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

Dear Committee Secretary

Public submission regarding the inquiry into management and assurance of integrity by consulting services

About Deloitte

Deloitte is a leading global professional services organisation with a team of approximately 415,000 professionals located around the world. In Australia, we are a team of approximately 13,500 professionals and, across Asia Pacific, Deloitte has approximately 68,000 professionals covering 19 geographies. Our organisational purpose is to make an impact that matters and we are proud to be consistently recognised as a leader across the broad portfolio of professional services we deliver to our clients. We have five businesses delivering audit and assurance, consulting, financial advisory, risk advisory, and tax and legal services to help clients with their most complex problems.

In Australia, Deloitte provides integrated advisory, implementation and managed services to Federal, State, and Local Government agencies across the spectrum of policy and service delivery. Our core focus in providing these services is to deliver tangible value and outcomes in a high-quality manner which is complementary and additive to the core capabilities of the public service.

Trust and integrity are fundamental to Deloitte's brand and reputation. This is regularly reinforced by our Board, CEO, Executive and senior leaders, and underpinned by robust frameworks, policies and processes, as articulated further in our submission. It underpins our thought leadership and engagement in major policy agendas.

We appreciate this opportunity to constructively engage with and provide our submission to the Finance and Public Administration References Committee, recognising the importance of the public debate.

Our Submission

Our submission is centred on the six areas described in the Terms of Reference for the inquiry.

1. The management of conflicts of interest by consultants

Policy, Values and Standards

Deloitte's **Principles of Business Conduct** (our Code) and the **Deloitte Shared Values** (our Values) incorporate and build on the five fundamental principles of ethics (integrity, objectivity, professional competence and due care, confidentiality, and professional behaviour) contained in *APES 110; Code of Ethics for Professional Accountants (including Independence Standards)* (APES 110).

APES 110 is based on the International Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, and in Australia, it is issued by the Accounting Professional & Ethical Standards Board, which is an independent, national body.

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The ethical standards contained in APES 110 reflect the profession's recognition of its public interest responsibility and the standard of behaviour expected of us as a profession.

Our Code, our Values and APES 110 clearly articulate the integrity expectations which all Deloitte professionals must meet, including adherence to the fundamental ethical principle of **Objectivity**. This requires us to be objective in forming our professional opinions and the advice we give, and to not allow bias, conflict of interest, or inappropriate influence of, or undue reliance on individuals, organisations, technology, or other factors to compromise our professional judgments and responsibilities.

Deloitte has developed specific Conflicts of Interest policies and procedures to identify and resolve potential conflicts, in compliance with the obligations set out in our Code and APES 110. We are required by our policies and applicable standards to take reasonable steps to identify circumstances that might create a conflict of interest and implement safeguards to address threats created by conflicts of interest. This includes identifying and resolving potential conflicts before new engagements are accepted.

Our Code, our Values and APES 110 also require us to follow the fundamental ethical principle of **Confidentiality**. This prohibits the disclosure of confidential information without a legal or professional right or duty to disclose and prohibits the use of confidential information acquired as a result of professional or business relationships for our advantage or for the benefit of third parties. This includes understanding and following the terms of any confidentiality agreements signed with our clients or professional panels.

Deloitte has implemented the Confidential Information Program (CI Program) – a globally consistent, client focused risk mitigation approach that utilises leading information protection practices to enhance what we already do to safeguard the information we hold.

The CI Program defines technical, administrative, and physical safeguards that our employees must adopt when storing, transferring and handling information. This is achieved through the identification of confidentiality risks that are unique to a client account or engagement and the application of mitigation strategies captured in a **Confidential Information Management Plan** (CIMP).

Deloitte has also implemented a suite of specific policies that reflect our professional and legal obligations in the areas of anti-corruption, whistleblowing protection, complaints handling and non-retaliation.

Leadership and Governance

The Deloitte Board and Executive set a very clear tone at the top regarding integrity and the importance of our ethical framework, which is the combination of our Values, our Code and applicable policies.

Aligned to this, every major client, including every public sector client, has a Lead Client Service Partner (LCSP) appointed to oversee the delivery of professional services to that client.

The LCSP is expected to understand the legal requirements of relevant client service agreements and ensure all services are delivered with objectivity, integrity and professionalism that meet the expectations of the client and comply with professional standards and applicable rules and regulations. This specifically includes considering circumstances that may create actual and potential conflicts.

Deloitte has assigned the following roles to partners with the appropriate levels of experience, knowledge, competence, objectivity, authority, and judgment to support the LCSP and Client Service Teams (CSTs) in meeting integrity expectations:

- An **Independence & Conflicts Partner** who leads a central Conflicts team, independent of the business, that manages a central conflicts database and is available to consult with engagement teams and recommend and review the application of safeguards.
- An **Information Security Partner** who leads a central team, also independent of the businesses, to help review the level of security and confidentiality risk for new projects and engagements and the application of safeguards to ensure the confidentiality of client information is protected.



- An **Ethics & Conduct Partner** who is responsible for developing, implementing and maintaining a firmwide ethics program including management of ethical investigations, and has oversight, responsibility and accountability for Deloitte's anti-corruption program.
- A **Regulatory Leader** who coordinates engagement with key government, regulatory, policy making and professional bodies, and supports our firm's leaders on significant regulatory developments.
- **Risk Leaders in each business** who are members of their respective business executive leadership teams and are responsible for, among other things, overseeing the business's processes for identifying, mitigating and reporting on risks and strengthening and reinforcing a culture of strong risk intelligence.

This community of senior leaders reports directly to the Chief Risk Officer, who is a member of the National Executive, and they provide regular updates to the Deloitte Board and the Ethics & Risk Committee, a sub-committee of Deloitte's Board.

These leaders are routinely communicating with Deloitte professionals on expectations, standards and new developments to support an integrity and quality culture across the organisation.

2. Measures to prevent conflicts of interest, breach of contract or any other unethical behaviour by consultants

The key elements to our approach for preventing unethical behaviour are having well understood policies in place which clearly set out expectations, educating our people and providing access to processes and tools to guide them on how to comply, and holding those who violate our policies accountable. These key elements are embedded in our business as follows.

Conduct

- Deloitte has a **formal approval process** in place for **appointments onto regulator and/or government bodies** including boards, committees, working groups or consultation panels (bodies). Appointments to such bodies require approval from relevant leaders within the firm, under the oversight of the firm's Regulatory Leader. Upon appointment, partners and employees are briefed regarding their confidentiality and conflict of interest requirements and are required to attest to their adherence every six months.
- Deloitte has **internal policies and approval processes** for **gifts, entertainment and hospitality over a certain value**. In addition, all expenses must be claimed through a centralised system. Where any gift, entertainment or hospitality is provided to a Government client or official, the system requires the recipient to be positively identified as a 'Government official'.
- Any **political donations or contributions**, regardless of the value, must be **pre-approved** by the Regulatory Leader.
- There are assessment and approval processes that must be followed prior to Deloitte **hiring a senior professional from a regulatory agency or body**, as well as processes to ensure there are no corruption risks associated with the referral of a candidate for employment who is a government official.
- There is regular communication from the firm's Ethics Officer and other firm leaders to build trust in, and awareness of, channels for reporting ethical issues. 'Deloitte SpeakUp' is a **whistleblowing hotline** available 24 hours a day, 365 days a year and can be accessed from any location allowing partners, employees, or external parties to make a report either over the telephone or online. Reporters can remain anonymous if they so choose. All reports are investigated by independent investigators within the firm.
- An **annual Ethics Survey** is undertaken to regularly assess the ethical culture of the firm. The results are shared with the Deloitte Board including key themes from the survey and ongoing activities to strengthen our ethical culture.



Client Acceptance

- Deloitte has formal **client and engagement acceptance processes** that must be undertaken prior to the acceptance of engagements. Engagement teams must review all relevant client information and consider risks such as conflicts, information security and corruption risks, if any. There are various escalation, consultation, and approval processes to be followed if an engagement is assessed as having higher risks in certain areas.
- If the potential for conflicts of interest is identified, our policies require a conflict check to be submitted via the **Deloitte Conflict Check System (DCCS)** prior to acceptance of the engagement. This confidential database can only be accessed by the central Conflicts Team which will consider whether the engagement can be accepted depending on other information contained in the database or whether a conflict of interest may exist.
- Deloitte has established a **Public Interest Council (PIC)** consisting of senior partners who provide guidance on client acceptance decisions which are assessed as having a potentially significant public interest impact.

Education

- **Training and education** are crucial to ensuring our people understand their obligations under our policies and are given the tools to lead with integrity.
 - All partners and employees must undertake periodic mandatory training on topics covering ethics, anti-corruption, conflicts of interest, privacy, and information security.
 - The firm also develops and delivers specialised training where needed, such as mandatory conflicts and probity training provided in 2022 to all senior professionals involved in bidding for public sector work, to raise awareness of both risks and best practices, to ensure we continue to comply with our obligations.
 - Deloitte delivers mandatory face to face 'Leading with Integrity' training for all our partners to reinforce the importance of integrity and the crucial role partners play in role modelling the right leadership behaviours.
 - Quality and risk considerations, such as timely completion of mandatory training, timely consultations, and observed levels of risk awareness feed into performance assessments which impact promotion and remuneration outcomes for each partner and employee.
- All partners and employees are required to provide an **annual confirmation** that they understand their obligations under the firm's policies and have applied their knowledge to comply with them during the year.

Confidentiality

If the information security risk is deemed to be high, then our policies require the establishment of a Confidential Information Management Plan (CIMP) which includes measures to ensure both the physical and technological separation of engagement information from other engagement teams working within Deloitte. Deloitte has implemented a **Confidential Information Protection Platform (DCIPP)** to automate account or engagement CIMPs to ensure tailored reminders of confidentiality, security and privacy behaviour requirements are regularly sent to practitioners.

Monitoring

Deloitte has several layers of monitoring in place to ensure teams are adhering to our policies and our Code. These include:

- **Global level:** Deloitte Global requires us to provide regular risk self-assessments across each of our service portfolios, and at the enterprise level. These are robustly reviewed and challenged. We are subject to internal audits, on a rotational basis, with respect to our compliance with Deloitte policies.



- **Australian level:** Engagements are selected for independent reviews to ensure all relevant Deloitte policies and methodologies have been correctly adopted and applied to the engagement.
- **External:** On occasion, regulators will request access to our engagements to perform their own reviews of our work.

3. 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

All employees and partners are required by virtue of their employment contracts and the firm's Partnership Agreement, respectively, to comply with the Deloitte Code of Conduct, our policies and applicable professional standards.

If a suspected breach of any of these requirements by an individual is identified, or a matter is reported through Deloitte Speak-Up, an independent investigation is undertaken and if a breach is substantiated, there are consequences for the individual.

All our partners and employee are subject to disciplinary policies and disciplinary actions may take the form of counselling, training, formal warnings, or the termination of an individual's employment. The independent investigations are overseen by the Ethics and Conduct Leader.

Additionally, where breaches have been substantiated, this is taken into consideration in relation to an individual's overall performance rating, and therefore their remuneration, potential bonus and progress towards promotion.

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

Deloitte understands our responsibility with respect to maintaining the highest levels of integrity and we proactively address this in several ways:

- **Strong opportunity qualification process:** Every Request for Tender (RFT) is tracked centrally, and the firm has a detailed qualification and response process for opportunities with the Australian Government. This process addresses specific requirements of the *Public Governance Performance and Accountability (PGPA) Act*, Commonwealth Procurement Rules (CPRs), Panel T&Cs and specific requirements in the RFT.

If we become aware of a conflict of interest for which there is no appropriate mitigation plan, we do not proceed with a response to the RFT. If we conclude that there are safeguards available to mitigate a real or potential conflict, these are disclosed, and the safeguards discussed and agreed with the potential client.

- **Focus on adding value:** Our qualification process also extends to an assessment of the value we can bring to the public sector through the engagement. This may be in the form of the outcomes to be delivered through the engagement which are complementary and accretive to the capabilities within the public sector, and the transfer of knowledge and skills where this makes sense. As a large global professional services firm, we invest heavily in hiring and developing people with a diverse, specialised range of skills on a scale that is not economically sustainable for the public sector, but which can be accessed to deliver specific advice, analysis or programs of work. During these engagements, we seek opportunities to transfer relevant knowledge from our consultants to Government agency teams.

In any given year, there are many Government opportunities we choose not to pursue because we have not been able to satisfactorily conclude that we can add sufficient value through delivery of the engagement.

- **Tone at the top:** Our leaders that specialise in the public sector discuss integrity openly with their leadership teams and Client Service Teams, setting a clear expectation that there is zero tolerance for behaviours that are unethical or lack integrity. Where an integrity breach is identified, this is taken very seriously and dealt with immediately in consultation with the firm's Risk and Ethics leaders, and as appropriate with the client.



- **Dedicated public sector Client Service Teams and Account Managers:** Through the onboarding process of new CST members and regular reinforcement from Account leaders, the CST is made aware of integrity and probity expectations. Account Managers are aware of the applicable policies and processes depending on the jurisdiction, panel or contract arrangement and the nature of the work.
- **Valid security clearances:** Deloitte ensures that any partner or employee that requires security clearances to provide professional services to the Australian Government holds a valid security clearance. We also ensure that all cleared personnel clearly understand legislated clearance behavioural requirements, including confidentiality.
- **Regular Risk Assessments and Quality Reviews:** Depending on the nature of the work, there are various levels of quality review required by firm policies to ensure high quality deliverables. In addition to specific engagement and deliverable quality assurance processes, there are reviews performed on a selection of engagements by an independent Deloitte team ('Practice Office Reviews') to ensure that quality and risk policies and procedures have been followed. In addition, the LCSP undertakes a thorough risk assessment every quarter which includes contractual and delivery risks associated with all major engagements.

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

If hired and used well, we believe consultants can play a valuable role in helping the public sector deliver better outcomes associated with priority government agendas, initiatives and programs.

At Deloitte, our focus is on delivering tangible outcomes that result in accretive value for the public sector clients we serve across Australia. We take full accountability and stand behind the quality of outcomes we deliver.

Specifically, we note as follows:

- We will only accept properly contracted engagements where we believe we can deliver tangible value and outcomes to the public sector.
- We draw on specialists, both locally and through our significant global network, with deep and current expertise in domains that are not readily accessible in the public sector. We always seek to bring the best available expertise to deliver the best possible outcome in each situation.
- We bring an independent and objective point of view. Our specialists bring expertise gained through working with a wide range of clients and industry sectors, in and outside Government, which can provide a valuable perspective for any significant problem or project. By synthesising experiences gained from working with other organisations on similar challenges across a broad range of industries and sectors, we can bring best practices and a different way of thinking to tackle complex problems.
- We are willing and able to step up and take accountability for the delivery and implementation of complex projects, including taking on the operation of functions and services which are not necessarily core to the scope and role of the public service.
- Projects or programs of work will often have service level agreements in place including key performance indicators around quality deliverables and payment milestones, which allow our public sector clients to further hold the firm accountable for the quality of work we deliver.

Given the complexity of the work we typically undertake, we recognise that sometimes issues may arise in relation to the delivery of our work. When this occurs, we are prepared to take clear accountability for work quality and openly and collaboratively step in and resolve any issues with the full engagement and support of the firm's senior leadership.

It is well understood by our teams that our brand and reputation depend on the consistent delivery of high quality work and outcomes for our clients.



6. Any other related matters

No further matters.

Thank you for the opportunity to provide a submission in relation to this inquiry.

Yours faithfully

Adam Powick
Chief Executive Officer