

10 April 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 questions on notice dated 20 March 2024 forwarded to Deloitte at the request of Senator Barbara Pocock.

We have provided our responses on behalf of Deloitte Australia at Appendix 1.

Yours faithfully

Adam Powick
Chief Executive Officer

Tom Imbesi
Chair

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Appendix 1

#	Question	Response
1	<p>Please provide in excel format the following:</p> <ol style="list-style-type: none"> The details of all in-kind or pro-bono services offered to Federal Government Departments and agencies in the last 5 years. The estimated value of the services provided. A brief description of the services provided. 	<p>As part of the Firm's Responsible Business Strategy, Deloitte provides philanthropic and community support through The Deloitte Foundation. The Deloitte Foundation is a separate legal entity to the firm but is overseen by a Board comprised of Deloitte partners, employees and an external Responsible Person. The Board's role is to oversee and guide the strategic investment and programmatic directions of the Foundation.</p> <p>This support includes pro bono engagements for client service projects which are provided free of charge to select registered charities, not for profit entities, public benevolent institutions or social enterprises certified by Social Traders.</p> <p>Deloitte has not provided any pro-bono services to Federal Government Departments or agencies in the last 5 years.</p>
2	<p>Please provide in excel format the following:</p> <ol style="list-style-type: none"> The amount earned by Deloitte partners in FY22-FY23. The amount of taxable income earned by Deloitte partners in FY22-FY23. The collective average level of personal tax paid by partners at Deloitte. The number of partners in total at Deloitte who use service trusts to minimise tax. The proportion of partners at Deloitte who use service trusts to minimise tax. The amount of tax forgone as a result of partners at Deloitte using tax minimisation schemes. 	<p>We refer the Senate Finance and Public Administration References Committee to Appendix A of our previous response to questions on notice dated 7 August 2023 which provided details of Deloitte partner remuneration for the financial year ended 31 May 2023.</p> <p>As a partnership, Deloitte distributes 100% of its profits to the partners each year, and tax is paid on these amounts at the individual partners' effective tax rate. The collective average level of personal tax paid by Deloitte partners on their Deloitte income is 37 percent.</p> <p>Deloitte's partners, as taxpayers, are subject to oversight of the Australian Taxation Office and are required to comply with the provisions of the Income Tax Assessment acts consistent with other Australian taxpayers, including with respect to the use of service trusts, which are a permitted structure under the Australian Taxation Laws.</p>

3	<p>Please explain why Deloitte prohibits its partners from using Everett assignments to minimise tax.</p> <p>a. Please explain how Deloitte prevents its partners from using Everett assignments.</p> <p>b. Please explain how Deloitte enforces and monitors this rule.</p>	<p>Deloitte introduced the restriction on the use of Everett assignments by partners in 2006 through the inclusion of a provision in the Deloitte Australia Partnership Agreement. We refer the Senate Finance and Public Administration References Committee to clause 8.1 of Appendix B of our previous response to questions on notice dated 7 August 2023.</p> <p>Each partner's tax return is reviewed by our internal services team each year and that is how we monitor and enforce the restriction.</p>
4	<p>Please provide the total number and the proportion of Deloitte staff who are receiving a living-away-from-home allowance (LAFHA).</p> <p>a. Please confirm if Deloitte and its staff who receive a LAFHA follow criteria as set out by the ATO.</p>	<p>In the 2023 fringe benefit tax year, a total of 16 of Deloitte's approximately 12,000 employees were in receipt of taxable living-away-from-home allowance (LAFHA) fringe benefits.</p> <p>We confirm Deloitte and its employees follow the LAFHA criteria as set by the ATO.</p>
5	<p>Please provide in excel format the profit margin Deloitte made on its \$222 million of government contracts in FY22-FY23.</p>	<p>Where Deloitte works with Government, we always contract in line with appropriate competitive procurement processes and are transparent in our pricing with the engaging department with a strong focus on delivering value for money services. Further details on pricing we consider to be commercial in confidence.</p>
6	<p>Please provide details of how Deloitte measures project margins, and what devices and arrangements Deloitte uses to achieve large profit margins on government contracts.</p>	<p>Deloitte provides integrated advisory, implementation, and managed services to Federal, State, and Local government agencies. Our core focus in providing these services is to deliver tangible value and outcomes in a high-quality cost-effective manner which is complementary and additive to the core capabilities of the public sector.</p> <p>In determining whether to respond to a request for tender, Deloitte undertakes an assessment of the value we can bring to the public sector through the engagement. This may be in the form of the outcomes to be delivered through the engagement which are complementary and accretive to the capabilities within the public sector, and the transfer of knowledge and skills where aligned and appropriate. We choose not to pursue government opportunities where we have not been able to satisfactorily conclude that we can add sufficient value through delivery of the engagement.</p> <p>Where we work with government, we always contract in line with appropriate competitive procurement processes and are transparent in our pricing with the engaging department. Further details on pricing we consider to be commercial in confidence.</p>

7	<p>In FY22-FY23, Deloitte donated \$177,126 in political donations to the major parties and secured \$222 million in government contracts over that same time period.</p> <p>a. Will Deloitte ban political donations as PwC Australia has done?</p>	<p>We refer the Senate Finance and Public Administration References Committee to our previous response to the questions on notice dated 11 January 2024 in respect of this matter, noting all expenditure that may benefit an elected political official is treated and reported as political donations.</p> <p>Deloitte does not provide cash donations or use political donations to gain favour with government or political parties, and as such, there is no link between political donations and government procurement outcomes.</p> <p>We confirm Deloitte will not be changing its policy in relation to political donations.</p>
8	<p>Please provide Deloitte's view on a ban on firms providing consulting and auditing services to the same entity.</p>	<p>Deloitte supports strong rules and guidelines governing services being provided to audit clients. However, we do not believe that a complete ban on firms providing consulting and auditing services to the same entity is in the best interests of our clients.</p> <p>Australia has extensive existing laws, regulations and standards in respect to non-audit services that auditors can provide to the entities they audit. These rules, in addition to the strict policies our clients have in place, ensure that only non-independence impairing services are provided to our clients. Deloitte rigorously complies with these laws, regulations and standards which include:</p> <ul style="list-style-type: none"> • The auditor independence requirements of the Corporations Act 2001 (Divisions 3, 4 and 5 of Part 2M.4 and Section 307C): these laws apply to all audits conducted under the Corporations Act including the audits of superannuation funds. Australian laws include specific prohibited relationships between the auditor and the audited entity, with audit partner rotation requirements for listed entities. The law also sets out that the auditor must respond to conflicts of interest situations, including notifying ASIC in writing if a conflict-of-interest situation remains in existence more than seven days after being identified. • The International Ethics Standards Board for Accountants (IESBA), International Code of Ethics for Professional Accountants: The Code contains the International Independence Standards, and applies to all professional accountants, whether they are in public practice, industry or commerce. The Deloitte network is a member of an international association of accounting firms that commit to having policies and methodologies that conform to the International Code. • APES 110 Code of Ethics for Professional Accountants: The Australian professional standard contains detailed auditor independence requirements, including non-audit services rules, that are legally enforceable with respect to audits conducted under the Corporations Act. The Code requires the auditor to maintain independence not only in fact, but also in appearance. • Australian Prudential Regulation Authority (APRA) Prudential Standards (Prudential Standards 510 – Governance): These standards replicate the main auditor independence requirements of the Corporations Act with respect to APRA regulated entities.

		<ul style="list-style-type: none"> • Auditor independence rules of the US PCAOB and US Securities and Exchange Commission: The rules are extraterritorial and must also be complied with in Australia by firms and network firms that undertake audits of entities that are subject to SEC independence rules. • Further, laws, regulations and standards in many geographies, including Australia, require pre-approval or disclosure to audit committees of such services as well as the disclosures of the services and fees in the annual report. <p>In support of ensuring the above laws, regulations and standards are complied with, we note the following in respect to Deloitte's policies and processes:</p> <ul style="list-style-type: none"> • We have invested significantly in developing a robust system of quality management for ensuring compliance with all applicable independence laws and standards. Our independence quality controls include assessing, monitoring and testing of client and engagement acceptance, arms-length business relationships, monitoring of audit partner rotation requirements, personal independence requirements for our partners and staff, and procedures to identify and evaluate non-compliance with independence requirements and application of related disciplinary measures and actions (including financial penalties). • With respect to any request to provide non-audit services, Deloitte policies require every potential engagement to be reviewed to determine whether we have an existing audit relationship with the entity or any of its affiliates and to assess whether the proposed services can be provided without impairing independence. Providing non-audit services to an audited entity in full compliance with auditor independence requirements, laws and regulations should not present a concern. • Deloitte auditors are evaluated solely on their audit work, and there are no incentives to sell non-audit services to the entities we audit. Metrics related to sale of non-audit services are prohibited by Deloitte policies when evaluating audit partners.
9	Please provide Deloitte's view on limiting the maximum number of partners in accounting firms to 50.	<p>Deloitte does not believe there is merit in establishing a strict limit on the number of partners in accounting firms.</p> <p>However, as per our submission to the Parliamentary Joint Committee on Corporations and Financial Services Inquiry into Ethics and Professional Accountability: Structural Challenges in the Audit, Assurance and Consultancy Industry dated 31 August 2023, we are supportive of reform which seeks to establish uniform regulation of professional partnerships once a partnership reaches a certain threshold.</p> <p>As outlined at paragraph 1.7.6 of our submission, matters the Committee may wish to consider as part of this reform include:</p> <ul style="list-style-type: none"> • Legislative changes to allow for a consistent definition of large professional partnerships, defined as 'Applicable Partnerships'. An Applicable Partnership could be, for example, a partnership with more than a certain number of partners, and or alternatively, a set revenue threshold. In the same way that a large proprietary company

		<p>must satisfy certain criteria in order to be subject to reporting requirements under the <i>Corporations Act 2001</i> (Cth) (Corporations Act), similar criteria could be established to define the reporting requirements of Applicable Partnerships.</p> <ul style="list-style-type: none"> • Legislative changes to mandate consistent reporting obligations for those deemed Applicable Partnerships. The reporting framework for large proprietary companies under the Corporations Act may be a suitable reference point – to prepare an annual financial report and a directors’ report (ss 292 and 298), appoint an auditor and have the financial report audited (s 301), and lodge the audited financial report with ASIC (s 319). • Corporate reform to allow Applicable Partnerships to be structured in other incorporated or unincorporated forms. • An overarching Governance Code for Applicable Partnerships to set out corporate governance expectations, including any additional transparency requirements.
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