclusion that the Council is not representative, the President partisan to say the least, when one could have expected an attempt at impartiality, and it appears that they are a group of peevish, frightened, tired old men who are afraid to face the challenge of the future, far less to shape it (Black, *The Accountants' Magazine*, 1969, p.693).

Another ICAS vote and re-entry

The Council decided on 18 November 1969 to proceed with a vote on the question of the resumption of ICAS in the integration discussions. The ballot was scheduled for January 1970 and was preceded by another letter from the President to the members on 10 December 1969. In this letter Sir William Slimmings asserted that the vote was not about the merits of the integration scheme. Rather, it addressed the question: 'If the English scheme is to be implemented, should the Scottish scheme be implemented at the same time?' (*The Accountants' Magazine*, 1969, p.642).

At a meeting on 30 January 1970 the ICAS Council discussed a report on the results of the poll of members. It was disclosed that 6,451 votes had been received (76% of the total membership), of which 5,010 (77.7%) were in favour of the resumption of participation by ICAS if the English scheme were implemented and 1,441 (22.3%) voted against. The Council decided to present these results to the five participating bodies as confirmation that there had been a radical shift of opinion among Scottish chartered accountants. This development was sufficient for ICAS to rejoin the discussions and for the resurrection of integration schemes involving six professional organisations. The way was clear for the submission of the schemes to the memberships later in 1970.

Summary

The analysis of the results of the ICAS referendum in May 1969 placed the ICAS Council in an uncomfortable position. The margin in favour of the schemes was very slim and it was concluded that the prospects of achieving the required majority for constitutional change were not propitious. More detailed analysis showed that the recently qualified members were overwhelmingly hostile to the proposals. ICAS informed the five other participating bodies that it would have to withdraw from the negotiations on unification.

An informal meeting of the presidents and secretaries of the accountancy bodies received this news on 2 June 1969. It soon became evident, notwithstanding the 'one out, all out' clause included in the main resolution, that the other accountancy bodies, particularly the ICAEW, would proceed without ICAS. A meeting of the JSC on 24 June confirmed the decision to proceed with a five-body scheme covering England and Wales, and Ireland. The JSC invited ICAS to send observers to meetings in the hope that Scottish participation might be resumed at a later date.

The decision to proceed without ICAS excited comment in the professional press. A number of ICAEW members observed that the caveat clause had been ignored. In response, Leach argued that the Scottish referendum had given approval in principle. This, however, conveniently ignored the important issue of conferred authority.

ICAS faced a crisis. Its Council was almost unanimously in favour of the unification scheme and was embarrassed at the outcome of the referendum. However, the President refused, initially, to countenance a further vote on the scheme for fear of antagonising the membership. ICAS was concerned that unification among the remaining five participating bodies would pose significant problems of competition and leadership of the profession in Scotland. The President of ICAS therefore embarked on a campaign of persuasion which involved sending a number of letters to the members reporting his concerns and inviting their views. These activities culminated

in a decision by the Council to hold a further postal ballot. This would not be about the merits of the original proposals but would pose the question: 'If the English scheme is to be implemented should the Scottish scheme be implemented at the same time?' 76% of the members who voted in January 1970 answered this question in the affirmative. In doing so they effectively sanctioned a resumption of ICAS participation in the integration scheme.

CHAPTER ELEVEN

OPPOSITION WITHIN ICAEW AND REJECTION OF THE SCHEME

This chapter focuses on the opponents of the integration scheme within the organisation which had most actively promoted it, the ICAEW. Almost from the outset of the discussions on the future of the profession ‘dilution’ was identified as a significant concern. The leaders of the ICAEW attempted to allay this fear by asserting that dilution was a transitional feature of the proposals with no long term repercussions. Those antagonistic towards the scheme remained unconvinced and, following a number of skirmishes, began to organise themselves into an effective opposition.

Benson’s premonition

Sir Henry Benson conceded at an early stage in the formulation of plans for unification that one of the most important issues was the dilution of the profession. In January 1966 Benson ‘accepted that the proposals would initially involve dilution and, therefore, a reduction in status at a starting point’ (ICAEW, 2-19-1, 17(34), 12.1.66). On 30 March 1966 the ICAEW admitted in a memorandum to the Board of Trade (see chapter 5) that:

The more serious objection is that of dilution; in the English Institute’s view this transitional consequence, in so far as it arises, must be accepted in the interests of a long term improvement in the standards and status of the profession (ICAEW, 2-19-1, 17(34), 30.3.66).

For the members of the non-chartered participating bodies there appeared to be little doubt that the implementation of the schemes would enhance their status. Therefore, dilution was rarely discussed by their executives. Even when concerns did surface these were quickly sublimated by the general desire of the majority of the members of the ACCA, ICWA and IMTA to achieve the long-sought nomenclature of chartered accountant.

The ICAEW Council was conscious that fears among the rank and file about a diminution in the standing of their qualification provided fertile ground for opponents of unification. As discussed in chapter five, the issue of dilution presented a major tactical conundrum to the chartered institutes. Extending the boundaries of the unified profession would be supported by government and offered an enduring resolution of the problematic organisation of the profession. However, the members had to be persuaded to vote for a scheme which involved those with 'lesser' credentials being accorded equivalent status to themselves. As also related earlier, it soon became clear that the response of the senior office-bearers in the chartered bodies was to downplay the seriousness of the issue. This was achieved by the repetition of a mantra, to the effect that dilution should be conceded as a one-off event, which had no serious implications for the future status of chartered accountants.

However, younger members of the chartered institutes, who were embarking on careers on the basis of hard-won credentials, saw a considerable period of their working lives being affected by dilution. This group was not easily persuaded that dilution was a short-term issue. The results of the referendum of ICAS members in May 1969 indicated that the proposals for the future of the profession aroused discontent among many newly qualified members.

Tanfield and the 'rebels'

Tanfield's opposition to the involvement of the ICAEW in discussions on unification involving the ACCA, ICWA and IMTA

was to prove highly significant in arousing concerns about dilution. As revealed in chapter nine, his views were aired publicly in a letter to *The Accountant* in April 1968. Tanfield called for the unilateral withdrawal of ICAEW from any negotiations which were aimed at merging chartered and non-chartered accounting bodies. Although the ICAEW Council had expected some opposition to the integration proposals, Tanfield's persistence disturbed the strategic vision of the ICAEW and the detailed promulgation of the scheme. The ICAEW Council had intended to avoid any general discussion on the principle of merger until detailed plans were available. However, Tanfield's motion at the annual meeting of the ICAEW in May 1968 made it inevitable that members would be encouraged to discuss the issue and express their opinion through a vote. Tanfield's motion for the withdrawal of the Institute from discussions on integration with the non-chartered accountants attracted the support of 49.2% of those present.

As indicated in chapter nine, despite their narrow defeat at the annual meeting Tanfield and his supporters continued their campaign. In May 1968 they requested that the ICAEW Council offer 'facilities to circulate a statement setting out their objections to the integration proposals' (ICAEW, 2-19-1, 17/34, 12.9.68). This was granted in the form of space in the Institute's *Newsletter* for September 1968. The purpose of this request was to provide a vehicle through which members might be appraised of the important issues which were to be aired at the district meetings that autumn. Tanfield's statement in the *Newsletter* summarised his objections to the scheme:

- 1.1 *To justify the description of a 'profession' initial training must take place in the offices of a practising accountant. Training in industry and commerce will not normally provide the independence of judgment expected from a man with a professional training.*
- 1.2 *Members in industry and commerce will lose status.*
- 1.3 *The Council will no longer effectively represent the interests of public practitioners.*

- 1.4 *There will be more, not less, confusion in the public mind over qualifications.*
- 1.5 *The Institute's influence in public affairs will be diminished.*
- 1.6 *It is unlikely that the government will restrict the use of the description 'accountant' and 'auditor' (ICAEW, 2-19, 17(34), 20.9.68).*

Tanfield also presented a prognosis of the composition of a unified institute in the UK as at 1 July 1970:

Table 11.1 Composition of a Unified Institute of the UK

| | Qualified Members | Students |
|---|------------------------------|----------------------|
| The Institute of Chartered Accountants in England and Wales | 47,700 | 19,000 |
| The Institute of Chartered Accountants of Scotland | 8,400 | 1,900 |
| The Institute of Chartered Accountants in Ireland | 2,400 | 1,400 |
| Total Chartered Accountants | <u>58,500</u> | <u>22,300</u> |
| The Association of Certified and Corporate Accountants | 12,700 | 25,000 |
| The Institute of Cost and Works Accountants | 11,000 | 29,500 |
| The Institute of Municipal Treasurers and Accountants | 5,400 | 5,200 |
| Total of Non-Chartered | <u>29,100</u> | <u>59,700</u> |
| | 87,600 | |
| Less members with dual membership (estimated) | 2,200 | |
| | <u>85,400</u> | <u>82,000</u> |

Tanfield feared that integration threatened the public practice foundation of the profession. He stated that of the 77,000 members of a unified institute only 1,800 would be in public practice. Furthermore, the predominance of non-practising members would increase in future years. He observed that a new council would 'come to represent primarily the interests of members in industry and commerce to the probable detriment of those in practice' (*ibid*). Tanfield quoted from the most recent reports on professional education, the Parker Report of the ICAEW (1961) and the Dewar Report of ICAS (1967). These had recommended that training should continue to be based on apprenticeship in public practice. He argued that a policy of providing training in industry, commerce or the public sector would run counter to the recommendations contained in these reports. Tanfield considered that training outside public practice did not instil the notion of professional independence and, therefore, should be rejected. He concluded his statement with an alternative set of proposals, one of which was the establishment of a steering committee of the professional bodies akin to what was later actualised as the Consultative Committee of Accounting Bodies (CCAB) (*ibid*).

Dixon, the ICAEW President, replied to Tanfield's statement in the same edition of the *Newsletter*. In response to the claim that training was required in a practising office in order that its recipient be entitled to the description of 'professional' and that training in industry or commerce would not inculcate independence of judgment, Dixon argued that training for the Bar did not require experience in chambers. He contended that appropriate training for the chartered accountant could be provided in commerce and industry. Further, the 'expression of independent judgment' was a reserved function that required 30 months appropriate experience in a practising accountant's office. Dixon supplied data which showed that in recent years admissions to the ACCA and ICWA were significantly less than to the ICAEW. This, he said 'should dissipate any fears that there could be widespread training in industry under the control of inexperienced members of the enlarged Institute who have positions of little responsibility' (*ibid*).

Dixon also attempted to allay Tanfield's fear that the Council of the enlarged institute would represent the interests of industry and commerce to the detriment of public practitioners. Dixon claimed that the ICAEW Council had been well aware of the importance of this point and it had been decided to create four additional committees to promote the development of each stream of the profession. Further, a minimum of 30 and a maximum of 55 seats on the council of the proposed body would be reserved for the practising members (*ibid*). Dixon concluded:

In the last resort the decision must be taken in the light of the Scheme as a whole as to whether the benefits to be derived from the Scheme, many of which are long term, are greater than the disadvantages, most of which I believe are short term (ibid).

As was related in chapter nine, the scheme was submitted for consideration by the members at district and area meetings through the autumn of 1968. The next stage in Tanfield's campaign was to send a letter to the ICAEW Council on 15 January 1969 in which he stated that if there was to be no separate resolution and vote on integration at the special meeting on 17 April 1969, he would request that a special meeting be called to consider a resolution to reject an extension of membership to the ACCA, ICWA, IMTA and the BFI bodies (ICAEW, Minutes of Council, Vol.AA, 22.1.69). This move was neutralised when the ICAEW accepted that Tanfield's resolution should be placed on the agenda at the special meeting in April.

Special meeting of ICAEW, 17 April 1969

As reported in chapter nine, a special meeting of the ICAEW was held on 17 April 1969 to vote on the scheme in principle and its extension to the BFI bodies. In attendance at the Royal Albert Hall were 650 chartered accountants from a total membership of 45,000. The President stated:

The meeting had been convened to seek approval in principle of the far reaching proposals for a revision of the structure of the accountancy profession. If the scheme was approved at the meeting, as well as by the other bodies involved, then much work would have to be done to amend the Charter and bye-laws which would then come before members for approval at a further special meeting (The Accountant, Vol.160, p.576, emphasis added).

Discussion at the special meeting concentrated on the issue of dilution and the requirement to approve the scheme as a package despite evidence of little enthusiasm for certain elements of the proposals. Supporters of the scheme made much of the ability of the unified profession to speak with one voice, particularly to government. Resolution 1, to approve the scheme in principle, was carried by 66.2%. Resolution 2, which sought authority to extend the scheme to members of the BFI bodies received the support of 50.1% of those who voted.

Tanfield's resolution calling for the rejection of proposals to extend membership to the non-chartered accountants was then discussed. In introducing his resolution, Tanfield said:

For the last four years my object has been to convince the steering committee and the Council that they must know where members stand on integration before any scheme on the future of the Institute was submitted. The Council have throughout endeavoured to insist on the package deal of the scheme and to refuse a vote on integration. You, Sir, (the President) have personally urged that rejection of the scheme today means that the Council must know what is unacceptable, that if the scheme is approved today you want to know what features require discussion in an attempt to meet the objections (Accountancy, Vol.LXXX, June 1969, p.411).

Tanfield referred to the problem of dilution and noted that the report of the district meetings had included merely two lines on this

important issue. The ICAEW's response to this concern, that the problem of dilution would be greatly outweighed by the long-term advantages of a strengthened profession, was, said Tanfield, based on insufficient evidence. He asked:

Are these the carefully argued advantages supported by evidence that a great Institute accepts as the price it must pay for a massive dilution of its standards and its tradition? (ibid).

Despite Tanfield's advocacy, his resolution was defeated on a show of hands with 163 (48%) in favour and 177 (52%) against. The resultant poll showed only 33.8% in favour.

In the immediate aftermath of the special meetings of the participating bodies in April 1969, the JSC was largely concerned with the consequences of the withdrawal of ICAS from the scheme. While ICAS was agonising over its position the new ICAEW President, Leach, embarked on a series of regional dinner engagements during which he argued the case for integration. Leach attended a total of seventeen dinners from the autumn of 1969 to the spring of 1970. At these events he claimed that if the scheme were rejected unification was not likely to resurface again for ten years (*The Accountant*, Vol.161, 25.10.69).

'The "buzz" of impending action'

In February 1970 it was announced that ICAS members had voted to resume their participation in the scheme. This was the penultimate cast of the die in the quest for unification. The only major dissentient organisation was back in the fold. The participating bodies could now place the proposals before their memberships on the basis of unanimous institutional commitment. It could be claimed that expressions of members' opinion through 1969 and early 1970 had indicated a degree of support conducive to the constitutional approval of the scheme. The final act in this long saga would be to conduct the polls and announce the results to a profession eager for change. At February

1970 it seemed that the only accounting body where acquiring the requisite majority for constitutional change might be a little uncertain was the ICAEW.

In late 1969 the ICAEW had consulted the Privy Council on the provisions required for the Petition, the Supplemental Charter, Bye-laws and Regulations for the formation of the enlarged English Institute (ICAEW, Minutes of Council, Vol.AB, 21.1.70). As a result of the recommendations of the Privy Council some drafting changes had been necessary and a date for the special meeting to seek approval of the integration proposals was rescheduled from 1 June to 24 June 1970 (ICAEW, Minutes of Council, Vol.AB, 4.3.70). The effective date for integration was also deferred from 1 January to 1 July 1971 (ICAS, 1/8, Minute No.4289, 20.2.70).

The schedule of members' meetings to consider the integration proposals was as follows:

| | |
|-------|---------------------------------------|
| IMTA | 4 June 1970 |
| ACCA | 10 June 1970 |
| ICAEW | 24 June 1970 |
| | Poll to be taken <i>after</i> meeting |
| ICAI | 24 June 1970 |
| | Poll to be taken <i>after</i> meeting |
| ICAS | 24 June 1970 |
| ICWA | 11 July 1970 |

Although the ICWA meeting was to take place after all the other meetings, it was established that the result of the ICAEW poll would not be known in advance. The ICAI result was expected in mid-July. Importantly, the terms of the ICAS and ICAI resolutions on integration provided that the schemes for Scotland and Ireland were to be dependent on the implementation of the scheme for England and Wales.

The temporary withdrawal of ICAS in 1969 and the character of the third ballot of ICAS members in January 1970 appears to have fortified the opponents of the scheme in the run up to the polls, especially in England. Among the correspondents who objected to

the proposals was F M Wilkinson, who had prepared the important memorandum on restructuring the profession for the ICAEW in 1959. In a letter to *The Accountant* in February 1970 Wilkinson wrote:

Following the recent Scottish voting, I find that I am reading comments to the effect that on second thoughts the Scottish Institute has come out in favour of the proposals for conglomeration by a substantial majority.

On a matter of such immense importance we really must have a true and fair view. The fact is that the members of the Scottish Institute rejected the Scheme. Having done so they were asked to vote again, but not on the merits of the scheme as such. The question they were asked, after the English Council had decided to proceed notwithstanding the Scottish rejection, was 'If the English scheme is to be implemented, should the Scottish scheme be implemented at the same time?'

This was almost a Hobson's Choice question, yet even so the members who said 'yes' were only 77.7% of those voting, or just over 59% of the membership.

The 'if' in the Scottish vote is a very big IF. On the April 1969 poll of members of the English Institute, three-fifths of the members did not vote. Clearly they were not enthusiastically in favour. Of the members who did vote, those in favour were not quite the required two-thirds. The favourable vote was not much more than one-quarter of the total membership.

*Now is the time for all those who oppose the scheme to propagate their views and urge all members of the English institute to use their votes when the time comes. In this way we shall mercifully be saved from the proposed catastrophe (Vol.162, 26.2.70, **emphasis in original**).*

Of the small number of other correspondents who wrote to the professional press on unification during the early part of 1970, most

were hostile and presented arguments which had become very familiar. Another dimension to the debate was introduced by M Greener who aligned integration to the ongoing discussion about establishing a programme of accounting standards for financial reporting (see Zeff, 1972, pp.33-41). Unification was needed because adverse comments in the press on the quality of financial reporting might induce the government 'to take this matter in hand itself' (*The Accountant*, Vol.162, 2.4.70).

In the lead-up to the special meeting called for 24 June 1970, ICAEW members were encouraged by their Council and the London-based professional press to support the proposals. The dire consequences of rejection were also alluded to. A leader in *The Accountant* noted:

The long periods of inaction enlivened by the theories of arm-chair strategists, the impatience to get on with a task so obviously waiting to be done, the 'buzz' of impending action, have been followed in the best traditional fashion by reconnaissance, tactical manoeuvre, sighting shots and, finally, by a hotly fought engagement without quarter asked or given, in which the full thunder of words, if not cannon, has raged over a wide area, and some palpable hits were scored on both sides ...

If a well-found vessel, having borne so much of the battle, is torpedoed within sight of land, the consequences for the profession and the public are incalculable (*The Accountant*, Vol.162, 14.5.70).

The major professional journals in England made it clear that whatever their view, individual members should express it by voting one way or the other and not abstain. In its leader in June *Accountancy* commented that 'This is too important a matter to be left to other people' (Vol.LXXXI, No.922, p.406). It was noted that while the scheme was perceived as complicated:

... it is apparent that support is widespread – the extent of the support differs slightly among the various bodies but reaction

among members of the English Institute seems to have been fairly typical: roughly two out of every three members who bothered to vote were in favour (ibid).

In a final burst of correspondence to the professional journals before the special meetings the tone became more acrimonious. T Robertson drew ICAEW members' attention to an argument that had been formally presented at the time of the chartered-incorporated merger in 1956-7. He quoted from the document:

It is desirable that there should be a clear distinction between the chartered qualification and that of other accountancy bodies.

It would clearly be a retrograde step for the accountancy profession as a whole and for the public at large if the Society were forced to relax the standard of its training so as to allow it to be based to a large extent on commercial rather than on professional experience.

The Institute regards approved accountancy service in industry, including the nationalized industries as an inadequate form of training for public accountants and as being against the long-term interests both of the profession and of the public (The Accountant, Vol.162, 11.6.70).

This letter received some support from other correspondents in subsequent editions of *The Accountant*. However, the most heated dispute arose from correspondence written by H Nicholson and B Sutherland and in which the President of ICAEW became involved. Nicholson (of Liverpool) and Sutherland (from Birmingham) had a friendship going back to ICAEW summer schools at Oxford, and were considered 'well respected in the profession' (Margerison, 1980, p.37). They were also keen opponents of the scheme and had sought contributions of £10 from ICAEW members to finance efforts to mobilise opposition. The letter from Nicholson and Sutherland was as follows:

Dear Member

INTEGRATION

The crucial vote on the integration proposals takes place this summer and we, and many others who agree with us, are concerned lest they are permitted to go through because the full weight of the opposition is under-deployed.

We are, therefore, seeking the support of every member who we know has expressed opposition to the integration proposals whether in the professional press or otherwise. Our intention is to send a suitable letter to every member of the Institute at the time of the vote on the Royal Charter amendments in order to mobilize the maximum vote against them.

We estimate that to do this could cost approximately £2,000. The purpose of this letter is to seek financial assistance from those who are united with us in opposition to the proposals. We are in any event prepared ourselves to underwrite the cost if we do not receive sufficient financial support.

*Will you help us? If so, will you please return the slip at the bottom of this letter with your cheque. If perchance there should be a surplus after the operation we propose to donate it to the Chartered Accountants' Benevolent Association. (*The Accountant*, Vol.162, 4.6.70, p.859).*

Arrangements for the ICAEW meeting

It was agreed that two resolutions would be put to the members of the ICAEW at the special meeting on 24 June. Both involved alterations to the supplemental Royal Charter and Bye-laws of the Institute. The first resolution referred to the plans for integration, the second concerned subscription scales for 1971. The second resolution was deemed dependent on the approval of the first, by

the required two-thirds majority. The members were informed that they may:

... record their vote now by completing the proxy form enclosed with the notice of the meeting, but the lodging of a form of proxy does not debar the member from attending and voting in person, either on a show of hands or on a poll, if he is able to be present. ... At the meeting the Chairman will announce that the poll on resolutions 1 and 2 will be held at the offices of Messrs Myers, Davies & Co at 11 am on Friday 14 August 1970. In order that members may have an opportunity of studying the transcript of the proceedings at the special meeting before voting on the poll, the transcript will be sent to every member, together with a second proxy, and anyone wishing to defer voting may do so until he has read the transcript. What is more, anyone wishing to change his decision will be able to do so by completing the second proxy (Accountancy, Vol.LXXXI, No.922, p.406).

Although this detailed explanation of the arrangements for conducting the poll was provided, Nicholson and Sutherland, raised objections. In a letter published on 18 June 1970 they complained that proxy cards and the notice calling the special meeting were being distributed at the same time despite the fact that the poll was deferred until 14 August. In addition they asserted:

... the Immediate Past President, [Leach], has especially asked members of District Society Committees to attend and speak and we have reason to believe that such members may be expected to support the Council, in general, although they are far from unanimous (The Accountant, Vol.162, 18.6.70, p.932).

To counter such tactics, Nicholson and Sutherland urged opponents of the scheme to attend the special meeting in June even if this necessitated a particular effort and 'if need be, a sacrifice' (*ibid*).

The ICAEW President, C Croxton-Smith, was unable to respond to these comments in *The Accountant* until the day after the special meeting had been held. The terms of his response were severe. He stated that as a matter of policy he had refrained from publicly engaging with correspondents to the professional journals. However, the letter from Nicholson and Sutherland demanded a reply. Croxton-Smith corrected Nicholson and Sutherland on the issue of the proxy forms by stating that this action was required under Bye-law 103(e) 'from which there is no escape'. He reminded readers that the second proxy card was made available to members who wished to change their minds after reading the transcript of the special meeting. He objected to what he termed 'an accusation of a breach of faith,' in relation to the partial quotation of the letter from Leach. Croxton-Smith insisted that the appropriate section of the letter should have been quoted in full. Leach had indeed written to members of the district society committees asking them to attend and speak in order that the transcript should be truly representative of the balance of opinion held by the membership generally. However, his letter had contained a final sentence: 'I hope that you and as many members of your committee as possible will ... voice your opinions – **whether they are for or against the proposals**' (*The Accountant*, Vol.163, 25.6.70, **emphasis in original**).

The special meeting of the ICAEW, 24 June 1970

By the date of the meetings of the chartered bodies on 24 June 1970, the results of the IMTA and ACCA ballots had been announced. 84.6% of the members of the IMTA had voted in favour of the scheme as had 91.5% of members of the ACCA (*The Accountant*, Vol.162, No.908, p.868). It was also known that the results of the ICAI and ICAS ballots would be declared on the 24 June, and the ICWA vote would be declared on 11 July 1970. That is, prior to the submission of ICAEW poll cards to scrutineers.

The special meeting of the ICAEW was duly held on 24 June 1970 in the Royal Albert Hall, London. The President offered some

background to the proposals for unification by stating that the first objective of the ICAEW Council had been to raise the standard of professional education and to relate it more closely to the requirements of members on qualification (*Accountancy*, Vol.LXXXI, No.924, p.566). Croxton-Smith claimed that the ICAEW Council believed that all major problems with the scheme had been satisfactorily resolved and safeguards had been established for practitioners performing reserved functions. He claimed that 'the more we and our colleagues representing the other bodies studied the role of the accountant in the business community today and in the foreseeable future, the more convinced we became that the profession should function as an entity' (*ibid*). He concluded that if the current opportunity was not seized each of the accountancy bodies would redoubled 'their efforts to claim special expertise for their members, and the result would be utter confusion to the public. No-one would be able to speak for the profession as a whole' (*ibid*). The President did not mention that legislative support had previously featured as an absolute pre-requisite for the scheme and had been the subject of delicate negotiations with the Board of Trade.

Nicholson, who claimed that several members of the Council and no less than four past presidents of ICAEW opposed the scheme, led the speeches against the resolutions. He reported that contributions to the 'fighting fund' against the scheme had been received from members of Council and district society committees. It was reported on 16 July that the appeal had raised approximately £1,600 (*The Accountant*, Vol.163, 16.7.70; *Accountancy*, Vol.LXXXI, 1.9.70). Nicholson's main complaint was that the scheme 'involved an unacceptable dilution of the high professional standards of the Institute' (*The Accountant*, Vol.163, 16.7.70). He noted the danger of the enlarged council being dominated by non-practising accountants and claimed that the scheme did nothing to prevent other accountancy bodies springing up in the future. In another 20 or 30 year's time, standards would be further debased by the need for another integration. Nicholson's fellow opponent, Sutherland, alleged that the advocates of the scheme 'were

men in a hurry, who refused to recognise that sound development could only come by a process of steady evolution and were obsessed with the idea of creating the biggest body of accountants in the world' (*ibid*).

Sir Ronald Leach responded that he failed to detect any progressive alternative policy in Nicholson's arguments and that it was not possible to live on the Institute's past reputation:

We live in different times and conditions have altered completely. I am not even certain that today the best training for a higher executive in industry must necessarily be as a Chartered Accountant trained in practice. The skills and expertise have altered completely, and I believe that we shall see a stream of people emerging from business schools, universities and from big business itself who will be the candidates for the top positions in industry, and these people will bypass the profession altogether ... We are doing everything in this scheme we can do to protect the image and reputation of our profession, but I believe that we cannot stand still (ibid).

Another speaker, H O H Coulson, raised two issues which had featured prominently in the debates of 1968 and 1969. Coulson complained that the manner in which the scheme had been presented:

... was a travesty of democratic consultation. It involved a large number of amendments to the bye-laws, each of which should have been the subject of a separate resolution. The presentation of a package deal did not give the membership a fair chance to consider or debate it (The Accountant, Vol.163, 16.7.70, p.74).

Leach countered that it would be impossible to vote separately on every component of the proposals. The scheme had been devised as a package (*ibid*). Coulson's second complaint set out the issue of dilution in its bleakest terms. He commented that the IMTA and ICWA had 'nothing in common with us. Their whole philosophy

is different. While we could do their job with a little more skill and training they could not do ours' (*ibid*). D G Richards, who supported the scheme, identified points of similarity among accountants from differing fields of accountancy. He asserted:

Presumably those opposed to this resolution see the future for us as being a profession of practising members only, and our Institute with a gradually diminishing influence in the service it should give to the community, but at the same time becoming more and more exclusive, a cosy club of undoubted integrity, long memories and moral rectitude, unsullied by any taint of commercialism (Accountancy, op.cit, p.568).

The final speaker at the special meeting was Tanfield who repeated his opposition to the scheme. At the end of his address it was reported:

... a member secured the microphone and moved 'that the question now be put'. This being seconded and supported by a majority of those present, the President called for a show of hands on the main resolution. The result was:

For the resolution 121

Against the resolution 81

(The Accountant, Vol.163, 16.7.70).

After the special meeting, the leader in *Accountancy* argued that on balance integration seemed a step in the right direction (*op. cit*, Vol.LXXXI, 1.8.70) and in its final editorial before the poll this journal argued strongly in favour of the proposals. It claimed that the impending decision was the most important faced by members of the Institute for several generations. *Accountancy* stated that it shared the Council's view that 'accountancy is one profession, and that the interests of members, whether they are in practice or not, are best served not by casting off industrial responsibility, but by the sort of Institute of Chartered Accountants envisaged in future plans' (*ibid*). *The Accountant*

breathed a sigh of relief that the votes reported for the other accountancy bodies also showed a substantial level of support:

The Institute of Chartered Accountants in England and Wales has the longest history of any organized body of accountants, other than the three local societies which amalgamated to form The Institute of Chartered Accountants of Scotland in 1951; it has by far the largest membership of any of the participating bodies; it is also the body which may have to assimilate the great majority of the present membership of three other societies, and whose qualification stands to suffer if the often-voiced fears of 'dilution' are established as fact in the public mind. With so much at stake, it appears to us doubly fortunate that the timing of the various meetings has given the last word to Moorgate Place, and that the scheme has not been prematurely torpedoed on a minority vote of a smaller body (The Accountant, Vol.163, 16.7.70).

The journal deplored the action of 'those members who succeeded in "guillotining" the debate and thus prevented several others from being heard' at the meeting of 24 June (*ibid*). The final exhortation of *The Accountant* before the poll was a plea for ICAEW members to cast their vote (*ibid*).

'A close run finish', August 1970

As ICAEW prepared the transcript of the special meeting of 24 June for distribution to its members a series of events unfolded which had implications for the result of the poll. Firstly, the outcome of voting among the other participating bodies was declared and revealed that the requisite majorities to institute the schemes had been obtained:

Table 11.2 Results of voting, June and July 1970

| Body | Date of meeting 1970 | Definitive vote | | | Members as at 1.1.70 | Vote as % of members | Remarks |
|------|-------------------------|-----------------|----------------|-------|----------------------------|----------------------------|---|
| | | For | Against | Total | | | |
| IMTA | 4 June | 510 84.6% | 93 15.4% | 603 | 5,339 | 11.3 | On show of hands at AGM |
| ACCA | 10 June | 4,930 91.5% | 460 8.5% | 5,390 | 12,407 | 43.4 | Includes proxies held by the President |
| ICAS | 24 June | 2,919 74.0% | 1,023 26.0% | 3,942 | 8,453 | 46.6 | Expressly dependent on acceptance of the scheme affecting England & Wales |
| ICAI | 24 June | 871 91.9% | 77 8.1% | 948 | 2,232 | 42.5 | Expressly dependent on acceptance of the scheme affecting England & Wales |
| ICWA | 11 July | 4,727 80.2% | 1,166 19.8% | 5,893 | 10,831 | 54.4 | |

Source: based on *The Accountant* (Vol.163, 20.8.70, p.232).

Secondly, the opponents of the scheme in England and Wales became more active and impassioned. In the final burst of correspondence before the August poll, Wilkinson asked 'for what are we asked to tear to pieces the constitution on which our Institute has grown to greatness? For what, please, for what?' (*ibid*). More importantly, Nicholson and Sutherland circulated a letter to members of the ICAEW:

July 1970

Dear Fellow Member

Integration of the Accountancy Bodies

You have recently received or will shortly receive the transcript of the proceedings at the meeting at the Albert Hall on 24 June 1970. We ask you to read it most carefully and you will see that the arguments of those who spoke against the proposals heavily outweighed those in favour, indeed the main objections to integration are unanswerable.

*We ask you to support us in voting **against** the proposals. We believe that they must bring about dilution of the standards which industry and commerce and also the public generally have learned to expect of chartered accountants. This is especially important for younger members who have not yet established themselves in their careers.*

We also urge you to consider carefully whether you are prepared to accept the following consequences which will flow from the proposals:

- 1. Some 25,000 people who have neither served our articles nor passed our examinations will be given our qualification immediately.*
- 2. In the future others will be able to obtain our qualification by service in eg nationalised industry or a government department without ever having worked in the independent atmosphere of a professional office.*
- 3. Industry and commerce and the public generally will find that they no longer rely upon the qualification 'chartered accountant' as it is recognised today and will be faced with the need to enquire in every case into the manner in which the qualification was acquired.*

4. *The council must eventually be completely dominated by the non-practising side and thus the independence of the practising member will be threatened.*
5. *The profession will be ripe for nationalisation by any future government and we could well find ourselves, whether in practice or not, as a 'National Accountancy Service'.*

We believe that the right policy for the future of our Institute is to concentrate on raising entry standards, improving the quality of training, and raising standards of work on both the practising and non-practising sides. By doing so we shall raise the Institute still higher above the other accountancy bodies. Integration is not necessary to implement such a policy; indeed it can be better achieved without integration.

*If you believe as we do that the scheme of integration will destroy the essential quality of our Institute and you have not already sent in your vote against it **please sign and post the enclosed proxy immediately.** We undertake to use this proxy to vote **against the Resolution for the integration scheme** (Accountancy, Vol.LXXXI, No.924, p.562, **emphasis in original**).*

This letter represented a significant shift of ground by the opponents of the scheme. Whilst supporters of unification might have dismissed Nicholson and Sutherland's contentions as unsubstantiated and objected to their presentation of an apocalyptic prospect for the profession, Nicholson and Sutherland did offer the members an alternative vision of the future - one which stressed the need to enhance standards of entry, training and professional development. However, the most important aspect of their intervention was the attempt to provide a focal point for opposition. This was achieved through providing proxy cards to ICAEW members. In employing this medium, Nicholson and Sutherland drew on their familiarity with fighting corporate take-over bids. These experiences had taught them to delay their plea for support until the last possible moment

in order to wrong-foot the opposition (Sutherland, 2001). After the votes were counted it was observed that Nicholson and Sutherland had ‘considerable experience of proxy battles’ (Cabourn Smith, *Accountancy*, Vol.LXXXI, No.926, p.695). The careful timing of their circular had given the ICAEW very little time to adjust to the appearance of this formal opposition. Nicholson and Sutherland had estimated that they required approximately 3,000 proxies in order to block the unification proposal. This assumed that opposition would also be expressed through previously registered proxies (Sutherland, 2001).

The ICAEW decided not to make an official reply to Nicholson and Sutherland but *Accountancy*, in its ‘Professional Notes’ did not feel so inhibited (*ibid*). The journal contended that there was nothing new in the five points made by Nicholson and Sutherland and that their arguments were characteristic of hard-core traditionalists. It was argued that the integration schemes recognised the diversity of accountancy practice with the majority of qualified accountants being employed in industry, commerce and public service. The training of chartered accountants in practising offices did not make them better industrial managers and alternative training routes might be favoured in the future. *Accountancy* concluded that ‘To vote against the integration scheme is to miss the point; there can be no return to the 1920s’ (*ibid*).

Early poll indications were that the most compelling feature of the ICAEW vote on integration would be the apathy of members. To address this the August edition of *Accountancy*, which was published in late July, included the following communication:

A Message from the President

The Integration Proposals

Proxy cards have to be returned to the scrutineers by 11 am on Wednesday, 12 August 1970. At the time of writing this note I am distressed to learn that over 50 per cent of the membership has not taken the trouble to return a proxy form on a matter which is so vital to the future of the profession, and on which I believe it is the duty of every member to express an opinion.

I make a final appeal to every member who has not expressed a view, to complete a proxy form and return it to the scrutineers immediately.

C Croxton-Smith
President

Following the President's plea, *The Accountant*, reported a late influx of votes:

... the outcome of this week's crucial vote by members of the ICAEW on the future of the profession remained a matter of doubt and speculation. Following the publication of the President's letter ... a further influx of proxy cards brought the total number so far received by the scrutineers, less than 24 hours before the poll was due to close, to approximately 32,000.

According to an Institute spokesman, this total had still to be adjusted in respect of an unknown number of members who might have changed their instructions after receiving their report of the special meeting on 24 June. It was also known to include over 7,000 proxies given in favour of Mr H T Nicholson, FCA

and Mr B W Sutherland, FCA who have been active in opposing the scheme. There is accordingly a very real prospect of a close run finish (Vol.163, 13.8.70).

The announcement of the result of the ICAEW poll was made on Friday 14 August to an audience of about 20 people at the offices of the scrutineers, Myers, Davies & Co. Fears of disinterest proved unfounded. The proportion (64.1%) of the members (47,652) who voted was the highest in the Institute's history.

Resolution 1, on the integration proposal, was defeated:

| | | |
|-----------|--------|-------|
| In favour | 13,700 | 44.8% |
| Against | 16,845 | 55.2% |
| | <hr/> | |
| Total | 30,545 | |

Resolution 2, on subscription scales for 1971, which was conditional on the success of the principal resolution, failed to achieve the requisite majority and also fell because of the vote against Resolution 1:

| | | |
|-----------|--------|-------|
| In favour | 13,712 | 59.7% |
| Against | 9,276 | 40.3% |
| | <hr/> | |
| Total | 22,988 | |

Immediate responses to the 'disaster'

The announcement of the result of the ICAEW poll 'clearly surprised some members of the audience, who on previous experience had expected the resolution to receive at least a simple majority' (*The Accountant*, Vol.163, 20.8.70). *The Accountant* noted that while it had been realised for some time that there were opponents of the scheme in the ranks of the ICAEW:

... not even the most hardened and optimistic opponents of the scheme could have foreseen that the proposals would fail to obtain ... even a simple majority.

It is at least satisfactory to reflect that the vote was in every sense a conclusive one ... By any assessment, the present views of the membership have been made clear beyond the bounds of legitimate dispute.

If this is the present position, what of the future? The demands of an increasingly commercial and competitive society must be met for the time being by a fragmented profession which, as we wrote when the scheme was first published, has been 'almost notorious throughout its history for the multiplicity of constituent institutes, societies, associations, faculties and groups'. At least the pattern of voting has removed any need for recrimination and a search for scapegoats. In other circumstances it might have been tempting to accuse a few individuals, whose opposition has been particularly determined and perhaps more articulate than most, of having wrecked the scheme; but it seems plain that these gentlemen have done nothing more than to provide, at the most, a focus for the considerable measure of dissatisfaction and dissent which already existed. In fact the proxies collected by Mr H T Nicholson, FCA, and his supporters amounted to less than half of those who combined to defeat the resolution (op.cit, 20.8.70, pp.229-230).

The *Certified Accountants' Journal*, in describing the result as a 'Vote for Canute', observed that 'all were losers, and already the comment in the press leaves little doubt that the profession has suffered a loss of public respect' (September 1970, p.479). *Accountancy* did not mince words:

... the result of the Institute vote on integration was a disaster, a disaster for the accountancy profession as a whole, and for the

Institute especially. It represented the negation of all that the Council had worked for over the past five years.

Always a leading proponent of a profession-wide approach, and in any case by far the largest of the bodies involved in integration discussions, the institute must bear a special responsibility for them: and now that the proposals have been accepted by all five other bodies, the Council's position is an acutely embarrassing one.

The immediate problem is: what happens now? (Accountancy, Vol.LXXXI, No.925, p.637).

The Times, which expressed alarm at the way in which ICAEW members had reacted against the integration scheme, offered an answer to this question. It suggested that the profession now move with renewed vigour towards the reform of accounting principles and encourage all-graduate entry. These measures might serve to quell the criticism of standards in the profession which had emerged in recent years (15.8.70, p.17). *The Economist*, under the deprecating leader 'When is a Profession not a Profession' suggested an alternative way forward. Given the prospect of accountants continuing to be trained in the unsuitable arena of professional practice for careers in industry, the non-chartered organisations should join forces and compete with the chartered institutes (22.8.70, p.164).

The official reaction of the ICAEW was provided by the President in a formal statement:

I am naturally disappointed at this result. The Council will now consider, as a matter of urgency, the policies which must be followed to secure the future strength and development of the Institute.

The Council will therefore at its next meeting appoint a special committee to examine the objectives of the Institute and the policies it should pursue in the present circumstances (Accountancy, Vol.LXXXI, p.634).

Sir Ronald Leach who had played a significant role in formulating and promulgating the proposals as Chairman of the JSC and as the immediate Past President of the ICAEW, said:

I am naturally both disappointed and surprised that the necessary majority in favour of the scheme for the development of the profession has not been obtained. I believe that we have lost a wonderful opportunity of developing our profession in this country which may never recur.

I am also extremely sorry after such long discussions and negotiations with the other five bodies to produce a scheme which was likely to be acceptable to all, it is we who have failed at the last hurdle. This is in marked contrast to the Chartered Institutes in Scotland and Ireland.

When you ask me why this disappointing result has occurred, I can only conjecture, since over the last year or so I have talked to thousands of members here and abroad and found few who were not in favour of the scheme. The main point pursued by the opposition seems to be that integration means unacceptable dilution ... Perhaps the problem is that some members are unable to balance the future benefits to the profession against any immediate disadvantage they fear from integration ...

As for the future, the Council will reassess the position and plan accordingly. There are important tasks to be continued, integration or not, such as education, research and the implementation of our Statement of Intent on accounting standards. We must not allow disappointment at the failure of our more ambitious plans to slow down our progress in other fields for one moment (ibid).

In contrast to the dismay of senior office bearers of the ICAEW, Nicholson and Sutherland were 'naturally jubilant at the result'. It was reported that they were content their efforts had contributed to a clear outcome: one which 'closes the matter of integration once

and for all' (*Accountancy*, Vol.LXXXI, No.925, p.635). Nicholson and Sutherland were asked why they thought the scheme had failed. They claimed:

It went wrong from the beginning. The Council deluded themselves when they thought that their initial discussions with district society committees had given them a certainty of strong support for the scheme. Part of the trouble is that the Council is not really in touch with the body of the members. They are all very busy men, and we are certainly not attacking them personally. It is more a fault of the system. There should be far fewer papers to read, and more chances to talk to the 'constituents'. After all, Council members are not there in their own right, but as delegates for the members in their area. If they are not careful they lose touch with grass-roots opinion, and this is what happened in this case (ibid).

The immediate reaction of the other accountancy bodies was to express disappointment. The President of IMTA claimed that 'it was a sadder day for those men of vision and courage who had given so much of their personal time and effort in an endeavour to achieve integration' (*The Accountant*, Vol.163, No.4992, 20.8.70). The President of ACCA referred to 'five years of arduous and time-consuming effort' which had proved fruitless (*ibid*). The President of ICAS noted that his Council would review policy in the light of the decision, but with the intention of fostering good relations with the other accountancy bodies (*The Accountants' Magazine*, Vol.74, September 1970, p.398). The President of ICWA restricted his comments to the observation that his Institute would 'consider the action to be taken, on the guidelines previously laid down, for the future of the Institute as the specialist body in management accountancy' (*The Accountant*, Vol.163, 20.8.70, p.230).

Summary

From the beginning of the discussions on the future of the profession, dilution was identified by the ICAEW as a significant issue. However, the recognition of this problem did not result in the framing of a convincing counter argument. Rather, a mantra was pronounced that dilution should be conceded as a singular event, which would have limited long-term consequences for the status of members. By down playing the issue of dilution and presenting the scheme as a total package, it was hoped that sufficient support would be obtained from members for the unification of the profession.

At the annual general meeting of the ICAEW in 1968 Tanfield's resolution calling for the unilateral withdrawal of ICAEW from discussions with non-chartered bodies was marginally defeated. Thereafter, the ICAEW Council appears to have disregarded the extent of opposition to the proposals and determined to proceed with integration. In April 1969 approval was sought from the members of the ICAEW for the scheme in principle at a special meeting. Although Tanfield reiterated his opposition at this meeting, the Council received 66.2% of the votes, on a 42% turnout and confidently went about drafting amendments to the Royal Charter of the Institute. The withdrawal of ICAS from the integration scheme boosted the spirits of the dissenters within ICAEW who began to mobilise opposition to the scheme. Two opponents, Nicholson and Sutherland, solicited financial support from members to pursue a postal campaign, supplemented by the tactic of obtaining proxy votes.

The integration scheme was formally presented to a special meeting of the ICAEW on 24 June 1970. It had been agreed that a transcript of the special meeting would be issued to members together with a poll card which allowed for the expression of a change of mind. At the special meeting 121 voted for integration and 81 were against. However, the defining event was to be the declaration of the poll of members in August. Concerned at the prospect of apathy, the ICAEW President pleaded for members to make their view known. In the

final days before the declaration, rumours circulated that the vote was close. The result of the ICAEW poll was announced on 14 August 1970. The turnout was the highest in the history of ICAEW, but the result was not as the Council had expected. The main resolution, which sought approval for the integration scheme, failed to secure a simple majority, attracting only 44.8% of the votes cast. Despite the diplomatic expressions of disappointment, it was clear that the office bearers of the ICAEW were stunned at this outcome. A decade of discussion to address the future of the profession in the UK had culminated in the rejection of the scheme.

CHAPTER TWELVE

CONCLUSIONS

The aftermath of the ICAEW vote against unification is documented further in this chapter. The sense of frustration following the rejection of the scheme was apparent when the JSC met for the last time in September 1970. The debacle had a significant impact on policy makers in the profession and its consequences were felt during much of the ensuing decade. During the mid-1970s co-operation between the accountancy bodies shifted to the new arena of the CCAB. However, the decade also saw the entrenchment of existing organisational structures. The chapter concludes by offering some observations on the failed quest for closure and integration during the 1960s.

Winding up of the JSC

The final meeting of the JSC was held on 23 September 1970. The only item on the agenda was the formal notification of the results of the votes of members during the summer. Having declared that all the participating bodies had approved the integration scheme with the exception of the ICAEW, the Chairman, S Dixon, lamented:

... the result of the vote by members of the English Institute was a great disappointment to himself and his colleagues representing that Institute.

He said that although much of the work done might appear to have been fruitless, valuable exchanges of view had taken place and much goodwill had been engendered between the representatives of the six bodies. He hoped that future problems

would be dealt with in the same atmosphere of co-operation and friendliness (ICAEW, JSCB, 23.9.1970).

The JSC effectively acknowledged that its attempt to address a problem which had bedevilled the accountancy profession since the late nineteenth century - the existence of a plethora of competing organisations - had failed: 'The view was expressed that the problems which had given rise to the formation of the Committee and the resulting schemes were still unresolved' (*ibid*). Those present proceeded to offer consoling sentiments on the virtues of mutuality and co-operation in the future. It was revealed that the ICAEW was already contemplating the establishment of a 'special committee' whose remit would be nothing less than an examination of the objectives and policies of the Institute. The secretariats of the participating bodies were thanked for their four years of hard work. The Chairman then declared 'that the purpose for which the Committee had been established was now ended and no further meetings would be held' (*ibid*).

This cheerless gathering bore a close resemblance to a similar event which had taken place on 18 April 1951. On that occasion representatives of the accountancy bodies on the Co-ordinating Committee convened to hear that the ICAEW Council, the main promoter of attempts to co-ordinate the profession since 1942, had decided not to pursue the matter further. The ACCA representative commented that 'after years of careful consideration, of patient and prudent examination we are back to the place from which we started' (quoted in Shackleton and Walker, 1998, p.96). Almost twenty years later the JSC was forced to concede a similar outcome.

The architects of the scheme for the integration of the accountancy profession during the 1960s would have empathised with the fate of Sisyphus. In Greek mythology Sisyphus was a sinner who was punished for betraying the divine secrets of Zeus by being condemned for eternity to the futile task of pushing a rock to the top of a hill only to watch it roll down as he approached the peak. In 1970 the office bearers of the ICAEW were faced with the problem which confronted Sisyphus:

As soon as he has almost reached the summit, he is forced back by the weight of the shameless stone, which bounces to the very bottom once more; where he wearily retrieves it and must begin all over again, though sweat bathes his limbs, and a cloud of dust rises above his head (Graves, 1981, p.64).

Aftermath

The reminiscences of those who, like Sir Ronald Leach, were principal actors in the development of the integration scheme, testify to the sense of frustration felt following the events of summer 1970. Having played a significant part in the orchestration and advocacy of the plan for the future of the profession, Sir Ronald witnessed it being negated by his own members: 'I was furious, it had been an enormous amount of work' (*Accountancy*, October 1994, p.30). Leach argued after the final poll result that he had talked to thousands of members and found few who were not in favour of the scheme. If true, this would appear to be a very revealing statement of the failure of the rank and file members of ICAEW to communicate their own reservations to the Council. However, Leach's statement ignores the fact that Tanfield had generated significant support for the withdrawal of the scheme in 1968.

Considerable resources had been invested during the 1960s in the quest to devise a successful formula for unification. The survival of numerous and voluminous files of archival material relating to the emergence and development of the scheme bears testimony to the scale of the effort. The cost could be measured in more than man hours. In a centenary history of the ICAEW it was recalled that:

There was widespread disappointment over the failure of integration. The Institute's greatly enlarged headquarters in Moorgate Place in the City, which many members were regarding as the headquarters for the integrated Institute, had been opened by Her Majesty Queen Elizabeth, the Queen Mother, just three

months before the poll result. Now they seemed impracticably large (Margerison, 1980, p.38).

Not surprisingly, the disappointment expressed in the immediate aftermath of the ballot had an enduring quality. Ten years after the debacle of 1970 the historian of the ICAEW considered that 'The aftertaste still lingers' (Hopkins, 1980, p.17) and his counterpart in ICAS wrote of the lessons to be learned from the episode (McDougall, 1980, pp.44-5).

At the final meeting of the JSC it was agreed:

... informal arrangements for joint consultation on matters of mutual interest, initially perhaps on an informal but regular basis, should be established so that some of the benefits which would have accrued from the schemes would not be entirely lost. A public announcement to this effect should be considered as a matter of urgency to establish the image of a united profession (ICAEW, JSCB, 23.9.70).

The JSC considered that it would be 'disastrous if the accord which had been achieved should now be destroyed by unilateral action'. Further, 'Open competition between the six bodies at the expense of one another should be avoided'. Despite these polite calls for co-operation and unity of action, changes, which were antithetical to the future advance of unification, emerged from the debacle. Although the Consultative Committee of Accountancy Bodies arose in 1974 as a forum for developing joint representations and discussing matters of mutual concern to the six major accountancy organisations, the complexion of the voting behaviour in 1970 served to damage the prospect of integration in the short and medium term (Willmott, 1986, p.572). The early 1970s witnessed organisational entrenchment and reassertions of separate institutional identity particularly among the non-chartered organisations. For example, the ACCA changed its name in 1971 and was granted a royal charter in 1974. The IMTA altered its title to CIPFA in 1973 and sought to extend its functional

domain within the public sector. The ICWA changed its name in 1972 (to ICMA) and gained a royal charter in 1975.

At ICAS the debacle engendered 'a closer *rapprochement* than had ever existed before between the Council and the general body of the membership' (McDougall, 1980, p.43). At the ICAEW it comprised 'a dramatic shock to traditional ideas about governance' (Tricker, 1983, pp.40-1) and a greater willingness by the rank and file to challenge the decisions of Council. Soon after its members' rejection of integration the ICAEW established the Morpeth Committee whose recommendations to enhance the representative character of the Council and increase the involvement of the members were accepted in 1971. New electoral processes were introduced by the ICAEW in 1973.

The failure to achieve integration in 1970 also 'left education plans in disarray' (Carter, in Solomons, 1974, p.ix) and encouraged the accountancy bodies to pursue separate educational systems. This gave added impetus to the work of 'The Long Range Enquiry into Education and Training for the Accountancy Profession' by Solomons and Berridge (1974).

Observations

In his review of the failed integration attempt of 1970, E H V McDougall, Secretary of ICAS, 1951-1976, emphasised that members were unlikely to have supported proposals which were perceived as too complex and harmful to their interests (1980, pp.44-45). Our investigations suggests that there were more elemental reasons for failure. The research conducted for this study together with that reported in Shackleton and Walker (1998) spans the attempts to rationalise the profession over the period from 1937 to 1970. The current investigation has revealed that a number of observations made about the attempt to co-ordinate the profession during the 1940s and 50s are also applicable to the quest for unification during the 1960s. These relate in particular to the manner in which the leaders

of the profession engaged with government departments when seeking legislative support; the pursuit of schemes which were founded on the achievement of particularist agendas as opposed to a widespread desire for change; and, the detachment of office bearers from their memberships.

Engaging with Government

During the 1940s and the 1960s it is apparent that office bearers who sought legislative measures in support of rationalisation plans did not fully recognise the importance of mandrinate civil servants as intermediaries in the legislative process. On both occasions it was powerful departmental civil servants who acted as the gatekeepers to requests for supporting legislation which emanated from the profession. It was they, as opposed to ministers, who performed the detailed scrutiny of proposals, set priorities, managed the information flows between government departments, and determined at which point decisions were required from their political masters. The senior members of the profession who engaged with senior bureaucrats often appeared rather naïve about the workings of Whitehall. The accountants also tended to return to their councils and committees with an oversimplified and selective interpretation of their conversations at the Board of Trade which downplayed suggestions of negativity on the part of civil servants. At the same time, genuine and legitimate enquiries by accountants were not always met with timely or frank responses by departmental officials.

It is also clear during the 1940s and the 1960s that when submitting legislative proposals to the Board of Trade, the representatives of the profession were not sufficiently attuned to the need to present measures which were consistent with prevailing government policy. The onus was on the profession to reveal that statutory intervention was in the public interest and not driven by monopolistic intent. The capacity of any professional group to elicit privileges from government is conditioned by the political *zeitgeist* and the scope for reciprocity with

the state. During the 1940s, there was a degree of alignment between government policy on reforming company law and the accountants' desire to obtain closure of the profession. However, during the 1960s the prevailing political culture was not conducive to legislation for the imposition of restrictive practices in the professions, especially if there were no attendant advantages for the public.

In its attempt to lobby the Board of Trade, the profession was often patently ill-prepared and largely unconvincing. It was unable to present a coherent and sufficiently evidenced case to persuade senior civil servants that the interests of the public would be damaged by the absence of a state sanctioned monopoly of accounting practice. This was despite the centrality of the statutory ring fence to its scheme for the future. The fact that senior accountants appear to have been ignorant of the Estate Agents' Bill suggests a certain detachment from contemporary politics. Thus, the accountants invested a considerable amount of time and effort in a vain attempt to secure the support of the state for their ring-fence measure.

Pursuit of particularist agendas

It was concluded in the study of the attempt to co-ordinate the profession during the 1940s and 50s that the successful pursuit of unification depends on the existence of widespread demand for change among the particular organisations involved. The same observation emerges from the current study. The integration scheme that culminated in the votes of summer 1970 did not emanate from a groundswell in favour of rationalisation across the profession. Although the ACCA and provincial practitioners within the ICAEW sought change in the wake of the integration of the SIAA in 1957, the ultimate effort to devise a plan for the future of the profession was born of the desire by the ICAEW to entrench its hegemony in the UK accountancy profession. The growth of industrial accountancy and the organisations which specifically represented it, together with the proposed expansion

of higher education following the Robbins Report, posed serious threats to the market position of the ICAEW.

Due to the legacy of definitions of 'professional accountant' as relating to public practice and the establishment of systems of education and training geared to vocational preparation in that field, the chartered organisations were not well equipped to accommodate the growth of accountants trained for, and employed in, industry and commerce. The fact that the ICWA and ACCA were so equipped disturbed the extant hierarchy of professional bodies in Britain and the organisational and ideological contexts on which it was founded.

In 1959 F M Wilkinson had argued that the ICAEW 'will die if the Association (either alone or with the ICWA) is allowed to establish a claim to be the leading body in the industrial field' and reasserted that 'the chartered accountant must be accepted by the public as the accountants'. Thereafter, the ICAEW Council agreed that measures were necessary 'to counter the expansion of the Institute of Cost & Works Accountants and of the Association in the industrial field'. Integration was substantially about averting a merger between the ACCA and ICWA. Such a union offered the prospect of a new dominant force in the profession: one which challenged the public practice foundations of the vocation and the institutions which represented it. In November 1965 the Council of ICAEW was quite adamant that a 'basic purpose' of the unification scheme was leadership of the profession by public accountants and that constitutional structures should be proposed which ensured that result. The Policy Committee of the ACCA suggested that the unification scheme was an attempt to hinder the formulation of 'a new and energetic policy' by the Association.

Once it became clear that a statutory ring fence was not likely to be forthcoming, the ICAEW Council had to decide whether to proceed with a revised version of the scheme. It was largely persuaded to continue in April 1967 by the fear that an amalgamation of the ICWA and ACCA would be encouraged if unification was not pursued. The degree of alarm at Moorgate Place was possibly over-emphasised given

the knowledge that discussions between the ICWA and ACCA had not progressed very far. Indeed, very strong signals were given by the ACCA that it did not wish to 'disappear' in a merger. Nevertheless, as on so many former occasions, the 'fear factor' motivated many of the initiatives which surfaced in the discussions between the accountancy bodies during the 1960s.

The extent to which the occupational shift in the profession towards industry and commerce represented a threat to the ICAEW was evident not only in the emergence of a unification scheme but also in its contents. The ICAEW was determined to advance a project for integration which entrenched its own dominance and that of public practice. The proposed constitutional structures and recruitment quotas were designed to ensure that outcome. It was stated in *The Future of the Profession* in 1965 that while unity of organisation was a fundamental objective of unification, 'it is desirable that leadership should be in the hands of the Institute of Accountants in England & Wales'. In 1967 Leach referred to the need for ICAEW to 'keep the lead'.

The manner in which the unification proposals were pursued was also indicative of the ICAEW's attempt to implement a scheme which would preserve its hegemony. Short timetables were devised to maintain the momentum of the discussions, dissent from within and outside the ranks was often suppressed and/or disregarded. The existence of adverse opinion was known but, according to the FPC, was to be 'relegated to a subordinate place lest the possibility of objections should be allowed to determine the final structure' of the unification scheme. The determination to proceed towards the prize of unification, irrespective of concerns about consistency of argument, was especially evident in 1967. Until that time the central plank of the plan for the future of the profession was a statutory ring fence. In December 1966 Sir Henry Benson stated at the Board of Trade 'that integration would fail unless the 'ring fence' proposals were acceptable' to the government. Shortly thereafter it became apparent that legislation would not be forthcoming. At that point, a major reconsideration of the whole scheme was needed. The ring fence was an essential element

of the scheme, particularly for provincial members of the ICAEW engaged in public practice. Statutory protection could be presented to this group (and others) as offering a strong element of protection from unqualified competitors, whilst perhaps sublimating any fears about dilution. The prospect of the absence of the ring fence from the scheme presented the leaders of the ICAEW with major problems of revision, presentation and argument. Despite these difficulties, it was determined to continue with the scheme and the former significance of the ring fence was downplayed.

Publication plans went ahead despite continuing disagreement among the participating bodies on detailed issues. During the summer of 1967 the ICWA was informed by the JSC that it would be left behind if it did not expeditiously accept an amended plan. Dissent, it was argued, encouraged further delay and the scheme was already behind schedule. When the schemes were published and voted on by the memberships they were presented as total packages such that the details were not negotiable, despite the fact that many of the measures were amenable to being developed and discussed on their individual merits.

Alternative proposals, which were often subject to serious consideration by the participating bodies, such as the deliberations of ICAS on a merger of the chartered institutes, were not contemplated by the JSC. Following the temporary withdrawal of ICAS from the scheme in 1969, it was agreed to proceed with integration involving five bodies despite this contravening the fundamentals of the original plan and the 'one out, all out' principle. The latter established that the approval and authority of the memberships of all six participating bodies would be necessary if the schemes were to be implemented.

The failure to achieve the appropriate level of authority in the vote of ICAS members in May 1969 should have brought the negotiations to a halt. However, the various councils had never seriously contemplated the likelihood that the members of one of the participating bodies would fail to confer sufficient approval and confer authority for the schemes. Such an outcome would have seen years of discussion end in

failure. The Councils had, in the words of one of their critics, stopped thinking 'if' because to them it had long been a question of 'when'. No 'Plan B' had been devised to accommodate the unthinkable. Hence, despite the dubious constitutionality of such a move, the English and Irish schemes were proceeded with despite the decision by ICAS to withdraw.

The expeditious approach towards the pursuit of integration in both the 1940s and the 1960s also caused problems. It did not encourage sensitivity to the institutional legacy of previous conflicts, perceptions of status differentials, and the various constitutional arrangements of the participating bodies. Neither did it encourage a serious examination of past failed attempts to unify the profession. While there were occasions during the 1960s when the actors involved in formulating plans for the profession were cognisant of some of the reasons why previous efforts to rationalise had failed, their knowledge was not comprehensive, and, on occasions, was misinformed.

Detachment of Office Bearers from their Constituents

As was starkly revealed in August 1970, it is ultimately the memberships of the professional bodies who have the power to accept or reject constitutional change and this cannot be achieved by persuading a simple majority of their number. Yet, one is struck by the closeted manner in which unification plans were formulated during the 1960s; the late and defective attempts to gauge members' views; and, the disdainful responses of office bearers to the unearthing of adverse opinion. The existence of negative attitudes among the members of the ICAEW and ICAS was evidenced in 1968 but rather than address its root causes, office bearers determined to pursue propaganda which emphasised the merits of the schemes. The approach taken by the Council of the ACCA in making overtures towards the ICAEW in the late 1950s was almost indicative of the detachment of office bearers from reality. In an apparent response to pressure from provincial practitioners, the ACCA enquired if a merger along the lines of that

achieved by the SIAA and the chartered bodies in 1957 might be favourably received. This venture was pursued despite the fact that the vast majority of certified accountants would be excluded from a merged institute and the ACCA constitution required 75% of members to ratify such a change.

This detachment of office-bearing elites from their memberships, particularly in the ICAEW, was perhaps the most notable feature of the unification attempt of the 1960s.

It was most obviously manifest in leadership responses to the question of dilution. From an early stage dilution had been identified as a significant impediment to the achievement of the integration proposals. However, these reservations were sublimated by the persistent assertion that dilution, whilst inevitable in the short term, would not be a continuing feature of an integrated profession. As the analysis of the ICAS referendum indicated in autumn 1968, younger CAs were clearly not persuaded by the logic of this argument. Having made a considerable personal investment in the acquisition of a professional credential, new members were disinclined to see the same status conferred on those they regarded as holding inferior qualifications. One disgruntled correspondent to *Accountancy* had observed in 1966 that 'It seems to have been forgotten by those learned men who are leading our profession forward, that a chartered accountant is a human being (May, p.443) who was motivated by concerns about his/her future livelihood'.

It was almost as if a deep gulf of misunderstanding had opened between the leaders of the ICAEW and the membership. The constant repetition of the defensive mantra that dilution was a transitional problem which would be assuaged by long-term benefits seemed to the leaderships to answer the concerns of ordinary members. The attempt to append the absorption of the BFI bodies to the scheme, and thereby heighten concerns about dilution, as late as October 1968 revealed how remote the leaders were to the depth of the fears of the rank and file. Despite the anxieties expressed by Tanfield at the annual meeting of the ICAEW in spring 1968 the office bearers pursued the absorption

of the BFI bodies as a next logical step towards unification. When the final assessment of the unification attempt of the 1960s is made, the crass insensitivity of the publication of the 'Addendum to the Scheme' in October 1968 might be identified as a defining moment.

The detachment of the leadership, together with apparent disinterest among the rank and file, provided the backdrop against which the office bearers of the ICAEW in particular, often appeared to assume a condescending stance towards their members. The 'informal' nature of much of the work of the FPC was used as a cloak behind which new strategies could be pursued without recourse to the memberships. The exploratory nature of the discussions was often cited as a reason for not disclosing plans to the members at an earlier stage.

The office bearers of the chartered institutes attempted to control and condition the public debate in a way which would encourage acceptance of the scheme. There were several instances of this. The district meetings in autumn 1968 were carefully choreographed and information was released to minimise expressions of dissent. In February 1969 *The Accountant* indicated that reporting of the district meetings had 'been prohibited'. It was assumed by the JSC that despite expressions of discontent at district meetings no amendments to the unification scheme were necessary and that negativity could be countered by active campaigning and opinion forming. In April 1968 the JSC formed an *ad hoc* working party on public relations. This requested editors of professional journals to notify them of correspondence on the scheme. The *ad hoc* working party would then be in a position to co-ordinate the preparation of appropriate replies. Opinion forming was also evident in Scotland. It did not escape the attention of cynical observers in 1969-70 that the President and Council of ICAS seemed determined to re-enter the integration scheme and the accusation was made that they would convene as many votes of the members as was necessary to achieve the desired result. This led to claims that the leaders were unrepresentative and partisan. In February 1970 F M Wilkinson noted that the manner in which

questions were put to ICAS members did not secure the expression of a 'true and fair view' of the rank and file. Having clearly rejected the scheme in 1969 the members of ICAS were presented with a 'Hobson's Choice' question on unification.

The price of a disdainful and non-consultative approach towards the memberships was revealed when the result of the ICAEW ballot was declared in August 1970. It had also proved an impediment at earlier stages of the pursuit of unification. The Board of Trade had found itself unable to offer an initial view on the proposals to implement a ring fence 'before they have been published and have been the subject of comment by those most effected'. Limited consultation also provided ammunition to the opponents of the scheme. At the annual general meeting of the ICAEW in spring 1968, Tanfield argued that the decision to proceed with integration had already been taken even though the members had not been asked to vote. At this time *The Accountant* referred to the 'silent thirty thousand members' who had yet to be heard. At the special meeting of ICAEW in June 1970 one speaker referred to the scheme as 'a travesty of democratic consultation'. When Nicholson and Sutherland were later asked why the scheme had failed they emphasised that the ICAEW Council was out of touch with the grass roots.

The quest continues, or, Sisyphus tries again

In 1974 Solomons' *Prospectus for a Profession* was published. This revealed that concerns about the structure of the profession remained live in the wake of the failure in 1970. Solomons reported that members expressed 'widespread discontent' on the organisation of the profession. He added:

It is almost impossible for anyone who looks at the British accountancy profession as a whole not to conclude that its structure is quite irrational and, in this day and age, barely tolerable. It seems inescapable that in the foreseeable future

rationalization will have to be effected by one means or another (1974, p.4).

Solomons referred to 'the absurdity of the present position, which attempts to combine co-operation and competition. The profession cries out for rationalization' (*ibid*). A quarter of a century later, Solomons' call remains unanswered and similar complaints about the fragmented structure of the accountancy bodies appear periodically in the professional press. In 1993 a survey by CCAB revealed that 70% of respondents saw a need for reduction in the number of professional bodies.

There have been several ill-fated travels down 'the stormy path' of rationalisation since 1970. These include the effort in 1989 to merge the 'senior' professional bodies as an Institute of Chartered Accountants of Great Britain; a proposed merger of CIPFA-ICAEW in 1990; the CCAB-Bishop principles for rationalisation in 1993-94; an attempted CIMA-ICAEW merger in 1994-96 which collapsed amidst headlines that merger had been 'destroyed for a decade'; and the endeavour in 1998 to combine the 'junior bodies' in a 'super-institute' comprising members of ACCA, CIMA and CIPFA. The results of historical research suggests that voluntary integration is unlikely to be achieved in the absence of a compelling external stimulus which threatens the whole or a substantial part of, the disparate community which is the UK accountancy profession and thereby incites universal demands for change. The episodes studied in this monograph and its predecessor (Shackleton and Walker, 1998), together with our expanding knowledge of previous episodes of organisational change among the accountancy bodies, indicates that unification attempts which are engineered by remote, office-bearing elites, or are devoid of advantages for those expected to vote for them, or are driven by particularist agendas, have little prospect of success.

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APPENDIX A

DRAMATIS PERSONAE

Throughout the monograph, reference has been made to the major participants in the attempt to secure a unified profession based on the three chartered institutes. A short biographical note on each of the principal actors is provided.

Benson, Sir Henry, (later Lord) (1909-1995)

Henry Benson was born and educated in South Africa but returned to London at the age of 18 to be articled with Cooper Brothers & Co. His mother was a member of the Cooper family. He was assumed as a partner two years after qualifying and subsequently became senior partner of Coopers & Lybrand. He worked in the Ministry of Supply during the Second World War and served as an adviser to, and member of, many government committees. He was knighted in 1964, awarded the GBE in 1971 and made a Life Peer in 1981. It was said of him that he built an international reputation as one of the most formidable accountants of his time.

Browning, Professor Robert (1902-1974)

Educated at Glasgow High School and the University of Glasgow he became a member of ICAS in 1926. He was senior partner in John E Watson & Co, CA, Glasgow from 1927 to his retirement in 1969. He was Johnstone Smith Professor of Accounting at the University of Glasgow from 1950 to 1964. He was President of ICAS in 1965-1966.

Dewar, George Duncan Hamilton (1917-1998)

George Dewar was educated at Glasgow High School and apprenticed in the Glasgow office of Peat, Marwick, Mitchell & Co. He was admitted as a member of the Institute of Accountants and Actuaries in Glasgow in 1940. He was assumed as a partner in Peat Marwick & Mitchell & Co in 1949 and became senior partner from 1958. He was active in the activities of ICAS for many years being responsible for the Institute's summer school and was convener of the influential Special Committee on Education and Training which published its report in 1966. He was President of ICAS in 1970-1971.

Dixon, Stanley (1900-2000)

He qualified as a member of the ICAEW in 1927 and pursued a career in industry with Midland-Yorkshire Tar Distillers Ltd. He was a director from 1943 and chairman of the company from 1968 to 1971. He was President of ICAEW for 1968-1969.

Evan-Jones, Cecil Artimus (1912-1978)

Educated at St. Edward's School, Oxford and worked in industry from 1931 to 1939. He served in the Gordon Highlanders during the Second World War. He was Deputy Secretary of the SIAA from 1946 to 1957 and Deputy Secretary of ICAEW from 1957 when the ICAEW and SIAA merged. He served as Secretary of ICAEW from 1962 to his retirement in 1971. Awarded the CBE in 1971.

Howitt, Sir Harold (1886-1969)

A member of the ICAEW and a partner for fifty years in Peat, Marwick, Mitchell & Co. London. During the Great War he was mentioned in despatches on four occasions and received the MC and DSO. He was a member of the Council of the ICAEW from 1932 to 1961 and was President in 1945-1946.

Jardine, Christopher Willoughby (1911-1982)

Christopher Jardine was educated at Eton and King's College, Cambridge. He held a variety of posts at the Board of Trade from 1934 to 1972. He was Principal of the Monopolies and Mergers Commission from 1972–1975 and Assistant Secretary from 1975–1976. He was awarded the CB in 1962.

Lawson, Sir William (1899-1971)

Educated at Lancing and Trinity College, Cambridge he was a member of the ICAEW and senior partner in Binder Hamlyn & Co. He was President of ICAEW in 1957–1958. He held many government advisory posts and was knighted in 1962.

Leach, Sir Ronald (1907-1996)

Ronald Leach was educated at Alleyn's School, Dulwich and articled to Peat, Marwick, Mitchell & Co. He became the firm's first non-family senior partner in 1966. He was one of the Board of Trade inspectors appointed to investigate the affairs of Robert Maxwell. He was active in the councils of the ICAEW and was President in 1969-1970. He chaired the Accounting Standards Steering Committee for the first six years of its existence. He was awarded the CBE in 1944, was knighted in 1970 and received the GBE in 1976.

MacDougall, Eardley Harold Victor (1919-1998)

Victor MacDougall was educated at Westminster School, the University of London and later qualified as a solicitor. He became a secretary and later senior Under-Secretary of the Law Society in England and in 1951 he was appointed as the first Secretary of The Institute of Chartered Accountants of Scotland. He held this appointment until his retirement in 1976. He was awarded the CBE in 1976. He was editor-in-chief of *The Accountant's Magazine* and

compiled the ICAS publication of *The Fifth Quarter Century*. On his retirement he became actively involved in the arts world of Edinburgh and continued to write on the affairs of the accountancy profession for professional journals.

MacIver, Alan Squarey (1894-1975)

Served in the Great War and was awarded the MC in 1918 having commanded the Lancashire Fusiliers. Alan MacIver was called to the Bar (Inner Temple) in 1922 and was appointed as Assistant Secretary of the ICAEW in 1935. During the Second World War he served on the General Staff of the War Office. He resumed his service with the ICAEW becoming Deputy Secretary in 1945 and Secretary from 1950 to 1962.

Morrow, Sir Ian Thomas (1912-)

Ian Morrow was educated at Dollar Academy and became a Chartered Accountant in 1936. He became a Fellow of the ICWA in 1945 and was a partner in Robson Morrow, 1942–1951. He was the leader of the Anglo-American Council on Productivity Team on Management Accounting, 1950. He was Director and later Managing Director of Brush Electrical Engineering 1951-1958, Deputy Chairman of Rolls Royce Ltd, 1970-1971, Chairman of Rolls Royce (1971) Ltd, 1971. He served as President of ICWA in 1956-1957, Vice President of ICAS 1970-1972 and President of ICAS in 1981-1982. He is a Freeman of the City of London and was knighted in 1973.

Nelson, Bertram (1905-1984)

A prominent Liverpool member of the Society of Incorporated Accountants and Auditors, having qualified in 1929. Bertram Nelson was a senior partner in Lithgow, Nelson & Co. and was President of the SIAA from 1954 to 1956. After the merger of the SIAA with the ICAEW in 1957 he served on the Council of the ICAEW until

1975. He held many public appointments and was awarded the CBE in 1956.

Nicholson, Hugh T (1914-c1983)

A member of the ICAEW from 1936, Hugh Nicholson was a partner in Harmood Banner, Liverpool and London. He was a prominent member at the annual ICAEW summer schools held at Oxford, where he formed a friendship with Bruce Sutherland.

Powell, Sir Richard Royle (1909-)

Richard Powell was educated at Queen Mary's Grammar, Walsall and Sydney Sussex College, Cambridge. He joined the civil service in the Admiralty in 1931. He was Deputy Secretary, Ministry of Defence from 1950 to 1956 and Permanent Secretary at the Board of Trade from 1960 to 1968. He was awarded the GCB in 1967. On his retirement from the civil service he was appointed a director of a number of companies and was Deputy Chairman of the Permanent Committee on Invisible Exports from 1968 to 1976. He was President of the Institute of Fiscal Studies, 1970-1978.

Serpell, Sir David Radford (1911-)

Educated at Plymouth College and Exeter College, Oxford. David Serpell served in the Ministry of Food, 1939-1942 and the Ministry of Fuel and Power from 1942 to 1945. He was Under Secretary at HM Treasury from 1954 to 1960; Deputy Secretary at the Ministry of Transport, 1960-1963; Second Secretary at the Board of Trade, 1963-1966, Second Permanent Secretary, 1966-1968. He was Permanent Secretary at the Ministry of Transport, 1968-1970 and Permanent Secretary at the Department of Education, 1970-1972. He was Chairman of the Nature Conservancy Council, 1973-1977 and a member of the British Railways Board from 1974 to 1982. Awarded the KCB in 1968.

Slimmings, Sir William Kenneth MacLeod (1912-1995)

William Slimmings was educated at Dunfermline High School and qualified as a member of the Institute of Accountants and Actuaries in Glasgow in 1934. He went to London in 1935 and joined Thomson McLintock & Co. He became a partner of that firm in 1946 and was senior partner from 1968. He served on many government committees. He was awarded the CBE in 1960 and was knighted in 1966. President of ICAS, 1969-1970.

Sutherland, Bruce (1923-)

A member of the ICAEW from 1951 and a partner in Touche Ross, Birmingham until 1967. He formed Bruce Sutherland & Co practising in Moreton-in-Marsh, Gloucester. He was a prominent member at the annual ICAEW summer schools held at Oxford, where he formed a friendship with Hugh Nicholson.

Tanfield, Doylah Ernst Thomas (1914-1998)

A member of the ICAEW from 1937 he was keenly interested in education/training matters. He became the initial focal point for members' dissent to the merger proposals through the 1960s. He was a director of Lunt Comley & Pitt Ltd.

APPENDIX B

THE FUTURE OF THE ACCOUNTANCY PROFESSION: MEMORANDUM FOR THE BOARD OF TRADE

Date submitted: 30 March 1965

1. The following accountancy bodies have been engaged in discussions about the future of the accountancy profession:

The Institute of Chartered Accountants in England and Wales
(referred to below as 'the English Institute')

The Association of Certified and Corporate Accountants
(ACCA)

The Institute of Cost and Works Accountants ('ICWA')

The Institute of Municipal Treasurers and Accountants ('IMTA')

The Institute of Chartered Accountants of Scotland and The Institute of Chartered Accountants in Ireland are participating in these discussions in order to consider whether they could match any outcome with parallel arrangements.

Aim of the discussion

2. The aim of these discussions is to reach agreement on steps which should be taken:
 - (1) to unify and rationalise the accountancy profession so that it is better adapted to modern needs;
 - (2) to improve the quality of its services, in particular by a general improvement in standards of training and by raising

considerably the standards of experience and of both general and professional education for those who profess to perform the more advanced services;

- (3) to provide the public with better protection, in particular by bringing all professional accountants under a common and higher professional discipline, by enabling the public to distinguish more readily those who are qualified to perform the more advanced services and by ensuring that those entering public practice, especially audit practice, have had adequate experience.

In the view of the participating bodies these objectives are essentially and intimately inter-related.

Background

3. In the past there has been no bar to the formation of accountancy bodies. When the Goschen Committee reported in 1930 there were at least fourteen in England and Wales. Since then some have disappeared, usually by absorption or amalgamation, but others have come into being. At the present time, leaving aside the Institute of Chartered Accountants of Scotland (membership 7,745) and the Institute of Chartered Accountants in Ireland (membership 1,905), there are at least ten, namely:

| | <u>Approximate Membership</u> | |
|--|-----------------------------------|----------------------|
| Institute of Chartered Accountants in England and Wales | 40,759 | |
| Association of Certified and Corporate Accountants | 11,476 | |
| Institute of Cost and Works Accountants | 9,432 | |
| Institute of Municipal Treasurers and Accountants | <u>4,215</u> | |
| | | 65,882# |
| British Association of Accountants and Auditors | 1,037 | |
| Faculty of Auditors | 523 | |
| Association of International Accountants | <u>1,348</u> | |
| | | 2,908 |
| Institute of Company Accountants | 5,250 | |
| Incorporated Association of Cost and Industrial Accountants | 1,320 | |
| Society of Commercial Accountants | <u>4,600</u> | |
| | | <u>11,170</u> |
| | | <u>14,078*</u> |
| | | <u><u>79,960</u></u> |

Figures at 31 December 1965.

* Latest available figures (approx.).

4. The accountancy bodies have developed largely on functional lines. The English Institute was formed, as were the chartered institutes in Scotland and Ireland, primarily for accountants in the field of public practice; the Institute of Municipal Treasurers and Accountants was formed to cater for the profession's services in local government; and the Institute of Cost and Works Accountants was formed to provide a qualification for, and promote the standards of, accountants trained and employed in industry and commerce. The members of the Association of Certified and Corporate Accountants are trained in either a practitioner's office or in industry or commerce.

5. However, the members of these bodies have by no means adhered to this functional division. Some have become members of more than one body; many others, while remaining members of only one of the bodies, have moved from the practising side of the profession into other fields, and *vice versa*. At the present time a large part of the English Institute's own membership holds positions in industry and commerce.
6. More than thirty-five years ago the Goschen Committee reported: 'The importance of the work of the profession and its comprehensiveness has increased to an almost phenomenal extent since the profession was founded. Legislation has definitely increased the responsibility of its members, and the more highly organised and complicated conditions of economic life have demanded increasingly the services of professional accountants in the spheres of commerce, industry and finance ... It is of vital importance to the public and to the business community that the highest possible standards of efficiency and integrity should be maintained in the profession of accountancy.' Since those days the phenomenal increase in the scope and quality of the profession's work has continued. What were then regarded as 'highly organised and complicated conditions of economic life' have become more highly organised and far more complicated. Outstanding have been the developments in applying accounting techniques to the problems of financial management and the development of vastly improved means to that end, among them the electronic computer.
7. In the face of such developments it is not surprising that industry in particular is finding it beneficial, if not essential, to make much more extensive use of qualified accountants both for service in its own employment and for advice as consultants. Moreover, for accountants on the practising side of the profession even the performance of the auditing function has markedly changed its emphasis. Evidently the auditing of accounts produced

by computer necessitates ability to evaluate its processes and capabilities; but, computers apart, the increasing development of scientific methods of financial control is enabling extensive detailed audit checking of books and records to give way to more valuable and economical tests based on an experienced appraisal of the strengths and weaknesses of the whole system whereby the management itself directs and controls the undertaking.

8. These and other developments present the accountancy profession with a dual problem. They have created a much greater disparity between the qualities of intellect, education and training required on the one hand for the more advanced work of the profession and on the other hand for the performance of its simpler services. At the same time they have greatly accentuated the overlapping of the skills required of accountants trained on the one hand in public practice and on the other hand in industry itself.
9. In these circumstances it appears that the public interest would best be served if, in the place of a multiplicity of qualifications each purporting to represent within its own particular field skills ranging from the relatively simple to the most advanced, the professional bodies could combine to provide two general qualifications which embraced the whole field of the profession's work but distinguished respectively those who were equipped to render more advanced services and those whose professional competence is not so extensive. This radical change would enable the profession to raise considerably – and it is urgently necessary to do so – its standards of education and training for the higher qualification while at the same time making ample provision in the lower qualification for all who, despite more limited educational attainments, could nevertheless be expected to provide useful services as professional accountants.
10. The introduction of this two-tier general qualification would not preclude specialisation within it – a development which is increasingly called for by the growing complexity of legislation

and new business techniques. To protect the community from reliance on inadequate professional experience – a reliance which in present conditions could well lead to public scandals – it would in any event be necessary to draw within the general qualification certain distinctions as to the competence of individuals to render particular services. The participating bodies would think it essential for the protection of the public that the right to conduct public practice (as distinct from serving in employment) should be governed by the issue of practising certificates, that these should be issued only to those who have had adequate training and experience in a practitioner's office, and that the audit function, that is to say the expression on financial statements of an independent opinion on which third parties may be expected to place reliance, should so far as possible be confined to those holding the higher qualification. Regulations of this kind, and indeed preservation of the whole structure of a two-tier general accountancy qualification, would however only be successful if steps could be taken at the same time (a) to preclude the subsequent formation of new accountancy bodies purporting to offer accountancy or audit qualifications of their own and (b) to prevent unqualified persons who subsequently set up in public practice holding themselves out to the public under the description 'accountant' or 'auditor'. It should be emphasised that these latter restrictions would be wholly different in character from those which were contemplated by the Goschen Committee in 1930 and in the renewed proposals for registration of members of the accountancy profession after the Second World War. They would relate not to the nature of the services offered (many of them usefully performed by persons without a professional qualification in accountancy as such) but to the designation under which they are offered. It goes without saying that the rights of all existing practitioners, whether or not holding an accountancy qualification, would have to be preserved and that special provision would have to be made (particularly in relation to holders of overseas qualifications) for the exercise of

powers such as those of the Board of Trade under Section 161(1) (b) of the Companies Act 1948.

11. Another cogent, though different, reason for seeking unification of the profession coupled with prevention of the subsequent formation of new quasi-professional bodies is the need to ensure that the use of professional qualifications is accompanied by observance of the highest ethical standards. Accountants in industrial and other employment, no less than those engaged in public practice, are liable to improper pressures. Resistance to them would be immensely strengthened by the backing of a unified professional body capable of imposing a uniformly high standard of professional discipline on all its members.

Scope of discussions and outline of proposals

12. The present discussions are based on the conviction that rationalisation of the accountancy profession on the foregoing lines is now urgently necessary, and on the belief that if a scheme on those lines could be worked out with the other accountancy bodies it would and should command public support.
13. In broad outline the proposals under consideration are as follows:
 - (1) A unified professional body should be created, at least for England and Wales, by bringing into the English Institute existing members of ACCA, ICWA and IMTA, together with such members of other accountancy bodies as may be appropriate.
 - (2) The (enlarged) Institute should provide two levels of qualification, the higher conferring the designation 'chartered accountant' and the lower some other designation with means whereby holders of the lower qualification could with further experience and examinations proceed to the higher.

- (3) Eligibility for direct attainment of the higher qualification of 'chartered accountants' should thereafter be based on:
 - (a) possession of a university degree or (for the time being) of two advanced level passes in the General Certificate examination; and
 - (b) completion of a period of full-time study of accountancy and related subjects as a degree course at a university, or as a university postgraduate course or of at least one academic year for non-graduates at a college of further education – in all cases with the passing of an examination at the end thereof; and
 - (c) completion of a period of approved practical training either in a practising member's office or in industry, commerce or public service under the supervision of a member of the (enlarged) Institute – the obligations of the member, the pupil and the pupil's employer to be governed by a deed of articles accepted for registration by the Institute; and
 - (d) passing two more examinations (dealing with the application of theory to practice), the first covering basic aspects of all work of the profession and the second providing alternative papers according to the field of advanced work in which the candidate has been trained or wishes to pursue his career.
- (4) Eligibility for the lower qualification should be based on the attainment of:
 - (a) an educational standard of, or equivalent to, appropriate passes at ordinary level in the General Certificate examination; and
 - (b) the passing of an appropriate 'lower level' professional examination after the completion of a period of appropriate practical training.
- (5) Holders, whether of the higher or lower qualification, should not be entitled to conduct public practice unless granted

a practising certificate, the grant of such certificates to be conditional (subject to the preservation of existing practice rights) on the prior attainment of adequate experience in the office of a practising member and for audit practice (subject to any necessary minor exceptions) on possession of the higher qualification.

(6) (a) A bill shall be promoted in Parliament to preclude the formation of new bodies purporting to confer qualifications in accountancy or auditing and (subject to the preservation of existing rights) the use of the descriptions 'accountant' or 'auditor' by unqualified persons for the purpose of holding themselves out as available to offer to the public professional services in either capacity.

(b) Amendment should be sought to Section 52(4) of the Income Tax Act 1952 so that, where business profits are concerned and the taxpayer does not submit his accounts himself, the accounts should be submitted only by a member holding one or other of the proposed qualifications.

14. It is not contemplated that the Scottish and Irish chartered institutes would themselves merge with an enlarged English body. The preliminary discussions have, however, revealed a large measure of agreement in principle among all the participants and it is recognised that any supporting legislation would apply throughout Great Britain. It is proposed shortly to open discussions with the other accountancy bodies.

Objections to the proposals

15. From within the profession objections might be expected on a variety of grounds, for example:

(1) that the enlarged Institute will be administratively unwieldy;

- (2) that the profession will be diluted or that the status of members of those of the existing bodies which regard themselves as having the highest standing will be depreciated;
- (3) that admission only to the lower qualification of members of some of the minor bodies (if it transpires that the standards of their education, training and professional examinations is incompatible with inclusion in the higher qualification) amounts to unfair discrimination against them.

To what extent the third of these objections is likely to arise will depend on the discussions which have yet to be opened with the bodies concerned. The first objection, that of size, is one which troubled the English Institute in earlier days and was recognised in its own evidence to the Goschen Committee. Since then, however, there has been a huge expansion in its own membership, accentuated by its absorption in recent years of the substantial membership of the Society of Incorporated Accountants. The English Institute has in fact found no difficulty in handling this expansion and with its strong district organisation would not now consider that the objection is valid. The more serious objection is that of dilution; in the English Institute's view this transitional consequence, in so far as it arises, must be accepted in the interests of a long term improvement in the standards and status of the profession.

16. From the public the possible objection is:

That the regulatory powers of the professional body – to set standards, grant or withhold practising certificates, enforce observance of professional ethics, and so on – could be used to reduce competition, create artificial scarcity, and by these and other means enable its members to hold the public to ransom.

This objection would have some force if the body were to be some trade association formed to promote the interests of its members.

On the contrary, however, under the terms of its Royal Charter, which can be amended only with the consent of the Privy Council, the purpose of the English Institute is to serve the public interest, specifically by securing for the community ‘the existence of a class of persons well qualified to be employed in the responsible and difficult duties devolving on professional accountants’ and to that end by ‘the elevation of the accountancy profession as a whole and the promotion of its efficiency and usefulness by compelling the observance of strict rules of conduct as a condition of membership and by setting up a high standard of professional and general education and knowledge.’ It follows that, while the pecuniary rewards of professional accountants are relevant to the attraction of a sufficient number and quality of recruits to enable the profession to meet the demands made upon it, the paramount consideration of the Institute under the terms of its Charter is that the public interest should be properly served. To that end one of the main objects of the scheme is to increase the number and quality of qualified accountants all subject to a high standard of professional ethics.

Means of implementation

17. In the main the proposals could be implemented by amendment of the English Institute’s Charter through the machinery of the Privy Council. Legislation would, however, be needed, as indicated in paragraph 13(6)(a), to preclude the formation of new accountancy bodies and the offering of services to the public by unqualified persons under a designation which specifically implied competence in accountancy or auditing. Amendment would also be sought, as indicated in paragraph 13(6)(b), of Section 52(4) of the Income Tax Act 1952.

2-19-1

WEP/TJC

29 March 1966

APPENDIX C

WORKING PARTIES OF THE JOINT STEERING COMMITTEE

EXTRACT FROM THE MINUTES OF THE JOINT STEERING COMMITTEE
THURSDAY 28 APRIL 1966

Item 4: Working Parties

'The Joint Steering Committee appointed four Working Parties with the terms of reference set out below:

(a) Working Party 1 (Overseas matters)

In the context of the proposals set out in the Memorandum by the Future Plans Committee, to reconsider the following matters and to make recommendations thereon by 31 May 1966:-

- (i) Conditions for the admission as Licentiate and Chartered Accountant members, of those members of other accountancy bodies who have been wholly trained overseas.

(Note: it was decided by the Joint Steering Committee, at its meeting held on 13 April 1966, that existing members of the ACCA, the ICWA and the IMTA who had been wholly trained overseas should be admitted as Chartered Accountant members but that a symbol, indicative of their training and experience, be placed against them in the Year Book.)

- (ii) Conditions for the admission as Student, Licentiate and Chartered Accountant members of existing overseas students of the ACCA, the ICWA and the IMTA.

(Note: this should include a recommendation as to the length of the period in within which overseas students must qualify.)

- (iii) Conditions for the admission as Registered Students and Licentiate members of existing overseas students of other accountancy bodies.

- (iv) Future policy on professional examinations and the possible solutions to the problems which might arise in particular territories when these examinations are no longer held.

(Note: this should include a recommendation as to the dates when the ACCA, the ICWA and the IMTA should cease to register new students.)

- (v) Future Policy on the issue of 'Accounts Clerks certificates'.

(b) Working Party 2 (Practice Rights)

In the context of the proposals set out in the Memorandum by the Future Plans Committee, to consider the following matters and to make recommendations thereon by 13 June 1966:-

- (i) Practice rights of Chartered Accountants members who have been trained:
- (a) in the office of practising Chartered Accountant members;
 - (b) in industry and commerce;
 - (c) in government service (local and central);
 - (d) in other fields, if any.

- (ii) Additional requirements for experience precedent to Chartered Accountant members entering into practice in particular fields.
- (iii) Practice rights of Licentiate members who have been trained:
 - (a) in the office of practising Chartered Accountant members;
 - (b) in industry and commerce;
 - (c) in government service (local and central);
 - (d) in other fields, if any.
- (iv) Additional requirements for experience precedent to Licentiate members entering into practice in particular fields.
- (v) Method of control over individual Chartered Accountant and Licentiate members who wish to enter into practice.
- (vi) Controls which should be exercised over “mixed” practices, *ie* practices which in the future might compromise Chartered Accountant members in partnership with:
 - Chartered Accountant members with limited practice rights or practice rights in other fields;
 - Licentiate members;
 - Members of other bodies overseas;
 - Unqualified accountants *etc.*
- (vii) The practice rights in Great Britain and Ireland of Licentiate and Chartered Accountant members who have been wholly trained overseas; the extent to which experience obtained overseas should be recognised; and the method of approval and control of such experience.

(Note: Working Party 2 might wish to consult Working Party 1 on some aspects of this matter.)

(c) Working Party 3 (Entry standards, education, professional examinations, experience and training)

In the context of the proposals set out in the Memorandum by the Future Plans Committee, to reconsider the following matters and to make recommendations thereon, such recommendations to refer both to Tier 1 and Tier 2, and to Licentiate and Chartered Accountant members where appropriate:-

- End May (i) The minimum entrance standards at the time of adoption of any scheme.
- End May (ii) The phasing of changes in the regulations of the participating bodies to achieve (i) above by the time of adoption.
- Mid-June (iii) The pattern of pre-qualification education and practical training which the profession should seek to establish.
- Mid-June (iv) The manner in which Licentiate members may progress to Tier 1 through further education, examination and training and the manner in which Tier 1 students who do not become Chartered Accountants may qualify as Licentiate members.
- Mid-June (v) The pattern of pre-qualification examinations, with an indication of the heads of the curriculum of each.
(Note: Details of syllabuses are not required at this stage.)
- End May (vi) Whether sandwich courses are appropriate and if so, on what conditions.
- Mid-June (vii) The function and place of practical experience in the revised educational requirements, whether in the offices of practitioners, industry, commerce or government service.

Mid-June (*viii*) The system of articles as a method of training for the profession, and whether any changes therein are necessary.

(Note: By reference to the experience of other bodies and in particular the Index of Offices maintained by the Institution of Civil Engineers and the Index and Log Book system of the Royal Institute of British Architects.)

End May (*ix*) Those matters which specifically affect duties to be assumed by employers in industry, commerce and the government service.

Mid-June (*x*) How practical training can be dove-tailed with the educational programme and the contribution which educational institutions can make to this training.

Mid-June (*xi*) The place of correspondence tuition in the future educational pattern both in the short and in the long run.

(d) Working Party 4 (other accountancy bodies)

In the context of the proposals set out in the Memorandum by the Future Plans Committee, to reconsider the following matters and to make recommendations thereon by the dates shown:-

End May (*i*) The extent to which accountancy bodies (other than the seven already noted) should be investigated with a view to admission of their members.

End June (*ii*) The terms and conditions for the admission as Licentiate and Chartered Accountant members (as might be appropriate) of the members of accountancy bodies which are not represented on the Joint Steering Committee.

APPENDIX D

MEMBERSHIP OF THE JSC AND ITS WORKING PARTIES

Joint Steering Committee

Membership at the first meeting, 13 April 1966

The Institute of Chartered Accountants in England and Wales

Mr R McNeil
Sire Henry Benson
Mr W E Parker (Chairman)
Mr C Evan-Jones (Secretary)

The Institute of Chartered Accountants of Scotland

Professor R Browning
Professor D S Anderson
Mr T W Macdonald
Mr E H V McDougall (Secretary)

The Institute of Chartered Accountants in Ireland

Mr T Kenny

The Association of Certified and Corporate Accountants

Mr G L Barker
Mr C P Landau
Mr F C Osbourn (Secretary)

The Institute of Cost and Works Accountants

Mr H Hodgson
Mr J Borsay
Mr I T Morrow
Mr M H Walters (Secretary)

The Institute of Municipal Treasurers and Accountants

Mr H Keeling
Mr N Doodson
Mr M F Stonefrost (Secretary)

Secretariat

Mr W M Allen (Under-Secretary, ICAEW)
Mr A C Dunlop (Under-Secretary, ICAEW)
Mr I G Groundwater (Secretary, The Joint Diploma Board)

Working Party 1 (Overseas matters)

Membership at the first meeting, 18 May 1966

Mr R G Leach (Chairman) (ICAEW)
Mr D Steele (ICAEW)
Mr T W Macdonald (ICAS)
Mr J A Stewart (ICAS)
Mr C H Nicholson (ICAI)
Mr G L Barker (ACCA)
Mr F C Osbourn (ACCA)
Mr J Borsay (ICWA)
Mr W S Risk (ICWA)
Mr M Walters (ICWA)
Mr H Keeling (IMTA)

Secretary

Mr M F Stonefrost

Working Party 2 (Practice Rights)

Membership at the first meeting, 13 May 1966

Mr A H Walton (Chairman) (ICAEW)

Mr A G Thomas (ICAEW)

Professor R Browning (in place of Professor D S Anderson) (ICAS)

Mr C H Nicholson (ICAI)

Mr J P Landau (ACCA)

Mr W G H Clark (ACCA)

Mr R Glendinning (ICWA)

Mr J P Wilson (ICWA)

Mr N Doodson (IMTA)

Secretary

Mr A C Dunlop

Working Party 3 (Entry Standards, Examinations and Experience)

Membership at the first meeting, 17 May 1966

Mr S Dixon (ICAEW)

Mr J S Heaton (ICAEW)

Mr W B Nelson (Chairman) (ICAEW)

Mr G H Dewar (ICAS)

Mr W K M. Slimmings (ICAS)

Mr T Kenny (ICAI)

Mr C H Nicholson (ICAI)

Mr V R Chennell (ACCA)

Mr J E Harris (ACCA)

Mr C M Jennings (ACCA)
Mr V J Oxley (ACCA)
Mr W Bishop (ICWA)
Mr I T Morrow (ICWA)
Mr M Walters (ICWA)
Mr N Doodson (IMTA)
Mr H Keeling (IMTA)
Mr M F Stonefrost (IMTA)
Mr B Woodham (IMTA)

Secretaries

Mr C Evan-Jones
Mr W M Allan

Working Party 4 (Other Accountancy Bodies)

Membership at the first meeting, 17 May 1966

Mr J F Allan (ICAEW)
Mr C Montgomery Williams (ICAEW)
Mr C I R Hutton (ICAS)
Mr C H Nicholson (ICAI)
Mr G L Barker (Chairman) (ACCA)
Mr F C Osbourn (ACCA)
Mr C E Sutton (ICWA)
Mr F W H Saunders (ICWA)
Mr G B Esslemont (IMTA)

Secretary

Mr I G S Groundwater

Working Party S (Secretaries)

Membership at the first meeting, 31 May 1966

Mr C Evan-Jones (ICAEW)
Mr E H V McDougall (ICAS)
Mr C Polden (ICAI)
Mr F C Osbourn (ACCA)
Mr M H Walters (ICWA)
Mr M F Stonefrost (IMTA)

Secretary

Mr A C Dunlop

APPENDIX E

LETTER FROM THE PRESIDENT OF THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SCOTLAND 21 JULY 1969

Dear Member

The Future of the Accountancy Profession In Great Britain and Ireland.

You will have seen in the June issue of THE ACCOUNTANT'S MAGAZINE the result of the voting on the referendum regarding the integration proposals involving approval in principle of three parallel schemes – one for The Institute of Chartered Accountants of Scotland, one for the Institute of Chartered Accountants in England and Wales and one for the Institute of Chartered Accountants in Ireland.

Some 57% of our membership voted and cast 4,774 valid votes. Of these 2,409 (50.5%) were in favour and 2,365 (49.5%) were against the proposals.

The next stage of a Scottish scheme of integration would involve bringing forward proposed amendments to the Institute's constitution. To make such amendments effective, a favourable vote of 66% of those voting would be required.

On the evidence of the voting on the referendum, your Council felt it necessary to inform the Councils of the other five bodies that it saw no likelihood that amendments to the Institute's constitution designed to implement the integration scheme would obtain the requisite two-thirds majority, when presented to the members. Your

Council gave this information with regret, because it believed – and still believes – that adoption of the integration proposals would be in the best interests of the accountancy profession as a whole, and of the Scottish Institute.

Whilst your Council's regret and views are shared by the Councils of the English and Irish Institutes, these Councils, in co-operation with the Councils of the other three bodies, have now decided to proceed with the English and Irish schemes. If these schemes are approved, and there is no participation by the Scottish Institute, the members of the ACCA, the ICWA, and the IMTA, in Scotland and elsewhere, will join either the English or the Irish Institute.

As this creates a situation different from that on which the referendum was held, the members of the Scottish Institute ought to be given the opportunity to consider the Institute's position. Accordingly, at an appropriate time - which will depend upon the time of presentation of the English and Irish schemes – members will be invited to take final decisions on what alterations should be made to the Institute's constitution; some alterations will, in the Council's belief, clearly be necessary.

Your Council has communicated these views to the Councils of the English and Irish Institutes. They have indicated their willingness to proceed as far as possible with their schemes in such a way as would permit the resumption of participation by the Scottish Institute, should this be sanctioned by a sufficient majority of the members of this Institute. The Council of the Scottish Institute has also accepted an invitation to act as observers on the Joint Steering Committee which is concerned with the integration proposals.

Throughout years of discussion on the integration proposals, your Council has had one prime objective – to do what it believes to be best in the public interest, for the accountancy profession as a whole, and for the Scottish Institute in particular. It fully recognises that ultimate decisions rest with the members, and the action it has taken as a result of the vote on the referendum is an earnest of that recognition. As we are now in the new situation which I have described and which has not

yet been discussed with members, may I end with a personal request to you. Will you please write to me giving your views in the light of the information that I have given you in this letter.

Yours sincerely

W K Slimmings

President.

APPENDIX F

LETTER FROM THE PRESIDENT OF THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SCOTLAND 5 NOVEMBER 1969

Dear Member

My main purpose in writing to you again is to sum up the situation of the Institute as I see it, and to tell you of the action that the Council proposes to take. In the appended statement, I give a more detailed commentary on the response to my letter of July 21st, 1969, on points made in the letters from members, and on the implications for the Institute of 'going it alone'.

First, to recapitulate briefly what I wrote in my letter of July 21st. Although the referendum on the integration proposals showed a small majority of votes in favour, your Council saw no likelihood of obtaining the two-thirds majority ultimately required to implement the proposals; the Councils of the other five bodies were so informed, and they decided to proceed with the English and Irish schemes; in this new situation, it was thought that the members of the Scottish Institute should be given an opportunity to consider the Institute's position.

This present letter and the appended statement, which have the unanimous approval of the Council, are written on the assumption that the English and Irish schemes will be approved by the requisite majorities.

Some of those who have written to me object strongly to any further canvas of opinion. They regard the vote on the referendum as conclusive and they deprecate 'pressurising' by the Council; and a

few consider that the Council had no right to involve the Institute in any further discussions, even to the extent of appointing observers to the Joint Steering Committee.

That is not how I see it. Nor is it the view of many more members who hold strongly that a further canvass of members is essential. I think that the Council's duty is clear. It is:

- (i) to ensure that the members make no irrevocable decision until they have been made aware of the relevant issues.
- (ii) to state without equivocation the opinion of the Council on these issues.

The discharging of that duty is still in process. Once it has been completed, and a decision taken, it will be the Council's duty to give effect to the decision, whatever it may be.

What are the relevant issues? On the assumption that the English and Irish schemes will be implemented, we are not debating the merits of the proposals: we are debating the part that the Scottish Institute ought to play in shaping the future of the profession.

We are proud of our Institute, and of what it has accomplished over the years. With justice we can claim a position of substantial influence within the profession, both in the United Kingdom, and throughout the world. But the continuing validity of that claim does not rest on our having a good opinion of ourselves: what ultimately matters is how we are regarded by others – the community which we serve, the recruits whom we seek to attract, and our colleagues in the profession. It is in this context that we must judge our attitude to proposals which have been generally welcomed by representatives of industry and commerce, Government and public service, and which the other accountancy bodies will put into effect. To maintain our influence, we should be taking our full part in all activities of the profession, and not isolating ourselves from important aspects of these activities.

There can be no possibility of maintaining the *status quo* in Scotland. In the appended statement I set out the probable implications

if the Institute is to stand aside from proposals which the other bodies accept. These implications show that the effect on the Institute must be material. Features of the proposals which have attracted most criticism will be operative in Scotland, as elsewhere, and we shall have to contend with them, without being in a position to exercise control over them.

In stating these implications, I am not suggesting that the Institute cannot survive the rejection of the participation in the proposals. If the ultimate decision resulted in rejection, it would be the duty of every member to see that the Institute did survive, and operated with maximum effect. What I do suggest is that rejection is tantamount to assuming a self-imposed burden, which could be increasingly difficult to carry. Not the least part of that burden is finance. To justify our existence as an autonomous and independent Institute, we must concern ourselves with everything that effects the profession in the discharge of its duty to the community. Our voice has to be heard, both by the community and within the profession, and it must be an authoritative voice. To do all that needs to be done means a heavy expenditure of resources – much voluntary service by the members, a lot of money. Even with participation in the proposals, the financial burden would not be light; rejection of the proposals would make it substantially heavier.

Earlier in this letter, I defined the duty of the Council. In the discharge of that duty, the Council has to come to these conclusions, unanimously and without equivocation:

- (i) it advocates resumption of participation by the Institute in the implementing of the proposals for the future of the profession;
- (ii) it considers that each member of the Institute should be given the opportunity of expressing his opinion on the proposition that participation should be resumed.

The intention is to give this opportunity towards the end of the year, when a further communication will be sent to you. Between

now and then, there will be time for debate on the issues which I have tried to put to you. I hope that there will be debate within offices and elsewhere, and Mr J A Stewart, the immediate Past President, Mr G H Dewar, the Vice-President, members of the Council and I will be available to meet groups of members if they so desire. I hope, too, that other members will make their voices heard in support of the Council.

I repeat what I said earlier. The assumption that the English and Irish schemes will be implemented means that we are debating, not the merits of the proposals, but the part which the Institute should play in shaping the future of the profession. The Council believes that we can best play our part by resuming participation in what the other accountancy bodies are doing. I ask all members – those who voted for the proposals, those who voted against, those who did not vote at all – to support the Council in its unanimous belief that participation should be resumed.

Yours sincerely,

W K Slimmings

President.