



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

**KPMG submission**

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KPMG Australia, April 2023  
[KPMG.com.au](https://www.kpmg.com.au)

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# Executive summary

We are pleased to provide KPMG Australia's (KPMG) submission to the Senate Finance and Public Administration References Committee to help inform the *Inquiry into the management and assurance of integrity by consulting services*.

Integrity is at the core of KPMG's approach. While our people make important economic, capability, and social contributions through the services we provide to our clients, we recognise that we can only play this role if our clients trust us. We take seriously and act on incidents that are inconsistent with our Values or breach KPMG's Code of Conduct. We learn from our experiences and take steps to strengthen controls, policies and ethical culture.

KPMG understands it is a privilege for any private sector organisation to support the Commonwealth Government in a commercial capacity or advisory role. For our people in a purpose-led firm, the attraction is clear. To serve the Commonwealth Government and the Australian Public Service (APS) is by extension serving the Australian public and committing to put the national interest before any other commercial consideration.

When working with government, professional services firms and consultants have a duty to operate with the highest level of integrity, confidentiality and trust. When government engages with us, we never take this trust for granted and we must, and do, take our responsibilities seriously.

Although we are confident in our policies and procedures as they relate to our confidentiality obligations, in a world where societal expectations are constantly evolving, we remain vigilant in regularly reviewing our operations to ensure they remain aligned with community attitudes and expectations.

This is why following the public disclosure of the Tax Practitioner's Board (TPB) integrity matter<sup>1</sup>, KPMG took steps to reinforce our robust frameworks. We commissioned an independent review of our confidentiality processes, which found our policies and procedures were consistent with best practice. We support Treasury's review of confidential consultations and the Commonwealth Government's plan to strengthen the TPB.

Our submission outlines our role as a trusted adviser to government in section one; our extensive regulatory environment in section two; our existing commitments to integrity in section three; and our response to recent industry integrity challenges in section four.

KPMG is proud to support the world-class work of the APS and we look forward to assisting the important work of the Committee.

Yours sincerely,

**Tanya Gilerman**

National Managing Partner  
Chief Risk Officer

KPMG Australia

**Paul Low**

Partner, National Industry Leader  
Infrastructure, Government and Healthcare

KPMG Australia

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<sup>1</sup> [Former PwC partner banned for integrity breach | Tax Practitioners Board \(tpb.gov.au\)](https://www.tpb.gov.au/news/2023/01/former-pwc-partner-banned-for-integrity-breach)

# About KPMG

KPMG Australia is an Australian partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, with more than 265,000 partners and employees spanning 143 countries and territories around the world. Our service areas are Audit, Assurance & Risk Consulting; Deals, Tax & Legal; Management Consulting; our mid-market practice, KPMG Enterprise; and Infrastructure, Assets & Places.

We provide services to clients across many diverse sectors including financial services, energy and natural resources, consumer and retail, technology, industrial markets, infrastructure, healthcare as well as government. We also draw on our global network, as required, to support our clients by bringing international insights, experience and expertise to our work.

We believe that our multidisciplinary model is the best way to serve our clients, our people and society. Today's governments face complex problems that require the best, most integrated thinking. Our multidisciplinary model ensures we can bring the breadth of expertise and skills from across our organisation to tackle any issue or opportunity.

## Our recent commitments to strengthen integrity

KPMG has extensive risk and compliance frameworks that uphold high standards of integrity which we review regularly to ensure best practice. Despite confidence in our high standards, we outline below additional actions we have recently taken to further strengthen our integrity:

- 1 Reinforced our confidentiality obligations to our people:** Following the public disclosure of the TPB integrity matter<sup>2</sup>, we reminded our 12,000-strong workforce of their obligations to comply with KPMG's policies and procedures on confidentiality. We reinforced confidentiality obligations when accepting government advisory roles outside of KPMG, conducted additional risk workshops and committed to undertake a refresh of our confidentiality policies.
- 2 Conducted an independent review of our confidentiality obligations:** In early March 2023, KPMG commissioned an independent review of our policies and training materials relating to the firm's confidentiality obligations.

The review found that our risk and compliance frameworks were comprehensive and proactively mitigated material risks of confidentiality breaches. The review confirmed that KPMG's policies and procedures were consistent with best practice and guidance published by relevant professional bodies. The review also outlined several recommendations directed at further strengthening our compliance with confidentiality obligations, and we have implemented or are in the process of implementing all recommendations.

- 3 Support for Treasury's review of confidential consultations:** KPMG has been working constructively with Treasury, the Australian Taxation Office (ATO) and the TPB as a part of their review into how they manage confidential consultations.

Pending the finalisation of recommendations, we would expect to support measures under consideration that would strengthen integrity in these processes.

- 4 Support for a Strengthened Tax Practitioners Board:** KPMG supports the recommendations outlined in the *independent review into the effectiveness of the Tax Practitioners Board and the Tax Agent Services Act 2009*<sup>3</sup> and looks forward to further public consultation planned in the coming months.

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<sup>2</sup> [Former PwC partner banned for integrity breach | Tax Practitioners Board \(tpb.gov.au\)](https://www.tpb.gov.au)

<sup>3</sup> [Review of the Tax Practitioners Board | Treasury.gov.au](https://www.treasury.gov.au)

# KPMG response

## Section 1: Acting in the public interest - our role as a trusted adviser to government

KPMG is proud to assist the work of the APS, supporting engagements with wide-ranging impacts on the Australian community. With the pace and scale of change facing the Australian community, the public sector calls on specialist skills and capabilities from the private sector to complement the resources within the public service in delivering complex, time-challenged projects. Our industry and private sector insights are often sought out by government to help inform policy development.

This approach provides value for taxpayers and brings best practice expertise to the frontline of public policy. KPMG fully supports the ongoing development of the APS. It is standard practice for KPMG to work closely with our government clients to better understand how we have performed and where we can do better.

KPMG holds a privileged position as a trusted adviser to Australian governments, but we understand with that privilege comes responsibility. Our commitment to ethics and integrity is the foundation of all our engagements and we are proud of the role we play in helping the Commonwealth Government meet its policy objectives through its Procurement Connected Policies.

### *Commitment to the Commonwealth Government's procurement rules*

When working with the Commonwealth Government, our services are sourced in accordance with the Commonwealth Procurement Rules (CPRs) set out by the Department of Finance. We value and respect the CPRs and appreciate that an independent competitive process ensures probity while upholding value for money when allocating public funds.

KPMG is bound by all relevant contractual requirements for conflict-of-interest and confidentiality management, including adhering to relevant confidentiality agreements set out in individual contracts and panel arrangements. This can include outlining steps to prevent, mitigate, resolve or otherwise manage conflict of interest.

AusTender provides a level of transparency which is important to maintain a robust and competitive process, again reinforcing the focus

on value for money. We support the requirement for government to report on our contracts and support the related reporting that is required under parliamentary processes and through reviews undertaken by the Australian National Audit Office. KPMG would support further measures to ensure AusTender provides the most appropriate level of transparency as outlined in our submission to the 2018 parliamentary inquiry into "Commonwealth contracting".<sup>4</sup>

Procurement Connected Policies are Commonwealth policies for which procurement has been identified as a means of delivering government policy objectives.<sup>5</sup> KPMG rigorously adheres to these policies, further supporting the Commonwealth Government's policy directives around small business, combatting the black economy, Indigenous businesses, enhancing gender equality, and increasing Australian industry participation.

The Shadow Economy Procurement Connected Policy requires that tenders provide a statement from the ATO showing they have a satisfactory tax record (STR). As KPMG is a partnership, we provide a satisfactory STR on behalf of the partnership and in respect to each partner that is directly involved in the delivery of the relevant contract.

The Indigenous Procurement Policy applies Indigenous employment and business participation targets to contracts wholly delivered in Australia valued at \$7.5 million or more in 19 industries. The [case study](#) below outlines how the Commonwealth Government's Procurement Connected Policies have contributed to KPMG's strong historical commitment to Indigenous businesses.

### Case study – KPMG's commitment to Indigenous procurement

Since becoming the first major professional services firm in Australia to launch a Reconciliation Action Plan (RAP) in 2009<sup>6</sup>, we have exceeded both our procurement and Indigenous employment targets. Our partnership with Jawun Indigenous Corporate Partnerships has seen 297 of our people on secondment, contributing over 67,000 pro bono hours to help build the capabilities of Indigenous organisations nationally. Since our last RAP, we have welcomed our firm's second Indigenous Partner and first Indigenous Board member. We have

<sup>4</sup> [Australian Government Contract Reporting - Inquiry based on Auditor-General's report No. 19 \(2017-18\) – Parliament of Australia \(aph.gov.au\)](#)

<sup>5</sup> [Procurement Connected Policies | Department of Finance](#)

<sup>6</sup> [Reconciliation Action Plan \(kpmg.com\)](#)

introduced cultural and ceremonial leave and have voiced our support for the Uluru Statement from the Heart. We have also partnered with small and medium Indigenous businesses to deliver work for the Commonwealth Government.

KPMG continues to support the growth of Indigenous businesses through procurement, including allocating more than three per cent of our procurement budget to Indigenous suppliers. We have also committed to expand our successful Indigenous business accelerator program to support the growth of small to medium Indigenous businesses across Australia.

## Section 2: Acting lawfully - our extensive regulatory environment

Professional service firms are subject to an extensive and complex framework of overlapping obligations that require us to manage conflicts of interest, perceived or otherwise. Contractual frameworks set by our clients define their expectations and requirements, supported by regulatory and legal obligations, professional codes and commitments to professional bodies. Further, our people are required to comply with KPMG's Code of Conduct, and the expectations of communities in which we operate.

As members of Chartered Accountants Australia and New Zealand (CA ANZ), all KPMG partners are subject to Accounting Professional & Ethical Standards (APES) 110 Code of Ethics for Professional Accountants, which is issued by the APES Board (APESB). The requirements of APES 110 are reflected in numerous KPMG policies and procedures. In addition to being CA ANZ professionals, KPMG personnel play an active role as members of a diverse number of other professional associations, many of which have clear expectations of the conduct of their members.

### *Regulatory oversight*

KPMG offers a range of services subject to specific regulatory requirements, including engineering, property, insolvency and restructuring, sustainability reporting, data security, forensic services and our client facing legal practice KPMG Law to name a few. As such, we are subject to extensive regulations, requirements and codes of conduct that require us to maintain high levels of integrity. Non-compliance can result in significant firm-wide or personal financial and operational impacts.

The Australian Securities and Investments Commission (ASIC) is responsible for assessing compliance with and enforcing accounting and audit standards. Auditors are legally obliged to comply with the Code of Ethics for audits of entities subject to the Corporations Act. ASIC inspects KPMG's Australian firm annually.

ASIC is also the regulator of the financial services industry and assesses the applications made to procure an Australian Financial Services Licence (AFSL). KPMG, via two of its corporate entities, holds AFSLs enabling the operation and activities of its financial services businesses.

Tax and Business Activity Statement (BAS) agents are subject to the regulatory oversight of the ATO and TPB. All legal practitioners are also subject to the oversight of regulatory bodies such as the legal services commissioners, which operate in states and territories. The Uniform Law Rules set out the framework within which many of our legal practitioners must operate.

Our people are also subject to international standards and regulatory regimes where our work extends beyond Australia.

## Section 3: Acting ethically - our commitment to integrity

At KPMG, we understand that trust is earned by doing the right thing – not just some of the time, but all of the time. We are committed to the highest standards of personal and professional behaviour in everything that we do.

### *Managing conflicts*

KPMG is committed to being a purpose-led organisation and has embedded this in the firm's sustainable growth strategy. In 2021 we also established the role of Chief Purpose Officer (CPO) with a threefold focus - a navigator, constructive challenger and enabler. The CPO was appointed to KPMG's Commercial Conflicts Resolution Committee (CCRC) and has played a critical role in decisions made by the Committee.

The CCRC reviews, maintains oversight of, and makes decisions relating to, but not limited to, commercial conflicts, including proposed engagements, communications, or expressions of thought leadership likely to detrimentally impact our relationship with one or more of our clients. If a potential conflict of interest cannot be resolved or appropriately managed, we decline the engagement or prospective client.

Our policies and procedures include assessing conflict of interest and risk through our client



and engagement processes and systems. This helps identify existing or potential conflict of interest for prospective engagements. Engagements with conflicts that cannot be eliminated or safeguarded to an acceptable level (i.e. through the implementation of system information barriers and ethical divider memorandums) are rejected under our policies. When working with government clients we are also mindful of competing issues that may arise when working with different departments or even different areas within a department.

#### *Managing independence*

In Australia, independence requirements have been enshrined in the Corporations Act. As an audit firm, we are required to be mindful not only of actual conflicts of interest, but also of the perception of conflicts of interest. Compliance with these obligations requires us continually to reinforce the importance of independence.

At KPMG, we have prescribed policies, procedures and guidance, combining Australian and international regulatory, independence and ethical requirements. All KPMG Australia partners and client service professionals must complete independence training upon joining the firm, and annually thereafter, and complete an annual confirmation stating that they have remained in compliance during the previous year.

#### *Code of conduct*

The KPMG Code of Conduct (the Code)<sup>7</sup> outlines the responsibilities all KPMG people have to each other, our clients and the public. It shows how our Purpose and Values guide our behaviours and actions. The Code covers a wide range of topics, including:

- Integrity and ethical behaviour: KPMG requires its employees to act with integrity and honesty, and to comply with all applicable laws and regulations.
- Professionalism: KPMG requires its employees to maintain high standards of professionalism, including treating clients, colleagues, and third parties with respect.
- Confidentiality: KPMG requires its employees to protect the confidentiality of client information and to use it only for legitimate business purposes.
- Independence: KPMG employees are required to maintain independence in their work, and to avoid any conflict of interest that could compromise their objectivity.

- Compliance: KPMG requires its employees to comply with all applicable laws and regulations, as well as the company's policies and procedures.

Everyone at KPMG is required to undertake the firm's *We do what is right: Integrity at KPMG* training covering the Code, as well as a separate Privacy training module upon joining the firm, and on an annual basis. Adherence is monitored and managed, and our training is continually refreshed to ensure it aligns to best practice.

#### *Ethical Decision-Making Framework*

We have continued to invest in strengthening our ethical culture. Our Board and National Executive Committee (NEC) are deeply involved in the delivery of the firm's culture plan. This year we have introduced our Ethical Decision-Making Framework and incorporated it in our mandatory independence training. We have appointed an Ethics Ambassador who sponsors Ethics Champions in all functional areas of our firm.

We have seen significant improvement in our Ethical Culture Index (ECI) survey, an independent measure of how well we are living our Values and behaviours, including an overall score increase to 89 points out of 100, up from 84 points in the previous survey.

#### *Speak up culture*

There has been a positive shift in the extent to which people feel they can challenge superiors. There has also been an increase to 85 percent of our staff agreeing that misconduct can be reported without fear in our organisation, which has been reflected in an increase in actual reporting of misconduct.

We encourage a 'speak up' culture across the firm. This means ensuring all our people feel included and have confidence to speak up, raise concerns early and prevent them from becoming serious issues.

We will continue to empower our people to speak up about any unethical or inappropriate behaviour in the workplace, especially to their leaders. For that reason, we view any increase in reporting in the immediate term as a sign of progress.

<sup>7</sup> [Global Code of Conduct \(kpmg.com\)](https://www.kpmg.com/au/globalcodeofconduct)

## Section 4: Our response to recent industry integrity challenges

KPMG has an existing and well-established single point of contact for all government consultations, with clear guidelines for interacting with government on policy consultations. Relevant outside government advisory roles must be disclosed in a firmwide internal database of personal appointments that includes partner and risk approval.

The above processes ensure potential conflicts of interest are identified and appropriately managed when working with government on confidential consultations and were in place before the public disclosure of the TPB integrity breach matter.

### *Reinforced our confidentiality obligation to our people*

Like many large organisations, we learn from our experiences and from those of others in the business community. Our approach when making decisions on these matters is to strive for transparency to share our learnings, strengthen accountability and identify improvements in the way we work.

Following the public disclosure of the TPB integrity breach, we reviewed the TPB's sanction explanation<sup>8</sup> and considered what we could learn from the matter. We immediately took steps to reinforce our processes relating to compliance with our confidentiality obligations, including:

- Reinforcing confidentiality requirements when accepting government advisory roles outside of KPMG on the internal database of personal appointments;
- Reviewing the roles which need to be included in our internal database of personal appointments, with the aim of better informing our people about the government advisory roles that need to be disclosed;
- Running targeted compulsory confidentiality and conflicts of interest workshops for tax partners and directors, with further proposed targeted confidentiality and conflicts training to be run for other divisions; and
- Undertaking a refresh of KPMG's confidentiality policy to expressly require staff to comply with all confidentiality

requirements that apply to them in advisory related roles that are outside KPMG.

Reinforcing how seriously we treated this matter, we communicated these measures on 9 March 2023 to our 12,000 employees, ensuring that our people were aware of the policies and procedures we have in place to ensure integrity in our interactions with government.

### *Conducted an independent review of our confidentiality obligations*

In addition to the above actions, in early March 2023 KPMG commissioned an independent review of our policies and training materials relating to the firm's confidentiality obligations to ensure that they were fit for purpose.

Overall, the independent review found that KPMG's risk and compliance framework was comprehensive, that it positions the firm to ensure partners and staff are aware of the importance of confidentiality obligations, and proactively mitigates material risks of confidentiality breaches. The review also found that KPMG's policies and procedures were consistent with best practice and guidance published by relevant professional bodies.

The review outlined several recommendations directed at further strengthening our compliance with confidentiality obligations in the areas of training and guidance for our people and we have implemented or are in the process of implementing all recommendations.

### *Commitment to a strengthened TPB and Treasury's review of confidential consultations*

KPMG supports the Commonwealth Government's review into how Treasury agencies manage conflicts of interest and confidentiality issues when seeking private sector advice. Ensuring confidentiality is of utmost importance in maintaining the trustworthiness of the profession. KPMG commits to implementing the recommendations of this review.

In addition, KPMG supports the recommendations outlined in the *independent review into the effectiveness of the Tax Practitioners Board and the Tax Agent Services Act 2009*<sup>9</sup> that relate to sanctions, individual accountability of partnerships and agency independence. KPMG looks forward to further public consultation on these reforms in the coming months.

<sup>8</sup> [PriceWaterhouseCoopers | Tax Practitioners Board \(tpb.gov.au\)](https://www.tpb.gov.au)

<sup>9</sup> [Review of the Tax Practitioners Board | Treasury.gov.au](https://www.treasury.gov.au)