

# Public Accountability and Works Committee - Inquiry into NSW Government's use and management of consulting services

RESPONSE TO SUBMISSION NO. 0005  
HEATHER WATSON  
4 SEPTEMBER 2023

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## Context

### Professional background

My name is Heather Watson. I am a Fellow of Chartered Accountants Australia and New Zealand, a designation that recognises my contribution to the accounting profession and professional standing.

- I have held various governance roles over the past decade within this organisation, including chair and vice chair of the State Council and being elected to an international role representing New South Wales' 30,000 members in member oversight of the Chartered Accountants Board.
- I have also over my career developed materials for the Chartered Accountants Program, a globally recognised industry qualification, including the provision of public sector specific content and content on ethical requirements applicable to accountants.
- I have been a regular speaker at accounting, auditing and other conferences on technical topics and explored concepts such as professional scepticism and professional judgement.

My public sector financial and budgetary reporting expertise has been recognised within KPMG and in the public sector consultancy market. I have more than 30 years' accounting and auditing experience, with significant expertise in public sector reporting that includes a decade at the NSW Audit Office, including where I was the lead auditor of the State's whole of government financial reporting and of the State's budgetary reporting information. My experience also includes over eight years at KPMG providing consultancy services to public sector agencies. In my advisory roles I have twice directly supported the New South Wales Parliamentary Budget Officer with his work on State budget and forward estimates projections.

### Relevant provision of consultancy services

I was the KPMG Partner who led services to NSW Treasury in respect of the NSW Government's Transport Asset Holding Entity (TAHE) reforms. These services commenced in February 2020 and ended 31 December 2021.

At the time I led these services, I was the national public sector lead for KPMG's CFO Advisory practice and focussed most of my service delivery on New South Wales agencies. In this role, I supported government agencies on their financial and budgetary reporting.

## Reason for the response

The Committee has received a submission from Emeritus Professor James Guthrie AM FCPA, Professor John Dumay CA, Professor Jane Andrew CPA, and Dr Erin Twyford CA that has been published as submission 0005 on the Committee's website.

The submission inaccurately describes my work and so reflects badly on me. These inaccurate descriptions are baseless. I reject any adverse comment contained within or conveyed by inaccurate descriptions. At all times, my work reflected the need for compliance with relevant professional requirements.

It is important that the Committee has accurate information to enable robust findings. It is for this reason that I set out further information for the Committee. I confirm that provision of this information does not breach my confidentiality obligations under APES 110 Code of Ethics for Professional Accountants nor within any contract with NSW Treasury.

The views within this response are entirely my own and cannot be taken to represent the views of KPMG or any other party.

My response is limited to my public defence of my professional reputation and integrity. I do not offer a view on the legitimacy or efficacy of the government's use of consultants.

## Response to submission 0005

The submission inaccurately describes my work and so reflects badly on me. These inaccurate descriptions are baseless. I reject any adverse comment contained within or conveyed by inaccurate descriptions. At all times:

- my work reflected the need for compliance with relevant professional requirements
- I complied with my code of ethics<sup>1</sup>.

### Compliance with accounting standards

The submission states that KPMG provided consulting services to the NSW Government, enabling it to manipulate asset valuations so that TAHE would not be required to comply with specific accounting standards. This assertion is entirely baseless.

NSW public sector entities are required to comply with the requirements of the *Government Sector Finance Act 2018*. These requirements include preparation of annual financial statements prepared in accordance with Australian Accounting Standards.

Consultants' work cannot enable non-compliance with accounting standards because compliance is required pursuant to legislation. It is simply not possible that consultants' advice could enable non-compliance with either accounting standards or applicable legislation.

### Scope of advice

The submission states that the NSW Government established TAHE as a statutory state-owned corporation on the advice of KPMG. This assertion is entirely baseless.

KPMG has publicly confirmed that it had no role in establishing TAHE and that it did not provide any policy advice in connection with the 2017 legislation<sup>2</sup>.

The NSW Government had independently determined to establish TAHE as a State Owned Corporation and had enacted relevant legislation in April 2017. KPMG's services in respect of TAHE implementation commenced after this date. It is not possible that KPMG advice was behind the Government's decision to establish TAHE.<sup>3</sup>

### Unethical behaviour

The submission cites KPMG's consulting services to the NSW Government in respect of TAHE as an example of unethical behaviour. Noting the various baseless claims identified above, the probative value of the example is limited.

Further, any inference that I behaved unethically is absolutely rejected. At all times, I complied with my code of ethics. KPMG has also consistently and repeatedly, publicly confirmed that I upheld my code of ethics<sup>4</sup>.

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<sup>1</sup> APES 110 Code of Ethics for Profession Accountants

<sup>2</sup> KPMG Questions on Notice from Senator Bragg 10 July 2023 [Additional Documents – Parliament of Australia \(aph.gov.au\)](https://aph.gov.au/Additional_Documents_-_Parliament_of_Australia)

<sup>3</sup> Further exploration of this topic occurs in respect of the testimony response.

<sup>4</sup> KPMG Questions on Notice 21 December 2021

<https://www.parliament.nsw.gov.au/lcdocs/other/16620/AQON%20-%20KPMG%20-%20received%2021%20December%202021.pdf>, KPMG Questions on Notice from Senator Bragg 10 July 2023 [Additional Documents – Parliament of Australia \(aph.gov.au\)](https://aph.gov.au/Additional_Documents_-_Parliament_of_Australia)

## Fees

The submission states that KPMG received over \$30 million for establishing TAHE. This statement is entirely baseless:

- A NSW Auditor-General's Report to Parliament that considered the establishment of TAHE, identified that the total amount paid to 16 consulting firms over the extended period of 2014-2021 was \$22.56 million<sup>5</sup>. It is not possible that that KPMG received over \$30 million in connection with TAHE establishment.
- This same Auditor-General's report on TAHE identified KPMG contracts with a combined value of \$3.4 million, which is clearly markedly different to \$30 million<sup>6</sup>.
- KPMG has publicly confirmed that it received \$3.4 million<sup>7</sup>.

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<sup>5</sup> Section 4.2, Auditor-General's Report to Parliament: Design and implementation of the Transport Asset Holding Entity, January 2023 [Design and implementation of the Transport Asset Holding Entity | Audit Office of New South Wales \(nsw.gov.au\)](#)

<sup>6</sup> Section 4.2, Auditor-General's Report to Parliament: Design and implementation of the Transport Asset Holding Entity, January 2023 [Design and implementation of the Transport Asset Holding Entity | Audit Office of New South Wales \(nsw.gov.au\)](#)

<sup>7</sup> KPMG Questions on Notice from Senator Bragg 10 July 2023 [Additional Documents – Parliament of Australia \(aph.gov.au\)](#), KPMG testimony 7 June 2023 [pdf \(aph.gov.au\)](#)

## Appendix

### PAWC interactions

On 17 July 2023, I made a submission to the PAWC, the sole purpose of which was to seek the opportunity to defend my reputation. The PAWC determined to treat the submission as correspondence. In response to the PAWC's decision, I reiterated to the PAWC that my objective is that I am afforded the opportunity to defend myself.

On 31 July 2023, the PAWC wrote to me effectively advising that it was their view that it was not necessary to apply the procedural fairness provisions in the circumstances.

I respectfully disagree with the PAWC's view. I would argue that I am better placed than the PAWC to determine whether material in a submission may seriously damage my reputation. Content in this response illustrates the basis of my views.

### Contrast with Senate committee interactions

I adopted the same approach with the Senate Finance and Public Administration References Committee for the Inquiry into management and assurance of integrity by use of consulting services. I made a submission seeking the opportunity to respond to any material that discussed me or my work.

This Committee afforded me the opportunity to respond and has published my responses. In particular, the Senate Committee afforded me the opportunity to respond to a submission from Emeritus Professor James Guthrie AM FCPA, Professor Jane Andrew CPA, and Dr Erin Twyford CA that was published as submission 5 on the Committee's website. My response is also published.

Given the commonality of authors, it is not surprising that there are strong similarities between Submission 5 to the Senate Committee's inquiry and Submission 0005 made to the PAWC's inquiry. For this reason, the difference in the response from the PAWC is remarkable to me.

The Senate Committee's views and actions serve as a precedent to support my view that procedural fairness requires that my response should be accepted as evidence and published on the PAWC's website.