

12 March 2024

Senate Finance and Public Administration Committee
PO Box 6100
Parliament House
Canberra ACT 2600

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

Dear Committee Secretary

Written response to questions on notice

Thank you for the opportunity to appear before the Committee on 23 February 2024 in relation to the *Inquiry into the management and assurance of integrity by consulting services*, and the questions on notice dated 26 February 2023 forwarded to Deloitte at the request of Senator David Pocock.

We have provided our responses to the questions on notice,

- (i) put to the Deloitte representatives during the hearing at **Appendix A**; and
- (ii) forwarded by Senator David Pocock on 26 February 2024 at **Appendix B**.

Yours faithfully

Adam Powick
Chief Executive Officer

Tom Imbési
Chair

Appendix A – Questions on notice put to the Deloitte representatives at the hearing on 23 February 2024

| # | Question | Response |
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| 1 | <p>Provide your metrics on revenue, and what metrics you collect for staffing and employee outcomes, and related metrics for the workplace.</p> <p>(Senator Pocock – T53)</p> | <p>Partner and employee outcome metrics vary, depending on an individual's role within the firm.</p> <p>Partner performance is assessed against their individual performance plans which are tailored dependent on their role in the firm. The expectations of each partner include matters such as individual financial performance, leadership expectations, client service expectations, team culture and mentoring. Every partner, irrespective of role, is independently assessed by the Risk Function for their performance against integrity, risk and quality expectations which includes their professional conduct and behaviour. This latter rating is fundamental to the relevant partner's overall assessment.</p> <p>Employee outcomes are assessed in accordance with the Performance Expectations Framework. The framework is consistent for each employee role level, and comprises expectations across four pillars (serving clients, leading self and others, investing in the future, and managing the business), metrics and targets. The framework is not utilisation focused, rather outcomes are assessed against an individual's total contribution and impact using both qualitative feedback and quantitative indicators to assess performance.</p> |
| 2 | <p>I invite you, on notice, to give your evaluation of that [BCA submission]. I just highlight that they've asked for an awful lot of action by government agencies and not much action from the business sector. Seeing as you traverse both, I'd be interested in your response about what a business-appropriate business dimension that might be encouraged would be.</p> <p>(Senator O'Neill – T59-60)</p> | <p>Deloitte directionally supports the submission made by the Business Council of Australia and recommendations contained within. In relation to the business dimension, many of the recommendations include clear expectations on the entity tendering for contracts, especially as it relates to robust policies in relation to confidentiality and conflicts management, and further transparency and accountability as it relates to material breaches, of which we are supportive.</p> |
| 3 | <p>Please provide comment, in detail, on the process followed by Deloitte in respect of the David Milo matter.</p> <p>(Senator O'Neill – T60)</p> | <p>We refer the Senate Finance and Public Administration References Committee to our previous letter to the Committee Secretary dated 1 August 2023 in respect of this matter, which sets out in detail the process followed by Deloitte and can confirm that Mr Milo provided the statutory declaration referred to in that correspondence.</p> |
| 4 | <p>Have you got an example of a specific incident of malpractice which has caused a</p> | <p>We have not had a specific incident of malpractice which has required a significant reform of our policies. However, our governance and risk policies are regularly evaluated and reviewed as further described in our response to question</p> |

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| | <p>significant reform of your policies rather than tweaking?</p> <p>(Senator O'Neill – T60)</p> | <p>5 of Appendix A below. Specifically, as part of addressing any issues that require our attention, our response includes undertaking a root cause analysis to determine what changes, if any, to policies or processes may be appropriate.</p> |
| 5 | <p>Within your firm, do you have mechanisms for the regular and statutory review of internal policies to establish whether they're sufficient to actually engender change rather than simply a tool of wallpaper compliance?</p> <p>(Senator O'Neill – T60)</p> | <p>Deloitte's policies are subject to both internal and regulatory review.</p> <p>Internally, our policies are regularly reviewed and updated at a global, regional and Australian firm level, as applicable. Deloitte has several layers of monitoring in place to ensure adherence to our policies, including our Principles of Business Conduct.</p> <p>At a global level, we are required to provide regular risk self-assessments across each of our service portfolios, and at the enterprise level to align with our global Member Firm Standards. These are robustly reviewed and challenged, including by the global board, setting the tone from the top and ensuring compliance by all geographies. We are also subject to internal audits, on a rotational basis, with respect to compliance with our policies.</p> <p>Further in relation to client engagements, a sample are selected for independent review to ensure all relevant policies and methodologies have been correctly adopted and applied to that engagement.</p> <p>Deloitte is also required under mandatory professional standards to design, implement and operate a system of quality management (SQM) when:</p> <ul style="list-style-type: none"> performing audit and assurance services pursuant to the International Standard on Quality Management 1 (ISQM 1) issued by the International Auditing and Assurance Standards Board of the International Federation of Accountants, issued in Australia as ASQM1 by the Auditing and Assurance Standards Board; and performing non-audit and consulting services pursuant to APES 320 Quality Management for Firms that provide Non-Assurance Services issued by the Australian Professional & Ethical Standards Board. <p>Additionally, Deloitte is required to establish monitoring and reporting processes to ensure the SQM is operating effectively.</p> <p>The firm-wide and discipline-agnostic SQM must address various elements including governance and leadership, relevant ethical requirements and standards, acceptance and continuance of client relationships and engagements, engagement performance, information and communication, and monitoring and remediation processes. ISQM1 requires that the SQM be evaluated at least annually, and compliance with the standard is subject to review by ASIC (Australian Securities & Investments Commission).</p> |
| 6 | <p>Please provide your profit rate in relation to government work.</p> <p>(Senator B Pocock – T62)</p> | <p>Where we work with Government, we always contract in line with appropriate procurement processes and are transparent in our pricing with the engaging department with a focus on delivering value for money and tangible outcomes. Further details on pricing we consider to be commercial in confidence.</p> |

Appendix B – Questions on notice forward by Senator David Pocock dated 26 February 2024

| # | Question | Response |
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| 1 | 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? | <p>Deloitte always complies with Australian Government procurement and probity processes, in accordance with the Commonwealth procurement rules.</p> <p>Additionally, every potential engagement is assessed through our own robust internal processes, independently of the client-facing team, in respect of real or perceived conflicts of interest including consideration of potential above and below the line conflicts. This process occurs prior to any engagement being allowed to proceed and if such matters are unable to be addressed appropriately, then the engagement is declined.</p> <p>Deloitte does not maintain specific records of the information sought however all details of all Commonwealth contracts awarded to Deloitte are available on the AusTender website.</p> |
| 2 | 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? | <p>We refer to our response to question 1 of Appendix B above.</p> <p>Deloitte has global and local relationships with almost all the major technology vendors and are rigorous in our compliance with the procurement and probity processes of the Australian Government and our own internal processes.</p> |
| 3 | How many sponsored parliamentary passes do your staff hold, giving them access to APH. | Deloitte partners and staff do not currently hold sponsored parliamentary passes providing access to Australian Parliament House. |
| 4 | Who are the Members/Senators who sponsor those passes? | We refer to our response to question 3 of Appendix B above. |