

13 September 2023

Public Accountability and Works Committee  
Parliament of New South Wales  
6 Macquarie Street  
Sydney NSW 2000  
Australia

By email: [PAWC@parliament.nsw.gov.au](mailto:PAWC@parliament.nsw.gov.au)

Dear Committee Secretary

## Written response to Supplementary Questions and Questions on Notice

Thank you for the opportunity to appear before the Committee on Wednesday 16 August 2023 for the inquiry into the NSW Government's use and management of consulting services.

We provide in **Appendix A** our responses to the supplementary questions which we received 23 August 2023 and in **Appendix B** our responses to the questions on notice during the hearing on 16 August 2023.

We hope this information assists the Committee in its inquiries.

Yours faithfully

**Tom Imbesi**  
Chair

**Sneza Pelusi**  
Chief Risk Officer

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## INQUIRY INTO NSW GOVERNMENT'S USE AND MANAGEMENT OF CONSULTING SERVICES

### SUPPLEMENTARY QUESTIONS

#### Deloitte

#### Appendix A: Responses to the supplementary questions dated Wednesday 23 August 2023

#	Question	Response
1	The NSW Standard Commercial Framework under which Deloitte enters into contracts with the NSW Government for consulting work provides for a 10% discount to be provided where there is a secondment involved. Why do you think 10% is the correct discount amount? What factors were taken into account in determining whether that percentage discount amount was appropriate?	The discount is set by NSW Treasury for roles that are identified as a secondment. We had no role in the establishment of the discount rate and therefore cannot comment on whether it is the correct amount nor which factors were considered in determining the appropriateness of the percentage discount.
2	Upon finding a partner or employee of Deloitte to have breached ethical standards or otherwise be found to have acted inappropriately, what steps does Deloitte take to inform relevant professional bodies?	Our standard investigation process requires us to consider any external reporting obligations where a matter is substantiated. Deloitte reports matters to external regulators and professional membership organisations in accordance with its legal obligations, professional standards and the codes of conduct of those organisations.
3	When was the last time Deloitte's work was reviewed by an external regulator? Did that external review reveal any issues with Deloitte's work?	<p>In May this year, the US PCAOB conducted an inspection of our firm, which involved a review of three audit engagements and an evaluation of elements of our firm's quality control system.</p> <p>The PCAOB has not issued their report, however based on the preliminary results of the inspection we expect that the report, when issued by the Board, will have no significant findings.</p>
4	What examples of misuse of government information are currently under investigation by Deloitte, and in what form are those investigations taking place?	As has been previously disclosed, we are currently investigating one matter regarding a former partner of Deloitte relating to removal of government information from their Deloitte device when they left the firm in 2017. We only recently became aware of this issue and immediately informed the relevant department and commenced a formal investigation. The partner in question has provided a statutory declaration that any such

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#	Question	Response
		information has now been deleted and/or destroyed and we have worked closely with the relevant government department in relation to this matter.
5	What examples of misconduct by Deloitte staff are currently under investigation by an external body?	<p>We have one matter involving an individual that Deloitte considered to be a Public Accounting Oversight Board (PCAOB) 'Reportable Event'.</p> <p>The matter related to ASIC initiating confidential Companies Auditors Disciplinary Board (CADB) proceedings against a partner of the firm.</p> <p>We notified the PCAOB within the required timeframe and advised ASIC that we had done so. The partner also advised CAANZ in line with their professional obligations.</p> <p>The individual remains a partner of the firm but has agreed with ASIC not to perform the duties of a Registered Company Auditor whilst these proceedings are ongoing, or until receipt of further orders of the CADB.</p>
6	<p>For the employee stood down after sharing confidential government information without permission:</p> <p>a. Which government department was involved?</p>	<p>We note that, during the hearing on Monday 17 July 2023 before the Senate Finance and Public Administration Committee, a Deloitte representative referred to the relevant staff member 'standing down' following this incident. For the avoidance of doubt, we would like to clarify that this was in relation to standing down from the engagement and not from their employment.</p> <p>The government department was the Department of Defence. We provided further details on this to our written answers to the questions on notice from the public hearing of the Senate Finance and Public Administration Committee on 17 July 2023 and Senator Deborah O'Neill 18 July 2023, and if the Committee wishes to understand the detail in relation to this matter it is available on the relevant Inquiry's website.</p>

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#	Question	Response
7	<p>A group of 20+ investors, of Mr. Endow's investment scheme, reported the alleged fraudulent scheme to Victoria &amp; NSW police. They also shared a copy of the report with you and the Deloitte Partners, Principals &amp; Directors who invested money with Mr. Endow. They requested you to report this matter to the local police station. The Detective Sergeants mentioned in that email are working on engaging Major Fraud Group and AFP to investigate this matter. They requested that victims come forward and report this issue to their local police station. In February '23, Mr Powick said "I will, of course, provide assistance with any further inquiries into this matter" *</p> <p>a. Have you reported this matter to the police?</p> <p>b. Have any Deloitte partners, principals and directors reported this investment scam to the NSW Police?</p> <p>c. If not, why not?</p>	<p>On 24 February 2023 a Deloitte representative spoke with Detective Superintendent Matthew Craft of NSW Police who advised that the matter had already been reported to the NSW police.</p> <p>These investments were made in a personal capacity and not sanctioned by, or connected to Deloitte. As such, the Deloitte partners or employees who have reported facts to the NSW Police, have done so in their personal capacity and not as Partners or employees of Deloitte.</p>

## INQUIRY INTO NSW GOVERNMENT'S USE AND MANAGEMENT OF CONSULTING SERVICES

### SUPPLEMENTARY QUESTIONS

#### Deloitte

#### Appendix B: Responses to the questions on notice put to Deloitte representatives during the hearing on 16 August 2023

#	Question	Response	Who
1	Are we able to get your Partnership Deed provided on a confidential basis?	We have provided this document to the Committee under the cover of a separate letter in confidence and request that it not be made available for public viewing or dissemination.	The Hon. Dr Sarah Kaine
2	How much revenue does Deloitte generate from New South Wales government, as a proportion of Deloitte's overall New South Wales revenue?	Deloitte's revenue from the New South Wales government is <12% of Deloitte's overall New South Wales revenue.	The Hon. Mark Buttigieg
3	Could we see an empty version of the balanced scorecard used to assess performance, particularly in light of those trying to get work from the public sector and including how feedback fits in.	<p>Partners are required to complete a personal Partner Plan every year. The Partner Plan allows partners to record objectives and business strategies, demonstrate agreed outcomes and milestones, link individual strengths and aspirations to the firm's business needs and priorities and to demonstrate contributions to the firm.</p> <p>In their Partner Plans, Partners must include details in relation to client and market focus, staff and team mentoring and development, financial goals, personal education and training, quality, risk and independence, practice leadership, partner collaboration, and career aspirations.</p> <p>Performance against these plans is evaluated at least twice yearly, based on feedback from clients, staff, partners, and relevant practice leaders. A key focus of this feedback is the quality of work delivered and the way partners have worked in a manner consistent with our values and professional expectations.</p>	The Hon. Dr Sarah Kaine

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4	Please provide the government and public services governance arrangement which sets out the roles and accountabilities of Allan in his role versus lead engagement partner roles.	<p>As the Lead Client Service Partner for NSW Government, Allan has overall responsibility for Deloitte activities across NSW Government clients. This includes management oversight of delivery quality including client feedback, compliance with procurement processes, governance reporting as well as ensuring the brand and reputation of Deloitte is enhanced by the way the team interacts. The role he performs is the <b>Lead Client Service Partner</b> (LCSP) and reports to the national head of clients and the Government Industry leader. This is a model Deloitte uses for all its clients.</p> <p>Allan's role as Lead Client Service Partner is to support the <b>Lead Engagement Partners</b> (LEPs) who are responsible for delivery of each project and responsible for delivering the agreed outcomes for that specific engagement. The LEP requires the LCSP's (Allan) approval prior to starting a proposal response, submission or engagement with a client. Allan is then responsible for ensuring that the quality expectations, compliance with panel conditions and risk management processes are being effectively managed by the project team.</p> <p>A core difference between the 2 roles is that the LCSP has an enduring focus on NSW Government whilst the LEPs bring their specialist insights for the period of the project.</p> <p style="text-align: center;">-</p>	The Hon. Dr Sarah Kaine
5	With respect to the School Infrastructure Business case, if you're able to come back to me just on the dates of the School Infrastructure work, perhaps also labelling each of those contracts for us as to which of those business cases you did, that might help for us to square that circle.	<p>The 'Business Case Innovation and Enhancement Program (BCIEP)' contract between Deloitte and the Department of Education was from 22 May 2019 to 22 May 2021 and was awarded through a competitive process.</p> <p>Deloitte had 81 project deliverables under the contract. 71 of these deliverables were strategic or final business cases, with the other 10 consisting of other projects as requested by School Infrastructure NSW (SINSW), the majority of which were options papers to inform the potential need for additional school capacity in certain locations.</p>	The Chair

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		<p>The NSW Audit Office commenced a performance audit in June 2020 examining the planning and delivery of new, redeveloped and upgraded schools and referenced 12 projects, only two of which were business cases developed under the BCIEP. These two were: Rydalmere Strategic Business Case (SBC) and North Sydney Public School FBC.</p> <p>The audit report noted that <i>“various service providers had previously been engaged to write business cases for specific projects, resulting in variability across business cases, making it harder to compare projects and ensure business cases met relevant policies and guidelines”</i>.</p> <p>Deloitte’s involvement under the BCIEP arrangement as the sole consulting services provider was called out in the audit report as providing <i>“greater consistency and helped build internal capabilities within SINSW”</i>.</p>	
6	How many contracts has Deloitte entered into with the New South Wales Government that were untendered?	All contracts that Deloitte enters into align with the procurement requirements outlined in the tender in the document and materials. We respond to approximately 500 requests for work in any given year. These requests are received through panel arrangements, tender sites, agency procurement systems and briefings.	The Chair

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#	Question	Response	Who
7	What was it exactly that Deloitte was doing on the bus contract thing? Were you asked to prepare options? Were you asked to advise on whether there should be outsourcing? Was it policy advice or was it advice that was backing up or going into the consideration for a policy decision?	<p>Deloitte was engaged by TfNSW to provide financial and commercial advice regarding the retendering of the outer metro contracts for bus services following the decision by NSW Government to franchise regions 6, 7, 8 and 9. Deloitte was engaged after the policy decision was made by NSW Government to franchise the bus services. We were not involved in the outsourcing policy decision.</p> <p>Our work provided advice to government on the contracting models that could be applied and the financial and commercial comparison of bids. This advice was used to inform the decisions by government on contracting options and cost comparison of bids.</p>	The Chair