



24 July 2023

Peta Leemen
Principal Council Officer
Committee Office
Legislative Council

Via email to PAWC@parliament.nsw.gov.au

Dear Ms Leeman

Inquiry into NSW Government's use and management of consulting services

We refer to the questions from the Public Accountability and Works Committee (**Committee**) following Ms Kristin Stubbins and Mr Nathan Schlesinger's appearance before the Public Accountability and Works Committee on Monday 26 June 2023 for the Inquiry into New South Wales (**NSW**) Government's use and management of consulting services.

These questions were received by PwC Australia (**PwC**) as questions on notice (three questions) and supplementary questions (16 questions) by email on 3 July and had a due date of 24 July 2023. We provide our responses in the pages following.

Please contact me if you would like to discuss our responses.

Yours faithfully

Jan McCahey
Chief Risk & Ethics Leader
PricewaterhouseCoopers

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Questions on notice

1. ***Were any of [the people involved in the tax leak] working on [the work that PwC is currently doing for the New South Wales Government] before [PwC] gave [the assurance... to the New South Wales Government on 1 June] at any point? Had they been taken off actively?***

No, the people who were involved in the tax leak were not at any point working on the work that PwC is currently doing for the NSW government.

2. ***Has [the international tax team] done any work for the New South Wales Government at any point in time in the past ten years?***

No, the members of the international tax team who were involved in the breach of confidential Australian Tax Office information have not done any work for the NSW Government at any point in time in the last ten years.

3. ***Terms of reference of Mr. Switkowski's review***

Please refer to **Appendix A**.

As you will see from the Terms of Reference, Dr Switkowski is targeting providing his report to us by 18 August. However, there is a prospect Dr Switkowski will require additional time to complete the report and we will not receive it until a later date. PwC will release the report in September once we have had an opportunity to consider it and formulate our initial response to Dr Switkowski's recommendations.

Supplementary questions

1. ***Is PwC currently engaged, or has been engaged at any time in the last 24 months, to provide services or advice to Dr Ziggy Switkowski?***

No, PwC is not currently engaged or has been engaged at any time in the last 24 months to provide services or advice to Dr Ziggy Switkowski.

2. ***Please provide a list of settlements between PwC and/or any partner with the ATO.***

There was a settlement between PwC and the ATO in March 2023. We are legally unable to disclose the details of this settlement.

3. ***Please provide a list of former NSW public servants now employed by PwC.***

We have not maintained records relating to former NSW public servants now employed by PwC. However, we are aware that the following people have previously held senior positions as NSW public servants:

- Tim Reardon
- Mick Fuller



- Steffan Faurby
- Brett Lovett

4. Please provide a list of former NSW politicians now employed by PwC.

We are not aware of any former members of NSW parliament now employed by PwC.

5. Please provide a list of PwC partners or employees who currently occupy or have previously occupied positions on NSW government boards or committees since 2011 - including the name of the board or committee and the period of tenure.

The analysis in **Appendix B** has been prepared based on the information in our External Appointments database systems of record. Given the board appointment information has been requested historically from 2011, the data has been aggregated from three separate systems, including archived records, in a reasonable effort to provide the response.

The information reflected includes partner and personnel roles while with PwC. We do not update or track a person's activity beyond their tenure with the Firm. The grades reported for current personnel are as at the date of this submission - the grades of personnel who have left the Firm reflect their role at the time the application was lodged.

The data includes the approved roles in our systems and the dates provided by the applicant at the time of appointment/re-appointment. Pre-approval requirements mean that some roles may have been approved by PwC but the applicant was unsuccessful or did not proceed with their application. The data does not include committee roles with Public School P&Cs or Board roles on Hospital foundations when those foundations exist separate from the hospital itself.

The firm has been a supporter of [The Observership Program](#) for the past six years. This program creates a passionate and motivated community of future NFP board leaders by providing training and opportunities for young leaders with no prior board experience to observe on a not-for-profit board. Observership positions, though not active participants, are reflected in the tables as an advisory role.

Board and advisory roles are held in a personal capacity not as a result of PwC partners or employees' roles with PwC. Many of these appointments are on the public record. However, when PwC personnel provide this information to us via our External Appointments Database, they do so under the conditions of our [privacy policy](#). The reasons for the partner or employee's involvement with a particular organisation may constitute personal sensitive information (e.g., reasons may pertain to religion, sexual preferences, health issues, personal beliefs etc.). On this basis and in line with the disclosure of personal information conditions of this policy, we have not provided the



names of individual partners or employees and / or any organisations they are associated with.

During her evidence to the committee, Ms Stubbins said board roles are 'unpaid roles'. To clarify, the board and advisory roles held by our people are done so on a voluntary basis and would *generally* be unpaid positions.

6. *When did Ms Stubbins commence the mentoring arrangement between herself and the Chief Financial Officer of the SESLHD?*

Ms Stubbins regularly offers informal personal mentoring support to young professionals, mostly women, in both the private and not for profit sectors. Ms Stubbins first began helping the CFO at the SES Health District when she joined the Board in 2013.

7. *When did Ms Stubbins cease to act in this mentoring arrangement?*

Ms Stubbins ceased the personal mentoring of the SES Health District CFO in 2016.

8. *Will staff currently employed by PwC working on government related work have a choice to remain working with PwC, or will they be required to move to the new entity?*

PwC Australia has committed to Allegro that it will stand up a fully functioning business on day one with a full complement of staff to service the government engagements moving forward. If staff have been selected to be part of the new independent business given the nature of the work they undertake, there is no option to remain with PwC Australia.

9. *How can you guarantee that partners going over to the entity are not involved in other issues regarding breaches of conflict of interest?*

PwC is providing detailed information to Allegro regarding the partners who have accepted employment terms at Scyne Advisory Pty Ltd. We are aware that Allegro is undertaking its own review of the information.

10. *Does PwC require partners or staff to restrict and/or disclose their personal financial interests in companies in industries that PwC provides services for?*

Strict rules on personal financial interests for partners and staff are imposed by a combination of legislation (e.g. Corporations Act) and standards (e.g. APES110) which are reflected in our PwC Australia Independence Policy, as well as other ethics and independence rules in external professional standards which our people must comply with.



Our Independence policy has strict requirements in place that restrict partners and staff (and their family members) from holding certain financial relationships with clients, and their related entities, as it relates to maintaining audit independence (e.g. partners and staff are not permitted to hold securities in audit clients etc). These restrictions tend to go beyond what is required by regulation.

The Independence policy also includes restrictions on partners and staff providing services to other clients if they (or their family members) have a material investment in that client. If they (or their family members) have a pre-existing immaterial investment in that client, the policy allows services to be provided subject to strict trading restrictions whereby there can be no trading in the securities of the client during the service period and for six months afterwards.

There are no broad industry restrictions on individual financial interests and investments.

To help PwC firms and its partners and staff to track and comply with the independence policies relating to their financial interests, and also the financial interests of their immediate family members, a global PwC system “Independence Checkpoint” is used to record and assess investments.

11. *Since 2011, has PwC ever declined work with the NSW Government due to a potential conflict of interest?*

Managing conflicts of interest is a fundamental expectation of how we do business. We deal with each matter individually based on our Conflicts of Interest policy. If actual or perceived conflicts of interests are identified, the Conflicts team provides advice on the acceptability of an engagement and the course of action that needs to be taken. In many instances, we will decline to proceed with an engagement. PwC does not track individual projects or assignments that have been declined.

12. *Please provide all internal case notes/documents relating to work undertaken for South Eastern Sydney Local Health District.*

We refer the Committee to the SESLHD for information relating to its affairs.

13. *When was Allegro first approached by PwC to discuss the divestment transaction?*

The divestment was first discussed on 26 May 2023. The first formal meeting between PwC and Allegro was held on Tuesday 13 June 2023.

14. *Please provide the terms of reference of the Dr Ziggy Switkowski review*

These are provided at **Appendix A** (and also provided in response to question 3 of the Questions on Notice above).



- 15. How many PwC employees or partners worked on a secondment within a NSW government agency or department in the following financial years:**
- a. 2015/16**
 - b. 2016/17**
 - c. 2017/18**
 - d. 2018/19**
 - e. 2019/20**
 - f. 2020/21**
 - g. 2021/22**
 - h. 2022/23**

At this time, we do not maintain consolidated records relating to secondments to state or federal government departments or agencies.

Partners and staff are seconded from time to time to state or federal government departments or agencies. All secondment requests are assessed against our Secondments Policy which includes consideration of the potential for conflicts of interest.

- 16. Does PwC or any of its directors, partners, employees or agents (however described) have any beneficial interest whatsoever, including financial or otherwise, in “Allegro” or any of its related entities including in Australian and overseas jurisdictions ?**

PwC does not have any beneficial interest in Allegro or any of its related entities.

To the best of our knowledge, on a separate direct personal basis, no partners, directors or employees stand to financially benefit from either the sale of Scyne Advisory to Allegro, or any future sale by Allegro of Scyne Advisory. It is possible that indirect investments in Allegro or any of its related entities may be held by externally managed funds, such as superannuation funds or other fund managers.



**Appendix A: Terms of reference for Mr Ziggy Switkowski's review
(Question 3 of QoN and Question 14 of supplementary questions)**



Terms of reference for the Independent Review on Governance, Accountability and Culture

Background

On 9 March 2023, the Senate referred an inquiry into the management and assurance of integrity by Consulting Services provided to the Federal Government for inquiry and report by 26 September 2023 (the Inquiry). In response to these matters and in line with announcements PricewaterhouseCoopers (PwC) is seeking to undertake a review of frameworks and practices relating to Governance, Accountability and Culture (the Review).

Scope

PwC will appoint an Independent Expert to undertake the Review of the following key areas of focus:

- *Governance* – The roles and responsibilities of key governance boards/committees and the way in which decisions are made, including how financial objectives, values and strategic priorities have an impact on decision-making and risk-management, and how decisions, once made, are implemented.
- *Accountability* – The way in which partners and staff discharge their roles and responsibilities both on an individual and collective basis, the remuneration and incentive arrangements and their impact on accountabilities, and the application of consequence management.
- *Culture* – The system of values and behaviours throughout PwC that shape the collective approach to managing risk, making decisions and our stakeholders.

It is expected the Review considers the areas of focus outlined below, feedback from the Senate Inquiry and the outcomes of the Bruce Quigley review into the design effectiveness of tax governance and internal control framework.

The assessment of governance, accountability and culture is to be completed by reference to the point of time at which the Expert commences their fieldwork. However, we recognise documentation and other artefacts relating to specific matters may be required to inform the findings.

Approach

It is expected that the Independent Expert would undertake a range of activities to evaluate to Governance, Accountability and Culture arrangements including documentation review, interviews, case studies and focus groups to:

- assess the strengths and shortcomings regarding the embedment and effectiveness of PwC's governance, accountability and culture frameworks, arrangements and practices;
- develop findings for PwC to address the observed gaps in culture, governance and accountability.

It is expected the Review considers the assessment considerations outlined in Appendix A.

Deliverables

The key outcome of the Review would be a written report by 18 August 2023 (or such other date as agreed) which sets out the Expert's:

- observations and findings in relation to PwC's governance, accountability and culture arrangements
- recommendations as to how to address the above observations and findings.

Conflicts of Interest

PwC requires confirmation that you or your firm do not have any conflict of interest which may adversely affect your ability to perform the Review services.

Appendix A - Assessment Considerations

Focus Area	Description
Role of the Board	<ul style="list-style-type: none"> • Governance structure including composition, diversity of skill and experience of members • Appointment and selection processes • The Board operations and rhythm • Roles, responsibilities, and accountabilities • Reporting, information, and escalation of issues from and to management (including of the related tax matters) • The effectiveness of Board scrutiny and challenge • Coordination between Board Audit, Risk and Remuneration Committees • Ongoing review of Board effectiveness
Senior Leadership Oversight	<ul style="list-style-type: none"> • Clarity of accountability for management of the organisation • Appropriateness of risk oversight and escalation • Tone at the top / consistency of messaging with stated values • Appropriateness of investment prioritisation and governance (including approval) • Quality of management information to enable and evidence effective decision making • Customer/stakeholder focus in decision making and effective consideration of perceived and actual conflicts
Risk Governance and Conflicts of Interest	<ul style="list-style-type: none"> • Adequacy and maturity of risk management, ethics, compliance and conflicts frameworks and arrangements • Adequacy of risk, ethics and compliance structure and personnel (including capacity, capability, and reporting lines) • Clarity of accountabilities and delegations • Adequacy of risk, ethics and compliance training, education, and reinforcement • Appropriateness of risk systems and tools
Issues Management (with reference to recent tax matters)	<ul style="list-style-type: none"> • Assess adequacy of issues management, breaches, and processes for reporting to the regulator • Assess adequacy of the identification, management and reporting of trends and systemic issues • Effectiveness and adequacy of issues reporting • Adequacy of the regulatory engagement framework and approach • Effectiveness of the organisation in detecting, investigating, escalating, and remediating issues relating to the conduct of Partners / staff by reference to the PwC Code of Conduct and applicable professional standards.
Remuneration and Consequence Management	<ul style="list-style-type: none"> • Design of performance and remuneration framework including KPIs as well as both short and long term incentives • Adequacy of the linkage between KPIs (short and long-term) and performance outcomes incentivising the right behaviours and discouraging behaviours out of line with our values • Clarity and execution of consequence management framework and approach • Appropriateness of governance and oversight of remuneration outcomes • Do risk personnel have adequate stature to facilitate effective management of conflicts
Culture and Leadership	<ul style="list-style-type: none"> • Strategic clarity, tone from the top, and role modelling of desired behaviours at all levels • Extent to which the operating environment drives a proactive approach to risk management and ethical decision making • Reliance on people versus process strengths to management • Adequacy of recognition mechanisms in place that reinforce the desired behaviours • Adequacy of the culture of review and challenge



Appendix B: Board roles (Question 5)

The summary tables reflect the number of individual board assignments, with the first table including partners and personnel during the years indicated and the second table including only currently active partners and personnel.

The "Number of Roles" reflects the individual board assignments. The assignments by year include recurring / multi-year roles with the same organisation across the periods identified.

Number of Roles

Roles held by current and past partners and employees

Category	Nature of role	Classification	Number of Roles 2011-2018	
Employee	Advisory	Other	5	
		Universities	12	
	Advisory Total			17
	Governance	Local Government	4	
		Other	5	
		Universities	5	
	Governance Total			14
	Employee Total			31
	Partner	Advisory	Other	3
			Universities	14
Advisory Total			17	
Governance		Local Government	1	
		Other	12	
		Public School Council	1	
		Universities	6	
Governance Total			20	
Partner Total			37	
Grand Total			68	



Roles held by current partners and employees

Category	Nature of role	Classification	Number of Roles 2011-2018	
Employee	Advisory	Other	4	
		Universities	4	
	Advisory Total			8
	Governance	Local Government	3	
		Other	1	
		Universities	3	
	Governance Total			7
	Employee Total			15
	Partner	Advisory	Other	2
			Universities	8
Advisory Total			10	
Governance		Local Government	1	
		Other	6	
		Public School Council	1	
		Universities	3	
Governance Total			11	
Partner Total			21	
Grand Total			36	



Assignments by year

Roles held by current and past partners and employees

Category	Nature of role	Classification	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Employee	Advisory	Other	2	2	1									1	3
		Universities	2	1	1	1	1	1	2	2	3	4	8	9	7
	Governance	Local Government										2	3	4	4
		Other	2	2	3	3	2	2	2	3	3	3	3	3	3
		Universities	1	1	1	1	1	1	1	1	1	1	3	5	5
Partner	Advisory	Other					1	1						2	2
		Universities	1	1	1	1			1	4	5	6	7	11	12
	Governance	Local Government						1	1	1	1	1	1	1	1
		Other	2	3	5	7	7	7	6	6	8	7	6	6	5
		Public School Council							1	1	1	1	1	1	1
		Universities					2	3	3	4	4	5	6	5	5



Roles held by current partners and employees

Category	Nature of role	Classification	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	
Employee	Advisory	Other	1	1										1	3	
		Universities												2	3	3
	Governance	Local Government										1	2	3	3	
		Other								1	1	1	1			
		Universities											2	3	3	1
Partner	Advisory	Other												2	2	
		Universities	1	1	1	1			1	3	3	3	4	6	6	
	Governance	Local Government						1	1	1	1	1	1	1	1	
		Other		1	3	3	2	2	1	1	2	2	2	2	1	
		Public School Council						1	1	1	1	1	1	1	1	
		Universities					1	1	1	1	1	2	3	3	3	