

REPORT ON PROCEEDINGS BEFORE

PUBLIC ACCOUNTABILITY AND WORKS COMMITTEE

**NSW GOVERNMENT'S USE AND MANAGEMENT OF CONSULTING
SERVICES**

CORRECTED

At Macquarie Room, Parliament House, Sydney, on Wednesday 16 August 2023

The Committee met at 9:25.

PRESENT

Ms Abigail Boyd (Chair)

The Hon. Scott Farlow (Deputy Chair)

The Hon. Dr Sarah Kaine

The Hon. Mark Latham

The Hon. Peter Primrose

The Hon. Bronnie Taylor

PRESENT VIA VIDEOCONFERENCE

The Hon. Mark Buttigieg

The CHAIR: Welcome to the seventh hearing of the Public Accountability and Works Committee inquiry into the New South Wales Government's use and management of consulting services. I acknowledge the Gadigal people of the Eora nation, who are the traditional custodians of the lands upon which we are meeting today. I pay my respects to Elders past and present and celebrate the diversity of Aboriginal peoples and their ongoing cultures and connections to the lands and waters of New South Wales. I also acknowledge and pay my respects to any Aboriginal or Torres Strait Islander people joining us today or watching on the live stream. Today we will hear from NSW Health, icare, SIRA, Deloitte Australia and the Public Service Association of NSW.

Before we commence, I make some brief comments about the procedures for today's hearing. Today's hearing is being broadcast live via the Parliament's website. The transcript of today's hearing will be placed on the Committee's website when it becomes available. In accordance with the broadcasting guidelines, the House has authorised the filming, broadcasting and photography of Committee proceedings by representatives of media organisations from any position in the room and by any member of the public from any position in the audience. Any person filming or photographing proceedings must take responsibility for the proper use of that material. This is detailed in the broadcasting resolution, a copy of which is available from the secretariat.

While parliamentary privilege applies to witnesses giving evidence today, it does not apply to what witnesses say outside of their evidence at the hearing. I therefore urge witnesses to be careful about comments they may make to the media or to others after they complete your evidence. Committee hearings are not intended to provide a forum for people to make adverse reflections about others under the protection of parliamentary privilege. In that regard, it is important that witnesses focus on the issues raised by the inquiry terms of reference and avoid naming individuals unnecessarily.

All witnesses have a right to procedural fairness according to the procedural fairness resolution adopted by the House in 2018. If witnesses are unable to answer a question today and want more time to respond, they can take a question on notice. Written answers to questions taken on notice are to be provided within 21 days. If witnesses wish to hand up documents, they should do so through the Committee staff. In terms of the audibility of the hearing today, I remind Committee members and witnesses to speak into the microphones. Finally, everyone should turn their mobile phones to silent for the duration of the hearing.

Mr ALFA D'AMATO, Deputy Secretary and Chief Financial Officer, NSW Health, on former oath

Ms SUSAN PEARCE, Secretary, NSW Health, on former oath

The CHAIR: I welcome our first witnesses. I give you the opportunity to make a short statement to open the Committee, should you wish to.

SUSAN PEARCE: Thank you, Ms Boyd. We are comfortable to get going.

The CHAIR: Thank you for attending, once again. Since your appearance at an earlier inquiry of the Committee, there have been a number of bits of information that you have provided to us on notice or in response to supplementary questions. Thank you for that. I am just looking at the board and subcommittee minutes that were provided by the local health districts. I note for the benefit of the Committee and for yourselves that we are still working our way through those and they have not been published, with the exception of one set, which we will talk about later. On a general basis, a lot of those board and subcommittee minutes are in a draft form or they have not been signed. We identified a number that were missing. Does it concern you that the records from the local health districts appear to be so poor?

SUSAN PEARCE: Forgive my voice. I have had a cold. It's not COVID, just to confirm that. We have always been quite clear with the districts that it's important to have a clear and accurate record of their board meeting minutes. This process clearly has given us an opportunity to highlight that further. Ms Boyd, we appreciate that on some occasions the board minutes have not necessarily been to the standard that we would expect, nor that, frankly, the districts would have expected, with some errors and omissions and the like. But, certainly, we are very happy to report back that our advice to the districts is that they are an important document in terms of transparency of what occurs at board meetings across the health system. They are a requirement of each local health district. We have reiterated that.

The CHAIR: In terms of Health's response, you have reiterated your requirements but is there anything being done to go further than that? Restating the requirements is not necessarily going to lead to the result that we are looking for here. Is there more that you can be doing on a proactive basis?

SUSAN PEARCE: We have a number of new board Chairs who have commenced at the start of this financial year. We always have an induction process with board Chairs, when they start in particular. I meet relatively regularly with the board Chairs. Certainly, at the next meeting of that group, noting that we have a number of new attendees now, we will be making that an item to discuss. Ultimately, the responsibility does sit with the district and the board to ensure that their minutes are accurate. We will certainly be happy to keep a watching brief over the board minutes that are published going forward, but we must rely on—and we'll be reiterating this—districts and their boards to record accurate minutes and to publish them.

The CHAIR: Although they hold the responsibility for the accuracy of those minutes, they are appointed by the ministry to those positions—

SUSAN PEARCE: By the Minister.

The CHAIR: So there is a level of accountability back to the Minister, you would think. Is there anything that the Minister can do to ensure that there are actual consequences for when these requirements aren't met?

SUSAN PEARCE: I would be happy to talk to the Minister about that.

The CHAIR: We heard from representatives of the South Eastern Sydney Local Health District in our hearing on 26 June and had quite a discussion with them about a potential conflict of interest and how that had been managed. During that hearing we were led to believe that a conflict of interest had not been mismanaged because there had, in fact, been numerous errors in the local health district's board minutes and even that the self-attestation statement from the Chair to the ministry had been incorrect twice. Does that concern you and will you be looking into those errors?

SUSAN PEARCE: Certainly, again, we are aware of those specific issues that you have raised that have been highlighted by the work of the Committee. There is a new board Chair in the South Eastern Sydney Local Health District as of this financial year, so we will certainly be taking the opportunity to talk to the new board Chair in respect of the standards that are required. As I said, we have made it very clear. I can't go back in time and change what occurred a number of years ago. I was not the secretary of Health during those years either. That is no suggestion that anybody in this role would have done anything differently to me in any event, but we have to—the point of the health system, in terms of any failures or errors that we make, is to recognise those and do better in the future. That is our commitment, in terms of what we can do about what happens next, as opposed to things that happened in the past.

The CHAIR: Are you saying that Mr Still is no longer the Chair?

SUSAN PEARCE: That's correct.

The CHAIR: Did he resign?

SUSAN PEARCE: His tenure came to its natural end.

The CHAIR: I thought that those board appointments were made in February or December at the end of last year.

SUSAN PEARCE: No. The board members can only be a member for 10 years in total. Mr Still had—along with a number of other board Chairs—completed his tenure, and it reached its natural end.

The CHAIR: Interesting. Thank you. I take your point that you can't go back and deal with mistakes that were made in the minutes. But if those minutes are correct on the face of them, then it looks like there was a mismanagement of a potential conflict of interest with Ms Stubbins working at the time for PwC as well as working as a board member or being appointed as a board member during a period of time in which the health district was giving quite a lot of work to PwC. Have you looked into that situation or are you just accepting Mr Still's explanation that they are errors in the board minutes?

SUSAN PEARCE: We have discussed that issue with the district. We have taken what they have said—and on the record, indeed, under oath in this Committee—as the truth, and also their commitment to improve their minutes in the future.

The CHAIR: In that hearing, regarding Ms Stubbins, Mr Still stated, "She did not work on the PwC work. She did not stand down so that she could work on that." That is despite the minutes recording that she had stepped down in order to pursue that work. He also said:

She was part of a different part of PwC. The only thing that she undertook to the board was that she would make sure that the best people in PwC were put on the job.

Further to that, it was then asserted by Mr Still that Ms Stubbins was acting as an adviser to the CFO, and when we asked Ms Stubbins about her role at the time, she said:

I was not an adviser. Just to be clear, I mentored the CFO and I had a couple of meetings with her after I stood down from the board. I wasn't an adviser.

But, in response to our questions on notice, we have now received yet another document that looks to confirm that Ms Stubbins was, indeed, deeply involved in the finance and performance committee work long after it had apparently been agreed that she would step down and, despite her saying that she did not attend those meetings as an adviser—I'll hand you these minutes, which I believe you've just looked at. I have a number of copies for the Committee as well. I will also hand to you the board referral notes that Mr Still gave us at that hearing, which he said were taken to the board in August 2015. It says, "Ms Stubbins, with the consent of the board, stepped down from the board", in May 2015. It then says that she's personally currently involved in mentoring the CFO and "no payment will be made to Ms Stubbins or to PwC for this assistance".

In the minutes of meeting from the finance and performance committee from 29 June 2015—so a full month after she was apparently stepping down—she is listed as a "board member (adviser)" in those minutes. It is a bit unclear as to whether she is still a board member or just an adviser. I'll take you to page 3 when you've got that document in front of you. This is in the context of Ms Stubbins apparently not doing any work for the local health district. At the bottom on page 3 it says, "Ms Stubbins agreed to undertake a review of all value improvement strategies for the 2015-16 financial year." Remembering that Mr Still told us all of this was an error in the minutes—not only is she still listed as a board member in June 2015 and as an adviser, curiously, but she is also agreeing, in those same minutes, to undertake work for the local health district. Those value improvement strategies are the same value improvement strategies that PwC had been working on for the board, as we discussed in that previous hearing. This looks incredibly bad for the local health district and their management of conflict of interest. What will you be doing to investigate what happened here?

SUSAN PEARCE: Given that I'm looking at this now, Ms Boyd, I will certainly take that on notice and be happy to provide further advice to the Committee in respect to any action we may take in regard to them.

The Hon. BRONNIE TAYLOR: Can I just add to that? This Ms Stubbins was on the board of the local health district and, obviously, she has a profession in—she is on the finance part of the board.

The CHAIR: Yes, while being a PwC partner.

The Hon. BRONNIE TAYLOR: That's right. But we know she's a PwC partner because that would be known to everyone, and that's why she's there—for her expertise in that area. Would it be correct, Secretary, to

say that, when you are looking at comprising boards for local health districts, you are looking at making sure that you have professionals who represent a myriad of different professions that will execute their duties and be able to enhance the advice of the local health district?

SUSAN PEARCE: Yes, that's correct.

The CHAIR: We covered that at length in the first hearing. That's not what this is about.

The Hon. BRONNIE TAYLOR: That's fine. I'm just trying to find out what this is about.

The CHAIR: This is about a conflict of interest. Were you in the hearing when we had Ms Stubbins?

The Hon. BRONNIE TAYLOR: I really am not sure. The conflict of interest that you're insinuating—

The CHAIR: It is on the face of the documents. I'm happy to catch you up later.

The Hon. BRONNIE TAYLOR: I don't need to be caught up, respectfully, Chair. I think I know what I'm doing, which is probably why you're reacting.

The CHAIR: No, it's fine. So are you concerned, then, about this idea, this sort of secondary revelation that came out about consultants then being advisers to individual executives within our LHDs?

SUSAN PEARCE: Look, I think it depends. Every circumstance would turn on its own facts, so I can't make a comment about being concerned about people working in consulting firms being advisers to people in districts. I don't think it's a particularly widespread practice. I think this issue has been well canvassed by this Committee in the past. Clearly I'm not in a position, as secretary of Health, to provide detailed information about what happened at a local health district eight years ago. But I think, in general terms, people in the health system seek advice from large numbers of people, whether they be in consulting firms or not. It may be a mentoring arrangement. It may be unpaid. It could be any number of things, so I'm not really in a position to talk about being concerned without more particulars as to what, if any, the influence is that that is, or some sort of suggested behaviour that that would be leading to.

The CHAIR: Perhaps it's more of a question for the Minister that I can raise perhaps in budget estimates. The completeness of the records of the contracting spend by each of the local health districts varies considerably. And, again, thank you for all of the details that you have provided from the local health districts, because I think that's been incredibly informative for working out where they are spending money on consultants. But some are really detailed and others appear to be quite sparse. Was that something that you looked at? Is there any sort of concern or, having now received that information, is there a decision to help harmonise that reporting?

SUSAN PEARCE: I'll get Mr D'Amato to comment, but I think, broadly speaking, one thing that's highlighted is the challenges with the definitions that we've also previously canvassed at this Committee. So I think the difference between consultancy, contractors and professional services clearly has contributed to some of the information that you see there, because I've looked at those figures myself and asked some of the same questions. Clearly, there are some values in terms of some of the districts that are absolutely associated with COVID. There is no doubt about that, and some of the work during the pandemic, particularly with the Qudos Bank Arena, as an example, at Western Sydney, in one particular year where the value is quite significantly higher than you would normally see. But I'm well versed in the vaccine rollout because I was responsible for it across the State and I know what was happening at the time. There are a range of improvement strategies that have kicked off from 1 July that we've put in place, and I'll get Mr D'Amato, perhaps, to comment on those, if that's okay, Chair.

ALFA D'AMATO: Thank you, Chair, for the question. As I mentioned last week when I was here with the Procurement Board, NSW Health has introduced additional steps to prepare ourselves in reporting, for this financial year, the details that are now required for all the districts in our annual report. As a result, for any engagement of consultant professional services from 1 July this financial year, over \$30,000, will be approved by the chief procurement officer. At that point we are also collecting additional information so that we can make sure that we are clear on how some of these definitions are interpreted by the districts so that we can prevent, if you want, the large discrepancies they use in some of these numbers. It is fair to say that—and even the Auditor-General acknowledged that—it has been difficult at times to interpret the definition that we are working on at the moment despite the fact the Procurement Board is working on improving the definition. We are using all we can at the moment to prepare ourselves as best we can.

The Hon. Dr SARAH Kaine: Is any of that work the result of the Ernst and Young contract looking at procurement and the procurement model? If so—we have been talking about conflict of interest—might there be conflict of interest in Ernst and Young working on the procurement model? I just note that is a line item in some of the information we have been given.

ALFA D'AMATO: EY was engaged, I think, probably a year or so ago to help us develop a new procurement policy and review the processes the way it applies. As a result, we introduced new policies 12 months ago. Those policies, I admit, are still new to the system. To complement the policies, there is significant effort in training. In fact, we also have a procurement academy that we have introduced this last financial year. This is also complemented by a procurement portal online, where the users can seek additional information as well as then the procurement procedure that is really detailed about the system and the users to identify what are the steps they need to use to procure goods and services. EY effectively helped us review our internal processes, and then internally we have a steering committee. In fact, as a result of it, we also have a procurement reform group that I chair that is focusing not only on an initially establishing the procurement policy as the key document guiding all our staff in procuring goods and services, but also seeking opportunities for further efficiencies and enhancements in procurement aspects.

The Hon. SCOTT FARLOW: Mr D'Amato, to pick up on Dr Kaine's question, just to clarify, the work that Ernst and Young has done on this is more around the process rather than around the policy itself. While you say it is the procurement policy, the policy, of course, is still set by the department.

ALFA D'AMATO: Absolutely.

The Hon. SCOTT FARLOW: But it's the processes in order to implement that that they've done the work on. Is that correct?

ALFA D'AMATO: That's correct.

The CHAIR: Figures from those local health districts showed that around 25 per cent of all of their consulting spend was going to PwC. Is that something the department is concerned about in terms of concentration? I'm trying to understand—who monitors that? Who looks and says, "Well, actually there's a reliance forming on one particular consulting firm"? Is that something within the remit of NSW Health?

ALFA D'AMATO: We do tend to monitor the spread, if you want, across the different firms, but I also admit that you can see there are different trends across the different entities that, in my opinion—and I probably need to take further questions on notice—also reflect the services that each individual firm is more, if you want, experienced in.

The CHAIR: Does it not then create an inter-reliance? We've heard from academics about the idea that you end up with certain groups within particular consulting firms that are then reliant for their existence on a certain stream of work coming out of government, and also that government then becomes quite reliant on a particular consulting firm in order to provide the services. Is that inter-reliance seen as a problem from NSW Health's perspective? Or, from a Procurement Board perspective, is there any greater oversight on those trends or is that something at a policy level?

ALFA D'AMATO: I probably need to take that on notice, but the chief procurement officer normally monitors compliance of the policy and compliance on trends, and the data that we submit to Treasury as well.

SUSAN PEARCE: I might add in terms of the improvements we've put in place from 1 July, with the chief procurement officer being required to review any consultant request over \$30,000 that Mr D'Amato has mentioned, I've also asked him to keep his eye on that very issue. Because our policy is quite clear that there shouldn't be a large amount of work going to one or the other. It should be evenly spread. I note, however, that—and I am not entirely familiar with the internal workings of all of these consultancy groups, to be honest with you, but I do understand that some of them have project management functions that others don't have. So I don't think they're all equal in their offerings, and I think that's one reason why you see some of that. The ministry, when we've looked at our own information in particular with regard to this issue, we can see that it's fairly evenly spread across the consulting groups at a ministry level.

The Hon. Dr SARAH KAINE: Mr D'Amato, I think you referred to the information you provided us across the different entities. I was just reviewing that recently. Quite a lot of the information provided shows direct engagement of consultancies. I understand that there's a \$250,000 cap for direct engagement. Aside from the COVID cases, which we've spoken about before and you've provided information about in your answers, there are a lot of examples of direct engagement above \$250,000. I know you now have a new policy in place, but I wonder if you could explain a bit how that might have occurred. Also there does seem to be quite a number of examples of \$249,999 contracts, which have then extended into the hundreds of thousands of dollars. I wonder if there's been any reflection or, indeed, follow-up or, indeed, discipline around the breaches of that policy?

ALFA D'AMATO: There are a couple of things. One is in respect of direct engagement. If a supplier is pre-qualified—and, therefore, part of other, or whole-of-government or whole-of-Health procurement listing—then we can directly engage. Then the threshold kicks in in determining whether we need to seek one quote or

multiple quotes. In regard to the \$249,000 that you refer to, it is probably something more around the delegation that we have in place. That is something probably to have a look into in regard to the extent of the problem. We do tend to monitor that exactly. Also, with the extra steps we have put in place now, we are seeking the chief procurement officer also to monitor the extension of contracts. So in the case of \$249,000, the value of the contract needs to be evaluated in regard to the total amount—so \$249,000 plus any extensions.

The Hon. Dr SARAH Kaine: So that's a future thing. You're not going back and looking at cases that are just under. There's no suggestion that you might go back and see why that occurred.

ALFA D'AMATO: I think there is always good learning from the past. I will take that on notice and I will have a good look at it.

The Hon. Dr SARAH Kaine: Could I ask you to take this on notice? I think, from memory—and I don't want to go through the spreadsheet now—there were a couple of examples of non-pre-qualified that were a direct engagement, if you could check on that. I think, from memory, there were, and I would like that information.

ALFA D'AMATO: Sure.

The CHAIR: You mentioned before the project manager function, which PwC seems to do a lot of. I was disappointed by the information we received from Health Infrastructure, because I think in that instance it was very much a very narrow interpretation of what we'd asked about. We'd asked for spend on consultants and I think what we probably got back was just consulting spend as opposed to contracting spend on consultants. The answers to the questions on notice noted that project management costs were a total of 1.5 per cent of the total project budget for infrastructure. But then the ones that we discussed in our hearing—for example, PwC as the outsourced project manager for Westmead—didn't make it into the details that were provided in the supps, so it didn't match up with the eTender records that we had. That was also the case for NSW Ambulance, HealthShare and eHealth, so those figures we got back looked quite lean. Is that interpretation correct, do you think, Mr D'Amato? Does it look like there's some spend missing on consultants that's maybe been classified a different way?

ALFA D'AMATO: In the first instance, I think it is fair to acknowledge that the HI—Health Infrastructure—project management costs do tend to get capitalised. That is something that we discussed previously and also the Auditor-General picked up as a challenge that we need to unpack. I agree with you that it is likely that they interpret the question as spend on consultants and therefore immediately use the definition of "consultants" to determine what it is that we provided. Whereas, if the question was in regard to what is spent on PwC as any invoices from PwC, that would have probably been providing you the data that you are after. Similarly, with HealthShare and NSW Ambulance.

However, I also think that we need to acknowledge that sometimes it is very difficult to determine what part of the spend from one of these companies is really consultancies versus contractors and versus other spend. Because at times we also engage these firms to provide us services in respect to legal services or audit services. Again, how do we interpret these? They are not consultancies because they're not providing us with recommendations or professional advice. They are not contractors because it is not something we would have otherwise done and therefore it falls into the category of "other". It is something that admittedly we need to work on as a procurement group as well.

The Hon. Dr SARAH Kaine: Could I ask a follow-up question about the supplementary answers? I have a couple of things. My colleague the Hon. Peter Primrose asked some fairly direct questions and asked for templates and forms and the form of questions that were used during the process. We were not supplied with that. We were supplied with a summary paragraph about the nature of the types of process. I wondered could we actually get the forms and templates that are used, as requested?

The other question I want to ask relates a little bit, Ms Pearce, to your answer earlier about moving forward. Some of the things that we are looking at are in the past and we can learn from them, but we are moving forward. I wondered then, when we asked about managing conflict of interest with consultants, why one of those supplementary answers was that NSW Health says that there's conflict of interest processes managed by the consultants. That was your answer. That is where the onus is. It is on the consultancies to manage their conflicts of interest and that NSW Health understands that there is a process. I just wondered, in light of this inquiry and the Federal inquiry, if that is actually a good enough answer to provide to us about how conflicts of interest are managed? We say it is okay because the consultancies are on it; they have their own processes. I thought that it was an interesting answer for you to give us on that one.

SUSAN PEARCE: I don't think we're saying it's okay and it's all on them. I think what we are responding to is about the arrangements that have been in place up until now, which we have complied with. We have an expectation that anyone we engage, whether it's a law firm or whether it's a consulting group, manages their conflicts. I know that the ICAC guidance has been discussed in this Committee. There are conflicts all over the

place. There are requirements upon professional individuals to manage their conflicts. In respect of going forward, we are happy to elaborate on that.

The very robust process that we now have in place from 1 July will be absolutely taking those issues and I guess hardening our stance, if you like, in regards to potential conflicts. I do not know that I can sit here, though, and tell you that, as the secretary of Health, I can guarantee to you there will never be a conflict of interest issue again. What we try to do is—even if there is a conflict, it does not mean that necessarily, automatically knocks someone out. There is also, per the ICAC guidance, how you manage and mitigate conflicts of interest. So I think it is not a simple as you're conflicted and you're automatically out. In some cases, absolutely, there would be no question of that.

The Hon. Dr SARAH KAINÉ: Given that the answers were given on 2 August, so it was a full month into your new policy—perhaps we could get a copy of what the new policy is which you say is much more robust? I would be interested to have a look at that.

SUSAN PEARCE: Yes, by all means.

ALFA D'AMATO: If I may add, Dr Kaine. I just want to reiterate what the secretary has mentioned. In regards to the new process, we have an extra step where we actually ask everyone to save all these documents, including confidentiality and conflict of interest undertakings, into our repository to be able to demonstrate that these steps are being complied with and we have evidence of record keeping. I think one of the steps we put in place from 1 July, acknowledging some of the recommendations from the Auditor-General, is an enhanced way of record keeping that can be governed centrally so that we don't have to all the time ask districts to report back.

The Hon. Dr SARAH KAINÉ: I would appreciate that to be added to the supplements because they were not answered perhaps as fulsomely as they could have been.

ALFA D'AMATO: Sure. If I may, can I double-check? In regards to your question around forms and templates, what we normally issue is a guidance paper or what we have issued in the past was a guidance paper to provide some examples to users in determining what is a consultant and what is a contractor. I can provide that to you. We do not have a formal form or template as such.

The Hon. Dr SARAH KAINÉ: That would be useful. Thank you.

The CHAIR: I guess looking at those answers in other respects as well and in relation to that conflict of interest we did ask in relation to conflict of interest on the local health district boards. Your response came back saying:

A preliminary review of information held by the Ministry has identified two instances of a matter being referred to the Ministry where it has involved a Board member. One matter was referred in 2019, the other in 2021 and in both of these instances, the issue raised was not substantiated.

Did either of those involve a consultant—basically working for a consultant at the same time as being on the board?

SUSAN PEARCE: I would have to take that on notice, Ms Boyd.

The CHAIR: One of the questions we asked that was taken on notice was not answered. Question 14 refers to the part of the transcript where a question is asked about which consultants were involved in advising on those NSW Health reforms in 2011. There was no response given to that. Is that something you can answer now?

SUSAN PEARCE: I was working in an area health service in 2011. So, no, I can't.

The Hon. SCOTT FARLOW: Not off the top of your head.

SUSAN PEARCE: Sorry, I will have to take it on notice, I'm afraid.

The CHAIR: Yes, that's all right. If we could just have an answer to that this time, it would be great. The answer to question 26 states that it was a management decision to stop reporting consultant spend as "capital works and other" and just report as one line. Why was that management decision made and does it obscure how much consultant spend is being capitalised?

ALFA D'AMATO: In the first instance, I think we need to acknowledge that what we see on the expense side of the general ledger is probably not reflecting the full amount that we are spending on the capital, as we discussed before. For that reason I believe that the decision back then—and it was before my time—was that it was immaterial and that it would not have comprised the quality of the statement in the annual report.

The CHAIR: Okay. Question 15 of the supplementary questions was also not answered. The question was how many engagements have been granted to consultants or contractors who previously were engaged to do a business case. Is there a reason why that was not answered and, if not, could you maybe take it on notice again?

SUSAN PEARCE: Sure.

ALFA D'AMATO: Yes.

The CHAIR: In relation to the Qudos contract with the Western Sydney Local Health District, with so many other entities involved—and that was really good information, to see exactly who else was involved and what they were doing—why was PwC paid so much? They were paid \$7 million and it seems that they—it is very unclear what they were doing, exactly, in that process. Do you have more—

SUSAN PEARCE: You would have to refer that question to the district, Ms Boyd. Look, the period of time when that was being established was intense because we were dealing with the first Delta outbreak of the pandemic. When Qudos was being established it was established very quickly, and I will say the pressure applied by me to the district at the time to get that stadium up and running was pretty significant.

The CHAIR: And I completely understand that.

SUSAN PEARCE: Nothing to do with engaging consultants, I might say, but we—

The CHAIR: But it put you in a weak negotiating position, didn't it?

SUSAN PEARCE: We had to get that place up and running because we needed to contain the outbreak at the time—which we did, I might say. The nature of those payments and what they were for, we would have to refer that question and take it on notice to the district.

The Hon. BRONNIE TAYLOR: Further to that, Chair, at that time—which does seem like a lifetime ago but, unfortunately, isn't. We were faced with what we were seeing internationally that potentially could happen. I know extensively, I think we all do here, your role in what you did for this State, which is just incredible. But at that time, would it be fair to say that you just needed everything done as quickly as possible to get that stadium up and running, to get vaccines into arms to protect the people of New South Wales?

SUSAN PEARCE: Yes, I think that is a fair statement. But I will also add that we have always maintained, regardless of our emergency arrangements, that we followed the rules. We had emergency procurement provisions in place at the time as a consequence of the pandemic that were authorised because of the nature of the work that we were doing. I think, despite the pressure people were under, they did a sterling job of sticking to the rules that were in place.

If the Committee would indulge me, I think the one thing I would say, broadly, is that the public health system has always prided itself on being robust. We stick to the rules. We work within the rules that are before us. We do our level best to make sure that every dollar we spend on behalf of the public of this State is spent wisely and appropriately. I think that, overall, in respect of this hearing and this procedure, the procedures that are going on here, we are very willing participants here. We would like to see improvements in—we've outlined those ourselves. We have nothing to hide. We want to see improvements in the manner in which we record and report consultancy spend. We take our responsibility of the public dollar very seriously and I feel it's important for the Committee for me to reiterate that.

But back to your original question—Western Sydney, I'm sure, can provide the detail. My understanding is that, from memory, the PwC element of that, because it was massive—I mean, we were looking at being able to do something in the order of 120,000 vaccines a week from Qudos. The PwC component of the workforce that supplied that service was relatively small because we really had to pull out all the stops to get the place up and running.

The Hon. SCOTT FARLOW: From the announcement of Qudos operating as a vaccine facility to it being stood up, what was that time frame?

SUSAN PEARCE: Look, from memory, I know we managed Sydney Olympic Park in 20 working days, and it was something similar.

The Hon. BRONNIE TAYLOR: Secretary, just further to that—

The CHAIR: Sorry, can I just clarify—

The Hon. BRONNIE TAYLOR: Right, and then I'll go.

The CHAIR: Thank you. I will just clarify, because I'm worried about the tone of questioning, that at no point—

The Hon. BRONNIE TAYLOR: Point of order—

The CHAIR: Can I finish my sentence?

The Hon. BRONNIE TAYLOR: No, there's a point of order.

The CHAIR: Go ahead.

The Hon. BRONNIE TAYLOR: I would ask that you withdraw your use of "tone".

The CHAIR: Withdrawn.

The Hon. BRONNIE TAYLOR: Good.

The CHAIR: Sorry, what I was saying is that at no point are we criticising Health's engagement of PwC. I don't think that has been evident in any of the questions we've asked so far. What I'm asking is what PwC were doing at that time. Obviously you were doing a stellar job. That's not being doubted here, and we are very grateful for your participation in this inquiry. What we're asking is, in that period of weakened negotiating position, whether or not these consulting firms were perhaps being paid more than they would be otherwise, and whether that was appropriate.

SUSAN PEARCE: Not to my knowledge, but we'll get more information from the district.

The Hon. BRONNIE TAYLOR: During that time when that outbreak was happening and where internationally people were looking to do similar things—I don't know because I didn't sit on crisis at the time, that was before my time on there. If you could elaborate to the Committee, Secretary, was it—I imagine; I don't know—a difficult time to get that expertise and help that was required because everybody all over the world was looking for it?

SUSAN PEARCE: It was a case where we needed all hands on deck. There is no question of that. In addition, we had the Defence Force assisting us. We had the RFS. We had Qantas workers who had been stood down. We had authorised student nurses to work. I mean, in no small way, it was a military effort to achieve what we did. It was also at the time, you may recall, where we received the Polish Pfizer, and we were given large amounts of vaccine because of the state of the pandemic in New South Wales at the time following the mid-June spread of the Delta strain. We managed to give just under a million vaccines across our State clinics in three weeks during that period and Qudos Bank Arena was a very significant part of that.

The Hon. Dr SARAH KAINÉ: I wanted to look forward to the future; I hear you're doing work there and you will provide further information, which I appreciate. One of the answers we were given—probably multiple, but in writing—was about engaging PwC at some stage for a policy implementation plan, and the reasoning was because there wasn't internal capacity or capability. What kind of action has been taken to map where the capability shortages have been that have required so much in-filling by consultancies, and where are you at? I presume that's the process you're undertaking.

SUSAN PEARCE: I'll make a couple of comments and Alfa will have more. I state for the Committee again that, notwithstanding some of the challenges we've discussed here today, the spend on consultants as an overall proportion of the Health spend is tiny. You're talking about less than, in some cases, 0.9 of a per cent of a budget year. Notwithstanding that, there are clear, large dollar amounts attached to those spends and we are cognisant of that. As part of the new process—I'll just go back a step. Clearly we would prefer, on any level, that work is done by our own staff. There is no philosophical view, particularly from our leadership team—and I believe this includes the districts—to bring consultants in at the expense of our staff. But as part of the new process, whoever is requesting the engagement within our services will be required to provide justification as to why work can't be done by existing staff.

The Hon. Dr SARAH KAINÉ: My question was a bit beyond justification. I think we talked about this with a previous witness. Is there any global map of what capability Health has and what Health will need so as to be planning for those—

SUSAN PEARCE: I will get Mr D'Amato to comment.

ALFA D'AMATO: Yes, we've started examining options. One of the options we are currently assessing is the availability of internal capacity from different parts of the organisation to conduct evaluations, for instance. Some that would otherwise have been outsourced, some of these organisations could otherwise be done internally. So we determine what is the capacity that we can plan ahead, as some of the programs are required to be evaluated according to Treasury guidelines. We also determine what it would look like if we were to scale the internal capacity. That is one option. We are currently examining the feasibility of this so we can do more internally.

The Hon. Dr SARAH KAINÉ: You particularly talk about policy implementation, which is one of those areas—we've had other agencies here—which would pretty much seem bread and butter, but where you yourself talk about that capability gap. Aside from the evaluation, I'm wanting to assure myself that when you identify a capability gap, there is some next step towards filling that gap.

SUSAN PEARCE: I think one of the opportunities with the new process, given we will have a much better line of sight on what sort of work is being requested—that will give us an opportunity as well to look at that in another way. If, for example, a district is asking to engage consultants for X, and they've got to provide justification as to why their own staff can't do that, that gives us an opportunity to identify the gaps through that process as well. NSW Health is a very large organisation. We have 175,000 head count staff. It's impossible for me to sit here and tell you that I can identify every gap within our services that may need to be filled in some other way.

The Hon. Dr SARAH KAINÉ: No, but I'm asking about the ones you have identified. You did identify a gap. What then is the process for the next steps? You mention the area health services in terms of the new process and the \$30,000 and seeking approval. Are those other bodies that we got information from included in that policy, or is it just local area health services? Is it eHealth, Infrastructure—all of them?

ALFA D'AMATO: Everyone, including Health Infrastructure.

SUSAN PEARCE: They're delighted.

The Hon. Dr SARAH KAINÉ: I'm sure.

The CHAIR: One of the things in the Western Sydney Local Health District answers that was really interesting—we were asking about the Auditor-General board governance report on the local health district boards and the recommendations that were made in that, and we asked those district representatives what they'd done in response to that. In their answers, they came back and said, effectively, that they had provided a response back to Health on 4 June 2019, which implies that there was a process where Health had written and said, "Here are these recommendations", and you got something back. What happened next in that process in terms of looking at those responses? Were there any changes made to processes or did anything else come out of that?

ALFA D'AMATO: Can I just double-check—you mentioned the 2019 Auditor-General report?

The CHAIR: It must have been, yes.

ALFA D'AMATO: That triggered the whole reform process. As a result of that, not only we developed a new policy but we put in place a reform program that is still ongoing, as I mentioned. That's where we pretty much started the journey and reported back to the Auditor-General probably two years ago now, before COVID.

The CHAIR: Are you able to give us a copy of that report so we can see which of those recommendations were adopted and where that's got to? That would be really useful.

ALFA D'AMATO: Yes, no problem. I believe we reported that to the other committee as well.

The CHAIR: In Mary Foley's answer to question two she suggests that that might be better answered by Health. That involves—when the 2011 reforms were brought in, I understand Carrie Schulman was brought in, according to Mary Foley, to sit within Health and to lead or be involved in the implementation. One of the questions we asked was what was the period of her engagement. She suggested that we ask you. Obviously, it's not something you'll know off the top of your head.

SUSAN PEARCE: I'd have to take it on notice.

The CHAIR: Thank you. In relation to eHealth NSW's answers, they noted that NSW Health Pathology engaged Deloitte to "provide some development services to cover staff leave". Is that sort of arrangement common, where we get consultants in to cover leave?

SUSAN PEARCE: I think that's where perhaps you get into the consultant/contractor professional services discussion as opposed to consultants to cover leave generally. It wouldn't be—I don't know, do you have any other comments, Alfa? Without knowing the exact specifics of what the positions were—again, it is a pretty large organisation—I'd need to take it on notice.

The CHAIR: It comes back to the original question in our very first hearing where we asked Treasury, "What is the total number we are giving to these firms?" No-one can tell us. We understand all of the differences in definition et cetera, but it is quite remarkable to me that we can't say "X amount of money left government accounts and went to PwC in this year". Whether it's a contractor or it's a consultant, or whatever, understanding the level of payments going to these consulting firms is clearly of public interest.

SUSAN PEARCE: Your question wasn't about payments, though, it was about people filling positions as consultants.

The CHAIR: Yes, but is that not a payment? Would you not—

SUSAN PEARCE: Yes, it clearly would be of—

The CHAIR: In that case, \$193,000 was paid to Deloitte for that work, so, yes, I'm curious—

SUSAN PEARCE: What year was this?

The CHAIR: I don't know, actually. Sorry, I'd have to go back and look at their answers. It's in eHealth's answers. They said, "NSW Health Pathology engaged Deloitte to provide development services to cover staff leave."

SUSAN PEARCE: We would have to take it on notice, Ms Boyd. But the general principle is that, yes, from time to time, there would be contractors. For example, during the height of the pandemic we had a media person that came over from the Sax Institute who was a contractor to NSW Health to assist with media and the like during that period. There will be times where those types of things occur. Without the exact details, it's very hard for me to comment. But consultants—as in, someone providing professional advice—to fill a vacancy doesn't sound right to me. I think you're into the contractor discussion there.

The CHAIR: But we're also concerned with contracting—

SUSAN PEARCE: But, nevertheless, the payments go to the—

The CHAIR: Yes.

SUSAN PEARCE: Yes, so we—

ALFA D'AMATO: I just wonder, because it seems to me if it was reported by eHealth, it sounds as though there might have been a system implementation to perhaps support the vacancies or leave. So, as I say, it's probably best if we take it on notice to unpack it a little bit.

The CHAIR: We heard that eHealth has 706 contingent workers, as at 30 June 2023, both consultants and contractors, however defined, engaged through the Contingent Workforce Scheme. How many are there across all of Health, do you know?

SUSAN PEARCE: No, I don't. I would have to take that on notice.

The CHAIR: Does that number seem large to you?

SUSAN PEARCE: I've spoken to Dr Bolevich about that, actually, when I saw that, and he has provided me with the following advice. The ICT workforce, I think we really are genuinely talking about contingent workers as opposed to consultants—so, not consultants in there. This is a contingent workforce. They have a far more permanent workforce within eHealth. I would like to make that point clear. The contingent workforce does not outweigh the permanent workforce in that organisation. His advice to me, essentially, was that pre-pandemic they had been gradually reducing their contingent workforce and permanentising people. It's our preference, obviously, wherever we can have somebody who is a permanent staff member, to have them as a permanent staff member, and that's across the entire health system.

There are other examples I could give you, but if we stick with eHealth, during the pandemic ICT workers were in high demand. It created an environment where people could earn more money by being contingent workers. That, obviously, affected us, as it did many other organisations looking for ICT workforce. He says that it's gradually improving, so we're starting to see a little bit more of a return. The number is getting a little lower and we're seeing people now seeking permanent employment. I suspect that the current state of affairs with the economy and the like is influencing people's decision-making, perhaps, about permanent work as opposed to temporary work, which is to our benefit in that regard. But my overarching statement is, yes, it does seem like a large number, but I think you've got to contextualise it to that particular type of work that eHealth does, combined with the fact that they are certainly seeking to reduce that and make people permanent wherever possible.

The CHAIR: There is obviously a difference between individual consultants and contractors, and I understand a lot of people structure their work as a sole contractor or sole consultant. How many of those contingent workers—perhaps you could provide on notice how many there are across Health—are actually from consulting firms, where you've got someone like Deloitte filling those roles as opposed to an individual who chooses not to be an employee, if you know what I mean?

SUSAN PEARCE: Yes. We'd have to take it on notice. But I don't know if you want to mention Fieldglass in terms of that process?

ALFA D'AMATO: Yes, that's right. In terms of the numbers, I think it's fair to say the largest proportion of our contingent workers are deployed within eHealth, just because, as we mentioned, it is their capabilities that we're looking for. And, also, I think it's fair to say that the tenure that we're looking for sometimes is short term, depending on the nature of the program. Sometimes we might need some skills at the very beginning of certain programs and throughout the program development and implementation we might need to change the skill set we require. Overall, we comply with the Treasury guidelines in regard to contingent workers, and we use a vendor management system across the system and within our organisation. We also intend to implement this across all districts as well, this financial year, again, with a view that we want to improve on our record keeping. At the moment, as I say, eHealth certainly represents the largest group.

SUSAN PEARCE: I think it's also worth just noting that, for some people, they want to work as contingent workers because there are also financial benefits to people in that regard if our award arrangements, for example, don't meet the market expectation. That's part of the challenge in the ICT environment.

The CHAIR: As I say, I'm not concerned about the sole contractors and sole consultants, but it piqued my interest reading the Deloitte submission when they talked about how they are deliberately not part of that Contingent Worker Scheme because they believe it doesn't agree with their model. I will be asking them about that, because there seems to be other types of contingent workforce that Deloitte have put in. That piqued my interest because it made me think that means, probably, that the other consulting firms are involved in that Contingent Workforce Scheme—so how many of their workers are providing a contingent workforce for Health is, I think, a relevant question for this Committee.

SUSAN PEARCE: Sure. I've got a response for you, though, in respect to the Deloitte pathology engagement that we mentioned earlier. I'm advised that it was to help—you may recall that we developed an SMS results capability so that if you tested for COVID you could get that straight to your phone. They were there to provide resources to assist with that program of work.

The CHAIR: When we had NSW Ambulance in they were talking about a business case analysis that they'd had prepared by Deloitte and it had cost them \$400,000. They said it was money well spent because it resulted in their budget bid being accepted by Treasury. The question I have is, from a NSW Health perspective, when you're looking at various agencies preparing business case analyses, would it be preferable if there was an internal government service for business case analysis? It seems like a lot of money in order to convince one part of government to do something the other part of government thinks is necessary.

SUSAN PEARCE: Restating the comments I made earlier, it is always preferable, if we can, to have internal resources that are available to do these sorts of pieces of work. It may be an opportunity for the future to think about how that could work across government, perhaps. I don't think we would object to that at all. The ambulance service has provided the responses you have there. It was an extensive piece of work. Again, to be very clear, Deloitte was not responsible for the modelling or where stations went; they were there to provide project management support.

The Hon. MARK LATHAM: Could I get a bit more information about the new system you have got for handling the need for consultancies to prove that the work can't be done internally, which I think is the key issue for this inquiry? How do you handle a circumstance where, say, management makes a conclusion that the work can't be done internally but the frontline workers think that they could do that work and don't want to see a consultancy have it?

SUSAN PEARCE: That's a good question. That is definitely something for us to think about going forward. It goes back to my response to Dr Kaine. We now have a much more granular view of the type of work. That will give us an opportunity to press our services about why they would need that. In those circumstances, we should also have an eye to how it would affect our own workforce if you were to bring in a consultancy group and give us an opportunity to have better discussions with them. We certainly have no problem with what you're proposing there. There are times where people would clearly feel that they were capable of doing something, and we should give them that opportunity wherever possible.

The Hon. MARK LATHAM: Would you consider a situation where, if the frontline workers had their own budget and self-contained cost unit, they could join the tender process and be considered in that competitive environment to do the work? I have seen this happen in local government, where the business units can outcompete the consultancy and claim it on a level playing field.

SUSAN PEARCE: We have done that before within Health, indeed—with HealthShare NSW; in the provision of soft services, for example, where contracts were previously let to other businesses outside of government; and also with our pathology service, which competes actively. NSW Health is quite unique in terms

of the size of our pathology service that is publicly run, so they've had an opportunity over time to be able to compete with private providers. We are certainly very open to that.

The CHAIR: We might have an extra-long morning tea. Thank you so much for attending. We really appreciate all the work that you're doing in helping us to understand the use of consultants in Health. It has been incredibly informative. Unfortunately, you were the first department we went with, so you've done a lot of the load in educating the Committee on the processes around procurement. Thank you very much. That concludes this session. We will be back at 11 o'clock.

(The witnesses withdrew.)

(Short adjournment)

Mr RICHARD HARDING, Chief Executive Officer and Managing Director, icare, affirmed and examined

The CHAIR: I now welcome our next witness. Would you like to commence by making a short opening statement?

RICHARD HARDING: That would be great, thank you. Icare welcomes the opportunity to contribute to this inquiry, and I thank the Committee for the invitation to appear today. I'd like to provide the Committee with a brief explanation of icare's approach to consultant use and outline some of the significant reforms we've undertaken in recent years to ensure our practices are appropriate, transparent and support better outcomes for the people we serve. Icare engages consultants to provide specialist capability, knowledge, advice, expertise and independent assurance to support the operations and management of the complex schemes we operate.

While icare is best known for workers compensation, we also manage a number of diverse, complex schemes and entities that deliver insurance and care services for the people of New South Wales. These include workers compensation for the Nominal Insurer; lifetime care; CTP care; workers care; dust diseases care; the Home Building Compensation Fund; within the remit of Insurance for NSW, both government workers compensation and the insurance of all of the Government's assets and liabilities through the TMF and SICorp; and the sporting injuries insurance scheme. These eight different schemes have very different operational structures and very different drivers in respect to their claims and claims costs, and have different requirements in respect to reporting. We engage external expertise when needed to augment our own capacity or provide that which is not readily available within our organisation.

I acknowledge that icare's past performance in this space has not always met the high standards the community expects and rightly deserves. Today icare is a very different organisation. Since my appointment as CEO in 2021, we have made great progress implementing icare's Improvement Program—set up following recommendations that came out of the McDougall review and the governance, accountability and culture review in early 2021. Collectively, the reviews made a set of recommendations to strengthen icare's culture, governance and accountability framework; upgrade icare's risk awareness, risk management and risk capability; and bring about a greater focus on customer outcomes. Our enterprise improvement program includes six workstreams focused on uplifting icare's capabilities—one of which is procurement.

Under this program, we have undertaken an in-depth review of our policies and procedures in relation to procurement, information disclosure and the management of conflicts of interest. We have implemented a new board-approved procurement framework and underlying policies to align with the *NSW Government Procurement Policy Framework*. We have established user-focused systems, procurement and probity processes that are fit for purpose and compliant with the New South Wales Government requirements. We have uplifted our practices to ensure compliance with our GIPAA obligations. We have improved the capability of icare staff in relation to procurement processes and practices by developing a comprehensive capability and development program. This is aligned with the New South Wales procurement whole-of-government capability framework for procurement and contract management.

Last of all, we have appointed a chief procurement officer responsible for procurement processes and the cultural change needed. It is important to note that a significant proportion—some 62 per cent—of the consulting expenditure across our eight schemes is for actuarial services. This supports us in meeting best practice regulatory and accounting standards that apply to insurers and provides independent assurance to our board and the New South Wales Government as to the accuracy of our accounts. This confirms the independence of our scheme's actuarial valuation, which is a major driver of their financial sustainability. This is complex and specialised work offered by a small field of expert providers. These providers also bring broader commercial industry knowledge and in-depth, bespoke technical expertise, which allows us to make confident predictions about our changing risks and model impacts on claims decades into the future.

Where icare does use consultants, this is done in a disciplined and deliberate way to access expertise that will support us to deliver the important changes we need to make to improve outcomes for the people of New South Wales. In recent years this has included work to design our refreshed claims model for workers compensation; injury prevention strategies for workers compensation, including psychological claims; changes to our enterprise payment systems; and the setting up of new schemes, such as the CTP Care scheme. Like all government agencies and, indeed, most businesses, icare has also engaged specialist consulting services to provide advice in the complex delivery of information technology, data strategy and cybersecurity. This IT expertise has delivered an uplift in the management of sensitive information, including health and financial information, in accordance with the evolving and complex laws and regulations.

When we engage consultants, we do so with a commitment to transparency, accountability and achieving value for money. We monitor and manage the performance of our consultants to ensure that the best outcomes are

achieved for the organisation and for those we serve. Individual suppliers are listed in the annual report along with a description of consulting services undertaken for all contracts over \$50,000, in line with the disclosure requirements under the New South Wales Government's annual report regulations. I am confident that today's icare engagement of consultants is strategic and adds tangible value to the work we do for the people of New South Wales and has robust controls to manage conflicts of interest and unethical behaviour. I again thank the Committee and look forward to answering your questions.

The CHAIR: Thank you very much, Mr Harding, for appearing. As you say, in 2020 icare was under a bit of scrutiny for having failed to adequately publicly disclose contracts, including those with consultants. It was reported at the time that icare undertook a remediation program to ensure all of that appropriate disclosure, including putting it on eTender and going back and correcting annual reports. Does icare now adequately disclose all of its contracts, and have you gone back to account for the extent of what was missed and rectified that work already?

RICHARD HARDING: Thank you for the question, Chair. Absolutely. It's been a process over the last 2½ years, since I came on board, to uplift and address the shortcomings that were in the previous approach to both procurement and the disclosure regime. That has included, as I mentioned in my opening statement, a number of areas where we have uplifted policies and procedures and our capability, in particular the focus on conflicts of interest and the management of how those are brought through. In addition, we have implemented systems to enable greater controls over those processes and to ensure more accurate disclosure through that process. I'm confident that today we disclose all of the things that need to be disclosed under the requirements of the NSW Procurement Act and GIPA Act.

It has been a journey to get here. I won't say to you that in the early years we got it 100 per cent right. There were a number of times where we were late in disclosures and those sorts of things, or where disclosures were not as accurate as we wanted, and we have certainly gone back and corrected those. In respect to the pre-2021 issues that you have raised, Chair, we certainly run a program of remediation around those and go back and correct, where we can, on the GIPAA and other disclosure records, the relevant information.

An area that might be of interest to you is the use of the Nominal Insurer exemption, which I think was a significant pattern of behaviour in the previous organisation. We have, through the board, had a significant uplift in the controls on the use of the Nominal Insurer exemption. In fact, the board has not approved any use of the Nominal Insurer exemption for new contracts at all in the time that I have been here or John Robertson has been Chair. The board has had to, in some circumstances, approve the extension of existing contracts under that process, but only in the case where that extension is needed to enable a full open market tender to rectify the noncompliance of those contracts. We only have four contracts left that have a Nominal Insurer exemption applying to them. They will all be rectified by December this year. That is an ongoing process of us rolling those contracts off and applying on a proper open market tender with appropriate scrutiny, appropriate disclosure and the appropriate conditions for competitive tendering in place.

The CHAIR: An annual report erratum was published in December 2020, which corrected the details of overseas travel in financial years 2017, 2018 and 2019. I haven't seen any errata in relation to the disclosure on consultants. Have there been any and are any planned?

RICHARD HARDING: I will have to take that on notice, Chair, if that's okay, and come back to you. Again, all of this was before my engagement. I was under the impression that there was disclosure in respect to some procurement issues. Whether they were about consultants is probably the question. Let me just take that on notice, if I can, and come back to you.

The CHAIR: I will give you two examples. It was reported that McKinsey was paid \$547,800 in a November 2017 contract. But it doesn't appear to have been disclosed in the financial year 2018 report. In fact, there are no disclosures of work done by McKinsey in any icare annual report. Similarly, Cognizant Technology Solutions was reported as having won 10 contracts worth \$20.5 million in 2018 and 2019 but, again, their name doesn't appear in any of the annual report disclosures. I am wondering where they are up to.

RICHARD HARDING: I can certainly go and find out for you on those specific ones and give you a general answer on the remediation of the past contracts. I think my point is that since 2021 we have really focused on uplifting those processes. We have certainly remediated, where we can, the various aspects of where there might not have been compliance. I have highlighted the Nominal Insurer exemption for you in that respect. We have significantly uplifted our processes around how procurement for all of the things that we do gets done, including consultants. I'm very confident today that we not only comply with the New South Wales Government procurement process but also the disclosure obligations and the transparency expected to provide clarity that we are meeting those obligations.

The CHAIR: I do appreciate that you have only been appointed since 2021 and that this question is in relation to annual reports before that. But on the understanding that we were going to have errata and corrected reports as part of that rectification process that began in 2020—

RICHARD HARDING: Let me take it away because I am giving you answers off the top of my head, which is never a good thing. I'm happy to come back to you with some detail about the remediation. It may be that they are not consultant contracts that needed remediation. In respect to these two specifically, we'll give you an answer on that too.

The CHAIR: I have a final question in this vein from page 111 of your 2017-18 annual report. For convenience, I will hand you a copy, and any other members who want a copy, so that you don't have to look it up. This is page 111 of the financial year 2018 annual report. Does this table look accurate to you?

RICHARD HARDING: As I pointed out, I was not involved in the preparation of the table. I have no knowledge of what the consulting spend was in that year. It was well before my engagement with the organisation. I expect that it has the accuracy that it has, knowing that clearly we have already acknowledged that icare was not meeting expectations at the time. There were gaps in the disclosures that were being done at that time. I don't think we need to shy away from that. They have been well discussed and ventilated in other forums. We have 107 recommendations from Mr McDougall, a lot of which apply to the governance and oversight of the organisation but also apply to procurement. He had a procurement specialist come in and undertake a full review of our procurement processes and there are a number of recommendations that we have been implementing from Mr McDougall specifically around that. I can't attest to the accuracy of it. I'm not going to do that. I'm sorry.

The CHAIR: I appreciate that. From a numbers perspective, when you look at the numbers in the top table, what leapt out to me is that the total that is in bold is not the total of those numbers. In fact, there is a \$326,364 discrepancy. So the numbers are just not correct, and I got my 13-year-old to double-check for me.

The Hon. Dr SARAH KAINE: And the bottom of the table as well.

The CHAIR: The bottom numbers are also \$9,517 out. So there are two totals there that aren't correct, which leads to a \$335,000 discrepancy, just on the face of the annual report. That seems to me an extraordinary thing to be included in an icare annual report, when we're relying on so much—when we think of icare, we are thinking of your actuarial skills.

The Hon. Dr SARAH KAINE: It is a little ironic.

The CHAIR: It is quite ironic, and I think the fact that someone like myself could look at it and go, "Those numbers don't add up"—and Dr Kaine's just done the same thing. How has that not been corrected?

RICHARD HARDING: Chair, I have already highlighted the process that we're going through. I cannot talk to this disclosure. It is many, many years before we started our remediation program. I have committed to come back to you on the remediation of historic issues, and I can do that on this particular issue but, clearly, icare was a different organisation many years ago.

The CHAIR: I appreciate that.

RICHARD HARDING: I would like to think that now, under my guidance and with the chair, John Robertson, and our board, we have made significant changes, as I have already outlined, to our disclosure practices, to our approach to these things, to the culture of the organisation such that, I would like to think, these things would not happen under my watch.

The CHAIR: And I absolutely appreciate it.

RICHARD HARDING: But the fact that it doesn't add up—quite frankly, I'd agree with you; it's not okay.

The CHAIR: Also, my concern is that we are missing \$335,000 worth of consultant disclosure that might actually show up something that the public would be very interested in and would have wanted to have probed at that time. I appreciate that you are not the person who was in charge in 2017-18, but a remediation program was put in place in 2020 and has still failed to correct something that seems to be quite an obvious error on the face of it.

RICHARD HARDING: Let me take that away, because it could be other causes—why the total is wrong. It may not be that something wasn't disclosed; it may just be inaccuracy.

The CHAIR: Added up wrong.

RICHARD HARDING: I take your point and I agree with it.

The CHAIR: Thank you. If you could go back and just get that information.

RICHARD HARDING: I think the more relevant thing is that there is an enormous amount of work that's gone in over the last two years to bring us from where we were in this era of the organisation to where we are today.

The Hon. Dr SARAH KAINE: I wanted to ask—staying with that annual report—about the first item, which I've tried to puzzle through a couple of times, which seems to be half a million dollars payment for preparation materials for a strategy day. And I wondered if, perhaps, on notice, we might be able to be given whatever materials were created that were worth half a million dollars. Again, I take your point that you weren't there, but it does go to what this inquiry is about, which is what consultancies like PwC are providing for that amount of money.

RICHARD HARDING: I would be very surprised if those materials still existed. This is 2018, right. That is many years ago and I don't know that those records exist in the organisation with respect to what the actual documentation was that PwC used to facilitate the day. As I keep coming back to, these issues around how icare managed not just consulting services but the procurement of activities across its remit in the period before 2021 have been well ventilated and discussed. There have been a number of recommendations put through both Mr McDougall and the governance and accountability review, and we are implementing those and we are well progressed in the implementation of those. That gives me great confidence in how we're adopting and applying that disclosure and that appropriate governance today.

The Hon. Dr SARAH KAINE: I appreciate that and we do appreciate very much your coming in, in terms of icare and your being here today. I would be mighty surprised, having been a public servant myself, if you didn't have records that dated from 2018. If you could undertake to have a look for those—it goes less to icare in this case and more to PwC and the type of value the public sector is getting out of them.

RICHARD HARDING: In the spirit of the conversation we just had about the adding up, it could well be that that \$500,000 was for additional items, not just for the strategy day, and that it's just poorly disclosed. I'm happy to take that on notice and address the issue you've raised. I am just trying to manage your expectations that it may not be a nice consulting pack that you receive back from PwC. It might be an explanation about what was actually spent.

The Hon. MARK BUTTIGIEG: In anticipation of your answer to that, I do find it hard to believe that 2018—it is only five years ago. A New South Wales public service department not keeping records of those sorts of things would strike me as quite strange, having been involved in State-owned corporations for a lot of my life. I think those records, if they're not, certainly should be kept. If you could make every effort to come back to us on that and give any explanation as to why it couldn't be retrieved in full, it would be helpful. My question goes to part of your evidence in your introductory statement. What was the proportion of actuarial spend on consultants? You said that was the lion's share—60-something, wasn't it?

RICHARD HARDING: Yes, in excess of 60 per cent, Mr Buttigieg.

The Hon. MARK BUTTIGIEG: Now this is a very specialised field and, obviously, it is a key input suite of data into how we end up with our premiums. Are you comfortable that those actuarial results that feed into the workers compensation scheme are adequate in terms of aligning premiums with the outcomes? Because, obviously, this is a big question mark hanging over the whole icare scheme, and it's been pointed out to me by others that, perhaps, there are some question marks over those actuarial studies in terms of the granularity associated with claims. I wonder whether or not you think we're getting value for money given that argument.

RICHARD HARDING: Thank you for the question, Mr Buttigieg. Perhaps just to address the issue of record keeping—I'm very confident icare would have the appropriate board records in respect to the activities that occurred in that meeting. What I'm suggesting is whether the more glorious pack that I think might have been expected by Dr Kaine—

The Hon. Dr SARAH KAINE: I hope it's glorious, for half a million dollars. I've got to tell you.

RICHARD HARDING: It may not exist. In respect to the liability valuations, which is what you're referring to, you are 100 per cent correct. These liability valuations that we do every six months with the actuarial firms are critical; they're fundamental to assuring that the schemes are funded into the future for the claims that we expect. If you think that our whole job as icare and as the Nominal Insurer or as the lifetime care scheme—it is to be there to pay claims for people when they have those accidents and injuries. So those assessments of that risk and the assessments of the amounts required for future claims and for the existing claims are really a fundamental part of what makes up the financial sustainability of the scheme. They are highly complex matters,

which is why we use actuarial firms to do it. They're governed by a set of both accounting standards but also actuarial standards.

The icare board has adopted a position in respect to APRA—obviously, we aren't regulated by APRA—which is an "if not, why not" approach and, in that regard, the approach to our actuarial valuations is consistent with that which is applied in the private sector or any other APRA-regulated enterprise, which is why we use the firms and the providers that we do, because they provide the board with the independence of the understanding of those valuations. If you think about what we're talking about, in a lifetime care scheme, for example, it is an estimation of what the costs are for someone with a critical brain injury or a critical spinal injury for the rest of their life—20, 30, 40 years. They're not simple calculations and, even in respect to the Nominal Insurer, it is a highly complex set of drivers that impact the frequency of claims, also the cost of those claims, and the increasing incidence of psychological injury in the Nominal Insurer and in the TMF is one that further creates more uncertainty.

The actuarial "science" behind that is quite important. The appointed actuaries we have today have come through very appropriately transparent, open tenders. We seek to choose the people with the best experience and best qualifications relevant to each of those schemes. For a future question, we spend about \$9 million a year on those actuarial services, but I want you to remember that that is spread across those eight schemes I talked about. In the Nominal Insurer, that averages out in the last three years at around \$3.2 million for those actuarial services. Insurance for NSW, which includes obviously the Government's workers compensation scheme and the broader issue of the assets and liabilities of the New South Wales Government, is about \$4.2 million. Lifetime care is around \$1 million. DEC and HBCF are under half a million dollars each. While that \$9 million may sound significant, when you think it is spread across the eight schemes, it's a more rational number.

In that respect, I do have confidence—getting to the answer to your question—that the liability valuations that we do today are fit for purpose. They are independent of the management of the organisation and they provide both the board, the Treasury and the Treasurer with comfort that an independent person has looked at those and provided the best estimate for those liabilities that we can get. I hope that answers your question, Mr Buttigieg. I am happy to talk more about that in a little more detail if you would prefer.

The Hon. MARK BUTTIGIEG: It does, Mr Harding, thank you. To zero in on the specifics of your evidence, you are confident that those actuarial input studies are fit for purpose. If I were to play devil's advocate and say to you that there's a view out there that it's too coarse in terms of looking at an average of claims across the board rather than granular specificity, obviously, your response from what you've just said is that that's not the case; it's the best we can get for the money we're paying in terms of the granularity of that data.

RICHARD HARDING: Absolutely. I have no problem with that. There are some segments of the valuation that are done at that sort of average level, but there are other very specific segments. I raise the issue of psychological injury, for example, which is done very specifically. There are different elements of the nature and make-up of the claims that are done very specifically. So it is not a one-size-fits-all valuation, where we're just taking an average and resulting in a number. That is certainly not the case. I know that in the previous conversations at various committees a retired actuary had provided some evidence that icare's valuations in the past had not been accurate. In review of that, Mr McDougall undertook work with an actuarial firm that he appointed called Cumpston Sarjeant to review those and that evidence—to review our outstanding claims liability valuations, and the method and approach to that—and found that there was no issue with those at all. In fact, he found more precisely that the issues that had been raised previously were somewhat vexatious.

The actuarial methods that are being used by these firms are governed at one level, as I mentioned, by APRA. At another level, they're governed by the actuarial standards that the Actuaries Institute applies and expects of actuaries fulfilling this sort of role. They are quite stringent both in terms of the methodology but also in terms of the ethical approach to thinking about the issues that arise in making those assumptions. The thing we have to come back to is the reality that all of these things are models, at the end of the day. We're projecting 10 or 20 years into the future the potential claims cost for very complex injuries, especially if you think about the types of injuries that are emerging in the scheme, and they are full of assumptions, therefore. Inflation and interest rates are probably the two most volatile assumptions that drive and impact the scheme, and obviously those things change very frequently. They are estimates and they are driven by assumptions but they are governed very heavily both through a prudential standard at an APRA level, through the accounting standards and, lastly, through the actuarial industry itself through their professional standards.

The Hon. MARK BUTTIGIEG: Thank you, Mr Harding, that was a very thorough and helpful answer. I have one more thing more out of a point of interest but related tangentially. The proliferation of psychological claims in recent times—is part of the problem that it's difficult to get an actuarial handle on that and maybe the science hasn't caught up? Is that part of the issue, do you think?

RICHARD HARDING: In respect to the ongoing development of the claims, absolutely. That's why the actuarial methodology includes a risk margin for uncertainty. Without being overly boring and getting technical for the Committee, every valuation applies in it a risk margin for the areas of uncertainty that the actuary is dealing with and grappling with within that valuation. I've given evidence in other forums here that psychological claims tend to run four times longer than a physical injury claim in the Nominal Insurer and they can be up to eight times more expensive. That's an average; I am using those as averages. There is some uncertainty built into that, if you can think about it, and uncertainty into treatment.

Currently, in our program with the Nominal Insurer, we're testing different ways of helping people with psychological injury. We have an office in Wollongong that has about 60 people in it. We are changing the way that we deal with psychological injuries and psychological claims so that we can find a different method to what we're doing today. What's prescribed currently through SIRA and through other regulatory frameworks clearly isn't working, in my mind, and we need to find a different answer to how we help psychologically injured people get back to work faster.

That all creates uncertainty that the actuary has to deal with in their valuation model. Every time management changes an approach to dealing with a particular injury, a particular claim type or a particular instance, that creates uncertainty because management has a view that that's going to improve outcomes. It doesn't always improve outcomes, and the actuary has to take that into account and form views about what's the likelihood of management's actions actually having the impact we say it will. They tend to discount that quite considerably until they've actually got evidence. I'm trying to give you, Mr Buttigieg, some of the areas of uncertainty and how the actuaries deal with that through the concept of a risk margin.

The Hon. MARK LATHAM: Mr Harding, in the document that was circulated by the Chair from your annual report, which you've said is from many years ago, the top three most expensive consultancies relate to the development of strategy. Are you still engaging consultants to develop strategy for icare?

RICHARD HARDING: We clearly do, Mr Latham. It is one of the areas where we seek consulting advice and support. The most recent example I can give you is that we engaged consultants to support us with the change in respect to the claims model within the Nominal Insurer. Again, this is an element of our change and uplift program, trying to improve performance and getting people back to work as quickly as we can. That consulting engagement relied on giving us strategic advice about how we move from the one single provider that was existing pre-2021, which was EML—which, again, has been well ventilated in previous forums and in previous reports—to something else.

The issue here is this is not the consultants sitting on one side and telling us. We are working together, using their expertise and their global insights, to help us think about how we do that. What we have now is a model that we're in the process of implementing, where we've gone to six claim service providers from one. We are introducing the concept of competition between those six providers to help lift performance and create expectations. We are also introducing the element of choice for employers so that they can identify and choose the best-performing claim service providers, and thus create this incentive within the scheme for better performance from those people we use and utilise to deal with individual claims at the front line.

That is quite a complex change process. We utilised the consultants to help us work through that procurement process. It is a very big procurement process. It took over eight or nine months to actually make that happen. We are now in the implementation phase and there are no consultants, I can tell you, in the implementation phase. What I can tell you is that we are very comfortable with the pathway that we designed in conjunction with the services that we used. We believe it is very robust. It is actually delivering benefits. We can see the changes in behaviour in those claim service providers already, and it is very early days. This change is a long-term change that is going to take time to come through, just given the long-term nature of the injuries that we are talking about. I hope that tries to answer your question and I have not over-complicated it for you.

The Hon. MARK LATHAM: It does, but it goes to one of the puzzling aspects of this inquiry and a fair part of its evidence that every public sector agency in New South Wales has highly paid managers with an expectation that they would know their organisation inside out and know what needs to be done in terms of strategy. But every organisation brings in consultants to do the strategy for them, so isn't this something where the taxpayers have got the right to say, "Why do we pay people a lot of money to run these organisations but they don't work out their own strategic development? They have to bring in consultants who earn a very good coin on the way through"?

RICHARD HARDING: In respect to icare and the work that I have been doing with icare in the last few years, I can tell you that it has been 100 per cent augmentation, not replacement. Management is there driving the strategy development. It may be another example that would help is in respect to how we use consultants for our payment practices. We pay out, across icare, to either injured people or to providers of health—

The Hon. MARK LATHAM: But can't you and your senior team work out the strategy without paying these consultants huge amounts of money?

RICHARD HARDING: If I can finish perhaps the example I was going to give you, it might help further. We engaged a consulting firm not to help us develop the strategy but to help us understand what best practice was globally. I was about to tell you that we pay out around about \$5½ billion a year in—

The Hon. MARK LATHAM: You don't have people to do research?

RICHARD HARDING: We don't have people who understand how Visa is undertaking developments in card payment platforms and technology internationally. We don't have people to understand how health service providers in Europe are developing payment platforms and platforms that assist people with injuries in Europe get the payments in an effective way. What we focus on, what our management focus is on, is running the schemes efficiently day-to-day. We augment that with the insights that we get from consultants who can bring in those international learnings and who can bring in those benchmarks and best practice examples for us to get a hold of and say actually we could do that here and that would significantly transform and improve the outcome for injured people in New South Wales.

In the time that I have been here at icare, I can say to you we focus on the value that we get from these consultants. We use them specifically with very narrow scope of work to ensure that they do specific pieces. And we focus that in conjunction with, not in replacement of, the management expertise that we have. I agree with your underlying point 100 per cent, Mr Latham, that it is not a consultant's job to do the strategy; that's my job and that's the job of my team, and that's what has happened. But what we do is augment that experience, that knowledge and that capability with international benchmarks, with international experience—broader commercial thinking than might be available within the organisation and that sort of specific input. We own the strategy. We develop the strategy and it is our strategy. It is not a consultant strategy.

The Hon. MARK LATHAM: Have you still got the Imaginarium?

RICHARD HARDING: I was hoping you were going to ask that question, Mr Latham.

The Hon. MARK LATHAM: I thought you could imagine strategy down there in the Imaginarium.

RICHARD HARDING: I am really glad to tell you that we have repurposed the Imaginarium as a new dust disease clinic where we are now performing scans for people injured in workplaces with dust diseases. That enabled us to shut down the site in Pitt Street and save round about \$3 million in rent that we were paying out of the organisation. We reutilised the space that the Imaginarium took up and have that actually provide a service to injured people. So I hope that gives you some example of how we are thinking differently as an organisation and what we are doing.

The Hon. MARK LATHAM: I am very glad to hear that.

The CHAIR: Could we just talk a bit more about the use of PwC by icare? We have seen in that strategy an amount there, the half a million in 2017, but then there are a number of other references to PwC providing strategy, support and a whole bunch of other things throughout the annual reports. Icare now has two ex-PwC partners sitting on the board. Do those partners receive any form of pension or annuity or something from their time at PwC, as is standard for a lot of those ex-partners?

RICHARD HARDING: I don't have that knowledge personally. What I can say is this—and the people that you're talking about, just to be clear, is John Walsh, AO, and Kirsten Armstrong. They both finished their partnership with PwC—and I am not going to have an exact date here, but let's call it 2010 or 2015 or something in that order. They have both disclosed their relationship with PwC. They are both very diligent at making sure that disclosure is clear in any board meetings where we are considering a PwC matter or a related matter. In fact, they recuse themselves and leave the room if there is a decision point to be made in respect to a PwC contract. Both John Walsh and Kirsten Armstrong bring very unique skills and capabilities to the board. John Walsh is an actuary by trade, but he is perhaps more commonly understood to be the father of the lifetime care scheme itself, in terms of its creation in New South Wales, and the grandfather, in that sense, of the NDIS, nationally. John has an enormous breadth of experience, both in—

The CHAIR: Can I just stop you there because no-one is implying that these people are not qualified for their jobs. All I am talking about is the very technical aspect of how that conflict of interest is managed. Perhaps we can cut this short if you could provide on notice the conflict of interest board register, if that is possible, since inception in 2015 would be really useful.

RICHARD HARDING: Okay.

The CHAIR: Over the years, since inception, icare has spent in the order of \$35 million on PwC work and it is quite a significant chunk of the consulting spend from icare. It is obviously an issue of public concern.

RICHARD HARDING: If you would like me to clarify that \$35 million. I am not trying to justify it in any sense, just to make the comment that around \$30 million of that is the actuarial spend. PwC did a lot more of the actuarial work in the past than they do today. They no longer do the Nominal Insurer. They no longer do other parts of the schemes that we operate. They still do undertake the actuarial evaluation for the TMF and the HBCF schemes. But I will certainly bring you the 2015 and onwards declarations.

The Hon. Dr SARAH KAINE: Just for some context though, they have represented more than double the consultant spend of any other consultant since 2015. It might not just be the global amount but also the relative amount that might be of interest. They are still a significant part of the non-actuarial consultant spend.

RICHARD HARDING: Let me inform you that certainly since my time that has diminished significantly. Over the three years since 2021 the average consulting spend—non-actuarial spend—is around about a million dollars a year. In fact, over those three years, in total it is \$2.4 million that has been paid to PwC. In terms of the actuarial spend, it is approximately \$3 million a year that has been paid to PwC with respect to the actuarial work. I am confident in telling you that spend has declined significantly over the period that you are talking about and certainly in the period that I have been here. We have been less focused on utilising PwC and more focused on utilising, as I mentioned to Mr Latham, people with the specialisations that we need to help us drive the outcomes we want.

The CHAIR: Do you see any ethical concerns with having one firm providing actuarial services as well as providing consulting work?

RICHARD HARDING: It is not the same as you might expect from an auditing process and certainly they are different teams. This is irrelevant of whether it is PwC or any other firm that might do both work. They generally separate those out. There is a specialisation in doing liability valuations within a team. If you think about what insurance companies do, it is about appropriate reserving for the liabilities, and then, on the other side, which Mr Buttigieg brought forward, was how we actually determine the right price for the risk that's exposed—so two different actuarial functions, if you like. Generally, the consulting services are done by a very different team with a very different element of the consulting organisation. So it's not in the same vein as an auditing kind of conflict and they generally are different people anyway.

The CHAIR: The number of actuaries used by icare has gradually reduced over the years. I think we had four or five being the norm, but only two were listed in the 2022 financial report, being Finity and PwC.

RICHARD HARDING: Yes.

The CHAIR: Is that the case in 2023 also?

RICHARD HARDING: Absolutely.

The CHAIR: What was the reason for that consolidation? I know there was a bit of structural reform in the way the financials were reported. You're going to have to explain it to me. Was it because of different insurance lines?

RICHARD HARDING: Well, again, this is a decision that was made before I got here, but just to be clear about who does what—with respect to the Nominal Insurer, it is done by Finity, and with respect to TMF it's done by Finity. PwC do the lifetime care and the CTP Care scheme, the dust diseases scheme, and HBCF. We have had a period in the past where PwC has conducted what we call peer reviews of the actuarial work of Finity, and that's probably more looking at a transition period—I don't know that we'd continue that review. Remembering these liability valuations are done every six months and then annually they're reviewed by the Auditor-General—and they use EY as their actuarial service provider to support them in the assessment of the value and the appropriateness of those valuations. Maybe if I bring it back to answer the question, our goal is to make sure we've got the right skills for the right schemes. As I mentioned in the earlier conversation, these schemes are very different in their financial drivers, in the drivers of their claims and in the nature of the assessment—even in the duration of the claims.

An average workers comp claim is around eight years; an average lifetime care scheme claim or participant, for example, is life, and it's 20 to 30, maybe 40 years. Dust diseases on the other side of things is shorter, but it is actually the dependants of the injured worker in that circumstance who create the longevity of the claim, where we pay benefits to a spouse or dependent children, for example, who are under 21. So different factors and finding the best people who have that experience—we use Finity, for example, for the Nominal Insurer because they also do work in Victoria, and that provides us with a good ability, without them breaking any confidentiality issues, to get confidence they are understanding the exposures and trends happening across Australia.

The CHAIR: Thank you. That explains why we have different actuaries for different things. Why was the peer review model dropped then? You don't have any peer review?

RICHARD HARDING: It's in the process of being dropped, is how I would describe it.

The CHAIR: Yes, and why?

RICHARD HARDING: APRA removed the requirement for peer review a few years ago—I am just trying to find the date for you—in 2015. As I said earlier, our board has conducted an "if not, why not" process. Certainly in my time, we're confident with respect to the work that's being done, that peer review hasn't been seen to be adding an enormous amount of value, especially when you reflect that the Auditor-General is coming across with a full review over the top of that with the annual accounts.

The CHAIR: Is there ever going to be a situation where you would just have the one—where Finity or PwC would be taking over the work of what the other one is doing? Or is it a case that they're just currently not doing; they don't have the speciality in the same areas and so that's not being considered?

RICHARD HARDING: Yes and no. I think it's highly unlikely we'd get to the state where we'd want to have one provider and one view. There is value in having a board discussion where you've got different advisers at the table on that element of the liability valuation, especially given that I talked to Mr Buttigieg about the uncertainty that sits in those. I think it is unlikely. I think the real thing is perhaps what you mentioned, Chair, which is matching the best capability and the best experience set to the issues we're trying to solve relative to the schemes. That is what should drive and is driving the selection of those partners.

The CHAIR: In 2021 PwC was paid over \$800,000 for work to review the culture, governance and accountability of icare, and we have talked about that PwC report before. How many drafts of that report did the board see before it was finalised?

RICHARD HARDING: That is not a fact I have on hand. Of course, it was well progressed by the time I arrived in January 2021. I am aware from my own experience that there was one conversation I had with PwC about their findings, and I believe they had a conversation with the chair before it was published, but I don't believe there was any other—I'll come back to you with a note on it. From my experience at the time that I was there, we had a briefing with them and we agreed with most of what they'd found because it was independent, largely. My conversation was around how we could make them outcome-driven recommendations rather than task-driven recommendations so the board could look for outcomes of change. Beyond that, that was the only real engagement. I'll come back to you about if there had been previous board-level conversations with them in the production of the process.

The CHAIR: Thank you and, if you're able, could you provide us on notice with the final report and any draft reports?

RICHARD HARDING: The final report was made available through McDougall. I'm assuming it is still there. It was put on our website at the time.

The CHAIR: I will have a look and if not I will let you know.

RICHARD HARDING: Again, I'm happy to share the final with you. Our intent as an organisation in icare going forward, and in the time since John and I have been there, is to increase the transparency, share the amount of information that we have, publish those sorts of documents as freely as we can, and have the information out there. I'm happy to provide you on notice the number of versions that might have been considered by anybody at the board level. Your other question was for the report, so I'll give you that as well, to save you looking for it on the website.

The CHAIR: Can you give us an indication of what the 2023 financial year financials are going to look like when it comes to the spend on consultants, particularly if there's much of a change in how much is being spent?

RICHARD HARDING: Just to clarify, Chair, are you talking about PwC or are you talking more broadly?

The CHAIR: I'm talking about generally. Obviously, the 2023 annual report's not yet published but the financials will have been in some state of development.

RICHARD HARDING: These are unaudited and all of those sorts of caveats, because we're in the middle of that end-of-year process as we speak, but as I mentioned earlier we spend roughly \$15 million a year on average. This year we have spent \$15.7 million. Of that—again, I mentioned before—roughly \$9 million is actuarial. That is that number, so you can assume the other number is \$6.7 million.

The CHAIR: That actuarial is, again, Finity and PwC?

RICHARD HARDING: Yes.

The CHAIR: That's very useful. Can I ask about the PIAWE program? The annual reports disclose that KPMG and Deloitte have been paid between them over \$700,000 to review that program. I don't know if there's been any others in the 2023 financial year, but we have KPMG being paid just over \$90,000 in the 2020 financial year to do an assurance review of the implementation. Icare paid Deloitte \$285,685 to review it in 2021. KPMG was paid just over \$214,000 in the 2022 financial year for a QA review, and then Deloitte was paid another \$129,593 in financial year 2022 to review the remediation methodology. Were there any more that I've missed in relation to work of consultants to repair PIAWE?

RICHARD HARDING: Not that I'm aware of, no. The core provider that we've used has been Deloitte and that was at the recommendation of Mr Mookhey in respect to utilising their wage remediation experts. Natalie James, former Fair Work Ombudsman, led that practice up until she was recently given a different opportunity. That was extraordinarily useful in that we're dealing, again, with complex issues that go back many, many years. We are using them again this year in respect to the indexation matters that we have already highlighted that go back to 2012. In a lot of those circumstances, again, as we've talked about in other forums, the information is not available or not there in respect to individual participants' wage declarations or their actual wage records, and the approach from the Deloitte team in terms of helping us make injured-worker-positive decisions to get proactive remediation out to them has been very useful. That has been the mainstay of the work that's been done.

I can't recall off the top of my head, I'm sorry, the KPMG work. I will have to come back to you on that. But, certainly, Deloitte has been the mainstay of our advisory work on those programs of work. Just to shortcut your questions, as well, Chair, the DDC had a similar remediation program where we did utilise PwC. That's because the DDC has quite a small workforce and their focus is on treating and helping and supporting injured workers, and they're quite elderly injured workers in that scenario. As a result, we utilised PwC, really, I suppose, more in a capacity context where we needed to do research, for example, about and find and identify dependants of estates that had gone back many years, and try to locate those beneficiaries and ensure that the payments that were made to those people were corrected. But, beyond that, Deloitte has been the mainstay of the work we have done on the PIAWE and the remediation programs.

The CHAIR: Which consultants were involved in developing that PIAWE concept, the idea of income smoothing—the thing that caused the problem—in the first place?

RICHARD HARDING: I don't know that there were any consultants involved. It's a legislative design.

The CHAIR: Yes, but in terms of developing that policy?

RICHARD HARDING: Again, we're talking about 2012, I think, or something. I wouldn't be able to give you that.

The CHAIR: Would you maybe take it on notice, just to have a look?

RICHARD HARDING: I can't guarantee you an answer that could give you that and, if I can be frank with you, it really looks to me like a—I'll be more constructive. In my experience of talking it through, we have our Nominal Insurer Advisory Committee, where we have members from various union representations and we have employer representatives there as well—people from Business NSW, Ai Group, we have people from the CFMEU and AWU—and they run an advisory committee, if you like, for the Nominal Insurer. The feedback we get in that forum around the PIAWE stuff is there is a lot of consultation that went on between the employer groups and the employee representatives that created that PIAWE method, and I think if you think about the two vested interests that sit there it probably explains why that is so complicated. That's my opinion; that's not a fact.

The CHAIR: Looking at the figures that you gave me a moment ago for the consulting spend, presumably there is a bunch of contracting spend to consulting firms as well. Is that right?

RICHARD HARDING: By contracting you mean not consulting services but actually—

The CHAIR: Yes.

RICHARD HARDING: Yes.

The CHAIR: We've heard a lot in this inquiry about the definitional issues. For instance, a \$38.5 million contract with Capgemini from April this year, what would that be recorded as?

RICHARD HARDING: The contracting work really revolves around IT and IT development. I'm just looking for the Capgemini reference for you. I'll talk about Capgemini first, if you don't mind, and then come back to the more general conversation. Now my numbering is all gone. The work we do with Capgemini today is

focused on the home building certification fund. Capgemini operate an IT platform for the home building certification fund that provides support. So we don't run our own IT platform, and that's one of the things we are currently considering and looking at as part of the strategy work there. Capgemini run that platform and this is further development to that platform to meet the IPART recommendations that have been in place around creating a more direct distribution model for home building certification fund customers and improving the way that we deliver services. That \$38 million will be delivering both the platform itself and those enhancements. That gives you a sense of what it is.

The CHAIR: Obviously, there was a scandal involving Capgemini a while back with icare where there had been a failure in procurement and all sorts of things.

RICHARD HARDING: Yes.

The CHAIR: I don't need to remind you. What has changed that has led to icare now entering into this contract with Capgemini?

RICHARD HARDING: This process was done through an open tender process. It is very specific in its nature. There aren't too many other people operating a home building certification fund business in New South Wales. In fact, there's only one in every State. The Capgemini team have a version of that software that is already established at icare, under the New South Wales fund, and has a very sound basis for it. To be transparent, it is a different version of the Guidewire platform that we use in the Nominal Insurer. But Capgemini have, if you like, created a version suitable for the HBCF kind of services and product. So they are, if you like—it's a very narrow marketplace, and a very singular kind of resource.

The CHAIR: Have they got you over a barrel, though?

RICHARD HARDING: Sorry?

The CHAIR: I'm sorry. I'm going to try to summarise what you just said, and correct me if I'm wrong. It sounds to me like there is one provider of this thing that's viable, it happens to be Capgemini and, despite the previous scandals, there is really no other option.

RICHARD HARDING: There is always the option of us doing it in House, especially with respect to this service.

The CHAIR: I like that option.

RICHARD HARDING: Other services there aren't, but this service in particular. It's something that we review regularly. In fact, it's something that we're reviewing right now in terms of how we think it should go forward. Across our whole IT architecture, what's the best way for us to structure the systems that we use to support the various schemes that we use? In the past—and maybe this is more in the realm of moving into, sort of, a policy-level discussion about HBCF—as you may be aware, or I'm sure you are aware, HBCF resulted from the failure of HIH in the late 1990s, and it had previously been the Government's intent to build a scheme such that it could return to the private sector.

In that case, the platform was something that we didn't believe—and I'm talking really retrospectively here, this is well before I came on board, but icare didn't feel it needed to own because the whole objective was to move the scheme out to the private sector at some point in the future. SIRA has recently undertaken a review of that conversation. I think it's pending as to what the policy decision on that is. I'm sure NSW Treasury will have a view about that, because they effectively underwrite the scheme. Subsequent to that, if it is to remain a public fund, we would look to review this and bring it, possibly, in house. If it's to remain something where the objective is to privatise, clearly, we would make that decision differently. I hope that answers your question, in a roundabout way. The tender was quite competitive in respect to the process that we ran, but because Capgemini have this service, it's already embedded in icare, it does make it perhaps the most attractive at this point in time.

The CHAIR: I understand. Just so we understand where these types of services sit in the annual report and what gets disclosed and what doesn't, I'm looking at another contract. This one is from January this year. It is a long contract; it goes for 10 years with GIO. This is for almost \$313 million. Can you explain what that is and why that is something that has to be done through someone else?

RICHARD HARDING: I talked before to Mr Latham about the work we'd been doing on the claims model and claims service providers and moving from one provider to six providers. GIO is one of those providers. If you think about our business in time senses, we have got current claims and then we've got what, in the insurance industry, we call the tail—think about them as pre-2018 claims. They existed on GIO's platform prior to the changes that were made to the scheme to bring it all onto icare's platform. GIO is one of the few providers that

has both the pre-2018 claims as well as the current claims. It is a 10-year contract for the provision of claim services over that time.

It is fundamental to this change that I was talking about—how we increase competition and how we introduce competition and introduce choice. It is fundamental to that in the context of the way we're changing the claims model. We've introduced other providers in there whose contracts you might see. EML, obviously, was pre-existing and is running down its portfolio. GIO and Allianz more recently bought into the scheme in 2020, just before I arrived. And then there's DXC and Gallagher Bassett coming on board this year to make that parcel of six. That's all part of that work, and those contracts are future-looking for 10 years to provide a competitive claims service to improve the outcomes for injured workers across the scheme and to try to lift the performance of the scheme.

The CHAIR: I'm looking at another one from June with Astral consulting that goes for five years and is for a value of \$12½ million. Again, is that in that sort of category?

RICHARD HARDING: Could you say the name again? I'm not—

The CHAIR: This is Astral consulting for OCR-managed services—managed and outsourced services is where it's falling—for \$12.656 million.

RICHARD HARDING: I will have to check for you, but I'll give you my answer because of the labelling of OCR. Obviously, we use a lot of components to make the workers comp and platforms that support the other parts of icare's remit in respect of injured workers and the injured people that we work with. One of those is the provision of an OCR—optical character recognition—so that we can scan documents as they come in, whether that be medical reports, invoicing or any other information that injured people or their providers may be providing us to ensure that they go into the files that sit within the broader platform. That will be about the renewal and replacement of that optical recognition service. It'll be a licence contract as well as, perhaps, partly a service to do some implementation work to get that up and running, and it'll have a five-year term or so to reflect that.

The CHAIR: I have got one last one for you. Again, this is just out of interest as to where these things sit. We've got Frazer Walker, which has appeared as a consultant in previous disclosures but, in this case, has been put in as something separate. I'm interested to see where this will come up in the reports. This is December 2022 for personnel recruitment, professional services and interim executive for \$158,000. What is that? When we get the annual report, where will that sit?

RICHARD HARDING: The last part I might take on notice, if that's all right. Frazer Walker are an IT consultancy that we have used in a number of different ways across the business since I arrived. They provide quality assurance to help create confidence that the IT programs that we are implementing are appropriate and robust and that the project management of those IT contracts is going to deliver on time. They are providing, in some respects, an assurance and a quality perspective. The point you've raised there about that—talking about recruitment—we lost our CIO late last year, who went to a competitor, an insurer. In the scheme of trying to bring management stability to the IT team in the middle of the significant change that's going on in the IT space, where we are doing a lot of work to support the claims model that I talked about and rectifying some of the challenges from the past, we had a temporary CIO come in and provide leadership there. That was for a very limited period of time—I think it was maybe less than six months—whilst we conducted a recruiting process.

When I was comfortable and sure that there was stability there, we then replaced that person with an internal interim acting CIO, who has been an internal participant for some time. Ultimately, we have now replaced that person with a new recruit to bring on board new capability and depth of capability. There are different purposes mixed within there about what Frazer Walker do, but the predominance of the spend is that quality assurance piece where, if we are running a significant project with a large spend on it to do IT change, we might ask them to come in and give us an independent assessment of that. Is it set up the right way? Is it structured the right way? Does the solution make sense from that perspective? It's technical advice in the IT space and to give us, as management and the board, comfort that before we go and spend X million dollars on an IT change, we have got some sense that is the right change to make.

The CHAIR: On the face of that, that sounds incredibly reasonable in terms of you needing someone to fill that role for that period of time. What do you do in terms of managing any ongoing conflicts of interest from that person having been privy to information, going back into their consulting firm and then, presumably, pitching work back in the future?

RICHARD HARDING: I'll probably just state it up front that I would not normally use them as a recruiting agency to identify or use. It was a point in time where we urgently needed someone to come in. I'm sure you're aware that we're making lots of changes at icare. A significant amount of those changes are in the IT space. I didn't want to have a gap in that, and I wanted to ensure that we had that space covered. It's very much a one-off

scenario, where I wouldn't expect that to happen. Certainly, that person, when they were on board, would not have been engaged in the appointment of Frazer Walker for any work. That would not have happened. What she did do was provide me with confidence that the IT team was running well and that people were under management. It is a one-off kind of scenario. We generally wouldn't use them recruiting-wise in that context.

The CHAIR: I completely understand that. I'm not criticising that use at all. One of the issues that we have been grappling with on this Committee is that when we have people being either seconded or used briefly within Government departments and agencies, yes, there can be things in place where you say, "The physical information that you've obtained here, you can't take back to your consulting firm," but what do you do in terms of managing—and I don't know the answer, so I'm curious as to what you have already done. What do you do to ensure that person doesn't take advantage of the information that they've learnt—the know-how and the social capital—and then be in a better position versus competitors to pitch work back?

RICHARD HARDING: It's a very good question. It's not one that I can give you a sound answer on—or as sound as you'd probably like. This goes to the unique nature of this particular circumstance. Recruitment is not Frazer Walker's key thing. Part of the reason we used Frazer Walker in particular is because they are a specialist insurance IT consultancy. The people in that consultancy have worked in the insurance industry, and in the IT element of the insurance industry, for decades. The lady that we brought in was not a permanent part of their workforce. They were a colleague that they knew.

In my conversations with them saying, "I need to think about how I'm going to resolve this risk that I've got", it came through that way. They don't have a recruiting practice where they are out doing that. She is not someone who is ongoing working with them, that I'm aware of at this point, on consulting services and certainly not on our consulting services. The long answer to your question is that, in this circumstance, she shouldn't be involved in any future bidding and processes around that. But it is an interesting question that you have asked. I don't know that I have seen it happen anywhere else. We don't tend to second consultancies. I'm saying that off the top of my head so bear with me.

The CHAIR: It is interesting. I am not sure we have the answers yet, but it is interesting to explore the extent of it. Can you clarify whether the \$158,000 that was paid to Frazer Walker was the salary for the interim executive or was that in addition to the amount that was then paid?

RICHARD HARDING: I would have to find that for you, if that's okay.

The CHAIR: That would be useful.

RICHARD HARDING: I don't have that information in front of me about exactly what that break-up of the \$158,000 was.

The CHAIR: Thank you for taking the time to appear today. There will be 21 days to respond to questions taken on notice or supplementary questions. We will conclude this session and return at 1.30 p.m.

(The witness withdrew.)

(Luncheon adjournment)

Ms AMANDA YOUNG, Chief Operating Officer, Department of Customer Service, on former affirmation

Mr ADAM DENT, Chief Executive, SIRA, affirmed and examined

The CHAIR: I welcome our next witnesses, from SIRA. Would you like to begin by making a short opening statement?

ADAM DENT: Yes, if you wouldn't mind. Thank you, Chair, and thank you to the Committee for the opportunity to address this important inquiry today. I am joined today by my colleague Mandy Young, the chief operating officer from the Department of Customer Service, as DCS manage and guide procurement by SIRA, particularly where it's over \$1 million. Could I first acknowledge that, when looking across government, SIRA is and has historically been a large buyer of services from consultants, consulting firms and external vendors generally. We have been working to reduce our reliance on these services progressively in recent years.

As a regulator we number just over 400 staff, while designing, licensing and supervising schemes with \$7.5 billion in annual premium collections, supporting over 250,000 claims a year, managed by 80 insurers, comprising some 15,000 providers, 20,000 builders, 300,000 employers, 4.5 million workers, 5.9 million vehicles and over \$1 billion in healthcare spend. But, for direct interaction with workers and individual motorists, SIRA's regulatory reach involves a degree of supervision over all of those entities. It's a complex role and it occasionally requires skills, capability or capacity beyond that which is available within the talented SIRA workforce or, in some cases, requires advice or a view that is impartial to SIRA. That said, it's not lightly that we make the decision to engage support outside of SIRA.

Since April 2022, when our new strategy was launched, SIRA has made an overt commitment to building and supporting our own talent, with a strategic priority of favouring and developing our own capability over outsourcing, where that makes sense. In line with the findings of the Auditor-General, although before they were made, as opportunities arise both in terms of external vendors and consultants alike, we seek to capitalise on these by co-sourcing to build capability and knowledge transfer to our staff. One area where this is more difficult is the use of actuaries. According to the Actuaries Institute, there are just 3,700 of these specialists in Australia. They command starting salaries just a few thousand dollars below the top of New South Wales government's non-executive pay grades and, as they say, quickly escalate to salaries of around \$300,000, which is well above the average senior executive salary in New South Wales government.

In regulating the schemes, actuarial analysis is a key input into the costing and design of insurance products, as well as the assessment of the performance of those products and indeed our schemes in New South Wales. Actuaries support SIRA with technical reviews of insurer pricing, determining levies, designing and reviewing the CTP risk equalisation mechanism, and independently evaluating claims liabilities of our schemes to ensure we can manage them sustainably. SIRA's effective engagement with consultants, in particular actuaries, has shown that exceptional value can be delivered for the people of New South Wales. The most pronounced example of this is the product of the 2017 CTP reforms, which were designed with specialist actuarial support in the form of the transitional excess profit and loss—or TEPL—mechanism that is available to SIRA. In the simplest terms, that is our ability to claw back what were once known as super profits within the CTP scheme.

Each year, I make a decision to commence the TEPL cycle, which involves an actuarial assessment of accident periods to determine if there is a likely profit to claw back. Through a series of cycles of actuarial analysis, I can make a determination on the amounts to claw back for that year. Each year this technical advice can cost us up to \$1 million. In the last two years, it has allowed us to claw back over \$270 million in insurer profits, which is then directed at reductions in total premiums for motorists or in tackling rising scheme costs to keep premiums at lower levels, during a period of great cost of living difficulty. We are the only jurisdiction doing this. We believe our TEPL mechanism is unique, and it has been lauded as being world first.

We have significantly strengthened our discipline and procurement practices and we are doubling down on our efforts to become a more sophisticated procurer, buyer and contract manager through our ongoing partnership with DCS. These efforts are critical, as is our cost management approach. Against a backdrop of savings, the need for actuarial advice is growing. The number of CTP filings alone being assessed by SIRA this calendar year is on track to be double the number from last year, which signals increasing competition in the market, delivering choice and affordable options to New South Wales motorists.

Our effort is paying off. Our spend on consultants has reduced between financial year 2020 and financial year 2022 by 33 per cent, from \$9.2 million to \$6.3 million. At the same time, given our reliance on professional services firms for other work over the same period, our overall spend on major firms EY, Taylor Fry and Deloitte has reduced by 33 per cent. Notably, total payments to EY have reduced from \$21.1 million to \$13.5 million—a 38 per cent reduction—with further savings anticipated once our books this year are finalised. The New South

Wales Government has committed to a further reduction in spend on consultants over the forward estimates, and SIRA is now working diligently to refine our spend and build further internal capacity to assist us in meeting that commitment. While every effort is being made to reduce our spend on professional services, including consultants, SIRA continue to need to access these experts into the future to be an effective regulator. I hope these remarks—and while some of them are about professional services and vendors more generally, not just consultants—help you to understand our strategic approach to the use of consultants, and I look forward to assisting you today.

The CHAIR: Thank you very much and we do, I think, understand the split in consulting spend when it comes to actuarial work versus other types of consultant spend. It's interesting to see that, as it was when we were talking with icare as well and looking at the stability of the actuarial spend versus the fluctuating other consulting spend.

ADAM DENT: Indeed.

The CHAIR: Can I ask you, just because I think it's relevant when we've been talking about conflicts of interest, you had a role previously at Ernst and Young, didn't you?

ADAM DENT: I did, in 2016-17.

The CHAIR: And that involved being the director of government and public sector advisory. Is that right?

ADAM DENT: Yes, although not, in the end, for any New South Wales government work.

The CHAIR: Did that mean that you were in contact with the New South Wales Government during that time?

ADAM DENT: There were a number of meetings, early on, in terms of trying to understand what might be needed across government, but none of those eventuated into projects.

The CHAIR: And were there meetings held at that time with SIRA?

ADAM DENT: No.

The CHAIR: What about with icare?

ADAM DENT: No.

The CHAIR: What were the qualifications and experience that led you to then being appointed to your current role?

ADAM DENT: Most of my career has either been in government or proximate to it. I was originally working in a university; then at Red Cross in humanitarian work, which was very connected to the emergency services; later into emergency services; then a brief period out in the private sector; and very gratefully returning as a senior public servant before my role at SIRA. So I've had leadership roles, and this is my third agency head role in the public sector in New South Wales.

The CHAIR: In terms of managing your potential conflict of interest, given your experience with Ernst and Young and now a significant amount of money being paid from SIRA to Ernst and Young, what are the procedures that have been put in place to manage your conflict?

ADAM DENT: First of all, EY was the incumbent when I started at SIRA. They'd had a contract since 2017 and the procurement process for their current engagement had commenced before my arrival. However, while ever it was a distant memory to me and not necessarily an entirely pleasant one, I didn't get involved in any of the procurement process. In fact, as a general rule, I am not involved in any of the procurement processes at SIRA. My role as the accountable authority really is, simply, to delegate the available funds and then contract management responsibility.

The CHAIR: So who is responsible for procurement at SIRA?

ADAM DENT: It will depend on the contract—principally, our chief financial officer. My previous chief financial officer led the entire engagement with DCS. But, given that DCS manage our procurement more broadly, any significant procurement would involve the chief procurement officer from DCS with SIRA's CFO as the sort of supporting player, if you will.

The CHAIR: Would you be signing off on requests for tender and contracts? Would you be involved in—

ADAM DENT: My involvement is to sign off on the approach—the financial delegation, effectively, to approach the market and then, potentially, and in the case of the actuarial arrangement, the authorisation to enter a negotiation period and then the final sign-off to delegate contract management.

The CHAIR: I'm just going to hand this to you. I've decided this is easier than reading out tender numbers. I have a couple for the Committee as well. What I'm showing to you now is a contract variation notice that was published on 5 December 2022. It shows an original contract with EY, and it appears to be—and correct me if I'm wrong—a master services contract for actuarial services. This shows the original contract being valued at \$132,398.20, but the variation to the contract has increased that amount to over \$12 million. Can you explain how that comes about?

ADAM DENT: The biggest question I had was who on earth ever thought it was worth \$132,000 in the first place? We suspect that must have been an error when the contract was first entered into. It's a standing actuarial agreement for a period of five years. I haven't got an explanation, and I'm seeking one myself, as to why that number was originally published and the contract registered for a standing arrangement. The \$12 million is now the amount committed over the period of that contract, and that would be updated year on year as the budget is set for actuarial services. So it's not a fixed-price contract; it's what we call a standing offer arrangement. The original number of \$132,398, I can't explain. The contract register would never, in my mind, have had that number deliberately entered.

The CHAIR: Being under that amount, that original contract would not need to have been published on eTender, correct?

ADAM DENT: Were that the real number, that's correct. Which is why, given it was an open market tender and it was published—that's what leads me to believe there was no reason for that original number to be correct.

The CHAIR: Although the amended estimated amount has changed by 9,200 per cent, the actual contract duration has not. Are you aware of a paper that was released last week by the Centre for Public Integrity that was looking at contract variations at a Federal level?

ADAM DENT: I have only seen clips of that on the news, yes.

The CHAIR: The biggest contract variation they found was 5,111 per cent. This one, at 9,200 per cent, is significantly more than that.

ADAM DENT: I can, indeed, appreciate why you would call that out, although I go back to my original remark that that original contract amount was not possibly correct. It would never have been foreshadowed that the contract would be \$132,000 for a five-year standing actuarial agreement.

The CHAIR: You wouldn't think so, would you?

ADAM DENT: Absolutely not.

The CHAIR: What that report pointed out was that two potential things are happening here. One is a potential for a firm to lowball—with or without the agreement of the government agency, to enter into an agreement that's significantly lower than what was expected in order to then not have to go out to tender—before increasing that contract to a more appropriate level. You can see, on the face of it, it could maybe look like that. The other thing it can look like is an attempt to avoid disclosure requirements by putting in an amount that is lower than the threshold for eTender, which then, again, sort of escapes scrutiny until such time as you then publish the renewed amount. So you can imagine that, on the face of it, this is a very concerning document.

ADAM DENT: Absolutely. Were I you and had seen that, I would've asked the same questions. But, again, it was an open market tender in the first place that was always intended to be published. The previous expenditure on the contract was considerably higher before the contract was renewed through the new process. In fact, the process of that contract was deliberately to reduce the rates where we negotiated below the current government maximum rates for actuarial services as part of this contract and, again, it is a standing offer, so it didn't have a fixed value.

The CHAIR: Can I ask you to come back to us on notice for details on exactly how much that contract was originally?

ADAM DENT: Again, being a standing offer, it wouldn't necessarily have had a particular amount. But, absolutely, we'll come back with more details on the genesis of the contract for you.

The CHAIR: We'd like to tick off that it's not something that was deliberately done to obscure the contract.

ADAM DENT: Indeed.

The Hon. MARK BUTTIGIEG: Could I just ask a quick follow-up on that, Chair? When you get a variation like that, is there no sort of automatic trip mechanism that sets an alarm bell with someone to say, "We'd better look at this"? What I'm hearing now is that it looks like it's just a typo or a mis-entry, initially. There is no

way it could've been that low. But shouldn't there have been a trigger mechanism to say, "Well, how can we have a 9,000 per cent variation? We'd better look into this"? I'm a bit bemused there has been no investigation to date on this.

ADAM DENT: I might ask Ms Young to potentially answer that. The contract register is managed by DCS.

AMANDA YOUNG: The trigger would've been that there was a contract on there that was below the threshold for us to say, "Actually, what's happening? Why is this contract even on there?" Therefore, we would've looked to find whether it was human error. We need to come back to you just to confirm that is the case, but our understanding, at this point, is that it's human error. Through all the process that we did through that procurement, through all the briefing notes that were done and through all of the procurement process itself, that was never the number. It was always the number that it was amended to from the variation.

The CHAIR: If it was always supposed to be over that \$150,000, wouldn't it have been disclosed as a matter of course on eTender? Or are you saying it was?

ADAM DENT: It was, yes. Absolutely.

The CHAIR: It was at that lower number?

ADAM DENT: The RFT was originally published on eTender. It was an open-market tender and then the contract award notice was published on eTender.

The CHAIR: Could you come back with details of that old original amount, because it's obviously no longer on the eTender system? It would be useful to see—again, so that we can track that.

ADAM DENT: Absolutely.

The CHAIR: I am going to hand you two more documents now. One of them is the request for tender for this particular expression of interest for pre-qualification that we've just talked about. I have enough for the Committee as well. The other one is pretty much the same thing but from 2016, so for the previous five-year contract. I will wait for you to get those.

ADAM DENT: While we wait, Chair, I will acknowledge that I commenced at SIRA in July 2021, so much of this process was well and truly in train. So these documents are likely unfamiliar to me.

AMANDA YOUNG: Additionally, while we're there, I commenced in this role only two years ago as well.

The CHAIR: That's fine. We have no-one else to ask these questions of, so we will ask you.

AMANDA YOUNG: That's fair.

ADAM DENT: That's entirely reasonable.

AMANDA YOUNG: It just means that we may need to take some of it away if we don't know.

The CHAIR: That's fine. Firstly, if we look at the one that was published in April 2021, presumably you did sign off on this then, Mr Dent? Was this in your time?

ADAM DENT: The RFT, no. The RFT was issued, I understand—potentially in March of 2021 there was approval to go to open-market tender. The EOI was uploaded in April 2021, closing in May 2021, so all before my appointment.

The CHAIR: When did you commence?

ADAM DENT: July 2021.

The CHAIR: You will see here, when you go down to the RFT type, the tender details are very straightforward, saying that you may then be invited from a panel of providers et cetera. If you compare that to the one from five years before, if you look at paragraph 3, it says:

Tenderers are advised, however, that it is SIRA's intention to ensure that a dominance in the provision of actuarial services to SIRA does not arise and accordingly it is envisaged that a mix of service providers will be appointed ...

So certainly at that time it was envisaged that we would have no dominance of actuarial services being provided to SIRA. Why would that have been, do you think?

ADAM DENT: First of all, because we require both an actuary and a peer review actuary. We have three schemes, so, ideally, as with the second tender, we wanted to create an environment where we had multiple potential providers. That contract only eventuated in having two providers in the end, nonetheless: EY and Taylor

Fry were appointed under that contract. At the time we were using EY as the primary scheme actuary and Taylor Fry largely as the peer review actuary. That was the intention then, as it was in the second tender, where it was to create essentially a panel of actuaries.

The CHAIR: Under this current contract, we've seen the one that's appointing EY. Was anyone else appointed as part of this?

ADAM DENT: No. Ultimately, the selection panel dismissed one of the tenderers as not being suitable after the second phase of interviews. Then with what would've been the second appointee, contract negotiations did not arrive at the right place. For commercial reasons the negotiations with that vendor were discontinued, which left only EY to be appointed. Subsequently, we now use the general actuarial panel for the appointment of peer review actuaries.

The CHAIR: When we look at the old accounts, around 75 per cent of actuarial spend is going to EY and around 25 per cent to Taylor Fry, if I recall. In the 2023 accounts, when they come out, would that look more like 100 per cent? What would that look like for EY?

ADAM DENT: Not 100 per cent because we still require the use of peer review actuaries, and there are certain tasks that we would still engage other actuaries for. From time to time we have used two other firms. Taylor Fry has done further work for us, as has Deloitte—particularly with the CTP work, which requires us to use a peer review actuary. On each of those occasions we would go to market or procure, if it's under \$250,000, directly from the standard government panel.

The CHAIR: What will that breakdown look like in 2023?

ADAM DENT: That is an excellent question. I don't have the full number on me yet; the numbers are still being audited. Our overall spend remains around similar, I think, at about \$6.4 million for the year on actuaries. It is predominantly EY, with over \$6 million, and then smaller amounts to Taylor Fry and Deloitte.

The CHAIR: That's a significant increase from last year, where they were getting 79.5 per cent of the total spend. That sounds much more like 90-something per cent.

ADAM DENT: Quite possibly. That's a consequence of the panel not having appointed an alternate actuary, which we would've potentially provided to one of the other schemes.

The CHAIR: I asked Mr Harding a question about their use of actuaries and whether it would be desirable to bring it down to just one for icare. I'm paraphrasing him but effectively he said no. Why have we got this situation? I understand what you're saying about contracts breaking down et cetera, but it strikes me that there is quite a scramble to obtain government work in this area. Why have we not been able to secure a second actuary for SIRA?

ADAM DENT: One of the challenges, of course, is we wouldn't engage in an actuary undertaking work for icare. We would want to have some independence, given that our actuaries often reassess or peer review work that icare submits to us. When we receive a financial condition report, for example, we would ask our scheme actuary to review that and provide feedback, so it would be inappropriate to use an actuary engaged by icare. Given that icare engages—I think from Harding's testimony this morning—at least three different firms, that narrows the market quite dramatically.

When we did go to tender, one of the key parts of our process was ensuring that any tenderer didn't have work with any major insurer, either icare or any of our major specialist insurers. That narrows the field dramatically already. If I can be as bold, I would imagine that, if I were one of those firms, the SIRA account wouldn't look nearly as healthy as potentially working for large insurers. So we didn't get a great response to that original tender. Ideally, we would continue to build experience in our work. The other challenge, of course, is that actuaries that have experience in personal injury schemes is really valuable.

Our principal use of actuaries is around the CTP scheme, which is quite complex and does require significant knowledge. That would mean we would find it more difficult, given that the major insurers we regulate would also be using similar actuarial firms. To a large extent, I would agree with Mr Harding that having a variety of actuaries available to us is an advantage. We continue to work with those other firms that maybe didn't get into our actuarial panel as peer review actuaries or for other pieces of work in the hope that we can build experience in our schemes across the market so that next time there is a tender we would have a greater response.

The CHAIR: We are in a situation now where—presumably that EY contract was signed after you were appointed?

ADAM DENT: Correct.

The CHAIR: So we have an EY contract that goes for five years.

ADAM DENT: It is three years with a two-year extension opportunity.

The CHAIR: So is that \$12 million for five years or \$12 million for three years?

ADAM DENT: So \$12 million is the current commitment. As I said, it's a standing offer arrangement that is around a rate card rather than a specific amount of work. Part of the process is that in our contract we have developed a catalogue of work that we would do under that contract. There are, I think, about 12 particular actuarial tasks that we have narrowed down that come under that contract. As those tasks are required, we would engage the scheme actuary on the agreed rates as part of that contract.

The CHAIR: Does that contract restrict what you can do in terms of bringing on other actuaries now?

ADAM DENT: No. I would want to check that and come back to you, but my understanding is that because it is a standing offer, it doesn't guarantee work in particular or at any particular level. So it hasn't prevented us from engaging other actuaries as peer review actuaries, for example. What it does do is lock in the current incumbent at a set of rates that were negotiated that deliver better value for money than if we were just using the standard panel or, indeed, our previous contract.

The Hon. Dr SARAH KAINE: So it is a bit of an envelope, the \$12 million?

ADAM DENT: Effectively, yes. For example, we have not spent \$12 million against that contract at this point in time. That's the current level committed to the actuarial contract.

The CHAIR: We'll need to see how this pans out, but you can understand that, on the face of it, you've come from EY and one of the first major contracts that's been signed effectively gave EY what has been—in the last financial year, at least—over 90 per cent of the actuarial work. What assurance can we have that any potential conflict of interest you had was managed in that process? Forgive me, but especially given that the disclosure of the contract was faulty to begin with, it's all very concerning.

ADAM DENT: Again, Chair, I understand. First of all, I would probably call out that our actuarial spend has decreased. Our spend on EY year on year since my appointment has decreased by 38 per cent. That is, hopefully, one reassuring factor, that it has gone down absolutely, not up. I wasn't involved in the signing or the negotiation of the contract, merely as the accountable authority my job was to authorise that money be spent on that actuarial contract. On a day-to-day basis I don't engage the actuaries, each of the business units within SIRA does. It is also clearly not a secret that I have once worked at EY for a year and, as I said, it probably wasn't the most pleasant part of my career either. Nevertheless, I don't think it's a secret that I worked there. I don't get involved in the management of the contract on a day-to-day basis. It is widely known, including when I was being employed at SIRA, that I had previously worked at Ernst and Young.

So to that end, I have no investment in anything other than delivering good public value, and this contract is actually an example of how we are now delivering better public value. We have reduced rates that we are now buying against that are substantially below what we were paying in the previous contract. The contract is now tighter. We also have a series of processes in place to ensure that each engagement is correctly checked against the rate card, that it is fair against comparable work we have done in the past—so the number of hours being committed by the firm for a task, for example, matched what it was last time or under the previous contract. All of that is then managed through our procurement and finance team. The other thing I would remind you is that our procurement is managed by DCS. The chief procurement officer of DCS is involved, manages and looks at these contracts. It is not something SIRA manages internally on its own.

AMANDA YOUNG: Can I maybe add to that, if you don't mind. We also have an annual disclosure process. Mr Dent has disclosed any potential or perceived conflict through that process and does so annually. That is managed by his supervisor, who would be the secretary. Again, there was no hiding of those things. It has been very clear through the processes, and through the procurement processes that we do, that any conflict is disclosed as we progress through those.

The CHAIR: Just on the point about the EY rates being lower under this contract, is that a product of them getting a greater volume in terms of hours and work, though?

ADAM DENT: No. It is first of all a product—the previous contract was implemented before the new government panel rates were set. So the scheme five has a series of maximum rates that were ascribed to it, which are quite substantially below what was in our 2017 contract. Then, as a process of negotiating this contract, on the basis that it was assumed to be over a million dollars in the negotiations, there was a provision to negotiate a discount as part of the contract and that's what occurred.

The CHAIR: Okay. I'm not sure you can take credit for having reduced the spend on EY then. I get what you're saying. In the same way that I can say that during your tenure you've signed a massive contract with EY, you can say during your tenure the spend on EY has also gone down. But I am not sure that necessarily flows. If you're not involved in the negotiations and this was already—

ADAM DENT: No, absolutely. I'm not suggesting it was my handiwork that necessarily did that, but, as the leader of the organisation, I have the process of deciding do we try to reduce our overall spend on consultants which we've committed to and published in our strategy. We've worked on tightening up the overall process of engaging actuaries. So, no, I am not suggesting it was me personally.

The CHAIR: But you're either involved or you're not involved, Mr Dent. You're either involved and able to set—even if it's parameters for negotiation that then result in a particular firm being appointed and others not being appointed. Or you're totally not involved and then we don't need to worry about potential conflicts of interest. Which one is it?

ADAM DENT: The answer is totally not involved. But I think your question was how can we be assured that we're essentially getting good value, and that is SIRA's spend is not going up. But I wasn't involved in the negotiation of that contract. That's absolutely correct. So, no, I can't take credit for reducing EY's revenue. That's fair but not the point, I suppose, I was trying to make.

The Hon. Dr SARAH KAINE: I'm a bit intrigued, because I think already it might have been three times that you've referenced your experiences working as a consultant. I think you have said you're glad to be back in the public service, that your experience wasn't a pleasant one and a variation on that. Is there anything else you wanted to offer us in terms of insight as to why they might be your reflections?

ADAM DENT: That's a fair question. I think there are certain roles that suit people better than others. For me, being a consultant turned out to be not a genius idea as part of my career. I didn't enjoy the nature of some of the work, particularly having to generate revenue. I guess there was a lot of travel. There were a number of things about the role, generally, that I did not enjoy.

The Hon. SCOTT FARLOW: Time sheets?

ADAM DENT: Time sheets—only 7.5 hours, of course, every day. I think, to be quite honest, all sorts of people like all sorts of things in their career and I'm trying to be relatively generous and realise I have made those remarks, but I enjoy very much being in the public service. That period out of the public service helped me recognise how much delivering impact can be done in the public service and that's where I've made a decision my career should be.

The CHAIR: Forgive my ignorance if this is an ignorant question, but the accounts of SIRA, they are audited by the Auditor-General, correct?

ADAM DENT: Correct.

The CHAIR: Does the Auditor-General outsource any of that work—because it's highly complex stuff that SIRA's doing. Does the Auditor-General—I think it was 25 per cent or more of their work is outsourced to external consultants. Do you know if that's the case when it comes to SIRA's accounts?

ADAM DENT: I couldn't answer that with certainty, other than to say our interactions with the Audit Office for me indicate the audit team we work with are Audit Office employees. There is one element in relation to TEPL that I understand, given it was around our actuarial assessments for TEPL, the Audit Office weren't able to manage themselves. I believe they outsourced that to another actuarial firm.

The CHAIR: Do you know which one?

ADAM DENT: I think it was Cumpston Sarjeant, but I can confirm. I believe it was Cumpston Sarjeant.

The CHAIR: Because we heard from icare that—from what I understood anyway—the Auditor-General had appointed EY to do the auditing work for the icare accounts.

ADAM DENT: My guess would be the icare accounts would be a very different beast to manage than SIRA. SIRA, as a regulator, is effectively simply a public service agency. With the exception of the Insurers' Guarantee Fund, we don't hold substantial funds like icare would in terms of they manage the Nominal Insurer and the TMF. The funds that they're managing and the complexity of those funds would be quite different. SIRA as an agency is, from an end of year financials point of view, I think a far simpler business. But I'm not aware that the Audit Office outsourced that. I've certainly never seen anything in the engagement letters that would indicate that being the case.

The CHAIR: Again this is incredibly technical business that you understand and I don't, but to what extent does SIRA and the work that EY is doing from an actuarial perspective for SIRA rely on the audited accounts of icare when it comes to regulating icare?

ADAM DENT: That would depend a great deal on what the actuarial engagement was. For example, if we're providing policy advice to government on the potential claims cost of a policy change, that would not necessarily rely a great deal on icare at all. The actuaries may use that as reference data, potentially. When we're asking them to look at the financial condition reports, for example, to validate those, it would rely heavily on the actuarial documents produced by icare, which I imagine would then rely on audited accounts. I'm not an actuary, I don't pretend to actually understand how that works, but I would say it would be limited, relative to say when the actuaries were doing work for icare directly.

The CHAIR: Are there any surprises in the 2023 financial year financials regarding the use of consultants that are likely to come out in the—

ADAM DENT: Not that I'm aware of. I may end up being as surprised as you and, again, given our procurement is managed by DCS, when something comes to me to sign it's been past the chief procurement officer, so I should imagine there aren't any surprises.

The CHAIR: There's another contract to EY that was published on 30 May for it just says professional services and it was six months' work at \$746,900. Can you tell us what that one is?

ADAM DENT: I believe that piece of work relates to us transitioning work away from EY. In the creation of the 2017 reforms, a number of other tasks were provided to EY in that period. They provided a series of data management, visualisations, analytic services and the like around our CTP data. Over the course of the last 12 months we've been actively working to transition that work in house. SIRA has now built a regulatory intelligence and analytics division and a digital division.

We're bringing in a lot of the work we used to outsource, including to EY and others. That piece of work was around essentially the knowledge transfer and the handover of those tasks as we've now built a number of the platforms we need to be able to do that work internally. I understand by 30 June this year, so just gone, all of our work that we were relying on EY to do for workers compensation in relation to data analytics and that work has been transitioned into SIRA. By 30 September all of the work that was previously undertaken by EY in relation to our CTP scheme will also be handled internally by our team at SIRA.

The CHAIR: There is another one published on 31 October last year, this time to an organisation called Fiftyfive5 Pty Ltd, which says it's a \$1.75 million contract for an annual research program, going for three years—so presumably three lots of it—"to understand the experiences of people in the workers compensation and compulsory third party schemes in New South Wales". I reckon my office can help you with that and all of the emails that we get.

ADAM DENT: I have seen some of the emails you receive, Ms Boyd.

The CHAIR: Can you explain what that one entails?

ADAM DENT: The contract with Fiftyfive5 is to undertake what is now the rolling program of work after two years ago we did our first-ever scheme trust survey. One of the things we want to understand as a regulator is the extent to which people experience either trust—the likelihood of feeling like the scheme is supporting them and assisting them back into life or activity or work et cetera. There are a range of metrics we measure to understand how the scheme is functioning from a person approach rather than from a financial approach. The original piece of work was done by an organisation called the Social Research Centre and it was a point-in-time piece of work. We've run that work twice, but the process now is through a rolling series of surveys.

As somebody reaches three months in one of our schemes, the Fiftyfive5 folk will contact them and actually run through a proper, appropriately conducted survey to understand their experiences. That data is then fed back to our analytics team to understand in real time, essentially, how people are experiencing the scheme—whether there are improvements or whether there are any issues that are arising from a larger scale point of view. Then as people exit the schemes, I understand Fiftyfive5 will also then contact them again to do another point-in-time. So rather than an annual survey that contacts a cohort of customers, this process now contacts everybody at a point in time in their scheme journey, so that we can continue to measure whether the schemes are performing from the point of view of individual trust for workers.

The CHAIR: It's contacting every individual once, or at least once, in their claims journey.

ADAM DENT: At least twice. Once at a key point, at 13 weeks within their claim, then again as they exit the scheme.

The CHAIR: That's electronically?

ADAM DENT: I would have to get the details on that. It will either be by survey or by phone contact, I imagine, but I can get the details and provide that to you.

The CHAIR: Sounds like a huge amount of money for surveying.

ADAM DENT: There's also a huge number of people in our schemes and, as you rightly point out, not everybody has a pleasant experience, but actually that's not always the case either. Understanding where the friction is in the schemes allows us to provide input into policy design, then we work with government to provide recommendations on how we might change legislation to benefit injured workers or motorists and a range of other potential uses. It is a large piece of work but it will contact a large number of people and provide a huge degree of insight about the lived experience of the scheme rather than just an actuarial analysis, for example.

The CHAIR: Which is great. Is there much competition for that type of work? Was that work sourced by open tender? What was the process?

ADAM DENT: Given the value of the contract, I imagine—I don't have it in front of me—that it would have been an open tender. Given the size of the award of the contract, we'd be required to have gone to open market, or, at the very least, if it was part of scheme five, it would've been three, but I can follow that up. I imagine it was an open tender.

The CHAIR: Thank you. It would be useful to know.

The Hon. Dr SARAH KAINE: Just a little while ago, you were talking about how you had started to insource, so do internally some of the work that EY had previously done. Has there been any comparison of cost? How much is it costing now that it's back in house?

ADAM DENT: I have a couple of examples where, while the savings on some of these internal transfers so far have been small, they are still in fact savings—not relating to actuarial work obviously, although we are building some capability to do some of the premium filing analysis internally. As an example, we had a project called our Digital Premium Regulation Platform, and that's within the CTP scheme, receiving insurer filings. That saves \$100,000 per annum now by having that work internally and performed by SIRA staff. Another project we're doing, which is around data processing activity with policy data, saves us \$180,000 per annum by insourcing that work. We're also working on another part of the CTP scheme where we use a product called Duck Creek. That digital capability will save us at least 20 per cent in the short term. Over the next 12 to 18 months we intend to transition that work internally as well.

The Hon. Dr SARAH KAINE: Am I right in thinking that you might have done a map or plan of how you might bring in house some of these outsourced—

ADAM DENT: I think a plan might be a generous way to describe it, Dr Kaine, but certainly as we're working through our series of backlog of digital things we would like to do and as we build capability, we're looking for those opportunities. Our intelligence analytics team now has data engineers, data scientists, advanced analytics professionals—people we never previously had in SIRA. As we're getting them to do work, we're discovering more of what we're possibly able to do ourselves. As each of those opportunities arises, we capture that and look at whether we need to build additional talent within SIRA. The major area we're doing this is of course in our digital platforms. By modernising them we're able to automate a lot more work that we would have previously relied on externally. We have a pipeline of digital projects each year within our budget. As we work through those, the aim is to quite overtly bring work back into SIRA where we can recruit the talent.

I will say it's a difficult talent market at the moment, and it's the same challenge we have for actuaries given their starting salaries exists within the digital analytics and similar area. We're very fortunate that from time to time, even though it's a protracted recruitment process, we do nab some exceptional talent and, where we do that, we start looking at how we bring more work internally. I think there are some really good examples for us and, as part of our strategy, as I said in my opening statement, we have overtly called out building talent and reducing outsourcing wherever it makes sense. To the extent we can, we will look for those opportunities. I wouldn't be able to produce for you in evidence a plan per se, but certainly it's our stated objective to bring more work internally and to build the talent within SIRA where we can.

The Hon. Dr SARAH KAINE: I think earlier you also said it was part of your strategy to reduce reliance on consultants. Now we have part of your strategy is reducing reliance on consultants and also matching that with building capability. Are we able to see what that strategy looks like written out? I would be pleased to be able to read what it is that you have as a document.

ADAM DENT: Certainly. Our strategy is published online, but I'm happy to share a link nonetheless. The two key lines in that, being a strategy document, are simply that we intend to invest in developing our own talent and reduce outsourcing.

The Hon. Dr SARAH KAINE: They're the headliners, okay.

ADAM DENT: It's a stated objective. There's not a detailed list of things we're bringing in just yet. What we've done over particularly the last 18 months is build that intelligence analytics team and the digital team. They're, in my mind, where the greatest opportunities exist, because we have had a high reliance on vendors historically. Given how rapidly the 2017 reforms were implemented—but the talent just didn't exist in the agency at the time; it had not been contemplated. They're the areas we are most likely to do work soon. But as I said, as we've been lucky to bring in some really smart people into our premiums and markets team, for example, there are elements of the premiums filing process we're now able to do in house, and that means we reduce the scope of what we ask our actuaries to do on those pieces of work.

The Hon. MARK LATHAM: I have a question for Ms Young relating to Service NSW. This inquiry is focused on some of the downside of our consultancies, but there must be some out there that have been a success. I would have thought that Service NSW was one of the shining successes of the New South Wales public sector over the past decade or so. Is there anything about the use of consultancies there that would guide to us the type of success that Service NSW has had, which is way ahead of its predecessor organisations?

AMANDA YOUNG: When we think about the use of consultants in this context—and Service NSW has been amazing, particularly through the various disasters and pandemic and all those things we've gone through—one of the biggest successes of Service NSW is building of in-house capability. That has meant we haven't had to rely on consultants as much. Overall, when we look at the consultant spend across our procurement, less than 1 per cent of our buy is consultants.

The Hon. MARK LATHAM: What's that mainly for?

AMANDA YOUNG: It's generally for really strategic things, certainly actuaries or those professional advice services. There have been times particularly through the disasters where we've needed to call in help from a capacity and capability component, but that's generally a professional service rather than an actual consultancy. We certainly have used that quite extensively over the last few years, but kept it at minimum and kept it that we would use the consultancies. I think that's where it works, where we bring them in, help us to set up, and then we transfer the knowledge and build the in-house capability. Service has definitely done that. Around customer service design and those sorts of elements, I think if you looked at us a few years ago we would have started bringing those services in, but now we have in-house teams that do it, so it reduces that reliance. So that's where it really works for us, is when we actually access the services and help build our own in-house capability.

The Hon. MARK LATHAM: So your main lesson is build up in-house capability as much as possible? That's the key to success?

AMANDA YOUNG: Yes, it is. And, as Mr Dent said, it's a really difficult time in the market, so a lot of that is digitally—you know, it really relies on digital talent, which is very difficult to get and, with the current awards that we have across government, we're not competitive in the market. That increases our contingent labour, or it increases our other costs that sit around that, so that makes it very difficult. But Service is a great place to work, and it's known as a great place to work, as is the Department of Customer Service. So we have a value proposition, and it's exciting and it's new. People want to come on board anyway, so that helps us to overcome some of that market issue, and they get to do some really good stuff and really interesting stuff.

The Hon. MARK LATHAM: Because of labour market shortages with digital talent, that might be an area where you bring in consultants because you've got no other choice?

AMANDA YOUNG: Absolutely. It would be the biggest—

The Hon. MARK LATHAM: And then you transfer the knowledge and build up your in-house?

AMANDA YOUNG: Certainly our biggest contingent workforce is digital talent. It remains and will continue to remain so while the market is as hot as it is, and how we've moved so much more to the digital world. That's going to continue and that's going to be our difficulty.

The CHAIR: What is the size of SIRA's contingent workforce?

ADAM DENT: I can follow it up. I think it's somewhere between 15 and 25, at last check. It's, relatively speaking, not large, and it is predominantly—I would say it would be majority in our digital team, where we've had to find data engineers, for example, or developers who, as Ms Young just identified, are not in the market at the rates we can always afford.

The CHAIR: Are they sole contractors, as opposed to people who work at consulting firms?

ADAM DENT: Yes, generally they're engaged through the Contractor Central arrangement that New South Wales Government has. So they might be engaged through a Hays or one of those labour hire firms, but they're engaged as individuals to work on projects, sometimes for a short time or sometimes for maybe 12 months, depending on the role. Wherever we can or where it's feasible we still try to recruit, but as a rule we haven't been overwhelmingly successful. Occasionally we're very lucky and get somebody talented who is happy to work in the public sector.

The CHAIR: That's been incredibly useful. Thank you very much.

ADAM DENT: Chair, if I may, just to confirm, the Fiftyfive5 contract was indeed an open tender. There were four applicants for that tender process that were assessed. The surveys are all online via an email and then, I presume, a web form of some sort. We might not have time to try to check the number of contingent labour and people for you. The team did note, Mr Latham, to an earlier question you had, that our strategy was developed entirely in house. Again, that's one of the things that we actually can do and have the people to do. So all at the time around 220 SIRA staff contributed to what ended up in that document.

The Hon. MARK LATHAM: Yes, it's a remarkable thing that experts inside an organisation can develop strategy, isn't it?

ADAM DENT: I agree. Look, I think a strategy should reflect the will of those in the organisation and the talent they bring to bear. We're very fortunate at SIRA to have some very, very smart people.

The Hon. MARK LATHAM: Good. Glad to hear it.

The CHAIR: Excellent. To the extent there were questions taken on notice that you have not already answered, there will be 21 days to respond. We may have some supplementary questions for you as well. Thank you very much. We know that it takes time to prepare and to come in to give us this information. It has been really valuable. Thank you.

(The witnesses withdrew.)

Mr TOM IMBESI, Chairman, Partner, Deloitte Australia, sworn and examined

Ms SNEZA PELUSI, Chief Risk Officer, Partner, Deloitte Australia, sworn and examined

Ms URSULA BRENNAN, Public Sector Leader, Partner, Deloitte Australia, sworn and examined

Mr ALLAN MILLS, NSW Public Sector Leader, Partner, Deloitte Australia, affirmed and examined

The CHAIR: We now have witnesses attending from Deloitte Australia. Would you like to begin by making a short opening statement?

TOM IMBESI: Thank you, Chair, we would. Thank you for inviting us to appear today. I'm Tom Imbesi, Chairman for Deloitte Australia. Joining here with me today is Sneza Pelusi, our Chief Risk Officer, Ursula Brennan, who is our national Public Sector Leader, and Allan Mills, who is our New South Wales government lead partner. In his role, Allan oversees the delivery of all services to New South Wales government. Deloitte employs nearly 14,000 talented professionals in nine locations around the country, including nearly 5,000 people in offices in Sydney and Parramatta. The use of and the value delivered by consultants is central to the terms of the reference of this inquiry. We take seriously our responsibility to deliver value-based outcomes to New South Wales government. The nearly 100 feedback interviews we conducted last year at the completion of our projects confirmed that we are seen to deliver value and contract outcomes.

We make intentional choices when evaluating a tender or proposal of New South Wales government. Do we have the expertise and capability to deliver on the desired outcomes for New South Wales? Can we deliver value for money? Are there any risks or conflicts that we should be aware of? If we cannot meet those standards, we won't bid for the work. To put that into context, in 2023 we bid for approximately 60 per cent of the tenders that we were asked to participate in. Further, labour hire services are not part of our business model, nor how we want to work with government. Deloitte made a deliberate choice many years ago to provide only project-based services to government. On occasion, we provide short-term secondments to fulfil critical needs until a permanent hire is found. At present, there are four Deloitte employees across different departments in those roles. Finally, we have a strict policy not to allow partners and employees to sit on government boards.

The New South Wales Government's ambition has continued to be the most customer-oriented government in the world. To support this ambition, we seek to bring diverse insights and perspectives from our experience globally and from across the private sector. We seek to bring capabilities that are complementary and additive to the public service, and transfer knowledge and skills as part of our work to support a strong and capable public sector. We respect the privilege of working with the New South Wales public sector. Our experience is that the people we work with are capable and hardworking and are committed to outcomes for the people of New South Wales.

I would like to also address trust and integrity, as they are core to our licence to operate and fundamental to our brand and reputation. Trust and integrity are imperative to our clients and to our people, who demand to work for an ethical organisation. Conduct and culture begins with setting the right tone from the top. In line with the Australian Human Rights Commission's recent recommendations on workplace conduct, we seek to foster a safe and inclusive environment where our people feel confident to speak up, understand what acceptable behaviour is and have trust in the organisation.

We encourage our people to raise concerns, regardless of the topic or severity. We report incidents transparently and, most importantly, we take quick and decisive action and hold individuals to account. In our most recent ethics survey, 98 per cent of those who responded agreed that Deloitte is an ethical place to work. We are not complacent. We continue to invest in training for our partners and employees so they understand their professional obligations to provide a psychologically safe workplace, while continuing to reinforce ethical and integrity expectations of them.

We are recognised as a great place to work and are an employer of choice by leading bodies. We're proud of the many market-leading initiatives aimed at flexibility, diversity, equity and inclusion, learning and coaching. That ensures that we attract, develop and retain the best people so we can continue to deliver value to our clients, including the New South Wales Government. In closing, we're immensely proud of the work we do in the New South Wales Government, the impact our projects have on the people of this State and the value we deliver. We hope to share some examples of that work with you here today to assist the Committee with its assessment of the effectiveness of the procurement and management of consulting services.

The CHAIR: Thank you very much for coming along and for your detailed submission, which I'm looking forward to discussing. There has been a bit of discussion in the media; let's just clear that up first. When we invited you to appear here, we didn't specify who was going to come from Deloitte's management, but there has been

some speculation in the media about why—and I'm sure I'm going to pronounce this wrong—Adam Powick, your CEO, has chosen not to appear. Do you want to clarify why that is?

TOM IMBESI: Yes. Chair, we looked at the terms of reference, and we reviewed who we felt the most senior people were that were relevant to those terms of reference and would be able to come here and respond to any questions. Clearly, conduct is important, and tone from the top. As chair of the Australian firm, I felt that I was appropriate to come and talk to those matters. We have our chief risk officer, who oversees all of our risk matters, including matters of conflict, independence and conduct. And we have our two most senior public sector leaders—one for New South Wales and Ursula, who oversees our public sector services at a national level. We felt that we were the four that were best equipped to come and respond to your questions.

The CHAIR: Thank you. I just wanted to give you the opportunity to clear that up.

TOM IMBESI: I appreciate that.

The CHAIR: For the non-consultants among us, when we hear about a leader in a thing—so a public sector leader—can you tell us what that means on a day-to-day basis? Is it interacting with the public sector? Is it managing the work? What is it?

URSULA BRENNAN: Of course, Chair. Thank you for the opportunity. As a public sector leader on a national basis, I work with a team of people across each jurisdiction. Allan is the leader in the New South Wales market. Our role is really around making sure that we're bringing value to our public sector clients. We do that through a number of different ways—certainly, in terms of making sure that we're very focused on how we support clients in understanding what their requirements are, in understanding whether we have the right capabilities to bring to bear to support them in that and then in ensuring the quality and the delivery of those services. In essence, what my major role to do is to make sure that we've got the right group of people and the right teams supporting our government agencies across the country to be able to deliver on great outcomes.

The CHAIR: Does that involve pitching for work? Are you involved in those day-to-day relationship meetings? Perhaps you can help, Mr Mills.

ALLAN MILLS: I'm happy to help. A day in the life of Allan leading New South Wales government—the best job in the world—is mainly focused on what Ursula said but on a smaller scale, with the teams. We have account leaders for the major clusters or federated group of agencies that sit across. That sits in transport, health, education, communities and justice and so on. There will be a lead partner who is responsible for that activity. I still love getting my hands dirty and getting involved in work. My passion is actually helping clients and serving clients, so I love to get involved, particularly when things are more strategic in nature or require a depth of experience which I'm able to bring. I've been focused on New South Wales government for approximately 10 years, so I've got a good understanding of things that happen within New South Wales government and how projects could be delivered.

The CHAIR: You note on page 2 of your submission, and you also mentioned it in your opening statement, that you made a choice not to provide labour hire services and that you're not participants in the Contingent Workforce Scheme. I understand that none of the big four firms are part of that Contingent Workforce Scheme. Can you explain to us a bit more about why that is? I understand that, although you say that those services are not aligned to how you want to work, when you're a part of that scheme you are also subject to certain conditions—a pay scale and things.

URSULA BRENNAN: Under the way in which we work, we are very much project focused. We are certainly operating in accordance with all of the procurement panels and the arrangements around that, which actually have the terms and conditions that you're referring to, just in regard to different panels. The reason why we're not interested in that contingent labour is we don't feel that is the area where we, as Deloitte, can best deliver value on the outcomes basis. It goes to the heart of what you've been speaking about here today.

The CHAIR: If we look at the different types of scenarios where you might have a consultant sitting within a government agency, we have the four that you mentioned that are secondments. Presumably, they're in there more on a kind of—are they managing a project? Are they part of a project or are they filling a vacancy?

ALLAN MILLS: To talk about the four specifically, one is providing parental leave cover, so there is a period of time and it's quite a niche skill, so that has got a very set time frame to provide those skills. Another two relate—very similar to the conversation that you've just had—to very technical and detailed data analytics skills. There are recruitments in the market to try to recruit those roles. As soon as they're available, as those people come on board, they will be transitioned and those people will step out. And then there's a specific one which relates to cybersecurity. That, again, has only been put in place because there has been a resignation. It's an interim measure whilst someone works the notice period and then transitions into that role.

The CHAIR: When we were talking before with NSW Health about the contract that eHealth has where, I understand—maybe it's not with them but with NSW Health Pathology—they engaged Deloitte to provide development services to cover staff leave, that's of that nature rather than—

ALLAN MILLS: That's separate to the four I've just talked about, but it's the same mindset that was applied to that. That's correct.

The CHAIR: What do you think of, then, when you're talking about contingent or labour hire?

ALLAN MILLS: Contingent or labour hire, from the way that we view it, would be someone that's going in to work in a role that has been fully budgeted as part of an establishment. It's an enduring role with an activity to run the business of government.

The CHAIR: What's the average time frame that somebody from Deloitte would be sitting in one of these agencies?

ALLAN MILLS: Because it's all unique and one by one, I would say that it would be on a case-by-case basis, so I wouldn't like to give an average. It can be a couple of days a week or it could be—in the case of the parental leave arrangement, I assume that will be somewhere between nine months and 14 months depending on how that individual returns back to work.

The CHAIR: So it's a position where, if the agency was to employ somebody else, they would be out of a job in nine months' time, whereas you are able to put somebody in to cover that and then allow that other person to come back.

ALLAN MILLS: Yes. I think specifically in that case it's quite a unique and hard-to-find skill in the market. There is a piece in making sure that that individual, whilst they are away from work doing arguably more important things, knows they've got that role to come back to.

TOM IMBESI: Just to add to what's been said, the key point from our perspective—and this is a national approach that we take across all government sectors—is that we seek to provide project-based work where we provide complementary and additive skills to the public sector, as opposed to supporting public sector with potentially skills that they could otherwise get elsewhere. We are very focused and deliberate on that.

The CHAIR: That's helpful. I think we have been trying to understand in this inquiry exactly where consultants are sitting within agencies. There's not been a lot of transparency, so it's really useful to see the different uses. Another thing that you talk a lot about in your submission is your desire to ensure that you provide value and that you are concerned to ensure a high quality of work output. Another one of the issues that we've dealt a lot with already in this inquiry is the lack of post-engagement review that is conducted by government departments. What do you do to review work product? The example I gave in one of our previous hearings was this idea that you have, say, done a business case—and we know that Deloitte did the NSW Ambulance business cases. What do you do to go back and check whether the assumptions that were made in that analysis ended up being valid in hindsight? Is there anything done to review that work?

TOM IMBESI: Allan, perhaps you can talk through the process you go through post-project completion.

ALLAN MILLS: It actually starts before we even submit the proposal. What we call a quality assurance partner—a partner who is held to account for the quality, not just of the proposal and the delivery work but making sure that there's a lasting impact from the work that happens—is assigned to every single project that we do. They hold the lead engagement partner to task. Should that need to be escalated or conversations need to be had, then the lead account partner for each of the areas of government can be engaged in a conversation to understand how quality and impact can be delivered.

Rolling forward with your narrative around business cases, most of the work we also do is in a blended team. It's actually really rare now for us to work in a solely ring fence Deloitte team within an organisation and then a PowerPoint pops out like magic towards the end of the project and then that's the end of the engagement. All of our engagements are actually working alongside our clients and so we have shared roles. Regardless, Deloitte is still held to account for the outcome, even though there are other inputs from other agency team members.

On delivery of the engagement, there is typically a conversation with the direct responsible business owner as well as normally their superior who's got the contracting authority. They will go through the status reports from the engagement to make sure any risks or outstanding issues have been thought about and considered. If there have been any issues, in terms of access to information or maybe we've had to increase or decrease stakeholder engagement sessions or things like that, that will then be tied up. We will then make a decision that that

engagement is then closed and then, at that point, we would walk away. The most important thing we find in this project-based mindset is having that closure and then stepping away.

The thing that happens next is that typically there is a period of decision-making that happens on the government agency side, of which we are not engaged with. We may present to a steering committee or something like that as our final, "This is our findings. Any questions?" And then it will wiggle through the government process in terms of how that's then considered by the chief financial officer or other members of the executive for it to be considered as part of maybe a budget submission or some other process in order to get funding.

While that is happening, we do organise what we call a client service assessment. That's an assessment which is done by an independent partner again to go and ask questions to say, "Did we provide the technical competency that you were expecting in the engagement? Were there any unforeseen issues? Were there any challenges?" We've got some softer language, which encourages the client agency to provide real feedback. "How did it feel? Was it a good experience? Could it have been better?" We then take that feedback and aggregate it up a little bit so it's not specific project by project. We share that with the team so that we can improve the quality of our service.

The CHAIR: So I guess that has happened contemporaneously with the project that you have been doing. I'm particularly interested in business cases. My understanding is that they are more art than science a lot of the time and there are judgement calls and assumptions to be made. Do you ever go back and look and say, "Well, actually, that team was pretty accurate and that team wasn't"? Is there any internal reviewing done? It seems that government isn't doing that.

ALLAN MILLS: I might pass to Ursula. If you could talk about the gateway review process and those things, that would be good.

URSULA BRENNAN: Absolutely. If we are involved in the development of a business case, we would also support the agency, should that go forward into Treasury processes, with, for example, a gateway review. Where that business case is up to depends on which gate that would go through. That is very much that independent assessment after the development that the deliverable goes through. I think what I may be hearing from you, Chair, is also how does that translate at the end of the project? Certainly, there is a provision within the gateway process for what they call a gate 6 review, which is post-evaluation for that to be done. We have very occasionally been involved in those, where they have occurred. I know that that's a helpful process.

The Hon. Dr SARAH KAINE: I have a couple of follow-up questions to some of the information you have both just provided. The first is about providing or assisting with business cases. We have heard various witnesses describe consultant assistance with business cases. To be honest, I'm a bit incredulous that government departments need to engage consultants to write businesses cases for other government departments. We have all expressed incredulity about that. I wonder how that fits with what you said, Mr Imbesi, about Deloitte not being interested in doing work that government should itself be doing. It seems to me that business cases between departments would be bread and butter, rather than something we should be relying on outside consultants for. Do you have any reflections on that?

URSULA BRENNAN: Dr Kaine, may I give you an actual example that we've been involved in recently? If we roll back into 2021, government was looking to increase the investment in new schools for our students across New South Wales—new schools and upgrades—because there was a clear demonstration of value and the link between the facilities and the availability of those facilities and educational outcomes. We were privileged to have been engaged by School Infrastructure to support a large contract for the preparation of business cases. The main reason we were engaged for that was because of the sheer scale to be able to prepare the volume of business cases that were going to be required in that time frame and the capacity available within School Infrastructure to be able to do that and the specific nuances of capability to get those business cases sufficiently robust to be able to demonstrate value for money in the options that were being put up at that scale.

What we actually did, as part of that contract, specifically at the request of School Infrastructure, was to develop, as part of our proposal, a capability and skills uplift program. Through the course of that contract, we wrote more than 84 business cases in conjunction with the department, and that is in a fairly constrained time. What we actually did do in that was develop a whole set of tools, templates and databases around what average costs might be using quantity surveyors et cetera, and used that and built that as a centre of excellence that became embedded into School Infrastructure as their IP.

How that translates in practice is we also ran a set of training we videoed—unfortunately I had to be on video as well as part of that—to help upskill not only the people that were there at the time but also people coming through the organisation in subsequent years. My understanding is that this year, with all of the tranche business cases that have been done by School Infrastructure, that's been done in house. So that, for me, is a really good

example of where there was a very clear need for business case capability and capacity but where we've now been able to support that skills transfer and capability to the department.

The Hon. Dr SARAH KAINE: I appreciate that example. Perhaps it's equally as much an example of what you did. It may also be an example of particular government processes which require an inordinate amount of work in order to get a school to say what they need. It may not be a reflection on what you did, but there might be some reflections to take there on government processes which might require that level of commitment from yourselves and others. I have another question about the independent partner that we heard about from Mr Mills. There is a bit of a black box around business structures when it comes to consultancies and how partnerships actually work. I could be wrong—and please let me know if this has since been provided—but I understand you weren't prepared to provide details of your partnership structure to the Federal inquiry. I wondered if that had changed and, if not, what does that say about transparency and your commitment to it?

TOM IMBESI: Dr Kaine, I assume you're referring to our partnership deed. That's the one document that was initially requested of Deloitte.

The Hon. Dr SARAH KAINE: Yes.

TOM IMBESI: So we have subsequently provided that on a confidential basis.

The Hon. Dr SARAH KAINE: Are we able to get the same provided on a confidential basis as well?

TOM IMBESI: Yes, we would be prepared to provide that, absolutely. The reason for that—it's an agreement between each partner and the firm and, for that reason, we think it is not a matter that we want to have as a public document. But we are prepared to provide that to you.

The Hon. Dr SARAH KAINE: It would be useful for us to be able to have a look at that.

The Hon. MARK BUTTIGIEG: Just along the lines of some of the evidence you've given and a little bit of teasing out of my colleague's question, was it 5,000 employees looking after New South Wales business, roughly?

The Hon. SCOTT FARLOW: Sorry, to clarify, that is 5,000 employees in New South Wales, not 5,000 employees looking after New South Wales government.

TOM IMBESI: That's correct.

The Hon. MARK BUTTIGIEG: So 5,000 in New South Wales, yes. I just want to get a handle on—and presumably you would have these sort of ballpark figures, I would imagine. In terms of the government's share of Deloitte's revenue in New South Wales, do we have an idea of what percentage that would be?

TOM IMBESI: Can I just clarify the question, please? Are you asking how much revenue Deloitte generates from New South Wales government?

The Hon. MARK BUTTIGIEG: As a proportion of Deloitte's overall New South Wales revenue, yes.

TOM IMBESI: I'm not sure if I—I'd prefer not to guess at that, if possible. We would be happy to take that on notice, if that's possible.

The Hon. MARK BUTTIGIEG: Sure. Would we be talking north of 50 per cent?

URSULA BRENNAN: No.

TOM IMBESI: No. I would suggest much lower than 20 per cent, but, again, I don't want to be held to that. It's a much smaller proportion.

The Hon. MARK BUTTIGIEG: No, that's fair enough. This is a similar question. It's not directly reiterating the partnership question. You were quite specific about your desire not to get into the labour hire area and supplant workforce numbers, but, in terms of financial relationships with the firm and those sorts of labour hire companies, are you aware of any of those relationships?

URSULA BRENNAN: No.

TOM IMBESI: No, I don't believe we have any.

The Hon. MARK BUTTIGIEG: My last question is just really about your evidence. You're at pains to point out that the view of Deloitte, when dealing with government, is that you're not getting into a situation where you want to supplant the internal workforce. It's very much a supplemental role based on boutique skills and providing a service which otherwise wouldn't be available. A lot of the evidence we've heard to date has been around the malleable nature of that relationship. A lot of the evidence we've heard from other witnesses is that,

over a long period of time, what's happened is, because of these embedded and intertwined relationships, you've actually had a situation where the capacity of the public service to provide that service has been denuded as a result of actually not being in practice and doing it, and, therefore, what might have been a dividing line 20 years ago, where the public sector would have had a lot more capacity, has now shifted significantly. What's your view on that evidence?

TOM IMBESI: I think I might hand over to Ursula and Allan to talk through that. I think the example Ursula gave earlier is a good example of providing capability tools and leaving that behind for the department, but there are other examples that I know we can give.

URSULA BRENNAN: Yes, certainly. So we 100 per cent support a strong public service capability. I think that's absolutely fundamental to what we're all talking about in terms of public value. Where specifically we see the ability to be able to bring that would be areas like, for example, being able to tap into our global and our national networks and the private sector expertise that our people actually bring. That's not to say—what I think you may have termed, Mr Buttigieg—hollowing out. Rather, we are looking to bring additional expertise capabilities that deliver value for money and efficiency, essentially—so the opportunity to be able to learn from other capabilities.

I believe, in the previous segment, the example around Service NSW and the in-house capability was a great example where there's sufficient capacity and need to really deliver that value. One of the things that we see and why we like the project-based approach is that it allows us to be able to support clients by scaling up or scaling down for particular projects—not to be there for the long term but, rather, to come in, to respond to specific requirements, to deliver on specific outcomes and leave that capability transfer as part of it.

The Hon. MARK BUTTIGIEG: The question was a little bit more specific than that sort of general approach—but I appreciate that evidence. It's really about the proposition put by several witnesses that, over a 20- or 30-year period, the increasing reliance on consultants generally and, in particular, the big four has resulted in a continuum of denuding public sector capacity and skills attrition. As a result, over time, part of the reason we are so reliant on consultants is because the public sector has lost that ability and skill. My question is quite specific: Do you think that is a valid claim?

ALLAN MILLS: Over recent years, since I've been in the leadership role in New South Wales government, I would say that that, from our experience, is not a claim that I would stand for. I've seen an incredible increase in both the capability, the range of skills and the talent coming into the public service, both at the most senior levels and through the new graduate recruitment program where 285 new graduates joined New South Wales government last year. It's revitalising the public sector. Earlier this morning there was a session by IPAA talking about making an impact—hearing stories of amazing work that's happening without support from the big four or any of the other suppliers on the BAS arrangements. So I think that's not a fully accurate claim from our experience. And then—just listening in on the session before—the progress that's been made in places like SIRA around getting hold of and really promoting the value proposition of public sector and getting those talented workers in, in the data space, is quite incredible. And that's actually a good example of where we're not providing those services anymore to organisations such as SIRA.

The Hon. Dr SARAH KAINE: Could I ask a question about your submission? I note that a lot of the submission was focused on ethics and code of conduct. I have a series of questions that are not necessarily related to one another, so bear with me. The first is that you cite the professional accountants' code of conduct and the standards. We've been having discussions in this Committee about how particularly the accounting professional bodies don't capture all of the professions or the consultancy work. I wondered how you dealt with that, given that everything else are voluntary codes? That's one part of it. Related to those codes is your disciplinary procedure. I note that you say that one of the things you can do is withhold bonuses. The question I have around breaches, discipline and bonuses is—I don't quite understand how those KPIs and bonuses work in the first place, so if someone could explain to me on what basis they're awarded so I could understand on what basis they're not awarded, that would be useful. There are a couple of questions in there.

SNEZA PELUSI: I might take that, if I can. The first question was around the professional bodies and where it applies. There is a mixture in terms of how it applies to various partners and staff within the organisation. From a CA ANZ perspective—the overarching body—all of our partners are members of the body. Throughout the organisation, particularly our auditors but through other parts, are also our members. They've got their chartered accountants professional certification as well. In addition to that, you will have other parts of our organisation who are covered through their auditor registration. They may be covered by liquidator provisions. They might be members or covered through the Tax Practitioners Board, because they're practising tax practitioners as well. So there is a little bit of a matrix structure there in terms of what professional obligations

and, if you like, overarching codes of conduct apply to different people within the organisation. That's the first part.

The Hon. Dr SARAH KAINE: Everyone would be captured by that?

TOM IMBESI: APES 110 covers the firms.

SNEZA PELUSI: APES 110 does covers the firm. But in terms of the partners across the organisation, everyone will be covered by the code of conduct, as you've outlined, from a professional body perspective.

The Hon. Dr SARAH KAINE: And non-partners?

SNEZA PELUSI: That would be dependent on the various professional disciplines, if you like, that they are part of.

The Hon. Dr SARAH KAINE: Within that you have professional associations with varying codes of conduct and varying capacity to discipline their own members. So it's a bit mixed across that.

TOM IMBESI: It is.

SNEZA PELUSI: It is.

TOM IMBESI: That's one of the things that we've been very open about, that we think it is appropriate to review those bodies and whether there is a more efficient and more effective regulatory oversight body that could be put in place. That's a subject of the Federal inquiries.

SNEZA PELUSI: From our own internal perspective, we would expect everyone—partners and all staff—to abide by the professional codes of conduct like my colleague just mentioned, APES 110 and our own Australian code of conduct. I might go to the next question around how we approach from a disciplinary framework perspective.

The Hon. Dr SARAH KAINE: Sure.

SNEZA PELUSI: Within my team we have a full-time ethics and conduct leader, who oversees all disciplinary matters of the firm. Our very first principle that we look to is creating an environment where people feel comfortable in coming forward and raising any matter that they have with us—large or small, but feeling comfortable to come forward. There are a number of different ways that we strive to do that. A colleague mentioned tone from the top and training around our expectations from an ethics and integrity perspective. We have an annual survey around ethics. It's not just the percentages we get; we also get written feedback. We ask for written feedback. We ask our people to tell us what are the things that they would like us to see to make it easier for people to come forward. So that tone from the top is really important.

The second element of it is that we investigate every matter that's brought to our attention. That's investigated by individuals separate to, obviously, the parties that have raised or brought the matter to our attention. That's investigated and reported on, and then we get to the disciplinary framework. The ranges of disciplinary outcomes can vary. Depending on the circumstances of the case, it could be a written warning, it could be training, it could be exit—it could be a whole range of things that we would consider, depending on the severity of the case. You made a specific comment around bonuses and the like, and there are cases where we would feel that a financial outcome or disciplinary outcome is appropriate, and that would form part of it.

The Hon. Dr SARAH KAINE: My question, to state it a bit more directly, is I understand what you said. I have read your submission. I understand what you're trying to suggest in terms of culture and how you lead that. That's one thing. Then there's financial incentive to behave in another way. What I want to understand is how do bonuses and other KPIs work which might provide a perverse incentive to all the other things which we would all agree on as good initiatives?

SNEZA PELUSI: I understand. I might address that, again, in two ways. Part of my remit at the end of each year is we give feedback from a quality and risk perspective around performance. That is taken into account in assessment in an overarching, holistic sense; in addition to, if an individual themselves has been party to a matter that we've investigated and substantiated, there is the opportunity to also have financial penalties as part of the discipline.

The Hon. Dr SARAH KAINE: But that doesn't go to the heart of my question.

TOM IMBESI: You're asking, I think, about how bonuses are structured and what is the underlying KPI to achieve a bonus across the organisation.

The Hon. Dr SARAH KAINE: And wanting to understand if there are perverse incentives that go counter to all of your cultural work.

SNEZA PELUSI: I don't believe so.

The Hon. Dr SARAH KAINE: I appreciate that, Ms Pelusi. But if you could tell me what the structure is then I could also make a determination.

TOM IMBESI: That would vary depending on the individual partner. Some partners are incentivised by the amount of work they win. But, equally, there is a balanced scorecard around performance.

SNEZA PELUSI: Yes.

TOM IMBESI: As Sneza pointed out, for each of the partners there is a quality and risk assessment that is applied to them. So a partner may win work, but if they haven't done that in an appropriate way there will be consequences for that. That's how we try to counter the—

The Hon. Dr SARAH KAINE: Having a bit of experience back in HR, could we see an empty version of the balanced scorecard?

SNEZA PELUSI: Yes, absolutely.

The Hon. Dr SARAH KAINE: That would be good.

SNEZA PELUSI: There's a framework that we use that we assess in order to apply the quality and risk rating, and that's a really important part of the assessment. I would be very happy to share that.

The Hon. Dr SARAH KAINE: Would that have weightings? For a balanced scorecard, you would have weightings to different parts of it. Volume of work might be one, for example.

TOM IMBESI: There would be, but that would depend. There are some individuals in our organisations who are not remunerated on winning work at all. People in your team, Sneza—

SNEZA PELUSI: Absolutely. That's why I paused at that bit, because it is so individual. There's no-one in my team, for example, that would be assessed on any client-facing activity.

The Hon. Dr SARAH KAINE: I appreciate that, but you can understand for the purposes of this Committee—

SNEZA PELUSI: I understand.

The Hon. Dr SARAH KAINE: —we're less interested in those who are in that side of things and more interested in those who are trying to get work from the public sector. If we could get any information around that—

TOM IMBESI: We can think about how we provide that to give you some context.

The Hon. Dr SARAH KAINE: That would be useful.

SNEZA PELUSI: And how the feedback fits in, I think that's also an important part of it.

The Hon. Dr SARAH KAINE: That would be useful. Thank you very much.

ALLAN MILLS: To bring that to life in a New South Wales government context, as I talked about before, I am responsible for the work that happens across New South Wales government with that partner leadership team. A part of our role is to make sure that that behaviour doesn't occur on the account. We can't have a partner deciding by themselves to start an engagement without going through the checks and balances in terms of confidentiality, conflicts of interest and making sure that we've got the capabilities to deliver value. So that behaviour is throttled even before they can potentially start work—

TOM IMBESI: Or bid for work.

ALLAN MILLS: —through the account structure. We've got all of the individual stuff, which has been outlined by my colleagues, but we've also got the account management structure, which prevents that from happening as well.

The Hon. Dr SARAH KAINE: Are we able to see the account management structure? You don't have to put names to it. But, again, as I said, it's a bit of a mystery for us.

TOM IMBESI: Perhaps we could think about the engagement acceptance process.

URSULA BRENNAN: I might chip in. We have a government and public services governance arrangement, which very clearly sets out the roles and accountabilities of Allan in his role versus lead engagement partner roles as well. I think it's very clear to individuals, including all of the team members, around the behaviours that we're looking to achieve.

The Hon. Dr SARAH KAINE: That information would be helpful. Thank you.

The Hon. SCOTT FARLOW: Just to that point, in terms of the account management on the government side, are all employees who are working on government work constrained to working on government work, or are they working across with industry partners in that as well?

ALLAN MILLS: I might let Ursula answer that.

URSULA BRENNAN: Certainly. The majority of the people that we have working with government will be very much focused around government and they will be aligned with that governance framework that I've just articulated. One of the factors that we just heard from SIRA and from others is that there are certain capabilities that, to bring the best globally and nationally, as I said, to individual projects, you may bring the best of a private sector capability, the best of somebody who has experience from overseas. It might be where, I think in the case of icare or SIRA, they talked to the insurance industry or financial services. How do we bring the best people? So the core group that are working with Allan would be focused on government.

The Hon. SCOTT FARLOW: I imagine, with that SIRA example for instance, you will be looking at leveraging the expertise you have from the private sector because you wouldn't have enough work in New South Wales government to have an exclusive team on SIRA?

URSULA BRENNAN: Where directly relevant, absolutely.

The Hon. SCOTT FARLOW: I imagine the same would be true in terms of health and in transport as well, that you would need to leverage that expertise you might have across advising clients, as well as advising governments.

TOM IMBESI: In fact, I would put to you that that's one of the value propositions that an organisation like Deloitte propose.

The Hon. SCOTT FARLOW: I guess to the next point—and this is where the concern has been raised in this inquiry, effectively, is then what is going back to those private sector clients and what do you have in terms of a management process so that there isn't information from the New South Wales Government, for instance, being used to leverage private sector clients bidding into the New South Wales Government, potentially?

SNEZA PELUSI: Maybe if I answer that from a firm-wide question and then, Ursula, you can add to that. I think there is a couple of things. From a confidentiality perspective, I mean that is a base obligation for all of our practitioners across the organisation to adhere to confidentiality on what we call a need-to-know basis around that engagement, and it is obviously kept to the details of that engagement. In cases where we make an assessment that it is a higher risk type engagement, then there is even greater protocols that we enact through a confidential information management plan and that's just our terminology for even tighter safeguards around data capture, storage and protocols around it. So that's at the firm-wide level. Ursula, you might want to just talk through public sector or an example around that.

URSULA BRENNAN: Absolutely. I may actually defer that to Allan to give a very tangible example within the New South Wales context because every jurisdiction differs slightly but the principles around making sure that that confidential data is retained, absolutely it's there.

ALLAN MILLS: A good example is going to your specific example, where we're doing work which has a direct market engagement dimension to it. That's the area where we absolutely have very detailed and comprehensive confidentiality management plans in place, which work at a project team level and at an individual level. In most cases, when we're dealing with projects of that nature, the agencies themselves are also aware of it and have probity officers in place and each of the individuals entering onto that engagement will have to sign an individual NDA in some cases. All of the work is typically conducted on the agency technology environment. The information isn't coming into the Deloitte network at all, and it's all staying on the agency side. During the onboarding process for all of those individuals, there's always a confidentiality discussion around every engagement. But for the engagement, as Ursula mentioned, where there's increased sensitivity, that will then go into a bit more detail. At the end of the engagement, in terms of the off-boarding process, there will be another process to remind and reinforce those policies and procedures with those individuals.

The Hon. SCOTT FARLOW: For instance, let's choose an example in terms of a business case. If you were involved, or you had somebody who was involved, in the preparation of a business case for the New South Wales Government—let's say for a road or the like—when it came to the tender stage, which would be following that, would they be precluded from being able to advise an industry client on the tender, for instance?

ALLAN MILLS: That's right. There would be hard confidentiality boundaries around those teams.

The Hon. Dr SARAH KAINE: Given the disclosure to the Senate inquiry about a confidentiality breach, what are the checks and balances to make sure that doesn't occur? I don't know if you self-disclose that. I guess what are the checks and balances and how often, if you do have them, are you required to act on them? How often are you finding—despite all of your pre-training and education.

SNEZA PELUSI: We would expect anyone who became aware—and like in the case that we self-disclosed. We did self-disclose. We did advise the client. We actually found it through our own monitoring protocols and have disclosed it transparently in our incidences as well.

The Hon. Dr SARAH KAINE: What are those monitoring protocols?

SNEZA PELUSI: In this case it was discovered by the team members and through the engagement itself, but we do have other monitoring protocols in place. For example, monitoring of any data that may leave our system that might go into a private email. That gets picked up through a monitoring program separately. There's a number of things that are run through our firm. But our expectation is that anyone who became aware of any sort of matter in this relation would come forward and actually advise us of that matter.

The Hon. Dr SARAH KAINE: No, I understand that, and I think we're all in furious agreement about the principles. I think we'd all be saying of course you should self-disclose. Of course a member of a team should. I think we would all agree on that. I'm interested in how often it happens, how you find it and what you do about it, not the hypothetical how we would like it and what we intend it to be. Are there some details of how often this is found? Is it just those self-disclosed from a member of the team? Sure, you've got those systems in place, but I would like a bit more detail on how often this is an issue.

TOM IMBESI: We had the one matter.

SNEZA PELUSI: We had the one matter in relation to dealing with—from a government perspective, and that was the matter that we did disclose and talk about. Then there are other matters that we are aware of that purely related to our own Deloitte IP, if you'd like to call it that.

TOM IMBESI: I think there were 22 matters in the 2023 year.

SNEZA PELUSI: No, there were 28 across the two years. One of those was the one that we self-disclosed and the rest related to internal matters from a Deloitte IP perspective that we've picked up and we've investigated and dealt with.

The Hon. MARK BUTTIGIEG: I may have missed this in earlier evidence, I'm not quite sure, but at the risk of repeating it, have any of you ever experienced interaction with an agency on testing internal capability? In other words, are propositions put? I'm more talking about that embedding situation where people might be seconded across. But, in general terms, where the agency's come back and said, "Look, thank you for your proposal, but we've worked out that, given the parameters, we think we can do it internally"—have any of you had experience of that? Or is that not something that Deloitte would get involved in generally?

ALLAN MILLS: I think that's a good example, and that does happen from time to time. In the market, we respond to tenders which are delivered to us and then we provide a response. Most of the time—or not most of the time. In some cases, client agencies are making a decision to engage us because their resources with the skills that could do the work have been pointed in a different direction to a different priority. In the process of the procurement, those resources may become free. It's very common for people to come back and say, "This resource is now available. We want them to be part of the team. Can you please remove the relevant team member from your team and include one of ours?" Or in some cases they may come back and say, "Actually we've rescheduled things. This has actually got a different level of priority now. We don't want you to start the engagement." Or, if we've started, to stop and hand over materials so that team can then take over.

The Hon. MARK BUTTIGIEG: That's helpful. That's more a function of resource constraint or otherwise, but I'm more talking about is there a feedback mechanism that allows the public sector to say, "Well, we think we can actually do this, even though superficially it looks like we don't have the resident skills"?

ALLAN MILLS: I think from our perspective, we can only respond to the tenders and the requests that are put to us. That, to me, feels like a decision which an agency would need to make about how it allocates its resources and time. One example I could give—it's going back a little bit—is in relation to understanding a range of services right across New South Wales. In order to engage the market, we did have public sector comparators in that program so that we can get a comparison of value that could be delivered through a public sector delivered program versus a construction-based contract, or construction-based suppliers in another area, for example.

URSULA BRENNAN: I think the only thing I'd add to that, if this helps, is that there are occasions where agencies will recognise that, based on what's been put forward, they do have the skills and capabilities in house,

and a contract would never be let. That also can occur, and that's entirely government's choice and prerogative as a procurer of services.

The CHAIR: Going back to that School Infrastructure business case contract, how many of those individual business cases did Deloitte do, and during what dates?

URSULA BRENNAN: From memory—and I can go and check this later—we were engaged in 2021. I believe we worked over a period of around 16 to 18 months, and we delivered certainly over 84 business cases. I have got 84 in my head on that one.

The CHAIR: There are the 84 business cases that I understand are referred to in the Auditor-General's report on School Infrastructure. I'm trying to work out if that predates your work or whether your work was in response to the Auditor-General's report. Basically, she's quite scathing of the quality of the business cases in that report that she's reviewed, but I think the timing is—there's at least an overlap, so I'm curious as to if you know what the timing was.

URSULA BRENNAN: I would need to go back and check that. I'm certainly not aware of that having been scathing. In addition to that, the post-evaluation feedback that you mentioned from School Infrastructure, which was done in a very rigorous way—every quarter we had a formal evaluation and a formal meeting—was also very positive.

The CHAIR: So maybe that work actually came after the Auditor-General's report. Come back to me on notice and we can—

URSULA BRENNAN: One of the reasons I think that work was being done was because of the importance of being able to make sure that they could meet the Treasury guidelines and have that funding released so that it could allow the delivery of schools in an accelerated time frame.

The CHAIR: If you're able to come back to me just on the dates of that work, but 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, or whatever the expression is. Did Deloitte advise on the outsourcing of buses and bus contracts, do you know? Was that part of the work that Deloitte did for Transport?

URSULA BRENNAN: Deloitte has provided some of that advice, yes.

The CHAIR: When was that provided? Do you know?

ALLAN MILLS: I'm not sure of the exact, specific dates. Can you help me with one specifically?

The CHAIR: Oh no, it's all of them. It's the whole concept.

The Hon. SCOTT FARLOW: A trick question, then!

The CHAIR: That's all right. I'm just interested.

ALLAN MILLS: I think going to the point, though, we respond to tenders in the market and we bring our talent and skills to bear, then it's up to the agency to decide on which is the best team to help support delivery of that project or initiative.

The CHAIR: Understood. How many contracts have you entered into with the New South Wales Government where there was no tender process? Do you have that data?

ALLAN MILLS: I wouldn't have that to hand. The majority of our work—and if I look at the BAS panel, which we're one of the members of, it provides the monthly reporting, so there's full transparency of all of our work—

The CHAIR: Is this the in-flight thing that you refer to in the submission or is that a different thing?

ALLAN MILLS: We report in-flight—

The CHAIR: What is in-flight? I was going to ask you that as well. Sorry.

ALLAN MILLS: We'll step back. As part of the business advisory panel which NSW Treasury set up, there's a whole range of suppliers. Some suppliers sit within, or are captured by, a transparency reporting requirement. Those suppliers, of which we are one, provide monthly updates, which goes to a resource level—their role, their level, the engagement that they're on, the rate and the hours worked during that time period. So that gives full transparency to NSW Treasury to understand where our resources are being deployed and on what projects. They have full transparency of all projects which we're delivering.

In the vast majority of cases, there is a tender process, which we respond to. In terms of how that tender process can work, it can be in two main types. It can either be a restricted tender where an agency will typically go to anywhere between four and seven providers—we typically do not know the number of people who are on that tender—and then we would respond, all within the guidelines of the BAS panel arrangements, including capped time and materials et cetera; or there is a public tender. When there is a public tender, it means it's available to absolutely everyone who's on the panel with the appropriate skills, and any number of people can respond to that tender. They're the two main channels through which we win work.

The CHAIR: Are there any that are untendered? You mentioned before that the vast majority are with tender. How many contracts has Deloitte entered into with the New South Wales Government that were untendered?

ALLAN MILLS: I wouldn't be able to—that would be extremely challenging. For example, if we were asked to facilitate a one-day workshop to help, that would be an example of that. That would be an engagement letter, which typically a client would send through saying, "Can you support us in facilitating or helping with a particular workshop or strategy day?" That would be one. We'd need to then work through systems and tools to work out what that number would be, and that would be very difficult for us to do.

URSULA BRENNAN: Probably a point of clarification—all of those engagements that we've been engaged under would be contracted. They will have a formal contract with the agency, which has been authorised and signed off by the agency, in line with the procurement guidelines.

TOM IMBESI: I think the Chair's question is quite specific. Perhaps we'll have a look at that. If there is a way that we can provide that information, we'll seek to do that.

The Hon. Dr SARAH KAINE: I'm struggling to articulate this into a question, and I don't know whether it's because I'm intrigued or suffering from cognitive dissonance, given a couple of your questions. The whole initial introduction was about your commitment to the public sector and to building capacity. You gave some examples. Then we talk about you advising on the outsourcing of bus services. We've recently had a report which has seen that has resulted in really poor working conditions for bus drivers—chronic shortages of drivers, which has affected services.

I'm trying to wrap my head around what you've expressed as your intent, and what, in practice, seems to have been recommendations on a really publicly significant piece of work. How much in those types of contracts do you project out to the likely results? You would be looking at the budget implications—outsourcing is generally about short-term budget implications—but we know that the long-term implications in terms of our service and the experience of those bus drivers have not been positive. How far out when you're providing that advice for something like outsourcing of a key public service do you look ahead, given your stated commitment to a robust public service?

ALLAN MILLS: Obviously it will be on a case-by-case basis, depending on the nature of the service and the time frame of which the service is being considered. Those parameters will typically be set within the tender documents themselves and we would facilitate the process to then deliver to that outcome. In terms of the specifics around time frames, we would give advice based on things like asset utilisation, and asset price and time life of the asset, and would give those recommendations. But when it comes to making the decisions around the time windows, we'd then follow the Treasury guidelines in terms of what's required.

The Hon. Dr SARAH KAINE: Just so that I'm clear, when you're factoring in your recommendations, you're looking at assets. You're not looking at the implications for people performing the work?

ALLAN MILLS: Absolutely, we'd be looking at people performing the work.

The Hon. Dr SARAH KAINE: Okay. That wasn't clear from what you were saying.

ALLAN MILLS: Sorry.

The Hon. Dr SARAH KAINE: It sounded very asset-based.

The CHAIR: I'm also still trying to get my head around the bus contract thing. What was it that Deloitte was doing exactly? 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?

ALLAN MILLS: Well, it certainly wouldn't be policy advice because that's the role of government and not external providers. In terms of the specifics on a case-by-case basis, we would need to come back to you specifically on that, but a lot of that would be set by the agency themselves in terms of what we needed to work to.

The CHAIR: Policy decisions are for the Government, but policy advice is something we regularly get from consultants.

ALLAN MILLS: So we'd provide evidence to support the policy conversation but we wouldn't decide on the outcome of—

The CHAIR: You'd give a recommendation, though, wouldn't you?

The Hon. Dr SARAH KAINE: But you'd give advice. I presume that's what we're paying for.

The Hon. PETER PRIMROSE: You're consultants, not contractors.

URSULA BRENNAN: There are elements of this I think we may need to take on notice, given my knowledge of that particular set of services that we have delivered. I can say, I think, as a main point, we're a financial and commercial adviser in those areas, an adviser to government on aspects of it. Much of that advice is around securing a tender process. But we will come back with specifics around this. This is not an area that, I'm afraid, I have the full details of.

The CHAIR: That would be incredibly useful, because I think one of the issues we've been looking at here is the extent to which consultants are used to basically rubber stamp what government is already wanting to do. I think it's been coined in a lovely way as decision-based evidence making. I think that's a fabulous way to term it. I just want to check that's not what was happening in this particular situation, so that would be useful.

The Hon. Dr SARAH KAINE: Just to confirm, you do provide advice, right?

ALLAN MILLS: We do. Sorry. Thanks for the clarification.

The CHAIR: Thank you for that. The other big issue that's been floating around that we've also been talking about today is the phenomenon of contract extensions. I've had a look through what eTender records I can find. There are quite a few examples, as there are with many consulting firms, of the contract price going up significantly once it's already been agreed. Do you keep a record of how many contract extensions there are where the price gets renegotiated, and the reasons for that? Do you ever look at whether you're making the right assumptions to begin with on how much you should be charging?

ALLAN MILLS: Yes, sure. Absolutely, we track that. That's managed on a weekly basis as part of the regular status reporting for every engagement. In most cases where there is a contract that's been established, it will be a time- and materials-capped arrangement, so it will be for a specific scope. We would need to deliver up to that maximum amount. And so, if the level of effort and resources required to do the work is in excess of that, then we'd still be capped at that level. An example would be if we've delivered a specific project which has been very successful for, say, an area of a business and it's regional—say, region one—and then, as part of that, we would provide frameworks, methodologies, tools et cetera, for the other regions to then complete that activity. In the case where we've done an excellent job and the client or the agency thinks, "That was a really good piece of work, we'd like you to do it for subsequent regions", we would then get a contract extension to then do a subsequent region. We would then provide a resourcing-level estimate in order to do that work, and then we would complete that work using the frameworks and tools.

The CHAIR: I guess there are two aspects to this: There is the aspect of government management in terms of signing up to contracts where they then decide that they're going to extend that contract without going back out again to tender for that extension, but then there is also the situation where the agreement and the contracted amount is for a scope of work that's just not what it should have been. Are you able to give us any data or any insight into how you make sure that there is not that sort of creep in costs? Do you have data as to how much—

TOM IMBESI: I think, Allan, your point was that for each tender there is a capped amount and we deliver against that, but you've given an example of different regional—but are there cases where there are incremental asks of Deloitte or providers that we then have to resubmit to extend?

ALLAN MILLS: Yes, so, I gathered the gist of the question and the way it was going. On a project there are normally a couple of things which can really affect the pace at which a project can be delivered and also the quality of a project. The first one around pace would be, typically, access to specific resources and stakeholders and individuals that are required to provide their expertise and input into the project, so that we can provide the advice and understanding. The second part would be around the data and the underlying information that needs to be provided to typically support a data model or a calculation of some description. If those data sources are not readily available or additional data sources want to be included, depending on the level, there is always a bit of flex to make it work. But if it doubles in size or triples in size, then there is a conversation, through the weekly

status reporting that happens on all engagements, to say, "That would be a change to scope and, therefore, this is how much additional effort would be required in order to include that within this engagement."

The CHAIR: Do the consulting firms help government to work out the scope? For something that is incredibly technical, do they say, "We think that this is the scope"? Is there a negotiation on what that scope should be once the consulting firm understands more about the work?

ALLAN MILLS: I can only speak from Deloitte's perspective. If we were faced with an engagement that we weren't sure about the number of interfaces, the number of stakeholders, we would send clarifying questions through the procurement process to give us some certainty. In those cases where the agency accepts that, they would then typically send a note out to all people responding and say, "X number of stakeholder interviews in these locations around the State." In the case where it's still murky or it's very early in the stage of the project, quite often what we'll have is a checkpoint—either week one, two or three—which is clearly articulated in the tender document. At that point, we will outline "These are the things that we think we're going to need to retest because we're not sure. You're not sure. You haven't provided the information." But together we'll get to a point, by about week three, where we will then be able to lock down the scope for the remainder of the project. At that point, sometimes there are things that come in and sometimes there are things that go out, depending on the nature of that specific project.

The Hon. JACQUI MUNRO: Do you have any evidence of any scopes where the hours that were scoped weren't required, where you were actually coming in under what was proposed? And if that does happen, is there a renegotiation process around that? What do you do with the leftover hours?

ALLAN MILLS: Yes. Dealing with the public servants as we do, they all hold the responsibility around making the public value go as far as possible. In that case, there are normally two things that happen—one is, we stop work at that point and we conclude the project. At that point, we only bill for the time that's been delivered. There might be a wrap-up day or two to tidy things up and to finalise the project, but then we would stop at that point, and because most of our work is in that time- and materials-capped arrangement, the agency would not be spending that with us and then that would be for them to then reallocate. The second option which the agency sometimes takes into consideration is "Is there additional evidence building or additional work that can be done to fill that gap which would be a value add and complementary to their team?"

The Hon. JACQUI MUNRO: Is there evidence of that in any of the 84 contracts that were undertaken?

ALLAN MILLS: Specifically, with the business cases?

URSULA BRENNAN: Those were not 84 contracts.

The Hon. JACQUI MUNRO: Okay, there were 84 business cases.

URSULA BRENNAN: It was one contract that was undertaken for a number of different deliverables, essentially. So those were not separate ones. Certainly, we had a capped arrangement on each of the business cases. That was a very rigorous tender process that we were put through on that, and rightly so, to make sure that we were delivering value. There were some business cases that we lost money on, that cost us more to deliver because the complexity was greater, but we had agreed that there was a fixed fee.

The Hon. Dr SARAH KAINE: But ending your work when it's finished isn't some altruistic act. It's just honest practice.

ALLAN MILLS: Exactly.

The Hon. Dr SARAH KAINE: I just want to be sure that we're not claiming that there's some great thing when you've finished your work, you say it's finished and you're done.

URSULA BRENNAN: Absolutely. What we're saying is, if it's a capped fee, we only charge up to what we've incurred. We don't charge any more. Our whole project base is respond, deliver, leave.

TOM IMBESI: As you'd expect.

The Hon. Dr SARAH KAINE: As I would expect. As I say, I don't think it's particularly noteworthy.

ALLAN MILLS: I think—

The Hon. JACQUI MUNRO: What was your comment?

ALLAN MILLS: I was just going to say I thought that was the nature of the question in terms of what happens with the remainder which is on the contract. My apologies.

The CHAIR: On page 4 of your submission, you talk about the importance of not allowing bias and conflicts of interest to inappropriately influence or impact on your professionalism. One of the things you say there is about not allowing undue reliance on individuals or other factors to compromise professional judgements and responsibilities. I'm curious about that because we've heard a lot of this idea of particular, if not groups, partners within firms being very reliant on government work to the extent that, by nature of being consultants and seeking that revenue year in, year out, if they were, for example, made to sit out of government work for a year, it would effectively render them having no work. Are there partners within Deloitte that have a reliance on government work to the extent that they would have no practice if the government work dried up and they would have to go and do a different type of work?

URSULA BRENNAN: The majority of our people who focus on doing government work, as I said, very much focus on making sure we're delivering capability to the public sector. I'm not sure whether that particular comment may refer to where we might have individuals join us from the public sector. That happens on an occasional basis, not frequently. Where that is the case, they are embargoed from working with the New South Wales Government in accordance with the requirements of the New South Wales Government, which is typically six months. Is that—I'm just looking at the particular note.

The CHAIR: I'm more interested in how you reconcile the need for partners to earn revenue from what is—for government work, there is only the New South Wales Government. So if they're doing New South Wales Government work, they would have to get their revenue from the New South Wales Government. How do you reconcile the need for them to earn revenue with the principles of not getting compromised by that, maintaining a level of independence and being able to say, "No, I'm not going to do that bit of work for you because it doesn't add value"? How do you ensure, as an organisation, that people aren't being compromised?

ALLAN MILLS: From my perspective, I'll go back to the account management structure again because that does enforce that, given that we respond to tenders, we will not be included on tenders to respond to if we're not delivering value. As long as we're delivering value and our feedback continues to be positive, then we should absolutely be really proud of the work we do and invest behind that, because we know that we're having an impact in terms of supporting our clients with the work that they do.

Going to the point you're saying, for instance, from a practice perspective, what would happen if we were on a rotation basis, we would need to consider that in the context of—when I think about New South Wales government, I'm also thinking about State-owned corporations. I'm also thinking about the higher education universities that we support and the not-for-profits. In terms of a marketplace and in terms of where we're able to support clients and make an impact, it's quite broad. Similar to how agencies operate in making sure that their team is focused and not getting too large, then there's enough work. It's my job to make sure that I can see into the future a little bit in terms of understanding if there are politicians making commitments around policy direction and things like that, and getting an understanding from our global colleagues about what resources and technical skills we need to build here to best support our clients. That's something that I'm responsible for.

The CHAIR: Does Deloitte disclose its auditing contracts as conflicts of interest? Again, we have had some news reporting—for example, EY with Santos, where they were auditing as well as doing work that was going to potentially have an impact on a client that they were auditing. It was discovered, at least on the face of the media reports, that they just didn't consider that to be a conflict of interest, so it wasn't disclosed. What is Deloitte's view on auditing work and whether it needs to be disclosed for consulting?

ALLAN MILLS: I may ask my colleague Sneza to answer that one.

SNEZA PELUSI: Yes, I might take that. I would answer that in two parts. We would not take on any work that would impair, if you like, our independence perspective of where we are required to maintain our independence. That is part of the considerations that we would take on. Separate to that, from a conflict of interest perspective, one of the things—and it is outlined in the submission—is around the assessment we make for every engagement before we take it on. We do have to actually have a positive confirmation that we have addressed any real or perceived conflicts as part of that process.

We do look to see whether we have got the opportunity to put safeguards in place in relation to the situation. If we make an assessment that we actually don't feel that we can have appropriate safeguards in place that we feel comfortable with, we will just decline the engagement. We spoke earlier about the fact that we don't bid for everything. That's one of the reasons why we choose not to bid for some pieces of work: We simply can't get comfortable from a safeguarding perspective. That's how we would address it. Every single engagement we would take on we would assess from a conflict of interest perspective.

The CHAIR: Would you consider auditing work to be something that you would disclose as part of that process to a potential client?

SNEZA PELUSI: If we were engaged as an external auditor in that situation, we would be very careful in terms of considering what other work we would be providing to that organisation, absolutely. There are a number of protocols we would go through in relation to that assessment. There are certain services where, if you are the auditor, it is absolutely not permissible because you'd never want to be in that scenario where you're compromising independence and objectivity. Certainly, we would not take on any work where we would feel that there was, if you like, a real or perceived threat that we would effectively be reviewing our own work, so there's a number—

The CHAIR: I guess there's two levels here. I'm particularly interested in, for example, that Santos example, where EY was the auditor for Santos and then they also worked for government in relation to the preparation of a report, from a consulting basis, that had a material impact on the business of Santos. When they were asked about it, they're reported as saying, "We didn't disclose it because we didn't see it as a conflict of interest." I understand that from an internal perspective, you might say, "We're not doing that work." But in terms of what you would tell the Government in that instance, if you did decide to go ahead with the work, would you disclose that you were an auditor for someone who was potentially going to benefit from the policy you were helping to develop?

SNEZA PELUSI: I think it would depend on the circumstances of the case. The mere existence of being the auditor in that scenario that you're describing doesn't in and of itself create that situation. Again, it would depend on the circumstances of the case.

The CHAIR: And I think that's where we get into that potential conflict of interest versus conflict of interest—

SNEZA PELUSI: Correct.

The CHAIR: —that ICAC was talking to us about in our first hearing. What I got from the EY reporting—and I wonder if I'm getting it here, so please confirm—is that it's a decision that the consulting firm makes rather than giving all of the relevant information to the Government and allowing them to make the decision on whether or not a conflict of interest has been managed.

TOM IMBESI: If there was an actual conflict, we would clearly disclose that, we would make the decision not to participate or we would put the framework around it. I think your point is: How transparent are we in each and every case? There is a judgement there that we do exercise.

SNEZA PELUSI: One of our key safeguards in dealing with any real or perceived is actual disclosure of the matter, so you would make a judgement in that case. But I'd say that being the auditor, which of itself you are obviously maintaining independence, of itself would not create that situation.

The CHAIR: It has been described as walking both sides of the street.

SNEZA PELUSI: I understand the description.

The CHAIR: And it's something that has been well written about by academics as well. I think we are increasingly shocked that this is not a decision that gets made by the people actually hiring the consultants but by the consulting firms. There is a lack of transparency when you're not held accountable if there is some mismanagement of that potential conflict of interest.

SNEZA PELUSI: Yes, I do understand the question. I guess the other thing I would say is objectivity, and forming an assessment of objectivity in what you're delivering, is actually a core professional obligation, and so we take every step to try to get that right. It is something that is pretty fundamental in terms of, to use the term that our Chair used, licence to operate. Trying to get that right and having processes in place to assess any real or perceived conflicts around that, based on the circumstances and the facts on hand, are very important parts of our assessment process before we take on an engagement. Part of that would be a disclosure situation in terms of outlining the facts of the situation on hand.

TOM IMBESI: But I appreciate your point, Chair, that the opportunity should be for Government to make that decision, as opposed to us internally. If there was a recommendation to provide more information at that engagement stage, I think that we would be open to that.

SNEZA PELUSI: Absolutely—a broader set of factors to consider as opposed how it may be viewed or assessed in the current climate.

TOM IMBESI: I think that would help both parties.

The Hon. Dr SARAH KAINE: It was an interesting turn of phrase, Mr Imbesi, that if it was required then you would be doing it. I go back to the idea of a social licence to operate and the discussion that we're having

about those internal processes and the judgement calls of individuals. I presume you would recognise that your social licence to operate, and that of the big four generally, has come under serious question and that the public would be rightfully sceptical about the fact that you're still able to make those judgement calls. Do you have any reflection on that?

TOM IMBESI: Only to say that we have an obligation to get that right and, if we don't get it right, we've seen how that can play out in the market.

SNEZA PELUSI: Absolutely.

TOM IMBESI: That's again what we refer to as core to our licence to operate. Getting it right is absolutely in our interest to have a sustainable firm going forward.

SNEZA PELUSI: Yes.

TOM IMBESI: Having said that, I think if there is an opportunity for us to provide more transparency around those decision points we're open to that.

SNEZA PELUSI: We'd welcome it.

TOM IMBESI: That makes it a safer position for us.

The Hon. Dr SARAH KAINÉ: You could initiate that without us doing anything.

TOM IMBESI: Sure.

The Hon. Dr SARAH KAINÉ: You could initiate a process that for every government contract, it wouldn't be a judgement call. It will be a process where you decided that that you would disclose, whether or not you think the auditing is relevant.

SNEZA PELUSI: Yes.

The Hon. Dr SARAH KAINÉ: In fact, this team here could probably make that call. Is that a good idea?

TOM IMBESI: We appreciate the challenge and will reflect on that as well. Thank you.

The CHAIR: Looking at the extent of work that consulting firms do for governments now compared to what they used to do, is it fair to say that there has not been a catching up in terms of holding the work that you do for government in a different framework to what you look at when you're doing work for private sector clients? In this inquiry, and with all of the media interest in this inquiry and the ones in the Federal sphere, we hear an expectation that if consultants are being used to do really important work for government then they should be subject to similar sorts of transparency and accountability measures that you'd get if a government sector employee was doing that work. Is it fair to say that consulting firms have traditionally viewed the ethical framework or the obligations around the work that they do for government and the private sector differently? Is there some catch-up to be done now? What are your thoughts on that?

TOM IMBESI: I think our obligations, Chair, are—there's a pretty high standard, and I think that standard applies equally to private and public. In terms of code of conduct and values, we compare ours to those of the public sector and I think they're reasonably compatible. So I do feel like we're pretty close. We again go back to that point that if we're going to be used by the public sector, we need to honour our obligations and maintain that standard. Where we don't, there's a serious penalty to pay for that.

The CHAIR: And we appreciate you being here today. One of the suggestions that's been put forward is that if a consulting firm is doing a major piece of work that's relevant to a particular policy area, say, they should attend budget estimates and be answerable for that work and that we should see the reports et cetera. I haven't seen the suggestion that consulting firms sit in front of a group of shareholders at the AGM and answer their questions, and I think that is seen as something quite separate. That is the nature of my question: To what extent is there now a bit of a reckoning going on in terms of understanding the expectations of government work, and effectively your shareholders being the public, as opposed to the corporate sector work that consultants used to have more of a foundation in?

TOM IMBESI: Can I just clarify the question you're asking, Chair?

The CHAIR: It's quite a theoretical one; it's quite an academic one, perhaps. In light of the last year and the interest the public now has in the work that consultants are doing for the public sector, is there discussion among senior people like yourselves in consulting firms—you can only speak for yourselves, so amongst Deloitte—of how you might view your work for governments in a way that's quite different from the corporate sector work that you do in terms of accountability, transparency, disclosure et cetera?

TOM IMBESI: The short answer is yes, and we are reviewing how we disclose the work that we do and respond to tenders. Perhaps, Ursula, you can give a bit more colour to some of those conversations.

URSULA BRENNAN: Sure, and I actually think the way in which we've thought about our public sector practice predates all of the latest discussions that you're referring to. We've always asked—and this is something that's really set in terms of the tone and the governance across our practice nationally—"How are we operating, and are we operating in the context of public interest? If we step back and think about this, we've talked about conflicts, but would it pass the public interest test?"

Every engagement that we look at—and Allan stepped through the engagement process previously—right from when we receive a request for tender, we do look at that request, study that very, very carefully and put on that additional lens of "Is that in the public interest? Do we have the capability to do it? Should we do it? Are there any conflicts, real or that could be perceived, that would actually apply to this?" Only then do we determine whether we're actually going to proceed with it. We've always had a heightened sense and focus within our public sector team around the work we do and the privilege of doing that work, which is why we started this conversation today, also, around how do we make sure that the projects we're delivering are helping agencies deliver on outcomes. Ultimately, that goes to the people of New South Wales and the best use of that expenditure for the people of New South Wales.

The CHAIR: Perhaps the major change that's required here, though, is in relation to that disclosure and transparency piece. I hear what you're saying, as we've heard many times, about the rules, obligations, professional standards and ethics et cetera that you're subject to. I understand you saying that it's at the highest level possible when it comes to the disclosure, transparency and accountability required for government sector work. That's where we're seeing a change, seeing expectations really hit home and wanting, as my colleague said, a little bit of proactive change from yourselves. Are you looking at proactively making those changes, or will you wait for government recommendations?

SNEZA PELUSI: As my colleague said, we are certainly looking at it now. I was going to talk more about the policies and safeguards, but I understand your question is more on the accountability/transparency side. It is something we are looking at and, in terms of what that could mean from a—the contracts that we have got over the last year, the type of work that we do et cetera. It is something that we are still working through over and above the additional safeguards that we have got for our people who do work with the public sector.

The CHAIR: I will give you an example and then ask you a question about it. One of the contracts that Deloitte entered into with Transport was in relation to the acquisition of properties for Metro. We held an inquiry into acquisition of properties for major transport projects over the last term of Parliament. It would have been great to have had Deloitte come and explain to us their role in that and what they have been seeing. Going forward, is that something that you would be open to doing? Where you are performing that kind of government work, would you come in and front up to budget estimates or to inquiries to answer questions?

TOM IMBESI: Absolutely. That would be far more helpful to all of us. So the short answer is yes.

The CHAIR: Excellent. I like that very much.

The Hon. PETER PRIMROSE: We wouldn't hear the term "commercial in confidence" used?

TOM IMBESI: If we are delivering a project for government and we're providing advice or are reporting in relation to a project then, yes, we should be very open and willing to come and talk to government.

The Hon. PETER PRIMROSE: Excellent. I'll put that on my wall.

The CHAIR: I think we are all liking that very much. I don't want to let you go without asking you about PwC's jettisoning of its government work. When they came to talk to us, I asked them if this was an admission that they can't actually ethically do government work at the same time as commercial work within the same practice. They assured me it wasn't, and yet they are still wanting to jettison that work. From Deloitte's perspective, do you see that as a knee-jerk reaction to the mess that they found themselves in, or do you think that it does make sense to exclude or carve out that government work? If not, why not, and what is different about Deloitte?

TOM IMBESI: Chair, clearly it's a decision for PwC. I would suggest that the circumstances that they are faced with is a factor in their decision. But that is a suggestion and, as I think you rightly have done, you put that question directly to PwC. From our perspective, we believe that the value that we can provide government is to have the capacity to bring global expertise and private sector expertise as and when required. As we said earlier, our objective is to provide services that are complementary and additive to public sector. And so for us it's critical that we have a whole-of-firm or a multidisciplinary model firm—as we term it—to be able to provide what we think is the best value to government. For that reason—I made the same comment at the Federal level—we have

no intention of separating parts of our business, because we think that the model we have is best aligned to serving our clients.

SNEZA PELUSI: The only thing that I would add to that is, in any structure, the obligation to satisfy yourself around conflicts of interest would still remain. I think that still exists.

TOM IMBESI: Those systems need to be there irrespective of structure.

The CHAIR: In relation to the Broderick review that EY had, obviously this is something that a lot of organisations are now doing in order to reckon with misbehaviour. You've talked at the Senate inquiry about the numbers of misconduct, and we have also heard about your proactive efforts to survey. Is Deloitte going to get an independent reviewer in to do a similar sort of review that was done with EY?

TOM IMBESI: Chair, we've obviously had a lot of interest in that report being made public, and we are reviewing it at the moment. We haven't made a firm decision either way, and we'll leave that to the executive team, firstly, to put something to the board in terms of what we think the right approach is for us going forward.

The CHAIR: Thank you very much. I know we kept you for a little bit longer. Thank you for your extra time, for your submission and for being here. To the extent there are questions taken on notice or supplementary questions, you have 21 days to respond. That concludes our session today.

(The witnesses withdrew.)

(Short adjournment)

Mr STEWART LITTLE, General Secretary, Public Service Association of NSW, affirmed and examined

Dr ANDY ASQUITH, Research Officer, Public Service Association of NSW, affirmed and examined

The CHAIR: I now welcome our final witnesses for today from the Public Service Association of NSW. Is there a short opening statement you would like to read?

STEWART LITTLE: I do have one, Chair. I would just ask if it would help the Committee—at the time that we were putting our submission together, we were in the process of obtaining additional data from various agencies within our area of coverage, obviously. We have a fairly distinct area of coverage. It is quite broad but, in areas such as health, our coverage is restricted to the Ministry of Health, as opposed to the area health service covered by other unions.. So we have been busily doing them, and I've got some additional data from a number of select agencies where we have quite strong coverage, and I think it will help inform the Committee. Perhaps, if I could hand those up and then read my short opening, I would like to then speak to it, if that were possible.

The CHAIR: Absolutely.

STEWART LITTLE: Thank you, Chair. Thanks for the opportunity to address the Committee of inquiry. The Public Service Association of NSW is the primary union within the New South Wales public sector, with coverage of almost 40,000 members. Sorry, we have around 40,000 members; we have coverage of around 70,000 to 80,000. We have a significant interest in the matters before this inquiry. The increasing use of external management consultants and contractors by the former Coalition Government, in our view, was a policy that helped undermine and erode the New South Wales public sector and the concept of public service. This has been to the detriment of not only our members but to the wider public sector workforce and the citizens of New South Wales who have been impacted by a decline in the scope and quality of public services.

Over a number of years a succession of reports from the New South Wales Auditor-General have chronicled a number of issues around the use of management consultants. Clearly a number of points have been defined by the Auditor-General—that is, no overarching strategy defining parameters for consultants use; it is difficult to quantify total government expenditure on consultants as agencies define consultants differently; questions were raised about the effectiveness of the NSW Procurement Board in relation to the procurement of management consulting services; consultants double dipping within agencies and having a clear conflict of interest; the internalisation of external management consultants within departments thus replacing public servants; the use of external consultants effectively removing New South Wales internal public service capability; consultant shopping to find an ideologically, politically acceptable answer to a question; and, in a wider sense, the recognition of the damage and financial costs of the increasing reliance on external management consultants is a recognition that it is now time to begin to rebuild the New South Wales public sector from the ground up.

The rebuilding process must be firmly based on the traditional ideals of ethical, transparent public service underpinned by the concept of frank and fearless advice. The ongoing reforms in the Australian public service to address similar competence and capability issues offer a template which the New South Wales public sector can and should learn from. The PSA will always be a willing partner in this process.

That's the end of that opening statement, Chair. But if I could, I suppose, talk to two different issues—one is our look at a number of consultants. Looking at consultants, the figures that we've handed up in the table, if I could just briefly go to it—it's just taken from the most recent annual reports. So these are annual reports that are open to everyone—the Committee, the wider public. But of course what's most disturbing are the figures that are in there that have now, if you like, come to bear since the Auditor-General gave her report back in March of this year. That is that it just appears to us that this is just an ongoing process where the use of consultants is going on, and appears to be going on, unabated.

I know that she did cover a lot of this period, but I'll go to a couple of other things shortly. But if you look at the paper that we gave you in respect to contract labour—because it's often difficult to distinguish between a consultant and contract labour. Unfortunately, there are times also when agencies refer to contract labour when they're really talking about temporary employees. As a union what we've been doing is really obtaining data from various agencies about the use of consultants, how many contractors they have that are bona fide external contractors and then also the use of temporary labour, which we often also refer to as insecure labour and much in the way that we look at things like casual labour.

But a couple of things that jump out from the number of contractors, in particular, is child protection. It's an agency that we cover. Can I say at the moment it's nothing unusual within child protection to have vacancy rates of between 15 per cent and 20 per cent. Unfortunately, it's one of those areas where the average life expectancy for a caseworker is around 18 months and it's getting shorter, generally by burnout. I mean, the

pressure is so much and so great that those workers go off and find alternative employment. Obviously that then means a lot of very vulnerable people that we should be addressing are left not obtaining care.

But if I look at the contractors there, you'll see child protection for the northern section. I think it's 54, is it? It's 54 contractors—southern, 48. And, disturbingly, figures that we've obtained from the department also show that at the moment in the northern section of the child protection zone you've got 480 temporary employees and in the southern section 213 temporary employees. I think, last time I had a look, in child protection there are probably 2½ thousand caseworkers. They're disturbing figures. They're really disturbing figures, I would say, in probably one of the most critical frontline areas. Not only have they been affected by the use of consultants but then what is termed "contingency labour"—not adequately planning, not adequately recruiting, not adequately retaining those workers—has led to the current shortfall in officers. That, I suppose, is one extreme area.

Another area that I'd talk to is the Rural Fire Service. Quite different areas distinctly—you've got child protection, Rural Fire Service. Let's hope we don't have a bad fire season this year. I really hope we don't. As a union, we cover not only a lot of emergency services areas but also what are known as combat agencies. They're first-responding agencies, agencies like the National Parks and Wildlife, like State forests. Our members in those agencies often serve to do remote-area firefighting. But we know that at the moment within the Rural Fire Service, even though they purport not to engage any consultants, we've got vacancy rates in there of 15 per cent to 20 per cent. We've got mitigation crews with these huge vacancy rates now—that may not be in some of these documents—but the number of contractors that they've got is just exponential for the size of that agency.

What it points to is a real problem with managing the workforce within that agency. So, Chair, I know that I've thrown out just a few large statements and I'm sure that you've looked at our submission. A lot of that is based on the work of Margaret Crawford, the Auditor-General. But I'd also just say, if I look at agencies like icare, again this is a real concern to us as a trade union, where this is the agency tasked with looking after injured workers not only in the public sector, of which we often unfortunately in the areas that we cover have many, particularly within the prison system but also within child protection and other agencies. This is an agency which just appears to have a huge reliance on consultants. I think in the last reportable period, they spent over \$6 million on consultants. The big four are well represented. The year before—\$4.8 million. So they've spent a little bit more last period.

The thing that jumps out at me from icare, though, is their use of actuarials. The bills in there—they're the same companies, the same big mob, you know, KPMG, the big four. Their bill for 2020-21 was \$8.2 million for the year. Sorry, I've got that back to front. This year—or the most recent was \$8.2 million. The period before that was \$9.6 million on actuarial work. You combine that with your consultants; you're talking \$15 million a year on consultancy and actuaries. Surely, they're skills that could be engaged in house. Knowing that area and knowing the salaries that some of them—they operate outside of the GSE. They're not bound by the same rules. In fact, many of their executives are on quite high salaries on the basis that they need to attract people from the financial industry. Yet you've got this ongoing use of external consultants because I don't think they know any other way. I hate to say it. This seems indicative of so many agencies.

Going back to the Rural Fire Service and the point I meant to make, tragically as late as two weeks ago I received a letter from the commissioner, Rob Rogers, saying, "Well, I've engaged a consultant to review my structures." I said, "Well, that's strange because I've just received information from the State Emergency Service that the Nous consultants have been engaged to review not only the Rural Fire Service structures but the State Emergency Service's structures at the same time." Something is going wrong here. This is just indicative. If you look at that table to see \$96 million, in excess—this is just a snapshot in one year—in circumstances where we can't get child protection workers, where we can't fill mitigation crews and fire crews in the Rural Fire Service, where we can't fill prison officer roles, where we've got a huge problem. Something has to change. Something has to give.

The Hon. Dr SARAH KAINE: I have a question arising directly from what you've just said about the new consulting arrangements with Nous. It's a bit of a theme that we've come back to in this Committee about what kind of consultation has gone on with frontline workers. You've cited \$96 million. In that large amount of consultancy work, how much input do frontline workers and the PSA get into suggestions et cetera when it comes to these consulting arrangements?

STEWART LITTLE: Thank you, Dr Kaine. It's a great question. In the last 13 years or prior to, I'd say, two weeks ago, none. Recently we received a copy of the terms of reference. For the last 12 years that would never have happened. I do recall around 20-odd years ago being involved in a restructure for what was then the Department of Land and Water Conservation, where the Nous Group was engaged in that a long time ago. Of course, we were partners in that. But over the past 12 years—and this is part of the problem—you've had agencies that go off, engage consultants, don't talk to their workforce about it. Indeed, I'd say in the case of the Rural Fire Service, unfortunately Commissioner Rogers is a commissioner who has never attended a union meeting. Never

once attended, never come and spoken to those people who've been on deployments, overseas and here, within a union context, just hasn't done it—engages consultants to review his structure.

If I look at something like the icare report, the Nous Group have been paid \$343,000 in that one calendar year to do a review of their structure. It is astonishing when you've got people there on such huge salaries, and I'd include this to people like the commissioner. Why can't they review their structures if they're the boss? If they're in charge? Surely, if you are in charge of a first response agency, and it's not a huge agency, or if you're in charge of icare, you would have the internal capacity to do that.

But, to come back to your question, it is only very recently that we've started being consulted. We certainly welcome that, and we certainly welcome the capacity to question why consultants are being used at all. We would like to see a proper review across all of the emergency services areas. I think to look at both the State Emergency Service and the Rural Fire Service is great. But that should also include Fire and Rescue. It should include the National Parks and Wildlife Service. It should include other agencies who all have to respond in terms of the State management plan for dealing with emergencies.

The Hon. Dr SARAH KAINE: Your union has gone and gathered information that is publicly available. One of the things that we've been looking at is the adequacy of reporting and disclosure of the use of consultants. I wondered is there any reflection on the availability of information, what you were able to access, when you were trying to prepare for both your submission and coming here today?

STEWART LITTLE: Thank you again for the question. Again, part of the difficulty when you look at the consultants and the use of consultants, yes, the annual reports—whenever you get them, and the most recent annual report is for 2021-22, which I'm sure you all know—you're then left with things like review structure. It's very difficult. What often really concerns us is with contractors, and it appears to be a really big issue within IT in particular, that we're told we can't get people. What does that mean you can't get people? I mean you've got people on all sorts of salary levels within the public sector. Last I heard, I think Michael Coutts-Trotter's on \$600,000. I'm sure we've got members in fire mitigation that earn \$60,000, and you've got everything in between. So why can't you employ IT people within that? It's just nonsense.

Also it's going to be affected, possibly, by changes to the law at a Federal level where they're looking at same pay for same work. Let's say within the Parliament you had an admin person that came in because there was a shortage and you got an agency person come in. Under new proposed laws, that person would have to receive the same pay as a permanent officer of the Parliament. It wouldn't be the case now, where they get paid whatever the agency pays them and then the labour hire people, they take the rest of that. You don't know what that is; it could be half of what the Parliament is paying the labour hire. Again, you don't know.

All you get is, say in the case of the RFS, who don't provide us with any of the detail, the fact that you've got—and I'll just go through it. Their spending on contractors in the most current year was about \$6.8 million. But in 2021 it was \$12 million on contractors. In 2019-20 it was \$9 million on contractors. In 2018-19 it was \$8 million. It goes up and down. Sometimes it may be if you had a big fire season. But speaking from experience, the biggest fire season in our lifetime was 2019-20, so I understand. I'm not sure of the arrangements that they had for paying those contractors. But it does seem to us that a lot of this is contingency labour. That's what it is. It's employing people on contract arrangements and not by way of the GSE.

The CHAIR: Thank you very much for giving us this table of contract labour numbers. Can you explain to me, then, in something like education where it says "education corporate" and there's 1,500 estimated contract labour, what are those people doing?

STEWART LITTLE: I couldn't tell you what the corporate people—I'm told a lot of that is IT. Education is the second largest part of the public sector. It's about a quarter of the budget, as I understand it. Health is about a third. Education is about 25 per cent. It is the largest section of our membership. We have all of the support staff within school education. It is a very large section of our membership. Generally those people are employed out in schools. The fastest growing area is for kids with disability and behavioural problems. That is the fastest growing area for people assisting teachers. In corporate services, we do have a significant membership base, but I'm not sure. They are the figures that we have obtained.

Certainly, I would say that in school education, we've had some great outcomes in the last five months. We've had some fantastic outcomes with the new Government in terms of our members being made permanent. We've had over 5,000 support staff who have gone from being long-term temporary employees to being permanent. They are, 98 per cent of them, working women—half of them in regional New South Wales. Obviously, the teachers who we don't cover have had a similar outcome. So they're great outcomes. I think more needs to happen in terms of that contract. I would suggest it's in the area of IT.

The Hon. Dr SARAH KAINE: Can I go up a level, in some sense, in that your submission and introduction are very concerned about the public service generally—to summarise, the health of the public service. I guess you've raised a number of issues about the outcomes of the use of external providers. I wondered if there is anything else you wanted to mention on that theme.

STEWART LITTLE: Dr Kaine, I've been to a number of committees here over the years and I've seen many departmental—sorry, estimates committee. I follow the estimates committees. I've yet to come and see an estimates committee where the boss is sitting here with a consultant. I've never seen it. The boss sits here—the secretary, they sit here with the Minister. They don't sit here with a consultant. Where on earth does that consultant—and regardless of which side of politics they're on. Where is that consultant being held to account and questioned for the work that they've done on the taxpayer dollar? Where? Where's the accountability? There's a line in an annual report and we just have to accept it, that we've received value for money? I suggest we haven't. I take great umbrage when I look at the icare website, for example. I know there's a lot of work but it says, when you go there, "We're changing the way people think about insurance and care." You are? Well, that's true. They are changing the way people think about it. But not necessarily in a good way.

The CHAIR: You were listening perhaps when icare were before us today—I guess both icare and SIRA, when we were questioning them on the level of use of consultants. We were being told that there's this incredibly technical expertise that's required, it's very specific, there aren't very many actuaries and this is why they need to not have this sourced in house. Does that pass muster to you?

STEWART LITTLE: No, it doesn't. And until such time as you actually go through a process where you seek to recruit those people and show us that you're unable to recruit those people—because we haven't seen evidence of that. All we see evidence of is, year after year, the big four and others coming back—and I could use some crude expressions, but I won't—and just basically having their hands out for millions of dollars of taxpayer money. With actuaries, maybe there's an argument for that—I don't know. But it seems extraordinary to me that we can't find permanent public servants with that skill set. We've got a world-class Treasury. Of course we have. So why can't we expand some of these agencies and reduce the number of consultants in them? If only we had the will.

We do, we've got world class—every time there's a crisis, whether it was during the pandemic, it was the public sector that the community turned to. How many of our members were in the Ministry of Health, ably led by Dr Chant? The hospitals were empty at that time because the Ministry of Health was able to guide us through that, through that expertise. When it comes to floods, in the same way, we can respond to that. When it comes to fires—we have to have that capacity. We've got to build that up. It's the public sector that the community turns to.

The CHAIR: We're also being told a lot that a lot of these consultants are required because of their IT skills and that the IT market is different—that the IT market is very contractor based and consultant based and it's very hard to employ permanent people. I'm reminded of former Minister for Customer Service Victor Dominello—I think it might have been in relation to that PaTH project—where he said, "We could recruit our own IT experts and actually be doing this in house," which was remarkable for a Liberal Minister. Do you have any reflection on that? More and more things are becoming IT-based; more and more jobs are IT. What could we be doing to increase the attractiveness of the public sector to recruit those people permanently?

STEWART LITTLE: Offer them pay commensurate with their skills and experience, like we do for every other public servant, whether we've got Crown prosecutors in the DPP—we've got some of the best prosecutors. They go out and work. We're able to attract good people there. We're able to attract people right across the public sector. Again, there may be times when you want to have knowledge transfer and things like that, but nothing on the scale that we're seeing. Quite frankly, the whole rationale has been around this contingency approach to labour. That's what it has been: Outsource and you're always going to get better. I just don't accept that for a moment. Again, if you look at things like icare, TCorp or even State Super, which we run, they've got highly skilled people with huge liabilities. They're able to deliver, and they're public servants that work there. They're employed. Unless you manage and you plan, of course you're going to simply rely upon contractors. Many times, I think, it just becomes inherent in the way that they operate.

The CHAIR: That's one of the issues that you raise in your recommendations that I have not seen anyone else raise in this way: It's in relation to working with the tertiary sector to build those skills. If we're going to rebuild the public sector and build that capability, we need to work out what tertiary education is required. Can you give us some examples of the types of roles you're envisaging in that?

STEWART LITTLE: I know it is very difficult to believe, but I have been around the public sector for around 30 years—I know I look much younger than that. But there was a time when we actually used to recruit people from university. Again, both sides of politics, regardless of who was in, we used to have that. We don't have 1/2s anymore—entry-level jobs. We need to rebuild that. At the moment, one of the big issues that we've

got now within the justice system is getting Indigenous people to come in and work. Often, they are being stopped for minor things that may have happened 20 years ago. We need to build that up, particularly on things like community corrections and elsewhere. Again, it's changing recruitment practices, changing the way that we do things and thinking outside of the square. If we don't do that, it's going to be more of the same.

The Hon. Dr SARAH KAINE: We've had quite a few different witnesses, and there seems to be a consensus—and I don't disagree—that from time to time there will be a need for bespoke consultancy arrangements. You will have expertise that you don't need consistently. Given that, what kind of processes would you recommend? You spoke about accountability before. I know that's a theme in your submission. Is there a process or aspects of a process that you would recommend on those occasions when you do legitimately need to engage contractors?

STEWART LITTLE: You need to look at it in terms of return on investment. There has to be accountability, there has got to be a proper procurement strategy and it should look at engagement with our university sector. We provide a world-class university system. We export university education. How much does the New South Wales public sector interact with that university sector? They do in parts. They do here and there, but nowhere near where they could. That's just one example. You do need accountability through a proper procurement strategy. It's probably something I can take on notice as well.

The Hon. Dr SARAH KAINE: Yes, that would be good. Thank you for that. The other point that I wanted to ask about is, you conclude by, as I said, expressing concern that the public service needs to be rebuilt and that you would be willing, as you've just indicated, to participate in providing ideas. I am particularly interested in what you call the stewardship function of the public service. I wondered if either of you wanted to elaborate on what you mean. It is not a term that we necessarily come across in other submissions.

ANDY ASQUITH: I'm happy to talk to this. Thank you for the question. Stewardship is basically looking after, nurturing and sustaining what's there. Public servants come and go, like politicians come and go, but we hope the public service and public sector will be there for longevity. It's about building up a belief, a passion and an understanding in the public service and the institutions around public service, and always seeking to improve and develop so that we can pass it onto the next generation. If I go back to something that Stewart said about the universities, the universities should be the first port of call when we're looking for consultants. We have world-class educators and researchers on our door step. I know from the work that I've done at the PSA that there seems to be very little interaction. That's a huge gap that should be met. The other thing that's in the paper that I would say about consultants is, if consultants have to be used, the business case should be made at the same time that would develop the expertise internally.

The Hon. Dr SARAH KAINE: Thank you for that. I declare a conflict of interest in my previous engagement as an academic, so I completely agree with you and have noted that before.

The CHAIR: I note that Mr Buttigieg has a question. Is that all right if I go to him? I will go to him and then I will come back to you. Are you still there?

STEWART LITTLE: He's in the ether.

The CHAIR: We can't hear him. Let's go back to Dr Kaine. We'll give him another chance in a bit.

The Hon. Dr SARAH KAINE: It's quite useful for us to have illustrative examples. That RFS example was useful. Are there any others, either recent or over the period that you have looked at in your research, that spring to mind as particularly noteworthy or, in fact, that we should investigate a bit further?

STEWART LITTLE: Again, it's where consultants and where the issue of contractors intertwine or interface. We have had issues with a couple of agencies, unfortunately, when it comes to—and we're working on them, so to speak. It's often in an industrial context when you go to an agency and say, "Look, we want to know how many people work in these particular roles for transparency and openness." The police is also a very large agency which we think could be more transparent, for obvious reasons. We have a lot of members who work within the justice portfolio—ICAC, the crime commission, corrections and right across. And we've got a lot of members that work within the police. Getting that sort of data from them has been very, very difficult, I have to say. Obviously, they would argue, "We're special and we're different," and all of that. Really, they're probably no more special or different to any of those agencies that I just mentioned where we do have a fairly open dialogue.

A committee like this is long overdue to look at this question because it's so important that the taxpayer gets value for money. If they are going to engage, as Dr Asquith said, there has to be a business case. There has got to be value for money; there has got to be a legitimate reason. It can't just be a line on a paper. To go to your question, I think that all agencies really should have much better reporting requirements when it comes to their annual reports—certainly, far more than what we're getting at the moment. For example, if you use the example

off the back of icare, they're a large agency with a huge budget. And you just get this little one line, despite there being millions of dollars. Again, that's something we'd like to take on notice.

The Hon. MARK BUTTIGIEG: Can you hear me?

The CHAIR: Yes.

The Hon. MARK BUTTIGIEG: Mr Little, thanks for your testimony. I wanted to explore—I've been trying to listen in a little bit, but in terms of the current state, it's not ideal, to put it mildly. So if you could maybe just contrast where we're at because it seems to me one of the value-add propositions is for the public sector agencies to start talking to the unions about how we might better assess how to rebuild that public sector capacity and the subject matter expertise on the ground, which your members, obviously, possess, in order to make that happen. Presumably, there have been attempts at doing this over the last 10, 15, 20 years, which may have fallen on deaf ears, from what we're hearing. I just thought it might be handy for you to contrast that sort of state of affairs, if that's a correct characterisation, compared to where you want to go, where you'd like to see it go.

STEWART LITTLE: Thanks again for the question. I think for some of this we probably could take some of this on notice because there are so many parts of the public sector. Again, I think one of the really defining things that happened in the last, if you like, period for the former Government was when we—after quite a long period, you were hit with a number of crises very quickly. It highlighted some of the best parts of the public sector and also highlighted areas where we were clearly deficient, in my view. We looked at the response to the wildfires in 2019-20. Some of the agencies that we have coverage of, the firefighting capacity had been—again, this is slightly to the side of consultants, but it does go to the question about contractors.

The capacity in, say, an agency like national parks, which doesn't just have some of the best remote firefighters in this country—they have some of the best remote firefighters in the world. We've got a contingency in Canada, as we speak, training people over there. They're incredible people who put their lives on the line. We've lost many members in that endeavour. But their capacity had gone from 1,500 down to 800 over an eight-year period. That then got built up a little bit. But there was a view within that agency of, "We'll just contract out that work. We'll just contract it out. We'll get contractors in to do pest management." Pest management is things like shooting invertebrate pests and things like that. "We'll just get contractors in to do that." There was this ridiculous notion that you could replace the public sector.

TAFE is another example. TAFE was just decimated. We lost campuses because, I think, there was a view of, "Well, the private sector will do that better. They'll come in. They'll walk into that area. They'll deliver better training." They didn't. Clearly, they didn't. And now we've got a skill shortage. It's an area where, I think, the whole—you've got to learn by your mistakes. I think all governments of all persuasions will make mistakes. But, obviously, when any government's been there for a long time—I think, particularly at the start of it, where there did seem to be an idea that the private sector will always do things better and we can just contract out and have small government, then you end up with this crises, where everyone says, "Jeez, we're in lockdown. Where's the public sector? Where are they going to help?"

The Hon. MARK BUTTIGIEG: Can I ask, just in terms of that, was that a conscious attempt on behalf of previous governments to de-unionise the sector? Or was it a combination of just "The private sector can do it better. There's too much waste and inefficiency here. Let's put it out to a competitive process" or a bit of both? To what degree, if any, did they engage the PSA in those discussions?

STEWART LITTLE: If we look at things like the efficiency dividend, which—I don't know if everyone here is aware of the way that operates, the efficiency dividend, which, I'm hopeful, will not be a feature of the forthcoming budget and the way that it operates. That, over the last 12 years, started at about 1 per cent per annum across virtually every agency in the public sector. You had to find 1 per cent in savings. It then went to 1.5 per cent. It went to 2 per cent. It went to 3 per cent, which meant that, over the forward estimates, most agencies were faced with cuts of 12 per cent. It became apparent that our role in that was as change managers. "You got to help the boss. Who we sacking? Where are we going to sack them?" So jobs that used to be in Broken Hill got moved to Dubbo. The jobs in Dubbo got moved into Bathurst. Then eventually they all got shifted towards the eastern seaboard.

Those regional communities really suffered, in my view, over that period. A lot of those, historically, what they would call the brown departments—often the national parties were often heavily involved in them historically—department of lands, Land and Water, were shrunk. They were contracted out. A lot of them—you wouldn't know where they are now. The catchment management authorities—so many agencies changed, disappeared. "We'll contract that out." The capacity—I think it's going to take a long time. I think, again, this Committee and your deliberations is a great start. I really congratulate everyone for taking part in it.

I do hope it's a bipartisan approach because we do need to do a lot of rebuilding and capacity building. As I said, at the moment, the reason we're doing this is because I know that things are going to be very, very tight. Obviously, we're worried that—we just got a 4 per cent, 4½ per cent pay rise for our members. As you know, the teachers are out there, who we work with. We work closely with teachers. In every area there's a real problem when it comes to attraction and retention. It worries me greatly. As I said at the start of these proceedings, child protection is something that's very dear to us. When you've got one in five jobs vacant, you've got a major problem.

The Hon. JACQUI MUNRO: Could you please tell me the proportion of public sector employees that are members of the PSA union?

STEWART LITTLE: Within our area of coverage—in some areas it's 100 per cent. If you look in the prisons, I would suggest we have almost 100 per cent membership. Child protection would probably be at 80 per cent or 90 per cent. In other areas it may be smaller. School education's probably 60 per cent. We've currently got 40,000 members. I think our density is very high in certain areas. But we're not as big as, say, the teachers or the nurses. They're bigger. But we're pretty big.

The Hon. JACQUI MUNRO: My understanding was there are about 400,000 public sector workers.

STEWART LITTLE: One-third's in Health. We cover the ministry. You got 130,000. By the time you've got the nurses in there, the HSU, who are bigger, that's 130,000. The Ministry of Health's probably got 1,000 people in it, a few contractors. But that's that there. Education—25 per cent. I'm not sure what your numbers are—25 per cent, so 100,000. We've got 13,000 members in that space. Police—we cover forensics. We cover VKG, the unsworn police—maybe a couple of thousand there and so on. I'd have to look at it—but probably 50 per cent, 60 per cent of what it could be.

The CHAIR: I just wanted to ask one final question in the time we've got left. We've had a bit of evidence, given to us from different people, around what the impact on the total number of public sector workers has been, based on the increase in use of consultants and whether or not it has reduced the number or not. I really appreciate, in your submission that distinction between—I think you call them SES—the senior executive level of public sector worker versus the—I don't know what the word is—less bureaucratic, I guess.

STEWART LITTLE: Grade 1 to 12.

The CHAIR: Do you have any figures on that in terms of how that's changed over time?

STEWART LITTLE: It changed greatly when the GSE came in, in 2013. I'm happy to again elaborate more on this. What happened was that, when the change from the Public Sector Employment and Management Act to the GSE—a feature of that was they got rid of what was called the senior officer award. You used to have a senior officer 1, 2 and 3. At the moment, it goes up to grade 12. That's got a salary range of about \$150,000, \$160,000. It used to overlap with SES 1, 2 and 3—the lower bands. But they were award employees. You've probably got equivalents of those in a lot of agencies, like police and corrections, but they wear a uniform. But elsewhere all of those workers were basically put onto contracts. You had a lot of quite senior people who were members of ours. Often a lot of technocrats or senior managers—but not senior senior managers—fell into that space. That had the result of actually increasing the number and size of the Senior Executive Service. Now those people would be SES 2 or 3—around that level.

The CHAIR: When we're looking at the work that consultants are being brought in to perform—that otherwise might be done by the public sector—what kind of level equivalent would we be talking if we were to try to work out whether the number of jobs was going down as a result of that use? What would we be looking at?

STEWART LITTLE: I think it depends on the type of work. When you look at the description of some of the functions, like "reviewing structures"—for me, why is a departmental head not doing that? I think you have to ask why on earth are you paying someone \$400,000, \$500,000 or \$600,000 a year, who, I would have thought, put that structure in place? Why can't they review that with their management team? Why do you need to bring in an external—in my experience, they often bring consultants in to say what a Minister wants them to say. Sorry, but that seems to be the way of it. With actuaries, I'm not sure what the labour market is. I know they practise very dark arts but I am not quite sure of where they're at on the labour market. I just don't know.

The Hon. MARK BUTTIGIEG: Mr Asquith, I think in the submission there was some references to some UK studies. My superficial understanding is that they've been there, done this. They have essentially gone through an era where the public sector was gutted and there's been a political decision to rebuild the public sector. Is there anything for us to be informed by their experience?

ANDY ASQUITH: In terms of the UK, I would say no. The best example that we have is in Canberra. The APS—the most important decision that the Prime Minister made, in my view, was to appoint Glyn Davis to

head up the APS. He is someone who understands the public service. He's got a very distinguished track record there. He's passionate about public service. He was instrumental in setting up ANZSOG, that trains senior public servants, and his whole value system that he's brought into the APS is about public service and fearless and frank advice in the traditions of a public administration. That's where we should be looking.

STEWART LITTLE: Can I add to that too? Even Peter Riordan, who was a very talented senior State bureaucrat—and I'm not one to give praise to a lot of bosses. He was very effective within Education—I can't remember who the Minister was at the time, but under the former Government. He was very senior and he is now in Canberra. They have pinched a lot of good people, clearly.

The CHAIR: Thank you. Unfortunately, that's all we have time for.

The Hon. Dr SARAH KAINE: I just had one question. It's for Dr Asquith. It's about your personal interests. Given your accent, Matildas or Lionesses?

ANDY ASQUITH: If I told you I was a Kiwi, would you believe me?

The Hon. Dr SARAH KAINE: No, I absolutely wouldn't.

ANDY ASQUITH: I came here on a Kiwi passport but I'm a Yorkshireman. I'm not English. I'm from Yorkshire originally.

The Hon. Dr SARAH KAINE: Fair enough. I like that disclaimer; I'll take it.

ANDY ASQUITH: But just for the record, go Matildas!

STEWART LITTLE: We've converted him.

The CHAIR: That was the best question of the day. Thank you very much. To the extent that there were questions taken on notice or supplementary questions, there will be 21 days to respond. The Committee secretariat will be in touch. That brings our hearing for today to a close. Thank you very much for your fascinating submission and for your attendance.

(The witnesses withdrew.)

The Committee adjourned at 17:05.