

# Senate Standing Committees on Finance and Public Administration

April 2023



Senate Standing Committees on Finance and Public Administration  
PO Box 6100  
Parliament House  
Canberra ACT 2600

21 April 2023

## **Inquiry into management and assurance of integrity by consulting services**

PwC Australia welcomes the opportunity to provide a submission to the Senate Standing Committees on Finance and Public Administration inquiry on the important topic of integrity.

### **About PwC Australia**

We are an Australian-owned and operated business, which for many years has provided audit, tax and transaction services to our clients, and we offer significant expertise in a range of advisory and consulting competencies to meet our clients' ever-changing needs. We are an Australian partnership that is established under the laws of the Australian Capital Territory and operates throughout Australia. We are proud to count among our colleagues, PwC's Indigenous Consulting.

Our firm employs a team of almost 10,000 people, making us a significant contributor to Australia's economy and employment. Our profits stay in Australia and are taxed here at an average rate of 37 percent and our total tax contribution for the financial year ending 30 June 2022 was \$624 million. In FY22, we also hired 1,550 new graduates and are on track to meet similar levels this financial year. Our offices are located on the traditional lands of the Kurna peoples in Adelaide, the Turrbal and Jagera peoples in Brisbane, Larrakia peoples of Darwin, Ngunnawal peoples in Canberra, Wurundjeri peoples of the Kulin nation in Melbourne, the Awabakal peoples in Newcastle, Whadjuk peoples of the Noongar nation in Perth, Gadigal peoples of the Eora nation in Sydney, and the Burramattagal peoples of the Dharug nation in Parramatta.

We are committed to achieving our diversity, inclusion and wellbeing objectives, and we continue to invest in our people to upskill including critical contemporary digital skills, to work flexibly and pursue meaningful careers. Our targets for the next three years include that 40% of all partners are women, 20-25% of all partners are from a non-European diverse cultural background; and also include that we employ 10% people with disability, 8% LGBTIQ+ representation and 2% First Nations peoples.

Last year alone, we invested over \$28 million in learning and development, which equated to 393,461 hours, including a four-day immersive learning experience for over 2,700 of our people and the launch of our PwC Academy gateway offering a range of learning opportunities, including technical mastery, leadership and coaching and external certifications. All our people are required to take mandatory training in respect of conflict management and confidentiality, and individually confirm each year that they are aware of our policies, Code of Conduct and the consequences of breaching them.

### **Working with the Australian Government and Australian Public Sector (APS)**

A vibrant and capable APS is vital to enable the government to deliver on its objectives and support Australians' use of its public services. The use of consultants by the Australian Government and APS provides value for money and contributes to the effectiveness of the public sector, particularly where:

- The nature of the work requires access to unique specialisations, private sector knowledge or technology not immediately available at scale to the APS;
- There is a conscious, informed want from a government entity or APS to seek an independent view, for example program and project assurance;
- The work is required in a timeframe that better suits a contingent 'surge' project team;



- A Government entity is able to mitigate risk, e.g. of expertise and delivery, by involving an external party; and
- Consultants can bring external perspective and innovation to the work of government, for example where they can harness the experience from their global colleagues to bring contemporary ideas to assist in solving complex issues.

Our engagement with Governments and the APS aids in tackling some of the nation's significant challenges. The pace of change across society and the economy creates an imperative for the Australian Government and APS to act efficiently and effectively to best serve the needs of its citizens.

We recognise the societal and Government expectation that we continually enhance the value we deliver for taxpayer dollars in these endeavours, including openness and transparency regarding our business operation and how we work with the Australian Government.

### **Managing and assuring integrity**

In our attachments, we have included a summary of the framework that we have in place to identify and manage risks, including conflict management and confidentiality. We also outline in our submission:

- The additional requirements our partners and staff working on engagements with the Australian Government are required to comply with;
- Specific policies we now have in place related to consultations concerning matters of regulatory reform or public policy with Government instrumentalities or other regulatory entities;
- Details on how we deal with instances where our partners and staff are not compliant with their obligations; and
- Further steps we are taking to enhance stakeholder confidence in the work we do, including the establishment of a Public Purpose Advisory Board for our Government business with independent members to advise and make recommendations to enhance stakeholder confidence in the public interest aspects of our work.

We acknowledge the recent findings regarding PwC by the Tax Practitioners Board (TPB). These findings have disappointed many of you in the Parliament, as well as our regulators, clients, our partners and staff and the general public. While PwC and the tax profession as a whole have made a significant contribution over many years to legislative and regulatory reform, that contribution relies on trust and confidentiality. We have, and are continuing to, engage with the TPB to agree arrangements which allow current market insights to be part of confidential consultative processes, with appropriate protections.

Personally and on behalf of my partners, I apologise unreservedly for what occurred. We have taken extensive steps to both raise awareness of the significance of these issues across all partners and staff in the firm, and have invested further in policies and training which address these matters to protect against future recurrence.

I would personally like to thank you again for the opportunity to respond to this important inquiry, and reiterate PwC's commitment to engaging in further dialogue with the Committee as this inquiry progresses. Should you have any questions, please do not hesitate to contact me on \_\_\_\_\_ or David McKeering, our Australian Consulting Leader, on \_\_\_\_\_

Yours faithfully

---

**Tom Seymour**  
PwC Australia CEO

# Table of contents

<b>Attachment 1: Comments in response to the Terms of Reference</b>	<b>2</b>
1. Terms of reference points a) and b)	2
1.1 Risk Management Framework	2
1.2 Policies	5
1.3 Management of risks related to conflict and confidentiality	5
1.4 Other measures	6
2. Terms of reference point c)	9
2.1 The PwC Consequence Management Framework	9
2.2 Annual risk and quality ratings	9
2.3 Termination from Australian Government Panels	9
2.4 External enforcement measures	9
3. Terms of reference point d)	10
3.1 Examples of how we support the public sector	10
3.2 Complying with Australian government obligations	11
3.3 Other matters	11
4. Terms of reference point e)	12
5. Terms of reference point f)	13
5.1 Risk management culture of continuous improvement	13
<b>Attachment 2: Improvement points for discussion</b>	<b>15</b>
<b>Attachment 3: About PwC</b>	<b>16</b>

# Attachment 1: Comments in response to the Terms of Reference

The commentary included in this submission relates to services provided by PwC Australia (“PwC”) to the Australian Government and APS, both through paid engagements and unpaid contributions (for example through policy consultations or advisory committees).

We set out below the frameworks that we have in place to identify and manage risks. Each framework is based on standards set by externally-recognised institutions, including the International Ethics Standards Board for Accountants, and each framework is overseen by centralised and specialised teams who are separate from client-facing partners and client-facing engagement teams.

## 1. Terms of reference points a) and b)

- a. The management of conflicts of interest by consultants; and
- b. Measures to prevent conflicts of interest, breach of contract or any other unethical behaviour by consultants.

### 1.1 Risk Management Framework

Our risk management framework plays an integral role in supporting our firm to work within our legal, regulatory and self-imposed obligations. The management of our material risks is a critical way in which we operate our business and inform our relationship with our stakeholders. The diagram below describes how these frameworks operate and are governed.



The Board of Partners<sup>1</sup> annually reviews our material risk profile and risk management framework. The Board Risk Committee assists and advises the Board of Partners in discharging its responsibilities for the oversight of risk management and monitoring the firm's risk and quality policies and processes, including reviewing the framework's design, implementation and effectiveness.

<sup>1</sup> <https://www.pwc.com.au/about-us/pwc-board-of-partners.html>

The Executive Board<sup>2</sup> has collective and individual accountability for the management of all strategic, operational, regulatory/compliance and financial risks, with risk matters tabled no less than quarterly each year. An executive on our Executive Board is responsible for management of risk and reputation across our firm. The Executive Board Risk Sub-Committee has delegated authority from the Executive Board to review and challenge the effective management of risks across the firm, and includes representatives from our businesses and functions.

The Executive Board also:

- Assesses outputs and incidents which identify departures from our obligations, including non-compliance with training requirements, data breaches, conduct breaches and any failures to meet our quality standards;
- Sponsors initiatives to strengthen the management of integrity risk;
- Considers the appropriate transparency of our risk and governance frameworks to our stakeholders, including clients, staff and the community; and
- Makes recommendations to the Board of Partners on a range of matters including partner sanctions and policy changes.

Our risk management teams provide our people and partners with advice and guidance on a range of professional and regulatory issues to make better informed risk decisions, promote greater business efficiency, and enhance and protect our firm's reputation. They include:

- The central Risk and Quality team, who are responsible for risk oversight and challenge to our three businesses and Enabling Functions, are accountable for our firmwide risks;
- The Independence Office, who provide advice and support to compliance with external audit independence regulatory requirements (regarding personal investments, business relationships and proposed services);
- The Office of General Counsel, who provide legal advice to assist in identifying and managing legal risks and to comply with contractual obligations, relevant laws, regulations, PwC network policies and external professional standards; and
- The Internal Audit function, who provide independent and objective advice on optimising risk management and efficiency of the firm's operations. The function reports directly to the Board Risk Committee.

Our risk management and governance frameworks are also bound by our global network standards, Code of Conduct and a range of national, industry and international requirements. PwC's Network Standards underpin the quality and strength of PwC member firms across 10 areas including Information Protection, Ethics and Business Conduct and Independence.

International obligations are significantly influenced by the exposure our audit and tax practices, as well as our multinational clients, have to capital markets in the US, EU, Canada and the UK for example as it relates to US Securities and Exchange Commission and the Public Company Accounting Oversight Board obligations. An example of this is our independence policy requirements, where we comply with the International Ethics Standards Board for Accountants (IESBA) Code of Ethics for Professional Accountants as a minimum, and in certain aspects, our policy exceeds local legal and regulatory requirements.

### **Our Code of Conduct informs our ethical culture**

Our Code of Conduct<sup>3</sup> provides a framework for us to do the right thing and behave in a manner that is consistent with our purpose and values, and seeks to drive an ethical and risk management culture aligned with the principles outlined in our professional ethical codes, those being integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. Our Code of Conduct does not contain all of our policies. Our key specific policies, relevant to this inquiry, are detailed in section 1.2 and 1.3.

The Code of Conduct is based on the PwC Purpose and a core set of shared values, and sets out a common framework around how we are expected to behave and to do the right thing. Our values are:

- **Acting with Integrity**, by:
  - Speaking up for what is right, especially when it feels difficult
  - Expecting and delivering the highest quality outcomes
  - Making decisions and acting as if our personal reputations were at stake

---

<sup>2</sup> <https://www.pwc.com.au/firm-executive.html>

<sup>3</sup> <https://www.pwc.com/qx/en/about/ethics-business-conduct/code-of-conduct.html>

- **Make a Difference**, by:
  - Staying informed and asking questions about the future of the world we live in.
  - Creating impact with our colleagues, our clients and society through our actions.
  - Responding with agility to the ever-changing environment in which we operate.
- **Care**, by:
  - Making the effort to understand every individual and what matters to them.
  - Recognising the value that each person contributes.
  - Supporting others to grow and work in the ways that bring out their best.
- **Working Together**, by:
  - Collaborating and sharing relationships, ideas and knowledge beyond boundaries.
  - Seeking and integrating a diverse range of perspectives, people and ideas.
  - Giving and asking for feedback to improve ourselves and others.
- **Reimagine the Possible**, by:
  - Daring to challenge the status quo and try new things.
  - Innovating, testing and learning from failure.
  - Having an open mind to the possibilities in every idea.

The Code of Conduct highlights specific responsibilities in reporting unethical behaviour, preventing corruption, protecting PwC against money-laundering and anti-competitive practices, not engaging in insider trading and compliance with political donation requirements. Our Consequence Management policy makes it clear that there are consequences for breach of the Code of Conduct, including penalties and termination of employment or partnership.

Our Code of Conduct makes clear to all partners and staff that they have a responsibility to seek guidance and where necessary report behaviour that seems unethical. In the first instance, we encourage partners and staff to discuss the matter with a team leader, a trusted colleague or a member of the People and Culture team. Partners and staff may also seek to utilise our grievance procedures or they can report a concern through our confidential PwC Ethics Helpline.

The PwC Ethics Helpline is available to all PwC people and external stakeholders, including clients and third parties, to ask for advice or report concerns of unethical conduct. Reports can be made online or via phone. Issues can be reported anonymously and are taken seriously and handled in confidence.

While we have always encouraged our people to call out values misalignment, in Australia we launched our Speak Up Campaign in 2021 to encourage our people to 'Speak Up, Listen Up and Follow Up' where they see behaviour that is not right.

### **Ethics codes and practice**

We adhere to the principles of ethics set out in the Australian Professional and Ethical Standards Board Code of Ethics for Professional Accountants (including Independence Standards)<sup>4</sup>, also referred to as 'APES 110'. Our Code of Conduct, as well as our policies and procedures, discussed in this submission, have been designed with these principles in mind. APES 110 is based on the International Code of Ethics for Professional Accountants (including International Independence Standards) produced by the IESBA, a standard-setting Board of the International Federation of Accountants.

APES 110 principles are based on integrity, objectivity, professional competence and due care, confidentiality, and professional behaviour. The principles of:

- **Objectivity** requires members to not compromise professional or business judgements because of bias, **conflicts of interest** or undue influence of others; and
- **Confidentiality** requires members to respect the **confidentiality** of information acquired as a result of professional and business relationships.

---

<sup>4</sup> [https://apesb.org.au/wp-content/uploads/2022/11/Compiled\\_APES\\_110\\_Nov\\_2022.pdf](https://apesb.org.au/wp-content/uploads/2022/11/Compiled_APES_110_Nov_2022.pdf)

Compliance with APES 110 is mandatory for all of our partners - including our consulting partners and all those who work for the Australian Government and APS.

Many of our professionals are also required to be registered with, and comply with, the standards of professional or industry bodies in order to undertake certain services. These industry bodies set industry requirements for ethical behaviour, and monitor and regulate such behaviour. Tax Agents and BAS Agents are an example of one such group of professionals who are required to register with the TPB. The TPB requires its members to comply with its Code of Professional Conduct<sup>5</sup>. This code is built around a number of principles including Independence and Confidentiality, this includes having in place adequate arrangements for the management of conflicts of interest that may arise in relation to the activities undertaken in the capacity of a registered tax agent.

## 1.2 Policies

Our policies, together with our Code of Conduct, set out PwC's expectations, and the rules and principles governing our conduct and people. Specific to the Committee's terms of reference, we have policies on:

- **Conflicts of Interest:** This policy sets out PwC personnel obligations to identify and address potential conflicts of interests and sensitive situations before accepting or starting work on a new client or engagement; and throughout the life of the engagement.
- **Making Ethical Decisions:** This policy highlights specific responsibilities PwC personnel have in reporting unethical behaviour, preventing corruption, protecting the firm against money-laundering and anti-competitive practices, not engaging in insider trading and managing political donations.
- **Data Protection and Confidentiality:** This policy governs our data protection and confidentiality, including how we limit, protect and respect information which is of significant importance to all of our clients and our people. This detailed policy covers Privacy, Data Protection, EU General Data Protection Regulation 'GDPR' requirements, Confidentiality<sup>6</sup>, Using Tax File Numbers, and Information breaches.

## 1.3 Management of risks related to conflict and confidentiality

### Conflict Management

With regard to conflicts, we have a central team that develops and implements relevant conflict and risk management processes as part of the required client acceptance process (this is called the "Conflicts team"). This centralised team works with the business-based Risk and Quality teams to implement adherence with our Conflict of Interest policy. This team does not include any client-facing partners or staff.

In line with our policy, the identification and assessment of potential conflicts of interest is undertaken prior to commencing an engagement. Risk factors taken into account when assessing conflicts include:

- Type of product or service offerings, for example, working on due diligence for a merger or acquisition;
- Whether a third party is involved in the engagement. Through the risk assessment process, where a third party is identified as being involved in the engagement, e.g. sharing of deliverables to a regulator or legal counsel; and
- Any other special provisions the engagement team have identified, for example a known sensitive client situation.

If conflict risks are identified, the Conflicts team provides advice on the acceptability of an engagement, and the course of action that needs to be taken. In many instances we will decline an engagement. Additional controls that can be put in place to mitigate risks include:

- Keeping individuals away from specific floors or workstations ('ethical walls'); and
- Application of internal IT and physical security measures to prevent unauthorised personnel from accessing confidential information, such as password protected files accessible to the engagement team members only.

We may also obtain consent from a client to undertake specific work.

---

<sup>5</sup> <https://www.tpb.gov.au/code-professional-conduct>

<sup>6</sup> This includes changes we made recently so that PwC personnel shall not enter into a confidentiality agreement or undertaking with any government, government agency or relevant body in relation to involvement in regulatory reform or policy consultation without prior approval of a Business Risk Partner and Chief Strategy, Risk and Reputation Officer. This includes pro bono, low bono or formal engagements. All such approvals must then be recorded in the PwC Confidentiality Agreement Register.

In addition to controls that we may apply, in our experience, clients may also implement additional controls. For Government and APS client engagements, this can often include measures such as binding our firm to exclusivity agreements or probity plans and oversight by a client appointed probity officer.

For Australian Government work, conflict checks can include the identification of situations where, for example:

- PwC is responding to a tender for a new engagement with a Government agency and is already engaged by the same Government agency and may have information that would give it an unfair advantage or impact our objectivity;
- We have agreed previously to probity undertakings related to the client; or
- We are asked to complete a specific Conflicts of Interest declaration (in this instance, the prospective client will often provide us with a list of parties for us to undertake a conflict check on).

### **Confidentiality**

With regard to confidentiality, our Partnership Agreement requires all partners to comply with Partner Policies including confidentiality. For staff, our current standard employment contract requires staff to abide by any policies and procedures and that any breaches of any of these policies and procedures may be considered misconduct. This includes our policies on confidentiality. In addition, our standard terms of business include a confidentiality provision and these documents are stored in our engagement document management systems. From time to time, a client may ask for additional comfort over confidentiality, generally in the form of a confidentiality agreement or non-disclosure agreement, and copies of these documents are stored in our engagement document management systems.

In the normal course of business, obligations around confidentiality and conflicts of interest are set out in the contractual terms between PwC and the relevant Government department or agency. These include a right for the Government department or agency to audit PwC's compliance with its obligations. In addition we make available, on request to the relevant Government department or agency, our policies and procedures to identify and manage conflicts of interest.

In response to the recent finding from the TPB, we have updated our policies and procedures related specifically to the situation where a government body engages on a confidential basis regarding policy matters. When a confidentiality agreement is required in these circumstances, it will be subject to approval by an Executive Board member and stored centrally. Compliance with these new controls is now reviewed on a regular basis by our Executive Board. There are also additional restrictions in place for tax practitioners. We have made the Department of Treasury, Board of Taxation, TPB, Australian Tax Office (ATO) and Chartered Accountants Australia New Zealand (CA ANZ) aware of these revised policies and processes.

Like all risks, we regularly review the design and operating effectiveness of the underlying control environment. In doing so we make changes where there is a material change in the business or risk landscape, or change in legal or regulatory requirements.

## **1.4 Other measures**

### **Quality reviews**

Each part of our business operates a quality review program as part of our firmwide Quality Management System. These reviews help assess compliance with the policies and procedures, as well as help prioritise efforts to continuously improve service quality. Depending on the circumstances, the various types of reviews include:

- **Engagement Quality Delivery** which incorporates inflight reviews and continuous monitoring of our largest and more complex engagements;
- **Engagement Compliance Reviews** which assess engagement risk management and compliance with policies; and
- **Engagement Quality Review** which provides an understanding of engagement quality and helps identify risks to the consistent delivery of quality.

### **Training**

Training at PwC is designed so that all partners and staff know and understand the PwC Code of Conduct, the PwC Network Standards, all applicable Australian laws and regulations and the behaviours that are expected from our people.

All partners and staff receive compliance training upon commencement with the firm and annually thereafter. The curriculum for new joiners includes modules explaining our Code of Conduct, Audit Independence, Confidentiality, Conflicts of Interest, Cyber, Ethics and Integrity and Data Protection policies.

Every year partners and staff are required to undertake training to refresh awareness, skills and knowledge around what is expected of them at PwC. The training helps partners and staff act with integrity, meet PwC Network Standards, and comply with laws, regulations and policies. Refreshers also remind partners and staff of their existing compliance requirements, and update them when legislation or policies change.

In 2023, the training includes the following modules:

- **Independence** – Independence training highlights the key personal independence from audit clients, Non-Assurance Services and Business Relationship requirements that apply to staff and partners. The training explains why auditor independence is so important, the controls and systems PwC uses for independence compliance, the key actions to maintain independence and where to get help.
- **Confidentiality** – The importance of safeguarding client information, PwC confidential information and the confidential information and personal data of others, and the significant implications any failures may have for the trust that clients and the community have in us.
- **Ethics “Being our best selves”** – How ethics is articulated through The New Equation - PwC’s global strategy - why this is so important to our organisation and where to find help if you find yourself in an ethical dilemma.
- **Anti-corruption, Money Laundering and Economic Sanctions “Keeping PwC safe”** – How PwC uses the client acceptance and continuance process to help protect PwC from financial crime and reputational risk.
- **Information Protection “Protecting trust”** – Looks at the principles that act as the cornerstone of information protection, recognising that everyone in the organisation faces the risk of compromising the security of our information every day through our actions.
- **Anti-Trust and Fair Competition “Doing the right thing by the market and competitors”** – Explores what we can and cannot talk about with competitors, and the potential consequences if we do.

These modules cover not only mandatory compliance obligations, but also interviews with PwC colleagues, case studies and advice on how to deal with complex ethical challenges.

In addition to annual training all partners and staff must complete and sign an Annual Compliance Confirmation (ACC) to confirm their individual understanding of, and compliance with, the Code of Conduct, audit independence and risk management policies.

Non compliance with the training policy or non completion of the ACC can result in penalties or an adverse performance rating in line with our Consequence Management Framework, and commensurate impact on remuneration. In addition to firm wide training, partners and staff undertake professional development training specific to their areas of expertise.

The specific attestations that relate to conflicts of interest and confidentiality included in our ACC are:

#### Relationship checking and conflicts of interest

I confirm that I am aware of and have complied with the firm’s requirements regarding relationship checking as part of client and engagement acceptance processes and for identifying and managing conflict of interests, sensitive situations and independence issues.

- ☐ I confirm
- ☐ I do not confirm

#### PwC Code of Conduct – Confidential resources

I am aware of confidential resources available to me to report issues and concerns, such as the firm’s Ethics Helpline, and that further information about reporting matters of concern is available through the firm’s Grievance Procedure policy.

- ☐ I confirm
- ☐ I do not confirm

#### PwC Global Tax Code of Conduct

I understand that I have a personal responsibility to comply with the Global Tax Code of Conduct and I believe that during the confirmation period my conduct has been consistent with the principles of the Global Tax Code of Conduct.

- ☐ I confirm
- ☐ I do not confirm
- ☐ Not Applicable – I am not a tax partner or practice staff member

**Information protection – confidentiality and data protection, privacy, online risk, and information and business security.**

I confirm that:

- I am familiar with and have complied with the firm's policies and guidance on Information Protection; and
- I have reported any loss or damage of data/IT equipment to DigiTech and any breaches or suspected breaches of confidentiality or protection of personal data to the appropriate person.

- ☐ I confirm
- ☐ I do not confirm

Completion of training and the ACC is mandatory, and all partners and staff are required to complete all mandatory training and the ACC on time. Our central Risk and Quality team follow up on any uncompleted confirmations, with the only exceptions being permitted for those individuals on extended leave, for example parental leave.

In our communications to partners and staff for the last year's ACC, we state:



**Partners:** A late submission of your ACC without a valid reason will result in a reduction of your performance income.

**Staff:** A late or incomplete submission without a valid reason may impact on your performance rating and any bonus you are eligible for.

Heavy workload is not a valid reason to be late in submitting your ACC.

## 2. Terms of reference point c)

- c. Enforcement measures taken in response to integrity breaches, such as the inadequate management of conflicts of interest, breach of contract or any other unethical behaviour by consultants.

### 2.1 The PwC Consequence Management Framework

We have a consequence management policy which outlines the principles, processes and consequences that are applied to a partner or staff member if they engage in conduct which is contrary to their obligations, including their obligations to comply with our Code of Conduct, the PwC Network Standards, engagement and workplace policies and other requirements and responsibilities outlined as part of an individual's role.

The consequences for any partner or staff member who has engaged in any such conduct range from being required to exit the firm, through to verbal warnings and additional training. Consequences differ between partners and staff, recognising the higher expectations and accountability that exists for our partners.

### 2.2 Annual risk and quality ratings

Annually, the Chief Risk Officer, together with the Business Risk partners of each business, provide an independent assessment of each partner's performance on *Risk and Quality* measures. This rating takes into account a range of metrics, including compliance with policies on independence, confidentiality, conflicts and quality. These ratings cannot be amended by the leadership of the partner's particular line of business. Ratings are ratified by the Executive Board and Board of Partners.

A penalty of up to 20 percent of a partner's firm performance income (the portion of a partner's income based on financial performance of the firm in a given year) can be applied following an adverse assessment of the partner's performance on Risk and Quality measures.

The framework applicable to staff allows for sanctions to be applied for non-compliance with Independence or PwC policies (including Risk & Quality) with impact to end-of-year performance outcomes, including a reduction in performance rating, promotion opportunities and incentive payments. Sanctions for all other areas of non-compliance will be assessed by people leaders in consultation with Human Capital and the Risk and Quality teams.

### 2.3 Termination from Australian Government Panels

While each panel arrangement with an Australian Government entity is different, they generally grant to the client broad rights to terminate PwC's participation in the panel arrangement, including if PwC commits a material breach of the contract. Government panel arrangements typically also provide the client with audit and access rights to assess PwC's compliance with the contract, and broad rights to seek financial and other recourse from PwC should a breach of contract occur.

### 2.4 External enforcement measures

PwC is subject to oversight from a number of bodies including CA ANZ. For example, a breach of APES 110 may lead to CA ANZ bringing disciplinary proceedings against the member concerned. CA ANZ has a disciplinary framework to oversee the management and determination of alleged breaches by members. When a relevant CA ANZ body/tribunal determines that it is appropriate to sanction a member, it will consider a number of factors in determining an appropriate sanction, including the seriousness of the conduct, whether the conduct has occurred before and, if so, the nature, extent and frequency of the conduct, and whether the member's leadership team was aware of or complicit in the conduct.

PwC's conduct could also be subject to many other regulatory bodies for investigation and enforcement action. This includes by:

- ASIC, for example in regards to audit surveillance activities, or
- The ATO, for example in regard to monitoring taxpayer alerts, or
- The TPB, in relation to the conduct of a registered tax agent.

### 3. Terms of reference point d)

- d. The management of risks to public sector integrity arising from the engagement of consultants.

#### 3.1 Examples of how we support the public sector

Integrity in the delivery of our services is not only a requirement of our Code of Conduct and professional standards, but critical to the on-going success of engagement delivery and relationship with our clients. Below is a case study that we believe demonstrates how an external party can support the capabilities of the public sector and provide significant value and confidence to the community.

##### 2021 Census

**Our role:** For the 2021 Australian Census, the Australian Bureau of Statistics (ABS) worked with PwC Australia and Amazon Web Services to build a world-class digital solution to capture the data completed online. It was essential that this solution had robust cyber security to keep our nation's data confidential and secure, while maintaining high levels of availability and performance for all participants.

Working closely together through the COVID-19 pandemic, the ABS and PwC teams delivered a successful Census, with a focus on:

- multidisciplinary collaboration and teamwork with robust, yet agile, governance
- agile delivery of a custom developed digital application and surrounding service
- scaled software development and cloud engineering of the solution
- securely architecting and accrediting the solution to strict government requirements
- managed IT & security operations, maintenance and support for the Census period of 6 months

The solution was 'cloud native' and available to anyone online, with maximum security. As a result, the solution was successful in blocking around 130,000 malicious IP addresses on the system across the lifetime of the 2021 Census Digital Service.

**Impact:** The ability to deliver an experience with security, accessibility, simplicity and ease of use at its core was essential to its success. The insights gained from the Census help inform decisions for the essential services for Australians today, while helping to shape the Australia of tomorrow.

We also invest significantly in public policy discussions around some of the complex opportunities and challenges facing Australia. Recent examples include:

- Release of a report titled "A nature-positive Australia" which explores ways in which government, landowners, First Nations peoples, industry and philanthropic partners could work together to address the nation's rapidly declining biodiversity ecosystems, and examines the possibility of a market to complement existing conservation efforts.  
(<https://www.pwc.com.au/environment-social-governance/nature-positive-australia-value-of-australian-biodiversity-market.html>)
- Release of a report titled "Maximising Australia's AUKUS opportunity", developed in partnership with the American Chamber of Commerce in Australia and the Australian British Chamber of Commerce, providing evidence-based insights and points for discussion to contribute to the public discourse and ultimately help stakeholders maximise defence and economic opportunities from the AUKUS partnership. This was launched at Parliament House in November last year.  
(<https://www.pwc.com.au/defence/maximising-australias-aukus-opportunity.html>)
- Hosting a Critical Minerals Summit with key cabinet ministers and leading business leaders, to discuss the unique opportunity Australia has to lead on critical minerals to support our transition to Net Zero emissions.  
(<https://www.pwc.com.au/mining/critical-minerals.html>)

In addition:

- We regularly respond to public consultation requests from Government departments, regulators and standard setters as we have unique insights to support policy making given our in-depth experience in areas such as accounting, tax, cyber security and data protection, economics, digitisation and energy transition;
- We provide evidence and support to parliamentary committees in areas we passionately advocate for. For example, we provided support to the Senate Standing Committee on Education and Employment's review of changes to the Fair Work Act to introduce paid leave for those unable to work due to family and domestic violence; and
- We directly engage and support organisations that operate to further Australia's ambitions to grow and strengthen the trade, investment, business and diplomatic ties. This includes supporting bodies such as the American Chamber of Commerce in Australia, the European Australian Business Council, the Australian British Chamber of Commerce and others.

### **3.2 Complying with Australian government obligations**

We respond to Government requirements for compliance, for example, with matters such as Commonwealth Laws and policy requirements, including Intellectual Property; Moral Rights; Confidentiality; Security; and Privacy:

- Data protection requirements. We take action to secure data in accordance with the requirements of our Government clients.
- Security requirements. For example many of our partners and staff working on Australian Government engagements have a minimum of Baseline security clearance. All PwC partners and staff with a security clearance are required to undertake annual Department of Defence security training on these responsibilities. As a member of the Defence Industry Security Program (DISP), we take our security obligations very seriously across all the security categories of governance, personnel security, physical security, information and cyber security. We have an appointed Chief Security Officer (CSO) who is a PwC partner responsible for ensuring we meet these obligations (the CSO is a requirement under the DISP). As a firm we also employ a full-time security manager and a full-time security administrator to assist our CSO.

Generally, our contractual arrangements allow for the Government department or agency to audit PwC's compliance with its obligations. In addition we make available to the relevant Government department or agency our policies and procedures to identify and manage conflicts of interest as requested.

### **3.3 Other matters**

Sections 1 and 2 of our submission also outline measures we have in place to address risks to public sector integrity, in particular section 1.3 Management of risks related to conflict and confidentiality. The PwC Network has also developed guidance to support our partners and staff when they interact with the governments. The principles for example guide our partners and staff in how they can best contribute ideas or recommendations for Governments to consider and respond to government consultation papers in a broad range of areas.

#### 4. Terms of reference point e)

- e. The transparency of work undertaken by consultants, and the accountability of consultants for this work

There should be appropriate transparency with respect to the Government's usage of consultants, the integrity demonstrated by consultants as they undertake such work and accountability of consultants for this work. We make the following observations:

- **Transparency of projects and deliverables:** We provide transparency on our work for the Australian Government and APS where mutually agreed with the relevant government entity, we often release details of the work we have undertaken, for example to support the government entity to explain how a particular initiative was undertaken.
- **AusTender:** AusTender provides transparency over contracts awarded by an Australian Government agency at or above the relevant reporting threshold value of \$10,000 (inc. GST) for the majority of Australian Government entities. A Contract Notice displays details of the contract, including the contract period, value and the supplier.
- **Commonwealth Procurement Rules:** The Australian Government contracting environment is a competitive and transparent market for consultants, and includes strong probity rules. The Commonwealth Procurement Rules<sup>7</sup> (CPR) are comprehensive and apply to all procurement contracts. Within the CPR there are 'Rules for all procurements' which comprehensively outline rules around the following:
  - Value for money;
  - Encouraging competition;
  - Efficient, effective, economical and ethical procurement (including ethical behaviour);
  - Accountability and transparency (including treatment of confidential information); and
  - Procurement risk.

The CPR also set the framework for the establishment of panels, where a number of suppliers are appointed through a contract or deed of standing offer. A panel is formed following an assessment of suppliers against evaluation criteria. Only suppliers that the public sector has agreed meet the criteria are included on a panel.

- **Transparency Report:** Since 2014 we have released an annual audit transparency report, and since 2021 we have released a firmwide transparency report in which we detail our commitments and progress across these areas: Principles of Governance, People, Prosperity and Planet. Our most recent report can be found here:  
<https://www.pwc.com.au/about-us/assets/firmwide-transparency-report-fy22.pdf>

---

<sup>7</sup> Accessed at <https://www.finance.gov.au/sites/default/files/2022-06/CPRs%20-%201%20July%202022.pdf> on 20 March 2023

## 5. Terms of reference point f)

f. Any other related matters

### 5.1 Risk management culture of continuous improvement

In response to changing regulation, regulator expectations, changes in law - nationally or internationally, increasing risk in categories such as cyber, incidents that emerge, or changing community expectations, we have a strong commitment to continuous improvement - for example through formal root cause analysis as required by our quality systems<sup>8</sup>. Below we outline three examples that demonstrate our commitment to continuous improvement.

#### Cyber uplift

In recognition of the heightened risks highlighted by the Government and other commentators around cyber attacks, data loss and ransomware, we agreed in 2021 to invest in a significant program of work to uplift our cyber capabilities. As part of this program, we:

- Reviewed extensively our monitoring controls, our cyber and data policies, our risk appetite and our three lines of defence risk structure. In response to this review, we refined our risk appetite in respect of cyber and developed key risk indicators and corresponding tolerances to support how we monitor alignment to our risk appetite;
- Established change management and education programs across our firm. This included a new 2 hour mandatory training for all Partners, updated our cyber and data compliance training modules and specific role based training for application and IT control owners;
- Invested in additional resources for our first and second lines of defence;
- Developed more frequent and comprehensive reporting on our cyber risk profile;
- Defined our most critical assets, agreed the required controls and commenced technical uplifts.
- Established a monthly Security and Data operational governance forum to demonstrate design and operating effectiveness of controls; and
- In respect to readiness and response, we:
  - Ran a series of simulation events; and
  - Developed crisis guides so as to be ready in the event of a “code red” incident.

We will continue to invest in this critical risk area locally in Australia and across our global network of firms.

#### Tax governance

In 2021 we commissioned an independent external review of the design effectiveness of our tax governance and internal control framework. The comprehensive review sought to assess how our existing tax frameworks supported the principles of:

- Acting with integrity;
- Having regard to the wider risks and circumstances relevant to the matter when providing advice;
- Working honestly and openly with the ATO;
- Having appropriate quality control processes in place which includes regularly testing those processes;
- Providing advice to clients which meets or exceeds the statutory “reasonably arguable” standard;
- Meeting statutory and regulatory obligations; and
- Not engaging in activities which would constitute a breach of the promoter penalty provisions.

The review concluded that the underlying codes of conduct (including our specific global tax code of conduct<sup>9</sup>) and internal control frameworks were sufficient, but that there was room for improvement. The following recommendations were made and implemented:

---

<sup>8</sup> ASQM 1 mandates root cause analysis for audit and assurance services:  
[https://www.auasb.gov.au/admin/file/content102/c3/ASQM1\\_03-21\\_1620870747504.pdf](https://www.auasb.gov.au/admin/file/content102/c3/ASQM1_03-21_1620870747504.pdf)

<sup>9</sup> <https://www.pwc.com/qx/en/services/tax/code-of-conduct.html>

- Reassessing the criteria underpinning partner and staff annual appraisals, with a stronger focus on risk and quality metrics;
- Expanding the number of quality reviews undertaken annually;
- More frequent engagement with the ATO;
- Reassessing the thresholds for when a matter is referred to our Tax Policy Panel<sup>10</sup>; and
- Bringing independent member(s) on to the Tax Policy Panel to provide more independent thinking when discussing complex tax matters.

Further, the review included a recommendation that we work with other large tax advisory firms to draft and implement Adviser Principles that would provide sound guidance and best practice for large market tax advisers providing complex tax advice. Following a comprehensive consultation exercise, together with the other large tax advisory firms drafted and implemented the 'The Australian Tax Advisory Firm Governance Best Practice Principles'<sup>11</sup>. These principles require that we publish an annual statement confirming that we have reasonable confidence that our policy and procedures, which facilitate compliance with the Principles, are operating effectively.

The summary findings from this report were shared with the ATO.

### **Strengthening Independence**

Auditor independence continues to be a key area of focus for investors, regulators and the community given the important role that auditors play in providing integrity in capital markets. We are continually investing in our independence controls, with recent initiatives including:

- Investment in new technology to support the declaration and compliance of personal investments by partners and staff.
- Investment in additional staff in our second line Independence function.
- Additional training, including one on one training with individual partners.
- Centres of Excellence to support complex independence issues.
- Further strengthening restrictions around non-audit services following updates to the IESBA Standards, and additional mandatory training for partners and staff.

---

<sup>10</sup> This is an internal panel which reviews and assesses tax advice which must be escalated, based on certain risk criteria. Panel outcomes may include supplementing advice, additional due diligence, recommended engagement with the ATO, or declining to advise.

<sup>11</sup> <https://www.pwc.com.au/tax/assets/home/tax-advisory-firm-governance-best-practice-principles.pdf>

## Attachment 2: Improvement points for discussion

We acknowledge that separate to this inquiry, there are a number of programs of work underway to not only explore enhancements to controls such as data protection and confidentiality, but to also explore the impact that consultants can have on the public service, and how consultants can be best utilised by Governments. This includes:

- The Treasurer's request from the Department of Treasury, the Chair of the Board of Tax and to the ATO, for advice on additional steps that the Australian Government can take to strengthen and protect the integrity of consultation processes; and
- The APS reform agenda established by the Finance Minister which includes options to build capacity to govern and restore public sector capability.

We continue to monitor developments in each of these programs of work, and responses by the Government. Independent of any recommendations that come forward from Government, we will undertake the following:

### Governance

- **We are committed to establishing a Public Purpose Advisory Board.** This board will comprise entirely independent members to advise and make recommendations on matters that may enhance stakeholder confidence in the public interest aspects of our work with all Australian Governments and the APS.
- **We will formally record and monitor any specific enquiries related to probity matters,** and that these matters will be reported to the Executive Board and Board of Partners semi-annually, including information that breaches have been referred to the relevant agency and authority.

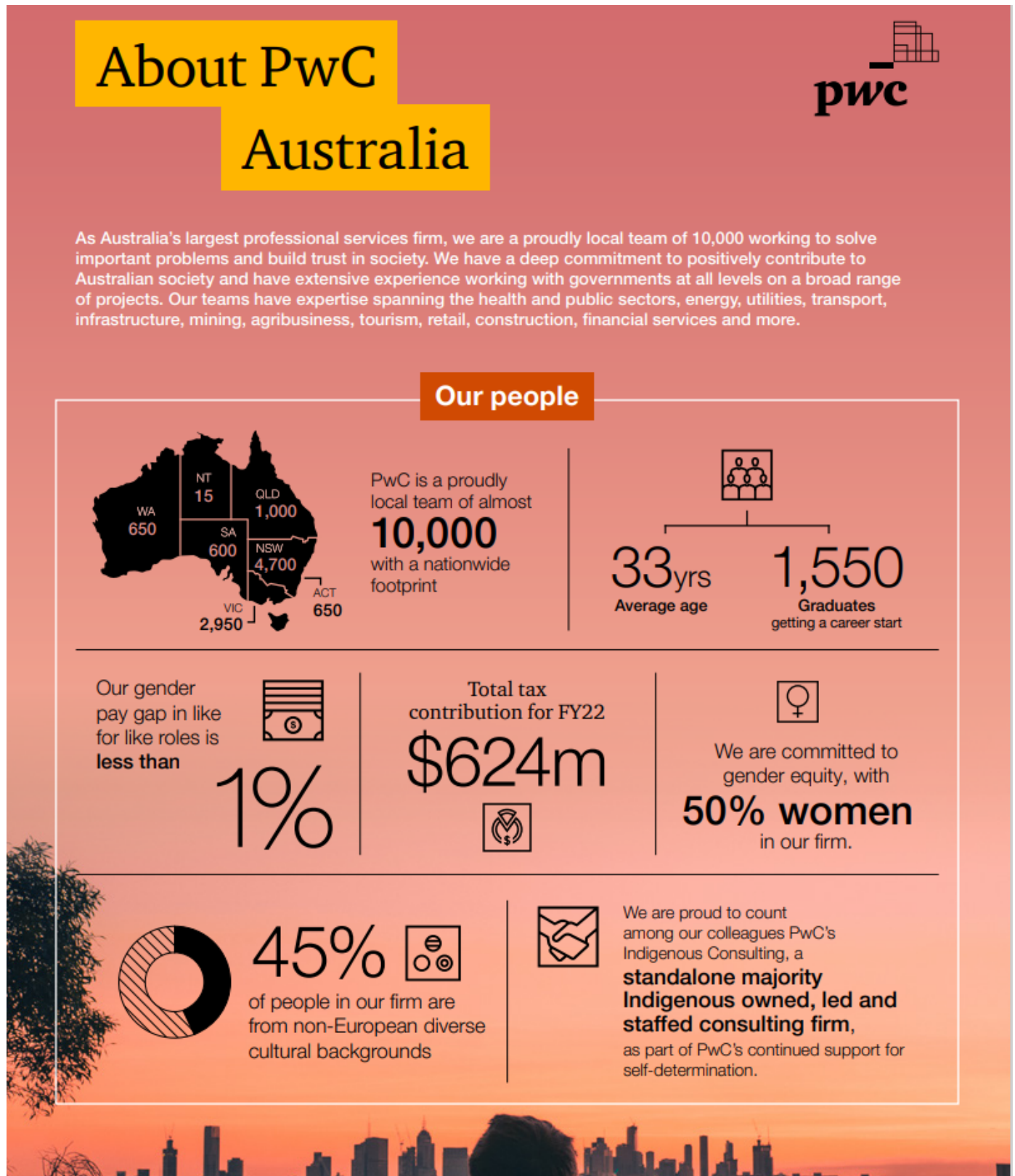
### Engagement management

- **We will further strengthen our documentation of scope over the life of engagements with the Australian Government with an appropriate audit trail of changes for both the client and PwC.** We will extend our review program to specifically address documentation of changes in scope. Our engagement processes will cover the conclusion of a consulting engagement with the Australian Government.

### Transparency


- **We will consider matters arising from this inquiry as relevant to the FY23 year in preparing the next firmwide transparency report.**

## Attachment 3: About PwC



## Our social impact

We have a worldwide science-based commitment to achieve **net zero greenhouse gas emissions by**

**2030** 

and our Australian offices are powered by **100% renewable electricity**.

Our firm has

**publicly backed the  
Uluru Statement from the Heart**  
and we are honoured that Reconciliation  
Australia recognised our **Reconciliation Action  
Plan** with an 'elevate' status.



Year to date, our people have  
contributed almost

**100,000 hours**

of social impact time to the community including  
pro / low bono, skilled volunteering, mentoring and  
secondments.



In FY22, we generated

**\$13m**

of value through social impact time, workplace  
giving, donations and cash contributions.

## Our culture and benefits

Our diversity and inclusion plan details how we will embed the right behaviours to  
build a truly diverse and inclusive culture. This is reflected in policies such as:



Paid parental leave of up to

**26 weeks**

(inclusive of adoption, surrogacy,  
foster care, kinship care and stillbirth),  
including superannuation, which can  
be taken flexibly and with no minimum  
service requirement, as well as  
**miscarriage leave**.



**Domestic  
violence leave**

which offers unrestricted paid  
leave, financial assistance and  
support for people experiencing  
violence.



**First Nations  
Cultural Leave**

provides additional paid and unpaid  
leave for Aboriginal and Torres Strait  
Islander employees' to maintain  
and strengthen their connection to  
community and to enable time to  
connect with their community to  
maintain and develop their culture.

In FY22, our people collectively spent

**393,461**

**hours** undertaking learning and  
development, including regular  
cultural awareness training.

