

## **Senate Standing Committees on Finance and Public Administration**

### **Inquiry into management and assurance of integrity by consulting services (Consulting services)**

#### **KPMG responses to Questions on Notice from Senator David Pocock received on 14 February 2024**

##### **Sponsored passes**

**Q1. *How many sponsored parliamentary passes do your staff hold, giving them access to APH?***

**Q2. *Who are the members or senators who sponsor those passes?***

##### **KPMG response**

KPMG understands that there are currently four categories of sponsored access pass holders:

- Persons with a 'significant and regular' business requirement for unescorted access (including non-government organisations and community groups);
- Political Party Secretariats;
- Official Guests and Visitors; and
- Parents of Children in Childcare.

Since sponsored passes are sponsored by members or senators, we do not have oversight of KPMG people who may hold a sponsored pass across all categories. However, having conducted extensive inquiries KPMG is aware of one person who holds an active sponsored pass for 'significant and regular' business reasons. This sponsored pass is held by our Partner responsible for Government Affairs.

We note the response from the Department of Parliamentary Services that it does not publish individual Australian Parliament House pass holder information due to privacy, parliamentary privilege and security considerations.<sup>1</sup>

##### **Strategic partnership arrangements**

**Q3. *What partnership arrangements or strategic alliances do you have with big tech companies like Microsoft, SAP and others?***

**Q4. *What is the scope of these partnerships/alliances?***

**Q5. *What financial incentives are attached to these partnerships/alliances – in what way is your firm rewarded by a partnering tech company when you work on a project above the line that favours, or results in, the use of their capabilities below the line?***

##### **KPMG response**

KPMG has strategic partnership/alliance relationships with several large technology companies such as Microsoft, Oracle, Salesforce, Workday, IBM and ServiceNow. In addition, we often work in a consortium with other organisations if required. These arrangements are informed by client requirements and include boutique service providers, software providers, implementation partners and startups and can also evolve into more formal partnerships/alliances.

##### ***Scope of partnerships/alliances***

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<sup>1</sup> [2018-2019 Supplementary budget estimates, Question 76](#); [2018-2019 Additional estimates, Question 13](#).

The scope of these arrangements varies. In the case of large technology companies, KPMG joins their partner program to gain access to offerings such as training and enablement and access to sandbox environments for proof-of-concept development. These agreements typically provide the governance framework for how we would work together, including pursuing client opportunities.

KPMG establishes partnership/alliance relationships with organisations where complementary services or offerings may be combined to deliver better solutions and value for our clients.<sup>2</sup> It is common for clients to encourage tenderers to form consortia or consider partnering to further enhance the capability offering for large, complex requirements. These partnerships/alliances relationships are rarely, if ever, on an exclusive basis. As such, multiple professional services firms can and often do, have a partnership/alliance with the same technology company and be tendering for the same government opportunity.

Subject to the profile of the government's procurement process, KPMG will either respond as "Prime" with a nominated technology partner/alliance as a subcontractor or vice versa. Under these government procurement arrangements, both organisations are then bound by government terms and conditions.

### *Incentives*

In the case of government clients, incentive arrangements are not common. Any incentive would be in accordance with government procurement and probity requirements and any incentive arrangements must be disclosed as part of these requirements during the tender process. Specifically, technology vendors do not award us incentives when our work above the line results in below the line work for these vendors.

The potential to be a reseller of software, cloud consumption and/or licences exists but would only be applicable in certain scenarios and subject to client requirements and disclosure and KPMG risk and commercial considerations.

### **Technology engagements – 'above the line' and 'below the line'**

- Q6. How many times in the last five years have you consulted above the line on a project for which one of your partner tech companies then delivered the capability below the line?**
- Q7. How many times over the last five years has your firm been involved in delivering a government project in both an above-the-line and below-the-line capacity?**

### **KPMG response**

KPMG refers the Committee to evidence provided by the Department of Defence at Senate Estimates regarding 'above the line' and 'below the line' work:

*"We have instituted a policy that ensures that there is no capacity or capability for organisations who provide above-the-line strategy or commercial engagement to then bid below the line for all current programs of work that are greenfield that I'm engaged with and involved in. We have put in engineered controls to ensure that, at the go-forward, that doesn't occur."*

In addition, the Department of Finance has advised:

*"It is not always essential or advisable for potential tenderers to be required to excuse themselves from participating in a tender for which they have either previously assisted (e.g. planning and scoping work) or have been previously contracted due to a perceived unfair competitive advantage being gained by such potential tenderers."<sup>3</sup>*

Prior to the guidance from the Department of Defence, KPMG's Defence team has engaged in this practice in very limited circumstances. In the situation of the Enterprise Information Management

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<sup>2</sup> For example, see [KPMG and Microsoft agreement to put AI at the forefront of professional services](#).

<sup>3</sup> [Ethics and Probity in Procurement | Department of Finance](#).

(EIM) program, the risk of conflict of interest was managed through full disclosure and transparency with the Department of Defence, robust probity controls and overseen by an external probity adviser as outlined in our response to questions on notice taken in the hearing on 9 February 2024.

We have considered bidding for subsequent 'below the line' roles in instances where our previous advisory support was narrowly focused or where we bring particular specialised expertise in the subject matter. In all cases, we have only made a bid after assessing interests and relationships that might create a conflict and ensuring that safeguards are in place to manage any risks to an acceptable level. In all instances we are bound by the procurement requirements set by the procuring agency.

More broadly, across the Commonwealth, state, territory and local government accounts clients typically refer to 'advisory' and 'implementation' work in a procurement or delivery context. In these engagements, we make a clear decision about whether we would do advisory or implementation work to ensure any perceived conflicts are managed. In some cases where the client allows a provider to do advisory and implementation work in order to achieve value for money, we must adhere to strict probity controls, and this is done so at the discretion of the government client.

### **One Defence Data (1DD) Program**

- Q8. Who are the end users who have benefitted from the work you've done on EIM and 1DD to date? How many of them are there and what benefit have they received?**
- Q9. Are you confident that the 1DD project will be delivered in full, on time and within budget?**
- Q10. Did you know the scale of Commonwealth funding available for delivering the EIM/1DD project below the line because you had already worked on it above the line?**
- Q11. How many people were working above the line on the EIM/1DD project for KPMG? And how many of those people ended up working on the 1DD project below the line?**
- Q12. In terms of the 1DD project, who are you answerable to in an operational sense? Who's directing the delivery of the project on the ground – coordinating human resources on a day-to-day basis and that sort of thing? Are they predominantly Defence personnel or predominantly contractors?**

### **KPMG response**

#### *End users of 1DD*

Questions around specific end users are best directed to the Department of Defence.

#### *Delivery and cost of 1DD*

1DD is a large data program that has an order of complexity that is unlike many others. KPMG is committed to its success within the limitations of the agreed scope, schedule, and budget. On 11 December 2023, in a letter from the Department of Defence to Senator David Pocock, it was confirmed that 1DD achieved Initial Operating Capability on 1 December 2023.<sup>4</sup>

As of 6 December 2023, the total amounts paid and committed to KPMG under 1DD since its inception total \$43,394,579.03. KPMG's total contracted amount is \$99,333,124.18.<sup>5</sup>

#### *Funding available for 1DD*

The scale of Commonwealth funding available for delivering the EIM/1DD project was publicly disclosed as part of the 2016 Integrated Investment Program. A funding bracket of \$400m-500m was provided across 2016-2021 and \$500m-\$700m across 2016-2024.<sup>6</sup>

#### *KPMG team working on 1DD*

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<sup>4</sup> [Response to Order for the Production of Documents 433.](#)

<sup>5</sup> Ibid.

<sup>6</sup> [Defence Integrated Investment Program.](#)

A review indicates a total of 24 people from KPMG worked on the 1DD Program at various points in time over the duration of the 'above the line' contract. None of these resources appear to have played any role in the 'below the line' tender response or have worked on the 'below the line' 1DD Program.

*Delivery of 1DD*

We are answerable from both an operational and contractual sense to the Delivery Division within the Defence Digital Group, formally known as the Chief Information Officer Group (CIOG). The Delivery Division is responsible for its own resourcing and draws upon the Australian Defence Force, Australian Defence Organisation and industry as required. Further detail on this specific question would best be directed to the Department of Defence.