



## ANSWERS TO QUESTIONS ON NOTICE TAKEN DURING APPEARANCE ON 23 FEBRUARY 2024

### QUESTION TAKEN ON NOTICE 1 – Reporting of Disciplinary Statistics

*CHAIR: I'd be interested in the stats around action taken. We're aware of recent action that's been taken off the back of the TPB's findings with respect to PwC, but I'd be interested to get a sense of the action that's taken in a regulatory or disciplinary sense so that we can see what work you do as an organisation and how effective it is. Also, do you actually report that anywhere? Do you report those decisions that you might take in a disciplinary sense, if you like, on an annual basis?*

Chartered Accountants Australia and New Zealand (CA ANZ) includes performance data for the Professional Standards, Regulation and Conduct functions in Australia and New Zealand in the CA ANZ Annual Report each year. Reported annual data points and metrics include: the number of members who access the Professional Standards advisory and support services; the number of practices and members reviewed by the Quality Review function; the type and number of complaints received and resolved during the reporting period, and the outcomes of complaints, including the number resolved without investigation, the number resolved following investigation and sanctions imposed.

A recommendation of the Professional Conduct Framework Review conducted in 2023-23 was that CA ANZ should provide more public information about its role in the monitoring and enforcement of member obligations. As one initiative to address this recommendation, in December 2023, our Australian Professional Standards team issued its FY23 Annual Professional Standards Report. Building on data reported in CA ANZ's Annual Report, it provides a more detailed overview of educative initiatives to promote compliance, monitoring and enforcement activities conducted in Australia in FY23.

We provide deidentified reporting to the Professional Standards Councils and the Financial Reporting Council.

## QUESTION TAKEN ON NOTICE 2

**Ms Chapman:** *In terms of the number of complaints that we receive, we received 2,295 complaints in the six years between calendar year 2018 and calendar year 2023. Of those 2,295 complaints...*

**Senator O'NEILL:** *Ms Chapman, if you want to put those details on the record, I'm happy to receive them, but we have limited time. Thank you, Chair.*

Of the 2295 complaints resolved by the CA ANZ (and NZICA) disciplinary bodies over the six calendar years from 2018-2023, 43 (or 2.67%) were third party complaints brought by clients or other individuals against members in the big 4 firms. In the same period, the Professional Conduct Committee initiated and resolved 44 complaints against big 4 members based on its own monitoring activities. Of those 87 complaints, 47 proceeded to formal investigation by the Professional Conduct Committee which resolved 36 of the complaints by issuing:

- No Further Action in respect of 13 complaints (there being no prima facie evidence of a breach of the CA ANZ By-Laws, NZICA Rules or ethics codes/standards); and
- 23 sanctions (7 Professional Reminders, 15 Cautions and 1 Consent Agreement - all plus costs).

Eleven of the 47 complaints were resolved by the Disciplinary Tribunal which issued a further 12 substantive sanctions plus costs (note, four sanctions applied to PwC Australia in respect of the Tribunal findings following the Tax Practitioners Board order, thus 36 sanctions in total) as follows:

- 8 Censures
- 1 Ban on Assignment
- 1 Fine
- 1 Requirement to submit to review
- 1 Suspension
- Costs

## QUESTION TAKEN ON NOTICE 3 – Board Members Recusing in the Last 12 Months

**Senator BARBARA POCKOCK:** *When did they last recuse themselves over a conflict of interest in relation to the big four—say, in the last 12 months?*

**Mr Kamangira:** *I am one of those. I work with Deloitte in my other role, and there have been instances when I've had to recuse myself from discussions in relation to matters with Deloitte. There would have been one sometime last year, in relation to some work that Deloitte Digital undertook for Chartered Accountants.*

**Senator BARBARA POCKOCK:** *You have done it once. I'm asking, of your board members who have an interest in PwC, that you give us a record of how many, and not just your own, Mr Kamangira.*

**Mr Palermo:** *Sure. We'll take that on notice.*

Directors who have declared any interest in any matter discussed at board meetings (including as a result of a prior association) are excluded from receiving materials or participating in substantive discussions of that matter.

In the last 12 months, Mr Murray Harrington - a former partner of PwC New Zealand and a director of CA ANZ from 2021-23 as a Vice President and then President of the CA ANZ Council, and a member of the NZICA Regulatory Board which oversees the performance of NZICA in New Zealand – has recused himself and was excluded from discussions at the NZICA Regulatory Board about a professional conduct matter in New Zealand involving PwC New Zealand.

In the last 12 months, Mr Tinashe Kamangira – an employee of Deloitte Australia and a director of CA ANZ since 1 January 2022 as a Vice President and now President of the CA ANZ Council, and a member of the Digital Technology Committee (DTC), a sub-committee of the board established to oversee IT and technology initiatives, has recused himself and was excluded from discussions at the DTC and board about a contract entered into between CA ANZ and Deloitte Digital for services provided in support of CA ANZ's technology related projects.

#### **QUESTION TAKEN ON NOTICE 4 – Board Member Links to Big 4**

**Senator BARBARA POCOCK:** *Amongst your 11 board members, do you have other members who are past officers, employees or partners in the big four?*

**Mr Palermo:** *I'm absolutely certain that most of them would have had some experience in the big four at some point in their career, whether as graduates, intermediates or otherwise.*

**Senator BARBARA POCOCK:** *Most of them. Could you give us precise numbers?*

**Mr Palermo:** *I'd have to get back to you on that. I'll take it on notice.*

Director profiles are published to the [CA ANZ website](#). Directors who have advised that they have experience working at one or more of the big 4 firms in the past include:

- Carolyn Colley – worked at KPMG from December 1985 until December 1988
- Robert McDonald – worked at Coopers & Lybrand from 1985 until 1993
- Dr Glennda Scully – worked at Peat Marwick Mitchell from around 1982 until 1987
- Sara Petersen – worked at EY from 1999 until 2002

#### QUESTION TAKEN ON NOTICE 5 – CA ANZ Investigation of TAHE

**Senator BARBARA POCOCK:** *How much expenditure is there on external legal assistance that you've spoken about?*

**Ms Chapman:** *I can't answer that. I can take it on notice*

Information which tends to disclose investigation methods and strategies of the Professional Conduct Committee is confidential in accordance with CA ANZ By-Laws. Further, information about legal costs incurred is commercially confidential information which CA ANZ is unable to disclose without breaching confidentiality obligations.

#### QUESTION TAKEN ON NOTICE 6 – CA ANZ Investigations of the Big 4

**Senator O' NEILL :** *Can you on notice provide the list of people who are under your gaze in PwC, KPMG, Deloitte, and EY for serious infractions that you have had reported to you?*

We are unable to provide such a list because the identities of members and reasons for monitoring, inquiring or investigating are, pending a final published decision of either the Professional Conduct Committee or the Disciplinary Tribunal, confidential under the CA ANZ By-Laws. The disclosure or publication of confidential details of monitoring activities and investigations prior to the resolution of the investigation or complaint is a breach of the CA ANZ By-Laws, unfair to parties involved and prejudicial to the proper resolution of matters.

We can confirm that the Professional Conduct Committee currently has approximately 170 open monitoring, inquiry, investigation or complaint files in relation to members in the big 4 firms.

#### QUESTION TAKEN ON NOTICE – Resignation Date of Peter John Collins

**Senator BARBARA POCOCK:** *On what date did Mr Collins resign?*

**Mrs van Onselen:** *Prior to the TPB finding.*

**Senator BARBARA POCOCK:** *Can you give us the date of his resignation?*

**Mrs van Onselen:** *Yes, we can take that on notice.*

We refer to our letter to the Senate Committee secretary dated 27 February 2024 which provides key dates.

## QUESTION TAKEN ON NOTICE 8 – Individual Responses

**Senator O'NEILL:** *I invite each of you, on notice, to respond with your view about where your sector is at the moment. Also, because you are significant leaders in this sector, in addition to the actions of each of you collectively, I invite each of you individually to give some feedback to the committee on your thoughts about where we stand professionally.*

### Ainslie van Onselen:

As well as being the CEO of Chartered Accountants Australia and New Zealand (**CA ANZ**) – also referred to as CA ANZ or Chartered Accountants ANZ - I am the Chair of Chartered Accountants Worldwide (**CAW**), a board member of the Global Accounting Alliance and a board member of the Legal Aid Commission of New South Wales. I care deeply about fairness and justice, and having served on the Disciplinary Complaints Committee of the Law Society of Western Australia I understand the need for strong conduct and disciplinary arms to monitor professions.

I am deeply disappointed with revelations and headlines revealing the unacceptable and unethical conduct of a few that have come to light in recent years. These matters are troubling and do not represent the vast majority of CA ANZ members or the broader accounting profession who work tirelessly for their communities and clients, exemplifying the principles of integrity, confidentiality, objectivity, professional care and skill, and professional behaviour for which Chartered Accountants are known.

Trust and ethics must, and do, remain the cornerstone of our profession. It's a hard-earned trust is built over many generations.

Trust in the profession overall continues to remain high, evidenced by a number of data points: the annual Chartered Accountants Worldwide Edelman Trust survey in mid-2023 showed a year-on-year increase in trust in Chartered Accountants around the world.

This survey reported that *“Trust in Chartered Accountants increased 7pts since 2021, taking Trust to the highest levels since the study began in 2018. Accountants saw a smaller uplift (+3pts) meaning Chartered Accountants now differentiate themselves from others in the profession”*<sup>[1]</sup>; the Governance Institute of Australia survey released in September 2023, [Ethics Index 2023](#) showed a year-on-year increase in the perception of ethical behaviour by membership bodies such as Chartered Accountants Australia and New Zealand<sup>[2]</sup>; CA ANZ's Annual Investor Confidence Survey showed continued strong trust in the audit and financial reporting professions in Australia and in mid-2023 CA ANZ's annual Brand Health Index score achieved its highest result ever since we commenced tracking this measure.

Notwithstanding this ongoing trust in the profession, since my appointment as CEO in mid-2020, Chartered Accountants ANZ has delivered important work to strengthen and enhance our profession. This includes:

- introducing mandatory ethics training in 2021 and increasing this requirement further in 2024;
- providing free continuing professional development (CPD) worth millions every year, including ethics CPD;
- increasing our members' understanding and awareness of their duties and disclosure obligations through our magazine Acuity, on our website, social media channels and ethics Sharing Knowledge events;
- helping prepare the profession for the future by introducing a new digitised CA Program with modules covering data analytics, sustainability, strategy and ethics; and

- reframing our regulatory engagement with large firms.

In mid-2022 to mid-2023 we interrogated our professional conduct framework and systems to ensure ethics and integrity remain the cornerstone for our profession under a robust, independent and fair framework. The Professional Conduct Framework Review (PCFR) was extensive and thorough, and our findings and recommendations were assessed by Former Federal Court Justice, the Hon. Dennis Cowdroy AO KC.

We benchmarked ourselves against international peer bodies and domestic professions such as Law Societies and engineering bodies. We found that we exceeded or matched international best practice. Where we saw need for improvement, we acted at pace to ensure member support, and in October 2023, our members voted overwhelmingly in favour of amending our By-Laws to strengthen our ability to respond to the contemporary issues we're seeing today.

This included:

- increased fines for firm events;
- stronger investigative powers for our independent Professional Conduct Committee; and
- the power to investigate members who have since left the profession.

The ability to impose more significant fines requires statutory powers under legislation, and if the government chooses to go down this path, we would gladly accept the ability to do that.

Last year we also asked our members, Board and representative council how we could go further. They of course want us to have the strongest powers possible to crack down on bad behaviour and the ability to take the strongest action possible. The result was our *Going Further* roadmap, which has been supplied to the Committee.

There are 14 actions in our roadmap, and for CA ANZ they include:

- implementing the recommendations from our PCFR and I'm pleased to say we have just received confirmation that the Governor-General's assent to the new By-Laws has been confirmed;
- introducing a new CA ANZ program for 'affiliate' members (including within large firms), so they are clear on their ethical obligations as members of CA ANZ specifically;
- making it mandatory for all our members to annually and formally reaffirm their commitment to a "Chartered Accountants commitment", which articulates the standards we expect from our community – or they can no longer be a part of our profession; and
- requesting the Accounting Professional & Ethical Standards Board to undertake consultation on the merits of amending the Code of Ethics to include a positive duty for members to report wrongdoing by other members.

But there are also actions for the rest of the regulatory system.

As we have said previously, there is more government can do to strengthen the system by:

1. acting on the recommendations of the Parliamentary Joint Committee inquiry into the Regulation of Auditing in Australia, which concluded in 2020. There has been no response from the government to date, and we urge the government to respond;
2. clarifying and extending ASIC's jurisdiction when it comes to regulating audit firms;

3. extending and strengthening whistleblower protections;
4. removing impediments to appropriate and necessary information sharing between agencies and professional bodies;
5. increasing transparency of the large multidisciplinary firms; and
6. refining the term accountant and requiring consultants to adhere to the same professional standards that govern accountants as part of its procurement process.

These are the steps government can take to improve the system.

<sup>[1]</sup> Global accountancy trust survey, conducted by Edelman DXI, June 2023.

<sup>[2]</sup> [2023-ethics-index-report.pdf \(governanceinstitute.com.au\)](https://www.governanceinstitute.com.au/2023-ethics-index-report.pdf) – September 2023

### **John Palermo:**

Reflecting on the recent Senate inquiry and particularly its insights into ethics in consulting and professional services, it is clear that we stand at a crucial juncture. I qualified as a Chartered Accountant in 1999 having worked in second tier and SMP firms. I am proud of our profession and the members we serve. This inquiry has shed light on significant areas where the profession can enhance its practices, promote ethical behaviour, and perhaps most critically, how it might need further legislative power to solidify these changes.

The outcomes and suggestions from this inquiry serve to highlight the inadequacies of the current framework in keeping up with the significant growth in professional firms. The conclusion of this process is expected to highlight a need for a deeper commitment to ethical practices within our profession.

It is evident that while many of us uphold the highest standards of integrity, there are gaps that need to be addressed. These gaps not only undermine public trust but also diminish the value of the services we provide.

We all share the collective responsibility to act ethically and in the public interest. In my view to collectively enhance and promote ethical standards and behaviour, the following factors need to be addressed:

- Continuous education on ethical standards in our profession. This includes not just initial training but ongoing professional development that keeps pace with evolving ethical challenges.
- Transparent Reporting: Establishing and promoting clear, accessible channels for reporting unethical behaviour is crucial, including more robust whistleblower provisions, protecting those who come forward from retaliation.
- Fostering a Culture of Integrity: Creating environments where ethical practices are woven into the fabric of firm operations and not an add on or after thought. Leadership at all levels should be fluent in ethical principles, setting a tone that permeates through the organisation (not just professional staff). The flow on effect will be that clients will also acknowledge and align with that position.

As raised in my opening statement there is a need for increased legislative power and regulation. Further legislative power to enhance the by-laws of Chartered Accountants Australia and New Zealand would allow increased regulation of conduct and ethical behaviour.



This presents a critical avenue for ensuring that ethical standards are not merely recommendations but enforceable standards that hold weight. To achieve this, collaboration with policymakers and stakeholders is essential. Collaboration is the key to ensuring successful outcomes from this inquiry across the entire profession. It involves not just individual accountants and firms, but also professional bodies, government regulators, educators, academia, the not-for-profit sector and even clients.

A culture of integrity, best practice and learning from missteps, will, collectively uplift the profession to a standard of excellence to be emulated by others.

### **Tinashe Kamangira:**

I came to Australia as an international student from Zimbabwe in 2002. My career is a testament to the transformative power of being a Chartered Accountant. My vision for the future of our profession is that we are an inclusive professional body that positively contributes to society. My vision is ambitious and is driven by a desire to serve not only our members but also the broader community we support in the public interest.

The recent unethical behaviour confronting our profession has posed significant challenges for us as a collective. While the disappointing conduct of a minority tarnishes our reputation, it must be acknowledged that the overwhelming majority of our 138,402 members do the right thing and uphold our ethical standards.

Our membership base spans a diverse array of practitioners, ranging from sole proprietors, small to medium practices, to large firms. In addition, our members hold key roles in various sectors, including top executive positions such as CEOs and CFOs in Australia's leading corporations, as well as significant roles in academia and the public sector. We have members who own and operate small and family businesses. Furthermore, like myself, many of our members actively contribute their skills, experience, and expertise to the not-for-profit sector, underscoring our commitment to societal good.

I define culture as 'the way we do things, especially when no one is watching.' The recent incidents underscore the critical importance of culture, leadership and accountability. Both the *Broderick* and *Switkowski* reports provide sobering insights into the past state of some of the largest firms. These reports offer recommendations to make meaningful improvements to governance, culture and the well-being of people. Regrettably, there has been a historical tendency within our profession to remain silent in the face of poor conduct – a positive duty to report will go a long way to fixing this.

As leaders, it is imperative that we establish frameworks conducive to facilitating communication of opportunities, challenges, and bad news up the hierarchy; as leaders, we must remember that frameworks, processes, structure, and tools don't manage risks – people do.

As I travel through Australia and New Zealand in my role as the President of Chartered Accountants Australia and New Zealand, I observe that the primary challenge confronting our members is the struggle to attract and retain talent within our profession. Addressing this requires us to recruit individuals from a broad spectrum of society. I take pride in the positive transformations I have witnessed within our profession, particularly the increasing inclusion of women and people from diverse ethnic backgrounds. Their presence enriches our profession, but to attract and retain them, we must enhance our practices, beginning with the leadership models we exemplify and our willingness to engage in introspection regarding the drivers of our conduct.



Being elected President has been an enormous privilege; I am acutely aware of the responsibility of this role. Authentic leadership can be inherently uncomfortable, yet it is indispensable in effecting meaningful change. Prior to making any changes to regulation, we need to clearly define the problem we are trying to solve. Any proposed regulatory changes must maintain proportionality, ensuring minimal adverse impact on small and medium-sized business practitioners.

#### **Simon Grant:**

I have been a Chartered Accountant since 1987, having qualified at a Deloitte antecedent firm in 1987, then into banking on the lending and credit side and back to the public practice in a role with Deloitte from 1997 to 2002. In 2002, I joined the Institute of Chartered Accountants in Australia, the predecessor to Chartered Accountants ANZ.

Professionally over this time I have seen the firms grow at a great rate and move away from their traditional roots in Audit, Tax, Insolvency and Business Services. This is due in part to the globalisation of business, the international accounting and auditing standards and by the global firms bringing the worlds' talent together to solve complex problems over the last 30 years, including with new and emerging technologies that interplay with the financial systems of corporations, government and wider capital markets. As such, our members have played a big part in making these capital markets more reliable as well as looking to safely embrace future trends including cybersecurity and AI.

Nothing made me prouder than our members' contribution during the global pandemic. In March 2020, some firms were very concerned whether their teams were even going to be well enough (and survive) for the reporting period for the year ended 30 June 2020. It was indeed an existential moment for our members in the firms, commerce, NFPs or government and the community.

While the government and major corporations rose to this challenge, the firms lifted and helped their people with new technologies and methodologies, so that the largest companies on the ASX and the smallest, could be audited from the bedrooms and living rooms in Australia's suburbs and regions. Small and large private business also immediately turned and leaned into the small / medium sized accountants in public practices in a fight for survival to help access government Covid funding that was vital to ensure the money flowed into the community to avoid what we all thought could be the biggest financial crash since The Great Depression.

I close by reflecting on the role of large firms in Australia. Their significant contribution is achieved through their global experience and the talent across traditional parts of their businesses and the multi-disciplinary nature of their consultancy services.

While the ethics of some have led us to this point, and solutions around firm structures and disclosures are being rightly considered, the Committees should not lose sight of the opportunities of expanding the ethical standards set internationally for all professional accountants through International Ethics Standards Board for Accountants (IESBA). This gift has been developed over many decades and their learnings and experience have been committed to standards which could be extended to all consultants – not just contained within the firms where they are already covered.

The Chartered Accounting profession stands ready to assist the Committees and Government to close the gaps that have grown over time, so that we are in a better regulatory environment for efficient capital markets and the prosperity of all Australians.

**Vanessa Chapman:**

Australia's corporate and public sectors benefit from access to expertise provided by consultants of all types and sizes, including large multi-disciplinary firms that bring together expertise across sectors and geographies. Many witnesses in this inquiry and others have acknowledged the value that consultants offer. Large scale and complex projects often require temporary resources and expertise that may not be available within an agency or business.

It is a matter for agencies and businesses to decide who and how to select, engage and manage the procurement of consultants. Public sector agencies are rightly accountable to the Australian public for procurement activities, consultant-related expenditure and contract management, and for delivery of projects. The Australian National Audit Office plays an important oversight role in holding agencies to account. I observe the positive steps the Commonwealth government is taking to build an in-house consulting capability, and to enhance procurement rules and consultation practices, that will help optimise public sector agencies' use of private sector expertise.

The corporate and public sectors, and the Australian public, also benefit from having a strong, competitive and well-regulated audit market and regulation of activities such as tax, advice and insolvency services. ASIC's statutory role in relation to the licensing of registered company auditors does not extend to proactive monitoring or oversight of firms' quality management systems. I see a public benefit in targeted and constructive regulatory reforms that promote public confidence, such as proactive monitoring and oversight of firms' quality management systems, ideally by ASIC as the licensing authority. This would support public confidence in registered company auditors and audit firms which might be regarded domestically as systemically important when they audit ten or more listed Australian entities each year, including the big 4.

I support targeted and constructive regulatory measures to promote reasonable levels of transparency about large firms' revenues, governance and operations, and to close a regulatory gap in terms of having Part 9.4AAA (or equivalent) whistleblowing protections apply to a broader range of 'regulated entities' to promote cultures of compliance (noting however that constitutional issues may preclude partnerships and trusts being designated as regulated entities under the Corporations Regulations and that other legislative mechanisms may be required). These and the measures outlined in *Going Further* will, in my view, promote organisational cultures of compliance and psychological safety, and reinforce the primacy of professional ethics in the public interest, as well as in the service of clients and others to whom professional duties are owed.

Finally, I am pleased to now have new, stronger By-Laws and Rules in place to respond to Members' misconduct and note and commend the work of the CA ANZ Professional Conduct teams in Australia and New Zealand and the many members of the disciplinary bodies who, without fear or favour, progress investigations and determine complaints in order to uphold the CA ANZ By-Laws, NZICA Rules, ethics codes and related pronouncements and to deliver evidence-based, procedurally fair outcomes in the interests of the membership, the profession and the public.

**QUESTION TAKEN ON NOTICE 9 – Paladin and KPMG**

**Senator O'NEILL:** *Could you provide a detailed analysis of where you are with that, now that you've been made aware of it in this instance. How many other public reports have you acted on or referred*

*to your PCC? Could you also give me an update on the public reports about PwC, Macquarie Group and also Lendlease and the ATO double-dipping matter, where KPMG has been the auditor for 65 years.*

The Professional Conduct team is assessing these matters to determine whether, and to what extent, publicly available information discloses any suspected breaches of the CA ANZ By-Laws, the Code of Ethics or related pronouncements and have made, and may make, inquiries to support this assessment.

The Professional Conduct Committee currently has approximately 170 monitoring, inquiry, formal investigation and complaint files relating to members in the big four. Details of monitoring activities, inquiries, formal investigations and initiated complaints are confidential in accordance with the CA ANZ By-Laws.