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Regards,

Saj

From: Sajiv De Silva

Sent: Friday, 11 September 2020 1:06 PM

To: Lyon, Brendan < >; Hudson, Nick < >; Cassandra Wilkinson < >; Anne Hayes < >;
George Roins < >; Peter Perdikos < >; Nicole Albert < >; Bobby Li < >;
John Hardwick < >; San Midha < >

Cc: Fiona Trussell

Subject: RE: Word version of draft business rules file note

Hi Brendan,

Agree on the way forward. Can I suggest if you want to move towards more detailed comments we move this meeting to Monday afternoon as both my commercial and accounting colleagues at Treasury have not had sufficient time to digest the file note in detail.

It would be great if we can extend the same level of courtesy to the Treasury Commercial and Accounting team as we have with Transport Infrastructure Projects team given the complexity involved.

Regards,

Saj

From: Lyon, Brendan

Sent: Friday, 11 September 2020 12:15 PM

To: Sajiv De Silva < >; Hudson, Nick < >; Cassandra Wilkinson < >; Sean Osborn < >; Anne Hayes < >; Peter Crimp < >; Peter Perdikos < >; John Hardwick < >; San Midha < >; George Roins < >; Nicole Albert < >; Bobby Li < >

Cc: Fiona Trussell

Subject: RE: Word version of draft business rules file note

Importance: High

Saj;

Thank you.

I had a discussion with San last night about the file note and wider TAHE matters, including some concerns I have.

I note your comment about an updated 'fact based' draft.

This is a concept of operations and business rules file note. By definition, it's a narrated opinion of how and who does what, based on the RACI allocations. Please clarify where you believe there are factual errors and we will address these. Otherwise, we have provided you with the word document and we will await your and Andrew Alam's detailed inputs, as agreed with Fiona yesterday.

I would also appreciate if today's session could move from general commentary toward detailed comments on whether the allocations and descriptions pose problems.

I look forward to the discussion this afternoon - and hope it might see a higher level of cooperation and respect.

Brendan

PS: For completeness, I have copied San in above.

From: Sajiv De Silva

Sent: Friday, 11 September 2020 10:13 AM

To: Hudson, Nick ; Cassandra Wilkinson

Sean Osborn ; Anne Hayes

Andrew.Alam

; Peter Crimp

; George Roins

; Peter Perdikos

; Nicole Albert

; John Hardwick

; Bobby Li

Cc: Fiona Trussell

; Lyon, Brendan

Subject: RE: Word version of draft business rules file note

Hi Nick

San Midha has provided our initial views on this document and we will provide a more detailed response by COB Monday given other priorities around budget proposals and TSSA accounts some of my Treasury colleagues are balancing.

Can we please ensure the next draft speaks to facts backed by available evidence and not views/interpretations.

We will provide our feedback to the group and we would appreciate if TAHE and Transport can also share they feedback with this group.

Regards,



Sajiv De Silva | Associate Director

Infrastructure Strategy & TAHE | Policy and Budget Group

52 Martin Place, Sydney NSW 2000

(Enter by 127 Phillip Street)

PO Box 5469, Sydney NSW 2001

p:

e:

| www.treasury.nsw.gov.au

I acknowledge the traditional custodians of this land on which I work and live.

I pay tribute to their continuing culture and I pay my respects to all Elders past, present and emerging.



From: Hudson, Nick

Sent: Thursday, 10 September 2020 5:51 PM

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Lyon, Brendan

From: Lyon, Brendan
Sent: Monday, 14 September 2020 1:53 PM
To: Linke, David; Heathcote, David; Low, Paul
Subject: MEETING WITH TAHE/TREASURY

Colleagues;

- 1) We had a much more productive and polite interaction today, with TAHE and with Treasury.

It would be fair to say that Treasury are dangerously unclear about maintenance aspects of TAHE. This is the issue that TAHE and Treasury melted down about last time.

The safety people are having a meltdown post their comments with a current view that Treasury's current position 'completely repeats Pink Batts' – I'd not thought of that as I always revert to rail parameters, but it shows the complexity. It also shows the highly shiftable positions of Treasury. The latest plan is that Cabinet's ERC approves the level of maintenance.

Based on today's comments, we have to (again) recut:

- The functional segmentation
- The fin model
- The op model
- The final deliverable structure.

Pleasingly, Treasury now acknowledge that they did not properly review the document – and that they understand both its purpose and its context. I hope that they will communicate this up the chain. James – this is relevant to your ongoing discussions with Mr Pratt et al.

- 2) The TAHE board are apparently seeking me to meet with them tomorrow, in place of the meeting that was to be last week.
- 3) I'll recirculate the op and fin models once updated.

Regards to all.

Brendan.

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Lyon, Brendan

From: Lyon, Brendan
Sent: Monday, 14 September 2020 10:27 AM
To: Heathcote, David; Low, Paul; Linke, David
Subject: We now have a few confirmations from NSW Treasury

The they want access fees to start @ \$700m pa from FY21.

Will definitely minimise the budget cost; but hard to see TAHE surviving very long with ¼ of its rev req.

Anyway, we are modelling now and will update.

Thanks again for this morning's discussion – and sorry to be explicit about support – but it'd simply not be worth defending KPMG, if senior partners are not prepared to defend me while doing so.

Glad you're all locked in 😊 😊

👤 look forward to Mr Hunter's explicit clarification.

Thanks 😊

Brendan.

👤

Lyon, Brendan

From: Low, Paul
Sent: Monday, 14 September 2020 8:04 AM
To: Lyon, Brendan; Linke, David; Heathcote, David
Subject: RE: Cabinet in confidence
Attachments: TAHE Financial Model File_PL review 130920.pdf

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Good morning Gents

Minor comments - focus is more on language of Exec sum given Treasury sensitivities rather than challenging model assumptions/approach/outcomes

Talk soon

Regards

Paul Low
National Leader – Infrastructure, Government and Healthcare

 PMG
Riparian Plaza, 71 Eagle St
Brisbane QLD 4000 Australia

Tel
Mob

kpmg.com.au

From: Lyon, Brendan
Sent: Saturday, 12 September 2020 7:23 PM
To: Linke, David ; Heathcote, David ; Low, Paul
Subject: Cabinet in confidence

Hi gang; draft fin model file note enclosed.

 We will want to circulate Monday to treasury ideally.

Comments welcome.

Ps: did you know that TAHE is an anagram for HATE? I really feel that on Saturday nights, spent on tahe 😊

Brendan Lyon
Partner
Infrastructure & Projects Group
KPMG

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Lyon, Brendan

From: Lyon, Brendan
Sent: Sunday, 13 September 2020 7:57 PM
To: Hunter, James (Sydney)
Cc: Linke, David; Low, Paul
Subject: FW: TAHE

This is unacceptable James.

David will ring you now – but this will need to be corrected by you – or I will do it.

This must not happen again.

Regards

Brendan

From: Hunter, James (Sydney)
Sent: Sunday, 13 September 2020 7:33 PM
To: San Midha ; Low, Paul
Cc: Lyon, Brendan
Subject: TAHE

Hi San,
Good to speak late Friday pm.
As discussed, I have now spoken with Paul who is rescheduling other priorities so he is able to fully support Brendan over the next 4 weeks, and if necessary longer, as we work closely with Transport, TAHE and Treasury to finalise the TAHE Op Model and associated review and reports. Paul is our national head of Infrastructure, Healthcare and Government (IGH) and has been a partner for 10 years, based in QLD – and previously held senior roles at Transurban, and was Associate Director General and Deputy Director General in the QLD Government. Paul is well known to Tim Reardon and has been EQCR for 2 months and is across the TAHE issues.

encourage you to connect on Monday.
Paul
San

I also spoke with Mike this evening, and discussed as we did on Friday, the necessity for a well-defined, collaborative approach to discuss, agree and document all the outstanding aspects of the Cabinet Decision dated Monday, 1 June 2020 C2020-0372 Establishment of the Transport Asset Holding Entity and specifically (iv) a-d.
I also indicated Andy King will be continuing to support Heather in all her TAHE work; and Paul support Brendan. He was appreciative.

I am in 52MP all day tomorrow with TSR and Taskforce meetings; please call or drop down to 26 if you wished to discuss further,

Regards James

Cabinet-In-Confidence
James Hunter | Partner KPMG
NSW Treasury
Mobile
EA: Ashlee Moreton

146

Lyon, Brendan

From: Hunter, James (Sydney)
Sent: Sunday, 13 September 2020 7:47 PM
To: Lyon, Brendan; Low, Paul; Watson, Heather; King, Andrew (AUS); Heathcote, David; Yates, Andrew J; Linke, David; Lucas, Joel; Davim, Catia
Cc: Moreton, Ashlee
Subject: TAHE | Cabinet-In-Confidence
Attachments: TAHE

To the COGC,
Not for wider distribution

We deferred last Friday's COGC with several matters outstanding and the need for a full COGC to be in attendance. Ashlee will confirm the dates for this week coming and next week.

I know Brendan ran a number of TAHE Operating Model debrief sessions late last week; with Paul in attendance of some as well.

○ was working in Treasury on Thursday, and had face to face meetings with San, and Mike – further discussions with San on Friday, and Mike called this evening as well.
I have also spoken with Joel, David, Andrew and Paul on Friday and over the weekend.

This note outlines summary of key feedback, and recommended steps I have discussed and agreed with David, Paul, and with Mike and San.

1. Premier meeting

- On Friday a meeting with the Premier, Treasurer, Secretary of DPC (Tim Reardon) and Secretary of Treasury (Mike Pratt) attending.
- TAHE was discussed. Everyone was well across the challenges but also imperative.
- The Premier was unequivocal that TAHE will go ahead, as was Tim - both wanted to accelerate work including the ERC Sub.
- *This isn't a surprise – we have always expected strong endorsement and resolve to proceed with Government Policy to implement TAHE.*

○ 2. Approach to finalise ERC Submission and TAHE Operating Model

- Mike indicated Bruce Morgan (TAHE Chair) and the TAHE Board will be more involved in the weeks ahead
- I indicated we needed to change the approach of TfNSW leading and writing – and others reviewing and criticising File Notes and Reports.
- San had also agreed he would discuss this with Fiona and Anne – San has just sent me a text indicating he wants to discuss this tomorrow am; I am in TSY 52MP so will be f2f.
- Mike also agreed we needed to change the approach – and will discuss with San.
- This is positive. I indicated it was not helpful for Brendan to be holding the pen on these documents, running consultations, and then having all parties criticise. We need everyone to agree section by section, and have working groups on each – with joint leads. This approach will be defined and shared this week.
- Depending on which ERC date confirmed (suggest it will be end third week not beginning second week Oct) we have limited time to draft, finalise and submit through TSY/DPC processes.

3. KPMG involvement.

- I reinforced to both San and Mike this evening we have the most knowledgeable and experienced team involved in TAHE.

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- However, we have discussed further last week, and agreed with San that we would provide further second partner support.
 - I explained EQCR to both San and Mike – they were not aware of this. I indicated we would have two partners assisting Treasury, and 2 assisting TfNSW / TAHE Op Model work, effective immediately.
 - Both were fully in favour of this.
 - This means that Paul will support Brendan in all meetings with TAHE and TfNSW, from Monday.
 - I will leave it for you both to discuss tonight / tomorrow am, which meetings – and confirm schedules.
 - Paul – San has also asked I introduce you by email – which I have done, and attached.
4. I have also attached the COGC Framework for resolution of commercial conflicts, as a timely reminder of the 20 protocols we have discussed and are operating within.
- Major issues should be escalated through EQCRs to COGC as quickly as possible, and if necessary meetings convened to discuss and resolve.
 - The COGC purpose is not to be reviewing and providing sign off on technical operating model or accounting standard matters. These roles are the accountability of the specialist partners and the EQCRs we have in place on specific programs of work.

Any questions with these notes, please call me.

Regards James

Cabinet-In-Confidence

James Hunter | Partner KPMG

NSW Treasury

Mobile

EA: Ashlee Moreton

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Lyon, Brendan

From: Lyon, Brendan
Sent: Sunday, 13 September 2020 7:39 PM
To: Linke, David
Subject: Fwd: TAHE

Brendan Lyon
Partner
Infrastructure & Projects Group
KPMG

From: Hunter, James (Sydney)
Sent: Sunday, September 13, 2020 7:33:24 PM
To: San Midha ; Low, Paul
Cc: Lyon, Brendan
Subject: TAHE

Hi San,
Good to speak late Friday pm.
As discussed, I have now spoken with Paul who is rescheduling other priorities so he is able to fully support Brendan over the next 4 weeks, and if necessary longer, as we work closely with Transport, TAHE and Treasury to finalise the TAHE Op Model and associated review and reports. Paul is our national head of Infrastructure, Healthcare and Government (IGH) and has been a partner for 10 years, based in QLD – and previously held senior roles at Transurban, and was Associate Director General and Deputy Director General in the QLD Government. Paul is well known to Tim Reardon and has been EQCR for 2 months and is across the TAHE issues.

I encourage you to connect on Monday.
Paul
San

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I also indicated Andy King will be continuing to support Heather in all her TAHE work; and Paul support Brendan. He was appreciative.

I am in 52MP all day tomorrow with TSR and Taskforce meetings; please call or drop down to 26 if you wished to discuss further,

Regards James

Cabinet-In-Confidence
James Hunter | Partner KPMG
NSW Treasury
Mobile
EA: Ashlee Moreton

143

Lyon, Brendan

From: Lyon, Brendan
Sent: Sunday, 13 September 2020 8:20 PM
To: Heathcote, David; Linke, David; Low, Paul
Subject: FW: Preliminary view on TAHE Business Rules filenote

Importance: High

FYI –

From: Lyon, Brendan
Sent: Sunday, 13 September 2020 3:27 PM
To: Michael Pratt ; San Midha
Cc: Rodd Staples ; Low, Paul ; bruce morgan
Subject: RE: Preliminary view on TAHE Business Rules filenote
Importance: High

Thanks Mike and nice to hear from you – albeit on an increasingly unpleasant matter.

I do not agree that San's email is a good summary; and told him as much – whereupon he noted he'd not actually read the file note.

Whoever suggested to you that it questioned where or not TAHE should exist or operate is wrong. Moreover, we have sought to allocate TAHE all the powers it needs to meet the accounting tests.

The draft file note does precisely as you say – identifies and cures problems. It is a key input to an agreed operating model and it needs calm reflection and response so it can be finalised for Cabinet. As Bruce would be aware, the ConOps is the basis for the safety opinion that is needed to give the TAHE board comfort about their level of criminal safety liabilities – and a key input to the discussions with ONRSR – as well as the basis for agreement on an operating model pre-cabinet.

As with other points over the past few months, some of your people thought calls to complain to my Partners about a supposed lack of professionalism was an appropriate response. I understand there's a lot riding on TAHE for all involved; but this is not a helpful or professional way to respond to a thorough draft.

Interestingly, by late Friday the tone from TAHE and Treasury officers toward the draft file note had changed quite markedly; with only minor edits suggested.

Mike – I think it would be good to get together in person to discuss TAHE - I will send a formal meeting request to your EA tomorrow.

I would also appreciate if you and Bruce would communicate to your relevant staff to maintain appropriate professional courtesies toward me and my team in meetings; and to respond professionally to drafts related to the Cabinet process.

This is a complex job – but it's being made harder, not easier, by TAHE and Treasury at the moment. Thankyou again for responding – and I regret that I could not be more positive on such a warm spring day.

Regards to all

Brendan

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From: Michael Pratt
Sent: Sunday, 13 September 2020 2:17 PM
To: Lyon, Brendan ; San Midha
Cc: Rodd Staples ; bruce morgan
; Low, Paul
Subject: RE: Preliminary view on TAHE Business Rules filenote

Brendan,
San's note is a good summary of the issues here.
Our collective responsibility, Treasury, Transport & the TAHE Board coming out of the ERC July approval is to return to ERC in October with an agreed operating model. This is not about whether we do or do not progress TAHE – We are!
Where there are concerns they need to be flagged and mitigants/appropriate actions agreed.
We need your focus to be on addressing the above.
Thanks Mike

From: Lyon, Brendan
Sent: Thursday, 10 September 2020 4:39 PM
To: San Midha
Cc: Michael Pratt ; Rodd Staples
; bruce morgan ; Low, Paul

Subject: RE: Preliminary view on TAHE Business Rules filenote
Importance: High

Dear San, (and Mike and Bruce and Rodd);

Thanks for your email.

As noted in my cover email last night this draft file note was sent on a very limited basis – and explicitly contemplated that Treasury, TAHE and TfNSW would all have changes.

I was hoping that this time there might be a more integrated process – but there's a lot of anxiety and stress about TAHE and it makes it much harder to resolve well.

Perhaps it might be time for you me and Mike to chat as I feel there's concern where there should be cooperation – we are working harder than you might appreciate to fix a range of problems with how TAHE works.

In the meantime, regards to each of you.

Brendan

From: San Midha
Sent: Thursday, 10 September 2020 4:01 PM
To: Lyon, Brendan
Cc: Michael Pratt ; Rodd Staples
; bruce morgan
Subject: Preliminary view on TAHE Business Rules filenote

Brendan,

I'm writing to share our preliminary feedback on the draft you shared last night. We will develop a more complete response once we have had time to fully review and discuss it with TAHE.

Our expectation of 'Operating Model' work was to provide a model on how to integrate TAHE within the Transport eco system as per Government policy. This was to spell out how processes, instruments, legals etc. were to change or be setup to operate successfully from Operations, Safety and Fiscal objectives and meet the rules of the SOC act. There are no doubt challenges however our job to implement Government policy and find solutions to the issues that face us. This document does not attempt to do that, unfortunately this documents purpose escapes me and now the challenge to deliver a high quality operating model by October for ERC endorsement is bigger in the remaining time frame.

The NSW Government's policy objectives for TAHE are incorrectly expressed at the outset, leading to errors throughout. The document fails to acknowledge that the strategic policy objectives of TAHE are multiple and equal under its Act. TAHE's objectives include, "to manage the State's portfolio of transport assets better and more commercially" as expressed in the Second Reading Speech. The 2R makes it clear that customer service improvements are a key objective.

The June Cabinet Decision requires a joint submission that equally reflects the views of Transport and Treasury. The current file note does not reflect the views of Treasury which are consistently misrepresented throughout this document. The characterisation of Treasury's objectives as "budget first" is frankly wrong.

The file note contains at least the following errors:

- the current policy intent of TAHE
- the Government's obligations under the Fiscal Responsibility Act
- that the TAHE operating model is *contemplating a material transfer of accountability and control for rail infrastructure and related projects – putting them beyond the control of the NSW Government and TfNSW – and into the control of TAHE's board*. Where is the justification for this statement?
- errors of understanding of the SOC Act and other NSW Acts and the applicability of the Corporations Act
- mis-characterising the role of the current interim operating licence
- consistently mis-stating control definitions throughout the document
- incorrectly asserting without evidence that TAHE will not have a customer focus
- incorrectly asserting TAHE access pricing negatively impacts Transport outcomes with the provision of any evidence.

I understand the TAHE executive has similar concerns and my team will be collaborating with them on our joint review and response. Finally, I reiterate our request to see the detailed financial model which has been in development by your team for the last two months.

Regards,

San



Treasury

San Midha | Deputy Secretary
Policy and Budget Group

52 Martin Place, Sydney (enter via 127 Phillip Street)
GPO Box 5469, Sydney NSW 2001

T:

E:

Treasury.nsw.gov.au

EA:

Courier deliveries to:

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Unit 2, 38-44 Doody Street, Alexandria NSW 2015

Lyon, Brendan

From: Low, Paul
Sent: Sunday, 13 September 2020 7:20 PM
To: Lyon, Brendan; Linke, David
Subject: RE: TAHE accounting paper

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Thanks Brendan – their advice was pretty conclusive.

Regards

Paul Low
National Leader – Infrastructure, Government and Healthcare

KPMG
Riparian Plaza, 71 Eagle St
Brisbane QLD 4000 Australia



kpmg.com.au

From: Lyon, Brendan ·
Sent: Sunday, 13 September 2020 5:25 PM
To: Low, Paul ; Linke, David ·
Subject: FW: TAHE accounting paper

Hi David;

Paul also FYI –

This is PwC's advice saying TAHE did not work.

We tracked it down on Friday 😊

From: Peter Perdikos ·
Sent: Friday, 11 September 2020 11:41 AM
To: Lyon, Brendan · ; Hudson, Nick ·
Subject: FW: TAHE accounting paper

Brendan, Nick

Advice from PwC earlier this year as discussed.

Thanks
P

From: Erica Birchall (AU)
Sent: Sunday, 9 February 2020 11:49 PM
To: Bobby Li < >; Peter Perdikos < >
Cc: Judie Mae Montegricon < >; Sean Osborn < >

Lyon, Brendan

From: Linke, David
Sent: Sunday, 13 September 2020 4:44 PM
To: Lyon, Brendan; Heathcote, David; Low, Paul
Subject: RE: KPMG vals advice

Brendan

Thanks for this.

We have time in the morning.

Lets talk then.

David

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From: Lyon, Brendan ·
Sent: Sunday, 13 September 2020 3:46 PM
To: Linke, David · ; Heathcote, David · ; Low, Paul
Subject: KPMG vals advice

Fortunately, this is limited to 1 July 2020.

It says no change as no basis for an income approach.

The problem for NSW Treasury is the value of TAHE. W/o a write off it's a cash trap – and there's no write off on a DORC and appears little or no write off under a DFC as the FEC is so high.

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Lyon, Brendan

From: Lyon, Brendan
Sent: Sunday, 13 September 2020 11:32 AM
To: Low, Paul; Linke, David; Heathcote, David
Subject: Re: Cabinet in confidence

That's ok Paul we've had formally reviewed by fm group - and then we took d2 through plus tfnsw have been all over it.

Brendan Lyon
Partner
Infrastructure & Projects Group
KPMG

From: Low, Paul <
Sent: Sunday, September 13, 2020 11:28:16 AM
To: Lyon, Brendan ; Linke, David ; Heathcote, David
Subject: Re: Cabinet in confidence

Thanks Brendan

David L - as discussed at the time of 2nd Partner conversation I'm not the appropriate review partner for the financial modelling. I will of course review all materials but recommend appropriate consideration Re support for Brendan on the fin model review.

Regards
Paul

Get [Outlook for iOS](#)

From: Lyon, Brendan
Sent: Sunday, September 13, 2020 9:08:26 AM
To: Linke, David ; Heathcote, David ; Low, Paul
Subject: Re: Cabinet in confidence

Also we can not share beyond us as this is totally bound by NDA

Brendan Lyon
Partner
Infrastructure & Projects Group
KPMG

From: Lyon, Brendan <
Sent: Sunday, September 13, 2020 8:39:00 AM
To: Linke, David ; Heathcote, David ; Low, Paul
Subject: Re: Cabinet in confidence

Yes. It just said that dorc was appropriate on 1 July. Will send

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Brendan Lyon
Partner
Infrastructure & Projects Group
KPMG

From: Linke, David
Sent: Sunday, September 13, 2020 8:36:24 AM
To: Lvon, Brendan ; Heathcote, David ; Low, Paul
Subject: Re: Cabinet in confidence

Brendan

Thanks will read today.

○ recall from a recent discussion that CFOA issued an advice on valuation methodology.

Do you have that ? If so can you send to me.

Regards

David
Get [Outlook for iOS](#)

From: Lyon, Brendan
Sent: Saturday, September 12, 2020 7:24 pm
To: Linke, David; Heathcote, David; Low, Paul
Subject: Cabinet in confidence

Hi gang; draft fin model file note enclosed.

○ We will want to circulate Monday to treasury ideally.

Comments welcome.

Ps: did you know that TAHE is an anagram for HATE? I really feel that on Saturday nights, spent on tahe 😊

Brendan Lyon
Partner
Infrastructure & Projects Group
KPMG

Lyon, Brendan

Sent: Friday, 11 September 2020 7:17 AM
To: Linke, David; Hunter, James (Sydney); Yates, Andrew J; Lucas, Joel
Subject: For COCG only -
Importance: High

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—

(James – please note this email should not be sent to CFOA partners and is only for the conflict group)

We had an interesting day today. A lot of guilt and stress from TAHE and Treasury officers that played out.

Below is the email from San Midah (dep sec) copying in Mike Pratt and also Bruce Morgan (acting chair TAHE).

I have an honest discussion with San for about an hour; I have known San for a long time and expressed to him my disappointment in – and in his email

He apologised and said he's send a clarifying email – but let's see if that happens.

CfOA relationship

The issues of working with CFOA has come up several times on the committee.

My strongly negative response might not seem 'collegiate'; but a little known fact is that Heather was my second partner on this job; but that had to be changed due to challenges and conflicts that caused.

Neither me nor my engagement team would willingly work with Heather Watson or Matt Box again.

However, noting the risky position the firm is in across two clients, I will suggest a number of short-term options that would allow collaboration. This will include having a PPC representative at any meeting or discussion with that team, noting the history of vexatious complaint in recent times.

Will circulate some suggested measures to allow collaboration – without allowing a return to the problems we all had in May and June.

If anyone would like to discuss – please reach out.

Brendan

From: Lyon, Brendan

Sent: Thursday, 10 September 2020 4:39 PM

To: San Midha

Cc: Michael Pratt

; Rodd Staples

; bruce morgan

; Low, Paul

Subject: RE: Preliminary view on TAHE Business Rules filenote

Importance: High

Dear San, (and Mike and Bruce and Rodd);

Thanks for your email.

- incorrectly asserting TAHE access pricing negatively impacts Transport outcomes with the provision of any evidence.

I understand the TAHE executive has similar concerns and my team will be collaborating with them on our joint review and response. Finally, I reiterate our request to see the detailed financial model which has been in development by your team for the last two months.

Regards,

San



Treasury

San Midha | Deputy Secretary
Policy and Budget Group

52 Martin Place, Sydney (enter via 127 Phillip Street)
GPO Box 5469, Sydney NSW 2001

T:

E:

| [Treasury.nsw.gov.au](mailto:San.Midha@treasury.nsw.gov.au)

EA:

Courier deliveries to:

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Unit 2, 38-44 Doody Street, Alexandria NSW 2015

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Lyon, Brendan

From: Lyon, Brendan
Sent: Thursday, 10 September 2020 2:25 PM
To: Linke, David; Low, Paul; Heathcote, David
Subject: NSW Cabinet & Commercial in Confidence - The Takenista hit squads are coming!

Hi David1&2.0 and Paul.

As forecast a few weeks ago, the Takenista hit squads are resuming – and they're trying the same crap as last time.

I have had calls from the following:

1) Anne Hayes A/CEO TAHE

As well as:

- Rodd Staples (Secretary)
- Fiona Trussell (Dep Sec)
- Peter Perdikos (TAHE project lead TfNSW)

Anne:

- Emotional and stressed – bit of a strange response really.
- Saying we'd gone 'beyond our scope' and identifying problems isn't our job (!)
- Said that the ConOps was different to what she'd 'told us' –
- I advised that while we consult, we apply professional judgement based on inputs across Treasury and TAHE as well as TfNSW
- I pushed back respectfully but firmly and told her we are doing our job and she should input through the process going to Cabinet in a week and a half
- I also asked her to ensure that we are all professional and calm in working through the issue
- We have a 2 hour meeting from 3pm with TAHE, Treasury and TfNSW

Rodd Staples:

- Had a call from Anne this morning accusing him of scheming against her/TAHE
- Warned me that TAHE and particularly, the most exposed Treasury official are starting to 'play the man' on him – and on me.
- I reassured him that the Firm is supportive of me and not to worry

Fiona Trussell:

- Had Anne on the phone last night, also reported her being highly emotional
- Is very pleased with our work
- Was deeply annoyed at TAHE/Treasury ongoing behaviours
- Apologised for the pressure that's on us – checked I was ok.
- Checked the Firm is supportive this time – I reassured her it is.

Peter Perdikos:

- Noted that I am being targeted by all the guilty parties again like last time;
- Rang to make sure I was ok

What does this mean:

I need you to support me firmly and with great vigour internally. Everyone got to have their fun with me last time – this time I really need KPMG to be unyielding in the face of ongoing professional and personal attacks on me – internal and external.

Big bets have big consequences for those who make them.

131

I didn't make any bets on TAHE – so please help to make sure the pressure and consequences don't fall to me this time 😊

Thanks – feel free to call to chat about any of the above but thought I'd give you an update.

Brendan

Lyon, Brendan

From: Lyon, Brendan
Sent: Thursday, 10 September 2020 9:50 AM
To: Linke, David; Low, Paul
Subject: FW: Operating Model: NSW Treasury ask | Cabinet-In-Confidence

I think that means James is now a believer that this is a risk!

130

David – maybe ask him offline what he’s heard from the secretary.

He would def know about the meeting with the Premier I would say; and may have a view on audit.

From: Hunter, James (Sydney)
Sent: Thursday, 10 September 2020 9:48 AM
To: Linke, David ; King, Andrew (AUS) ; Yates, Andrew J
; Lucas, Joel ; Low, Paul ; Lyon, Brendan
; Heathcote, David ; Watson, Heather

Subject: RE: Operating Model: NSW Treasury ask | Cabinet-In-Confidence

Cabinet-In-Confidence

Team,
As these communications are referring to Cabinet-In-Confidence materials, we need to have Cabinet-In-Confidence in all headers, and on all materials we develop.
Please be very careful with all communications which is discoverable. This includes any reference to COGC reviewing / QA these documents, or providing advice, which we are not doing.
James

James Hunter | Partner KPMG
Mobile
EA: Ashlee Moreton

From: Linke, David
Sent: Thursday, 10 September 2020 9:44 AM
To: King, Andrew (AUS) ; Yates, Andrew J ; Lucas, Joel
; Hunter, James (Sydney) ; Low, Paul ;
Lyon, Brendan ; Heathcote, David
Cc: Watson, Heather
Subject: RE: Operating Model: NSW Treasury ask

Andy

Thanks for the update. Can I ask that as we respond we reflect on the words “correct, complete and align with the accounting advices”. I cannot recall reading in any of the accounting advices how TAHE should be characterised and therefore what functions need to be in or out from its perspective.

What I think TfNSW has put forward is a solution to make TAHE work while acknowledging certain pressure points that the operating model gives rise to which need to be resolved between the departments. The operating model proposed may mean the accounting outcome is not achieved and that the model therefore needs to be changed or

Lyon, Brendan

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To: Linke, David; King, Andrew (AUS); Yates, Andrew J; Lucas, Joel; Low, Paul; Lyon, Brendan; Heathcote, David; Watson, Heather
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129

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David

From: King, Andrew (AUS)
Sent: Thursday, 10 September 2020 9:00 AM
To: Yates, Andrew J; Lucas, Joel; Hunter, James (Sydney)
; Linke, David; Low, Paul; Lyon, Brendan
; Heathcote, David
Cc: Watson, Heather
Subject: Operating Model: NSW Treasury ask

Dear COGC members

As presaged at Monday's Committee meeting, NSW Treasury (having received something, as I understand, last night) have approached CFOA for commentary as set out below:

1. Confirm the headline relevant activities in the RACI are correct, complete and align with the accounting advices.
2. Review the sub-activities, under each headline relevant activity, and determine whether they are correct, complete and align with the accounting advices.
3. Evaluate whether the assigned responsibilities and relationships between the relevant activities and sub-activities are consistent with the accounting advices.
4. Summary of the reasons for Sydney Trains and NSW Trains PNFC classification and the reason that is important to TAHE

Items 1-3 are of direct relevance to the report, Item 4 is not. I understand from Heather that Treasury will be seeking a discussion on these items later today (not a written deliverable, at least not at this stage). I will be discussing further with Heather prior to any discussion with Treasury, but note that the Committee should be aware of these developments.

Regards


Andy

Lyon, Brendan

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To: King, Andrew (AUS); Yates, Andrew J; Lucas, Joel; Hunter, James (Sydney); Low, Paul; Lyon, Brendan; Heathcote, David
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Sent: Thursday, 10 September 2020 9:00 AM
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; Linke, David ; Low, Paul ; Lyon,
Brendan ; Heathcote, David
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Regards

Andy

Lyon, Brendan

From: Linke, David
Sent: Wednesday, 9 September 2020 3:05 PM
To: Yates, Andrew J; Heathcote, David; Lucas, Joel; Low, Paul; Watson, Heather; King, Andrew (AUS)
Cc: Lyon, Brendan
Subject: Re: Op Model draft note

127

Andrew

It will be released when approved by TfNSW whether or not we have had our meeting. That timing is in their hands

Thanks

David

Get [Outlook for iOS](#)

From: Yates, Andrew J
Sent: Wednesday, September 9, 2020 3:01 pm
To: Linke, David; Heathcote, David; Lucas, Joel; Low, Paul; Watson, Heather; King, Andrew (AUS)
Cc: Lyon, Brendan
Subject: RE: Op Model draft note

David

I don't believe I can add anything by reviewing this document, I'm not sure if others do. I'd be happy to have the pressure points highlighted though as part of a discussion.

I would also not want its release held up on the basis that I am reviewing it, but am not sure of its time sensitivity.

Regards

Andrew

Andrew Yates
National Managing Partner - Audit, Assurance & Risk Consulting
KPMG

Tel
Mob

[LinkedIn](#)
[Twitter](#)
[Instagram](#)

kpmg.com.au



From: Linke, David

Sent: Tuesday, 8 September 2020 11:17 AM

To: Heathcote, David

; Lucas, Joel

; Low, Paul

; Yates, Andrew J

; Watson, Heather

;

King, Andrew (AUS)

Cc: Lyon, Brendan

Subject: Op Model draft note

126

Colleagues

I attach a draft note prepared for TfNSW for the purposes of the TAHE project . We have received approval to circulate this draft to the people on this email for the purposes of an initial discussion and update prior to receiving approval to then release to Treasury and TAHE. This is on condition that the document not be onforwarded nor discussed outside the firm until we have held our next meeting.

I am not asking for people to review in detail and conclude on matters . What I think is worthwhile is that this group at least have an opportunity to read before it is released externally and at least understand some of the pressure points. It is up to TAHE, TfNSW and Treasury to then work through these issues with our advice.

Joel can you set up a discussion.

Thanks

David

Lyon, Brendan

From: Hui, Jessie
Sent: Wednesday, 9 September 2020 8:17 AM
To: Russell, Dave; Lyon, Brendan
Subject: RE: TAHE | June cab financial model request - final copy and user guide/assumptions

Correct – they've only done a TAHE as a GGS vs TAHE pre 30 June scenario

We've done TAHE as a GGS vs TAHE as a commercial SOC.

125

Kind Regards,

Jessie Hui
Executive
Financial & Business Modelling
Infrastructure & Projects Group

 PMG
Tower Three
International Towers Sydney
300 Barangaroo Avenue
Sydney NSW 2000 Australia

Tel

kpmg.com.au



From: Russell, Dave
Sent: Wednesday, 9 September 2020 8:12 AM
To: Hui, Jessie ; Lyon, Brendan
Subject: RE: TAHE | June cab financial model request - final copy and user guide/assumptions

Yep – and if we are reconciling, it ignores the large subsidies required for Access/License Fees that have a negative impact on the budget.

From: Hui, Jessie
Sent: Wednesday, 9 September 2020 8:10 AM
To: Russell, Dave ; Lyon, Brendan
Subject: RE: TAHE | June cab financial model request - final copy and user guide/assumptions

I think the June Cabinet Submission was presented in a very convoluted way as they only put the equity injection numbers in the table and said “this is the impact”. There is a dot point further down in the word doc which explains the depreciation impact as Saj has put into a table in the email.

Kind Regards,

Jessie Hui
Executive
Financial & Business Modelling
Infrastructure & Projects Group

Lyon, Brendan

From: Russell, Dave
Sent: Wednesday, 9 September 2020 8:05 AM
To: Lyon, Brendan
Cc: Hui, Jessie
Subject: RE: TAHE | June cab financial model request - final copy and user guide/assumptions

124

This is not what is reflected in the June Cabinet submission right Jessie? Seems they only reflect the equity injection benefit in that.

This is a gross misguidance to the overall impact of TAHE.

From: Lyon, Brendan
Sent: Wednesday, 9 September 2020 7:56 AM
To: Russell, Dave ; Hudson, Nick ; Hui, Jessie
; Leech, Ross ; Harris, Gavin
Subject: Re: TAHE | June cab financial model request - final copy and user guide/assumptions

Hi saj thanks for that we will look over today.

Cheers

Brendan Lyon
Partner
Infrastructure & Projects Group
KPMG

From: Lyon, Brendan
Sent: Wednesday, September 9, 2020 7:54:35 AM
To: Russell, Dave ; Hudson, Nick ; Hui, Jessie
; Leech, Ross ; Harris, Gavin
Subject: Fwd: TAHE | June cab financial model request - final copy and user guide/assumptions

Brendan Lyon
Partner
Infrastructure & Projects Group
KPMG

From: Sajiv De Silva
Sent: Wednesday, September 9, 2020 7:38:02 AM
To: Lyon, Brendan ; Cassandra Wilkinson
Cc: Jeanne Vandenbroek ; Sean Osborn
; San Midha ; Fiona Trussell

Subject: RE: TAHE | June cab financial model request - final copy and user guide/assumptions

Hi Brendan,

Lyon, Brendan

From: Low, Paul
Sent: Tuesday, 8 September 2020 2:19 PM
To: Lyon, Brendan
Subject: RE: Op Model draft note

I'm buying a couch for the COGC to lie down onfor therapy.

Regards

Paul Low
National Leader – Infrastructure, Government and Healthcare

KPMG
Riparian Plaza, 71 Eagle St
Brisbane QLD 4000 Australia

Tel
Mob

kpmg.com.au

From: Lyon, Brendan
Sent: Tuesday, 8 September 2020 1:04 PM
To: Low, Paul
Subject: FW: Op Model draft note

Dr Phil.

From: Lucas, Joel
Sent: Tuesday, 8 September 2020 12:54 PM
To: Linke, David; Heathcote, David; Low, Paul; Yates, Andrew J; Watson, Heather; King, Andrew (AUS); Lyon, Brendan
Cc: Bolt, Kate
Subject: RE: Op Model draft note

All,

The password for the document David has sent around is .

Kate, my PA, will set up this meeting ideally in the next day or two, using best endeavours to have everyone available.

Building on David's second paragraph below, the 'ask' of each of us is not a QA review. Rather, intent of sharing this across the group is to seek perspectives on how this may be received by the relevant clients involved (TfNSW, Treasury, TAHE) and any potential impact on our relationships with these clients, whether positive or negative. **Paul and Andy** – it would be great, after Brendan has provided a 'walk through' of the report, if the Committee could get your perspectives on anything that we need to be mindful of to actively manage our relationships.

Thanks and regards,
Joel

Lyon, Brendan

From: Linke, David
Sent: Tuesday, 8 September 2020 11:17 AM
To: Heathcote, David; Lucas, Joel; Low, Paul; Yates, Andrew J; Watson, Heather; King, Andrew (AUS)
Cc: Lyon, Brendan
Subject: Op Model draft note
Attachments: Business Rules Filenote_08092020.pdf

122

Colleagues

I attach a draft note prepared for TfNSW for the purposes of the TAHE project . We have received approval to circulate this draft to the people on this email for the purposes of an initial discussion and update prior to receiving approval to then release to Treasury and TAHE. This is on condition that the document not be onforwarded nor discussed outside the firm until we have held our next meeting.

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Joel can you set up a discussion.

Thanks

David

Lyon, Brendan

From: Lyon, Brendan
Sent: Tuesday, 8 September 2020 11:00 AM
To: Linke, David
Cc: Low, Paul
Subject: Approved for internal circulation: Our next file note - ConOps and business rules
Attachments: Business Rules Filenote_08092020.pdf

121

Hi David;

As discussed Fiona has approved the internal circulation of the attached draft file note to the oversight committee; with the exception of James Hunter, who they've advised again that they consider to be conflicted on this engagement.

I specifically sought and received permission for you to circulate the attached also to Heather Watson and to Andy King; on the basis that it is for their awareness and not yet to be shared with Treasury (or narrated to them indirectly).

I understand that TfNSW are reviewing the (substantial) additional changes we've made to accommodate Treasury and are getting comfortable with them, prior to circulation to TAHE and Treasury.

Thanks again for your ongoing assistance on this (complex!!) job.

Brendan

Lyon, Brendan

From: Lyon, Brendan
Sent: Tuesday, 8 September 2020 8:12 AM
To: Linke, David; Heathcote, David
Cc: Low, Paul
Subject: Internal circulation and important insight

Importance: High

120

Sorry to bombard; few more things:

- 1) Fiona is comfortable with internal circulation to the COCG committee – with the exception of James. She made the point that Rodd never accepted James' membership of the committee – and therefore he should not receive it. I did not solicit that – it was her unaided response. I will make a few corrections and send an updated final draft to you David Linke to circulate to COCG; assumedly without James Hunter.
- 2) Separately – I spoke to [REDACTED] @ Treasury today ([REDACTED]) – this suggests that TAHE is now at a crisis level; with Mike Pratt meeting the most senior level of government for a dedicated meeting on it – I think early next week. This might also explain why James has been a bit erratic in seeking insights to our work early for San etc.
- 3) I also get the sense that Cass Wilkinson might be under some degree of internal pressure on this; which means we might see more desperate reactions over the coming weeks.
- 4) Mike Pratt is at the icare inquiry tomorrow 3-5pm t
<https://www.parliament.nsw.gov.au/Pages/webcasts.aspx> - this is also stressing treasury and the treasurer's office a lot and is contextually interesting.

Brendan Lyon | Partner

Deal Advisory - Infrastructure & Projects
International Towers
300 Barangaroo Avenue
Sydney NSW 2000 Australia

T: [REDACTED]
E: [REDACTED] | kpmg.com.au



Lyon, Brendan

From: Lyon, Brendan
Sent: Tuesday, 8 September 2020 7:22 AM
To: Fiona Trussell
Subject: FW: Cabinet & Commercial In Confidence - KPMG RESTRICTED

FYI – I am hoping that Cass will step up a little as per the below.

On the Cab Sub, the Treasury June numbers appear to have no basis, which is interesting – hence the discussion yesterday about where they came from.

We suspect it was ‘inspired’ by the model but we are finding it very hard to replicate the numbers they had.

When you’re feeling better lets chat about treasury – they’re I suspect more anxious and have been trying to bust out early drafts via other parts of the Firm.

We will need to update our strategy a bit; and it might be time for Rodd to get ready for a chat with the Treasury secretary and you with San; but lets chat.

From: Lyon, Brendan
Sent: Tuesday, 8 September 2020 7:18 AM
To: Cassandra Wilkinson
Subject: Cabinet & Commercial In Confidence - KPMG RESTRICTED

Hi any luck with the workings for what was in the cab sub?

Also, we will circulate the updated conops /biz rules today.

As noted at last week’s steer co; this will be on a limited circulation basis – noting that there will be many comments and sensitivities about words and constructs. A limited circulation means we can make changes without the worry of multiple initial drafts flying around.

We are keen to work through words, phrases and concepts within reason – and as mentioned last week we need this part to be a ‘safe sandpit’ – where we can all work through the words and what they mean.

I am very eager to avoid the pressures that played out last time - it’d be really good if you could help in setting a calm, collaborative tone as we move into the last weeks.

Regards

Brendan

From: Cassandra Wilkinson
Sent: Monday, 7 September 2020 5:18 PM
To: Lyon, Brendan
Cc: Sajiv De Silva ; Jeanne Vandenbroek
; Sean Osborn ; San Midha
; Fiona Trussell
Subject: RE: TAHE | June cab financial model request - final copy and user guide/assumptions

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Cc: Sajiv De Silva ; Jeanne Vandenbroek
; Sean Osborn ; San Midha
; Fiona Trussell
Subject: RE: TAHE | June cab financial model request - final copy and user guide/assumptions

Yes – we'll send over shortly.
Cass

From: Lyon, Brendan
Sent: Monday, 7 September 2020 5:15 PM
To: Cassandra Wilkinson
Cc: Sajiv De Silva ; Jeanne Vandenbroek
; Sean Osborn ; San Midha
; Fiona Trussell
Subject: RE: TAHE | June cab financial model request - final copy and user guide/assumptions

Ok thanks – I'll note it wasn't modelled.

Could you provide the workings or arithmetic of basis for the numbers in June?

Regards,

Brendan

Lyon, Brendan

From: Lyon, Brendan
Sent: Monday, 7 September 2020 5:21 PM
To: Linke, David; Heathcote, David; Low, Paul
Subject: FW: TAHE | June cab financial model request - final copy and user guide/assumptions

This is good – Treasury have admitted it was not modelled; which is handy.

117

We should get this noted in our 'fact pattern' as it clears up one area of reputational liability.

The 'instruction' from Cass to hand over all my work papers to heather suggests the level of pressure James might have been under on the weekend – it seems a bit frayed in there just judging by the emails.

Anyway, good admission below that we should def save on file.

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Hi Brendan,

There is no model for the June Cab Sub. The Submission simply noted the impact of any change on our equity treatments and depreciation liabilities.

The only TAHE financial model was done in (I think) 2017 by KPMG and belongs to TfNSW. Peter may be able to provide if you have already have it.

Regards,

Cass

From: Lyon, Brendan
Sent: Monday, 7 September 2020 5:09 PM
To: Cassandra Wilkinson
Cc: Sajiv De Silva; Jeanne Vandenbroek; Sean Osborn; San Midha; Fiona Trussell
Subject: RE: TAHE | June cab financial model request - final copy and user guide/assumptions
Importance: High

Hi Cass thanks for the response; I may have misunderstood but I am asking for a copy of the Treasury financial model, which was used to generate the numbers that went to Cabinet in June.

I asked Heather for a copy; but she has advised that it was done by Treasury – not her team.

Could you please confirm regarding a final copy of the financial model so we can understand why the numbers that went to Cabinet are different.

Regarding the operating model – a copy of it will go to Heather as you suggest.

Thanks in advance.

Lyon, Brendan

From: Lyon, Brendan
Sent: Monday, 7 September 2020 5:14 PM
To: Low, Paul; Linke, David; Heathcote, David
Subject: FW: TAHE | June cab financial model request - final copy and user guide/assumptions 115

Importance: High

FYI – very clear that Treasury are trying to hang it on KPMG – note Heather's new engagement to review my engagement.

Obviously, she's not getting access to my files.

From: Lyon, Brendan
Sent: Monday, 7 September 2020 5:09 PM
To: Cassandra Wilkinson
Cc: Sajiv De Silva

; Jeanne Vandenbroek

; Sean Osborn

> San Midha

; Fiona Trussell

Subject: RE: TAHE | June cab financial model request - final copy and user guide/assumptions

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Cc: Sajiv De Silva

; Jeanne Vandenbroek

; Sean Osborn

; San Midha

; Fiona Trussell

Subject: RE: TAHE | June cab financial model request - final copy and user guide/assumptions

Sensitive: NSW Cabinet

Hi Brendan,

Saj is collating our most recent comments from various Treasury colleagues. However, please note that our comments on your drafts don't constitute an endorsement of the model or the drafts because there are aspects which are still not clear to us and some unresolved points may be significant.

Lyon, Brendan

From: Cassandra Wilkinson
Sent: Monday, 7 September 2020 5:12 PM
To: Lyon, Brendan
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Sensitive: NSW Cabinet

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Sensitive: NSW Cabinet

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Saj is collating our most recent comments from various Treasury colleagues. However, please note that our comments on your drafts don't constitute an endorsement of the model or the drafts because there are aspects which are still not clear to us and some unresolved points may be significant.

To get the clarity we need, Treasury has engaged your colleague Heather Watson to review your model for consistency with various preceding advices from KPMG.

I would be grateful if you could please make all your working documents including the spreadsheet of accountabilities available to Heather for her review.

Best regards

Cass



Treasury

Cassandra Wilkinson | Executive Director

Transport, Infrastructure, Planning and Environment

52 Martin Place, Sydney (enter via 127 Phillip Street)
GPO Box 5469, Sydney NSW 2001

T: | M:

E: | Treasury.nsw.gov.au

Lyon, Brendan

From: Cassandra Wilkinson
Sent: Monday, 7 September 2020 5:01 PM
To: Lyon, Brendan
Cc: Sajiv De Silva; Jeanne Vandenbroek; Sean Osborn; San Midha; Fiona Trussell
Subject: RE: TAHE | June cab financial model request - final copy and user guide/assumptions

112

Sensitive: NSW Cabinet

Hi Brendan,

Saj is collating our most recent comments from various Treasury colleagues. However, please note that our comments on your drafts don't constitute an endorsement of the model or the drafts because there are aspects which are still not clear to us and some unresolved points may be significant.

To get the clarity we need, Treasury has engaged your colleague Heather Watson to review your model for consistency with various preceding advices from KPMG.

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Best regards

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Cassandra Wilkinson | Executive Director

Transport, Infrastructure, Planning and Environment

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T: I M:

E: | [Treasury.nsw.gov.au](https://treasury.nsw.gov.au)

Courier deliveries to:

NSW Treasury, c/- Decipha Pty Ltd

Unit 2, 38-44 Doody Street, Alexandria NSW 2015

I acknowledge the Gadigal People of the Eora Nation as the traditional owners of the land on which we work

From: Lyon, Brendan

Sent: Monday, 7 September 2020 1:50 PM

To: Cassandra Wilkinson

Cc: Sajiv De Silva

; Jeanne Vandenbroek

; Sean Osborn

; San Midha

; Fiona Trussell

Subject: RE: TAHE | June cab financial model request - final copy and user guide/assumptions

Hi Cass – I don't seem to have your number in my contacts but it'd be good to try and get this asap if possible.

Thanks again 😊

From: Lyon, Brendan

Sent: Monday, 7 September 2020 12:54 PM

To: Cassandra Wilkinson

Cc: Sajiv De Silva

; Jeanne Vandenbroek

Lyon, Brendan

From: Watson, Heather
Sent: Monday, 7 September 2020 12:50 PM
To: Lyon, Brendan; Lee, Simon; Box, Matthew
Cc: King, Andrew (AUS); Linke, David; Yates, Andrew J; Hunter, James (Sydney); Lucas, Joel; Low, Paul
Subject: RE: TAHE | June cab financial model request - final copy and user guide/assumptions

Hi Brendan

You will need to put that request to Treasury.

CFOA did not provide modelling input into the submission FIS table or assist with Treasury's modelling in the lead up to the submission. We commenced our limited assistance to Treasury with its modelling after the May submission was made.

HW

From: Lyon, Brendan
Sent: Monday, 7 September 2020 12:16 PM
To: Watson, Heather ; Lee, Simon ; Box, Matthew
Cc: King, Andrew (AUS) ; Linke, David ; Yates, Andrew J ; Hunter, James (Sydney) ; Lucas, Joel ; Low, Paul
Subject: TAHE | June cab financial model request - final copy and user guide/assumptions
Importance: High

Sensitive: NSW Cabinet & Commercial in Confidence (KPMG RESTRICTED)

Hi Heather, Matt and Simon

We are trying to reconcile the treasury financial model to the financial outputs disclosed in the June Cab sub. The version we have (13 May 2020) shows different numbers to the final ones included by CfOA/Treasury.

1. Could you please provide the Treasury Financial model that was used to determine the financial impacts in the paper?
2. If you could also send through any guide or file note that corresponds to the Treasury financial model outlining the assumptions applied, that would be greatly appreciated.

This is obviously important to explain any variation when we return to Cabinet.

If you could get back to us as soon as possible that would be great.

Thanks,

Brendan

Lyon, Brendan

From: Lyon, Brendan
Sent: Sunday, 6 September 2020 6:37 PM
To: Hunter, James (Sydney)
Cc: Linke, David; Low, Paul
Subject: draft of the operating model /business rules

Importance: High

110

Hi James;

David has just rung me regarding confusion over what we discussed and what can/will go to Treasury and when. For clarity, I told San that I'd be happy to share the draft with him early next week. It was in your call shortly after that you asked for it to be sent on Friday. Later that afternoon, Cass said she 'understood' that it would be shared Friday afternoon. I corrected her and said that that would not occur.

I appreciate that you are eager to please Mike, San and Cass; but in practice it is not ready and definitely not going to go across tonight for a number of reasons that I mentioned in our discussion on Friday:

- The operating model has changed due to treasury input
- This requires a full rewrite of the operating model – which I am doing tonight
- I am bound by an NDA that means I cannot send anything without Rodd or Fiona's permission
- I have not yet provided Rodd or Fiona with an updated File Note – noting that it is not yet done.

I also understand that San and likely the secretary are likely to be quite anxious, given Audit's focus on TAHE and the various challenges it faces – combined with the ongoing iCare issue (I think Mike is starring this week at the inquiry).

I am also keen to maintain a good relationship with Treasury – personally and for the Firm – but we need to make sure we are ready with each thing we issue.

Noting the quite nasty internal behaviours I've experienced - and noting our exposure to two important agencies – and the reality that if things go wrong, some of our clients might be professionally impacted – it is extremely important to me that we do things in the right order.

Accordingly, I am asking TfNSW for permission to share the updated draft with you and the Committee tomorrow for discussion and awareness – before it goes to treasury or TAHE.

I hope this clears up the confusion – if treasury were expecting it for some reason, they should have got a reasonably clear picture at the TAHE meeting Friday that this was not the case.

Cheers

Brendan

Brendan Lyon | Partner
Deal Advisory - Infrastructure & Projects
International Towers
300 Barangaroo Avenue
Sydney NSW 2000 Australia
M:

Lyon, Brendan

From: Lyon, Brendan
Sent: Saturday, 5 September 2020 7:36 AM
To: Harris, Gavin; Hudson, Nick; Russell, Dave
Subject: FYI and battle configuration

109

We are coming back into battle again and lots of indications of more internal bs to come. I'll fill you in on Monday; but basically a fresh attempt to slur me internally by a

This time it will likely land differently; and not be the full show trial battle it was last time. However it's a good signal that we will need to be very united for the next few weeks internally and externally

If we are crisp and calm and ahead of the curve, they cannot break us. If we have stumbles, they'll be waiting to stomp me into the ground.

I have included the message I sent to the two DTL heads and Paul Low below. I am meeting them at 8am Monday.

The briefing to them will very much reflect what's in the discussion with Rodd at 6pm so it's the same task – only I needs to be verbal and at 8am Monday morning.

Nick can you add to the shite we need to do?

Have a nice day guys – and while the next weeks will be hard; remember on our side we have dignity, fun and ethics – and we are also hotter.

Id rather be us than the ones about to start throwing the muck.

☺ ☺ ☺

From: Linke, David
Sent: Friday, 4 September 2020 8:05 PM
To: Lyon, Brendan
Cc: Low, Paul ; Heathcote, David ; Blakey, Gayle
Subject: Re: Confidential - NSW Cabinet, Commercial & KPMG in confidence (Op model initial draft + Treasury/James Hunter)/NDA)

Brendan

Thanks for sending this through.

We have an oversight committee on Monday at 5.30pm. I will ask Gayle to get time in the diary before this. I will read the report.

David

Get [Outlook for iOS](#)

From: Lyon, Brendan
Sent: Friday, September 4, 2020 8:00 pm
To: Linke, David
Cc: Low, Paul; Heathcote, David

Lyon, Brendan

From: Linke, David
Sent: Friday, 4 September 2020 8:05 PM
To: Lyon, Brendan
Cc: Low, Paul; Heathcote, David; Blakey, Gayle
Subject: Re: Confidential - NSW Cabinet, Commercial & KPMG in confidence (Op model initial draft + Treasury/James Hunter)/NDA

Brendan

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Cc: Low, Paul; Heathcote, David
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Hi David1.0, David2.0 + Paul (original recipe)

Operating model:

As mentioned to Dave 1.0 today, attached the current draft of the concept of operations. (is the p/w). This was shared with Paul a few days ago who's been working his way through.

Please note this will change substantially over the weekend, reflecting:

1. The functional allocation has moved a lot (again), after consultation with NSW Treasury across this week;
2. We will have comments from TfNSW sometime tonight – which we will review and adopt/reject
3. The 'NSW Treasury's view' aspect will be removed – noting that we reached (almost) agreement today about a single option
4. It is likely that the maintenance issues will pose a range of issues for safety and accountability.

Treasury/James Hunter & NDA

I had San (Dep Sec) ring me today. He was very warm; keen to organise a meeting/coffee/drink with me and Mike Pratt; keen to be reassured etc ect .

I agreed to catch up informally next week with him, within the bounds of what I can do under my NDA.

James Hunter then rang and said he'd spoken to San and that he'd appreciate if I sent an unapproved draft to San.

I said no about 7 different ways, but it was not really being heard. In the end I agreed to send as soon as I have an updated draft and approval from Fiona.

Lyon, Brendan

From: Lyon, Brendan
Sent: Friday, 4 September 2020 8:00 PM
To: Linke, David
Cc: Low, Paul; Heathcote, David
Subject: Confidential - NSW Cabinet, Commercial & KPMG in confidence (Op model initial draft + Treasury/James Hunter)/NDA)
Attachments: Business Rules Filenote DRAFT (003).pdf

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I said no about 7 different ways, but it was not really being heard. In the end I agreed to send as soon as I have an updated draft and approval from Fiona.

I made the following points:

- 1) It's not ready based on treasury's increasingly major changes that we now have to redraft over the weekend into the main option
- 2) It's counter-productive to provide treasury with a draft that has changed a lot to accommodate them
- 3) We are bound by an NDA; and
- 4) We are already deeply exposed to Rodd and TfNSW for unmanaged commercial conflicts.

I think James was a bit annoyed – but we have to be very careful now – and we have to stay absolutely, 100 per cent, out of the Cabinet hunger games.

At the steer co meeting this afternoon, tried to verbal me and say I'd agreed to send today – and also got quite demanding for the updated functional model.

I corrected the record at the time – and said it was not discussed or agreed that I'd send a draft until it was ready and moreover, it'd changed due to Cass's teams inputs that we need to recut it (again) due to all the changes now required.

This suggests to me that James is continuing to be highly motivated by Treasury's needs.

Either way, it's unlikely the firm's interest will be served by playing further side games.

Important:

There is likely to be a lot of pressure next week on me/my team – noting:

- 1) We will issue the ConOps after updates, likely Monday – it does not paint good news re control (as you'll see in the attached) – due to legislation, not us
- 2) We will issue the fin model mid week (once we've all discussed Monday) – it does not paint good news re independence/control/safety
- 3) The Auditor General has requested access to all Cabinet materials related to TAHE from 2014 – present, this week – and written to the Premier to seek formal permission (which by convention, she must give).

We are going to face some pretty desperate stakeholders and colleagues.

I would like for the four of us to discuss on Monday sometime.

I need you guys covering me as it's likely to get worse, before it gets better.

I don't want to be hung out internally again or wedged/trashed by colleagues in front of officials and ministers I've known for a long time.

Have a nice weekend.

Brendan

Lyon, Brendan

From: Low, Paul
Sent: Thursday, 27 August 2020 10:45 AM
To: Yates, Andrew J; Hunter, James (Sydney); Lucas, Joel; Linke, David
Cc: Watson, Heather; King, Andrew (AUS); Lyon, Brendan
Subject: TAHE COCG Agenda tomorrow

Categories: FYI

105

Good morning All

Re agenda for tomorrow's TAHE COGC.

Given Treasury discussion didn't occur re risk register I have spoken with Andy last night and we have agreed that Brendan's team will work off the below Treasury rewording that came through from Cass's team last week to get a version that also meet's the TfNSW engagement risk perspective.

In doing so, the focus is to find a middle ground that accurately picks up the perspectives of Heather/Andy/Brendan and I and allows us to square away that matter from a KPMG perspective.

Given other deliverables for Transport this is likely to occur and be done on Monday.

Once we have an agreed position it can be shared with Treasury and Transport prior to Brendan including it in his Weekly risk report next week.

Treasury rewording of risks by Jeanne Vandenbroek (NSW Treas)

Regarding the Cabinet Fiscal Risks we recommend the following wording:

Risk: Cabinet fiscal objectives

That the operational model does not meet the necessary accounting and GFS treatment / classification to achieve Cabinet's fiscal objectives.

Mitigation:

Collaboration between and with agencies during development of the operating model.

Regarding the Financial Impacts risk, we didn't quite understand what the risk was trying to say, but I had a go at rewording it:

Risk: Financial impacts

Challenges to evidencing the Government's expectation of a return on its investment, with consequential impacts on TSSA, NSW Budget and TfNSW's accounts.

Mitigation:

Collaboration between and with agencies in dealing with the Audit Office.

I trust this approach is acceptable to COGC

Regards

Lyon, Brendan

From: Low, Paul
Sent: Wednesday, 26 August 2020 9:15 PM
To: Lyon, Brendan; Linke, David; Yates, Andrew J; Hunter, James (Sydney); Lucas, Joel
Subject: RE: UPDATES - NSW CABINET & COMMERCIAL IN CONFIDENCE - KPMG
RESTRICTED

104

Hi All

Further to Brendan's note I've given Andy a heads up on key matters as he and I connected on status a short time ago.

Without wanting to prompt widespread email exchanges I would offer the following perspective.

Re Brendan's comments re TfNSW CFO – seems to me that we are at the point that Transport and Treasury need to strengthen their conversations with each other around NSWAO matters. Either one or both parties are in denial on this one re POTENTIAL for an adverse outcome; or there is lack of open and transparent conversations between the two Govt depts senior team members.

This is regardless of the KPMG risk register matters.

I'd assume upcoming client working group forums (or a bilateral meeting outside of this) would allow this matter to be dealt with appropriately by Dept reps who are best placed to judge the likelihood and/or mitigation measures.

While we have a role as advisors, to me this is now squarely in our two clients territory to address.

Regards

Paul Low
National Leader – Infrastructure, Government and Healthcare

KPMG
Riparian Plaza, 71 Eagle St
Brisbane QLD 4000 Australia

Tel
Mob

kpmg.com.au

From: Lyon, Brendan
Sent: Wednesday, 26 August 2020 2:50 PM
To: Linke, David ; Low, Paul ; Yates, Andrew J
; Hunter, James (Sydney) ; Lucas, Joel
Cc: Low, Paul
Subject: UPDATES - NSW CABINET & COMMERCIAL IN CONFIDENCE - KPMG RESTRICTED
Importance: High

Colleagues,

I have again limited it to the conflict oversight committee and provide a few relevant insights and updates. I am happy to circulate to Heather and Andy, but I am concerned that it'll raise the temperature unnecessarily noting the last points on audit risk.

103
Lyon, Brendan

From: Lyon, Brendan
Sent: Wednesday, 26 August 2020 8:03 PM
To: Yates, Andrew J
Subject: RE: UPDATES - NSW CABINET & COMMERCIAL IN CONFIDENCE - KPMG RESTRICTED

That's great thanks Andrew – i'll go to your technical people to get an opinion (just for the COGC) so we know what the impact is.

I've also got a land tax question to ask them about GGS/soc transfers to I'll do it all in one.

Look forward to chatting re Brenda when it suits.

Best

Brendan.

From: Yates, Andrew J
Sent: Wednesday, 26 August 2020 8:01 PM
To: Lyon, Brendan
Subject: RE: UPDATES - NSW CABINET & COMMERCIAL IN CONFIDENCE - KPMG RESTRICTED

No worries Brendan – from an accounting perspective it's not my area of expertise and with limited background I couldn't give you a proper view. I'll give you a bell tomorrow to discuss how I might approach Brenda.

Cheers
Andrew

Andrew Yates
National Managing Partner - Audit, Assurance & Risk Consulting
KPMG

Tel
Mob

[LinkedIn](#)
[Twitter](#)
[Instagram](#)

kpmg.com.au



From: Lyon, Brendan
Sent: Wednesday, 26 August 2020 7:51 PM
To: Yates, Andrew J
Subject: RE: UPDATES - NSW CABINET & COMMERCIAL IN CONFIDENCE - KPMG RESTRICTED

Hi Andrew;

Lyon, Brendan

From: Lyon, Brendan
Sent: Wednesday, 26 August 2020 7:51 PM
To: Yates, Andrew J
Subject: RE: UPDATES - NSW CABINET & COMMERCIAL IN CONFIDENCE - KPMG
RESTRICTED

102

Hi Andrew;

If it's ok I have just written back to you, as I've not really loved all the internal conflicts and machinations/shenanigans around TAHE – and don't want to get others excited.

If I am honest, I imagine it's hard to come into a complex environment like TAHE – and likely, you'd be hearing mixed views about what I am saying on risks and impacts.

For my own sanity - and to give you context - I'd suggest you ring Brenda and discuss the issue with her, if you know and respect her.

I suspect she'd give you a useful context in understanding the risks and impacts we are facing – and the (I think) the utility of my engagement.

Anyway, it's just a thought since you raised it.

I hope you are well otherwise – and I must say I cannot wait to be done with TAHE!!!

Brendan.

From: Yates, Andrew J
Sent: Wednesday, 26 August 2020 7:37 PM
To: Lyon, Brendan ; Linke, David ; Low, Paul
; Hunter, James (Sydney) ; Lucas, Joel
Cc: Low, Paul
Subject: RE: UPDATES - NSW CABINET & COMMERCIAL IN CONFIDENCE - KPMG RESTRICTED

Brendan

Sorry, I'm not able to provide a view on item 4, I'd defer to the technical team. As an aside, I know Brenda from her time at perpetual, in the event that is ever helpful.

Regards

Andrew

Andrew Yates
National Managing Partner - Audit, Assurance & Risk Consulting
KPMG

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kpmg.com.au

Lyon, Brendan

From: Lyon, Brendan
Sent: Wednesday, 26 August 2020 2:50 PM
To: Linke, David; Low, Paul; Yates, Andrew J; Hunter, James (Sydney); Lucas, Joel
Cc: Low, Paul
Subject: UPDATES - NSW CABINET & COMMERCIAL IN CONFIDENCE - KPMG RESTRICTED

Importance: High

101

Colleagues,

I have again limited it to the conflict oversight committee and provide a few relevant insights and updates. I am happy to circulate to Heather and Andy, but I am concerned that it'll raise the temperature unnecessarily noting the last points on audit risk.

- 1) Re the requested conflict meeting with treasury – this appears to no longer be a priority for NSW Treasury; hence we have cancelled this – I am working with paul low to accurately reflect the risk – without allowing any additional pointing at the Firm. I have again chosen to suspend my risk register for this week; and will return to normal reporting of risks from next week.
- 2) As below, it turns out that CFOA undertook a highly relevant engagement in 2017 for Transport – I have requested that this be made available to us today – this is a critical input to understand key aspects of the TAHE financial model. TfNSW have provided written instruction to release the model to us.
- 3) On the issue of 'audit risk' – I asked Brenda Hoang, the TfNSW CFO about whether she believes that the audit remains a risk – she believes that it very likely that NSWAO will not accept the characterisation of TAHE as a PNFC, this year.
- 4) We should have some understanding of the impact if that occurs; again I am not an accountant by AASB108 appears to require that the combined avoided depreciation and equity are expensed in each year – Andrew is that a reasonable assessment of what happens?
- 5) Brenda also advised that the two ministerial offices (Constance and Toole) are beginning to ask questions about what the TAHE work is showing.
- 6) TfNSW have not provided any briefings to date – and are keen to keep the political aspect out of the engagement until nearer to the Cab Sub date.
- 7) In the last few days, Treasury appear to have calmed themselves again and have returned to a more collaborative and respectful working style.

I hope this is useful context for you – and again, it is provided to provide ongoing insight into this complex issue.

Regards,

Brendan.

From: Lyon, Brendan

Sent: Wednesday, 26 August 2020 1:54 PM

To: Lee, Simon

Cc: Low, Paul

; King, Andrew (AUS)

Watson, Heather

Lyon, Brendan

100

From: Low, Paul
Sent: Monday, 24 August 2020 4:31 PM
To: Linke, David; Lyon, Brendan
Subject: RE: DRAFT AGENDA AND KEY POINTS

Fyi – I've shot the 6 pm invite to Andy K at his request given Heather not present

Regards

Paul Low
National Leader – Infrastructure, Government and Healthcare

KPMG
Riparian Plaza, 71 Eagle St
Brisbane QLD 4000 Australia

Tel
Mob

kpmg.com.au

From: Linke, David
Sent: Monday, 24 August 2020 4:02 PM
To: Lyon, Brendan ; Low, Paul
Subject: Re: DRAFT AGENDA AND KEY POINTS

Brendan

Can you please go back and give me the dates and meetings the risk rating was discussed the wording subsequently agreed and who attended what meetings .

Thanks

Dave

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From: Lyon, Brendan
Sent: Monday, August 24, 2020 2:56 pm
To: Low, Paul; Linke, David
Subject: DRAFT AGENDA AND KEY POINTS

Hi – I've not put a resolution on this as yet (and haven't edited your words yet Paul I'll do now).

I guess in my mind I am not that clear what the resolution is, other than:

1. We are correct to call out the fiscal risk – but can work on the wording;
2. We are not yet of the view that the operating model is a risk – but will watch this.
3. We are committed to trying to make TAHE work – but there are a lot of risks (and more to come including valuation)

99

Lyon, Brendan

From: Hunter, James (Sydney)
Sent: Friday, 21 August 2020 5:58 PM
To: Linke, David; Lyon, Brendan; Watson, Heather
Cc: Moreton, Ashlee
Subject: FW: CONFLICT DISCUSSION - NSW TREASURY/KPMG - (NSW CABINET & COMMERCIAL IN CONFIDENCE - KPMG RESTRICTED)

Importance: High

Ash, please find some time for Brendan, Heather, David and I – face to face in the office, early Tuesday pm, in advance of this Tuesday 3pm call please. 30mins, thank you James

From: Lyon, Brendan
Sent: Friday, 21 August 2020 11:51 AM
To: Cassandra Wilkinson
Cc: Hunter, James (Sydney)

; Linke, David

; Low, Paul

; Watson, Heather

; Moloney, Trisha

; Blakey, Gayle

; San Midha

Subject: CONFLICT DISCUSSION - NSW TREASURY/KPMG - (NSW CABINET & COMMERCIAL IN CONFIDENCE - KPMG RESTRICTED)

Importance: High

Dear Cassandra,

Thankyou again for raising the problem you've observed of ongoing misalignment between KPMG's various engagements, supporting the NSW Cabinet's TAHE policy.

Noting that the TAHE steer co papers are issued mid week – and our desire to ensure internal alignment and clarity - we would like to suggest a discussion with you at an appropriate time, next Tuesday 24 instant.

My EA Trisha will coordinate with yours and the relevant KPMG Partners, as per last night's email discussion.

In the meantime, regards to all.

Brendan

Brendan Lyon | Partner

Deal Advisory - Infrastructure & Projects
International Towers
300 Barangaroo Avenue
Sydney NSW 2000 Australia

M:

E: [| kpmg.com.au](mailto:bl@kpmg.com.au)



Lyon, Brendan

From: Lyon, Brendan
Sent: Friday, 21 August 2020 2:39 PM
To: Linke, David
Cc: Low, Paul
Subject: IMPORTANT -

98

Hi all;

Cass just specifically asked in the TAHE Board meeting whether "Transport or TAHE officials have any concerns about KPMG's accounting advice, because we've based TAHE on it".

Anne and Cass are getting very jumpy; trying to nit pick etc. Seem to be trying to slow down the functional spec work.

We might go back into a conflict situation for a while – worth keeping an eye on and I definitely need the Firms' backing over the coming weeks.

Desperate people try desperate things – and I really don't want to be put through internal stuff again, while trying to sort the firm's pretty big mess.

Brendan Lyon | Partner

Deal Advisory - Infrastructure & Projects

International Towers

300 Barangaroo Avenue

Sydney NSW 2000 Australia

M:

E: b.lyon@kpmg.com.au



97

Lyon, Brendan

From: Lyon, Brendan
Sent: Friday, 21 August 2020 11:51 AM
To: Cassandra Wilkinson
Cc: Hunter, James (Sydney); Linke, David; Low, Paul; Watson, Heather; Moloney, Trisha; Blakey, Gayle; San Midha
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Brendan

Brendan Lyon | Partner

Deal Advisory - Infrastructure & Projects
International Towers
300 Barangaroo Avenue
Sydney NSW 2000 Australia

M:
E: | kpmg.com.au



96

Lyon, Brendan

From: Lyon, Brendan
Sent: Thursday, 20 August 2020 6:14 PM
To: Cassandra Wilkinson; Hunter, James (Sydney); Watson, Heather; Linke, David
Cc: San Midha; Low, Paul
Subject: Re: risk register (NSW CABINET & COMMERCIAL IN CONFIDENCE - KPMG RESTRICTED)

Thanks cass. Thanks for today's session and Good idea re a joined up discussion.

For completeness I am just copying in David linke also, who's a national managing partner and a Key part of our conflicts process; and Paul low the head of our government practice. Agree it's important but not urgent.

Regards to all.

Brendan Lyon
Partner
Infrastructure & Projects Group
KPMG

From: Cassandra Wilkinson
Sent: Thursday, August 20, 2020 6:09:12 PM
To: Hunter, James (Sydney) ; Lyon, Brendan ; Watson, Heather
Cc: San Midha
Subject: FW: risk register (NSW CABINET & COMMERCIAL IN CONFIDENCE - KPMG RESTRICTED)

Sensitive: NSW Cabinet

Dear James,
I would like to discuss the below matter with you, Brendan and Heather, please.
It's not an urgent matter but it is important and I'd appreciate the opportunity to discuss it with all three of you.
Very best regards,
Cass



Treasury

Cassandra Wilkinson | Executive Director

Transport, Infrastructure, Planning and Environment

52 Martin Place, Sydney (enter via 127 Phillip Street)
GPO Box 5469, Sydney NSW 2001

T: | M:

E: | Treasury.nsw.gov.au

Courier deliveries to:
NSW Treasury, c/- Decipha Pty Ltd
Unit 2, 38-44 Doody Street, Alexandria NSW 2015

I acknowledge the Gadigal People of the Eora Nation as the traditional owners
of the land on which we work

From: Lyon, Brendan
Sent: Thursday, 20 August 2020 4:25 PM
To: Cassandra Wilkinson
Cc: Fiona Trussell ; Hudson, Nick
Subject: risk register (NSW CABINET & COMMERCIAL IN CONFIDENCE - KPMG RESTRICTED)
Importance: High

Dear Cassandra,

First – my apologies that you continue to observe some inconsistency between the streams of work the Firm is doing to support TAHE's success.

I have explicitly discussed my risk assessments and rating each week with our internal conflict committee each week; including as recently as yesterday.

At this point in time – my risk rating is consistent with what has been reported and discussed internally – and should be viewed as the Firm's agreed position.

Noting that there is some sensitivity about this issue –and that you have reported some ongoing inconsistency - I have chosen to withhold issuing a risk register altogether, for this week.

This will allow further discussion of the wording with you – and will also allow me to ensure that sustained consistency is achieved within KPMG.

Thankyou for bringing this matter to my attention and please rest assured that I will address this internally, over coming days.

Regards,

Brendan

Brendan Lyon | Partner

Deal Advisory - Infrastructure & Projects
International Towers
300 Barangaroo Avenue
Sydney NSW 2000 Australia
M:

:

| kpmg.com.au



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Lyon, Brendan

From: Linke, David
Sent: Thursday, 20 August 2020 2:05 PM
To: Lyon, Brendan
Cc: Low, Paul; Lucas, Joel; Yates, Andrew J
Subject: Re: Informal background only.

94

Brendan

Thanks for the note. Copying in Joel and Andrew.

Dave

Get [Outlook for iOS](#)

From: Lyon, Brendan
Sent: Thursday, August 20, 2020 1:30 pm
To: Linke, David
Cc: Low, Paul
Subject: Informal background only.

Hi David – without wanting to inflame any of the issues raised yesterday, after discussion with Paul Low I thought best to give you a quick update on the TAHE Board meeting – who I met with today for an hour – noting that Rodd Staples is a director and that it may be relevant in that regard; and also, that I believe there are some relevant considerations to report regarding the accounting risk issue.

I have structured this email to ensure it makes sense – but this not a risk file note or anything else, just a personal email with a structure to explain what I heard and learned.

Board:

Chair: Bruce Morgan
Directors: Anne McDonald
Rodd Staples
Trevor Bourne


Staff: Anne Hayes A/CEO
Peter Crimp A/CFO
George Roins A/General Counsel
Andrew Alam A/Company Secretary

Relevant points:

1. The board meeting was productive – I was professional and detailed – they were respectful, despite some not great news on some aspects
2. It was very evident that TAHE management are not really informing the Board of the developing issues facing TAHE
3. The TAHE Board and management confirmed that diversity of revenue is not a test for them – which may be relevant to the later shape we suggest.
4. Through the Chairman, I asked about the audit office engagement – which occurred yesterday.
5. I learned that Heather Watson attended yesterday's discussion with TAHE management and directors to discuss TAHE with the NSWAO

6. I note that Heather did not reveal this long-planned meeting in yesterday's COCG meeting – despite a specific question about NSWAO engagement – and a long general discussion about the risk designation and wording.
7. Anne McDonald (Chair of Water NSW, director) reported that Margaret Crawford made the following points:
 1. The NSWAO itself is under scrutiny about what it does on TAHE (it was implied that the Opposition are asking questions about it)
 2. Advised that the NSWAO would act with “demonstrable independence”; and
 3. “TAHE should be prepared for a very hard look in this year’s audit’
8. Trevor Bourne appeared to be somewhat concerned about the overall bona fides of TAHE – and as a director of VA – was very awake to the discussion about the chain of accountability + gaol terms for the board under the NRSL /safework etc
9. Andrew Alam (staff member, former Treasury project lead under Cass Wilkinson) somewhat abruptly shut down the responses of the Board members at that point on the basis of time.
10. I got a sense that the directors were very respectful of the depth and gravity of our work.
11. Happily – we really showed up BCG’s managing director 😊😊😊

Brendan Lyon | Partner

 Deal Advisory - Infrastructure & Projects
International Towers
300 Barangaroo Avenue
Sydney NSW 2000 Australia
M:
E: | kpmg.com.au

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Lyon, Brendan

From: Linke, David
Sent: Tuesday, 18 August 2020 7:38 PM
To: Rodd Staples; Fiona Trussell
Cc: Lucas, Joel; Lyon, Brendan
Subject: Approval for accession to NDA in place
Attachments: TfNSW and Sydney Trains Listing of engagements_17082020.pdf

92 :

Fiona and Rodd

Further to my discussions with Fiona last Friday, as previously discussed, I am seeking approval for certain personnel to be included in the NDA that covers the work being led by Brendan Lyon in relation to the TAHE engagement.

○ You will note I have listed all TfNSW engagements and those to which NDA's currently apply. Brendan's engagement on TAHE is the only engagement in respect of which we request an accession to the NDA. I only include this list to ensure I have covered the field.

As you know Brendan's engagement requires advice on the operational, organisational and fiscal strategy for TAHE. From a financial accounting perspective the cadence is that the accounting advice issues will go via Treasury who will continue to engage with our financial accounting team. You have also given approval under the NDA for our valuations team to be involved namely Ian Jedlin and Sean Collins. As such at the moment Brendan has the required assistance and approvals to be able to deliver his report. If we require anything further we will come back to you.

As such the only additional relevant people who require accession are the Members of the COCG oversight committee - Andrew Yates, Joel Lucas and James Hunter and myself. I am asking that Andrew, Joel and myself be added to the NDA to ensure that we have the complete picture and can continue to manage the overall relationships.

○ I think given our previous discussion it would be good to have a quick call to discuss when you get a moment.

Thanks

David

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Lyon, Brendan

From: Hunter, James (Sydney)
Sent: Tuesday, 18 August 2020 7:27 PM
To: Lyon, Brendan; Yates, Andrew J; Linke, David; Lucas, Joel; Low, Paul
Subject: RE: Treasury relationship

Thanks Brendan,
I appreciate your sentiments below, but believe our COGC should not exclude any of this team with feedback; Heather and Andy should be included.
I will gain some feedback from both San and Mike from TSY in the next week re TAHE, and will share with all next week.
Has San asked you to present to TSY re TAHE; something he mentioned 1 ½ weeks ago – I don't believe it is without risk, and am happy to discuss this further.
Finally, is the ERC response a joint TSY & TfNSW team effort, or is TfNSW leading, TSY supporting?

Regards James

From: Lyon, Brendan
Sent: Tuesday, 18 August 2020 7:19 PM
To: Yates, Andrew J ; Linke, David ; Lucas, Joel
; Hunter, James (Sydney) ; Low, Paul
Subject: Treasury relationship

Colleagues,

Noting this does not impact cfoa colleagues, I have left them off this email.

We continue to have very positive engagement with treasury officers from dep sec down.

They're def worried overall - but not by our work anymore, would be my assessment.

The calm may not last, particularly as the answers get harder - but at least there is professional respect back in - and so far, agreement on each step.

Hopefully this will make it harder to have another all in bun fight at the end (And hopefully, harder to target the poor old messenger)

I'll update on Friday but meantime, fyi.

Brendan Lyon
Partner
Infrastructure & Projects Group
KPMG

Lyon, Brendan

From: Lyon, Brendan
Sent: Tuesday, 18 August 2020 10:45 AM
To: Linke, David; Lucas, Joel
Subject: RE: Approval for accession to NDA in place

Thanks David.

Can we chat about some of this? I agree with most, but not all – and I don't agree with the characterisation of what I need on my engagement.

Semantics – but important ones.

Let me know when suits.

From: Linke, David
Sent: Tuesday, 18 August 2020 10:41 AM
To: Lucas, Joel ; Lyon, Brendan
Subject: Approval for accession to NDA in place

Can I have comments please

Fiona and Rodd

Further to my discussions with Fiona last Friday, as previously discussed, I am seeking approval for certain personnel to be included in the NDA that covers the work being led by Brendan Lyon in relation to the TAHE engagement.

You will note I have listed all TfNSW engagements and those to which NDA's currently apply. Brendan's engagement on TAHE is the only engagement in respect of which we request an accession to the NDA.

Brendan's engagement requires advice on the operational, organisational and fiscal strategy for TAHE. He requires input from our financial accounting colleagues, our valuations colleagues and at the right time and after discussions with you both, input from the Catia Davim work on Evolving Transport and the Curtis Davies and Carl Pretorius work on Sydney Trains.

As such the relevant people who require accession are:

1. Members of the COCG oversight committee ; Andrew Yates, Joel Lucas and James Hunter and myself
2. The Financial accounting team : Heather Watson and Andrew King
3. Valuations team ; Sean Collins and Ian Jedlin
4. Other teams on TfNSW engagements as appropriate ; Catia Davim, Curtis Davies and Carl Pretorius

I appreciate you will have concerns on certain of the names above and their access to documents . I would like to discuss with you how I propose to deal with this. I also propose that certain information which is highly sensitive (such as 20 year capex plans) be locked down to only certain members of the broader team. What I am concerned to ensure however, is that the document being prepared by Brendan's team has the necessary input to ensure it is comprehensive and considers all relevant issues consistent with the Cabinet minute.

Fiona as discussed it would be good to have a quick call with you and Rodd when you get a moment.

Thanks

David

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Lyon, Brendan

From: Lyon, Brendan
Sent: Tuesday, 18 August 2020 10:30 AM
To: Lucas, Joel
Cc: Linke, David
Subject: RE: Valuable help :)

Thanks Joel. That's very helpful.

I have just met with Ian. He's going to be a bit involved; but Sean and Neil will take the lead as they have the time.

Just some additional context on point 3 – while I agree – Treasury's don't seem to and seem to be starting a bit of preparatory finger pointing from what I hear.

I have kept David verbally abreast of these issues.

From: Lucas, Joel
Sent: Tuesday, 18 August 2020 9:57 AM
To: Lyon, Brendan
Cc: Linke, David
Subject: RE: Valuable help :)

Thanks Brendan,

Just so you're aware also, as it's useful context for you...

- The work Ian completed previously was a few years ago, which was fit for purpose back then
- No one from KPMG is suggesting that is fit for purpose for use now, including Heather's team
- No one from KPMG supporting Treasury has used that '50% write down' reference, so the Treasury document that you may have seen that referenced this figure was authored by Treasury, not authored to contributed to by KPMG;
- Ian is not conflicted for use on this engagement, and given his seniority and level of understanding, David and I share the view that it's important for him to be involved.

Thanks,
Joel

From: Lyon, Brendan
Sent: Tuesday, 18 August 2020 9:49 AM
To: Lucas, Joel
Cc: Linke, David
Subject: RE: Valuable help :)

Actually it's ok – I didn't read your last sentence.

I'll invite Jedlin as well to the meeting with Sean.

From: Lucas, Joel
Sent: Monday, 17 August 2020 7:53 PM
To: Lyon, Brendan
Cc: Linke, David
Subject: RE: Valuable help :)

Lyon, Brendan



From: Lucas, Joel
Sent: Tuesday, 18 August 2020 9:57 AM
To: Lyon, Brendan
Cc: Linke, David
Subject: RE: Valuable help :)

Thanks Brendan,

Just so you're aware also, as it's useful context for you...

- The work Ian completed previously was a few years ago, which was fit for purpose back then
- No one from KPMG is suggesting that is fit for purpose for use now, including Heather's team
- No one from KPMG supporting Treasury has used that '50% write down' reference, so the Treasury document that you may have seen that referenced this figure was authored by Treasury, not authored to contributed to by KPMG;
- Ian is not conflicted for use on this engagement, and given his seniority and level of understanding, David and I share the view that it's important for him to be involved.

Thanks,
Joel

From: Lyon, Brendan
Sent: Tuesday, 18 August 2020 9:49 AM
To: Lucas, Joel
Cc: Linke, David
Subject: RE: Valuable help :)

Actually it's ok – I didn't read your last sentence.

I'll invite Jedlin as well to the meeting with Sean.

From: Lucas, Joel
Sent: Monday, 17 August 2020 7:53 PM
To: Lyon, Brendan
Cc: Linke, David
Subject: RE: Valuable help :)

Thanks Brendan,

If you haven't had a response from Sean, then proceed with Ian, who has already confirmed his willingness to support you. David wasn't in a position to recommend Ian until we'd clear conflicts this afternoon, so has recommended Sean as an alternate given the urgency. Ian is our preference if you can use him (or a combination).

Thanks,
Joel

From: Lyon, Brendan
Sent: Monday, 17 August 2020 6:44 PM
To: Lucas, Joel
Cc: Linke, David
Subject: Re: Valuable help :)

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Lyon, Brendan

From: Low, Paul
Sent: Monday, 17 August 2020 8:50 PM
To: Lyon, Brendan
Subject: RE: NSW CABINET & COMMERCIAL IN CONFIDENCE - KPMG RESTRICTED - FUNCTIONAL SPECIFICATIONS

Difficult one for him to be honest as second partner role is not to assume engagement leadership on their side and it's one of his colleagues. I'm happy to keep liaising as required though.

Have a good week

Regards

 **Paul Low**
National Leader – Infrastructure, Government and Healthcare

KPMG
Riparian Plaza, 71 Eagle St
Brisbane QLD 4000 Australia

Tel
Mob

kpmg.com.au

From: Lyon, Brendan
Sent: Monday, 17 August 2020 4:02 PM
To: Low, Paul
Subject: FW: NSW CABINET & COMMERCIAL IN CONFIDENCE - KPMG RESTRICTED - FUNCTIONAL SPECIFICATIONS

FYI – I extended the olive branch; but heard nil in response.

 tried...

From: Lyon, Brendan
Sent: Friday, 14 August 2020 11:11 AM
To: King, Andrew (AUS)
Subject: RE: NSW CABINET & COMMERCIAL IN CONFIDENCE - KPMG RESTRICTED - FUNCTIONAL SPECIFICATIONS

Pleasure.

I remain pretty concerned about where KPMG may end up on this. Happy to chat maturely and offline about them and how we mitigate any damage – but not so much with your colleague given professional and personal experiences I have had.

From: King, Andrew (AUS)
Sent: Friday, 14 August 2020 9:23 AM

Lyon, Brendan

From: Lucas, Joel
Sent: Monday, 17 August 2020 6:29 PM
To: Lyon, Brendan
Cc: Linke, David
Subject: RE: Valuable help :)

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Hi Brendan,

I've connected with Ian Jedlin. It's David's and my preference that we use him, given he'll have a good appreciation of TAHE, but I'd needed to confirm that his previous work wouldn't create a conflict. As there are now no concerns from that perspective, I've contacted Ian this evening and gauged his willingness to support and he is very happy to.

I'll leave you to make contact directly.

Kind regards,
Joel

From: Linke, David
Sent: Monday, 17 August 2020 5:44 PM
To: Lucas, Joel
Subject: FW: Valuable help :)
Importance: High

Joel

FYi

Brendan needed assistance to start today.

Can you still chase down the Jedlin work as discussed .

Dave

From: Lyon, Brendan
Sent: Monday, 17 August 2020 4:15 PM
To: Collins, Sean (Sydney)
Cc: Linke, David ; Low, Paul ; Russell, Dave
Subject: Valuable help :)
Importance: High

Hi Sean – I am working on a pretty sensitive and urgent engagement and need some confidential vals help.

Linke said you'd be good – Paul Low is the second partner.

Can you call me when you can to discuss?

Locked up from 4.30 til a bit later on and then free again.

Brendan Lyon | Partner

CC3

Lyon, Brendan

From: Lyon, Brendan
Sent: Monday, 17 August 2020 11:30 AM
To: Linke, David
Subject: FW: TAHE internal model logic review + key messages

FYI – I am hoping we can see the awful truth by Friday; with a logical validation of the model done also.

The timeline risk is alternative valuation...

From: Yu, Andrew
Sent: Monday, 17 August 2020 10:32 AM
To: Lyon, Brendan
Cc: Hui, Jessie ; Harris, Gavin ; Hudson, Nick
; Russell, Dave
Subject: TAHE internal model logic review + key messages

Hi Brendan,

Good to speak earlier.

Re TAHE model logic review – we can have the review of the core model completed by COB Thursday.

In order to do this, we've reorganised a number of our resources to front-end this review process, acknowledging TAHE's importance.

I've put down here some messages that could be communicated to assist the broader matter of demonstrating the strength of the process:

- This model review process is deep bottom-up on the formulae pattern of the model, done by trained model review professionals using review software;
 - It is a cell-by-cell review of the model's calculations;
 - I.e. it is a detailed supplement check to all the internal reviews and sense checks done to date
- This model review covers the model's logic only. Separately would need to address model inputs and assumption gathering and incorporation process.
- Given how this model could continue to update in the next few weeks, we will do follow up review procedures to give comfort that the a future version of the model is also covered.

For completeness, in the interests of timing, some sheets are deprioritised given they are not currently part of the core calculations used to date (more detail below if needed).

However, if we can reach them inside this week, then we can state the whole model's calculations are covered.

Kind regards,
Andrew

Internal Note only.

Deprioritised Sheets – i.e. everything in the model will be reviewed by this week, except for these deprioritised sheets – reasons provided below.

Sheet	Description
TfNSW(excl RMS)_FS	Only contains PRIME inputs that currently do not impact TAHE Real scenario. This sh priority in next model review when we look at optioning on revenue streams (transferri

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Lyon, Brendan

From: Lyon, Brendan
Sent: Monday, 17 August 2020 11:21 AM
To: Linke, David
Subject: RISK MATTERS (this is a formal looking informal email :))

Importance: High

Hi David;

In seeking to resolve the NDA impasse with TfNSW, I believe that you should suggest a fresh NDA to Fiona – for the Committee specifically, reflecting:

- 1) The COCG to be reduced to non-conflicted senior partners without direct reputational exposure (Linke, Yates, Lucas);
- 2) The committee members have access to all information – however other engagement teams (eg Watson, Hunter, King) will not unless there is agreement with TfNSW; and
- 3) Some highly sensitive underlying financial information will be locked down to protect it.

The first two issues are self-explanatory – so I will confine my comments to the final issue.

Why should a fresh NDA that excludes certain information from the Firm's most senior partners?:

As discussed, the model includes 20 years of capital and operating data. This is highly sensitive and not relevant to the overall function of the model – and will not be shared with Treasury or TAHE.

I suggest that this be locked down in any model shared beyond the project team, noting its extreme sensitivity. It is not meaningful to the committee – but would be very embarrassing if it ever subsequently leaked.

Accordingly, I recommend that this be restricted in any versions of the financial model shared with the committee. It will however be visible to the independent model validation team.

I also believe that initial runs of the model should be properly shared with Rodd first – noting that he wants to directly manage the Cabinet interface and approve the release of information (good or bad).

Summary:

I made this look professional with headings ☺ Its def not a formal email or on my risk file – just my thoughts about what you could suggest to Fiona to show you're thinking about her problem.

Alternatively, I am sure she'll say yes if you trim the committee to you, Yates and Lucas. I guess the question then is do you want access to the exclusions above? I wouldn't – but up to you.

Importantly - I do not think Andy King can have access to our engagement – he's also part of the conflicted team.

Hope you're well.

Brendan ☺

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Lyon, Brendan

From: Lyon, Brendan
Sent: Friday, 14 August 2020 11:11 AM
To: King, Andrew (AUS)
Subject: RE: NSW CABINET & COMMERCIAL IN CONFIDENCE - KPMG RESTRICTED - FUNCTIONAL SPECIFICATIONS

Pleasure.

I remain pretty concerned about where KPMG may end up on this. Happy to chat maturely and offline about them and how we mitigate any damage – but not so much with your colleague given professional and personal experiences I have had.

From: King, Andrew (AUS)
Sent: Friday, 14 August 2020 9:23 AM
To: Lyon, Brendan
Subject: RE: NSW CABINET & COMMERCIAL IN CONFIDENCE - KPMG RESTRICTED - FUNCTIONAL SPECIFICATIONS

Thanks

From: Lyon, Brendan
Sent: Friday, 14 August 2020 9:15 AM
To: King, Andrew (AUS) ; Hunter, James (Sydney) ; Yates, Andrew J
; Linke, David ; Lucas, Joel
Cc: Watson, Heather ; Low, Paul
Subject: RE: NSW CABINET & COMMERCIAL IN CONFIDENCE - KPMG RESTRICTED - FUNCTIONAL SPECIFICATIONS

The financial one is – the others are (different workstreams)

Apologies and regards,

From: King, Andrew (AUS)
Sent: Friday, 14 August 2020 8:52 AM
To: Lyon, Brendan ; Hunter, James (Sydney) ; Yates, Andrew J
; Linke, David ; Lucas, Joel
Cc: Watson, Heather ; Low, Paul
Subject: RE: NSW CABINET & COMMERCIAL IN CONFIDENCE - KPMG RESTRICTED - FUNCTIONAL SPECIFICATIONS

Hi Brendan

Is there a different password for these documents? Apologies if I've missed it.

Regards

Andy

From: Lyon, Brendan
Sent: Thursday, 13 August 2020 9:16 PM
To: Hunter, James (Sydney) ; Yates, Andrew J ; Linke, David
; Lucas, Joel



Lyon, Brendan

From: Lyon, Brendan
Sent: Thursday, 13 August 2020 9:03 PM
To: Hunter, James (Sydney); Linke, David; Lucas, Joel; Yates, Andrew J
Cc: Watson, Heather; King, Andrew (AUS); Low, Paul
Subject: NSW CABINET & COMMERCIAL IN CONFIDENCE - KPMG Financial Model analysis
Attachments: TfNSW TAHE and Treasury Combined Financial Model Review Workshop_140820.pdf

Colleagues;

Please find enclosed the details for our workshop with NSW Treasury, TAHE and TfNSW tomorrow, outlining the initial runs in the more detailed 'KPMG Financial Model'. This was distributed a short while ago to the relevant officials.

These initial runs suggest that the net benefit of TAHE is several hundred million per annum lower than was indicated in the higher level 'May 2020 (Treasury) Model' – as we have called it.

Note that these numbers will move around as we add additional functionality and clarity around (very) complex issues like pax rail access pricing; and also clarify issues including the correct asset value and other fiscal strategy assumptions.

Heather and Andy – we are happy to discuss any issues that surprise you – but we have tried to attribute the reasons for differences between your/treasury's initial model and our initial runs. You will also note that a fair section of tomorrow's discussion will focus on the architecture and assumptions.

For transparency, we provided our assumptions to treasury and TAHE a week ago to seek feedback.

Regards to all.

Brendan.

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Lyon, Brendan

From: Lyon, Brendan
Sent: Thursday, 13 August 2020 12:58 PM
To: Watson, Heather; King, Andrew (AUS)
Cc: Low, Paul; Yates, Andrew J; Linke, David; Lucas, Joel; Hunter, James (Sydney)
Subject: REQUEST FOR INFORMATION - VALUATIONS & TAHE BOARD PAPER SUBMISSIONS (NSW CABINET & COMMERCIAL IN CONFIDENCE - KPMG RESTRICTED)

Importance: High

Dear Heather and Andy,

Could I request that a number of items I understand you've delivered, could be shared with the oversight group.

As I understand it, you have provided the following in the past days:

- 1) Accounting advice on valuations; and
- 2) Your inclusion in the TAHE Board papers.

Apologies if my information is wrong – but if you have provided these they are highly relevant to our work and we would appreciate a copy.

If there is no update on valuations, could we have the most recent position on this please.

Thanks in advance.

Brendan

Brendan Lyon | Partner

Deal Advisory - Infrastructure & Projects
International Towers
300 Barangaroo Avenue
Sydney NSW 2000 Australia

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Lyon, Brendan

From: Lyon, Brendan
Sent: Sunday, 9 August 2020 4:41 PM
To: Yates, Deborah; Cook, Jeff A; Wilcox, Christine
Subject: Re: Mandatory Learning | WHS & EEO 2020 | non-completion | Reminder

Thank you for that.

I had a 37 hour day to get tahe stuff in by Friday cob- so the Friday warning about my longevity due to internal training landed on a hollow, tired man 😞

I'll try hard to get done by Friday and I'll email if stuck.

I'm not bucking the system - I'm trying to protect it as David prob/hopefully related - but tahe is in big trouble and I'm not getting time for my real job with a 2.5m tender due for a major ferry contract.

Leaving aside time for anything I'd like to do, things the firm needs me to do are absorbing every moment

Brendan Lyon
Partner
Infrastructure & Projects Group
KPMG

From: Yates, Deborah
Sent: Sunday, August 9, 2020 4:03:40 PM
To: Lyon, Brendan ; Cook, Jeff A ; Wilcox, Christine
Subject: RE: Mandatory Learning | WHS & EEO 2020 | non-completion | Reminder

Hi Brendan,

I have spoken to David Linke and I think he has called you in regards to resources and support. I confirm you have an extension until Friday 14th August.

Best
Deb

From: Lyon, Brendan
Sent: Friday, 7 August 2020 3:50 PM
To: Cook, Jeff A ; Yates, Deborah ; Wilcox, Christine
Subject: FW: Mandatory Learning | WHS & EEO 2020 | non-completion | Reminder

Hi Deb/Jeff/Christine –

I need a waiver for this; same reasons – I am overworked; under-supported and up til all hours trying to fix my favourite TAHE problem.

Can you pls confirm.

Thankyou both.

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Lyon, Brendan

From: Yates, Deborah
Sent: Sunday, 9 August 2020 4:04 PM
To: Lyon, Brendan; Cook, Jeff A; Wilcox, Christine
Subject: RE: Mandatory Learning | WHS & EEO 2020 | non-completion | Reminder

Hi Brendan,

I have spoken to David Linke and I think he has called you in regards to resources and support. I confirm you have an extension until Friday 14th August.

Best
Deb

From: Lyon, Brendan
Sent: Friday, 7 August 2020 3:50 PM
To: Cook, Jeff A ; Yates, Deborah ; Wilcox, Christine
Subject: FW: Mandatory Learning | WHS & EEO 2020 | non-completion | Reminder

Hi Deb/Jeff/Christine –

I need a waiver for this; same reasons – I am overworked; under-supported and up til all hours trying to fix my favourite TAHE problem.

Can you pls confirm.

Thankyou both.

From: AU-FM KPMG Learning
Sent: Friday, 7 August 2020 3:34 PM
Subject: Mandatory Learning | WHS & EEO 2020 | non-completion | Reminder



INTERNAL USE ONLY

WHS & EEO 2020 Mandatory Program

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Lyon, Brendan

From: Lyon, Brendan
Sent: Thursday, 6 August 2020 2:35 PM
To: Low, Paul
Subject: RE: NSW Cabinet and Commercial in Confidence - KPMG RESTRICTED

Not at all!

This is an honest answer; which I have suggested – ready for you to tone down into a passive aggressive master piece.

However, the bones of what I am saying are true –

If the Firm has chosen not to deal with her behaviours I cannot do anything about it – but I am a ‘sovereign partner’ and

From: Low, Paul
Sent: Thursday, 6 August 2020 2:32 PM
To: Lyon, Brendan
Subject: RE: NSW Cabinet and Commercial in Confidence - KPMG RESTRICTED

Will call in 20 mins...are you trying to wind me up !!...talk soon ☺

Regards

Paul Low
National Leader – Infrastructure, Government and Healthcare

KPMG
Riparian Plaza, 71 Eagle St
Brisbane QLD 4000 Australia

Tel
Mob

kpmg.com.au

From: Lyon, Brendan
Sent: Thursday, 6 August 2020 2:23 PM
To: Low, Paul
Subject: RE: NSW Cabinet and Commercial in Confidence - KPMG RESTRICTED

Dear Heather,

After reflecting on the discussions with:

- NSW Treasury
- TfNSW
- My second partner; and
- My engagement team

And also having regard to:

- 1) The professional issues I experienced in managing my initial engagement which included you and CFOA personnel;

Lyon, Brendan

From: Lyon, Brendan
Sent: Thursday, 6 August 2020 2:23 PM
To: Low, Paul
Subject: RE: NSW Cabinet and Commercial in Confidence - KPMG RESTRICTED

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Dear Heather,

After reflecting on the discussions with:

- NSW Treasury
- TfNSW
- My second partner; and
- My engagement team

And also having regard to:

- 1) The professional issues I experienced in managing my initial engagement which included you and CFOA personnel;
- 2) The personal impacts I experienced from that engagement;
- 3) The high level of professional and personal conflict I have observed; and
- 4) The extreme time and content sensitivity of this engagement;

I have resolved that the best way for my engagement to seek relevant and timely information on fiscal risks will be through providing clear and minuted questions on relevant issues to NSW Treasury officers, via the TAHE steering committee (which includes TAHE, NSW T & TfNSW officers).

I believe that this will ensure NSW Treasury has the accountability for this – ensure that you and Andy can be across what we need – and ensure that there is an accountable and minuted record of the interactions with Treasury in this regard.

As discussed with Paul – I believe that this offers a superior resolution that brings clarity and consistency – and avoids further regrettable internal issues.

Regards,

Brendan

From: Watson, Heather
Sent: Thursday, 6 August 2020 10:32 AM
To: Lyon, Brendan
Cc: King, Andrew (AUS) ; Low, Paul
Subject: RE: NSW Cabinet and Commercial in Confidence - KPMG RESTRICTED

Hi Brendan

Noting that we have not heard anything further I am working off an assumption that you don't want formal input.

Having taken a quick look, stakeholders might seek further understanding/clarification as to how options recognise, maintain and manage the 'fiscal control requirements' of TAHE, in particular PNFC classification. May also be helpful to define what that phrase means – my comment assumes it infers achievement of fiscal objectives.

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Lyon, Brendan

From: Lyon, Brendan
Sent: Thursday, 6 August 2020 10:44 AM
To: Low, Paul
Subject: RE: NSW Cabinet and Commercial in Confidence - KPMG RESTRICTED

Remember we were going to approach this directly through questions to treasury, that they or Heather can answer. We discussed this the other day; and I also chatted with San, Cass and Fiona along these lines.

That way we avoid our own ethical dilemma of (in my view) deeply conflicted and professionally complicated accounting colleagues.

My team are not willing to work with CFOA again – and nor am I – given the way we were all treated, exposed and undermined.

It also means Treasury are directly engaged in the combined conspiracy to make TAHE work.

Andy and heather will undoubtedly do the work – but we want to make it explicit that Treasury and KPMG (not me) did the fiscal – not me or you.

Win – win – win.

From: Low, Paul
Sent: Thursday, 6 August 2020 10:39 AM
To: Lyon, Brendan
Subject: RE: NSW Cabinet and Commercial in Confidence - KPMG RESTRICTED

Thanks Brendan – email cross over. Lets talk when you've discussed the plan with the engagement team etc..

Regards

Paul Low
National Leader – Infrastructure, Government and Healthcare

KPMG
Riparian Plaza, 71 Eagle St
Brisbane QLD 4000 Australia

Tel
Mob

kpmg.com.au

From: Lyon, Brendan
Sent: Thursday, 6 August 2020 10:36 AM
To: Watson, Heather
Cc: King, Andrew (AUS) ; Low, Paul
Subject: RE: NSW Cabinet and Commercial in Confidence - KPMG RESTRICTED

Hi Heather – thanks.

Apologies I have not responded sooner. Noting the conflict issues and complexity and your own hesitations on the time and pace of the return to Cabinet, I have taken some additional time to speak with Paul Low as second partner; and to Fiona Trussell at TfNSW about how we might approach this aspect of the Cabinet advice.

I will reflect a little more on the best approach with the best likelihood to avoiding friction.

I am working on a deliverable today and tomorrow on the operating model for TAHE Real; so will return to this once that's across.

Thankyou for your email and we will talk tomorrow on the COCG call.

Brendan.

73

From: Watson, Heather

Sent: Thursday, 6 August 2020 10:32 AM

To: Lyon, Brendan

Cc: King, Andrew (AUS) ; Low, Paul

Subject: RE: NSW Cabinet and Commercial in Confidence - KPMG RESTRICTED

li Brendan

Noting that we have not heard anything further I am working off an assumption that you don't want formal input.

Having taken a quick look, stakeholders might seek further understanding/clarification as to how options recognise, maintain and manage the 'fiscal control requirements' of TAHE, in particular PNFC classification. May also be helpful to define what that phrase means – my comment assumes it infers achievement of fiscal objectives.

HW

From: Lyon, Brendan

Sent: Wednesday, 29 July 2020 4:10 PM

To: Watson, Heather ; Linke, David ; Hunter, James (Sydney)

; Lucas, Joel

; Yates, Andrew J

Cc: Davim, Catia

; Low, Paul

; King, Andrew (AUS)

Subject: Re: NSW Cabinet and Commercial in Confidence - KPMG RESTRICTED

Heather - thanks.

For clarity this is not proposed work, it's underway.

I'll talk with paul low and respond later in the week to the points you've raised.

The nda is with David linke and James hunter - so best they respond.

I note you advised the call today that there is new Scope you're taking on regarding Sydney metro.

That will need a formal discussion by cocg noting the metro board rejected the fare box position as I understand it (but could be wrong) - and they are also major clients.

Brendan Lyon

Partner

Infrastructure & Projects Group

KPMG

From: Watson, Heather

Sent: Wednesday, July 29, 2020 4:00:45 PM

To: Lyon, Brendan ; Linke, David ; Hunter, James (Sydney)
; Lucas, Joel ; Yates, Andrew J >

Cc: Davim, Catia ; Low, Paul ; King, Andrew (AUS)

Subject: RE: NSW Cabinet and Commercial in Confidence - KPMG RESTRICTED

Hi Brendan

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Can I confirm whether you are asking for comments in the context of the COGC re conflicts or are you asking for formal input into the engagement?

If it is the latter, it would seem like we need to assess TAHE Real and TAHE for NSW against the fiscal objective of 'maintain accounting treatment over time'. To do this requires us to consider various aspects, including:

- PNFC status (Government Finance Statistics)
- Entity control for accounting purposes (AASB 10)
- Asset control (AASB 16 (Leases), AASB 1059 (Service Concessions), AASB 116 (Property, Plant and Equipment)), including consideration of relationships between TAHE Real, TfNSW and rail operators, Department of Transport and between TAHE for NSW and Department of Transport and/or the residual entity.
- The commercial model and State Budget funding arrangements that are envisaged to support the option.

The report excludes any financial analysis and so any conclusions would be impacted by this limitation.

Before we do anything further, can I please confirm where we are at with the NDA? To action input requires commencement of work on the engagement including assigning resources. We need team members to work through the detail, including understanding the draft deliverable and RACI, confirm scope and stakeholder expectations in terms of accounting input, and to perform and document our considerations. With the limited information I have, we are likely talking two weeks end to end to complete.

My sense is that the firm may be exposed to risk if kick off any work without clarity on where all team members stand. I would like to avoid a situation where there is an expectation of retrospective application of an NDA.

HW

From: Lyon, Brendan

Sent: Monday, 27 July 2020 8:31 PM

To: Linke, David ; Hunter, James (Sydney) ; Lucas, Joel
; Yates, Andrew J

Cc: Davim, Catia ; Low, Paul ; Watson, Heather
; King, Andrew (AUS)

Subject: FW: NSW Cabinet and Commercial in Confidence - KPMG RESTRICTED

Colleagues,

For transparency, please find enclosed the first draft file note for the TfNSW engagement on TAHE.

This is our first output and seeks to segment more than 1000 functions between TAHE, the rail operators and TfNSW.

While the NDA issue is not yet resolved, I am comfortable sharing this noting:

- a) The high level of sensitivity over TAHE's accounting status; and
- b) The (very) shorty timeline available for our advice to TfNSW / NSW Cabinet.

Lyon, Brendan

From: Lyon, Brendan
Sent: Wednesday, 5 August 2020 3:59 PM
To: Linke, David
Cc: Low, Paul
Subject: FILE NOTE - meeting with Cass Wilkinson NSW Treasury - question on conflict committee

- 1) I have reflected on whether to provide a file note of the conversation at all, noting that Cass requested the chat as 'off the record' and within the context of our circa 20 year professional and personal relationship
- 2) However, on balance I believe the discussion provided substantial insight into the Firm's risk position and exposure
- 3) I have therefore chosen to provide a digest of what I believe I learned from the discussion –
- 4) This is provided on a **no attribution basis** meaning that I would appreciate that any insights contained below are not shared with anyone else in this form – and are not attributed to having been gleaned from Cassandra Wilkinson.
- 5) I make this request noting that a range of Treasury officials are worried about professional consequences, should TAHE not prove up as stated in the KPMG advice.
- 6) The key points are:
 - a. Treasury are now very nervous about TAHE's audit and professional consequences for officials involved
 - b. Treasury do not appear as confident as Heather and Andy do about any aspect of TAHE
 - c. It appears James Hunter and Heather Watson jointly pitched the initial conflicting CFOA work, via the Treasury Secretary
 - d. KPMG has been unremittingly confident that the accounting positions will 'work' and could 'fix' TAHE
 - e. Any friction with my initial work appears to have been amplified or overplayed within KPMG
 - f. There is no residual damage to my relationship with senior Treasury officers
 - g. We will talk at least weekly to ensure Cass is getting a balanced view of progress and risks.

Consequential issue:

- Can James be a member of the conflict oversight group, noting an apparent material and undeclared conflict of interest via the initial engagement?

Brendan Lyon | Partner

Deal Advisory - Infrastructure & Projects

International Towers

300 Barangaroo Avenue

Sydney NSW 2000 Australia

M:

E: b.lyon@kpmg.com.au



Lyon, Brendan

From: Hunter, James (Sydney)
Sent: Wednesday, 5 August 2020 2:20 PM
To: Lyon, Brendan; Yates, Andrew J; Linke, David; Lucas, Joel
Cc: King, Andrew (AUS); Watson, Heather
Subject: RE: RISK REGISTER PROPOSED WORDING (NSW Cabinet in confidence - Commercial)

Hi Brendan, I am comfortable with the revised wording, and having met with San post your 10am coffee this am, it is importantly also more aligned on how Treasury would view this matter. Regards James

Ps: It is COGC (TAHE Conflicts Oversight and Governance Committee)

From: Lyon, Brendan
Sent: Wednesday, 5 August 2020 12:34 PM
To: Yates, Andrew J ; Hunter, James (Sydney) ; Linke, David
 ; Lucas, Joel
Cc: King, Andrew (AUS) ; Watson, Heather
Subject: RISK REGISTER PROPOSED WORDING (NSW Cabinet in confidence - Commercial)

Dear COGC members and colleagues,

Paul Low and Andy King spoke this morning and agreed wording that we agree with at an engagement level.

It designates the relevant risk as:

(Starts)

NSWAO widening consideration of TAHE's PFNC designation may impact Cabinet's fiscal objectives noting that any final decision on the designation rests with the ABS.

(ends)

The colour code remains unchanged.

I am comfortable with this – and grateful to Andy and Paul for resolving sensible resolution

Note that I have not shared this with Cass as yet but will do so shortly – noting we are delaying the TAHE Steer Co papers.

I look forward to any suggestions or views.

Regards,

Brendan

Brendan Lyon | Partner
 Deal Advisory - Infrastructure & Projects
 International Towers
 300 Barangaroo Avenue
 Sydney NSW 2000 Australia
 M:

Lyon, Brendan

69

From: Lyon, Brendan
Sent: Wednesday, 5 August 2020 7:38 AM
To: Low, Paul
Subject: RE: MY SUGGESTED RISK REGISTERS FOR JOINT REPORTING - RESPONSE REQUESTED BY 9AM PLS (KPMG RESTRICTED, NSW CABINET & COMMERCIAL IN CONFIDENCE)

No worries.

Let's talk today about what COCG is to us.

The fact that the NDA is unresolved also means you and I have broken our word in an accelerating slope of 'collaboration' – which cannot continue.

On good conscience, I do not believe that you or I can continue to report to it, in its current form.

Obviously, I want to chat before I send a 'viking gram' but I do believe we are all at risk of being morally exposed and professionally compromised – because no one is standing up.

From: Low, Paul
Sent: Wednesday, 5 August 2020 7:31 AM
To: Lyon, Brendan
Subject: Re: MY SUGGESTED RISK REGISTERS FOR JOINT REPORTING - RESPONSE REQUESTED BY 9AM PLS (KPMG RESTRICTED, NSW CABINET & COMMERCIAL IN CONFIDENCE)

I've not heard back from Andy yet. In the middle of getting kids ready for school so occupied for next 50 mins

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From: Lyon, Brendan
Sent: Wednesday, August 5, 2020 6:56 am
To: Low, Paul
Subject: RE: MY SUGGESTED RISK REGISTERS FOR JOINT REPORTING - RESPONSE REQUESTED BY 9AM PLS (KPMG RESTRICTED, NSW CABINET & COMMERCIAL IN CONFIDENCE)

There's been steady radio silence from all.

If I hear nothing, I will test with Cass if time – and then submit for this week.

No doubt, I'll then hear the COCs crow three times...

From: Low, Paul
Sent: Tuesday, 4 August 2020 8:45 PM
To: Lyon, Brendan
Subject: Fwd: MY SUGGESTED RISK REGISTERS FOR JOINT REPORTING - RESPONSE REQUESTED BY 9AM PLS (KPMG RESTRICTED, NSW CABINET & COMMERCIAL IN CONFIDENCE)

FYI

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Lyon, Brendan

From: Lyon, Brendan
Sent: Tuesday, 4 August 2020 9:53 PM
To: King, Andrew (AUS); Linke, David; Low, Paul; Watson, Heather; Yates, Andrew J; Lucas, Joel; Hunter, James (Sydney)
Subject: RE: MY SUGGESTED RISK REGISTERS FOR JOINT REPORTING - RESPONSE REQUESTED BY 9AM PLS (KPMG RESTRICTED, NSW CABINET & COMMERCIAL IN CONFIDENCE)

Andy;

I believe that is a misunderstanding. I have been keeping contemporaneous notes of all internal and external meetings, including today.

I recorded the following outcomes:

- 1) Agreed BL to speak to Fiona Trussell on 3pm governance meeting re risk register designations
- 2) BL to draft words to clarify the risk identified last week
- 3) BL to circulate to COCG for comment
- 4) BL to circulate to treasury before finalisation.

I have done precisely these steps.

It is important to note that the idea of the committee, firm or CFOA partners editing my risk register was specifically discussed – and as I recall – rejected out of hand, reflecting the murky ethical and moral ground that would create.

Obviously, that would also mean it's no longer a risk register for my engagement – but yours or the committees.

This is a very important ethical distinction to make. My notes record that I did, however, offer a chance for you, Heather and others to suggest any edits.

Could I ask that these be provided in the form of suggested edits to the risk register.

Joel – the ongoing uncertainty about what is agreed or resolved suggests we should return specifically to discuss minutes from this committee. I continue to observe challenges posed by alternate understandings of what's agreed.

Regards to all.

Brendan



From: King, Andrew (AUS)
Sent: Tuesday, 4 August 2020 7:45 PM
To: Lyon, Brendan ; Linke, David ; Low, Paul ; Watson, Heather ; Yates, Andrew J ; Lucas, Joel ; Hunter, James (Sydney)
Subject: RE: MY SUGGESTED RISK REGISTERS FOR JOINT REPORTING - RESPONSE REQUESTED BY 9AM PLS (KPMG RESTRICTED, NSW CABINET & COMMERCIAL IN CONFIDENCE)

Thanks Brendan.

I may have misunderstood this morning, but I did think that this was going to come through earlier, and before you discussed with Transport? Having already agreed wording and rating with TfNSW clearly makes it more difficult for us as a firm to now change it. Indeed, it may be best now if we do not.

Notwithstanding that, herewith my high level comments on "this week's" Cabinet Fiscal Objective risk:

- I still confess to not understanding the narrative, specifically in relation to the Audit Office's consideration of the PNFC classification impacting Cabinet's fiscal objectives: as discussed, it is the ABS that determines PNFC classification. I am not clear how an Audit Office consideration of something that they have no remit to affect will impact the fiscal objectives which have been set by Cabinet. Perhaps this is just wording.
- I do think that Treasury developing an ABS engagement plan is a valid mitigant to any potential ABS concern re classification (noting that ABS have not raised any concerns recently); also note that engagement with Audit Office is BAU and an appropriate response to the Audit Office questions; not sure that the two are "integrated" but they may be.
- The weekly accounting meeting is not, to my understanding, a meeting to mitigate the PNFC risk (which is what it appears to infer) – as discussed, PNFC classification is as much (more) to do with operational and commercial factors than it is "accounting". The weekly meeting is, I think, focused on 30 June / 1 July matters. But I am happy to be corrected by those in the meeting.

Is there a need to discuss the other risk noted in this week's report (Financial Impacts) – not sure that this has been raised in the committee to date – although I note that it appears to be being mitigated by the financial model you are building out? But am interested in the reference to AO emails.

assume also that the Financial Model data risk from last week is now resolved.

Heather may have additional comments but, as I say, it may be for you to present to Treasury and seek their feedback, given TfNSW's apparent endorsement as you set out.

Regards



Andy

From: Lyon, Brendan

Sent: Tuesday, 4 August 2020 6:44 PM

To: Linke, David

; Low, Paul

; Watson, Heather

; Yates, Andrew J

; Lucas, Joel

;

Hunter, James (Sydney)

; King, Andrew (AUS)

Subject: MY SUGGESTED RISK REGISTERS FOR JOINT REPORTING - RESPONSE REQUESTED BY 9AM PLS (KPMG RESTRICTED, NSW CABINET & COMMERCIAL IN CONFIDENCE)

Importance: High

Colleagues,

Thankyou for the various discussions over the past few days regarding the characterisation of fiscal risks to TAHE.

As discussed, I have updated the wording to make it clearer.

Please note that:

- 1) I have provided to transport and discussed it at the weekly TfNSW governance meeting today
- 2) I asked TfNSW for their inputs and whether the appropriate rating is 'red' or 'orange'
- 3) The CFO of TfNSW believes the characterisation as 'red' is the only appropriate option
- 4) TfNSW has reviewed the wording for last week and this week and advised they believe it is 'factual and accurate'
- 5) Pending any strong reactions from the COCG, I intend to also show treasury prior to inclusion

Andy and Heather – please advise if you have an alternative view on either the designation, or the wording - and we can convene a call.

These are due to be distributed tomorrow – but I am obviously keen to ensure there is a level of comfort and alignment, now that we are starting to make progress in realigning Treasury and TfNSW.

Number one: Intended to replace the wording in last week's report.

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Risks	
Risk	Rating
<p>Financial model data: Not getting the required data on time</p> <p>Continue to liaise with TfNSW to set expectations and work on a risk mitigation plan to reach the deadline.</p>	
<p>Fiscal objectives: NSWAO widening consideration of TAHE's PNFC designation may impact Cabinet's fiscal objectives. Requests for detailed information unable to be met on NSWAO timeline.</p> <p>Possible impacts or acceleration from NSWAO requirements.</p>	

Number two:

Intended to form this week's risk register – which I will submit tomorrow (slightly late).

Risks	
Risk	Rating
<p>Risk: Financial impacts NSWAO emails suggest more rapid switch on of revenues and returns, with a consequential impact on the NSW budget and TfNSW accounts</p> <p>Mitigation: Functionality and depth of detailed fin model will allow quantification of different scenarios. Ensure consultation with TfNSW, Treasury & TAHE on ongoing AO & ABS engagement.</p>	
<p>Risk: Cabinet fiscal objectives NSWAO widening consideration of TAHE's PNFC designation may impact Cabinet's fiscal objectives.</p> <p>Mitigation: Treasury developing integrated ABS and NSWAO engagement plan; weekly accounting risk meeting.</p>	

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Lyon, Brendan

From: Lyon, Brendan
Sent: Friday, 31 July 2020 5:49 AM
To: Lucas, Joel
Cc: Low, Paul
Subject: Re: KPMG RESTRICTED - NSW CABINET & COMMERCIAL IN CONFIDENCE - Risk designations and minutes of meetings

Ok - me and Paul think minutes might still be a good idea. Let's also discuss today.

Brendan Lyon
Partner
Infrastructure & Projects Group
KPMG

From: Lucas, Joel
Sent: Thursday, July 30, 2020 9:08:00 PM
To: Lyon, Brendan
Cc: Yi, Matthew ; Watson, Heather ; King, Andrew (AUS)
; Linke, David ; Yates, Andrew J ;
Hunter, James (Sydney)
Subject: RE: KPMG RESTRICTED - NSW CABINET & COMMERCIAL IN CONFIDENCE - Risk designations and minutes of meetings

Thanks Brendan,

An actions register and risk register exists already and are located within the TAHE COGC docShare workspace, which will address the ask below.

This is stored in the COGC site, to which access will be provided upon lifting the confidentiality restrictions from TfNSW.

Regards,
Joel

From: Lyon, Brendan
Sent: Thursday, 30 July 2020 8:32 PM
To: Linke, David ; Lucas, Joel ; Yates, Andrew J
; Hunter, James (Sydney)
Cc: Yi, Matthew ; Watson, Heather ; King, Andrew (AUS)
Subject: KPMG RESTRICTED - NSW CABINET & COMMERCIAL IN CONFIDENCE - Risk designations and minutes of meetings
Importance: High

Colleagues,

Apologies I missed this afternoon's COC meeting. As previously advised, I could not make the changed time.

Risk register issue:

Lyon, Brendan

From: Lyon, Brendan
Sent: Thursday, 30 July 2020 8:32 PM
To: Linke, David; Lucas, Joel; Yates, Andrew J; Hunter, James (Sydney)
Cc: Yi, Matthew; Watson, Heather; King, Andrew (AUS)
Subject: KPMG RESTRICTED - NSW CABINET & COMMERCIAL IN CONFIDENCE - Risk designations and minutes of meetings

Importance: High

Tracking:**Recipient****Read**

Linke, David

Lucas, Joel

Read: 30/07/2020 8:59 PM

Yates, Andrew J

Read: 30/07/2020 8:32 PM

Hunter, James (Sydney)

Yi, Matthew

Watson, Heather

King, Andrew (AUS)

Read: 30/07/2020 8:44 PM

Colleagues,

Apologies I missed this afternoon's COC meeting. As previously advised, I could not make the changed time.

Risk register issue:

I understand my risk register designations were raised this afternoon.

I agree with Paul Low and David Linke that it is appropriate that we meet and review what I have provided, within the context of the TAHE exposures the firm has.

I understand that David will organise a meeting ASAP tomorrow to discuss in detail; and that that meeting will include each member of the COC group – as well as Heather and Andy.

To ensure a thorough perspective, I will also bring the engagement director Matt Yi (copied in).

I will prioritise this meeting among client commitments – noting the importance of this discussion.

Minutes for the COCG

I would also like to request that we start retaining minutes for the COCG. I have made contemporaneous notes of my own, but given the complexity and pace of issues under consideration it will be important that we keep an record of actions and outcomes to ensure matters are closed out.

Joel – could you confirm that we will start minuting these discussions?

Faithfully,

Brendan

Brendan Lyon | Partner

Deal Advisory - Infrastructure & Projects

From: Lyon, Brendan
Sent: Tuesday, 28 July 2020 3:29 PM
To: Linke, David; Low, Paul
Subject: RE: TAHE - scope re assistance to Treasury on fiscal education
Importance: High

I don't want to keep using the wrong words to express myself – Paul could you please respond for the engagement team noting my viewpoints below?

1. the discussion was about whether CfOA are doing work that is not within the scope – not about Heather meeting with people.
2. It turns out heather is doing work that's not within scope – arguing it's covered by 'other duties as directed'
3. KPMG cannot accept a blanket term, given the damage and conflict of Heather's engagement so far – and was the specific purpose the committee was set up.
4. Heather called her additional scope 'overall fiscal strategy for TAHE'
5. This appeared to change in Andy's email last night that basically said KPMG only provided a few bits and pieces of technical advice.
6. Either way – COCG agreed Heather would provide a scope for anything outside of what she is doing.
7. While I am not concerned whether Heather meets TfNSW or not, I am not sure for what purpose it is needed.
8. Heather should provide a scope for her work – as per the COCG protocols.

From: Watson, Heather
Sent: Tuesday, 28 July 2020 2:59 PM
To: Hunter, James (Sydney) ; Linke, David ; Lucas, Joel
; Low, Paul ; Lyon, Brendan ; Yates,
Andrew J
Cc: King, Andrew (AUS)
Subject: TAHE - scope re assistance to Treasury on fiscal education

Afternoon all

Last week it was agreed that Brendan would set up a meeting with Fiona Trussell so I could help her understand how we were assisting Treasury. Noting that I have known Fiona for some years I have drafted the attached note that I propose to send unless there are any objections.

HW

Heather Watson
Partner
Audit, Assurance & Risk Consulting
CFO Advisory

Lyon, Brendan

62

From: Lyon, Brendan
Sent: Tuesday, 28 July 2020 8:56 AM
To: Low, Paul
Subject: Re: NSW Cabinet and Commercial in Confidence - KPMG RESTRICTED

Shouldn't be contested - but once you get down to granular functions it gets more complex. Lots of things are related or confused so let's see.

Re transparency, I'm happy to share as we can and I want cfoa to see what's going on.

We need transparency to get through to cabinet.

It gets forgotten but I've had a straight bat from the opening ball and only came in to try and help fix a problem.

Andy and the others will now hopefully start to see that 'simple' accounting gets damn complex and very turgid, when it comes to implementing it.

And eventually, maybe there will be a recognition that I'm not the one hiding things - or starting problems.



Brendan Lyon
Partner
Infrastructure & Projects Group
KPMG

From: Low, Paul
Sent: Monday, July 27, 2020 10:45:36 PM
To: Lyon, Brendan
Subject: RE: NSW Cabinet and Commercial in Confidence - KPMG RESTRICTED

Thanks for sending through. Made it through the main doc...but not spreadsheet! I'm assuming given the team's /your level of engagement with TfNSW and TAHE that we don't expect too many contested views on RACI from within transport portfolio –and if there are, you'll get that feedback pretty quickly.

Thanks for sharing with wider group - it helps demonstrate your alignment with the cabinet sub tasks

Regards

Paul Low
National Leader – Infrastructure, Government and Healthcare

KPMG
Riparian Plaza, 71 Eagle St
Brisbane QLD 4000 Australia

Tel
Mob

kpmg.com.au

Lyon, Brendan

From: Lyon, Brendan
Sent: Monday, 27 July 2020 10:31 AM
To: Linke, David
Subject: RE: TAHE [DLM=Sensitive:NSW-Government]

Thanks for sending.

An artistic comment on Andy's final point –
 I feel it's moved beyond a 'One KPMG' issue.

Whether rogue is the right word to use, a very appropriate question to ask in response would be 'Andy, why was the NSWAO email not immediately disclosed to the group by Heather?'

From: Linke, David
Sent: Monday, 27 July 2020 9:54 AM
To: Lyon, Brendan
Subject: Fwd: TAHE [DLM=Sensitive:NSW-Government]

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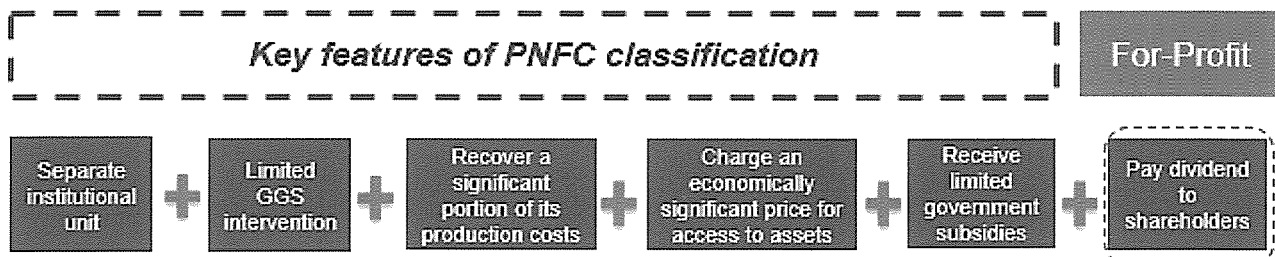
From: King, Andrew (AUS)
Sent: Monday, July 27, 2020 7:31 am
To: Linke, David
Cc: Yates, Andrew J; Hunter, James (Sydney); Low, Paul
Subject: RE: TAHE [DLM=Sensitive:NSW-Government]

David

Thanks for sending this through. Thought I'd set out some of my thoughts now, but will debrief with Heather later this morning.

This email from the Audit Office is not challenging the accounting position papers that CFOA are currently working on; it is challenging Treasury on the roadmap and progress being made in terms of standing up and sustaining TAHE as a PNFC entity. The challenges to the PNFC classification are not new, and will require input from all stakeholders.

As previously provided to the Committee, the key features of a PNFC under ABS classification are as follows:



None of this is driven by accounting (certainly not accounting alone) and much of it is arguably operational and/or dependent on future agreements between TAHE, Operators and TfNSW.

1. Separate institutional unit: dependent on TAHE and the Operators not being seen as artificial subsidiaries of TfNSW, hence the discussions around Evolving Transport and what operations TfNSW should be responsible for
2. Limited GGS intervention: again, dependent on role of GGS entities (incl TfNSW) in relation to TAHE
3. Recover a significant portion of its production costs: dependent on TAHE set up, expenses and revenue streams arising from contractual arrangements
4. Charge an economically significant price for access to its assets: dependent on future agreements between TAHE and Operators, not accounting
5. Receive limited government subsidies – not accounting
6. Pay dividends – dependent on TAHE distribution policy and its ability to pay – not accounting

In relation to the KPMG for-profit/not-for-profit reference from the AO, this refers to CFOA providing guidance to TAHE's board on the for-profit/not-for-profit classification of TAHE. This draws on some of the above (e.g. the ability for TAHE to pay dividends) but does not drive the PNFC classification. In addition, it is a view to be taken by the TAHE Board. (Incidentally, I reviewed the deliverables on this FP/NFP aspect as EQCR on Friday, and they will be delivered by 31 July, if not before.)

The other accounting position papers which Heather has been working on, and which were discussed on the agenda at Friday's meeting, refer to position papers on:

7. AASB 1059
8. AASB 10
9. Farebox
10. Valuation of assets

These papers assume that TAHE maintains its PNFC classification, and are concerned with whether TfNSW would recognise assets and liabilities of TAHE on its balance sheet notwithstanding. Other than the FP/NFP paper (as above) you will see that none of them are the subject of the challenge from the AO in the email from Renee. In addition, I believe that all of them are either in train for 31 July, or have already been provided.

The challenge from the AO is therefore pertaining to the go forward. As discussed in recent Committees, Treasury has asked CFOA to provide an "explanatory" pack for distribution to all stakeholders – setting out what is required post 1 July 2020 to achieve the fiscal objective of "sustaining the accounting treatment over time". The email from Renee shows that AO are also a stakeholder in this process, and have questions over timing and milestones. But I would also note that the NSW Audit Office do not determine PNFC classification – that is for ABS and ABS only. The question for Treasury is therefore whether the ABS have concerns, or if Treasury themselves have concerns over the roadmap and ability to meet the criteria for PNFC classification as shown above, and in line with ABS (not NSW AO) expectations.

In relation to some of the specific points in Brendan's email:

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Talk later.

Cheers

Andy

From: Linke, David

Sent: Saturday, 25 July 2020 8:06 PM

To: King, Andrew (AUS)

Cc: Yates, Andrew J ; Hunter, James (Sydney) ; Low, Paul

Subject: FW: TAHE [DLM=Sensitive:NSW-Government]

Importance: High

Andrew

Thanks for the chat earlier this evening.

I enclose an email from the AO and the note from Brendan of the meeting on Friday.

Dear David,

Further to our discussion yesterday, I submit that the following items are highly relevant to the conflicts committee tomorrow and should be brought to the attention of the National Executive Committee.

- 1) KPMG CFOA has provided NSW Treasury with all relevant accounting and fiscal strategy advice since February 2020 on the establishment of TAHE.
- 2) KPMG Partners James Hunter (MC), Heather Watson (CFOA) and Director candidate Matt Box provided all relevant advice – with second Partner Andrew King.
- 3)
- 4) The NSW Audit Office signalled they were unhappy with the advice repeatedly, in writing and in meetings.
- 5) KPMG's largest NSW Government client, TfNSW, indicated that they were extremely unhappy with the commercial conflict created by CFOA's work on TAHE.
- 6) CFOA did not flag commercial risks in their ERA or sentinel.
- 7)
- 8)
- 9)
- 10) The Firm has declined on repeated occasions to validate his work or address these issues.
- 11)
- 12) Brenda Lyon has repeatedly raised his professional, ethical and moral concerns about the structure, form and effect of the mitigations taken by the Firm, noting the conflict.
- 13) The COCG committee declined to act at any point.
- 14) I understand from Brendan Lyon that Heather Watson reported last week to TfNSW and NSW Treasury that the NSWAO have now advised TAHE and NSW Treasury that TAHE and its accounting structure will form a central focus of the NSW Audit Office annual statutory report to Parliament.
- 15) CFOA did not reveal this at the recent conflict meeting, chaired by James Hunter.
- 16) This issue has now reached the Premier's desk and is viewed as the largest risk to the NSW Budget.
- 17) This is likely to result in:
 - a. An extremely high level of media interest, including in KPMG
 - b. An extremely high level of political interest, including in KPMG
 - c. An extremely high level of professional and reputational risk to KPMG; and
 - d. A 'call for papers' and upper house inquiry into the circa \$4-\$8 billion erosion in the NSW budget, due to TAHE and our accounting advice.

Lyon, Brendan

From: Linke, David
Sent: Monday, 27 July 2020 9:54 AM
To: Lyon, Brendan
Subject: Fwd: TAHE [DLM=Sensitive:NSW-Government]

57

Follow Up Flag: Follow up
Flag Status: Flagged

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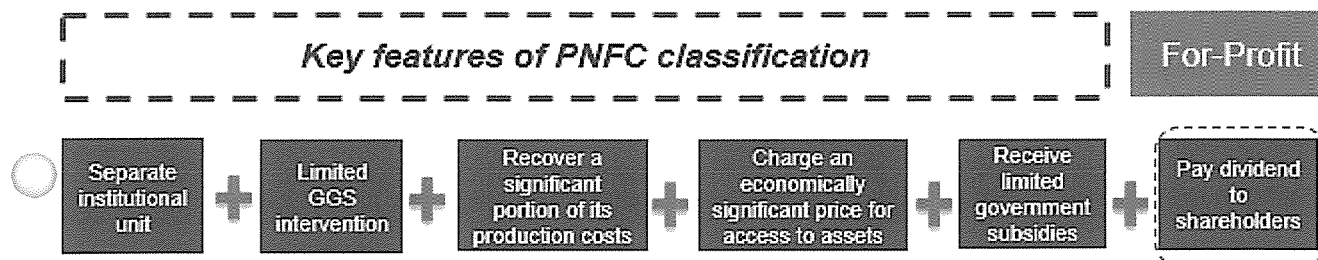
From: King, Andrew (AUS)
Sent: Monday, July 27, 2020 7:31 am
To: Linke, David
Cc: Yates, Andrew J; Hunter, James (Sydney); Low, Paul
Subject: RE: TAHE [DLM=Sensitive:NSW-Government]

David

Thanks for sending this through. Thought I'd set out some of my thoughts now, but will debrief with Heather later this morning.

This email from the Audit Office is not challenging the accounting position papers that CFOA are currently working on; it is challenging Treasury on the roadmap and progress being made in terms of standing up and sustaining TAHE as a PNFC entity. The challenges to the PNFC classification are not new, and will require input from all stakeholders.

As previously provided to the Committee, the key features of a PNFC under ABS classification are as follows:



None of this is driven by accounting (certainly not accounting alone) and much of it is arguably operational and/or dependent on future agreements between TAHE, Operators and TfNSW.

1. Separate institutional unit: dependent on TAHE and the Operators not being seen as artificial subsidiaries of TfNSW, hence the discussions around Evolving Transport and what operations TfNSW should be responsible for
2. Limited GGS intervention: again, dependent on role of GGS entities (incl TfNSW) in relation to TAHE
3. Recover a significant portion of its production costs: dependent on TAHE set up, expenses and revenue streams arising from contractual arrangements
4. Charge an economically significant price for access to its assets: dependent on future agreements between TAHE and Operators, not accounting
5. Receive limited government subsidies – not accounting
6. Pay dividends – dependent on TAHE distribution policy and its ability to pay – not accounting

In relation to the KPMG for-profit/not-for-profit reference from the AO, this refers to CFOA providing guidance to TAHE's board on the for-profit/not-for-profit classification of TAHE. This draws on some of the above (e.g. the ability for TAHE to pay dividends) but does not drive the PNFC classification. In addition, it is a view to be taken by the TAHE Board. (Incidentally, I reviewed the deliverables on this FP/NFP aspect as EQCR on Friday, and they will be delivered by 31 July, if not before.)

The other accounting position papers which Heather has been working on, and which were discussed on the agenda at Friday's meeting, refer to position papers on:

7. AASB 1059
8. AASB 10
9. Farebox
10. Valuation of assets

These papers assume that TAHE maintains its PNFC classification, and are concerned with whether TfNSW would recognise assets and liabilities of TAHE on its balance sheet notwithstanding. Other than the FP/NFP paper (as above) you will see that none of them are the subject of the challenge from the AO in the email from Renee. In addition, I believe that all of them are either in train for 31 July, or have already been provided.

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Talk later.

Cheers

Andy

From: Linke, David

Sent: Saturday, 25 July 2020 8:06 PM

To: King, Andrew (AUS)

Cc: Yates, Andrew J

; Hunter, James (Sydney)

; Low, Paul

Subject: FW: TAHE [DLM=Sensitive:NSW-Government]

Importance: High

Andrew

Thanks for the chat earlier this evening.

I enclose an email from the AO and the note from Brendan of the meeting on Friday.

I will speak to Brendan about the last sentence of his note. Otherwise as discussed, could you please organise a debrief with Heather of the Friday meeting and then we should discuss as a committee on Monday.

The AO has requested this information by 31 July. Of particular concerns are the purported comments of Sean Osborne.

Thanks

David

From: Lyon, Brendan
Sent: Saturday, 25 July 2020 6:59 PM
To: Linke, David
Cc: Low, Paul
Subject: FW: TAHE [DLM=Sensitive:NSW-Government]
Importance: High

54

Dear David and Paul,

Below is the latest email from the Audit Office.

This points to a further deterioration in the likelihood of KPMG's accounting advice passing audit – suggesting an even higher level of reputational risk for the Firm.

Heather Watson has a copy of the NSWAO email – which I know because she led the discussion on it at the 1:30pm meeting of officials that form the TAHE steering committee.

This email questions the fundamental legitimacy of TAHE's accounting premise – and requires all outstanding KPMG accounting advice to be furnished by 31 July.

Heather advised the 1:30pm TAHE steering group meeting of the email – but argued that it was 'low risk' – that 'we were always expecting questions'

The responsible Treasury officials – San Midha and Cass Wilkinson were also present and appeared highly agitated, but agreed that it was 'low risk'

San suggested not responding to the Audit Office at all – a position Heather and Cass agreed with.

A long-term Treasury officer – Sean Osborn – who oversees the NSWAO relationship provided very strong advice to the contrary.

He suggested that the email was a very clear indication that the NSWAO appear to view 'this as the year to tell the truth on TAHE' or similar words.

He further ventured a view that not responding would likely see rapid action by the NSWAO to reclassify or qualify the state's accounts.

As with all matters relevant – I have been made aware by Transport – not by KPMG colleagues.

Despite this, I remain incredulous that this has not been immediately flagged by the COFA partners with COCG and in turn - at the highest levels of the Firm - noting the very high level of risk to KPMG's reputation and commercial interests.

I believe this requires urgent attention – including resolution of the apparent rogue nature of the CFOA engagement.

Cheers

Brendan

From: Peter Perdikos
Sent: Saturday, 25 July 2020 4:10 PM
To: Anne Hayes
Cc: Brenda Hoang
(Transport NSW ED) Fuller

; Fiona Trussell

; Elise Naylor

; Peter Crimp

; Matt

;

Andrew Alam ; Lyon, Brendan
Subject: FW: TAHE [DLM=Sensitive:NSW-Government]

53

Hi Anne, Fiona

As raised by Treasury at the TAHE Working Group meeting on Friday afternoon, the AO has requested further information on TAHE.

Full details are included in the original email below.

Thanks
P

From: Sean Osborn
Sent: Saturday, 25 July 2020 1:38 PM
To: Peter Perdikos
Cc: Cassandra Wilkinson ; Stewart Walters

Subject: FW: TAHE [DLM=Sensitive:NSW-Government]

Hi Peter,

As discussed, please find attached request for information from the Audit Office.

Kind regards,

Sean

From: Renee Meimaroglou
Sent: Friday, 24 July 2020 11:47 AM
To: Sean Osborn ; Jeanne Vandenbroek
Cc: Ray Bailey ; Scott Stanton
Subject: RE: TAHE [DLM=Sensitive:NSW-Government]

Sensitive: NSW Government

Hi Jeanne and Sean

Apologise, I meant to say appreciate your response by 31 July, not 31 August. That's what happens when you send emails late at night.

Regards
Renee

From: Renee Meimaroglou
Sent: Thursday, 23 July 2020 11:46 PM
To: Sean Osborn ; Jeanne Vandenbroek
Cc: Ray Bailey ; Scott Stanton
Subject: TAHE [DLM=Sensitive:NSW-Government]

Sensitive: NSW Government

Hi Sean & Jeanne

52

Thanks again for organising the meeting with Cassandra re: status of TAHE.

You may recall, a lot of our questioning in the meeting was around the commercial intent of TAHE and whether there is a continued focus by Treasury to ensure TAHE will generate a rate of return to the government.

Back in 2015, the ABS classified TAHE as a commercial Public Non-Financial Corporation (PNFC). The classification of TAHE was made on the basis TAHE will:

1. generate a commercial return for the government
2. charge economically significant prices for use of their assets
3. provide dividends from after tax profits to the State

Treasury agreed with the ABS back in 2015 a transition plan over a five year period. RailCorp/TAHE would remain classified in the PNFC sector, on the basis the NSW government deliver reforms in line with the transition plan. The agreed transition plan recognised that establishment and implementation of TAHE required some lead time given the need to draft legislation, develop the full commercial model, appointment of governing board etc. On this basis, the accounting treatment, specifically transfer of funds from the Con-fund to RailCorp was accepted on the basis that an intention to generate a rate of return to government existed.

In our meeting, it was confirmed that TAHE came into effect on 1 July 2020 and an independent board was appointed. However the constitution, business plan, forward estimates, SCI and operational agreements are yet to be implemented. Furthermore we were advised KPMG has been engaged to provide the board with guidance on for-profit/not for profit criteria to assist the board in determining TAHE's status and basis for valuing TAHE's non-current physical assets.

Given the transition plan has not been achieved and some key deliverables relating to TAHE's establishment as an entity are yet to be executed, I would like to revisit the intent of this commercial arrangement, specifically:

4. has a revised timetable been determined by Treasury (also with the ABS) given the transition plan has not been achieved?
5. does Treasury (and the ABS) need to revisit its classification of TAHE as a commercial PNFC?
6. is TAHE a for-profit or not-for-profit entity from 1 July 2020? What's the timeframe for determining this status?
7. what financial modelling is available by Treasury to support the continued intent to generate commercial returns from TAHE? Please provide us with evidence of your calculations supporting the intended commercial return.
8. what do the State's forward estimates include and assume re: commercial returns from TAHE?
9. what are the key priorities communicated to the TAHE board for FY2021 with regards to generating returns to the state?

Appreciate if you could share these points with Cassandra and provide Treasury's response by 31 August. Thanks for your time and feel free to reach out if you have any questions.

Regards

Renee Meimaroglou
Director
Financial Audit

T | M | F
E

Level 19, Darling Park Tower 2

201 Sussex Street Sydney, 2000.

audit.nsw.gov.au


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Lyon, Brendan

From: Linke, David
Sent: Monday, 27 July 2020 8:31 AM
To: Rodd Staples; Fiona Trussell
Cc: Lyon, Brendan; Lucas, Joel; Blakey, Gayle
Subject: Conflict of interest mitigation plan
Attachments: TAHE Conflict of Interest Mitigation Plan.docx

50

Rodd and Fiona

Apologies I did not get this document to you last week.

As agreed this document sets out the communication plan and the avenues to resolve any conflicts in relation to the TAHE matter.

I have asked Andrew Yates to join the committee to provide greater balance. I do however need to discuss with you James Hunter's continued involvement principally because of Mike Pratt's position.

I understand that a working group of Transport and Treasury officials has now been formed to progress the matter and therefore, seeking your approval for the members of this committee to be acceded to the NDA's from the Transport side is important.

I propose that we set up a call in the next few days if possible to discuss a number of matters .

Thanks

David

Lyon, Brendan

From: Lyon, Brendan
Sent: Saturday, 25 July 2020 6:59 PM
To: Linke, David
Cc: Low, Paul
Subject: FW: TAHE [DLM=Sensitive:NSW-Government]

49

Importance: High

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Appreciate if you could share these points with Cassandra and provide Treasury's response by 31 August. Thanks for your time and feel free to reach out if you have any questions.

Regards

Renee Meimaroglou
Director
Financial Audit

T | M | F

E
Level 19, Darling Park Tower 2
201 Sussex Street Sydney, 2000.

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46


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Lyon, Brendan

From: Lyon, Brendan
Sent: Thursday, 23 July 2020 3:29 PM
To: Fiona Trussell
Subject: RE: TAHE fiscal strategy issue (Commercial & NSW Cabinet in Confidence) KPMG Restricted

Hi Fiona,

I am advised at senior levels of the firm that there has been no change.

Could you give me a call to provide any further insight?

Thanks

Brendan

From: Fiona Trussell
Sent: Thursday, 23 July 2020 3:18 PM
To: Lyon, Brendan
Subject: RE: TAHE fiscal strategy issue (Commercial & NSW Cabinet in Confidence) KPMG Restricted

Brendan

Please can you advise whether there has been any update on the matters noted below?

Fiona

Fiona Trussell
A/Deputy Secretary Corporate Services
Transport for NSW

Executive Support Officer
Cathy Woods



Transport
for NSW

From: Lyon, Brendan
Sent: Monday, 20 July 2020 9:46 AM
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I have raised this with David Linke – who has made inquiries over the weekend. Accordingly I advise:

- 1) KPMG has not accepted any new engagements related to the long-term fiscal strategy for TAHE;
- 2) Heather Watson has advised she has had some preliminary discussions with Treasury along these lines;
- 3) Any potential engagement will be subject to the review and approval of David Linke's dedicated conflict committee;

Thanks again for raising it, it helps us to ensure discipline and consistency in our approach over the coming months.

I'll let you know if anything relevant arises from this.

Warm regards,

Brendan

Lyon, Brendan

Sent: Wednesday, 22 July 2020 6:51 AM
To: Linke, David; Low, Paul
Subject: KPMG RESTRICTED - Points relevant to COCG meeting this week
Attachments: 20200721 Sydney Trains - Corporate Functions Op Model_v0 5 [Compatibility Mode].pdf

Hi David – I hope you are well.

Staying Zen: Brendan

Noting both of your sensible advice to stop being consumed by the ongoing shenanigans around this whole issue, I would like to continue to remain largely mute other than an honest update of what we are doing within the bounds of the NDA.

I have therefore suggested some items below, that I feel you should each consider in respect of COCG today.

☐ **1. Forward scope for CFOA needs to be addressed: Suggest by David**

Noting Andy's email yesterday – and that

– I feel that this issue needs to be addressed today to limit ongoing embarrassment and conflict.

* Leaving aside the issue of misleading the committee last week - I cannot see how KPMG could accept a new, separate engagement that directly deals with the same content as that which is on-foot and responding to Cabinet in October.

The correct way for CFOA to contribute would be to nominate an appropriately skilled partner to contribute to the work that responds to Cabinet.

It would ideally be someone from interstate who's independent, but it could also be Andy King provided he's there with clean hands.

☐ Either way, I do not see how KPMG could possibly accept a position of having two reports providing potentially different views, on the same precise topic – and accordingly, CFOA should be advised to cease conversations with Treasury reflecting the conflict and the intent to contribute through considered, single advice.

Minutes for COCG: Suggestion for David

COCG seems to have limited control over CFOA so far; with no apparent consequence

I would suggest at a minimum that COCG adopt formal minutes to provide some form and accountability to the meetings – for example, the 'pre approved' scope

TfNSW engagement for Catia: Should be approved

From a TfNSW account perspective, this engagement should be approved.

TfNSW's executive sponsor (Tracey) has assured that they will manage any issues or conflicts with TAHE and be accountable for the same.

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Ethically and professionally, I believe that this is appropriate. We should be providing advice to agencies – and agencies should be managing the consistency with Cabinet and government policy.

As a firm, we should be trying to be much less visible in Cabinet machinations and games in future, noting we are currently stuck where we are until Cabinet's next decision later in the year.

If we did not accept Catia's engagement on conflict grounds, it would be a (very) negative signal about our commitment to TfNSW - who are our now largest NSW government account, after a long-time in the wilderness.

I think that would compound the damage already done – and likely have broader negative reputational consequences for us across transport agencies.

I would strongly advise that we (promptly and gratefully) accept the expanded scope that Catia has put forward.

I think also relevant is that Heather's last rounds of drafts now limit her current advice to TAHE's administrative 'stand up' on 1 July 2020. This means technically Catia's ET work could not be in conflict with the Firm's current fiscal advice.

It could only conflict if Heather provided new and separate advice relevant to TfNSW and TAHE's structure, that found that structural changes could not occur.

Updated final report from initial round: Should be noted by Paul Low as second partner

As noted in my email last week, we have provided a completed draft of the initial advice to TfNSW. It has been reviewed by Paul Low as second partner and approved.

It will be sent by TfNSW to NSW Treasury for comment in the next few days.

They have opted to manage the feedback from Treasury directly, which again removes us from the front line of the discussion, which is good.

This should be noted at COC today.

I do not want to get yelled at by James or Heather – so I believe you should raise this Paul.

David – it would be good if you could express your view on the conflict issue for Catia – noting that you are the

These thoughts to inform your deliberations as the COCG member – but of course happy to talk to anything you suggest.

Best

Brendan.

From: Davies, Curtis

Sent: Tuesday, 21 July 2020 6:25 PM

To: Hunter, James (Sydney)

; Linke, David

; Lucas, Joel

Cc: Lyon, Brendan

; Davim, Catia

; Watson, Heather

; Pretorius, Carl

Subject: TAHE conflict committee

Lyon, Brendan

From: Lyon, Brendan
Sent: Tuesday, 21 July 2020 1:00 PM
To: King, Andrew (AUS)
Cc: Linke, David; Hunter, James (Sydney); Lucas, Joel; Low, Paul; Davim, Catia; Watson, Heather
Subject: RE: TAHE COGC - draft accounting deliverable attached

41

Hi Andy, thanks went well.

We can talk at the COC meeting tomorrow about it.

Cheers to all

Brendan

From: King, Andrew (AUS)
Sent: Tuesday, 21 July 2020 9:12 AM
To: Lyon, Brendan
Cc: Linke, David ; Hunter, James (Sydney) ; Lucas, Joel
; Low, Paul ; Davim, Catia ; Watson,
Heather
Subject: RE: TAHE COGC - draft accounting deliverable attached

Hi Brendan

How did your discussion with Fiona Trussell go yesterday? Is there anything that we should be aware of?

Thanks

Andy

From: Watson, Heather
Sent: Sunday, 19 July 2020 8:21 PM
To: Lyon, Brendan ; Linke, David ; Hunter, James (Sydney)
; Lucas, Joel ; King, Andrew (AUS) ;
Low, Paul ; Davim, Catia
Subject: RE: TAHE COGC - draft accounting deliverable attached

Evening all

Our scope of works contains a mixture of specified deliverables and other ad-doc activity. As part of the highlighted line item below we will help Treasury document the specifics of the State's fiscal strategy as it applies to TAHE.

The State's fiscal strategy and the specific TAHE fiscal objectives already exist - we do not need to develop these. We will help Treasury document what is meant by "sustain the accounting treatment over time". This fiscal objective has been in place for some years and was referenced in KPMG's earlier 'TAHE Initial Assessment of Options' (extract below). With TAHE now established, it is timely for Treasury to ensure all stakeholders have a common understanding of what the fiscal objective means – it is recognised that stakeholders need more than verbal briefings to achieve this outcome.

Lyon, Brendan

From: Lyon, Brendan
Sent: Tuesday, 21 July 2020 9:14 AM
To: Linke, David
Cc: Low, Paul
Subject: FW: TAHE COGC - draft accounting deliverable attached

40

Can one of you two respond to this pls?

I won't have the gravitas of a long-termers.

From: King, Andrew (AUS)
Sent: Tuesday, 21 July 2020 9:12 AM
To: Lyon, Brendan
Cc: Linke, David ; Hunter, James (Sydney) ; Lucas, Joel
; Low, Paul ; Davim, Catia ; Watson,
Heather
Subject: RE: TAHE COGC - draft accounting deliverable attached

Hi Brendan

How did your discussion with Fiona Trussell go yesterday? Is there anything that we should be aware of?

Thanks

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From: Watson, Heather
Sent: Sunday, 19 July 2020 8:21 PM
To: Lyon, Brendan ; Linke, David ; Hunter, James (Sydney)
; Lucas, Joel ; King, Andrew (AUS) ;
Low, Paul ; Davim, Catia
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Evening all

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The State's fiscal strategy and the specific TAHE fiscal objectives already exist - we do not need to develop these. We will help Treasury document what is meant by "sustain the accounting treatment over time". This fiscal objective has been in place for some years and was referenced in KPMG's earlier 'TAHE Initial Assessment of Options' (extract below). With TAHE now established, it is timely for Treasury to ensure all stakeholders have a common understanding of what the fiscal objective means – it is recognised that stakeholders need more than verbal briefings to achieve this outcome.

I expect that our work will consist of various conversations with Treasury to gather information that we will then pull together on their behalf into a single document. They will then use this document as the starting point for discussions with stakeholders. We planned to have the initial discussion about this activity with them last week, but their diaries did not permit.

Lyon, Brendan

From: Lyon, Brendan
Sent: Monday, 20 July 2020 9:46 AM
To: Fiona Trussell
Subject: TAHE fiscal strategy issue (Commercial & NSW Cabinet in Confidence) KPMG Restricted

39

Hi Fiona,

I am responding to your question regarding a potential conflict between KPMG's work supporting the response to NSW Cabinet – and a possible engagement between KPMG and NSW Treasury to provide separate fiscal strategy advice.

I have raised this with David Linke – who has made inquiries over the weekend. Accordingly I advise:

- 1) KPMG has not accepted any new engagements related to the long-term fiscal strategy for TAHE;
- 2) Heather Watson has advised she has had some preliminary discussions with Treasury along these lines;
- 3) Any potential engagement will be subject to the review and approval of David Linke's dedicated conflict committee;

Thanks again for raising it, it helps us to ensure discipline and consistency in our approach over the coming months.

I'll let you know if anything relevant arises from this.

Warm regards,

Brendan

Brendan Lyon | Partner

Deal Advisory - Infrastructure & Projects

International Towers

300 Barangaroo Avenue

Sydney NSW 2000 Australia

M:

E: b.lyon@kpmg.com.au



Lyon, Brendan

From: Lyon, Brendan
Sent: Sunday, 19 July 2020 8:18 PM
To: Low, Paul; Linke, David
Subject: Re: Important

38

Great. She did say it was circulated and signed off. Which means we should all have it.

There's a LOT of things that are not quite as they seem or as reported.

She def and categorically said it was pre circulated and approved by coc - so I'd say 'where is the email heather?'

If not - it's new scope.

Anyway - for you two to worry about 😊

Brendan Lyon
Partner
Infrastructure & Projects Group
KPMG

From: Low, Paul
Sent: Sunday, July 19, 2020 8:07:22 PM
To: Lyon, Brendan ; Linke, David
Subject: RE: Important

Hi Brendan

Andy has come back and noted the request. He said he would raise with Heather -they did catch up late Friday and he thinks the fiscal strategy piece is still evolving but is focussed on what would be required to maintain the accounting treatment over time. He said that he was aware that Heather had further discussion in the early part of the week with Treasury that would shape thinking.

○ indicated that your catch up with Fiona was 8 am tomorrow.

Perhaps your position with Fiona tomorrow is that the paper and briefing materials were still being settled with Treasury with the focus on what strategy is required over time to sustain the accounting treatment.

He and I agreed to separately catch up re wider interface.

Regards

Paul Low
National Leader – Infrastructure, Government and Healthcare

KPMG
Riparian Plaza, 71 Eagle St
Brisbane QLD 4000 Australia

Tel
Mob

kpmg.com.au

From: Lyon, Brendan
Sent: Sunday, 19 July 2020 2:39 PM
To: Linke, David ; Low, Paul
Subject: Important

I don't want to revert and say 'no response from KPMG' - obviously- but it's hard if there's no response.

can one of you two encourage a response?

I'm talking to Fiona at 8 tomorrow.

37

Thanks

Brendan Lyon
Partner
Infrastructure & Projects Group
KPMG

From: Lyon, Brendan
Sent: Sunday, July 19, 2020 7:51:55 AM
To: Watson, Heather ; Linke, David ; Hunter, James (Sydney)
; Lucas, Joel ; King, Andrew (AUS) ;
Low, Paul ; Davim, Catia
Subject: Re: TAHE COGC - draft accounting deliverable attached

Hi heather - i told Fiona trussell I'd get back to her tomorrow re this- can you pls recirculate as below so I can do a note for her?

Please let me know if that's a problem.

Thanks

Brendan Lyon
Partner
Infrastructure & Projects Group
KPMG

From: Lyon, Brendan
Sent: Friday, July 17, 2020 11:19:36 AM
To: Watson, Heather ; Linke, David ; Hunter, James (Sydney)
; Lucas, Joel ; King, Andrew (AUS) ;
Low, Paul ; Davim, Catia
Subject: RE: TAHE COGC - draft accounting deliverable attached

Hi Heather,

You mentioned that the scope for the TAHE fiscal strategy had been circulated; but I don't seem to have it. I may have misplaced it.

Either way, could you please resend – I have been asked by Fiona Trussle at TfNSW about this work. She's aware of it via the TAHE board papers I expect – if you could share your scope again it would be appreciated.

Brendan

36

From: Watson, Heather

Sent: Wednesday, 15 July 2020 4:02 PM

To: Linke, David

; Hunter, James (Sydney)

; Lucas, Joel

; King, Andrew (AUS)

; Low, Paul

; Lyon,

Brendan

; Davim, Catia

Subject: TAHE COGC - draft accounting deliverable attached

Hi all

Sending on in response to James' request. This draft deliverable was provided to Treasury and Transport last week. We have received some feedback today that we have not yet considered in detail but contains no fundamental disagreements with the conclusion.

- The State's fiscal objective for rail assets is that they remain outside the GGS. The GGS could record the assets if arrangements in respect of heavy rail were in scope of AASB 1059. If in scope, TfNSW would record heavy rail infrastructure as service concession assets on its own balance sheet. We considered the issue and have written technical advice that concludes that the arrangements are not in scope.

Our conclusions are based on the current fact pattern. The arrangements have a term of 12 months. We have not considered how AASB 1059 may apply to future arrangements, which are not yet defined.

Heather Watson

Partner

Audit, Assurance & Risk Consulting

CFO Advisory

KPMG

Tower Three

International Towers Sydney

300 Barangaroo Avenue

Sydney NSW 2000 Australia

Tel

Mob

kpmg.com.au



Lyon, Brendan

From: Lyon, Brendan
Sent: Sunday, 19 July 2020 6:47 PM
To: Low, Paul
Subject: Re: TAHE COGC - draft accounting deliverable attached

Wow. Ok

Brendan Lyon
Partner
Infrastructure & Projects Group
KPMG

From: Low, Paul
Sent: Sunday, July 19, 2020 6:40:47 PM
To: Lyon, Brendan
Subject: Re: TAHE COGC - draft accounting deliverable attached

No response yet

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From: Lyon, Brendan
Sent: Sunday, July 19, 2020 3:44:21 PM
To: Low, Paul ; Linke, David
Subject: Re: TAHE COGC - draft accounting deliverable attached

Excellent thanks Paul

Brendan Lyon
Partner
Infrastructure & Projects Group
KPMG

From: Low, Paul
Sent: Sunday, July 19, 2020 3:29:09 PM
To: Linke, David ; Lyon, Brendan
Subject: Re: TAHE COGC - draft accounting deliverable attached

FYI
Regards
Paul

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From: Low, Paul
Sent: Sunday, July 19, 2020 3:28 pm
To: King, Andrew (AUS)
Subject: Fwd: TAHE COGC - draft accounting deliverable attached

Hi Andy

34

I refer to emails below.

I appreciate that the absence of the NDA agreed with Transport is limiting equal sharing of scope and artefacts and as per Friday discussion Joel and David L are advancing with Rodd Staples to get clearances in place.

In the meantime as per James' request I'm keen that this situation doesn't continue to cause tension between Heather and Brendan.

Where we appear to have an impasse perhaps you and I can be the point of escalation across the two engagements.

I'm not sure if there is an issue with Heather providing or responding to Brendan's request below from Friday. It may be that as per her reference to the CoC, she is finalising the fiscal strategy board paper for consideration this week and will provide that to CoC members and group as that is done. The key for me outside of ensuring the relevant EP is comfortable that the advice I has had sufficient review before circulating is to ensure that we are seen to be coordinated internally.

If this is an issue with the request from Brendan and /or if there are any matters here requiring attn let me know.

Thanks
Paul

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From: Lyon, Brendan
Sent: Sunday, July 19, 2020 7:53 am
To: Watson, Heather; Linke, David; Hunter, James (Sydney); Lucas, Joel; King, Andrew (AUS); Low, Paul; Davim, Catia
Subject: Re: TAHE COGC - draft accounting deliverable attached

Hi heather - i told Fiona trussell I'd get back to her tomorrow re this- can you pls recirculate as below so I can do a note for her?

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Brendan Lyon
Partner
Infrastructure & Projects Group
KPMG

From: Lyon, Brendan
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; Lucas, Joel ; King, Andrew (AUS)
Low, Paul ; Davim, Catia
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Brendan

From: Watson, Heather

Sent: Wednesday, 15 July 2020 4:02 PM

To: Linke, David ; Hunter, James (Sydney) ; Lucas, Joel
; King, Andrew (AUS) ; Low, Paul ; Lyon,
Brendan ; Davim, Catia
Subject: TAHE COGC - draft accounting deliverable attached

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Heather Watson

Partner
Audit, Assurance & Risk Consulting
CFO Advisory

KPMG
Tower Three
International Towers Sydney
300 Barangaroo Avenue
Sydney NSW 2000 Australia

Tel
Mob

kpmg.com.au



Lyon, Brendan

From: Lyon, Brendan
Sent: Friday, 17 July 2020 9:39 AM
To: Linke, David; Low, Paul
Subject: Points that someone should raise today -

Importance: High

Good analysis 😊

As part of my new zen strategy of minimising interactions with people and things that don't make me happy, I am intending to say as little as possible in the COC meetings from now on.

Accordingly, I am providing a few items below that someone should address – either you David or Paul – or neither if you don't agree with them.

CFOA and COCG

- 1) CFOA continues to provide draft deliverables to TfNSW, without providing them to us.
- 2) Their (quite late) accounting deliverables are precisely relevant to our work for TfNSW – and are in fact delaying some of our work on op models
- 3) We are forced to request them via TfNSW each time -
- 4) The COCG policies mean that these should have properly come to COCG before being issued – and is a breach of the terms
- 5) This continued lack of internal coordination and control does not support David's discussion with Rodd and Fiona – (see below)
- 6) In my view, this is an ongoing embarrassment to KPMG – in front of our largest client.

CFOA and AASB 10

- 1) CFOA have not delivered their opinion on AASB 10 (control)
- 2) Someone should ask them about it – and insist it comes to COCG before being released.
- 3) If we recommend a rail sector that's beyond control and structurally split, we would likely be a laughing stock in transport

CFOA's ongoing work:

- 7) The TAHE Board papers advise that Heather is providing advice to treasury on the 'fiscal strategy' for TAHE
- 8) Fiona Trussell is very eager to ensure that there is alignment and not competing efforts regarding operating model design for TAHE
- 9) Could you or have a short written brief about the scope, outcomes and impacts of the proposed new work and how it relates to TfNSW's work (and our engagement) to develop a long-term TAHE operating model – with the intention of sharing it with Fiona Trussell and Rodd Staples so they can understand how we have managed potential conflicts.

Final draft of options paper

- 1) I have completed the final draft of the initial options paper – which has been reviewed by Paul Low.
- 2) We are taking on some minor comments from TfNSW
- 3) With NDA unresolved, we cannot share it until TfNSW have agreed.

From: Linke, David
Sent: Thursday, 16 July 2020 12:29 PM
To: Lyon, Brendan ; Low, Paul
Subject: FW: TAHE COGC - draft accounting deliverable attached

Fyi

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From: Linke, David

Sent: Thursday, 16 July 2020 12:27 PM

To: Watson, Heather

Cc: Hunter, James (Sydney)

; Lucas, Joel

; King, Andrew (AUS)

Subject: RE: TAHE COGC - draft accounting deliverable attached

Heather

Thanks for sending this through . I know we are catching up tomorrow. Could we discuss at that meeting or beforehand one aspect which I do not understand :

1. Under Section 3E Schedule 1 of the Transport Administration Act 1988 TfNSW has the function to contract for the delivery of transport services – contracting, on behalf of the State, with public transport authorities or the private sector, for the delivery of transport services, including the setting of performance targets and service standards.
2. To operate 1059 requires that a Grantor (whoever that may be) grants the right of access to the service concession asset to the operator . The service concession arrangement is a contract wherein the operator has the right of access to assets to “provide public services on behalf of the Grantor for a specified period of time”. The public services is railway services.
3. So the question is who is the Grantor? The thesis is that the legislated functions of TfNSW is not the provision of railway services (referencing Section 3E Schedule 1). Therefore it cannot be the Grantor. I presume railway services are encompassed within the purview of transport services and the reference to “contract” in the enabling legislation must mean it has legal capacity to reach agreement with either a public entity or a private sector entity. I therefore accept that TfNSW cannot conduct railway services itself – it needs to contract a third party do undertake those services. However, does this mean it is not the Grantor?
4. The alternate view , which is ventilated in another section of the paper, is that TfNSW is acting as agent for the State (or the Minister in the right of the Crown I presume) in which case the rebuttable presumption is that it is not acting as principal. If this is the correct interpretation then I presume the Crown is the principal? Does this mean that the Crown is the Grantor? I have not reviewed the Transport Administration but it would be good to understand whether TfNSW has general contracting power . If the argument is that TfNSW cannot contract in its own right this seems to be a legal issue on which someone should get advice I presume?

I am not an expert on accounting standards so please take these questions in the spirit of attempting to understand the analysis.

Thanks

David

From: Watson, Heather

Sent: Wednesday, 15 July 2020 4:02 PM

To: Linke, David

; Hunter, James (Sydney)

; Lucas, Joel

; King, Andrew (AUS)

; Low, Paul

; Lyon,

Brendan

; Davim, Catia

Subject: TAHE COGC - draft accounting deliverable attached

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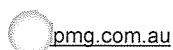
Heather Watson

Partner
Audit, Assurance & Risk Consulting
CFO Advisory

30

KPMG
Tower Three
International Towers Sydney
300 Barangaroo Avenue
Sydney NSW 2000 Australia

Tel
Mob



Lyon, Brendan

From: Lyon, Brendan
Sent: Monday, 13 July 2020 1:18 PM
To: Linke, David
Subject: FW: TAHE - FP NFP classification - draft advice

29

Heather appears to have delivered most of the draft positions today.

As below, she's emailing transport directly (my client) – but with no notice; or discussion to the COC group – and I'd say without the level of coordination that we are telling Rodd we will bring precisely because of Heather and this engagement.

Anyway, I'll leave with you and get back to it.

From: Paflioti, Persa
Sent: Monday, 13 July 2020 1:05 PM
To: Lyon, Brendan ; Yi, Matthew ; Leech, Ross
; Russell, Dave ; Harris, Gavin
Subject: FW: TAHE - FP NFP classification - draft advice

From: Peter Perdikos
Sent: 13 July 2020 13:00
To: Yi, Matthew ; Paflioti, Persa ; Leech, Ross
; Harris, Gavin
Subject: FW: TAHE - FP NFP classification - draft advice

FYI

From: Watson, Heather
Sent: Friday, 3 July 2020 5:20 PM
To: Andrew Alam ; Peter Crimp
c: Elise Naylor ; Lynn Herisson ;
Peter Perdikos ; Jeanne Vandenbroek
; Lee, Simon ; Teh, Jessica
Subject: TAHE - FP NFP classification - draft advice

Afternoon all

As mentioned earlier, attached is a draft paper on factors relevant to NFP versus FP classification. Ultimately it is the board's responsibility to make the judgement as to whether TAHE is FP or NFP for accounting purposes. To that end, we suggest the following steps:

- KPMG to meet with TAHE management to discuss the FP NFP determination (Peter C and Anne H). We will not spend a lot of time working through the detail of this advice. The focus of the discussion is more on the implications of the determination and content of a briefing to the Board.
- KPMG to prepare the basis of the board paper for management – the board paper will be supported by the advice

- KPMG to update draft for feedback and context provided from discussions with management (and broader technical feedback from Peter C, Elise and Accounting Policy in Treasury)
- Board to make determination
- Provision of final advice and board determination (including rationale) to the auditors.

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Ideally, most of this would happen next week. Is it possible to investigate potential timings for the management discussion ASAP?

Happy for thoughts on the above pathway too.

Heather Watson

Partner
Audit, Assurance & Risk Consulting
CFO Advisory

KPMG
Tower Three
International Towers Sydney
300 Barangaroo Avenue
Sydney NSW 2000 Australia



kpmg.com.au



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Lyon, Brendan

From: Linke, David
Sent: Tuesday, 7 July 2020 8:05 AM
To: Rodd Staples
Cc: Fiona Trussell; Lyon, Brendan; Kirsten Watson; Lucas, Joel; Blakey, Gayle
Subject: RE: KPMG TAHE protocols

Categories: FYI

27

Rodd

I have considered each of your questions below . Before I send you something in writing I would like to discuss a number of the matters to explain our thinking. I propose to organise a call tomorrow or Thursday with this group, Joel and I .

Is there an EA Gayle can work with to find a time which works for you and your team.

Thanks

David

From: Rodd Staples
Sent: Friday, 3 July 2020 11:56 AM
To: Linke, David
Cc: Fiona Trussell ; Lyon, Brendan ; Kirsten Watson
Subject: RE: KPMG TAHE protocols

David

Thank you for the call on Wednesday and the email below. We do appreciate you stepping in and taking action in relation to this matter. We have reviewed your material and provide the following feedback:

1. Noting specific points raised in 2-7 below, the attachment appears more an internal document. We suggest you actually turn this into something that is a client facing mitigation plan that outlines your commitments to us, not to yourselves.
2. We note the attachment is explicit that the Committee's role is to 'Protect the best interests of KPMG'. While we understand the intent behind this it raises doubts for us as to how this will align with committee assessing the impact on and the interests of Transport for NSW (TfNSW) or NSW Treasury, your two clients.
3. It is unclear to us what the references to the 'TAHE Team' means. Is this the team working on the contract with Treasury, or the contract with TfNSW, or both? We would have thought there are two teams here with clear lines of delineation. We also have at least one other related contract in Evolving Transport organisation design, which is the starting point of this entire issue. This contract and the operation of the team needs to be included in the oversight of the committee.
4. You will be aware that you have a number of other engagements with agencies across the transport cluster. Noting that a number of these scopes pivot off our overall Evolving Transport strategy, which to date has been disregarded in KPMG's advice to NSW Treasury, we would ask that you review all engagements across the transport cluster and assess the need for these to be included in the mitigation plan.
5. Some other specific comments on the attachment include:
 - a. Clause 6 – refers to "All partners.....need to prioritise the interest of the State ahead of individual priorities or demands of individual departments...." We are not sure what the basis of the judgement of the prioritisation would be? KPMG have commenced working on a scope of works

Lyon, Brendan

From: Rodd Staples
Sent: Friday, 3 July 2020 11:56 AM
To: Linke, David
Cc: Fiona Trussell; Lyon, Brendan; Kirsten Watson
Subject: RE: KPMG TAHE protocols

Follow Up Flag: Follow up
Flag Status: Flagged

26

Categories: FYI

David

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5. Some other specific comments on the attachment include:
 - a. Clause 6 – refers to "All partners.....need to prioritise the interest of the State ahead of individual priorities or demands of individual departments...." We are not sure what the basis of the judgement of the prioritisation would be? KPMG have commenced working on a scope of works that supports the Cabinet outcome regarding risk. Does this mean the current scope of works that we have both approved stands or do KPMG require to reassess based on this Clause? We are also interested as to how you will make this assessment on an ongoing basis throughout the period of your engagements with TfNSW.
 - b. Clause 11 – requires your staff (assuming TAHE team are the KPMG nominated staff) to ensure "no discussion should be taken by the TAHE team.....which is contrary to the decisions made a COGC..." Comment: What are your returned protocols with TfNSW once you have made various internal decisions? What is the risk to each of your engagements as currently approved?
 - c. Could you also add something in there around TAHE as a separate legal entity? The KPMG work to date has been on behalf of NSW Treasury and TfNSW, whereas TAHE as a SOC now sits outside that construct and in the Commercial Conflicts section perhaps something needs to be broadened that if TAHE as a separate legal entity specifically seeks to engage KPMG for work, we would wish to be consulted for us to be satisfied over our own conflicts?
6. The rationale for the specific committee members is not clear to us, but should be included in the mitigation plan. To be clear, we would expect that no member of the committee has a senior ongoing relationship with either TfNSW or NSW Treasury, or is involved in the day to day work of any of the three contracts referred

to above. The inclusion of Andrew King appears sensible, but I do not know James Hunter or what ongoing role he has. Therefore, we will reserve any comment on his inclusion until this is clarified.

7. In order to finalise this I suggest you write to us under all of our related contracts to formally confirm and commit to your conflict of interest mitigation plan. In doing so we would appreciate you taking account of our feedback above.

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Finally, we are yet to understand how this issue first arose. It seems to have been forgotten that the first issue here was a failure to notify us of a conflict under our Evolving Transport organisational design contract, when you chose to commence the work with NSW Treasury (or when the progress of this work subsequently created one). We met with three of your senior people on Monday 16th March and asked for an explanation of how this situation could have arisen and what steps KPMG would take to avoid it happening again. We are yet to get any advice in relation to this, but will eventually seek it through the contract if necessary. You will note that we have acted in good faith by expanding the scope of related engagements while this matter remains open.

I am available to discuss this further to assist you in finalising your mitigation plan.

Regards
Rodd

From: Linke, David
Sent: Thursday, 2 July 2020 8:04 AM
To: Rodd Staples
Cc: Fiona Trussell ; Lyon, Brendan
Subject: KPMG TAHE protocols

Rodd

Enclosed are the TAHE Commercial Conflicts and Oversight Governance Protocols that I discussed on the phone last night .

The members of the Committee are James Hunter, Joel Lucas (our Risk Management Partner) and me. This committee has been established to have oversight and governance of both streams of work to ensure that conflicts that may emerge are identified early, managed and communicated effectively to all parties involved. It is also designed to ensure a close working relationship between the teams while ensuring confidentiality protocols are adhered to. Brendan and Catia's team and Heather's team all report to the Committee.

Reflecting on the conversation last night I am asking for approval for the members of that committee to obtain access to the various scopes, documents and other necessary documentation from a Transport perspective such that the committee can achieve its objectives. This would cover James, Joel and me. I also think, as discussed, we need technical accounting input on the various Transport matters since the accounting outcomes for TAHE are a key deliverable. As such I suggest that a partner Andrew King also be added to this Committee. Andrew is the second partner reviewing all work on the Treasury TAHE project and would, in my view, act as the bridge across both the Transport objectives and the technical accounting conclusions.

I realise this is unusual as he is the reviewing partner on the Treasury engagement. However, Andrew is a senior partner trusted by me who I believe can play this role in a manner that both parties can have confidence in .

Below is the revision to the Treasury engagement letter that was issued by Treasury yesterday and I am asking that Transport have a similar revision in order that we can put these procedures in place:

"KPMG has implemented project governance arrangements aimed at managing actual and potential conflicts of interest that may arise in respect

Lyon, Brendan

24

From: Linke, David
Sent: Thursday, 2 July 2020 8:04 AM
To: [REDACTED]
Cc: [REDACTED]; Lyon, Brendan
Subject: KPMG TAHE protocols
Attachments: TAHE Commercial Conflicts Oversight and Governance Protocols June20 v3.pdf

Rodd

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Below is the revision to the Treasury engagement letter that was issued by Treasury yesterday and I am asking that Transport have a similar revision in order that we can put these procedures in place:

"KPMG has implemented project governance arrangements aimed at managing actual and potential conflicts of interest that may arise in respect of the TAHE Commercialisation Project i.e. the cross-cluster project to establish TAHE as an independent State Owned Corporation. KPMG personnel involved in this project governance activity are considered team members who are authorized to access to relevant Project documentation, including items identified as Cabinet in Confidence".

In the Transport variation this would be limited to James, Joel, Andrew and me.

The Committee meets weekly and I am happy to come back to you regularly to update you. As you can appreciate if there is anything I think you need to know immediately then I will contact you.

Should you have any queries please contact me.

David

Lyon, Brendan

From: Lyon, Brendan
Sent: Tuesday, 30 June 2020 2:29 PM
To: Low, Paul
Cc: Yi, Matthew; Harris, Gavin
Subject: FW: TAHE update [DLM=Sensitive]

Importance: High

Dear Paul,

As discussed I received this overnight from transport, after requesting it when I heard Heather mention it on the TAHE stand up call.

I have given to David Linke late this morning.

It confirms the technical challenges and budget risks that I have been flagging; and suggests that Auditor General is not relaxed about KPMG's advice.

It's likely KPMG and Treasury will share the 'credit' if TAHE fails on accounting alone and the budget it written down by \$3-10 billion.

Anyway, background for you as my august second partner.

I am off to the boat to keep relaxing ☺

From: Somaiya Ahmed
Sent: Thursday, 25 June 2020 3:56 PM
To: Brenda Hoang ; Peter Perdikos
Subject: TAHE update [DLM=Sensitive]
Importance: High

Sensitive

Hi Brenda/Peter

Thanks for providing the Advisory Board/Steering Co minutes.

Over the past few months we have had ongoing discussions on TAHE and I have raised several questions and consider points. I acknowledge you have said these are all being considered as part of the process and KPMG are looking at some of these aspects.

Given now TAHE is about to commence on 1 July 2020, I am hoping there are answers to some of the questions I have raised. Just for completeness purposes, I thought it would be best to list all the matters I have raised in the last few meetings. That way we can have a more focused discussions on these points in our next catch up.

In our May meeting we raised the following queries:

- Financial reporting implications on RailCorp 30 June 2020.

- Understanding the impacts of AASB 1059 and AASB 16. Previous PWC paper indicated assets may come back to Transport books under AASB 1059. However, you are now working with KPMG to work through the impacts. We asked for the assessment paper once ready to be shared with us.
- Accounting implications from a consol perspective for Department of Transport. You mentioned you are getting some advice and will share the advice with us when available.
- We asked about whether you would engage an external valuer to measure the impact on valuation at transition.

In our June meeting we raised the following queries:

- Impact of current year financial statements – for RailCorp, Department of Transport, Sydney Trains, NSW Trains and Transport for NSW. You mentioned you are still working out what the disclosures will look like. As discussed in the meeting, we will need the information with sufficient time for us to be able to do our checks prior to sign off given the significance of it.
- For TAHE would there be comparatives – you mentioned you will ask KPMG to consider this as part of their review
- RailCorp ARC will cease on 30 June 2020. From 1 July 2020, the TAHE Board of Directors will form a subcommittee for the ARC. This new ARC will be signing off the 30 June 2020 RC accounts. How will the new ARC demonstrate their understanding of the RC accounts given they were not around for the financial year ended 30 June 2020?
- The agency agreements and SLAs were being drafted. There will be agency agreements between TAHE/TfNSW, TAHE/ST and TAHE/NSWT. The ST and NSWT agreements will have details on track access, rolling stock access, etc. What is the status of these agreements and when can you share with us?
- Operating license between the Minister and Board of TAHE was being drafted. We will need to see this license to understand any potential financial reporting implications. What is the status of these agreements and when can you share with us?
- Charter and constitution was being drafted and setting up the Board. What is the status of these agreements and when can you share with us?
- Transport Secretary was to nominate an interim CEO. Has he nominated someone?
- Access fees – at this point, you mentioned the plan is to have access fees in the longer term model, but not on day one. We asked you to consider the following:
 - AASB 16 impact on ST/NSWT. If there are no access fees, does that mean it is a concessionary lease arrangement? Once there are access fees will ST and NSWT record the right of use asset in their books for rolling stock?
 - Impact on valuation – if there are no access fees for NSWT/ST, then there is no expected cash flows for a significant portion of the assets. If TAHE is for-profit, what is the impact on the valuation. You mentioned you are working through these with KPMG.
- There was a workshop to work through the fiscal impacts, financial modelling and flow of funds. Can we please have an update on the outcomes of this workshop.

More recently we have been informed that TAHE will be not-for-profit on day 1 and in the longer term will move to a for-profit status. What is the trigger point that changes the status of the entity? Have you done the classification assessment to ensure TAHE meets the not-for-profit classification in line with TPP 05-4?

I also noted in the 8 May meeting minutes a comment regarding an action to obtain a level of comfort from the Audit Office on the implementation approach for TAHE and positions on new accounting standards.

Extract from minutes: ACTION: MP requested SM / AH to engage with the Audit Office pre-Cabinet to provide comfort to TfNSW and Treasury executives.

I just wanted to clarify, although I have been regularly asking for updates and position papers relating to TAHE, most of this has remained answered (per above) as we were advised that you are still working through it and will be provided once it's ready. We have also only received an update twice this year (May and June) despite asking for a meeting since February. Therefore, we haven't really been able to discuss our views on the implementation approach or the impacts of the new accounting standards as we have not received the relevant information. We can only provide our views once we obtain the requested information.

Also noted mention of the Rail Farebox revenue paper in the minutes. We have reviewed this paper in the context of the current arrangements in place. We have not considered this paper in the context of TAHE as this was not explained in the paper or mentioned to us.

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Looking forward to our next meeting.

Kind Regards
Somaiya

Somaiya Ahmed
Director
Financial Audit

T | M | F
E
Level 19, Darling Park Tower 2, 201 Sussex Street, Sydney
GPO Box 12, Sydney, NSW 2001

audit.nsw.gov.au



Lyon, Brendan

From: Lyon, Brendan
Sent: Tuesday, 16 June 2020 11:04 AM
To: Linke, David; Lucas, Joel
Cc: Low, Paul; Yi, Matthew
Subject: NSW CABINET IN CONFIDENCE & COMMERCIAL IN CONFIDENCE: ETHICS ADVICE TAHE

Importance: High

Gentlemen,

This week I have a meeting with transport & treasury officials to receive feedback on the draft report that (treasury) attached to the joint cab sub.

Given that fiscal accounting may be part of the feedback, I would ordinarily take the second partner on my initial engagement – who is Heather Watson.

The attendees will be:

- Anne Hayes, Deputy Secretary TfNSW
- Fiona Trussell, Deputy Secretary TfNSW
- Cass Wilkinson, Assistant Secretary, and TAHE lead, Treasury
- Andrew Alam, contractor to treasury and TAHE lead
- Brendan Lyon, KPMG engagement partner.
- Matt Yi, KPMG – engagement director

Given that I and TfNSW's senior executive have observed independence and ethics challenges from Heather - and that I have also found her professionally very challenging to manage - my intention is not to have Heather along.

However, noting the internal complexity of this matter I would appreciate your collective advice or suggestions.

Thanks in advance –

And Paul – welcome aboard the happiest job in the commonwealth ☺

Brendan Lyon | Partner

Deal Advisory - Infrastructure & Projects

International Towers

300 Barangaroo Avenue

Sydney NSW 2000 Australia

M:

E: | kpmg.com.au



Lyon, Brendan

From: Lyon, Brendan
Sent: Friday, 12 June 2020 10:01 AM
To: Lucas, Joel
Cc: Linke, David
Subject: methodology

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Dear Joel,




Attached is the methodology of our current work for TfNSW on TAHE. This is on foot; responds directly to the Cabinet submission; and has an upper limiting fee of \$1 million.

I have not circulated this more broadly to the COCG group; because we will need to discuss some requirements from TfNSW around confidentiality of their data through this engagement.

Perhaps you and I should discuss offline rather than in this morning's call – but TfNSW are being very direct about them agreeing which personnel can see their stuff..

Methodology

Agreement to the Joint Cabinet Submission sees TfNSW with carriage over the detailed development and refinement of a TAHE operating model – which will continue to be assessed against the Cabinet endorsed objectives agreed at the start of our initial scope.

 Fiscal	 Organisational	 Operational
<ul style="list-style-type: none">• Meet accounting standard requirements, by 1 July 2020.• Sustain the accounting treatment, over time.• Maintain PNFC classification from the ABS:<ul style="list-style-type: none">– For-profit: TAHE– Not-for-profit: ST and NSW	<ul style="list-style-type: none">• Support TfNSW's 'Evolving Transport' long-term operating model• Support a long term model that improves the management of assets, commerciality, and transparency of the use of public funds• Facilitate the integration of networks, services and project planning, across modes and with a customer focus• Allow future reform to rail service delivery models• Account for the TAHE Board's duties and corporate objectives	<ul style="list-style-type: none">• Maintain and enhance safe network operations• Create clear, logical operational accountabilities between TAHE, TfNSW and rail service operators

Stage 1: 'Kick off' and early tasks

With circa 120 days until a final deliverable is needed, our team are 'up to speed' and ready to proceed. Accordingly, the 'kick off' process will be limited to an efficient discussion around key objectives, governance and overall approach.

The key elements of this stage will be:

- **Define key milestones, governance and any additional objectives**
 - Detailed discussion on Cabinet and TfNSW objectives.
 - Agreement about the form of Cabinet advice for October.

- Agreement about Treasury and other stakeholder consultations.
- Agreement about engagement reporting and governance.
- **Revisit and begin to define the TAHE options:**
 - Our assessment of TAHE will consider three fundamental models, being:
 - TAHE Real;
 - TAHE for NSW; and
 - A hybrid model.
 - The third transitional option considering TAHE as a financing and asset ownership vehicle, within the context of near-term planned projects.
 - We will workshop these and any other relevant 'sub options' or hybrids with you.
 - We will consider how the options will be assessed or measured across Cabinet's organisational, operational and fiscal/financial objectives.

Deliverable: Project delivery summary in the form of an internal working paper, for agreement.

TAHE - Kick off and early tasks	2020															
	JUN				JUL				AUG				SEP			
	Week 2	Week 3	Week 4	Week 1	Week 2	Week 3	Week 4	Week 1	Week 2	Week 3	Week 4	Week 1	Week 2	Week 3	Week 4	Week 1
Define key milestones, governance and any additional objectives																
Revisit and begin to define the TAHE options																

The estimated fee for this stage is **\$57,578** (excluding GST).

Stage 2: Operational design

The defined options (and any sub options) from Stage 1, we will work with TfNSW to design and refine clear, real-world operating models for each.

These will be developed in consultation with key TfNSW officials and will act as a high level 'concept of operations' for the various TAHE options.

- **Functional specification:**
 - We will define what each TAHE option does, controls, owns, decides, operates and all other functional aspects will be carefully investigated, workshopped and described.
 - This will provide clarity at a granular level of who does what under each option.
 - This will be used to develop a high level concept of operations (CONOPS) for each TAHE option.

Deliverable: File-note detailing the functional specification of each TAHE option.

- **Consultation with TfNSW stakeholders**
 - We will use the functional specification to undertake targeted consultation with TfNSW stakeholders about likely impacts or effects.
 - This consultation will segment these issues according to Cabinet's objectives.
 - These consultations will be similar to those undertaken in the initial high-level consultations.
 - The outputs of these will be used to inform the design of the 'business rules' needed to control TAHE.

- **Design high-level 'business rules' required to resolve issues**

- Using the inputs from TfNSW consultations, we will design the 'business rules' needed to meet the operational and organisational objectives determined by Cabinet.
- We will undertake a further round of limited consultation to test the business rules with the same stakeholders, to understand whether they serve to resolve the identified issues.

Deliverable: File-note describing the 'business rules' developed, including the process of development and captured input from consultations.

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TAHE - Operational Design	2020															
	JUN				JUL				AUG				SEP			
	Week 2	Week 3	Week 4	Week 1	Week 2	Week 3	Week 4	Week 1	Week 2	Week 3	Week 4	Week 1	Week 2	Week 3	Week 4	Week 1
Functional specification																
Consultation with TfNSW stakeholders																
Design high-level 'business rules' required to resolve issues																

The indicative fee for this stage is estimated to be **\$297,924** (excluding GST). The fee for the operational design is based on certain assumptions including:

- 10 meetings with agreed and suitably qualified stakeholders (including NSW Treasury if appropriate).
- Three 'all-in' workshops with agreed stakeholders
- Allowance for time to consult with rail operators, TMC & ROC
- Our fee does not include an allowance for a safety assurance assessment, which we assume can be provided by Sydney Trains/TfNSW. If this is not possible, Axxess Advisory could be engaged by TfNSW or by KPMG to undertake this work as a sub-contractor.

Stage 3: Organisational design

TfNSW is mid-way through the most fundamental change to transport operations and governance in NSW's history; through 'Evolving Transport'.

Evolving Transport fundamentally seeks to place the 'customer at the centre' of TfNSW's strategy – moving away from mode-specific agencies for road and rail services – in favour of geographic, cross-modal functional alignments.

Without careful consideration and customisation, TAHE would have dire consequences on the Cabinet's agreed cluster-wide structural and service reforms.

Key stages include:

- **Define resource profile and implications:**

- We will consult with TfNSW to conceptualise the resourcing need and the implications of each model on budget, investment, and the existing entities such as TfNSW.
- We will articulate how TAHE may be staffed, and where those staff will come from.

Deliverable: Resourcing and operating file-note, outlining the headcount and other operational aspects posed by each TAHE option.

- **TAHE alignment with 'Evolving Transport':**

- With the functional and operational structure and resourcing of TAHE resolved – and initial 'business rules' developed under each option, we will consult with TfNSW's Evolving Transport team to identify areas of continuing friction.

- We will agree a qualitative assessment framework and provide any further 'business rules' needed under each scenario to accord with the purpose and intent of Evolving Transport.

Deliverable: File note providing an assessment of the alignment between Evolving Transport and each TAHE option.

TAHE - Organisational Design	2020															
	JUN				JUL				AUG				SEP			
	Week 2	Week 3	Week 4	Week 1	Week 2	Week 3	Week 4	Week 1	Week 2	Week 3	Week 4	Week 1	Week 2	Week 3	Week 4	Week 1
Define resource profile and implications																
Understand alignment with 'Evolving Transport'																

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The estimated fee for this stage is estimated to be **\$142,607** (excluding GST).

Stage 4: Detailed financial impacts and modelling

A weakness in the consideration of TAHE to date has been the reliance on a very rudimentary financial model, which lacks the capability to understand the impacts on various PNFC and GGS entities – or even the likely fiscal impacts.

This means that the development of a detailed and robust financial model, including a DCF, is a foundation stone of our approach. This model will allow TfNSW to have confidence in articulating the financial impacts of each approach.

- **Validate and confirm underlying data, confirm funds flow:** Validate and confirm underlying inputs and assumptions from PRIME and other sources to be used to develop forward estimates in the model. Confirm new funds flow arrangements and incorporate the impact of these into the model.
- **Build model from scratch:** Develop a new financial model from scratch which allows flexibility for current and future scenarios to be developed and tested – for example, modelling the price, cost and value impacts of different project development scenarios.
- **Model for refinements in operations and governance:** Update the model for refinements in operational and governance arrangements including but not limited to:
 - Governance and delivery of projects and programs (minor and major works including RM, MPM, upgrades, renewals and refurbishment); and
 - Appropriate mechanisms for the quantification of the potential return of excess capital from TAHE to the Crown or TfNSW.
- **Model for refinements in asset valuations:** Updating the model for refinements in asset valuations:
 - Integrate the existing historical asset register with future capital expenditure forecasted in the capital works plan. Confirm the cost predictions and incorporate into the model;
 - Refine assumptions on likely size of write-down based on access fee and CSO (including conducting a valuation of major assets using a DCF methodology). Confirm accounting treatment related to the ongoing write down of forecasted capital expenditure and incorporate this into the model; and
 - Consider the impact of asset valuations under Service Concession and Leases standards.
- **Model for operations and maintenance:** Update the model to reflect the TAHE implementation plan and desired end state.
- **Accounting opinion on appropriateness of fiscal treatment of TAHE option/s:** Seek accounting advice to identify the likely accounting treatments of TAHE option/s and update the model accordingly.
- **Describe detailed balance sheet impacts:** Confirm commercial policy framework requirements and update the model to forecast more detailed balance sheet impacts:
 - Confirm debt and target gearing ratio;
 - Confirm target credit rating and Government Guarantee fee; and
 - Forecast excess cash requirements to be used for capital expenditure as well as the potential return of capital to the Crown.

- **Stakeholder engagement, testing financial analysis and assumptions:** We will workshop with stakeholders (up to 10) the different assumptions for the model and test the various scenarios and implications of each TAHE option. The financial benefits and costs for each option should be clear and concise across stakeholders before any option is endorsed.

Deliverable: File note providing a detailed walkthrough of the model, supplemented by a model user guide, to ensure a clear understanding of the models functionalities and how to use them. This will be accompanied by delivery of the model itself.

TAHE - Detailed Financial Impacts and Modelling	2020											
	JUN			JUL			AUG			SEP		
	Week 2	Week 3	Week 4	Week 1	Week 2	Week 3	Week 4	Week 1	Week 2	Week 3	Week 4	Week 1
Validate and confirm underlying data, confirm funds flow												
Build model from scratch												
Model for refinements in operations and governance												
Model for refinements in asset valuations												
Model for operations and maintenance												
Accounting opinion on appropriateness of fiscal treatment of TAHE option/s												
Describe detailed balance sheet impacts												
Stakeholder engagement, testing financial analysis and assumptions												

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The indicative fee for this stage is estimated to be **\$164,655** (excluding GST).

Stage 5: Cabinet preparation and final report drafting

We will develop a final, KPMG branded deliverable as well as assisting with the development of a suitable Cabinet Submission for the October meeting.

This will see the outputs of each working paper brought together into a professional, evidenced and well-articulated report, answering the key issues raised in the recent Joint Cabinet Submission.

• Draft final report development

- Starting from the project kick-off in early June, we will work with you to agree the form of the final report.
- The report will follow the structure of the methodology and have regard to the substance of the Joint Cabinet Submission and the specific issues raised by Cabinet therein.
- This report will describe each option's concept of operations; as well as the required business rules or other changes needed to meet Cabinet's objectives.
- Assuming the availability of data and information from TfNSW, the draft report is scheduled to be provided on 14 September 2020.

Deliverable: Draft report for critical review.

• Critical review:

- Noting the importance and sensitivity of this engagement, our report will be subject to rigorous internal review by KPMG – and by TfNSW's senior officials.
- This review stage is scheduled for 2 weeks from 14 September 2020, to allow timely submission to Cabinet.

• Finalise report:

- Following the internal and external review, we will provide TfNSW with a final report to support its submission to Cabinet.

Deliverable: A branded KPMG report for submission to the NSW Cabinet in October.

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TAHE - Cabinet preparation and final report drafting	2020															
	JUN				JUL				AUG				SEP			
	Week 2	Week 3	Week 4	Week 1	Week 2	Week 3	Week 4	Week 1	Week 2	Week 3	Week 4	Week 1	Week 2	Week 3	Week 4	Week 1
Draft report development																
Critical reviews																
Finalise report																

The estimated fee for this stage is estimated to be **\$159,204** (excluding GST).

Ongoing: Strategic assistance and reporting

Extending our current work will also require sound management of our internal resources, and the management of the work to ensure accountability for the engagement and deliverables. This will include:

- **Meetings/weekly check-ins:**

- Management of all meetings, including weekly check-ins with TfNSW as well as stakeholder engagement meetings and workshops as needed throughout the engagement.

- **Reporting:**

- Fortnightly reporting, detailing:

- Work undertaken;
- Resources used;
- Total hours; and
- Hours by resource

- **Strategic support:**

- With the critical nature of TAHE implementations at the highest levels of government and the most crucial departments of state, we will continuously provide strategic support at all levels to help shape a guide the conversation as needed.

TAHE - Strategy Assistance and Reporting	2020															
	JUN				JUL				AUG				SEP			
	Week 2	Week 3	Week 4	Week 1	Week 2	Week 3	Week 4	Week 1	Week 2	Week 3	Week 4	Week 1	Week 2	Week 3	Week 4	Week 1
Meetings/weekly check-ins																
Strategy support																
Reporting																

The estimated fee for this stage is estimated to be **\$97,938** (excluding GST).

Brendan Lyon | Partner

Deal Advisory - Infrastructure & Projects
International Towers
300 Barangaroo Avenue
Sydney NSW 2000 Australia

Lyon, Brendan

From: Lyon, Brendan
Sent: Friday, 5 June 2020 10:55 AM
To: Hunter, James (Sydney); Watson, Heather; Linke, David; Lucas, Joel
Subject: Re: TAHE - Confidential

Categories: MUST DO

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I also confirm that Paul low is the second partner for my engagement.

Regards

Brendan Lyon
Partner
Infrastructure & Projects Group
KPMG

From: Lyon, Brendan
Sent: Thursday, June 4, 2020 3:49:12 PM
To: Hunter, James (Sydney) ; Watson, Heather ; Linke, David
; Lucas, Joel
Subject: Re: TAHE - Confidential

Hi as per my email this morning I welcome this very much.

I agree and accept.

Brendan Lyon
Partner
Infrastructure & Projects Group
KPMG

From: Hunter, James (Sydney)
Sent: Thursday, June 4, 2020 9:00:28 AM
To: Lyon, Brendan ; Watson, Heather ; Linke, David
; Lucas, Joel
Subject: TAHE - Confidential

Hi Heather and Brendan, This afternoon, we meet at 2.30pm. It is the first in a regular sequence of oversight and governance meetings we will schedule.

I attach a protocols document I encourage you to review prior. We will discuss and agree this together. This document is not for wider distribution.

Any questions in advance please give me a call. Thanks James

James Hunter | Partner KPMG
IT3, 300 Barangaroo Ave, Sydney NSW 2000 Australia
Mobile |

EA: Ashlee Moreton |

Lyon, Brendan

From: Linke, David
Sent: Friday, 5 June 2020 10:53 AM
To: Lyon, Brendan
Subject: RE: docshare updated for TAHE

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Paul Low should be second partner. Can you go back to the Group .

Dave

From: Lyon, Brendan
Sent: Friday, 5 June 2020 10:34 AM
To: Paflioti, Persa ; Lucas, Joel
Cc: Linke, David
Subject: Re: docshare updated for TAHE

That's excellent. David FYI

Brendan Lyon
Partner
Infrastructure & Projects Group
KPMG

From: Paflioti, Persa
Sent: Friday, June 5, 2020 10:32:27 AM
To: Lyon, Brendan ; Lucas, Joel
Subject: RE: docshare updated for TAHE

Hi Brendan,

Joel, David and James are now added to the Doc Mgmt tab in the job code for TAHE (378494).

Thanks,
Persa

From: Lyon, Brendan
Sent: 04 June 2020 17:38
To: Lucas, Joel
Cc: Paflioti, Persa
Subject: Re: docshare updated for TAHE

Hi Joel - no problem.

Persa I'll explain the changes tomorrow but we now have coordinated support from the firm to resolve some of the conflict issues we have experienced internally on tahe.

Can you add Joel David linke and James hunter to access the docshare.

Brendan Lyon
Partner
Infrastructure & Projects Group

Lyon, Brendan

From: Lyon, Brendan
Sent: Thursday, 4 June 2020 11:31 AM
To: Linke, David
Subject: FW: TAHE Draft Cabinet Submission - 25 May Final Draft
Attachments: TAHE Draft Cabinet Submission - 25 May Final Draft.docx

Here is the final cabinet submission – the main changes that were made to get TfNSW to a position of a joint submission was the return to cabinet (a second pass, with actual advice, an actual operating model, an actual financial model, and safety certification over the safe operations) – the inclusion of a risk register of issues to be resolved – and the inclusion of the joint objectives (fiscal, operational and organisational) that we got Treasury and TfNSW to agree in week one.

I'll find the original – which said “TAHE exists on 1 July and it operates everything and it's all fine”

This was the one where it would have blown up the cabinet – and likely seen the transport executive resign if it passed – all on our accounting advice that it's all totally fine.

Of course – it also faces the ABS and A/G audit still.

From: Anne Hayes
Sent: Monday, 25 May 2020 12:40 PM
To: Stuart Wallace
Cc: Rodd Staples ; Fiona Trussell
Lyon, Brendan
Subject: FW: TAHE Draft Cabinet Submission - 25 May Final Draft

Hi Stu,

Treasury have picked up all of our requested changes with the exception of the endorsement of the Chair. We have asked them to go back to DPC to see what can be done to keep this in the sub. Otherwise they are talking about going to the 15 June Cabinet meeting which is really too close to our deadline of 1 July.

There was a little wordsmithing on some other items but we are comfortable with the result.

Regards

Anne Hayes
Deputy Secretary
Corporate Services
Transport for NSW

P
M
Level 6 18 Lee Street Chippendale NSW 2008



From: Andrew Alam
Sent: Monday, 25 May 2020 11:01 AM
To: Fiona Trussell
George Roins

; Anne Hayes
; Peter Perdikos

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Lyon, Brendan

From: Lyon, Brendan
Sent: Thursday, 4 June 2020 11:26 AM
To: Linke, David
Subject: TAHE advisory board minutes - page 5
Attachments: TAHE Advisory Board 15 May 2020 - FINAL (002).pdf

The precise question heather was asked by the Transport Secretary – in front of the Treasury Secretary and about 30 officials from TfNSW and Treaury was:

“Heather, all other advice found that TAHE won’t work, what’s the plan b for the budget or are you so confident in KPMG’s accounting advice that there is no plan b.

You can see on page 5 that this is recorded as KPMG’s high level of confidence in our accounting advice – which I do not believe is warranted, or displays the cool professional scepticism that I would have expected, noting it’s a matter of opinion and not a matter of fact- and subject to audit and ABS review.

● I'll send through the Cab Sub in minute.

●

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Lyon, Brendan

From: Lyon, Brendan
Sent: Thursday, 4 June 2020 10:14 AM
To: Hunter, James (Sydney); Watson, Heather; Linke, David; Lucas, Joel
Subject: RE: TAHE - Confidential

Hi James.

Thanks for these – they look like sensible procedures to deal with a serious reputational issue for the Firm and hopefully, some of the internal problems of recent times.

I look forward to discussing and to making the oversight group work well.

Regards,

Brendan

From: Hunter, James (Sydney)
Sent: Thursday, 4 June 2020 9:00 AM
To: Lyon, Brendan ; Watson, Heather ; Linke, David
; Lucas, Joel
Subject: TAHE - Confidential

Hi Heather and Brendan, This afternoon, we meet at 2.30pm. It is the first in a regular sequence of oversight and governance meetings we will schedule.

I attach a protocols document I encourage you to review prior. We will discuss and agree this together. This document is not for wider distribution.

Any questions in advance please give me a call. Thanks James

James Hunter | Partner KPMG
IT3, 300 Barangaroo Ave, Sydney NSW 2000 Australia
Mobile |

EA: Ashlee Moreton |

     | www.kpmg.com.au

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Lyon, Brendan

From: Hunter, James (Sydney)
Sent: Thursday, 4 June 2020 9:00 AM
To: Lyon, Brendan; Watson, Heather; Linke, David; Lucas, Joel
Subject: TAHE - Confidential
Attachments: TAHE Commercial Conflicts Oversight and Governance Protocols June20 v3.pdf
Categories: MUST DO


Hi Heather and Brendan, This afternoon, we meet at 2.30pm. It is the first in a regular sequence of oversight and governance meetings we will schedule.

I attach a protocols document I encourage you to review prior. We will discuss and agree this together. This document is not for wider distribution.

Any questions in advance please give me a call. Thanks James

James Hunter | Partner KPMG
T3, 300 Barangaroo Ave, Sydney NSW 2000 Australia
Mobile

EA: Ashlee Moreton

     | www.kpmg.com.au

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From: Lyon, Brendan
To: Hunter, James (Sydney)
Cc: Linke, David
Subject: sensitive: NSW Cabinet in Confidence
Date: Tuesday, 2 June 2020 10:24:00 AM
Attachments: TAHE Initial Assessment of Options 200518 (004).pdf

Dear James,

Thankyou for your text just now.

Please find enclosed the TAHE options draft report. Please note:

- 1) The report precisely answers the scope;
- 2) This draft report was reviewed and approved by me, as well as Heather Watson and Catia Davim;
- 3) We have yet to receive comments from Treasury;
- 4) This was attached by Treasury to the Cabinet Submission;
- 5) The Cabinet Submission was only achieved because of this work.

I look forward to understanding what is happening.

Regards,

Brendan Lyon

Lyon, Brendan

From: Watson, Heather
Sent: Thursday, 14 May 2020 4:15 PM
To: Paflioti, Persa; Lyon, Brendan; Davim, Catia; Harris, Gavin; Yi, Matthew; Box, Matthew; Leech, Ross; Russell, Dave; Ta, Raymond; Luk, Carmen
Subject: RE: TAHE- final draft for review
Attachments: DRAFT TAHE Initial Assessment of Options 200514.docx
Categories: FYI

Thanks Persa,

I have been through the draft. Well done all for pulling it together. I am comfortable with release as draft and look forward to feedback from the client.

HW

From: Paflioti, Persa
Sent: Thursday, 14 May 2020 3:25 PM
To: Lyon, Brendan ; Watson, Heather ; Davim, Catia ; Harris, Gavin ; Yi, Matthew ; Box, Matthew ; Leech, Ross ; Russell, Dave ; Ta, Raymond ; Luk, Carmen
Subject: TAHE- final draft for review

All,

Please find attached the final draft for review.

Executive Summary, Recommendations and next steps are not included at this stage.

Regards,
 Persa

Dr Persa Paflioti
 Associate Director
 Deals, Tax & Legal
 Infrastructure & Projects Group

KPMG
 Level 38, Tower 3, 300 Barangaroo Avenue

Tel

kpmg.com.au



Lyon, Brendan

From: Paflioti, Persa
Sent: Thursday, 14 May 2020 2:01 PM
To: Lyon, Brendan
Cc: Leech, Ross; Yi, Matthew; Box, Matthew
Subject: RE: TAHE - update on what is happening this morning?

It has been reviewed by OGC. They provided the departures.

From: Lyon, Brendan
Sent: 14 May 2020 14:00
To: Paflioti, Persa
Cc: Leech, Ross ; Yi, Matthew ; Box, Matthew
Subject: RE: TAHE - update on what is happening this morning?

Please ignore all this persa;

Matt will ask Raymond to focus on the issue at hand – there' no issue.

From: Paflioti, Persa
Sent: Thursday, 14 May 2020 1:56 PM
To: Lyon, Brendan
Subject: FW: TAHE - update on what is happening this morning?

I don't understand the problem here

From: Ta, Raymond
Sent: 14 May 2020 13:55
To: Paflioti, Persa ; Leech, Ross
Cc: Luk, Carmen ; Lee, Simon ; Box, Matthew
; Watson, Heather
Subject: RE: TAHE - update on what is happening this morning?

Hi Persa, Ross,

In relation to the engagement letter sent across – can you confirm the following please?

- Referring to pg 45 & 46 of the agreement, can you please provide this proposal?
- Given this agreement is not a standard KPMG engagement letter nor SFOA under BAS, can you confirm if the letter was reviewed by an accredited Government Contract Reviewer prior to signing?

Many thanks
Ray

From: Paflioti, Persa
Sent: Thursday, 14 May 2020 11:15 AM
To: Box, Matthew ; Watson, Heather ; Lyon, Brendan ; Davim, Catia
Cc: Yi, Matthew ; Harris, Gavin ; Yi, Matthew

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; Russell, Dave

Subject: RE: TAHE - update on what is happening this morning?

See attached.

From: Box, Matthew

Sent: 14 May 2020 10:41

To: Paflioti, Persa ; Watson, Heather ; Lyon, Brendan

; Davim, Catia

Cc: Yi, Matthew

; Harris, Gavin

; Yi, Matthew

; Russell, Dave

Subject: RE: TAHE - update on what is happening this morning?

Importance: High

Thanks for the update Persa

Please can you circulate the signed version for our records?

Many thanks,

Matt

Matthew Box

Associate Director | IFRS & Deal Advisory
CFO Advisory

Mob

LinkedIn:

KPMG
Level 32, Tower Three
International Towers Sydney
300 Barangaroo Avenue
Sydney NSW 2000 Australia

kpmg.com.au



From: Paflioti, Persa

Sent: Thursday, 14 May 2020 10:37 AM

To: Watson, Heather ; Lyon, Brendan ; Davim, Catia

Cc: Yi, Matthew

; Harris, Gavin

; Box, Matthew

; Yi, Matthew

; Russell, Dave

Subject: RE: TAHE - update on what is happening this morning?

Hi Heather,

We just received the signed Professional Services Agreement from TfNSW.

Regards,
Persa

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From: Watson, Heather

Sent: 14 May 2020 10:18

To: Lyon, Brendan

; Davim, Catia

Cc: Yi, Matthew

; Paflioti, Persa

; Harris, Gavin

; Box, Matthew

; Yi, Matthew

; Russell,

Dave

Subject: TAHE - update on what is happening this morning?

Hi Guys

As communicated to Ross, Matt and I can't make the late notice 10am due to existing commitments with clients this morning. Fab is trying to work with Trish – we did have time set aside for later today based on the original timetable for draft tomorrow.

Can you please update us on what is happening re the engagement letter? This influences timing, etc and will help us manage to expectations on the draft. We will need to consider any changes. Can you please track changes to speed up our review process?

Hope going well.

Thankyou

Heather Watson

Partner

Audit, Assurance & Risk Consulting

CFO Advisory

KPMG

Tower Three

International Towers Sydney

300 Barangaroo Avenue

Sydney NSW 2000 Australia

Tel

Mob

kpmg.com.au



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Lyon, Brendan

From: Wilcox, Christine
Sent: Monday, 20 April 2020 8:34 AM
To: Lyon, Brendan; Paflioti, Persa; Moloney, Trisha
Subject: RE: TAHE Operational and Accounting Advisory Services

Categories: FYI

Hi Brendan

Confirming for your files that the below is consistent with our conversation, and you have approval to commence work.

Thanks
Christine

Christine Wilcox | Partner, DTL Risk Management

P: | M: | E:
KPMG | Tower Three | International Towers Sydney | 300 Barangaroo Avenue | Sydney NSW 2000 Australia

Have a DTL risk question? Submit your query through [ServiceNow!](#)

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Risk App

New - Look for the latest mobile app on your registered iPhone by clicking [here](#) to download instructions.
The App is also available [online](#) from the Risk Management portal page.

From: Lyon, Brendan
Sent: Saturday, 18 April 2020 1:55 PM
To: Paflioti, Persa ; Moloney, Trisha
Cc: Wilcox, Christine
Subject: RE: TAHE Operational and Accounting Advisory Services
Importance: High

Hi Christine – thanks for taking my call on the weekend.

I am writing to confirm our discussion for the risk file, as below:

- 1) We will be procured outside the BAS for this urgent engagement;
- 2) We have in place an ERA and SAN approval;
- 3) We have a draft PSA from TfNSW, which requires review and standard departures from OGC
- 4) We have received the draft PSA as sent last night;
- 5) We will seek to have this signed asap and recorded on the file.
- 6) We will set up the job code and commence work, as required by the client on Monday, before the PSA is agreed and signed.
- 7) We will not provide any deliverables, until the PSA is agreed and signed.

Persa – please save on the file and establish the job code.

Thanks again Christine – you're great 😊

From: Watson, Heather
Sent: Monday, 6 April 2020 3:33 PM
To: Lyon, Brendan
Subject: RE: Transport RFQ - looks similar to the RMS compliance and regulatory services work

I don't think I have the capacity to lead this and so likely won't be front and centre anyway.

Re Rodd, I think there has been misinterpretation/miscommunication of what we are doing at Treasury and it is incumbent upon us to do everything to promote clarity. For the avoidance of doubt:

- TAHE has never been KPMG's idea. The sum total of our past involvement was as TfNSW's advisors in 2017/18 and the thing was developed back in 2014 with absolutely no input from us at all.
- Current work is about assisting Treasury to implement ERC's 2017 decision to proceed. This involves provision of accounting advice and assisting with identification and mitigation of related fiscal risks.
- There is still a need to determine what the end state of TAHE looks like. I understand that this lack of clarity is a key concern for Rodd. It is possible to move forward to 30 June 2020 without this clarity but I don't think anyone discounts the need to consider what happens next. This is on the agenda also – and we are scoping some work related to exactly this (service concession accounting changes) and expect to formally start shortly.

If the government abandons its plans to implement TAHE in accordance with its 2017 decision, the adverse impact on this year's budget result is \$2.5b. The Treasurer has communicated that this is not an outcome the government is willing to accept and so there are no plans to abandon the previous ERC decision to implement. Accordingly, activity is occurring to demonstrate TAHE is still proceeding – this is what we are helping with. This activity has not extended to development of a new TAHE strategy.

We are in a challenging spot. On both transport and treasury sides, all we are doing is assisting to implement government directions. We are not helping government determine its direction or policy position.

I understand the Ministers have been slow to converse. This has not helped promote clarity around what is happening.

At every juncture with Treasury, we are highlighting the need to work closely with Transport so they know what Treasury is trying to do and NOT do - my mandate is to find accounting outcomes without upsetting the status quo as much as possible.

Good luck and let me know if you need anything.

From: Lyon, Brendan
Sent: Monday, 6 April 2020 12:42 PM
To: Watson, Heather
Subject: FW: Transport RFQ - looks similar to the RMS compliance and regulatory services work

Bad timing!

I am talking to Rodd tonight to smooth over ☺

From: Sharrocks, Duncan
Sent: Monday, 6 April 2020 11:48 AM

Lyon, Brendan

From: Davies, Curtis
Sent: Saturday, 4 April 2020 7:08 PM
To: Lyon, Brendan
Subject: Re: TAHE paper with Heather Watson's comments

#1

Follow Up Flag: Follow up
Flag Status: Flagged

If you can then great. At least would be good to understand how he feels about us.

Get [Outlook for iOS](#)

From: Lyon, Brendan
Sent: Saturday, April 4, 2020 6:27:10 PM
To: Davies, Curtis
Subject: Re: TAHE paper with Heather Watson's comments

Ok - you happy for me to sort out with rodd?

Brendan Lyon
Partner
Infrastructure & Projects Group
KPMG

From: Davies, Curtis
Sent: Friday, April 3, 2020 4:58:47 PM
To: Lyon, Brendan
Subject: TAHE paper with Heather Watson's comments

Thanks for the conversation last night and for your helpful comments this morning.

Pls see attached a paper I have developed from conversations with Heather's team to create a fact base on the TAHE matter. I have retained Heather's additional comments to provide a little more context.

Welcome any thoughts/perspectives you have.

I have not heard how her meeting went today (I will chase again later). Will let you know when I do.

C