



Chartered Accountants Australian and New Zealand Answers to Supplementary Questions

1. Your member communications talk a lot about accountants being ‘change makers’ – are you worried this and other inquiries are not showing that accountants are playing their fundamental role as ‘truth tellers’? Did you use a consultant to design the change makers marketing – who was it?

Chartered Accountants Australia and New Zealand (**CA ANZ**) uses the trademark ‘Difference Makers’.

CA ANZ currently has more than 137,000 individual members who are committed professionals that strive to uphold standards, meet the needs of their employers and clients and to make a difference in their communities.

We used JOY Agency to assist with the development of the trademark.

2. What is the Professional Scheme you administer? What benefits is it supposed to provide, and what guarantees do the taxpayers get for the protections given to your members?

CA ANZ is a professional association with a professional standards scheme (**Scheme**) approved under Professional Standards legislation (**PSL**). We have provided an Information Sheet, outlining how schemes operate to protect consumers, to the Chair of the Committee by letter dated 23 August 2023.

Professional standards schemes are designed to benefit:

- consumers by guaranteeing that scheme participants will have adequate professional indemnity insurance or have sufficient assets in the event of a successful claim; and
- scheme participants by capping their liability in the event of a claim by a consumer.

The PSC's website includes a summary of the benefits of a professional standards scheme: <https://www.psc.gov.au/professional-standards-schemes/what-are-schemes/scheme-benefits>.

3. When is your Professional Scheme up for review?

In accordance with PSL the maximum duration for a Scheme is five years. Our current Scheme expires on 12 July 2024.

4. The professional services council expressed major concerns about your fitness following the various scandals at KPMG and a perceived lack of response by you – do you agree that CAANZ has failed to enforce standards?

We are not aware of the Professional Services Council (**PSC**) expressing major concerns about fitness, nor do we agree that CA ANZ disciplinary bodies have failed to enforce standards.

The PSC has asked for additional information about our risk management response to the KPMG PCAOB findings and we have met all requests for information from the PSC.

We met with the PSC in March 2023 to provide a briefing on the [Professional Conduct Framework Review](#) and the amendments to our By-Laws that we would be seeking our members' approval of for in September/October 2023, to strengthen the framework.

5. Have you faced criticism or inquiry by the Professional Services Council over your fitness as a regulator?

Not as far as we are aware.

6. Has the Professional Services Council ever indicated any changes, penalties or other measures are or may be required in relation to CA ANZ's conduct or fitness as a regulator? Please provide details.

Not as far as we are aware.

7. Your professional scheme expires next year?

a. Do you expect it will be renewed?

Yes, noting that the re-make application is in the preliminary stages.

b. Has your professional scheme ever been challenged with potential non-renewal?

We understand the renewal of the Scheme in 2014 was challenged but was renewed after claims data requirements were finalised.

c. What happens if it is cancelled?

In the absence of a statutory liability cap, CA ANZ Members could rely on contractual liability caps.

d. Who decides whether you are fit and proper?

The PSL prescribes the conditions for approval of a Scheme. The PSC are responsible for determining applications for Scheme approval.

e. Would your institute survive without the scheme?

The first CA Scheme was approved in 1997. Membership of CA ANZ confers the right to use the Chartered Accountant designation and other membership benefits. The Scheme is not the only benefit. However, the Scheme is valuable to our Members and provides benefits to their clients. CA ANZ is committed to maintaining coverage for Members. Our professional standards improvement activities have been undertaken in full compliance with the PSL.

8. What is a 'fellow' of CAANZ – what does it mean?

Fellowship is a membership status granted by the CA ANZ Council in recognition of a member's fitness, experience and expertise.

a. What does it take to have a fellowship removed by CAANZ?

Fellowships may be revoked if the Member is excluded from membership pursuant to By-Law 23 or as a sanction under the disciplinary process. To date, Fellowships have been revoked by the Australian Disciplinary Tribunal four (4) times since this sanction was introduced in November 2014. This does not include all of the members whose membership has been either surrendered, suspended or interim suspended (and whose Fellowships, if they were Fellows, would be automatically removed on cessation of their membership or suspension).

b. Is Tom Seymour of PwC still a fellow and a member?

As at 24 August 2023, Tom Seymour of PwC is a member and an FCA.

c. Is Andrew Yates of KPMG still a fellow and a member?

As at 24 August, Andrew Yates of KPMG is a member. He is not an FCA.

9. In your role as a regulator, what do you make of the actions of:

a. PwC and its tax scandals?**b. KPMG and its TAHE and ethics exam scandals?****c. Deloitte and the apparent theft of defence information?****d. EY and its recent cultural review by Elizabeth Broderick?**

CA ANZ is not a regulator but is a professional association with contractual powers to sanction members who breach the CA ANZ By-Laws or Code of Ethics.

Our membership is large and diverse, with more than 137,000 members in practice, commerce, government and academia in Australia, New Zealand and in several other jurisdictions.

Regardless of where members practise, CA ANZ expects that members will meet their legal and ethical obligations, and that firms and employers will support them to do so. Where members breach their legal or ethical obligations and either self-disclose or we otherwise become aware of a suspected breach, the Professional Conduct Committee (**PCC**) may investigate, and the disciplinary process may apply.

CA ANZ has stated publicly that the conduct described in the Tax Practitioners Board (**TPB**) orders against Peter John Collins and PwC Australia as completely unethical and completely unacceptable.

The PCC investigation of the TAHE matter is ongoing, and a confidential briefing provided. The findings in the KPMG internal training misconduct matter and the PCC's statement of disapprobation of the conduct are a matter of public record. See <https://www.charteredaccountantsanz.com/news-and-analysis/news/update-on-investigation-into-internal-training-misconduct-at-kpmg-australia>.

The former Deloitte partner who is reported to have taken documents on leaving the firm is not a member of CA ANZ. We would expect any firm/business that becomes aware of unauthorised client data exfiltration to remediate and advise the client. We understand Deloitte investigated, sought return of documents and advised the client which is consistent with good practice and professional standards.

The Broderick Review report raises several concerns about the wellbeing and experiences of our members and other employees at EY and working in large firms generally. We expect that the outcomes of the pilot initiatives discussed in the report will be shared and learnings available to inform our review program and other professional services organisations.

e. Are you worried that 'change makers' is a bit superficial given the apparently slack standards of the profession?

The Accounting Professional Ethical Standards Board (**APESB**) standards are based on international ethics standards and are robust. We currently have 137,000 members and received 416 complaints in FY23. The ratio of complaints to members supports our view that the vast majority of Members are meeting the requisite standards.

f. What action have you taken against any big Four firm? Have you expelled any senior partners for beaches – or instigated any other penalties?

Yes. Details of public decisions against Members from big four firms are provided in response to question 11.

10. What has CAANZ done in response to KPMG and Deloitte failing around half of their inspected audits?

We have answered this question on the basis that it is referring to the [Australian Securities and Investments Commission \(ASIC\) Audit inspection report 1 July 2021 to 30 June 2022](#). CA ANZ has engaged with ASIC and sought to understand these findings and how CA ANZ can best support the Australian audit regulator in ensuring the findings are disseminated and understood by Chartered Accountants in the audit profession. We understand that ASIC, as the regulator responsible for the surveillance, investigation and enforcement of the financial reporting and auditing requirements of the Corporations Act, has adopted an approach primarily focused on ‘action plans’ – urging “audit firms to focus on identifying and addressing root causes of negative findings, developing and implementing action plans to address the identified root causes, and monitoring and revising action plans to ensure they are effective and sustainable” (page 3, ASIC Audit inspection report 1 July 2021 to 30 June 2022). We recommend also noting the context provided in ASIC’s full report including: “Our inspections intentionally focus on a limited number of higher risk key audit areas of audit files selected on a risk basis. Using this approach, we target our resources to the higher risk and more challenging files. **Readers should therefore be cautious in extrapolating results across the entire market and comparing findings between periods.** Purely random selections of audit files could produce higher or lower levels of negative findings.”

a. What penalties have been applied, and on whom?

We are not aware of penalties applied in relation to the ASIC Audit inspection report 1 July 2021 to 30 June 2022. Refer also page 4 of that report: “The report does not include details of enforcement actions underway or finalised in the 12-month period. These matters are included in ASIC’s [Enforcement update reports](#) which are available on our website.”

b. What investigations have been undertaken?

As outlined above, CA ANZ has engaged with ASIC and sought to understand the findings detailed in the ASIC Audit inspection report 1 July 2021 to 30 June 2022 and how CA ANZ can best support the Australian audit regulator in ensuring the findings are disseminated and understood by Chartered Accountants in the audit profession.

11. Please provide details of the employees or partners from KPMG, PwC, Deloitte, EY, Accenture, McKinsey, or Boston Consulting who have faced disciplinary decisions in the last 10 years, including the disciplinary decisions register link if one exists, the outcome, and associated finding document, and the length of time each investigation took to conclude.

Our records indicate that we have fewer than fifty members employed by Accenture, McKinsey or Boston Consulting Group.

The links below are to decisions on the Register of Disciplinary Decisions involving Members from large firms in Australia over the last seven (7) years and all decisions relating to New Zealand members from large firms. The decisions disclose indicative timeframes from the commencement of investigation to Disciplinary Tribunal decision.

<https://www.charteredaccountantsanz.com/-/media/d205aca3f5824661865dd16e6cce6d36.pdf>

<https://www.charteredaccountantsanz.com/-/media/1be62b8f6cac437da7e4d7c5860fa692.pdf>

<https://www.charteredaccountantsanz.com/-/media/5ae6892d87454161b650abd8bcec9b0c.pdf>

<https://www.charteredaccountantsanz.com/-/media/64e73686ebe146a3991b3fb30bebee5e.pdf>

<https://www.charteredaccountantsanz.com/-/media/0e9d969f0b9b468bbf76006025ca88d9.pdf>

<https://www.charteredaccountantsanz.com/-/media/2573f1f5fad34a97a2e7fad64c1f37f3.pdf>

<https://www.charteredaccountantsanz.com/-/media/8acf5858b1234ff1b2d9b6ff3a210f9e.pdf>

<https://www.charteredaccountantsanz.com/-/media/90606936eda546948b6d095cdf315e35.pdf>

<https://www.charteredaccountantsanz.com/-/media/9c6fa5cc1ed440c5adaa950f7e8d0cd8.pdf>

12. Please provide specific dates regarding when the Professional Conduct Committee first initiated inquiries in relation to the TAHE matter, and key dates or changes in that inquiry process.

Preliminary inquiries were initiated on 9 November 2021 and an investigation commenced in 2022 following the publication of the Public Accountability Committee report. A confidential briefing on this matter has been provided to the Public Accountability and Works Committee as requested on 28 July 2023.

13. What is the status of the investigation into the PwC tax leaks matter?

The PCC investigation of the TPB order made in relation to the firm commenced in January 2023 and is well-progressed. PCC investigations into a number of individuals are in progress.

See <https://www.charteredaccountantsanz.com/news-and-analysis/news/an-update-on-ca-anz-pcc-investigation-into-tpb-order-against-pwc>.

14. Please provide specific dates regarding when the Professional Conduct Committee first initiated inquiries in relation to the PwC tax leaks matter.

The PCC inquiries commenced on 25 January 2023.

15. What is the percentage of investigations that result in an adverse finding and/or disciplinary decision?

In FY23 66% of PCC investigations resulted in an adverse finding and/or disciplinary decision.

16. For investigations that result in an adverse finding and/or disciplinary decision, what is the average length of time for each investigation to conclude?

a. What is the longest an investigation has taken?

b. What is the shortest investigation?

Records distinguish between total time and active time. Active time does not include periods during which proceedings are adjourned. Timeframes provided are from receipt of complaint until the matter is ultimately closed.

Records for the period 1 July 2021 – 30 June 2023 indicate that:

For Appeals Tribunal proceedings resulting in an adverse finding/disciplinary decision against the Member:

- Average total time 69 weeks
- Average active time 69 weeks
- Longest total time 85 weeks
- Longest active time 85 weeks
- Shortest total time 53 weeks
- Shortest active time 53 weeks

For Disciplinary Tribunal proceedings resulting in an adverse finding/disciplinary decision against the Member:

- Average total time 86 weeks
- Average active time 47 weeks
- Longest total time 382 weeks
- Longest active time 71 weeks
- Shortest total time 28 weeks
- Shortest active time 28 weeks

For matters resulting in Consent Orders:

- Average total time 58 weeks
- Average active time 46 weeks
- Longest total time 174 weeks
- Longest active time 165 weeks
- Shortest total time 17 weeks
- Shortest active time 17 weeks

For matters resulting in a caution:

- Average total time 26 weeks
- Average active time 24 weeks
- Longest total time 180 weeks
- Longest active time 180 weeks
- Shortest total time 1 week
- Shortest active time 1 week

17. What is the standard process for undertaking an investigation or inquiry by the PCC? Are interviews with related persons a typical feature of a professional conduct committee inquiry?
Standard Process for complaint investigations

The PCC's function is to investigate each complaint and to decide what action should be taken in relation to it. Meetings of the PCC are held in private. All complaints received about Members are initially reviewed by the Conduct & Discipline staff.

Complaints will not be further considered or pursued by the Conduct & Discipline staff if they are not about a Member of CA ANZ or made anonymously although if information disclosed in an anonymous complaint is serious and can be verified, it may be subject of further inquiry.

For complaints which meet these criteria, the Conduct & Discipline staff will seek any relevant further information from the complainant to support the matters alleged.

If the complaint is to be investigated, the Member is advised that they are required to respond to all matters in the complaint within a specified timeframe.

Once a response is received from the Member the complainant is given a copy of the Member's response and given the opportunity to comment on the response. This process of exchanging comments and responses continues until there is sufficient information to refer the complaint to the PCC for its initial consideration. Further questions may be asked of the complainant or the Member at any stage of the process. In the normal course, the Conduct & Discipline staff will seek the Member's comments, then any further comments from the complainant in light of the Member's comments and then final comments from the Member.

Once the Conduct & Discipline staff have completed this process, the PCC Secretary will prepare an analysis of the complaint and the Member response(s) and, if the PCC Secretary thinks appropriate, analysis and precedents to assist the PCC in its deliberations as to whether or not the Member breached the By-Laws and next steps in the investigation.

The PCC is not bound to follow any recommendation from the PCC Secretary but will consider the recommendation along with the complaint file.

If the complaint is opened on the PCC's own motion (either directly or via delegation) then the same process takes place, adjusted to take account of the lack of a complainant.

Interviews with related persons

While the By-Laws empower the PCC to make such inquiries as it sees fit, there are no powers to bind individuals other than:

- the complainant and the Member to PCC confidentiality requirement; and
- the Member in relation to the requirement to provide documents or information or to cooperate with the investigation.

The By-Laws do not provide for interviews or other enquiries with related persons, only the Member. The PCC investigation process is confidential.

Members and complainants are permitted to provide information from third parties to PCC investigators and Tribunals.

18. Of the investigations by the PCC that result in an adverse finding or are taken to the Disciplinary Tribunal, how many have included interviews with persons related to the matter?

Interviews with third party witnesses are not a standard part of a PCC investigation. Complainants and Members may provide information from third parties that they seek to rely on. If so, information provided may be subject to verification.

19. In relation to the KPMG TAHE matter, why was Brendan Lyon told different versions about whether there was an investigation?

The statements provided to Professor Lyon are not inconsistent. Statements were provided:

1. by the Disciplinary Tribunal Secretary on 11 July 2023, during a telephone call from Professor Lyon in response to a request for information as to whether the Tribunal hearing scheduled for 25 July 2023 related to KPMG. She truthfully stated that she was not aware of any KPMG investigation or hearing. The Disciplinary Tribunal Secretary schedules and coordinates Tribunal hearings. The Disciplinary Tribunal Secretary does not coordinate the activities of the PCC or have any involvement in PCC investigations prior to the referral of a matter to the Disciplinary Tribunal; and
2. by the CA ANZ General Counsel by email on 12 July 2023 responding to Professor Lyon's email of 11 July 2023 following his call with the Tribunal Secretary. The email requested further details about the statement provided in the CA ANZ response to Professor Lyon's submission to the Senate Inquiry into the Management and Assurance of Integrity by Consulting Services which was published to the Senate Inquiry website in the week commencing 3 July 2023.

The email responding to Professor Lyon's information request confirmed the statement made in the CA ANZ response to the submission, namely that: *'the PCC initiated preliminary inquiries in relation to the matter in late 2021 and an investigation following the conclusion of*

public hearings and tabling of the report of the Public Accountability Committee. The PCC investigation is ongoing. Pending its conclusion, CA ANZ is unable to comment further. The email also confirmed that the investigative powers of the Professional Conduct Committee are set out in the By-Laws, that the PCC does not have power to compel individuals (other than Members to whom an investigation relates) to provide information or to produce documents, nor does the Disciplinary Tribunal have power to require individuals to appear at or give evidence at hearings.

As noted in evidence before the Inquiry on 28 July 2023, the PCC determines the lines of its inquiry and scope of its investigations.

20. You require all your members to undertake ethics training, what does this look like in practice?

The Graduate Diploma in Chartered Accounting program includes Ethics and Business as a foundation module. This was introduced in 2021.

Members are required to complete 120 hours of continuing professional development (CPD) each triennium. Mandatory, verifiable ethics training of 2 hours per triennium was introduced from [1 July 2021](#). This means that by 30 June 2024, Members will need to have completed at least two hours of training on the matters related to APES 110 Code of Ethics for Professional Accountants (including Independence Standards) or the ethics code applicable to them if practising outside Australia.

[Complimentary CPD](#) on ethical standards and related matters are offered to Members regularly. Members may elect to complete more ethics training than the mandatory minimum. Members are regularly advised of updates to our Ethics Hub which offers guidance and education materials to assist with navigating ethical issues and CPD requirements. See <https://www.charteredaccountantsanz.com/member-services/mentoring-and-support/professional-and-ethical-support>.

21. How many members have completed the required ethics training?

Our paid for and complimentary CPD opportunities include learning in the areas of professional standards and ethics. The introduction of a specific requirement to complete ethics related CPD from July 2021 means that this will specifically be monitored and measured at the end of the first triennium after 2021, i.e. from 2024.

Our members can complete continuing professional development from a variety of providers, including their employer and CA ANZ. As part of our annual membership renewal process, members who completed their renewal before 15 June 2023 were able to receive complimentary access to one of our new on demand ethics micro courses. To date almost 3,000 members have completed this course with another 4,700 signed up to complete it.

22. What evidence do you have for the efficacy of this ethics training, what are your measures of success

Notwithstanding that ethics support services and education have been a standard CA ANZ membership offering for many years, the recency of the introduction of **mandatory** training on the Code of Ethics is such that the data to support benefits realisation is not available. Over time, we would anticipate seeing a reduction in complaints relating to breaches of the Code of Ethics. Details of the types of complaints made are reported publicly in CA ANZ's Annual Report.

