

CHARTERED ACCOUNTANTS

14 December 2023

Dr Sean Turner  
Committee Secretary  
Parliamentary Joint Committee on Corporations and Financial Services  
PO Box 6100  
Parliament House  
CANBERRA ACT 2600

Email: [corporations.joint@aph.gov.au](mailto:corporations.joint@aph.gov.au)

Dear Mr Turner,

**Re: Ethics and Professional Accountability: Structural Challenges in the Audit, Assurance and Consultancy Industry**

I refer to your letter on behalf of the Parliamentary Joint Committee dated 29 November 2023 (email with accompanying letter received 7 December 2023) in relation to the above inquiry and the offer for StewartBrown to respond to certain transcripts (*Appendix A*) from the Public Hearing held on Tuesday 21 November 2023.

Please note that this response is made on behalf of StewartBrown and Grant Corderoy (Senior Partner of StewartBrown).

**StewartBrown Response - 28 September 2023 (Submission 64)**

For clarity, this response should be read in conjunction with StewartBrown's response in relation to Aged Care Crisis submission (refer *Submission 64*). This previous response provides relevant details in relation to StewartBrown; *Aged Care Financial Performance Survey*; Survey Reports and Public References to StewartBrown.

Included in the 28 September 2023 StewartBrown response was the following specific commentary.

*It is important to emphasise that the StewartBrown has not been engaged in any capacity, and is entirely independent of, the Department of Health and Aged Care or any Government agency or department in any aspect in relation to the Survey, including data and financial analysis contained in the Survey.*

*Furthermore, StewartBrown does not, and has not, advocated that data or trends as included in the respective quarterly Surveys be taken as being best clinical or quality practice. StewartBrown has no clinical expertise or qualification and accordingly is not in a position to provide, or purport to provide, any such advice in this regard.*

*The Survey is a granular factual and evidence-based data set strictly derived on data received from participants, which allows participants and stakeholders to make comparison and analysis based on an extensive range of financial and related metrics.*

**Observations in relation to Public Hearing Commentary (22 November 2023)**

Our overarching comment is that having regard to our previous detailed submission (*Submission 64* as referred to above) it is surprising that neither the Committee Chair (Senator O'Neill) or Committee Member (Senator Pocock) made any reference to this submission when Mr Ward made comments and assertions with respect to StewartBrown.

It may have been expected that any assertions or comments made under the protections afforded by the *Parliamentary Privileges Act 1987* would still require a strong level of accuracy and evidence-based support for any such comments to be made in such a public forum. The transcripts of the Hearing in relation to the aforementioned comments do not appear to show that the Committee sought to determine what support could be tabled to justify the assertions made.

We further note that the Submission from Tax Justice Network, signed by Jason Ward to the Joint Committee (*Submission 28*) included no reference to StewartBrown in any context.

It is therefore surprising that Mr Ward and Senator Pocock conducted the below exchanges where, in our opinion, incorrect, inflammatory and prejudicial comments were made concerning StewartBrown without any visible attempt by the Committee to verify or challenge the accuracy or otherwise of the assertions made.

The exchange between Senator Pocock and Jason Ward included the following extracts:-

- a) "In particular, there is a consultancy firm called StewartBrown that has a corner on the market" and (later) "StewartBrown has a fix on that sector" (*Jason Ward, page 51*)
- b) "It's providing advice to government, and it sits on many government boards" (*Jason Ward, page 51*)
- c) "It provides advice to its clients in the sector as well. It occupies a space where it has a corner on the market" (*Jason Ward, page 51*)
- d) "It is getting paid by governments to provide assistance to providers on filing their financial statements" (*Jason Ward, page 51*)
- e) "this is a very explicit example in which you are paying a firm to support a provider, an operator in the sector that is providing government money, to provide their financial statements" (*Jason Ward, page 51*)
- f) "There are mixed incentives because, if you are PwC or StewartBrown, you are advising them on how to minimise their tax obligations and, frankly, how to get around new regulations and requirements that may be getting introduced as well beyond just tax issues. That means you are getting paid by the government to provide advice to operators in the private sector who are completely reliant on government funding" (*Jason Ward, page 51*)
- g) "In the case of StewartBrown, this is the organisation that puts together the case for the need for more public funding in that sector every year and now sits on a board advising the government on how to raise money" (*Jason Ward, page 51*)
- h) "...you have StewartBrown sitting on advisory bodies to government and then actively advising the clients directly in relation to the regulation of the sector that it is advising government on. So, a very direct conflict of interest and they are you said holding 1/4 of the market...." (*Senator Pocock, page 52*)
- i) "What services is that referring to..." (*Senator Pocock, page 52*)
- j) "I was trying to say that they have cornered the market" (*Jason Ward, page 52*)
- k) "Essentially they are, you know, the number one consultant advising advice to the aged care industry and occupy that critical space in between both the private sector operators and the government" (*Jason Ward, page 52*)
- l) "And this is a major source of government spending and a major source of growth in government spending, and this is a critical, I would imagine, core function of government efficiently and effectively providing the public interest aged care services" (*Senator Pocock, page 52*)

We would challenge the accuracy of the above commentary on several levels:-

- StewartBrown does not and has not sat on any advisory bodies to the government
- Grant Corderoy (Senior Partner) is an invited member of the Aged Care Taskforce in a personal capacity (not on behalf of StewartBrown) and on a pro-bono basis. The appointment is on a limited six month tenure in accordance with the terms of reference of the Aged Care Taskforce

- In the period since Grant Corderoy became a member of the Aged Care Taskforce (effective from 16 June 2023), StewartBrown has not entered into any professional engagements with the Department of Health and Aged Care or any other federal government department or agency
- We dispute the commentary around “sitting on advisory bodies to government” and “actively advising the clients directly...”. This has not occurred and there is no evidence to support this inflammatory contention
- We dispute any reference to “cornering the market”. We would suggest that professional service fees (audit, taxation and consulting) paid to StewartBrown by aged care providers would be significantly below those paid to the Big 4 accounting firms and below the level of at least the next 10 accounting and consulting firms fees
- Whilst flattering, StewartBrown are not, by a long way, the number one consultant providing advice to the aged care sector. The StewartBrown *Aged Care Financial Performance Survey*, which commenced in 1995, is the largest financial benchmarking service in the sector (and very well known and regarded), but this should not be interpreted as being providing professional services and advice on a large national scale
- To further support our contention that StewartBrown has not “cornered the market”, we will provide separately to the Joint Committee under “*commercial confidentiality*” if requested, our professional fees rendered for audit, assurance, taxation and consulting fees on a deidentified basis
- Not-for-profit entities represent in excess of 90% of the StewartBrown aged care professional fees and these entities have no taxation requirements and accordingly we do not provide any taxation advice to these entities
- Of the remaining for-profit entities (10% of our aged care sector professional fees), StewartBrown is not the registered tax agent for the majority of these clients and accordingly provide no taxation advice
- StewartBrown do not provide any professional advice in relation to clinical care, allied health, everyday living or other quality and care related services to the aged care sector
- StewartBrown has no current professional engagements directly with the Department of Health and Aged Care, Aged Care Quality and Safety Commission, Independent Health and Aged Care Pricing Authority or any other federal department or agency (also noted above)
- Previous professional engagements with the Department of Health and Aged Care were for data and systems related consultancies and the fees were very minor compared to other external consultancies. These engagements did not involve advising any approved provider in relation to regulation of the sector
- StewartBrown is a mid to lower tier (sized) accounting firm based in Chatswood, NSW with no national or international affiliations
- StewartBrown have appropriately and in accordance with the ethical requirements of Chartered Accountants Australia + New Zealand provide professional services with aged care providers since the 1970’s and have had no client concerns expressed in regard to any actual or perceived conflict of interest
- Grant Corderoy has been providing professional services (as a current partner and formerly as an employee of StewartBrown) since 1982
- StewartBrown provides a significant level of pro bono services to the social sector. *Table 1* below refers to an Australian Financial Review analysis conducted in 2019 ([Strong commitment drives pro bono work \(afr.com\)](#)) and we have exceeded these pro bono hours in each subsequent year

Table 1 - 2019 Australian Financial Review Analysis

Top 10 accounting firms pro bono work by hours per partner					
Firm	2019 rank	Total FY18-19 revenue (\$m)	Total FY18-19 partners	Total pro bono hours	Pro bono hours/partner
StewartBrown	47	13.98	8	5,446	681
Roy Spagnolo & Assoc.	79	5.56	1	501	501
Pooles Accountants & Tax Specialists	82	5.28	4	1,560	390
BMO Accountants	68	6.34	4	1,200	300
Bell Partners	32	28.82	1	260	260
Lowe Lippmann Chartered Accountants	39	17.06	7	1,800	257
Addison Partners	86	4.86	5	1,120	224
Bush & Campbell Accountants	63	7.49	6	1,000	167
Fortunity	74	5.89	6	965	161
Deloitte	2	2300.00	786	123,862	158

SOURCE: FINANCIAL REVIEW

#### Tax Justice Network / CICTAR / Jason Ward

It is not our intention to make specific commentary with respect to the Tax Justice Network, Centre for International Corporate Tax Accountability & Research (CICTAR) and Jason Ward in this response.

However, we have made specific reference to concerns, in our opinion, as to the accuracy and certain fundamental accounting concept flaws included in various Tax Justice Network and CICTAR reports authored by Jason Ward that we identified and included in public submissions and reports previously. We make this comment as to provide some context as to our view of the opinions and assertions expressed by Jason Ward personally and on behalf of the Tax Justice Network and CICTAR.

The public documents we have referenced are:

- Senate Economics References Committee Financial and Tax Practices of For-Profit Aged Care Providers: StewartBrown Submission (June 2018) (*pages 5 and 6*)
- StewartBrown *Aged Care Financial Performance Survey Report* (June 2020) (pages 17 and 18) in response to CICTAR report (and submission to the Royal Commission into Aged Care Quality and Safety) titled “Caring for Growth: Australia’s Largest Non-Profit Aged Care Operators” (July 2020).

In summary, it is our strong view that our professional integrity earned over many years, has been impinged by the exchange at the Public Hearing. I am available to appear before the Joint Committee.

Yours faithfully,

**StewartBrown**  
Chartered Accountants

**Grant Corderoy**  
Senior Partner



COMMONWEALTH OF AUSTRALIA

# Proof Committee Hansard

PARLIAMENTARY JOINT COMMITTEE ON CORPORATIONS AND  
FINANCIAL SERVICES

**Ethics and Professional Accountability: Structural Challenges in the Audit,  
Assurance and Consultancy Industry**

(Public)

TUESDAY, 21 NOVEMBER 2023

CANBERRA

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**[PROOF COPY]**

**WARD, Mr Jason, Principal Analyst, Centre for International Corporate Tax Accountability and Research [by video link]**

**ZIRNSAK, Dr Mark, Spokesperson, Tax Justice Network Australia [by video link]**

[15:51]

**CHAIR:** Welcome. I understand that information on parliamentary privilege and the protection of witnesses giving evidence to Senate committees has been provided to you. I note that the giving of false or misleading evidence is a serious matter and may be regarded as a contempt of the parliament. I now invite you to make a short opening statement, and at the conclusion of any remarks I will invite members of the committee to ask questions.

**Dr Zirnsak:** Thank you for the opportunity. Just briefly, I would like to highlight the recommendations from the submission we made. Firstly, we have recommended that the oversight of the financial services industry be examined. Currently, we have regulators who are patchwork. We were obviously very excited to hear the announcement today of some reform in that space, but ultimately it would be great to see a review on, if you were to start over from the ground up, how you would set up a regulatory structure in order to deliver on financial services industry regulation that serves the public interest, ensures that the administration is efficient, and promotes high ethical standards by professionals involved in that.

We have also suggested that there is a need, ideally, to separate out auditing functions from consulting functions and other financial services functions. Furthermore, the accounting consulting auditing company should be subject to public country-by-country reporting as another important step forward. We also have suggested that there be reform around the ability of such companies that are providing those consulting services, particularly to government, to be able to make political donations and limit that ability, which we know members of this committee have previously raised as a mutual concern in that space.

In addition, we would recommend, again, that the government look at a whole-of-government debarment policy to address unethical behaviour and provide a deterrent to highly unethical behaviour and illegal behaviour. Furthermore, there's a need to absolutely ensure that the ATO secrecy provisions don't mean that it hinders or fails to work with other regulators to address criminal activity that isn't within its jurisdictional mandate that may be the responsibility of other regulators. We note that the legislation coming forward that Treasury has consulted on goes at least some way to addressing that particular problem.

Finally from my end, the other thing to raise would be that, with the legislation the Treasury has consulted on where the Tax Practitioners Board will need to alert industry professional bodies when they are investigating someone, we think that should be a two-way street so that, similarly if industry professional bodies are investigating someone for matters that would be of interest and relevance to the Tax Practitioners Board, they should be required to alert the Tax Practitioners Board that they are undertaking such an investigation. It seems odd to just have a one-way path on this particular matter as such. I will stop there unless Jason wishes to add anything further to our opening comments.

**CHAIR:** Mr Ward?

**Mr Ward:** If I could just echo what Dr Zirnsak has said and support that, I will add one recommendation and then make some brief comments with some specific examples of what needs to be reformed here. One other recommendation applies to work that the big four accounting firms do for the corporate sector, and there must be a split between them providing audit services and tax advice at the same time. The most recent Australian project that we have worked on is a report on DP World. This is a company that hasn't paid a cent in corporate income tax in nine years. It employs KPMG as both auditor and pays separately for tax advice. This is illegal in many other jurisdictions, including the UK and the US. Those functions need to be split as it maintains an appearance of a protection racket rather than providing any audit services.

I'll make a few overarching comments. One, I think the problem here in relation to consulting services with the government is an over-reliance on consulting rather than investing in an independent and reliable public service. We have the situation we're in now because of a heavy reliance on the big four and a few other accounting firms in order to provide government advice and support, and that is a fundamental underlying issue that needs to be addressed. The big four, while talking about transparency, have really been some of the biggest opponents of increasing transparency, in particular lobbying hard against Australia's efforts to implement public country-by-country reporting. As Mark mentioned, that standard could, should and must be applied to them, and it could be applied as a condition of any future contracts as well.



I want to focus specifically on one key sector that I have spent a fair bit of time looking at that provides a clear example of the problem of consultancies, and that is in the aged-care sector. You have some consultancy businesses in there that are smaller than the big four and don't get the same amount of attention. In particular, there is a consultancy firm called StewartBrown that has a corner on the market. It's providing advice to government, and it sits on many government boards. It provides advice to its clients in the sector as well. It occupies a space where it has a corner on the market. It is getting paid by governments to provide assistance to providers on filing their financial statements. PwC had a similar contract as well, but StewartBrown has a fix on that sector. I think it provides an example of how consultancies work and how they can become a big problem in terms of their capture of what should be regulatory situation and turns into a profit centre for an independent consultancy.

Finally, a lot of attention—and rightly so—has been focused on the big four. I think we need to keep in mind that companies like Accenture operate in the same space and have in most recent years actually got more federal government contracts than the big four have. We have seen huge problems with companies like Accenture and McKinsey in terms of future opacity in the contracts that they have been given and what they are delivering for the public. I will stop there.

**CHAIR:** Thank you very much. Before I go to Senator Pocock, I'll take you to the example you've given with regard to StewartBrown in particular. You indicated a similar set of practices for PwC. Was that within the aged-care sector for PwC as well?

**Mr Ward:** Yes, PwC had a contract to advise providers on filing their financial statements.

**CHAIR:** We have had evidence provided and in the submission from our last witnesses as well with regard to aged care. Mr Ward, can I ask you to describe the problem and what a prevention would look like to the problem that you describe?

**Mr Ward:** I think there is an inherent conflict, particularly in this situation, and this is a clear example of the conflict. I think the conflict is broader than this, but this is a very explicit example in which you are paying a firm to support a provider, an operator in the sector that is providing government money, to provide their financial statements. There are mixed incentives because, if you are PwC or StewartBrown, you are advising them on how to minimise their tax obligations and, frankly, how to get around new regulations and requirements that may be getting introduced as well beyond just tax issues. That means you are getting paid by the government to provide advice to operators in the private sector who are completely reliant on government funding.

**CHAIR:** One of the constant calls is for finding a way to declare conflicts of interest. Then there is further evidence about conflicts of interest that says, no matter if it is declared, the conflict is not able to be managed and there need to be separation of a range of different types. We have heard evidence from Professor Fels and Professor Samuel about what might be the most elegant and sustainable solution for separation of audit from other services. The focus of our inquiry is ethical and professional accountability and structural challenges in the audit, assurance and consultancy industry. They're integrated, but audit is the critical function. Your evidence is the only one that has clearly asked for the separation of audit and tax advice, and I think you go some way to that when you are talking about the aged-care sector. Serving your clients, having access to boards and decision-making for the sector and then also advising government—is there a preventative of conflicts of interest for that other than separation?

**Mr Ward:** It's hard to see. Certainly, disclosure and putting those conflicts of interests upfront is a major step in the right direction. Whether that gets to the solution or not I'm not really confident. In the case of StewartBrown, this is the organisation that puts together the case for the need for more public funding in that sector every year and now sits on a board advising the government on how to raise money. It just seems that that's a conflict that's somewhat insurmountable. You can't essentially be collecting money from two different sources and appearing or pretending to be serving both of their interests when those interests differ.

**Dr Zirnsak:** Our submission did suggest an initial step would be to try a firewall between the two functions if you're providing tax advice and auditing, but in our view that would be fairly inadequate. The inconsistency is interesting because, certainly when we have in other contexts used services from consulting firms and have gone to them on a pro bono application, they check with partners whether there's a conflict of interest, and, if they find there's a conflict of interest, they won't take the pro bono work. It's very odd that they have this very high ethical standard around that, but when it comes to providing tax advice and auditing where there's a very clear conflict of interest, for some reason that does not mean they turn down the work of one side or the other of that equation.

**CHAIR:** Could I ask you to take on notice a way in which disclosure might be managed and also think about the way in which structural separation might be managed, particularly with regard to the specific aged-care example that you've given?

**Mr Ward:** Yes,

**CHAIR:** Thank you. Senator Pocock.

**Senator BARBARA POCOCK:** Thank you, both, for being here and your work and submission. Mr Ward, is that case that you have described in general terms on the public record?

**Mr Ward:** The case in the aged-care sector?

**Senator BARBARA POCOCK:** Yes.

**Mr Ward:** Not entirely, no.

**Senator BARBARA POCOCK:** It seems to me that it would serve the public interest to have it spelled out. It's exactly the kind of conflict that has, in other cases, sounded the alarm and led to government action. To make sure I understand what you have described, you have StewartBrown sitting on advisory bodies to government and then actively advising their clients directly in relation to the regulation of the sector that they are advising government on. That's a very direct conflict of interest. You said they are holding a quarter of the market. Which market, or what product or services, is that referring to?

**Mr Ward:** I don't think I said a quarter of the market. What I was trying to say was they have cornered the market.

**Senator BARBARA POCOCK:** Sorry, okay.

**Mr Ward:** Essentially, they are the No. 1 consultant providing advice to the aged-care industry and occupy that critical space in between the private-sector operators and the government.

**Senator BARBARA POCOCK:** This is a major source of government spending and a major source of growth in government spending. And it is a critical—I would imagine—core function of government to efficiently and effectively provide, in the public interest, aged-care services. Why do you think that is contracted out, and is that appropriate in the first place?

**Mr Ward:** I don't think it's appropriate. I think that you need expertise in government in order to manage the sector. I'll give you one very specific example. With the last submission that I made on proposed legislation to the Department of Health and Aged Care, the response came back from the supporting providers division of the department. In my view that's inappropriate. The Department of Health and Aged Care exists to regulate and enforce in the sector. I'm not against supporting providers, but that's not the job of the regulatory body here. It should be oversight and enforcement as priority No. 1, not how to provide support to private-sector players who are government funded.

**CHAIR:** Mr Ward, I didn't completely understand what you said then. You put in your submission to the Department of Health and Aged Care; is that correct?

**Mr Ward:** This was a submission about transparency and accountability and legislation to increase that for those operators receiving government funding. The response confirming the submission came back from the Strengthening Providers division of the Department of Health and Aged Care.

**CHAIR:** Now I understand what you're saying. Thank you very much.

**Senator BARBARA POCOCK:** If we consider, for example, a document or a new policy that's been put forward very recently by the current government—the strategic commissioning framework, which is setting out a commitment to fund core services out of the public sector and not contract them out—it would seem to me the services you are providing are clearly within what should be a core service.

**Mr Ward:** Absolutely. I'll give you another example. I think that there have been some measures to address this, but it was found that a large chunk of the people doing inspections for the aged-care inspection division were contracted out by labour hire firms. Again, you cannot do that work on a temporary basis. They may be inspecting operations at facilities that are employing workers who are employed by a different division within the same company. That work has to be done by somebody who's an expert, who goes back to the same facility and who understands, not somebody who's brought in on a temporary role in order to do that work.

**Senator BARBARA POCOCK:** It also raises questions about the efficiency of such a system, because presumably profit is being taken out, which means there's less money there to actually fund the service. If I go to the test you set, Dr Zirnsak, in relation to an efficient financial services regulatory regime, you had three conditions: a structure that serves the public interests, an efficient structure, and one that meets high ethical