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Public Accountability and Works Committee
Parliament House
Macquarie Street
Sydney NSW 2000

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

RE: Questions on Notice

Dear Committee Secretary

Please find enclosed responses to the questions on notice taken during the NSW Government's use and management of consulting services hearing on 5 February 2024 and supplementary written questions on notice received on 9 February 2024.

Yours sincerely,

Catherine Friday
EY Oceania Government and Health Sciences Leader

HEARING QUESTIONS ON NOTICE – 5 February 2024

The CHAIR: Presumably the people who are involved at EY were making decisions on exactly what to do for that modelling. Are you saying that there was no opportunity and no decisions made that could potentially benefit Santos more than another way of going?

LEIGH WALKER: Yes, absolutely. We provide objective economic modelling based on the inputs—

The Hon. Dr SARAH KAINE: There is no such thing.

The CHAIR: There is no such thing as objective economic modelling. Do you do the economic modelling yourself? Have you done economic modelling?

LEIGH WALKER: No, I do not.

The CHAIR: Can I ask someone who does economic modelling? Mr George, are you familiar with this?

CHRIS GEORGE: I don't do economic modelling.

The CHAIR: **Right.** Who does economic modelling? Because anyone—

CATHERINE FRIDAY: Chair, perhaps if there is a specific question about economic modelling we can take that on notice and come back to you.

EY's response:

As shared at the Committee, we provided the NSW Government with objective modelling consistent with professional frameworks used by economists across Australia.

The Hon. Dr SARAH KAINE: Could I just jump in to clarify something? You mentioned that the media reporting might not be correct, so I want to, while we're in this space, check. Because there was reporting that there were services other than just auditing. If there are other services you have provided to Santos, I'm wondering if we could we know about those as well. I'm just checking because you did mention it, and I want to make sure that we can get that.

LEIGH WALKER: All that information is publicly available. It gets disclosed by Santos.

The Hon. Dr SARAH KAINE: If you could you provide that to us here, because you're here and Santos isn't, that would also be useful.

EY's response:

In Santos' 2023 Annual Report, the company disclosed the provision of the following Non-Audit Services provided by EY:

Non-Audit Services	Value
Taxation and other services	US\$662,000
Assurance services, not required to be performed by the Company's auditor	US\$759,000
Other assurance services required by legislation to be performed by the Company's auditor	US\$279,000

The Hon. Dr SARAH KAINE: But there isn't any external check on that, is there? It's not a question unique to you. We've asked every consultant group that's come in. That might be well and good—you have an internal expectation that the standards apply across, not just your accountants—but there isn't an external verification of that. You guys—I used the term this morning—check your own homework to make sure that your consultants abide by the—

LEIGH WALKER: Not at all. We actually have an external audit done of our quality management system. It's an ISO-accredited audit. Every year we have an audit team come in and look at our processes for that consistency across the firm, and they absolutely look at what are the policies and procedures, and do they apply differently between consulting, between audit. We're delighted that we've had that accreditation since—I want to say 1989, but a good length of time. And we've got that external audit opinion that says we comply with that quality management standard.

The Hon. Dr SARAH KAINE: That's really interesting. Could you provide some information about that standard? That would be—

LEIGH WALKER: Yes, absolutely. We've got a certificate from the auditor that says that we've met those standards across our organisation. Happy to do that.

The Hon. Dr SARAH KAINE: That would be helpful. It would be nice to actually understand a bit more what they're actually looking at.

EY's response:

EY Australia was one of the first professional services firms to be certified under the Quality Standard ISO 9001, having obtained it in 1994, and we proudly continue to hold that certification today.

Our firm is certified under ISO 9001:2015. To be certified, we are subject to an annual audit by an external certification body. SGS Australia Pty Limited conducted our most recent surveillance audit. The audit reviews how we have established, implemented, maintained and seek to continually improve our quality management system to meet the seven quality management principles contained in the standard.

The scope of the certification is set out on the certificate. For EY, it is a full scope certification which covers the quality systems and processes in place to support all service offerings by our four Service Lines: Assurance, Tax, Strategy and Transactions and Consulting.

Our last audit was conducted in November and December 2023. The audit did not identify any non-conformities in our quality management system.

As set out on the International Organization for Standardization (ISO) website¹:

ISO 9001 is a globally recognized standard for quality management. It helps organizations of all sizes and sectors to improve their performance, meet customer expectations and demonstrate their commitment to quality. Its requirements define how to establish, implement, maintain, and continually improve a quality management system (QMS).

ISO 9001 is the most widely used quality management standard in the world. Within the ISO 9000 family, which defines seven quality management principles including a strong customer focus and continual improvement, ISO 9001 is the only standard that can be certified to (though certification is not mandatory).

¹ [ISO 9001:2015 - Quality management systems — Requirements](#)

Business benefits include:

- Customer confidence: The standard ensures that organizations have robust quality control processes in place, leading to increased customer trust and satisfaction.
- Effective complaint resolution: ISO 9001 offers guidelines for resolving customer complaints efficiently, contributing to timely and satisfactory problem-solving.
- Process improvement: The standard helps identify and eliminate inefficiencies, reduce waste, streamline operations, and promote informed decision-making, resulting in cost savings and better outcomes.
- Ongoing optimization: Regular audits and reviews encouraged by ISO 9001 enable organizations to continually refine their quality management systems, stay competitive, and achieve long-term success.

The ISO 9001 standard specifies requirements for the establishment, maintenance, and continuous improvement of a quality management system, covering a wide range of topics including:

1. Context of the organization: ISO 9001 requires organizations to determine the external and internal factors that affect their ability to achieve the intended results of their quality management system.
2. Leadership: The standard emphasizes the importance of leadership in implementing and maintaining a quality management system.
3. Planning: The quality management system must include measures designed to achieve an organization's quality objectives and continuously improve the system's effectiveness.
4. Support: ISO 9001 addresses issues such as resources, competence, awareness, communication and documented information.
5. Operation: The processes necessary to meet customer requirements and increase customer satisfaction must be planned, implemented and controlled.
6. Performance evaluation: The standard requires organizations to monitor, measure, analyze and evaluate the performance and effectiveness of their quality management system.
7. Improvement: ISO 9001 emphasizes the importance of continuously increasing the effectiveness of the quality management system based on the results of performance evaluation and other data sources.

The CHAIR: Just on that Santos issue, I understand that you don't think it was a conflict of interest. That's been made clear. However, the client does think it was a conflict of interest. Courtney Houssos, the finance Minister, who's the relevant Minister now for that work, referred to the issue as undermining confidence in the development of public policy and flagged that she would be looking into this further. Given that and given the discussion in the media and the discussion we're having here, do you think that your conflict of interest rules are robust and being applied correctly?

LEIGH WALKER: Yes, we do, and we decline work on a fairly regular basis because of the conflict of interest processes we apply.

The CHAIR: Despite the views of your client?

LEIGH WALKER: Yes.

The Hon. SCOTT FARLOW: Just a follow-up to that as well, in terms of that have you had any further inquiries from the Minister or from the department with respect to that work?

LEIGH WALKER: Not that I'm aware of, but I'll take that on notice.

EY's response:

Following our meeting with Minister Housos to discuss the perceptions of a conflict of interest, we have had no further engagement.

We would refer the Committee to the Minister's comments in The Guardian on 5 February 2024, sharing that the lack of disclosure reflected on the systems in place to administer the government's use of consultants.

"The disclosure of actual or perceived conflicts of interest is crucial to ensuring transparent and proper working relationships between consultants and the government."

"That no disclosures were made reflects poorly on the systems in place which administer the government's use of consultants. I look forward to receiving the committee's report and ensuring the government's use of consultants aligns with community expectations."

The Hon. Dr SARAH KAINE: Could I ask perhaps something on notice again—and I don't know if there are ways that we can do this; it is a concern—but with the examples we've given and you have talked about how you determine conflict of interest, you would have a formal process of assessment.

CATHERINE FRIDAY: Absolutely.

The Hon. Dr SARAH KAINE: I wonder if we could see that, if you could provide on notice to us the ways in which you came up with or decided that there was no conflict or that it was managed in a particular way? If you could provide that on notice?

LEIGH WALKER: Our submission outlines our conflict management process.

The Hon. Dr SARAH KAINE: No, not the process. I'm not interested in the process. I'm interested in those actual examples. How did you decide on those examples?

LEIGH WALKER: We will have to take that on notice because it is Federal Government department engagements you're talking about there. We will need to take that on notice.

EY's response:

Our assessment of the services provided to the Department of Climate Change, Energy, the Environment & Water and AEP concluded that there was no conflict of interest under the professional standards that we abide to.

The nature of the work provided to Department was specific to the safeguard mechanism and did not relate directly to the future of the gas industry. As the tender records show, EY was engaged by the Department to advise on best practice benchmark values for emission outputs to help inform the Department's safeguard mechanism and market modelling for electricity.

For there to be a conflict we must be advising both clients in relation to the same subject matter. In this case, there is no such overlap as the subject matter is clearly different.

EY's associate membership of an industry association is not in itself a conflict if we are not in a position to influence or advocate for the association or its full members.

We have obtained permission from the Department to disclose a high-level description of services, included below.

Our advice included:

- Analysis and advice on emission outputs for oil and gas, manufacturing and mining facilities (CN4009959).
 - This included the provision of analysis and advice on the development of best practice benchmark values (emissions limits) for use by new facilities under the Safeguard Mechanism.
 - This advice included a review of international best practice emissions intensity performance benchmarks, adapted for an Australian context. This work is largely fact finding.
- Professional Advice on Market Modelling Services Electricity (CN4010544)
 - EY provided forecasts of the National Electricity Market (NEM) and the Wholesale Electricity Market (WEM), plus smaller grids in Australia based on commercial drivers under different scenarios and sensitivities to assist the client's understanding of changes and impacts from various policy initiatives they may have.

- Our services were to perform modelling to complete the current policies position of Australia's electricity generation, in particular for the NEM, to feed into a forecast of the overall renewables generation percentage.
- We also provided modelling of further scenarios or sensitivity analysis to test the impacts of different policies or other assumptions on the forecast renewables share.

The Hon. JACQUI MUNRO: You said that you were subject to about 44 regulators. I'm curious, do you have a list of those regulators? If you could provide us with that, that would be helpful. Also, do you find that there are competing regulatory environments that conflict amongst those 40 groups?

CATHERINE FRIDAY: Absolutely, we can provide a list of all of the regulatory bodies to which we have accountabilities. I'm happy to take that on notice. Again, in terms of dealing with them day to day, Leigh.

EY's response:

Please see below a list of regulators and those that have oversight of the functions and services of EY Australia. In total, we are overseen by 33 Federal, State, Territory and International regulators.

In addition, 19 organisations provide external inspections or oversight and we hold 30 licenses as a firm, in addition to individual qualifications, accreditations and licenses held by EY professionals and partners

Australian Regulators and oversight bodies

- Chartered Accountants Australia and New Zealand
- AusIndustry R&D
- AUSTRAC
- Australian Securities and Investments Commission (ASIC)
- Clean Energy Regulator (CER)
- Consumer Affairs Victoria
- Consumer and Business Services - SA
- Department of Commerce - WA
- Fair Trading (NSW, ACT, QLD)
- Fair Work Commission & Fair Work Ombudsman
- Revenue Office (VIC, NSW, WA, QLD, SA, NT, ACT, TAS)
- SafeWork (NSW, SA)
- Tax Practitioners Board (TPB)
- Valuers Registration Board (QLD, NSW, VIC, WA)
- WorkSafe (ACT, QLD, VIC, NT, WA)

External Inspections

- Audit Offices (Australian National, ACT, NSW, QLD, TAS)
- Australian Computer Society (ACS)
- Australian Property Institute (API)
- Australian Securities and Investments Commission (ASIC)
- Chartered Accountants Australia New Zealand (CAANZ)
- Clean Energy Regulator (CER)
- ISO 20252:2019 Market, Opinion and Social Research
- ISO 9001:2015 Quality Management System
- Law Institute of Victoria
- Law Society of NSW/WA
- Public Company Accounting Oversight Board (PCAOB)
- Queensland Law Society
- Tax Practitioners Board (TPB)
- Work Health & Safety External Review

Oversight and Standards Boards

- Australian Accounting Professional & Ethical Standards Board (APESB)
- Australian Competition & Consumer Commission (ACCC)
- Australian Electoral Commission (AEC)
- Australian Financial Complaints Authority (AFCA)
- Australian Taxation Office (ATO)
- Board of Taxation
- International Ethics Standards Board for Accountants (IESBA)
- International Federation of Accountants (IFAC)

Foreign Regulators

- Canadian Public Accountability Board (CPAB)
- Commission de Surveillance de Secteur Financier (CSSF) - Luxembourg
- Financial Markets Authority - NZ
- Financial Reporting Council (FRC) Professional Oversight Board (POB) - UK
- Financial Services Agency (JFSA) - Japan
- Finanstilsynet - The Financial Supervisory Authority of Norway
- Instituto de Contabilidad Y Auditoria de Cuentas - Spain
- Johannesburg Stock Exchange (JSE)
- Public Company Accounting Oversight Board (PCAOB)
- Hong Kong Accounting and Financial Reporting Council

Licenses & Memberships

- Auditor Registration - ASIC
- Auditor Registrations with Foreign Regulators (CPAB, CSSF, CSSF, FRC POB, JSE, PCAOB, JFSA, FMA, Finanstilsynet, Instituto de Contabilidad Y Auditoria de Cuentas)
- Australian Computer Society (ACS)
- Australian Data and Insights Association (ADIA) [formerly AMSRO]
- Australian Financial Complaints Authority (AFCA)
- Australian Financial Services Licence (AFSL) & AFS Representatives
- Australian Property Institute Valuers (APIV)
- Chartered Accountants Australia New Zealand (CAANZ)
- Fellow of the Institute of Actuaries
- Financial Markets Authority (FMA) Registration - NZ
- Investigation License
- ISO 20252:2019 Market, Opinion and Social Research
- ISO 9001:2015 Quality Management System
- Law Society
- Migration Agents Registration Authority (MARA)
- Real Estate Agent Licenses
- Self-Managed Super Fund (SMSF) Auditors - ASIC Registration
- Tax & BAS Agents Registration
- Valuers Licence and Valuers Registration Board (QLD, NSW, VIC, WA)

The CHAIR: What, then, is the percentage of revenue that you get from fossil fuel industry as opposed to the renewables industry?

CATHERINE FRIDAY: Perhaps we can take that as a question on notice, please, Chair.

EY's response:

EY does not categorise our revenue according to being from the fossil fuel industry or not. Therefore, we are unable to respond to this question.

SUPPLEMENTARY QUESTIONS ON NOTICE – 9 February 2024

1. What data was used to train the EY AI?

EY.ai EYQ is our EY Global large language model that operates in a similar manner to other conversational AI models such as ChatGPT. EYQ is the result of extensive in-house design and testing, including a pilot with 4,200 EY technology-focused team members around the world.

EYQ is hosted in a secure and private EY environment, this means that all prompts are private and not used to train or impact the model in any way.

Our EYQ is currently powered by ChatGPT 4, which was trained by OpenAI on information with a cut-off date of April 2023.

2. You noted that the EY AI was educated up until 2021, why was that date chosen to stop training the AI?

EYQ was powered by ChatGPT 3.5 until end of January 2024, and the training cut-off for ChatGPT was 2021. The training cut off date is determined by OpenAI, the developer of the ChatGPT.