

Senate Finance and Public Administration References Committee

Inquiry into Consulting Services

KPMG responses to written Questions on Notice from Senator Deborah O'Neill received on 9 August 2023

Introduction

Please find KPMG Australia's (KPMG) response to additional questions received 9 August 2023.

Senator O'Neill to KPMG (1)

With reference to Financial Strength Assessment that KPMG prepared for the Department of Immigration and Border Protection that purported to relate to Canstruct International Pty Ltd:

- 1 Please provide a complete list of the KPMG partners that were involved in the preparation of that Financial Strength Assessment.**
- 2 Please provide complete, unredacted copies of any correspondence between the Department and KPMG in relation to the Financial Strength Assessment.**
- 3 Did KPMG exchange any correspondence, or have any communication at all, with Canstruct Pty Ltd or any person or entity associated with Canstruct Pty Ltd in relation to the Financial Strength Assessment? If so, please provide details – including the identity of the individual(s) KPMG communicated or corresponded with, the nature of the communication(s) or correspondence and the date(s) on which the communication(s) or correspondence took place.**
- 4 Please provide complete, unredacted copies of any correspondence between KPMG and Canstruct Pty Ltd or any person or entity associated with Canstruct Pty Ltd in relation to the Financial Strength Assessment.**
- 5 How much was KPMG paid to prepare that Financial Strength Assessment?**
- 6 Did the Department instruct KPMG to make it appear as though the Financial Strength Assessment related to Canstruct International Pty Ltd (when, in fact, all of the information in the Financial Strength Assessment related to Canstruct Pty Ltd)? If so:**
 - a. On what date?**
 - b. How were those instruction provided?**
 - c. Who provided those instructions?**
 - d. Who were those instructions provided to?**
 - e. Why did KPMG comply with those instructions?**
 - f. Did KPMG object to those instructions and, if so, how were those objections raised and with whom?**
 - g. Did KPMG raise any ethical concerns about being asked to produce a misleading Financial Strength Assessment?**
 - h. Has the Department instructed KPMG to produce other Financial Strength or similar assessments that purported to be one thing but which were in fact another? If so, please provide a complete list.**
- 7 In any event, did KPMG knowingly produce a Financial Strength Assessment that purported to relate to Canstruct International Pty Ltd – despite knowing that the information contained in the Assessment did not relate to that entity at all? If so:**
 - a. Noting that KPMG produced the Assessment in order to obtain a gain (being a payment from the Department for the provision of the Assessment), did KPMG obtain any legal advice about whether it or its officers were committing a criminal offence, including under section 135.4(1) of the Criminal Code? If not, why not?**
 - b. Please provide the names of all KPMG partners who were aware that KPMG had produced a deliberately misleading Financial Strength Assessment for the Department**

of Immigration and Border Protection (noting that the Auditor-General, among others, has described the Financial Strength Assessment as “misleading”).

- 8 ***Alternatively, did KPMG make an honest mistake in producing a Financial Strength Assessment that purported to relate to Canstruct International Pty Ltd when in fact all of the information contained in the Assessment related to Canstruct Pty Ltd? If so:***
- a. *When did KPMG become aware of its mistake?*
 - b. *How did KPMG make such a basic error?*
 - c. *When did KPMG inform the Department of Immigration and Border Protection / Home Affairs about its mistake?*
 - d. *Who at the Department did KPMG inform of the error?*
 - e. *What was the response of the Department to KPMG?*
 - f. *Was anyone at KPMG disciplined or sacked as a result of this error?*
 - g. *Did KPMG obtain legal advice about its potential liability for making such an obvious error?*

KPMG Response to Q1-Q8:

KPMG Australia was engaged in July 2017 to undertake commercial, financial and project support services for the Garrison and Welfare Services procurement process for the Department of Home Affairs. One aspect of this engagement was undertaking a financial strength assessment.

KPMG’s work was not misleading or in breach of contract.

We refer to answers to Senate Questions on Notice over several years provided by the Department of Home Affairs and confirm that these answers accord with KPMG’s understanding.

As the Department articulated in responding to Senate Questions on Notice, “*Canstruct International Pty Ltd had not yet commenced trading and had no financial information upon which a Financial Strength Assessment could be made. Accordingly, and noting the tight timeframes to undertake the evaluation process, the Department of Home Affairs instructed KPMG to undertake a Financial Strength Assessment against available financial information for Canstruct Pty Ltd.*”¹

“*As Canstruct International Pty Ltd had not yet commenced trading, the financial strength assessment was undertaken for the existing entity Canstruct Pty Ltd.*” KPMG found that this company had a “*Moderate-High financial risk*”².

Department of Home Affairs engagement

In relation to requests for correspondence, KPMG refers the Committee to Senate Question on Notice No.2065 which advised that there were “*no emails or other written communications in relation to this question*”³. KPMG notes that the Work Order engaging KPMG was attached to this response to the Senate. A range of services were provided under the Work Order which refers to relevant fees.

Personal details in relation to the partners and employees involved in the engagement were redacted in the Work Order disclosed. KPMG respects the confidentiality and the privacy obligations owed to the individuals referred to, a number of whom are no longer with the firm.

¹ <https://www.aph.gov.au/api/qon/downloadquestions/Question-ParliamentNumber47-QuestionNumber963>

² See Home Affairs response BE21 -182

<https://www.aph.gov.au/api/qon/downloadattachment?attachmentId=34d5d6a8-e84d-4b89-917c-6cead0e941cd>

³ <https://www.aph.gov.au/api/qon/downloadattachment?attachmentId=488d76da-0415-42b2-b337-31edd65bff75>

As confirmed by the Department of Home Affairs in Senate Question on Notice No.963⁴, KPMG complied with its contractual obligations and did not produce misleading financial strength assessments.

KPMG engagement with Canstruct

In relation to KPMG's direct engagement with Canstruct, KPMG refers to Senate Question on Notice 963⁵: *"On 21 July 2017, prior to the lodgement of the RFQ, a Canstruct International Pty Ltd representative provided the Department with financial statements relating to Canstruct Pty Ltd for years ending 31 December 2014, 2015 and 2016, recognising that Canstruct International Pty Ltd had not commenced trading at that point in time. On the basis of this information, and noting the tight timeframes to undertake the evaluation process, the Department asked KPMG to undertake the Financial Strength Assessment based on the financial information for Canstruct Pty Ltd."*

In addition, KPMG refers the Committee to the Department of Home Affairs Question on Notice BE21-182 and the subsequent clarification statement: *"On 15 August 2017, a Financial Strength Assessment of Canstruct found the Tenderer as having Moderate-High financial risk. As Canstruct International Pty Ltd had not yet commenced trading, the financial strength assessment was undertaken for the existing entity Canstruct Pty Ltd."*

Senator O'Neill to KPMG (2)

- 1 Is KPMG aware of the practice of consulting firms maintaining records that characterise any/all of the following; Which public servants in government departments hold influence, what the relationships of public servants are to one another, what the attitude of individual public servants is towards your firm and/or external consultancies more generally, or any similar information? These records can be referred to as 'Power Mapping' but may be referred to by another name.**
- 2 Does KPMG, or has KPMG ever, engaged in the practice of 'Power Mapping' or any similar practice involving the characterisation of public servants relevant to their influence, relationships and/or attitude towards consultancies?**
- 3 What parameters are used to update these records?**
- 4 How are these records used in the tendering process?**
- 5 Please provide all 'power maps' created by KPMG from 2015 to the present day. If there are so many of these documents that it is impracticable to provide all which fall within the criteria, please provide those records which have been viewed by upper firm leadership and make references to departmental secretaries and upper departmental leadership. Ensure that a minimum of one sample of a 'power map' per government department and agency for which power maps are in existence is provided.**
- 6 Please provide the number of, or if necessary, an estimate of, power maps which have been created at KPMG for each government department and agency.**
- 7 Please provide all internal correspondence surrounding the creation and updating of these 'power map' records as related to the tendering process from 2015 onwards. If there are too many of these records to be practicable to collate and provide, please provide samples of correspondence on this matter preference correspondence of Partners at KPMG.**
- 8 Please provide the number of or, if necessary, an estimate of, the amount of emails sent relating to power maps and the tendering process at KPMG from 2015 onwards.**

⁴ <https://www.aph.gov.au/api/qon/downloadquestions/Question-ParliamentNumber47-QuestionNumber963>

⁵ <https://www.aph.gov.au/api/qon/downloadquestions/Question-ParliamentNumber47-QuestionNumber963>

KPMG Response:

KPMG Australia does not engage in “power mapping” or any other similar practice.