

US regulator investigates PwC tax leaks after 'untimely' report

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The powerful US audit watchdog is investigating PwC Australia's tax leaks scandal after the local firm was more than a year late in self-reporting the matter.

Jan McCahey, the local firm's chief risk and ethics leader, told the Senate inquiry into consultants that the firm had "unfortunately" missed the statutory 30-day deadline to self-declare "reportable events" to the US Public Company Accounting Oversight Board (PCAOB).



Jan McCahey, PwC Australia's chief risk and ethics leader, during a hearing of the Senate inquiry into consultants last week. **Alex Ellinghausen**

The development increases the risk to the firm's global operations from the scandal, which stemmed from a former partner sharing confidential government information with PwC personnel. They then used it to help clients sidestep tax laws that the firm was helping Treasury develop.

The firm was first informed in February last year about the Tax Practitioners Board investigation. The TPB made its finding against the firm and the former partner in November last year. The matter was reported by *The Australian Financial Review* in January this year.

PwC Australia did not submit its "special report" about the "administrative or disciplinary" matter to the PCAOB until June 20, according to its public report on the regulator's website. This is more than a year after the initial TPB alert. "[It] was an untimely reporting in view of the difficulties that we have had," Ms McCahey said in response to questions from Labor senator Deborah O'Neill last Thursday. "We remain in discussions with representatives of the PCAOB in relation to that."

The PCAOB, created in 2002 by the US Congress because of the failure of self-regulation by auditors, can issue sanctions for bad behaviour including million-dollar fines and limit a firm's ability to continue auditing public companies.

Disciplinary action

The PCAOB investigation brings the risk of US PwC partners being dragged into the scandal after a [Linklaters investigation had already cleared overseas PwC partners of using the confidential information](https://www.afr.com/companies/professional-services/pwc-global-clears-international-partners-of-tax-leaks-wrongdoing-20230927-p5e80x) [https://www.afr.com/companies/professional-services/pwc-global-clears-international-partners-of-tax-leaks-wrongdoing-20230927-p5e80x] “for commercial gain”. Six of the firm’s international operatives were disciplined for not inquiring about the nature of the data.

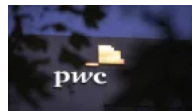
Asked by Senator O’Neill why the local firm had been “untimely” in reporting to the US regulator, Ms McCahey said the “information wasn’t available to those who are doing the reporting until the announcement by the TPB was made earlier in the year.”

Senator O’Neill then asked how long the PCAOB’s investigation would continue.

Ms McCahey replied: “I’d like it to be finished quickly, senator, but that would be an inappropriate thing to say, I’m sure. But we will continue the dialogue with them and provide all such information as they request. They have, of course, the very appropriate regulatory powers, and we will continue to work with them.”

PwC Australia, like other big local auditing firms, has a range of reporting obligations to the PCAOB because of its role in auditing companies based in the US such as the American operations of companies such as Westpac and Woodside Energy Group.

In September 2021, the PCAOB fined KPMG Australia \$US450,000 over “widespread” cheating on tests designed to ensure partners and staff acted with integrity and had the relevant skills for their work [https://www.afr.com/companies/professional-services/kpmg-fined-615-000-over-widespread-exam-cheating-20210915-p58rqp].



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