

## Senate Finance and Public Administration References Committee

### Inquiry into Consulting Services (due 7 July)

#### KPMG responses to Questions on Notice from Senator Barbara Pocock

##### *Introduction*

- 1 KPMG Australia continues to engage constructively with the Senate Finance and Public Administration References Committee's Inquiry into the management and assurance of integrity by consulting services. Confidentiality, privacy, data constraints and commercial-in-confidence considerations limit some of the detail provided in our response to the additional questions. The Committee should be assured KPMG understands the importance of the issues canvassed by the Inquiry and appreciates the opportunity to work with policymakers on these matters to help restore trust in our profession.

##### **Governance, structure ethics**

- Q1. Please provide a copy of your partnership deed or agreement and any amendments or related documents that establish the rules under which your partnership operates.***
- Q2. Please detail the nature and number of partners and their various types at present: eg equitized, salaried, other, etc.***
- Q3. How many, if any, ex-PwC partners or staff have joined your organisation? Please provide their names, position, years of work at your organisation over the past 5 years.***
- Q4. What protocol or agreement is in place between partners in relation to sharing investment opportunities?***

##### **KPMG Response:**

##### *Governance*

- 2 KPMG Australia's governance structure is established by our Partnership Agreement and our membership arrangements with KPMG International. In addition, we are bound by all relevant regulations and guidelines applicable to a professional services firm providing audit, tax and advisory services in Australia.
- 3 The [National Board](#) is KPMG Australia's principal governance and oversight body. The National Board is comprised of the National Chairman, the CEO, and nine other members – currently including two independent Board members who play a key role in ensuring we hold ourselves to account and to the expectations of the community. The separation of the National Board and management plays a critical role in the oversight – and accountability - of our CEO and Executive team.
- 4 Further information in relation to KPMG International's structure and governance can be accessed within the governance section of KPMG International's website.<sup>1</sup>

##### *Partnership*

- 5 KPMG Australia currently has around 700 partners. The confirmed final number of partners as at 30 June 2023 will be reported in our upcoming 2023 Impact Report.
- 6 As outlined in KPMG's submission to the Review of the Workplace Gender Equality Act 2012,<sup>2</sup> KPMG supports the mandatory data-collection of full-equity, part-equity and non-equity partners by gender, subject to reporting consistency of these partner categories being agreed by Australia's leading professional services partnerships. We understand there is work underway within WGEA to determine consistency in reporting.

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<sup>1</sup> [Governance - KPMG Global](#)

<sup>2</sup> [KPMG submission to the Review of the Workplace Gender Equality Act](#)

### *Prior employment history information*

- 7 Whilst employees' employment history is provided in the recruitment and onboarding process, it is not stored in a way that can be easily searched in our systems. Further, for privacy reasons, we don't think it is appropriate to disclose this information without the consent of the individuals involved. In relation to Partners, five former PwC Partners have joined KPMG as Partners in the last five years.

### *Co-investing as a group restrictions*

- 8 Restrictions apply to KPMG Partners regarding co-investing as a group. KPMG Partners are strongly discouraged from investing together outside of KPMG. KPMG Partners are not to co-invest as a group in an investment venture, except with the prior written consent of the Australian Ethics and Independence Partner and Australian Chairman. Separately, an annual confirmation requires Partners to confirm they have complied with KPMG's policies that set out the restrictions on co-investing. All KPMG Partners and staff were also reminded of this policy on 22 February 2023.

### **Income, Revenue**

- Q5. Please provide details of your partnership revenue for the past 5 years, by year, distinguishing its various main sources (e.g. tax advice, auditing, consultancy, etc).**
- Q6. Please provide details of partnership distributions in aggregate for the past 5 years, by year.**
- Q7. Please indicate the percentage of revenue from public sector work compared to private sector.**
- Q8. Please provide details of the range of partnership payments/incomes (including base amounts, bonuses and payments in total) in \$50,000 bands and show the number of personnel in the partnership group in each band.**
- Q9. Please provide details of the basis for payments to partners (e.g. KPIs or formula) used to determine total payments and bonuses.**
- Q10. In the latest full year, how many partners earn more than \$1 million a year in total income from the entity?**
- Q11. In the latest full year, how many earn more than \$2 million a year?**
- Q12. In the latest full year, how many earn more than \$3 million a year?**
- Q13. In the latest full year, who was the highest earning partner within your firm and how much did they earn?**

### **KPMG Response:**

- 9 KPMG makes a strong contribution to the Australian economy. As outlined in KPMG's 2022 Impact Report,<sup>3</sup> KPMG Australia posted revenue of \$2.341 billion for the financial year ending 30 June 2022 and employed over 10,000 people. Total taxes paid by the firm, its partners and staff on income generated from the firm totalled around \$690 million in 2022 (up from \$604 million in 2021).

### *Partnership revenue*

- 10 Set out below is an outline of overall and divisional revenue over the last five years. The overall firm revenue figures are inclusive of recoverable expenses and divisional breakdowns exclude recoverable expenses except for FY20.

**FY23** – available in mid-August 2023

- Divisional breakdown: TBC mid-August

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<sup>3</sup> [Our Impact Plan 2022 \(kpmg.com\)](#)

**FY22** - KPMG Australia posted revenue of \$2.341 billion for the financial year ending 30 June 2022<sup>4</sup> as outlined in our 2022 Impact Report.<sup>5</sup>

- Divisional breakdown: Audit, Assurance & Risk Consulting (\$644m); Deals, Tax & Legal (\$412m); Enterprise (\$293m); Infrastructure, Assets & Places (\$164m); Management Consulting (\$666m).<sup>6</sup>

**FY21** - KPMG Australia posted revenue of \$2.022 billion<sup>7</sup> for the financial year ending 30 June 2021 as outlined in our 2021 Impact Report.<sup>8</sup>

- Divisional breakdown: Audit, Assurance & Risk Consulting (\$590m); Deals, Tax & Legal (\$449m); Enterprise (\$243m); Management Consulting (\$629m).

**FY20** - KPMG Australia posted revenue of \$1.905 billion for the financial year ending 30 June 2020.

- Divisional breakdown: Audit, Assurance & Risk Consulting (\$602m); Deals, Tax & Legal (\$481m); Enterprise (\$226m); Management Consulting (\$596m).<sup>9</sup>

**FY19** - KPMG Australia posted revenue of \$1.790 billion for the financial year ending 30 June 2019.

- Divisional breakdown: Audit, Assurance & Risk Consulting (\$552m); Deals, Tax & Legal (\$445m); Enterprise (\$214m); Management Consulting (\$570m).

#### *Revenue from the Commonwealth Government*

- 11 KPMG is engaged by the Australian Public Service under the Commonwealth Procurement Rules. We respect the guidelines and appreciate that an independent competitive process and evaluation ensures probity while ensuring value for money in the use of government funds. KPMG refers the Committee to the Austender website for breakdowns of expenditure across consultancy firms.

#### *Partner remuneration*

- 12 KPMG Partners' individual performance is assessed based on their achievement of specific goals and a common partner scorecard across People, Growth, Client outcomes and Innovation. In addition, all partner scorecards have mandatory Independence and Compliance metrics, across mandatory training, audit quality (where relevant) and any failure to comply with our policies and procedures.

#### **People, management**

- Q14. Please provide a copy of the misconduct policy and procedures for personnel within the entity, differentiating those that apply to partners and to others.**
- Q15. Have any, and if so, how many, misconduct matters related to a partner or partners have been lodged within the entity in the past year, and past 5 years?**
- Q16. Have any internal inquiries into misconduct, internal culture or human resource related / employee experience and outcomes been conducted over the past 5 years?**
- a. How many?
  - b. If any, please provide their summaries and recommendations?
  - c. Please supply copies.
- Q17. Have any independent external inquiries into misconduct, internal culture or human resource related/employee experience and outcomes been conducted over the past 5 years?**
- a. How many?
  - b. If any, please provide their summaries and recommendations?
  - c. Please supply copies

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<sup>4</sup> Revenue includes PNG and Fiji

<sup>5</sup> [Our Impact Plan 2022 \(kpmg.com\)](#)

<sup>6</sup> Note IAP created as a new division.

<sup>7</sup> Revenue includes PNG

<sup>8</sup> [Our Impact Report 2021 \(kpmg.com\)](#)

<sup>9</sup> Note – all including recoverable expenses.

- Q18. How many formal complaints of bullying, if any, have been made in the past year, and in the past five years?**
- Q19. How many formal complaints of sexual harassment, if any, have been made in the past year, and in the past five years?**
- Q20. How many formal complaints of discrimination, if any, have been made in the past year, and in the past five years?**
- Q21. Over the last 5 years, how many complaints about bullying, sexual harassment, discrimination or employment related issues have been heard by external bodies e.g. Fair Work Commission, Human Rights Commission or Employee Ombudsman?**
- Q22. How many nondisclosure agreements and/or separation arrangements have been finalised by the entity in the past year, and in the past five years? Please distinguish NDAs from other arrangements.**
- a. How many have involved:**
    - i. Sexual harassment,**
    - ii. Bullying, and/or**
    - iii. Discrimination?**
  - b. How many have resulted in the involved party or parties exiting the entity?**
  - c. Please provide details of the amount of any payments made by individual case.**

#### **KPMG Response:**

##### *Workplace complaints*

- 13 As outlined in KPMG's 2022 Impact Report, we have introduced new human-centric Respect@Work policies, which restate our zero-tolerance position on bullying, unlawful discrimination, harassment, sexual harassment and victimisation. We have also enhanced our reporting to monitor and track impact including providing information to our National Executive Committee and National Board. Educating our leaders and people about the new policy has been a critical focus.
- 14 In FY22, 88 reports were raised regarding the conduct of our people, with the majority of these linked to our Values, a policy or Code of Conduct breach (36%) or bullying (27%). At the end of FY22, 38 cases had been substantiated partially or in full. This compares to 27 in FY21.<sup>10</sup>
- 15 Consequences for the individuals who behaved contrary to our Code of Conduct, Values and policies included exiting the firm (11 in FY22 which is the same figure as FY21), counselling and written warnings, and impacts to end of year ratings and bonus payments. Those who remained with the firm have received a clear directive on how they must act in future.
- 16 In FY22, the allegations included nine reports of sexual harassment, up from three in 2021. Seven of these were substantiated with one individual leaving the firm and the remainder being censured because of their actions. None of the reports involved sexual assault. Offsite social events continue to be the primary source of sexual harassment incidents.

<b>FY22</b>	88 total allegations	38 substantiated	11 exits
<b>FY21</b>	40 total allegations	27 substantiated	11 exits

- 17 We will continue to empower our people to speak up about any unethical or inappropriate behaviour in the workplace, especially to their leaders. For that reason, we view any increase in reporting in the immediate term as a sign of progress. Reporting for FY23 will be available in mid-August 2023.

##### *Misconduct policy and procedures*

<sup>10</sup> [Our Impact Plan 2022 \(kpmg.com\)](https://www.kpmg.com/au/impact-plan-2022)

- 18 KPMG has no tolerance for sexual harassment, harassment, bullying, victimisation and unlawful discrimination and we have established pathways for our employees and partners to raise concerns through whistle blower hotlines and other avenues.
- 19 KPMG's 2022 Impact Report outlines details of our new Employee Relations (ER) Panel. The ER Panel provides leadership input and oversight on the investigation approach and resulting recommendations from serious complaints and conduct matters. The ER Panel considers matters including sexual harassment, bullying, harassment and discrimination. The ER Panel was put in place to enhance governance, ensure fairness and consistency of outcomes, greater alignment, and robust risk management. The ER Panel reviews ER cases, makes recommendations and agrees courses of action on ER matters relating to complex workplace considerations.
- 20 In addition to the ER Panel, we have a Complaints Management Policy and consequence framework. We have established a Retaliation Monitoring System to ensure that those who raise a concern around conduct are not negatively impacted in opportunities and engagements, performance reviews, promotion or other.

#### *Non-disclosure agreements*

- 21 KPMG does not support the use of non-disclosure agreements in sexual harassment, bullying and unlawful discrimination matters which seek to silence individuals. We support the objectives of the Respect@Work guidelines on the Use of Confidentiality Clauses in the Resolution of Workplace Sexual Harassment Complaints.<sup>11</sup>

#### **Appropriate use of government information, conflicts of interest**

- Q23. How does your organisation define conflict of interest?**
- Q24. What protections exist to ensure that there is no conflict in people's use of government information? What specific safeguards are in place?**
- Q25. What consequences are in place for the misuse of confidential government information?**
- Q26. How many disciplinary actions have been taken in relation to conflicts of interest and/or the misuse of government information in the past 5 years? Past 1 year?**
- Q27. Have any conflicts of interest surfaced within your organisation in the past 5 years? If so, how were they dealt with and what were the consequences?**
- Q28. How many staff have been seconded or equivalent into the state or federal government in the past 5 years, past 1 year?**

#### **KPMG Response:**

##### *Managing conflicts*

- 22 KPMG outlined its conflict management policies in its submission to this Inquiry (see section 3, page 8).<sup>12</sup> Within KPMG, conflicts of interest principally fall within one of the following four categories:
- External audit independence-related conflicts of interest;
  - Adversarial conflicts of interest, being the proposed provision of advice / services to parties who may have adversarial interests in relation to a particular matter;
  - Competing party conflicts of interest, being the proposed provision of advice / services to multiple parties who may have competing interest; and
  - Commercial conflicts, being prospective engagements, client relationships, communications and expressions of thought leadership which may impact either the Firm's proposed role or the client's objectives.

<sup>11</sup> [Guidelines on the Use of Confidentiality Clauses in the Resolution of Workplace Sexual Harassment Complaints - Respect@Work](#)

<sup>12</sup> Submission no. 3 accessible at: <https://www.aph.gov.au/DocumentStore.ashx?id=d6b2d845-7105-4d1c-afbc-72b1436358ac&subId=741006>

### *Confidentiality when interacting with government*

- 23 As outlined in our submission to this inquiry,<sup>13</sup> KPMG is bound by all relevant contractual requirements for conflict-of-interest and confidentiality management, including adhering to relevant confidentiality agreements set out in individual contracts and panel agreements. This can include outlining steps to prevent, mitigate, resolve or otherwise manage conflict of interest.
- 24 KPMG has an established single point of contact for all government consultations, with clear guidelines for interacting with government on policy consultations. Relevant outside government advisory roles must be disclosed in a firmwide internal database of personal appointments. Undertaking these roles also require partner and risk management approval.
- 25 In our submission<sup>14</sup> to this inquiry, we outlined steps taken to reinforce our confidentiality frameworks following the public disclosure of the Tax Practitioners Board (TPB) integrity matter. These steps included reminding our people of their confidentiality obligations and conducting a third-party review.
- 26 In early May 2023, we shared a refreshed Confidentiality Policy with all our people outlining the personal and professional confidentiality obligations they must always comply with, including those that apply to them from previous employment and in ongoing roles that are outside KPMG. Amongst other things, the Policy sets out steps to report a suspected or actual breach of confidentiality and clarifies that breaches of confidentiality obligations in relation to KPMG, its clients or third parties would constitute a breach of the Policy and conditions of employment and partner obligations. Such breaches may result in disciplinary action which could include termination of employment or, in the case of a partner, expulsion from the KPMG Australia Partnership.

### *Secondments*

- 27 KPMG second staff to government clients where KPMG and the engaging department or agency agree to do so. KPMG's internal systems support KPMG's compliance with external auditor independence requirements and identify potential adversarial and completing bidder conflicts of interest for prospective engagements. Reporting within KPMG on secondments is not undertaken at the aggregate level. Specific approvals from KPMG's Risk Management Partner (or delegate) are required for secondments where higher levels of risk are flagged.

### **JobKeeper**

***Q29. How much, if any, JobKeeper payments in total did your organisation receive and retain?***

**Response:**

- 28 KPMG Australia did not receive any JobKeeper payments.

### **Political Donations**

- Q30. Where are political donations to the major parties sourced from within the entity?***
- Q31. Is an annual amount budgeted specifically for such political donations? If so, how much was budgeted for this in 2022/23?***
- Q32. Political donations/expenditure may take the form of direct donations, memberships and sponsorship of related associations and conferences. Please provide details of all expenditure of this nature by category for 2022/23.***

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<sup>13</sup> Submission no. 3 accessible at: <https://www.aph.gov.au/DocumentStore.ashx?id=d6b2d845-7105-4d1c-afbc-72b1436358ac&subId=741006>

<sup>14</sup> Submission no. 3 accessible at: <https://www.aph.gov.au/DocumentStore.ashx?id=d6b2d845-7105-4d1c-afbc-72b1436358ac&subId=741006>

**Q33. Who and at what level are decisions made about political donations (as above), how they are directed and how much is donated?**

**KPMG Response:**

- 29 KPMG complies with all AEC disclosure requirements. Details for the 2022-23 return will be made public in February 2024 via the AEC. The total value of KPMG's donations for FY22 is \$242,455 as disclosed to the AEC.<sup>15</sup> This compares with \$241,287 in FY21.
- 30 Donations represent memberships and sponsorships of business associations and conferences which are managed by each of the major political parties operating at both a state and federal level. These provide opportunities for attendance at policy briefing sessions, and invitations to networking events with business and parliamentary representatives. No cash political donations were made.

**Additional QoN received 30 June**

***Provide details of the protocols (including formal and informal understandings) that guide the sharing of information and/or investment opportunities to partners for their personal investments?***

- 31 Please refer to our answer to Question 4 and the response that relates to co-investing as a group.

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<sup>15</sup> [AEC 2021-22 Donor Return - KPMG Australia](#)