



19 September 2023

*Invitation to submit – Ethics and Professional Accountability: Structural Challenges in the Audit, Assurance and Consultancy Industry*

Dear Mr. Turner, Committee Secretary,

Thank you for the invitation to make a submission to the Parliamentary Joint Committee on Corporations and Financial Services on the **Ethics and Professional Accountability: Structural Challenges in the Audit, Assurance and Consultancy Industry**.

BCG has recently provided a perspective on many of the items in the terms of reference for this inquiry as part of its public submission to the Senate Finance and Public Administration References Committee's **Inquiry into management and assurance of integrity by consulting services** ('Submission'), which is included in this submission below.

We specifically refer the Committee to the below sections of our Submission which relate to the terms of reference for this inquiry:

- For **Global and National Firm Structures (Term of Reference #1)**, and **Governance Obligations of Professional Services (Term of Reference #2)** we refer the Committee to:
  - Sections A & B: BCG's global policies and procedures, and specific measures we take to prevent conflicts of interest, contract breaches, and other unethical behaviour.
  - Section C: BCG's enforcement measures taken in response to integrity breaches, and the management of risks to public sector integrity from engagement of consultants.
  - Section E: BCG's legal status and governance under Australian law (at subsection E1).
- For **Mechanisms Available to Monitor and Sanction Misconduct and Poor Performance (Term of Reference #3)** we refer the Committee to:
  - Section D: BCG's commitment to APS values and strict adherence to Government procurement processes.
  - Section E: BCG's perspective on how to improve transparency, measure value for money, and how to ensure accountability for a supplier's overall contributions and integrity.

In our submission, we have identified a number of suggestions to consider and trust the Committee will find these constructive in its deliberations.

Yours sincerely,

Boston Consulting Group



# Submission to Senate Finance and Public Administration Committee

Inquiry into the management and  
assurance of integrity by consulting services  
provided to the Australian Government

21 July 2023



Committee Secretary  
Senate Finance and Public Administration Committee  
PO Box 6100, Parliament House  
Canberra ACT 2600

## Submission to Senate Inquiry

BCG is pleased to make this submission to the inquiry into the management and assurance of integrity by consulting services provided for the Australian Government.

We recognise the seriousness of the issues that led to this inquiry and are committed to supporting the Committee. We note that firms providing management and business advisory services to the Australian Government vary considerably in terms of size, offerings, structures and business models. For example, BCG works on a consultancy basis and does not offer labour hire, person-contracting or similar services. BCG also does not provide tax, audit, accounting or legal services.

This submission focuses on how BCG approaches the matters outlined in the terms of reference and, where relevant and based on our experience, provides suggestions for the Committee to consider, with specific reference to the Australian Government.

Our submission is structured using the Committee's terms of reference:

- A. The management of conflict of interest
- B. Measures to prevent conflict of interest, contract breach, other unethical behaviour
- C. Enforcement measures taken in response to integrity breaches
- D. Management of risks to public sector integrity from engagement of consultants
- E. Transparency of work undertaken, and accountability of consultants for this work
- F. Other related matters, including the building of APS capability

We are committed to supporting the Committee in this important work and welcome the opportunity to assist further.

Yours sincerely,

BCG Australia  
21 July 2023



## Table of Contents

<b>A - THE MANAGEMENT OF CONFLICTS OF INTEREST BY CONSULTANTS.....</b>	<b>4</b>
A1 - BCG POLICIES, PROCEDURES AND TOOLS TO MANAGE ORGANISATIONAL-LEVEL CONFLICTS OF INTEREST .....	4
A2 - BCG POLICIES, PROCEDURES AND TOOLS TO MANAGE INDIVIDUAL-LEVEL CONFLICTS OF INTEREST .....	6
A3 - BCG PURPOSE, CULTURE AND VALUES .....	7
A4 - WHO WE WORK FOR AND THE TYPE OF WORK WE DO .....	8
<b>B - MEASURES TO PREVENT CONFLICT OF INTEREST, CONTRACT BREACH, OR OTHER UNETHICAL BEHAVIOUR .</b>	<b>10</b>
B1 - TAX, LEGAL, ACCOUNTING OR AUDIT SERVICES .....	10
B2 - LABOUR-HIRE .....	10
B3 - POLITICAL DONATIONS .....	10
B4 - BOARD DIRECTORSHIPS .....	11
B5 - FORMER AUSTRALIAN PUBLIC SERVICE (APS) EMPLOYEES.....	11
B6 - GOVERNMENT SECONDMENTS .....	11
B7 - PAYMENTS TO FORMER MANAGING DIRECTOR & PARTNERS OR OTHER EMPLOYEES.....	12
B8 - CYBER AND DATA SECURITY .....	12
B9 - SECURITY CLEARANCE REQUIREMENTS .....	13
B10 - RESPONSIBLE USE OF ARTIFICIAL INTELLIGENCE .....	14
<b>C - ENFORCEMENT MEASURES TAKEN IN RESPONSE TO INTEGRITY BREACHES .....</b>	<b>15</b>
C1 – BCG ORGANISATIONAL CULTURE .....	15
C2 – BCG ENFORCEMENT MEASURES IN RESPONSE TO BREACHES .....	16
C3 - AUSTRALIAN GOVERNMENT CONSEQUENTIAL ACTION FOR BREACHES OF INTEGRITY.....	17
<b>D - THE MANAGEMENT OF RISKS TO PUBLIC SECTOR INTEGRITY ARISING FROM THE ENGAGEMENT OF CONSULTANTS .....</b>	<b>18</b>
D1 - OUR COMMITMENT TO UPHOLDING APS VALUES IN OUR WORK .....	18
D2 - COMMONWEALTH PROCUREMENT RULES AND PROBITY .....	18
D3 - NATIONAL ANTI-CORRUPTION COMMISSION (NACC) .....	19
<b>E - THE TRANSPARENCY OF WORK UNDERTAKEN BY CONSULTANTS, AND THE ACCOUNTABILITY OF CONSULTANTS FOR THIS WORK .....</b>	<b>20</b>
E1 - BCG’S LEGAL STATUS AND GOVERNANCE UNDER AUSTRALIAN LAW .....	20
E2 - TRANSPARENCY IN REPORTING OF GOVERNMENT CONTRACTS .....	20
E3 - VALUE FOR MONEY UNDER THE COMMONWEALTH PROCUREMENT RULES .....	21
E4 - ACCOUNTABILITY FOR A FIRM’S OVERALL CONTRIBUTION AND INTEGRITY .....	22
E5 - IMPROVING TRANSPARENCY OF VALUE FOR MONEY ASSESSMENTS .....	23
<b>F - ANY OTHER RELATED MATTERS .....</b>	<b>24</b>
F1 - CAPABILITY BUILDING AND KNOWLEDGE TRANSFER TO THE PUBLIC SERVICE.....	24
<b>SUMMARY OF CONSIDERATIONS FOR THE COMMITTEE .....</b>	<b>25</b>



## A - The management of conflicts of interest by consultants

At BCG, identifying and managing conflicts of interest and preventing breaches of contract and unethical behaviour are all addressed by our Code of Conduct, supported by BCG policies, procedures and tools, and reinforced by our culture and values.

Our Code of Conduct<sup>1</sup> (the Code), which is publicly available [here](#) on our website, defines expectations for the behaviour of all BCG employees. The Code specifically references expectations for ethical decision making and promotes high standards for professional conduct. The Code covers topics including commitments to our clients, our employees, the firm, and society. It highlights the importance of providing client services ethically, protecting confidential information, managing actual and perceived conflicts, protecting information security, competing fairly, and maintaining a safe environment free of harassment and discrimination, coupled with a speak-up culture in case of concerns. The Code also reaffirms our adherence to the laws and regulations of the countries where we do business and underscores our focus on achieving a positive and lasting impact on society.

BCG's Code of Client Service, which is an element of our Code of Conduct, sets out the policies, procedures and tools we use to manage ethical behaviours, in line with BCG culture and values. It comprises six assessments that must be satisfied for all client engagements:

- i. Client Clear: Who we work for and how we engage with them
- ii. Topic Clear: What types of work we do and where do we do it
- iii. Conflict Clear: The impact our work can have on other clients and stakeholders
- iv. Contractor Clear: How we work with third parties we engage
- v. Information Clear: How we manage and protect information
- vi. Team Clear: How we work together and treat each other as team members

Below we describe BCG policies, procedures and tools used to manage conflicts of interest at the organisational (A1) and individual (A2) level, drawing on our Conflict Clear, Contractor Clear and Information Clear guidelines. We follow with a description of how our cultures and values reinforce these measures (A3), drawing on the Team Clear guidelines. We conclude with a more detailed description of Client Clear and Topic Clear, and how we proactively assess all client engagements against the Code of Client Service framework (A4).

### A1 - BCG policies, procedures and tools to manage organisational-level conflicts of interest

BCG has a set of strict, enforced policies around all our work and potential engagements as a part of our ongoing commitment to managing organisational-level conflicts of interest and upholding ethical standards.

1. Organisational Conflicts of Interest (OCI) Policy: BCG has an OCI policy and supporting compliance process, including local legal support independent of the relevant client-service team, and two-tier escalation to address any identified risks. The two-tier escalation includes the Australia Commercial Advisory committee chaired by the Australian Managing Partner, and the Global Commercial Advisory committee consisting of BCG's global General Counsel,

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<sup>1</sup> <https://media-publications.bcg.com/BCG-Code-of-Conduct.pdf>



Chief Risk Officer, Regional Chair, and Global Practice Area Leader. The OCI policy specifically requires the following safeguards to be put in place:

- a. *Managing Unequal Information Access to Non-Public Information:* BCG abides by non-disclosure agreements that govern our work. We must not staff any BCG employees on a proposal or engagement if they have had access to non-public information that could give BCG or our other clients an unfair advantage in a competition.
  - b. *Avoiding Biased Ground Rules:* If a BCG team prepares an RFP or similar solicitation document for a client to issue to market as an upcoming opportunity, BCG cannot pursue that opportunity as a prime or subcontractor.
  - c. *Disclosures to address any appearance of Impaired Objectivity:* BCG must make all disclosures required under the terms of each solicitation from a client, including a statement in our proposals and contracts that identify potential conflicts or intersections between the work we are responding to for the government client and the interests of any other clients (if any).
2. Confidentiality: In the course of providing services, BCG employees necessarily learn non-public information about our clients. Client information is shared only with employees participating in the project, and then only on a need-to-know basis. All BCG employees sign employment agreements requiring them to maintain the confidentiality of client material, and are regularly reminded of, and trained on, our client confidentiality practices. This training is part of employee onboarding and is reinforced via regular interactive training sessions, which also test employee understanding of the concepts.
3. Staffing Restrictions/Ethical Walls: BCG will not concurrently serve clients on both sides of a transaction, or in circumstances prohibited by our OCI policy. In circumstances where different teams are allowed to support clients with conflicting interests in accordance with the policy, they are separated by ethical walls. Staffing restrictions prohibit individuals staffed on a client matter from working on a similar matter for a direct competitor for a minimum of 12 months after completing a case. The National Staffing Director, who is independent of client-service teams and oversees all staffing, maintains a register of historical staffing assignments for all consultants to enable these measures. These protocols reduce the risk of a perceived or real conflict, and we also agree to additional terms (such as those in client-issued non-disclosure agreements) when asked by the client or required independently by BCG.
4. Information Management: BCG's information and security policies protect the information shared in confidence with BCG personnel. We safeguard information physically through encryption, complex passwords, access controls, and training on IT Security processes and policies. Further, we store and exchange case information through a secure file sharing platform that meets BCG's strict security and data standards – see Section B8 for further details on our approach to Cyber and Data security.
5. Awareness & Training: BCG staff must not share materials, documents or insights from previous client engagements with individuals working for competitors of their client, or breach any of the above policies in any other way. All staff receive regular information and training outlining their obligations with respect to client confidentiality, information





management, and managing real or perceived conflicts of interest. This training is provided during onboarding, and every two years via our Code of Conduct training. Everyone at BCG confirms their adherence to the provisions of the Code as a condition of their employment and must annually confirm their understanding of, and compliance with, BCG's core policies by completing an Annual Compliance Acknowledgement questionnaire. In 2023, as in prior years, 100% of BCG employees were required to complete a web-based training session on the updated Code of Conduct, confirm their understanding of the Code with a focus this year on anti-bribery and corruption topics in the Code, and agree to comply with its terms. The completion of web-based training is mandatory and is delivered via our online learning platform. We systematically track completion and suspend certain IT system access for any employees who fail to complete the training by the deadline, until they have met the requirement.

## **A2 - BCG policies, procedures and tools to manage individual-level conflicts of interest**

In addition to our policies governing potential organisational conflicts, BCG has additional requirements to appropriately manage individual-level conflicts.

- i. Board Membership Policy: BCG employees are not permitted to serve on the governing boards of any organisation, or on advisory boards to government, without the explicit permission of BCG. This policy and how it is enforced is detailed in Section B4.
- ii. Insider Trading Policy: All employees are expected to comply with BCG's Insider Trading Policy. In addition to maintaining the confidentiality of client information, BCG employees are precluded from using it for any individual's personal benefit. BCG employees are also prohibited from trading securities on the basis of any material, non-public (or inside) information we have access to, or providing this information to others who then, in turn, make investment decisions based on the information. To regulate this policy, BCG employees and related parties (e.g., spouse or co-habitants) are required to seek approval for proposed securities transactions through BCG's trade-clearing portal before undertaking any trading activity. We deny any request to trade the securities of a BCG client (engaged presently or within the last six months) or other companies about which BCG personnel may possess or gain material non-public information (e.g., an unannounced potential joint venture). Finally, all staff must personally confirm and digitally sign their compliance with the policy each year, via our online system.
- iii. Anti-Bribery and Corruption Policy: BCG has zero tolerance for any form of bribery or corruption. Employees and third parties acting on BCG's behalf must not abuse, or partake in the abuse of, entrusted power for direct or indirect gain. They are also prohibited from directly or indirectly offering, promising, giving or receiving any financial or other advantage with the intention that it will induce or reward the improper performance of a function, activity or decision-making. Aside from monetary gain, the policy explicitly includes other examples of inappropriate advantage, such as excessive gifts or hospitality, inappropriate business travel, assistance with migration processes, charitable contributions, political donations or offering work opportunities to a family member. Any gifts, meals, and entertainment must meet the following requirements: gifts must be reasonable, infrequent, unsolicited, neither cash or cash equivalents, not offered or received around the time of a request for proposal or in response to one, appropriately



documented, in compliance with applicable local laws and regulations, and in compliance with our client's policies. While BCG operates in many countries and cultures, different expectations or business practices are not relevant for the purposes of this policy and are not a defence to violations of this policy. All employees are obligated to report known or suspected violations of this policy, with an option for anonymous reporting (See Section C1 for further detail).

- iv. Client-Facing Contractor Policy: All Client-Facing Contractors are evaluated for potential risk under BCG's Client-Facing Contractor Policy. This involves a screening process led by BCG's Global Procurement Team, including an assessment of issues including bribery and corruption, sanctions, legal or regulatory actions and reputation.
- v. Non-Employment Related Activities: BCG expects all employees to dedicate their full- or part-time paid professional efforts to BCG. While we support individuals who explore diverse interests and hobbies outside the workplace, such activities must not conflict with or affect the employee's ability to perform their job responsibilities at BCG.
- vi. Awareness & Training: BCG staff receive regular information and training outlining the importance of identifying and managing individual level conflicts of interest, and their obligations under these policies. Staff are required to recognise the importance of these principles via an annual Code of Conduct personal acknowledgment and certification of compliance, as mentioned above.

### A3 - BCG purpose, culture and values

BCG's purpose is to unlock the potential of those who advance the world. Our purpose is supported by a clear set of values. They are:

- Integrity
- Respect for the Individual
- Diversity
- Clients Come First
- Strategic Perspective
- Value Delivered
- Partnership
- Expanding the Art of the Possible
- Social Impact

BCG regularly communicates and reminds employees that a commitment to our values and purpose entails considering not only the value of our work for clients and society, but also any associated risk. BCG's purpose and values are reinforced in BCG onboarding, as well as in annual, mandatory *Living our Values* and *Conscious Inclusion* training sessions. These training sessions draw on scenarios relevant to the consulting context, which employees discuss and debrief in order to reinforce an understanding of what it means to live BCG values in our work. Scenarios are specifically designed to include bystander roles, to reinforce the importance of employees speaking up if they have any concerns.





BCG's culture aims for the highest professional standards. At times behaviours inconsistent with our Code and our values may arise. In these *Living our Values* and *Conscious Inclusion* sessions, and in regular communications, employees are reminded of the wide range of channels available for raising concerns about behaviour that may not align with BCG values, under the principle of "see something, say something". All employees may raise concerns without fear of adverse repercussions. We offer multiple channels of reporting, including to the local HR team, to any member of the BCG Australia leadership team, to any member of the regional or global BCG leadership, or to our confidential and anonymous ombudsperson channel. We have processes and procedures to handle any concern raised in confidence, subject to any overriding legal or regulatory requirements on BCG. We address all concerns appropriately in accordance with these processes and procedures.

We regularly challenge ourselves to examine what we are doing and to continuously improve.

#### **A4 - Who we work for and the type of work we do**

As a firm, we seek to work with organisations where we can have sustained, value-creating impact on topics aligned with our capabilities, purpose and policies. We strive to be thoughtful and principled in the choices we make about (a) who we work for, and (b) the type of work we do, and do not do. We have policies in place that govern the clients we work with and the projects we undertake (Client Clear and Topic Clear respectively), and procedures and tools that support BCG's proactive management of these policies. Importantly, this means we have turned down clients and engagements that are not consistent with our policies.

**Client Clear:** This includes evaluation of legal and reputational risks of our association with a client. Our policies prohibit any work for countries or individuals that are subject to sanctions applicable to BCG, including individual Specially Designated Nationals ("SDN"), or countries where regime change, crime, instability or other concerns create an unacceptable risk to the safety or security of our people.

**Topic Clear:** These policies and procedures require us to systematically consider specific situations and/or certain topics that may entail elevated risks, ranging from prohibited topic areas to prohibited geographies. We do not take on engagements for clients whom we assess have a predetermined outcome or a desired opinion they are seeking merely to confirm through a consulting engagement. Our independence to develop a data-informed point-of-view and make recommendations that we stand behind fully is core to both our values and our value proposition.

All new potential client engagements are captured in the global BCG commercial and risk management system (ClientView). At the time of entering a new opportunity into ClientView, the responsible Managing Director & Partner must indicate whether a Client Clear, Topic Clear or Conflict Clear (in line with the Organisational Conflicts of Interest Policy described in Section A1) assessment is required with reference to policies and guidelines developed and agreed by the BCG global Executive Committee. Regular training is conducted for all Managing Director & Partners on these guidelines and their application, and the BCG Australia Legal and Risk teams are available to support.



In parallel, the global Risk and Legal team independently determines whether a Client Clear, Topic Clear or Conflict Clear assessment is required based on the information entered in ClientView. All new clients trigger a ClientClear assessment, and there is continuous assessment of the BCG client portfolio as legal, financial or reputational events occur. Industry and sector coding and project descriptions are also scanned by the global team for key words that indicate that further Topic Clear and Conflict Clear consideration might be required.

Compliance with these policies is enforced through the conduct of the BCG Australia Weekly Commercial and Risk Project Pipeline meeting, where each new opportunity is discussed and requirements for assessment and escalation are considered. No commercial proposal is approved for submission, or project resourcing assigned, until assessments are completed.

Formal assessment is supported by the local and global Risk and Legal team, with a two-tier escalation model independent of the client-service team. The first tier is the Australia Commercial Advisory committee chaired by the BCG Australia Managing Partner. The second tier is the Global Commercial Advisory committee, consisting of BCG's global General Counsel, Chief Risk Officer, Regional Chair and Global Practice Area Leader. Matters are escalated to the higher tier where the Australia committee seeks escalation; where the local or global Risk or Legal representatives independently seek escalation; or when any process of the global team indicates escalation would be prudent.

In the event an assessment requires knowledge of confidential or classified Australian Government information inappropriate to members of a committee, alternate membership is limited to the BCG Australia Managing Partner and senior Australia-based Managing Director & Partners and Risk and Legal representatives that are independent from the relevant client-service team, hold active security clearances, and have signed any confidentiality or non-disclosure agreements required by the Australian Government prior to consideration.



## B - Measures to prevent conflict of interest, contract breach, or other unethical behaviour

BCG has a range of specific measures to prevent conflict of interest, contract breaches or other unethical behaviour. Some of these have been detailed already in Section A. This section elaborates on key elements of our business model that mean that some conflicts of interest that could arise for other firms do not occur for BCG. It also provides details on other specific measures we have in place to prevent or avoid conflicts, breaches or unethical behaviour:

1. BCG does not provide **tax, legal, accounting or audit services**
2. BCG does not provide **labour-hire services**
3. BCG does not make **political donations**
4. BCG employees may not be **Board directors** without explicit and narrow permission
5. BCG has specific policies for **former government employees**
6. BCG does not **second staff** to government, with a strictly controlled exception
7. BCG does not have any programs of **ongoing payments** to former employees
8. BCG complies with government **cyber and data security** requirements
9. BCG complies with all **security clearance** requirements
10. BCG has world-class policies for the **responsible use of AI**

### B1 - Tax, legal, accounting or audit services

BCG does not provide tax, legal, accounting or auditing services so there is no risk of independence breaches, conflicts or potential breaches of confidentiality between disciplines associated with the multi-disciplinary models of other firms.

### B2 - Labour-hire

BCG does not offer labour hire, person-contracting or similar services to government, and is therefore not faced with the same potential conflicts of interest or potential breaches of confidentiality that may arise from staff providing ongoing outsourcing services, as well as tendering for or providing consultancy services.

#### *For consideration:*

1. *The Committee may wish to consider restrictions on the ability of suppliers to simultaneously supply both labour-hire services and management advisory services to the Australian Government.*

### B3 - Political donations

BCG does not make, and has a clear policy not to make, donations or provide any other types of direct or indirect financial support or sponsorship to political parties. BCG prohibits requests for support from political organisations and candidates, and BCG does not have memberships or sponsor any political party related associations or conferences. BCG's Code of Conduct prevents employees from using BCG's name or resources for any personal political activities.



BCG is a non-partisan and apolitical organisation, and we are not engaged by elected officials, politicians or political parties. Our public sector work in Australia is commissioned by Departments and Agencies, via their relevant and appropriate procurement processes.

#### **B4 - Board directorships**

BCG employees are not permitted to serve on the governing boards of any organisation, or on advisory boards to government, without the explicit permission of BCG. All board requests are logged through BCG's global online compliance platform and reviewed by our Legal team as well as BCG's industry sector and country leadership to ensure such service will not create conflicts of interest. Any request to serve on the board of a public company, or of any company with revenue greater than US\$100 million, also requires the explicit approval of BCG's global Executive Committee. Even if an employee is given permission to serve on a board (e.g., a not-for-profit organisation), that employee cannot be remunerated for that board service. In addition, BCG cannot be engaged by any company or organisation on whose governing board a BCG employee serves, unless with the express approval of BCG's global Executive Committee.

#### **B5 - Former Australian Public Service (APS) employees**

None of BCG Australia's 55 Managing Director & Partners are former Australian Public Service (APS) employees, and we take steps to manage and avoid the actual or perceived risk of any sharing of confidential government information that may be held by any former government employees that join BCG.

First, we note that former APS employees are already bound by the secrecy and confidentiality provisions of the government department or agency they have left. Second, BCG respects and insists on the indefinite protection of the confidentiality of information and privileged knowledge that any former APS employee may have. Finally, BCG will not staff a former APS employee on any engagement for their former department or agency for a period of at least 12 months after joining BCG.

#### **B6 - Government secondments**

BCG Australia does not second its employees to government, with the rare exception drawn from a very small cohort of junior employees who may be permitted to be seconded as part of a time-limited career-development leave of absence, following strict internal HR, compliance and confidentiality processes. We have had eight in total in the past five years across all state and federal government departments and agencies.

An independent internal integrity framework is in place for managing any secondment, with public sector secondments receiving additional review. In these rare circumstances, individuals are paid their personal remuneration directly or indirectly by government for the duration of the secondment. BCG is not paid separately. We are confident that this process does not give rise to conflicts of interest, but recognise that the term 'secondment' no longer has the clear, narrower and unambiguous connotation it once did.

We understand that governments may wish to second staff from the private sector for institutional capability building of the public service, and the building of understanding of the



public service in others. However, in such circumstances, the secondment arrangements should be done within a well-defined framework, separated unambiguously from any commercial advisory engagements, and arrangements should be for a limited time period. Similar programs exist in other countries, including in the UK and Canada<sup>2</sup>, that are clearly separated from the governance of commercial arrangements with any 'provider' to government.

One possible steward and manager of any such program could be the Australian Public Service Commission (APSC). The APSC could provide appropriate and rigorous safeguards for the confidentiality of government information, perhaps akin to those that should be in place for officials who leave the public service. These might involve limiting any program to certain tenures or skillsets, excluding staff from being hosted at an agency that their firm has served, ensuring those staff are not involved in providing services back to the host agency subsequently, or other measures. Should the government not see merit in such programs, it may be beneficial to have a clear policy, statement or prohibition to that effect.

*For consideration:*

2. *The Committee may wish to consider establishing a clear framework for secondments to or from the Australian Public Service, with strong safeguards to prevent conflicts of interest and protect confidentiality.*

## **B7 - Payments to former Managing Director & Partners or other employees**

While some professional services firms have retirement plans, including ongoing payments to former partners that may create potential for conflicts of interest, BCG does not have any retirement plans or any program of ongoing payments to former Managing Director & Partners, or any other former employee, once they leave BCG.

## **B8 - Cyber and Data Security**

BCG takes cyber and data security very seriously. Our policies, procedures and tools are extensive, and take into account local regulation and legislation. BCG has strong security backed by technology, processes and policies that everyone in the firm is aware of and trained on. The BCG Information Security & Strategy program applies appropriate access controls and other protocols to safeguard BCG's brand and intellectual property, as well as employee and client information, from any misuse, damage and unauthorised access.

We employ an internal team of dedicated information security professionals who are responsible for creating, updating and managing BCG's Information Security & Strategy program. Key activities of BCG's Information Security team are: strategic planning; designing and implementing applications and technology with security and the principles of Privacy by Design & Default; training employees, vendors and others to create necessary awareness; ensuring operational maintenance and effectiveness of our controls; and measuring effectiveness of the Information Security & Strategy Program and controls.

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<sup>2</sup> e.g., secondments into and out of [UK Civil Service](#) and [Canadian Public Service](#)



BCG has comprehensive information security controls to ensure confidentiality, integrity, availability and resilience of information and technology. This multi-layered, proactive approach includes physical access controls, building and data centre security, electronic access controls, internal access controls, controls to ensure data in transmission and at rest are protected any time, processes, plans and technology to ensure availability of data including disaster recovery and business continuity. BCG conducts penetration tests and table-top exercises to ensure adequate protection and the robustness of its processes. BCG's Information Security Management System is certified to ISO/IEC 27001:2013. Individual offices are certified by our Auditors via random selection, annually. Our Sydney and Melbourne offices are currently in the process of certification.

BCG also maintains a number of policies governing the use and protection of personal information, including but not limited to the Global Privacy Policy, Global Data Classification Policy, Global Data Retention Policy, Global Personal Data Breach Notification Policy, and Employee Privacy Policy, as well as legal guidelines to help our employees interpret the policies. These policies and guidelines are binding on every BCG employee and facilitate compliance in all countries where BCG operates.

When working with the Australian Government, all data is subject to the same strict privacy and protection policies as the rest of our engagements. In addition:

- We adhere to the specific data, cyber and information security requirements in our contracts including but not limited to the Australian Cyber Security Centre (ACSC) Information Security Manual (ISM), which focuses on protecting information and systems from cyber threats.
- BCG has adopted the same policy as the Australian Government with regards to the TikTok app, prohibiting employees who are working on engagements for the Australian Government from downloading or using TikTok on BCG-issued device/s, or devices used for BCG work.
- BCG does not access or store any documents or information that are classified PROTECTED level or above on BCG devices or networks. We use government client networks and devices if required to handle such information or documents.
- We adhere to the requirements of the Commonwealth Government's Protective Security Policy Framework (PSPF) and BCG employees are only allowed to access information at the level for which they hold an active Australian Government Security Vetting Agency (AGVSA) Security Clearance.

## **B9 - Security Clearance requirements**

In our work with the Australian Government, BCG Australia has obtained Defence Industry Security Program membership (DISP). Much of our work requires security cleared personnel, and in the process of obtaining and maintaining these clearances, staff undertake regular training and act in accordance with the requirement of the Australian Government's Protective Security Policy (PSPF) and BCG staff are only allowed to access information at the level for which they hold an active Australian Government Security Vetting Agency (AGVSA) Security Clearance.

To continue to hold our DISP membership BCG Australia is audited yearly by the Defence Department to ensure we meet with our ongoing responsibilities that are set out in Control 16.1





DISP in the Defence Security Principles Framework which hold our business and our staff to the highest confidentiality requirements.

Personnel undergo appropriate employment screening, and where necessary hold an appropriate security clearance, before being granted access to a system and its resources, in accordance with Australian Standard 4811-2006 Employment Screening.

### **B10 - Responsible use of Artificial Intelligence**

BCG has clear policies on Artificial Intelligence (AI), which require all AI or AI Systems that BCG designs, develops, deploys, operates or brings to market, directly or indirectly, through its services or deliverables to clients to be both legal and designed, deployed, and used in an ethical and responsible way in line with BCG purpose and values.

This responsible usage is underpinned by specific guidance for use cases based on intended purpose, data sensitivity and client context, and a monitoring framework and is overseen by an internal BCG Responsible AI Council (RAIC). Further, all Generative AI use-cases require approval from both the RAIC and our dedicated Generative AI team, with escalation to our Legal and Compliance teams for high-risk cases.

Questions on the application of AI by government (and all actors in society) will become increasingly complex in coming years. It will require ongoing vigilance by government for its own activities, and for the responsible deployment of AI in the broader economy for the benefit of society. Given this, it will be important for government to implement a continuous-improvement regime for responsible AI, including services provided to government by third parties.

#### ***For consideration:***

3. *The Committee may wish to consider the need for specific requirements or obligations regarding the ethical and responsible use of AI in the delivery of consulting and technology services as part of Australian Government contracts.*



## C - Enforcement measures taken in response to integrity breaches

BCG's culture is built on high professional standards, but we recognise that even with the most robust support infrastructure in place, integrity breaches may arise. Everyone at BCG is encouraged to raise concerns about integrity breaches without fear of adverse repercussions. Concerns raised are taken extremely seriously, with appropriate disciplinary action.

It is vital for BCG's values, competitive position and reputation that any concerns raised are taken seriously and dealt with promptly. Systems and processes in place are outlined below for:

1. BCG organisational culture measures that underpin enforcement
2. BCG enforcement measures in response to breaches
3. Australian Government consequential action for breaches of integrity

### C1 – BCG organisational culture measures that underpin enforcement

People are BCG's most important asset, and BCG strives to create an inclusive environment for our employees. Part of this includes investing in a culture of psychological safety, open communication and effective teaming – all of which help to ensure that any issues which arise are able to be swiftly raised by employees and addressed. Examples of our processes include:

- **Teaming@BCG:** Our Teaming@BCG program is a set of people, processes and tools designed to support our teams to work together effectively and sustainably. This includes:
  - Codified kick-off discussions at the start of each project;
  - A weekly team pulse-check survey;
  - Coaching for project teams and individuals from three dedicated teaming coaches in Australia, focused on enabling productive, psychologically safe team environments;
  - A dedicated weekly meeting of the Teaming@BCG coaches with the accountable HR leader and Managing Director & Partner to review project team survey results and coaching insights, and provide further supports to project teams as needed.
- **Listening to our people, and robust employee dialogue:** We encourage dialogue between all staff and BCG leadership, and engage all employees formally at the office and country level in staff meetings, listening groups, open forums and town halls. We have a number of employee groups across the firm that local BCG leaders engage with regularly. At the core of this is a robust culture of participation and active listening, including the involvement of many employees in committees and decision making, with a focus on creating an inclusive culture. In addition to listening and dialogue forums we also run regular employee engagement surveys and pulse-checks that give employees an opportunity to provide anonymous feedback and raise concerns about anything related to their experience working at BCG.

Part of a strong and psychologically safe culture is also a robust and effective mechanism for employees to raise any concerns about potential breaches of BCG values, without fear of repercussions. BCG reminds employees often that it is their duty to raise questions or concerns – and it is the duty of BCG's leadership team to create a safe environment and process for employees to be able to come forward.



We offer multiple channels of reporting concerns formally or informally, including:

- To the local human resources team, or to any member of the Australia leadership team;
- To any member of regional or global BCG leadership;
- To any Managing Director & Partner, other project leadership or line manager;
- Through BCG's Ombudsperson system (our Ombuds team are a team of senior leaders across the firm to whom employees can raise concerns, including the option to report concerns anonymously via an internal microsite); and
- Through BCG's Speak-up/Whistleblowers system, which also includes the option to raise concerns anonymously.

Once raised, each concern is handled with sensitivity and in confidence, subject to any overriding legal or regulatory requirements. Any instance of misconduct and/or values violation is vetted through our processes, which are geared to involve progressively higher levels of leadership based on the seniority of the offending employee and the seriousness of the conduct at issue.

## **C2 – BCG enforcement measures in response to breaches**

Following any allegation of potential misconduct or values violations, an investigation is conducted by a properly trained member of the BCG HR team. Any claim substantiated will result in consequences which scale according to the severity of the breach, up to and including termination. Any person raising a good faith complaint is protected from retaliation of any kind.

Once conclusions have been drawn by the investigation team, leadership is convened to discuss appropriate consequences, including BCG's global CEO for very serious matters. Consequences may include termination of employment through to mandatory coaching, probation, financial penalties, loss of leadership positions and impact to career trajectory.

Over the past five years, BCG Australia has had no complaints with respect to breaches of confidential information or work with government or any other client. Over the same period, we received ten formal complaints relating to misconduct, all of which related to workplace behaviour. Each complaint was investigated thoroughly, and appropriate consequences determined. Four of these complaints resulted in termination of employment.

If we identify or we are notified by a client of an alleged breach of contract or any unethical conduct by our employees, we take steps to thoroughly investigate the claims and determine the appropriate immediate course of remedial action. As per our Code of Conduct, we require all our work for public or private sector clients to be governed by an engagement agreement. In the public sector, our work is generally governed by the relevant government deed of standing offer arrangement, work order and individual contracts, and the terms and conditions of procurement processes and government procurement rules. These terms include strict provisions for the notification of conflicts of interest, protection of confidential client information, and adherence to a wide range of other government policies and standards. These contracts have various avenues for enforcement and remedies in the event of breaches, including escalation and negotiation procedures to ensure that disputes can be resolved efficiently. In most cases, the government will also have the option to terminate our contract if we cannot remediate the breach. We have never, to our knowledge, had a breach of contract with the Australian Government.



In addition, for any concerns raised in relation to conflicts of interest, we utilise BCG's two-tier escalation model for senior consideration of potential, actual or perceived conflicts of interest discussed in Section A4. The Australia Commercial Advisory committee and, if warranted, the Global Commercial Advisory committee may enforce the adoption of various measures such as information barriers and physical staff barriers through to the cessation of work.

### **C3 - Australian Government consequential action for breaches of integrity**

While individual Australian Government contract instruments have the provision for consequences for integrity breaches in the contract performance, and the Commonwealth Procurement framework has recently been strengthened to take into account a firm's past performance, some activity of suppliers to government is not covered by a contract, such as the voluntary participation in consultations initiated by government.

In other jurisdictions, governments have imposed temporary or time-limited bans or bars on consultants from tendering for government contracts in the event of egregious breaches of integrity and unethical behaviour.

#### ***For consideration:***

4. *The Committee may wish to consider establishing a formal Australian Government process for reviewing breaches of integrity, contracts or other ethical standards, with stronger consequences including the explicit ability to ban or bar consultants from some or all engagements for a period of time if they are found to be in breach.*



## D - The management of risks to public sector integrity arising from the engagement of consultants

BCG understands the importance of managing risks to public sector integrity throughout all our engagements. This is underpinned by our values, culture and a range of internal policies, as well as our obligations under relevant legislation and regulations.

We support and are committed to the existing integrity measures and standards that already apply to advisory firms that work for government, which include but are not limited to:

1. Alignment with APS values, ethics and standards
2. Commonwealth Procurement Rules and probity requirements
3. National Anti-Corruption Commission (NACC) obligations and an expectations

There is an opportunity to build further on this framework to strengthen the risk management approach to engaging management and advisory services, discussed further below.

### D1 - Our commitment to upholding APS values in our work

We are aware of and respect the unique values of the Australian Public Service (APS) and seek to uphold those values in the way we conduct all our work with the Australian Government. BCG's values are highly aligned with those of the APS.

We will always adhere to and comply with any training or induction requirements requested by our government clients. For example, this has included undertaking induction training or briefings at the start of a project, and probity and confidentiality briefings.

#### *For consideration:*

5. *The Committee may wish to consider requiring all suppliers' employees or subcontractors working on Australian Government projects to undertake additional training on APS values and public service standards.*

### D2 - Commonwealth procurement rules and probity

The work we do with the Australian Government is sought out from BCG and others by, and contracted by, departmental and agency officials in accordance with the Commonwealth Procurement Rules (CPRs) under an Australian Government approved contract form. BCG responds to written formal requests from departments and agencies under their value-for-money frameworks, not vice-versa.

Requests for proposal are issued by the Australian Government where firms have been pre-qualified by the Australian Government across a range of policies, procedures and other criteria, including contractual compliance. Requests for tender are issued where at least some of the firms sought out by a department or agency have not been pre-qualified by government.



The CPRs contain a series of requirements on officials, including to consider a potential supplier's relevant experience and performance history, and new provisions require the notification by suppliers of any significant integrity event.

The whole of government panel for consulting services is the Department of Finance Management Advisory Services Panel SON3751667 (MAS Panel). In addition to the CPRs, the terms of the MAS Panel are extensive, and include mandatory compliance with several additional procurement policies and guidelines. Select examples include compliance with the Black Economy Policy; additional privacy and confidentiality clauses; specific terms on insurance, indemnity and liability; Australian Industry Participation and Indigenous Procurement Policies where applicable; additional security and data requirements; and the Workplace Gender Equality Act.

Our tender responses are in the format specified by the department or agency, and typically include the details of our expertise and credentials, including: the key personnel proposed to lead the engagement; proposed methodology, approach, proprietary tools and methods; resourcing; timelines; cost; and how we would manage the integrity of any engagement. It is common at the tendering stage for government to require all tenderers to disclose potential or existing conflicts of interest, and to share information on the tenderer's conflict protocols so that the department or agency can make the assessment as to conflict. We have always been proactive in disclosing such information to assist the government's decision-making process. We note this information directly supports the government evaluation of the appropriateness of engaging us, and overall value for money of the offer. If successful, we enter into contracts for an agreed and fixed set of deliverables for a fixed fee, and are only paid upon satisfactory completion of the services and deliverables. We have never had a breach of contract with the Australian Government.

*For consideration:*

6. *The Committee may wish to consider further enhancements, beyond changes already made this year, to ensure that integrity of suppliers be more explicitly considered in the pre-qualification of firms to Australian Government panels, and in the evaluation and award of future consulting contracts.*

### **D3 - National Anti-Corruption Commission (NACC)**

As BCG provides services to the Australian Government, our employees are considered 'public officials' for the purposes of the *National Anti-Corruption Commission Act 2022* (Cth) and therefore subject to the jurisdiction of the NACC. We recognise the important role of the NACC in investigating serious or systemic conduct that involves or could involve a public official. We welcome the additional confidence and integrity that the NACC will provide and are in the process of designing and delivering NACC-specific training and communications to all BCG employees who work on engagements with the Australian Government, to ensure they understand and are fully aware of their obligations.





## **E - The transparency of work undertaken by consultants, and the accountability of consultants for this work**

BCG fully supports the Committee's efforts and focus on improving transparency and accountability in the work undertaken by consultants. We have a track record of advocating for greater accuracy and transparency in the reporting of Australian Government contracts, and for improvements to the assessment and evaluation of value for money, and make further suggestions in this submission.

We discuss below:

1. BCG's legal status under Australian law and the obligations that entails
2. Transparency in reporting of Australian Government contracts
3. Value-for-money under the Commonwealth Procurement Rules
4. Accountability for a firm's contribution to the Australian Government overall
5. Improving transparency of value for money assessments

### **E1 - BCG's legal status and governance under Australian law**

BCG is incorporated in Australia as a proprietary limited company and governed by the *Corporations Law* and its requirements (in addition to all other applicable laws), with reporting to, and oversight by, the Australian Securities and Investment Commission (ASIC). BCG complies with all the obligations, statutory reporting requirements and duties associated with that structure.

The local Australia and New Zealand entity is The Boston Consulting Group Pty Ltd (ABN 70 007 347 131). BCG Digital Ventures<sup>3</sup> Pty Ltd (ABN 31 134 654 747) is a related entity which specialises in inventing, building and launching new digital products, services and businesses. Both are wholly owned subsidiary entities of BCG Inc., the ultimate parent entity of the BCG global group.

In relation to the global firm, BCG's global CEO and Executive Committee are empowered to act on behalf of the Board of BCG Inc., except for certain powers that the Board has reserved to itself. The Executive Committee is responsible for setting the firm's strategy, vision, and direction with regard to investments, policy, growth, business mix, people, and philosophy. The Executive Committee is composed of appointed and elected members. The CEO is elected by the Board every four years, and a CEO can serve for a maximum of two terms. Executive Committee members appointed by the CEO are generally eligible to serve for a maximum of six years. Elected members serve three-year terms and must be re-elected for their second and final term.

### **E2 - Transparency in reporting of government contracts**

BCG has previously advocated for greater accuracy and transparency in the reporting of Australian Government contracts<sup>4</sup>. We acknowledge that significant improvements have been made in recent years to the accuracy and timeliness of reporting of government contracts on AusTender, following reports and recommendations on the subject by the Australian National

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<sup>3</sup> Recently renamed BCG X

<sup>4</sup> BCG Submission to JCPAA



Audit Office (ANAO),<sup>5</sup> the Joint Committee of Public Accounts and Audit (JCPAA),<sup>6</sup> several Senate Inquiries,<sup>7</sup> and the Australian Government's 2022 Audit of Employment report.<sup>8</sup>

Notwithstanding these enhancements, there are still opportunities to improve accuracy and transparency to provide a clearer view on the type of work being contracted by government, and to whom it is being contracted.

Selected examples include:

- Ongoing inconsistencies in the tagging of contract notices as consultancies or not, which can lead to misleading reporting regarding the extent to which different suppliers are actually providing consultancy services to government.
- Contract notices on AusTender can sometimes specify a procurement as having been an Open Tender (perhaps mistakenly because it was procured off a panel arrangement), but in many cases it was actually procured through a Select Tender or even a Direct Source.
- There are significant inconsistencies in the classification of contracts by category and sub-category across the Australian Government, and substantial variation in the descriptions and detail regarding the scope of services between departments. This particularly extends to the categorisation of ICT consultancy services which broadly fall under the category of “computer services”.
- Contract notices and procurement contact addresses do not always accurately reflect the relevant business area associated with the procurement (i.e., there is a lack of transparency around which departmental or agency business unit is the purchaser).

*For consideration:*

7. *The Committee may wish to consider clarifying the definitions and improving the accuracy of reporting in AusTender to capture the full extent of work being undertaken and by whom, across each category of consultancies, labour hire, contractors, and outsourced service providers.*

### E3 - Value for money under the Commonwealth Procurement Rules

The Commonwealth Procurement Rules, which BCG is subject to in all its work with the Australian Government, have at their core a value for money assessment by government, and include an explicit set of rules as to how officials assess value for money.

Departments and agencies assess value for money explicitly and implicitly at a number of stages in the engagement lifecycle. For example, value for money is assessed:

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<sup>5</sup> [Australian Government Procurement Contract Reporting — 2022 Update](#)

<sup>6</sup> [Commonwealth procurement: Inquiry into Auditor-General Reports 6, 15, 30, 42 \(2021-22\) and 5 \(2022-23\)](#) noting also its [current 2023 inquiry in progress](#)

<sup>7</sup> See e.g., [Australian Government Contract Reporting – Inquiry based on Auditor-General’s report No. 19 \(2017-18\)](#); [Commonwealth procurement: Inquiry into Auditor-General Reports 6, 15, 30, 42 \(2021-22\) and 5 \(2022-23\)](#)

<sup>8</sup> [The Australian Government’s report on the Audit of Employment](#)



- 1) Implicitly, in selecting who to invite to respond to future requests based on satisfactory past performance and value delivery, as value-for-money assessments include reference to a potential supplier's relevant experience and performance history
- 2) Explicitly, by the evaluation panel and then by the responsible delegate, when government panels of pre-qualified firms and deed-of-standing-offer arrangements are established and refreshed. This occurs through an open and competitive tender process or approach to market, in line with the CPRs, and includes market testing and negotiation in relation to the approach to potential future work orders.
- 3) Explicitly, by the evaluation panel and then by the responsible delegate, in the comparison of responses to an open tender or limited tender for a specific statement of work, against the evaluation criteria such as quality, fitness, capacity, capability, experience, expertise, price and whole-of-life cost impact.
- 4) Implicitly, via regular status reporting during the contract period to ensure the satisfactory performance of the supplier.
- 5) Implicitly, at the conclusion of the engagement through the formal acceptance by the department or agency (usually in writing) of the contracted deliverables, achievement of milestones and payment.

We note individual suppliers or departments or agencies may keep their own records, but there are currently no requirements or obligations for Australian Government departments or agencies to explicitly monitor, record or report publicly on the value delivered or impact achieved from a consulting engagement, and the quality or performance of the supplier. There is also no consolidated, whole-of-government view on the performance and value delivered by suppliers and this data is therefore not available to inform future value for money assessments by other agencies.

*For consideration:*

8. *The Committee may wish to consider establishing a whole-of-government framework for monitoring performance and value delivery by suppliers, and the value that work has delivered to the Australian Government.*

#### **E4 - Accountability for a firm's overall contribution and integrity**

BCG supports the Australian Government through a range of individual contracts for services requested each year, as well as through additional capability-building contributions we make to the APS (refer to Section F1). However, at the moment, there is no official forum or mechanism for the Australian Government to consider and review a supplier's aggregate contribution each year across all the contracts, and also take into account activities not governed by contracts.

The Commonwealth Procurement Rules and the Australian Government's standing offer panel arrangements also include a range of integrity measures, value for money principles and other policy and procedure requirements. However, again, there is no forum or mechanism for the Australian Government to consider and review the aggregate of a firm's performance against these principles and standards.



*For consideration:*

9. *The Committee may wish to consider the Australian Government establishing a formal mechanism for an annual review meeting with each large supplier to discuss the totality of their contribution each year, and their performance against the required integrity principles and standards.*

## **E5 - Improving transparency of value for money assessments**

In other jurisdictions where BCG operates, there is a greater transparency regarding the evaluation of value for money in public sector procurements. For example, in the UK, government agencies must inform proponents in advance of the relative weight of each evaluation criteria. Some departments and agencies of the Australian Government do this for some of their requests, but the practice is not consistent. In the UK, agencies also provide debriefing information in writing to unsuccessful shortlisted bidders which includes disclosing the identity of the successful supplier with their 'scoring' against the evaluation criteria, and how the unsuccessful bidder's proposal fell short by comparison. A more systemic practice like this would also provide an aggregated database for the Australian Government for further insights and analysis on value for money.

*For consideration:*

10. *The Committee may wish to consider the Australian Government increasing the level of transparency in procurement processes by requiring departments and agencies to provide more information about their value for money processes and assessments.*



## F - Any other related matters

BCG acknowledges that our responsibility to the Australian Government extends beyond the provision of our services with integrity, transparency and focus on value-delivery. We strive to support the APS in its important work and recognise our associated duty to always act in the public interest, including but not limited to, capability building and knowledge transfer to the public service.

### F1 - Capability building and knowledge transfer to the public service

BCG supports a strong and capable Australian Public Service (APS), and we believe that we bring unique skills, experience and expertise that can complement or enhance those of our clients, not substitute them.

Over more than 20 years working with the Australian Government, we have seen the best outcomes achieved when BCG works in close collaboration with strong and capable SES leaders and a dedicated and talented APS workforce, in support of the work requested by the department or agency. Our core service offering includes client capacity and capability building, and knowledge transfer, as codified elements of our approach. In our projects, we use structured learning, expert training sessions, digital tools, and coaching to transfer knowledge and skills to client team members. We also facilitate site visits and study tours to share global and industry best practices.

Beyond client work, we also host a range of master classes and guest speaker events open to the APS throughout the year. This includes bringing some of BCG's global experts to Australia to visit clients and engage with them on topics such as artificial intelligence, big data, and government transformation overseas. In addition, we have invested substantial pro-bono support to design and establish the Australia and New Zealand School of Government (ANZSOG), an important institution that provides leadership and executive programs for senior public servants.

#### *For consideration:*

11. *The Committee may wish to consider requiring knowledge and skills transfer to internal APS team members as a requirement in all consultancy tenders and include this as an evaluation criterion.*



## Summary of considerations for the Committee

This page summarises suggestions that the Committee may wish to consider to improve integrity, transparency and accountability of consulting services in the Australian Government context.

### **A & B - The management of conflicts of interest, and measures to prevent conflict of interest, contract breach, and other unethical behaviour**

- 1. Consider restrictions on the ability of suppliers to simultaneously supply both labour-hire services and management advisory services to the Australian Government.*
- 2. Consider establishing a clear framework for secondments to or from the Australian Public Service, with strong safeguards to prevent conflicts of interest and protect confidentiality.*
- 3. Consider the need for specific requirements or obligations regarding the ethical and responsible use of AI in the delivery of consulting and technology services as part of Australian Government contracts.*

### **C - Enforcement measures taken in response to integrity breaches**

- 4. Consider establishing a formal Australian Government process for reviewing breaches of integrity, contracts or other ethical standards, with stronger consequences including the explicit ability to ban or bar consultants from some or all engagements for a period of time if they are found to be in breach.*

### **D - Management of risks to public sector integrity from engagement of consultants**

- 5. Consider requiring all suppliers' employees or subcontractors working on Australian Government projects to undertake additional training on APS values and public service standards.*
- 6. The Committee may wish to consider further enhancements, beyond changes already made this year, to ensure that integrity of suppliers be more explicitly considered in the pre-qualification of firms to Australian Government panels, and in the evaluation and award of future consulting contracts.*

### **E & F - Transparency of work undertaken, and accountability of consultants for this work, and any other related matters, including the building of APS capability**

- 7. Consider clarifying the definitions and improving the accuracy of reporting in AusTender to capture the full extent of work being undertaken and by whom, across each category of consultancies, labour hire, contractors, and outsourced service providers.*
- 8. Consider establishing a whole-of-government framework for monitoring performance and value delivery by suppliers, and the value that work has delivered to the Australian Government.*
- 9. Consider the Australian Government establishing a formal mechanism for an annual review meeting with each large supplier to discuss the totality of their contribution each year, and their performance against the required integrity principles and standards.*
- 10. Consider the Australian Government increasing the level of transparency in procurement processes by requiring departments and agencies to provide more information about their value for money processes and assessments.*
- 11. Consider requiring knowledge and skills transfer to internal APS team members as a requirement in all consultancy tenders and include this as an evaluation criterion.*