

Public Hearings of the FPAR Inquiry into management and assurance of integrity by consulting services

The Committee held four public hearings in May, June and July 2023.

The table below sets out details on the organisations/individuals that presented at the Committee's public hearings. Links to the transcripts are provided for information purposes only.

Public Hearing Date	Witnesses (organisation)	Review of Hansard (transcript)
2 May 23	Professor Andrew Podger AO (honorary professor of public policy, Australian National University)	<ul style="list-style-type: none"> • Raised a concern that the use of consultants has eroded the capability of the public service. • Provided views on why Government should use consultants and the processes that should be in place. • If dependence builds up between government clients and consultants, they may not receive independent advice (i.e., Advice may be tailored to suit the client). • Witness questioned about Robodebt and the PwC report that was not released. Prof. Podger believed this reflected more poorly on the Department than PwC (p4). • Management of conflicts of interest was discussed on pp.4-5, noting existing post-separation employment rules. However, they must be carefully managed, and the restrictions should not be too strict or career-limiting. • Remuneration levels for public servants dissuade people from seeking a career in the public sector. • Full comments on pp 1-7 of the transcript.
	Emeritus Professor James Guthrie, Professor Jane Andrew, and Dr Erin Twyford	<ul style="list-style-type: none"> • Transparency and accountability are key issues for the Govt using consultants, • Recommend increased disclosures by consultants who want to provide services to the Government & that advise should not be provided to private entities that profit from government programs. • Claims that most of big consulting firms' income comes from governments & large multinationals with no attempt to avoid conflicts of interest (p9). • Suggest a statutory authority be established to take a whole-of-government approach to consulting (pp.9-10), which is consistent with the NZ approach (pp.14-15) • When questioned about the adequacy of the penalty on Peter Collins and PwC, Dr Twyford said it was inadequate and commented that only claiming one person involved & that 6-monthly ethical training was insufficient. (p10)

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		<ul style="list-style-type: none"> • Big 4 firms have "captured" the regulatory structures in Australia (insolvency regulator, tax board, AUASB, AASB) (p10, para 4) • Commented on the ABS insider trading case and how it is similar to the PwC situation but, as a consultant (not a public servant), leads to different outcomes. • Recommend that the ANAO receive an additional \$25 million in funding to perform performance audits on policy outcomes (pp.13-14) • Witnesses were asked to provide information on how the US and WA oversee consultants work for govt. (p.16) • Full comments on pp 8-17 of the transcript.
	<p>Professor Fran Baum; and Dr Julia Anaf</p>	<ul style="list-style-type: none"> • Commentary on the 'hollowing-out' of the public service and the impact being equitable, not a consideration of consultants. • Outlined potential conflicts of interest (pp18-19) • Discussed NZ's capability framework for consultants (pp.21-22) • Full comments on pp 18-24 of the transcript.
	<p>Australia Institute</p>	<ul style="list-style-type: none"> • The discussion focused on how govt should reduce the use of consultants and improve processes if they are used. • Commented that PwC should be banned from receiving government contracts and their existing work audited for quality and integrity (p.26, para 2) • Discussion on establishing professional standards for economics (pp.27-28). • Discussion on data-gathering and access to data by consultants (p.30). • Full comments on pp 25-33 of the transcript.
	<p>Community & Public Sector Union (PSU Group)</p>	<ul style="list-style-type: none"> • Presented the view that consultancy services have become a shadow workforce, replacing the work of public servants. • States that voluntary Code and internal processes are not the same as legislated, mandated Code of conduct for consultants (p.37, para 5) • Believes there should be consequences for ethical failures imposed on organisations, not just individuals (p.38, para 2) • Full comments on pp 34-42 of the transcript.
<p>Full transcript at this link: Hansard - 2 May 2023</p>		

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7 June 23	Institute of Management Consultants Australia	<ul style="list-style-type: none"> • The organisation has 300 members, none working at the Big 4 firms (p3). • Commented that they only have enforcement over their members. No oversight over the offerings of the Big 4, so they cannot refer 'poor behaviour' to others. (p.5) • The Committee noted it may be difficult to implement professional regulation across consultants (p.6) • Full comments on pp 1-8 of the transcript.
	Department of Finance	<ul style="list-style-type: none"> • The procurement framework is devolved – so each Department has authority (p9) • Won't comment on the governance structure of consultants (p.10) • Discussion on tender processes and the introduction of new clauses to notify the contract managers of issues with conduct or performance. • Senator O'Neill questioned why government departments were not notified about serious concerns with practitioners. • Full comments on pp 9-18 of the transcript.
	Treasury	<ul style="list-style-type: none"> • The Attorney-General's Department is undertaking a review into secrecy provisions across Commonwealth Laws (p.19, para 5) • General discussion about when the Department became aware of the PwC matter and the appointment of the Chair of the TPB. • The conversation about the Treasury confidentiality agreement from Feb 2018 and when the Department became aware of the ATO issue (Sept 2018) (pp.25 – 27) • Full comments on pp 19-28 of the transcript.
	Australian Taxation Office (ATO)	<ul style="list-style-type: none"> • ATO noted the importance of confidentiality & defended its position on not disclosing taxpayers' names connected to the PwC scheme for MAAL (pp.30-31). • Discussion on the requests for information send to PwC and Big 4 firms (pp.31-32) • ATO stated they had issues with the AFR article about US Tech giants using PwC. They reiterated the strong relationship with the TPB (pp.32-33) • Questions were asked about the speed of the process, why the ATO did not take action, and whether they were trying to protect taxpayers with whom they have confidential settlements. • Full comments on pp 29-36 of the transcript.

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	Tax Practitioners Board (TPB)	<ul style="list-style-type: none"> • Discussion on different roles of TPB vs. ATO (pp.37-38) • Discussion on the investigation into Peter Collins and subsequent reviews underway (pp.38-39). TPB is currently making preliminary inquiries on other matters and has up to 6 months to complete an investigation (p.40-41) • Discussion on the powers of the TPB (p.39) • Discussion about PwC registered as a tax practitioner and therefore subject to the rules of TASA and Code of Conduct (pp.45 – 46). Noted that PwC should have reported a breach of ethical behaviour to TPB (p46 & 47)). • Discussion on conflicts of interests by TPB Board members who worked at PwC (pp.48-49) • Full comments on pp 37-49 of the transcript.
	KPMG	<ul style="list-style-type: none"> • States that PwC acted unethically. Acknowledges that they have 'made mistakes' with the NSW Transport Asset Holding Entity (TAHE) and exam cheating. (p50) • Recommend the following: i) codification of the tax advisory firm governance and best practices principles; ii) integrity charter for working with the Australian Public Service; and iii) govt review into whether ASIC has extended oversight of the profession. Will also not tender for certain types of government work, e.g., labour hire workers. (p.50) • Discussion on self-reporting of issues (p.51 & 52) • Discussion on the governance structure of KPMG and appointment of CEO, Chair and Board roles (pp.51-52). • An outline of the exam cheating process and how KPMG dealt with it on pp.52-55 and pp.58-59. • The question asked about CA ANZ's response to exam cheating and whether it is a failure of regulation and standards (pg.54, para 7), and KPMG responded that ASIC and CA ANZ reviewed the work and penalties imposed by the PCAOB and the outcome was that the penalties by that regulator were appropriate. Questions on why CA ANZ didn't lead the investigation reoccur on pp.59-60. • Discussion on TAHE and KPMG acknowledges they made mistakes (pp.55 – 57). They were looking at conflicts of interest from a 'technical and procedural way'. They had not considered perceived conflicts of interest (pp.55, para 9) as they were considering the scope of the engagements. Committee members pushed back and suggested it was an actual conflict

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		<p>because they provided conflicting advice to two different government departments (p.55, para 10).</p> <ul style="list-style-type: none"> • Discussion on whether KPMG has notified the TPB of any issues (pp.57-58) • Senator O'Neill questions, if the firm was aware of APES 100 (sic) and the firm agreed it was fundamental (p.61) • Full comments on pp 50-63 of the transcript.
	<p>Ms Rosie Collington (UCL Institute for Innovation and Public Purpose)</p>	<ul style="list-style-type: none"> • Co-Author of '<i>The big con: how the consulting industry weakens our businesses, infantilises our governments and warps our economies</i>', which discusses the consulting industry in various countries, including the UK. • Discussion on the role of consultants and where conflicts arise. • Discussion on McKinsey's work on net zero strategy for Aust Government (pp.64-65) • Argues that separation of audit from consultancy services is the best outcome (based on Carillion failure in the UK) (p65) • Full comments on pp 64-71 of the transcript.
	<p>Full transcript at this link: Hansard – 7 June 2023</p>	
<p>17 July 23</p>	<p>Professor Allan Fels AO</p>	<ul style="list-style-type: none"> • The view presented that audits should not be provided by firms that provide consulting and other non-audit services. • An audit provides a 'halo effect' on consulting services • Evident that it can be split out, as seen with PwC selling off its Government Consulting business. • Australia could be a leader in establishing this split in services. • Consulting services provided to Government may not be cost-effective and diminish the capacity of the public service. • Lack of transparency of big four firms or other entities that receive revenue from the Government should not be allowed. • More details on the comments made by Professor Fels are set out at Agenda Paper 3(d). • Full comments on pp 1-8 of the transcript.
	<p>Deloitte Australia</p>	<ul style="list-style-type: none"> • Recommend the following: i) supportive of govt review to strengthen oversight of profession; ii) govt review of policies around engagements; and iii) reviewing conflict

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		<p>and confidentiality requirements for those who work with govt. (p.9)</p> <ul style="list-style-type: none"> • Discussion on management of breaches of confidentiality between internal teams (pp.9-10) & register of investments (pp.10-11) • Deloitte confirmed they would not provide their partnership agreement to the Committee (p.10) and would consider whether they should disclose partner salary bands (p.15-16), but a general discussion on salary indicated the range of partner pay. • Discussion on the Endow Family Cap Scheme (pp.11-14), including whether firms should vet the personal investments of their employees (p.14) • Employee complaints and how they are dealt with discussed on pp.14-15. • Federal government engagements reflect 25% of the income for Deloitte (p.17, paras 5-6) • Questioned about reporting of Staff who have not met regulatory standards (pp.17-18), which leads to a discussion on the regulatory bodies with oversight over different services offered by Deloitte (pp.18-19). The discussion ends with Deloitte suggesting there is a need to review the oversight of the profession as it is fragmented and there are gaps. • Discussion on recruitment processes, whistleblowing processes and Non-disclosure agreements on pp.20-26 • Discussion on Deloitte performing work for ANAO in 2022 on an entity's financial statements and the ESG data. The issue was they had not obtained pre-approval to perform the additional engagement (p,26) • Discussion on the tender process and managing conflicts of interest (p27) • Deloitte does not intend to ring-fence different aspects of their business (p29) • Discussion on ethical walls used by Deloitte (pp.32-33) • Senator Pocock asked if there were material barriers to the separation of elements of their business (p.33), and Deloitte responded no, but believes their business is structured appropriately to provide value to clients (p34) • Full comments on pp 9-34 of the transcript.

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	Ms Tracy Murray (former PwC employee and director)	<ul style="list-style-type: none"> • Raised concerns about some of the practices at PwC, including specialist engagements being performed outside that Department. • Talked about the recruiting process for the firms, when a new employee was used to pass on data about old clients and relationships or HR matters of the firm. • Full comments on pp 35-42 of the transcript.
	Professor Brendan Lyon (former KPMG Partner)	<ul style="list-style-type: none"> • Opening statement – states that the big four have special protections due to the structure of partnerships covered by limitation of liability (max \$10 million), firm governance structures are not connected to oversight or enforcement (like corporations are) (p.44), enforcement for big 4 left to the professional bodies which is unique – self-regulation failed elsewhere (p.44), acknowledges CA ANZ response to his submission and that an investigation happening relating to KPMG and TAHE, believes '...the big four have enjoyed a compliant regulator in CA ANZ...so firms have operate[d] beyond the law, beyond sanction and beyond regulation' and should not have their professional Scheme renewed. Recommends the establishment of a federal regulator to enforce professional and ethical standards; a royal commission on the role, structure and regulation of the accounting profession and measures relating to rotation of consultants to break cycles of dependence. • P.46, para 8 – comment by Mr Lyon "Again, I'd steer the Committee to the Australian Professional Ethical Standards standard 320, which deals with the non-audit consulting work of accounting firms and reiterates and binds them to the fundamental ethics in APES 110 but puts in additional guidance around not providing consulting services based on aggressive interpretations of accounting standards or other things that would unpick the respectability of the accounting profession. I would say that there's no evidence that those standards are being enforced. I would say that, outside of the Tax Practitioners Board, it is really Chartered Accountants Australia & New Zealand who are supposed to be enforcing, investigating, disciplining and striking people off, and we haven't seen any evidence of that in regard to these very major scandals involving the sentinels of the economy." He then goes on the state that CA ANZ have little incentive to go after firms on which they are reliant for revenue.

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		<ul style="list-style-type: none"> • Comments about how he became a partner at KPMG, the breakdown of the relationship and the creation of the TAHE conflict, pp.48-49 • Believes firms prioritise profits over ethics, and if '...no policeman on the beat, there is no risk...of being struck off....(or) investigated...' (p49-50) • Agreed to share the KPMG Partnership Agreement if asked to on notice (which the Committee indicated they would do). • Legal protections under the Scheme should be wound back to just be on audit and not consulting services (p.52 para 4) • P.52, para 6 – "I look at the accounting standards that they're supposedly held to and that every single one of them, including my former firm, has professed its adherence to in its submissions to you. APES 100—so you don't even have to read very far into the accounting standards; it's in the first standard—says that a distinguishing mark of the accounting profession is its service of the public interest over individual clients. I've seen no evidence of that in my work on TAHE. I've seen no evidence of it in the PwC tax scandal, which was ultimately about trying to unpick the tax base for certain multinational firms. I think this is really a problem with the structure of those particular large firms." • Full comments on pp 43- 55 of the transcript.
<p>Full transcript at this link: Hansard – 17 July 2023</p>		
<p>18 July 23</p>	<p>Uniting Church in Australia</p>	<ul style="list-style-type: none"> • Recommended the establishment of a debarment process, raised issues on consultocracy (where consultants accumulate large amounts of expert knowledge which are relied on by the public service to shape public policy), and the content of confidentiality agreements needs review. • Discussion on the call to act in the public interest in APES 110 and what that looks like (pp.4-5) • Statements about ethical training make people believe they are ethical, but they will not act that way when conflicts arise and also consideration of the drivers of ethical behaviour (p.8). • The witness was supportive of separating out auditing from consulting p.9 • Full comments on pp 1- 13 of the transcript.

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	EY	<ul style="list-style-type: none"> • Opening statement – the practices that initiated the inquiry are not the way EY does business; all partners are members of CAANZ and required to comply with APES 110; touched on project Everest to split the firm globally; the death of an employee at work and the workplace culture review that was then undertaken. • Leigh Walker outlines the independence rules that apply to EY, making references to APESB and APES 110 and describing them as IESBA-plus as it takes the global position and adds additional restrictions (p.16, para 8) • EY stated their liability cap is \$75 million (not \$10 million as stated yesterday), and liability is not limited in the event of breaches of trust, fraud or dishonesty (bottom p.17) and also clarified that partners pay tax, and the firm pays payroll tax (p.18) • In addressing that there are gaps in regulation, they believed this to be incorrect, stating they are '...overseen by 33 federal state, territory and international regulators. Nineteen organisations inspect our firm, and we have standards from at least 30 licences or memberships." p.18 • Disclosed that government consulting work is 25% of their revenue (p.21) • Discussion on the protocols around investments held by partners and Staff (p.22) • Discussion of a climate change authority engagement and potential conflicts of interest. Ms Walker asserts there was no conflict of interest which was determined by applying the provisions in APES 110. (p.24) • EY states that 'splitting firms is not the solution to stop independence breaches; it's actually not engaging in Independence breaches. Similarly, it's not engaging in breaches of conflicts of interest." (p.26) • Full comments on pp 14- 39 of the transcript.
	<ul style="list-style-type: none"> • Accenture 	<ul style="list-style-type: none"> • Discussion on the structure of Accenture (incorporated company) p.41 • Discussion about personal investments and what happens if not declared. The response referred to a breach of Accenture's Code of business ethics. p.42 • The discussion covered conflicts of interest, political donations and consulting work provided to the Government. • Acknowledges there is no regulatory oversight on their business code of ethics (p.52)

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		<ul style="list-style-type: none"> • Full comments on pp 40- 62 of the transcript.
Full transcript at this link: Hansard – 18 July 2023		