



Patrick Hodder
Committee Secretary
Senate Finance and Public Administration References Committee
PO Box 6100 Parliament House Canberra ACT 2600

Via email: fpa.sen@aph.gov.au

1 March 2024

**Senate Finance and Public Administration References Committee Questions on Notice,
Consulting services inquiry**

We refer to the following sets of Questions on Notice to PwC Australia (PwC Australia) from questions from the public hearing held on Friday 9 February 2024 by the Senate Finance and Public Administration References Committee (Committee) with a due date of 1 March 2024.

In addition to the points of clarification that I provided via email on 13 February 2024, I would like to disclose to the committee that PwC Australia provided in-kind contributions to the value of \$250,000 to Australians for Indigenous Constitutional Recognition (AICR) as part of the Yes Campaign for the October 2024 referendum. The AICR is a registered charity and not a political party however, this contribution has been reported to the Australian Electoral Commission (AEC) in line with the Referendum Disclosure obligations. I make this disclosure to clarify any ambiguity around our testimony regarding PwC Australia's banning of political donations.

Please contact me if you would like to discuss our response.

Yours faithfully

Jan McCahey
Chief Risk and Ethics Leader
PricewaterhouseCoopers

PricewaterhouseCoopers, ABN 52 780 433 757
One International Towers Sydney, Watermans Quay, BARANGAROO NSW 2000, GPO BOX 2650 SYDNEY NSW 2001
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

Liability limited by a scheme approved under Professional Standards Legislation.



Written Questions on Notice from the Committee from the public hearing of 9 February 2024 due 1 March 2024

1. From Senator Colbeck, regarding feedback to PwC International Ltd (page 29)

CHAIR: Anything we say from here on out is going to reflect that, unless you guys come clean. You've got a huge piece of work to do to rebuild your reputation. There's no plug in the sink while that document is hiding behind the wall of legal professional privilege—let me promise you that. That's a commitment from, I think, all of us. This morning we've heard evidence that this matter is not just being discussed here in Australia. It's of interest internationally, to taxation agencies and to oversight agencies.

[...]

Mr Burrowes: I'm not party to any of those other matters overseas. My focus here is to deliver on the commitments to change. They're very significant. As I highlighted in my opening statement, we have got a huge amount to do. We've made good progress, but my role here is to focus on what I can control, what I can impact and how I can rebuild trust in PwC Australia. That's a long job. I take your comments and I will relay them to PwC International Limited.

PwC Australia has provided a copy of extracts from the Hansard from the hearings on 9 February 2024 to PwC International Limited.

2. From Senator O'Neill regarding the jurisdiction of the Linklaters advice (page 30)

Senator O'NEILL: Can I ask a fact question about the Linklaters report: in what jurisdiction, Mr Burrowes was it commissioned?

[...]

CHAIR: Let's explore that as a factual point. Can you find for us, on notice, that information?

Mr Burrowes: The jurisdiction?

CHAIR: The jurisdictions in which it was procured and where it sits.

Mr Burrowes: I can take that on notice.

PwCIL is headquartered in the UK. PwC Australia is not privy to any further details related to the legal advice provided by Linklaters.

3. Senator O'Neill and Senator B Pocock's questions regarding a recent whistleblowing complaint (page 32 and 33)

Ms McCahey: The email was received by a few people within the PwC organisation on the date you mentioned. It was the first we'd heard of it. It has been sent for review to our ethics team. I think there were a number of allegations made. There was no evidence provided. I don't think we can answer any more questions about the detail.

Senator BARBARA POCOCK: When did you commence your investigation?

Ms McCahey: I'm not sure of the exact date, if that's a detail you need. I'll take that on notice, to seek advice.

Senator BARBARA POCOCK: How long do you expect it to take?

Ms McCahey: These things take the time they take, and we will be seeking advice as part of that process to determine whether or not there are any reporting obligations or anything that arises as a result of the information. But I stress that we have only just received the matter.

Senator BARBARA POCOCK: Who was undertaking the investigation?

Ms McCahey: I think we can't comment any further on the matter. I could take a question on notice to seek some advice if that's what you need.

[...]

Senator O'NEILL: Perhaps I could put a couple of questions on notice regarding that matter. Could you advise the committee of the way in which you've confirmed the veracity of the very serious allegations about Mr Sayers's behaviour and the cultural practices that operated in PwC at the time and give us a clear indication of your processes of referral and to whom it has been referred? And I think 'it'll take as long as it takes' is not a satisfactory response. How promptly will you respond? And we seek your correspondence with the committee at your earliest convenience to keep us up to date with the matters in which Senator Pocock and I have both been engaged.

Senator BARBARA POCOCK: There is enormous public interest in Mr Sayers, his leadership and his behaviour. He appointed himself, here when he gave evidence, as his own judge, jury and executioner. He completely exonerated himself from any responsibility in relation to the misuse of confidential tax information to assist the world's biggest multinationals. His entire period of leadership, he alleged, he claimed, was not associated in any way with all those misconduct matters, which we now know are clearly proven. He said he came here and he positioned himself as an innovative manager that led the world on management techniques. So, this matter of Mr Sayers and his leadership, his ethics, his behaviour is a very important matter for this committee.

Ms McCahey: Thank you, Senator, and I will take the question on notice and seek some advice and respond.

Senator O'NEILL: Has Mr Sayers been advised? Has he been given a copy of this? What processes have you got in play?

Ms McCahey: We'll take the questions on notice.

Senator O'NEILL: And has Ms Beattie, the general counsel, who may have managed these matters, been asked for information?

Ms McCahey: We'll take the questions on notice.

PwC Australia is thoroughly investigating the matter, and that investigation commenced shortly after receiving the complaint. Mr Sayers is aware of this. The investigation will take time as the firm forensically works through the materials and interviews relevant personnel.

4. Senator B Pocock question regarding 'Everett arrangements' (page 34 and 35)

Senator BARBARA POCOCK: But you've made your decision on the way into this room today, essentially—which is a great decision. It's a good decision. Do you know the level of tax that is foregone—say, in a year when such trusts did operate—as a result of partners in PwC using these tax minimisation schemes? I ask on behalf of the average PAYE taxpayer who has nowhere to hide on their tax: do you know what we have lost as tax income because of these devices, historically? If you can't answer now—and I wouldn't be surprised—could you take it on notice to give us that calculation?

Ms McCahey: We can take the question on notice. I would say, though, that the lodgement of a partner's tax return complies with the requirements of the law. In that sense, they have paid all of the tax that is due from them. We will take the question on notice.

Mr Burrowes: I think that's going to be very difficult information to get because of the way the Everett scheme works. We won't necessarily know, because part of it that it will be the tax affairs of whomever is assigned the interest in the partnership that will, potentially, benefit. We would not have access to that. But we will take it on notice and see what we can do.

In the financial year 2022/23 PwC Australia paid \$659m in taxes and the average tax rate of partners was 37%. We will continue to publish annually the average tax rate of partners, this percentage includes all partners regardless of whether they have an Everett assignment or not.

We expect all of our partners to comply with Australian tax law and their tax obligations. It would be impractical to provide an accurate view on the tax effect of our partners in an Everett scheme, against those that are not, given the individual circumstances of each individual partner's tax arrangements and those of the individuals to whom the Everett assignments have been granted.

PwC Australia has instituted a policy to cease new Everett assignments for partners going forward.

5. Questions from Senator B Pocock regarding Innowell Pty Limited (page 35)

Senator BARBARA POCOCK: Thank you; I appreciate that. I'm ploughing on. I'm waiting for a look from the chair. I want to ask a question about a particular project, the Innowell health app. In 2023, numerous media reports examined the inefficiencies of this particular mental health app, called Innowell, that you developed in association with the University of Sydney. The project received \$33 million in funding through a closed and non-competitive grant—is that correct?

Ms McCahey: I'd need to take the details of that on notice, Senator. Yes, we were one of the owners of Innowell.

Senator BARBARA POCOCK: A shared owner in this project.

Ms McCahey: That's right.

Senator BARBARA POCOCK: This raises questions about value for money achieved for taxpayers from this app. It had very limited uptake and was found by health workers to be an administrative

burden. Do you believe that this inefficient project demonstrates value for money for taxpayers? It didn't work. It was \$33 million. I've been a researcher in a university; I've asked for \$1 million before and been knocked back. I felt very sad about it. They got \$33 million in a non-open tender and it didn't work.

That's a problem to me. Is it a problem to you?

Mr Burrowes: I haven't got the details. I believe Innowell is still pursuing that app. As with any start-up, Senator, it can take quite a long time to get value out of a start-up. I can't comment on whether we might get value for that.

Senator BARBARA POCOCK: Most start-ups would be very happy to get \$33 million to help them get underway. That is a very big sum of public money.

Mr Burrowes: It is, indeed.

Senator BARBARA POCOCK: What date did you offload your shares in Innowell?

Ms McCahey: I don't have the answer to the question here. Can I take that on notice please?

Senator BARBARA POCOCK: Could you take that on notice?

Ms McCahey: I will.

Senator BARBARA POCOCK: And how much did you get in payment for that offloading?

Mr Burrowes: We can take that on notice as well.

The Commonwealth Government's grant referred to in the public hearing was foreshadowed in 2016 as part of an election commitment by the former government under the project name 'Synergy'.

Innowell Pty Limited was established as a company in 2017 to develop and commercialise evidence backed technology-enabled mental health products, services and a web-based ecosystem that connects mental health services to people and provides specific personalised support and care depending on need. PwC acquired an equity interest in Innowell on 28 March 2017.

In 2017, a funding announcement was made that outlined that the government expected to spend \$30 million (excluding GST) on the project. The Department of Health managed this funding.

PwC divested its interest in Innowell Pty Limited in August 2023 for \$1.

6. Questions from Senator O'Neill regarding Post Termination Payments (page 37)

Senator O'NEILL: You may or may not have heard the evidence from the TPB today. I ask you to take on notice reviewing the evidence from the Tax Practitioners Board with regard to the assertion that Mr Hogan and Ms Sullivan, who are members of the TPB and former PwC partners who continue to receive \$140,000 per annum, as it's reported—I think that's the average, and some perhaps receive more or less—did not recuse themselves from meetings on 1 September and 3 September in which matters relating to PwC were discussed between the TPB and the ATO. Please review that and advise the committee if you will be taking action with regard to professional standards of people who remain



connected to PwC Australia.

Neither Ms Sullivan nor Mr Hogan are current partners of PwC. Nothing has come to our attention to suggest Mr Hogan or Ms Sullivan have breached any of their obligations as a former partner.

We refer you to our Partnership Agreement provided in Appendix A of our response to Questions on Notice dated 7 July 2023 which includes the rights and obligations of former partners.

7. Senator O'Neill's question regarding tax services for audit clients (page 38)

Senator O'NEILL: Perhaps your records don't allow me to get an accurate answer, because my question is: what percentage of your audit clients do you also complete tax work for? Could you take that on notice? Are there any very large clients, like the big four banks, who you complete both tax and audit work for?

From time to time, when independence regulations and professional standards allow, audit clients may choose PwC as the best option when it requires external assistance. This work is considered through our internal independence and conflict processes before any work commences.

In the financial year 2022/23, 5% of the audit fees for ASX 200 audit clients was related to non-audit fees. A small percentage of this will relate to tax services, however it is not practical to provide an accurate percentage. For the avoidance of doubt, audit partners are not incentivised, evaluated or remunerated based on selling non-audit services, including tax services, to their audit clients.

Further information can be found in our Assurance Transparency Report:

<https://www.pwc.com.au/assurance/transparency-report/FY23-Audit-Transparency-Report.pdf>.

8. Senator O'Neill question regarding the Macquarie Group audit (page 39)

Senator O'NEILL: So, if I can table a document here from the financial report of Macquarie Bank, total remuneration paid to PwC for audit, audit-related and other non-audit services looks like \$79 million.

Mr Burrowes: That sounds the right number.

Senator O'NEILL: So, these are not small clients, and these are not small amounts, and I'm still very unclear about whether billing tax work as a section of the broader audit work is one of the billing practices that you might be able to employ as things currently stand.

Mr Burrowes: I'm trying to help you understand the distinction.

Senator O'NEILL: I'll just table that, and I'm happy to take your further answer on notice, because I've got four other lines of questioning before the door closes on me.

Mr Burrowes: Okay. I would just highlight that that amount is for the global work that we do across the whole of Macquarie, worldwide.

Senator O'NEILL: Right. Well, we'll get a detailed answer from you.

The tabled document (being an extract from the Macquarie Group Annual Report) is a note to the financial statements regarding audit fees, broken down by audit services, audit-related services, tax related services and other non-audit services. Tax related services represent 2.5% of the total fees paid.

9. Senator O'Neill and Senator B Pocock questions regarding the Scyne separation (page 39 and 40)

Senator O'NEILL: Right. Well, we'll get a detailed answer from you. When Scyne splintered off from PwC did they initially, or do they still, retain any physical or cyber infrastructure with PwC?

Mr Burrowes: Physical, no.

Ms McCahey: The Scyne people are still in some cases operating from the same buildings as we are, but they are not part of or joined up with us physically, so they would have separate property arrangements but be located in the same buildings.

[...]

Senator O'NEILL: So, there is still some physical—would they share a car park? Would people still be able to have conversations?

Ms McCahey: Of course they can have conversations.

Senator O'NEILL: Absolutely right. So let's be clear about that: there's still some connection between Scyne and PwC, as it would seem. Could you take on notice what security provisions have been created to ensure that information is not compromised in any way? Does Scyne continue to pay PwC for the use or former use of any tech infrastructure.

Mr Burrowes: It does. As in any carve-out of this nature, where speed is of an essence, they continue to use, say, our HR system. But it's separated—

Senator O'NEILL: To be clear: the HR system of PwC and the HR system of Scyne are still integrated?

Mr Burrowes: They are separated, but we're using what is called the same instance, effectively.

Senator O'NEILL: Because speed is of the essence?

As is standard protocol for a divestment of this nature, transitional arrangements have been established to ensure the Scyne entity could function effectively from day one, supported by critical systems such as payroll. These arrangements are governed by a Transitional Services Agreement (TSA) entered into by PwC and Scyne. Through the transitional period, the parties have agreed to a series of preventive and monitoring controls that address the risk of information being inappropriately accessed.

10. Senator O'Neill questions regarding the dates of the Scyne transaction (page 40 and 41)

Senator O'NEILL: Ms Diane Rutter gave evidence to the New South Wales Legislative Council earlier this week and described in some detail the transition, summarised into three buckets, she described. Will all matters that are currently still shared between Scyne and PwC be separated by—was it 1 November or 30 November?

Mr Burrowes: It's 1 November. I'll have to check, but I'm aware that it's in November. My memory is that it's one year from the date of completion of the transaction. The transaction completed on 23 November, so that will be their target date.

Senator O'NEILL: That's a target. What happens if it's not met by then?

Mr Burrowes: There is an option for them to continue with us for a short period of time.

Senator O'NEILL: There is still an option for continuation after that date, if required?

Mr Burrowes: I believe so—for six months.

The sale of Scyne Advisory to Allegro was completed on 8 November 2023. Transitional arrangements are currently in place with a target end date of 9 November 2024, 12 months after completion. There is an option to extend by six months.

11. Senator O'Neill and Senator B Pocock questions regarding revenue guarantees (page 41)

Senator O'NEILL: [...] Does PwC have any revenue guarantees with Scyne?

Ms McCahey: No.

Mr Burrowes: No.

Senator O'NEILL: If Scyne doesn't meet certain revenue targets will PwC compensate them for the difference?

Mr Burrowes: No.

Senator O'NEILL: So there are absolutely no targets involved—

Mr Burrowes: Between the two of us?

Senator O'NEILL: Between the two.

Mr Burrowes: No.

[...]

Senator BARBARA POCOCK: I want to clarify something. So you have no agreement with Scyne, going forward, around revenue?

Mr Burrowes: No, none whatsoever. We're out of the management consultancy business for government. We have sold that. We don't have an office in Canberra. We don't have any teams of people focused on this now. I've got no skills to serve government. We are a corporate consulting business now.

Senator O'NEILL: Just for clarity: upon the sale of PwC's government consulting arm to Allegro, were any revenue guarantees ever considered during the negotiation process?

Mr Burrowes: Not that I'm aware.

Senator O'NEILL: Do you want to confirm that on notice?

Mr Burrowes: Yes.

There is no revenue guarantee. A revenue guarantee was not considered by the parties.

PwC Australia would like to clarify that it does retain a small serviced office in Canberra. That serviced office is not co-located with the Scyne office.

12. Senator O'Neill question regarding Partner Termination Payments (page 41)

Senator O'NEILL: Thank you very much. Is PwC making payments—pensions or otherwise—to any staff members involved in the tax leak scandal who have now left?

Mr Burrowes: We're not making payments to Mr Collins, Mr Burstein, Mr McNab or Mr Fuller. Those were the four individuals who, in our investigations, were deemed to have unacceptably breached confidential information.

Senator O'NEILL: What is the sum of these payments—

Mr Burrowes: We're not making them.

Senator O'NEILL: to any other staff members involved in the tax leak scandal?

Ms McCahey: In relation to other partners who have exited the firm, I don't have the details on which of them would be currently receiving post-termination payment from the firm.

Senator O'NEILL: Do you want to take that on notice, Ms McCahey?

Ms McCahey: I can take it on notice and provide the information.

Senator O'NEILL: Have these payments ever been offered upon the condition of an NDA—a non-disclosure agreement?

Mr Burrowes: When a partner retires from the partnership, they have to sign a partnership deed release. In other words, they need to remove themselves from the contractual responsibilities they have underneath the partnership agreement. I'd have to check the exact terms of what they can and can't do, but I don't believe it includes a non-disclosure agreement. But I can check that for you.

Senator O'NEILL: Can you check that and if it's an NDA-like agreement, just so we don't end up splitting hairs on this?

Mr Burrowes: Yes, of course

We have detailed in previous questions on notice action we have taken in regards to PTP payments (refer to question 1 on 2 June 2023 and question 12 on 21 July 2023).