REPORT ON PROCEEDINGS BEFORE

STANDING COMMITTEE ON SOCIAL ISSUES

NEW SOUTH WALES UNIVERSITY SECTOR

UNCORRECTED

At Jubilee Room, Parliament House, Sydney on Wednesday 18 February 2026

The Committee met at 9:15.

PRESENT

The Hon. Dr Sarah Kaine (Chair)

The Hon. Anthony D'Adam
The Hon. Wes Fang
The Hon. Rachel Merton (Deputy Chair)

PREENT VIA VIDEOCONFERENCE

Ms Abigail Boyd
The Hon. Bob Nanva

The CHAIR: Welcome to the third hearing of the Standing Committee on Social Issues inquiry into the New South Wales university sector. I acknowledge the Gadigal people of the Eora nation, the traditional custodians of the lands on which we are meeting today. I pay my respects to Elders past and present, and celebrate the diversity of Aboriginal peoples and their ongoing cultures and connections to the lands and waters of New South Wales. I also acknowledge and pay my respects to any Aboriginal and Torres Strait Islander people joining us here today. My name is Sarah Kaine, and I'm the Chair of the Committee.

I ask everyone in the room to please turn their mobile phones to silent. Parliamentary privilege applies to witnesses in relation to the evidence they give today. However, it does not apply to what witnesses say outside of the hearing. I urge witnesses to be careful about making comments to the media or to others after completing their evidence. In addition, the Legislative Council has adopted rules to provide procedural fairness for inquiry participants. I encourage Committee members and witnesses to be mindful of these procedures.

Professor CORINNE CORTESE, Professor of Accounting, University of Wollongong, sworn and examined

The CHAIR: Welcome, Professor Cortese. Would you like to start by making a short statement?

CORINNE CORTESE: Chair and members of the Committee, thank you for the opportunity to give evidence. I have been an academic for almost 25 years across two universities. My research expertise focuses on regulation and regulatory structures applied to contexts, including accounting and reporting practices and corporate boardrooms. I have taught across undergraduate and postgraduate accounting degrees, principally in financial accounting, and I've spent most of my academic career at the University of Wollongong. I am not representing the University of Wollongong today. Rather, my evidence is given in my role as an academic researcher with an interest in regulation and governance.

The program of work that led to my submission to this inquiry arose from research that I was conducting with colleagues on corporate boardrooms. That work examined diversity within corporate boards and prompted me to consider the composition of university boards—their councils. This began as a diversity project, but as I repeatedly observed the prevalence of university council members with corporate backgrounds, I became curious. Around the same time, the widespread use of consultants in the public sector was becoming increasingly visible. I was seeing in my data that some council members were also consultants or were affiliated with consulting firms, and many restructures had commenced across the sector, often mentioned in connection with these firms. That initial curiosity crystallised into a dedicated research project that focused on councils, corporatisation of the sector and consultants.

I would like to emphasise at this point that I'm not seeking to cast aspersions on consultants as either individuals or as a group. I appreciate that consulting engagements may well have real value within university contexts. My observations stem from evidence that suggests there is a significant reliance on consulting services by universities, and a related concern that these consulting engagements are shaping and even displacing traditional university governance functions in ways that aren't transparent. This is more than consultants providing specialist or immediate advice to fill a genuine void; these functions instead stand in for deep sector knowledge, institutional memory and context-informed decision-making.

Alongside this observation, there sits a broader tension, and that is one of orientation. The managerial and market imperatives that drive consultants—and that, by the way, are perfectly reasonable and rational in private sector settings—do not align with the public mission of universities. Universities exist to serve national priorities to support critical and independent scholarship, and to protect academic freedom. These are features that sustain public trust, that underpin the credibility of research and that justify universities' legitimacy as stewards of public funding. These purposes sit uncomfortably—and sometimes very uncomfortably—with the corporate frameworks that consultants bring with them. Like many of those contributing to this inquiry, I share concerns about the state of the governance structures that currently frame our universities. I'm very pleased to be here and I welcome questions.

The CHAIR: You spoke about your research starting with board or council composition. I want to explore a bit more the link between that and the corporatisation of universities, and the consultant link. You've mentioned it a bit in your introduction, but I wonder if you can talk to it more. In your submission, you go into quite a bit of detail on this.

CORINNE CORTESE: As I said, I was first of all interested in the diversity of the university councils. It's a fairly mundane—in comparison—extension of the corporate board work we were doing. I was interested in the gender diversity and ethnicity of university boards. But once I started to look at the profiles of our councils and their backgrounds—where they've come from—I was shocked, actually, to see the extent of the corporate backgrounds of our council members. I was surprised, alongside that, to notice the limited higher education experience that came along with council membership. I looked at a few university councils, and then more, and it became a pattern. In my data—and I'm just focusing in this submission, obviously, on New South Wales universities—there are 177 council members across our universities. This is for 2024 data, which I focus on in the submission. There are only—elected staff—18 per cent of those being academic and professional staff. That's about 30 council members in total.

The CHAIR: Of the remainder, the vast majority of those are from accounting, finance, that kind of discipline?

CORINNE CORTESE: Against the orientation, some 46 per cent of council members are externally appointed, and the vast majority of those—slightly more than half, or 54 per cent—have a business orientation, so corporate consulting, industry orientations, affiliations with sitting on other boards.

The CHAIR: One of the things you mentioned in your introduction and in your submission is that there also seems to be quite a number of council members who are affiliated with external consultants. Do you want to explain a bit more about that?

CORINNE CORTESE: Some board members have as their substantive position partnership in a consulting firm, which was alarming, particularly given the media scrutiny at the time and other parliamentary inquiries that were going on about the widespread use of consulting services at universities and in the public sector. And also there's this—I can't think of quite the right word, but the vast majority, 90 per cent or more, of the biggest Australian firms are audited by the big four firms and seek their consulting engagements from the big four firms. There's that overlay of a network of interests and this web of complexity that already goes alongside with the big end of town that exists there as well, so the overlap there is significant.

The CHAIR: We've had an inquiry into consultants that Ms Boyd, one of our Committee members who's online, chaired, and we heard a lot of, "That's okay if you have consultants on boards or councils, because there'll be firewalls—just because someone's there doesn't mean it will influence." I'm a little sceptical about that myself, but does any of your research look at that?

CORINNE CORTESE: Yes. I think that's possible that there are firewalls that can be at play. But the scepticism that you have is well justified, particularly when there's no transparency of process, which is what we're seeing in the sector. We just don't know what's happening. That's where issues of trust, issues of what's happening here and questions around accountability really rise to the surface—when there's no transparency.

The CHAIR: That leads almost directly into the key questions that I wanted to ask. Much of what you look at in your submission is the annual reporting of universities. It seems to me that they are quite opaque documents where if you're trying to pin down consultant's spend, it's very difficult to be able to understand exactly what's happening. Could you describe the process you went through and if you feel you even got to understanding what was going on with consultants?

CORINNE CORTESE: Yes, absolutely. Before I do that, did you want to take Abigail's question?

The CHAIR: We'll do that after.

CORINNE CORTESE: Once I had gone through looking at the council membership and having the scepticism and the questioning around what's actually going on, I thought, "Okay, let's have a look at where the spending is on consultant and consulting fees." Then I went through the annual reports of each of the universities to see where are the consulting services expenditures being reported. That was a little bit of an exercise. Some universities disclose consulting expenditures as a line item in the income statement, which is fine—one way of disclosing it. Macquarie University and the University of Sydney have their consultant expenditures as line items in the income statement. Every other university discloses the consultant expenditure as another expense, so buried in amongst a huge "other expense" item. Then you are referred to a note in the back of the financial statements and you go in and you try to uncover it there.

Then each other expense item would call consulting expenses something different. Some universities would call it consultants and contractors. Some would call it contract services including consultants. Another would call it consulting and professional fees. This repeats for the 10 universities. It's very difficult then to discern exactly what we're seeing. How much really is the consulting expense and how much is contracting expense? Where do these amounts begin and end when we're thinking about consulting services? Where is the money being spent? It's very difficult to discern that information.

Ms ABIGAIL BOYD: Thank you for coming along this morning and for your submission, which is fantastic. Just coming off the Chair's questions in relation to conflicts of interest, one of the issues that we really tried to nail in our consultants inquiry was this idea of the infiltration of culture of consulting. So even if you have somebody, say, from PwC or KPMG sitting on a particular university board who may not be involved in any decisions to give work to their own consulting firm, the very fact of having so many consultants on boards—do you think that then leads itself to an increased use of consultants and almost like consulting salespeople being on all the different boards and normalising the idea that you have to go to a consultant as opposed to a university academic or someone else for advice?

CORINNE CORTESE: Yes, that's a really good question. Again, it comes back to the orientation that becomes sort of normalised within the council structure. Having a majority of council members that have a corporate orientation creates this kind of groupthink where it's normal to seek consulting services. Rather than if you were to have a group of academics that were the majority on the council, then it might be normal that those council members who are academics might say, "Oh, I know academic X in the business school who has that expertise in internal audit," or, "I know somebody in engineering who's a process engineer or in IT who could offer that service."

But instead you've got a group of essentially businesspeople whose normal way of thinking is, "Let's outsource that to a consultant who can help us with that. I know somebody from one of the big four. I know this other person who has given an independent opinion on this from a particular consulting firm." It's just about normalising the groupthink and how that happens. It's not to say that that's wrong. It might not be maliciously intended at all; I'm not trying to imply that. It's just about how that kind of embeddedness takes over the normal way of thinking because of who you've got helping to frame the decision-making. I think that's the risk. And we don't know, and that's part of it too.

The Hon. WES FANG: Professor Cortese, you've indicated that you have done a lot of work around governance in the university sector. You've said that you were surprised to see that there were quite a number of linkages between council members and consulting firms and there seemed to be a priority for corporate experience as opposed to an academic or university experience when appointing council members. How do we find the balance? Because surely if you've looked at the issue of governance, you've spoken about groupthink. If everyone was a representative of the academic or university sector, we would see a groupthink that would be too far the other way. Surely we must be able to find a balance between corporate experience, corporate knowledge, university experience and academic application of funds and expenditure. How do we make sure that we've got the right mix?

CORINNE CORTESE: Yes, that's a great question. I'm not sure what the right mix is, but I don't think what we've got now is the right mix. The evidence and current state of the sector would indicate that what we've got now is not really working. Some kind of rebalance of the quota might be good. If we think about how many students we've got enrolled at universities around New South Wales—probably about 200,000—and 10 per cent of council members are students. That's about 17 representing our students—that's not many—versus corporate members, which is nearly 50 per cent. I shouldn't say corporate members—council-appointed members, which are mostly corporate members. I'm not quite sure that that's right either. Lots of testimony has talked about having a skills matrix, and that's the basis of council-appointed members. I'm not quite sure that the skills matrix is right. Perhaps that's something that needs to be considered. It's not my area of expertise. I've looked at the appointments. I haven't looked at the appointment processes and whether that's right.

The Hon. WES FANG: If it's not your area of expertise, it's certainly not mine. But from a corporate perspective, diversity of views on a board is often valued by corporate members.

CORINNE CORTESE: Absolutely.

The Hon. WES FANG: It's certainly the case why sometimes you'll see sporting stars who have no direct corporate knowledge about an institution or a company appointed to that board because they bring a certain je ne sais quoi. There is something about what they do and the way that they do it that has meant that they're successful in their field and that success can be replicated through their appointment to a board.

CORINNE CORTESE: I agree, but I don't think we have diversity on university councils. I really don't think we have diversity on university councils.

The Hon. WES FANG: But would you agree that it's vital that we have some level of corporate knowledge and diversity?

CORINNE CORTESE: Absolutely. I do think we need to have—yes.

The CHAIR: We have got Mr D'Adam with a question. But I'll pop back to Ms Boyd, who seems to have recovered.

Ms ABIGAIL BOYD: Thank you—choking on my own air. I was just saying, in relation to the reporting, why is it that they don't report in a transparent way? Are they not subject to the same standards as other entities? Could we change the rules to make it so they had to disclose how much they spend on consultants?

CORINNE CORTESE: I think we definitely should look at changing the rules about how consultant expenditure is disclosed. I think it's probably a little bit historical, the reasons why we don't have good reporting in the university sector on consultants. It's a mess, frankly, the reporting on consultants. There's bits everywhere. There's nothing uniform. Possibly there's not been anything to compel reporting uniformity. There is, hopefully, from this reporting year, if I can just find the name of the directive—it's a Treasurer's reporting directive. I'll find it as we go on. That will ask universities to report their engagements more clearly. So that might help. But there is a possibility for exemptions to be sought. Let's see what happens there. But I think part of the reason we don't have good reporting is because universities haven't needed to report.

The Hon. ANTHONY D'ADAM: I wanted to ask about the question of diversity that you mentioned. What can you tell us about the gender and ethnic—I also want to raise the question of class diversity because I think we often just ignore that as a category. But drawing on people from lower socio-economic parts of society brings a different perspective, particularly given that the university sector tends to be dominated by people from higher socio-economic backgrounds. Perhaps if you could talk to what you've observed in terms of those categories—gender, ethnic and class diversity—in terms of university governing councils.

CORINNE CORTESE: I can give a bit of a brief comment on that. It's outdated now. That was a 2023 part of the study. Then, once I got into this corporatisation piece, I put that aside and was all in for this. But the gender diversity is balanced actually on our councils, which is good—roughly half and half male and female. Ethnic diversity—our councils are quite white. There's not much ethnic diversity. Certainly more than the corporate sector, but there's not balance that we saw in the data. In terms of class, that's a difficult one to discern. We did look at education qualifications and most of our council members hold—particularly externally appointed—a bachelor degree. Some hold higher bachelor degrees, PhDs. They're normally the ones in the education and research category, not necessarily in the business category. Normally they would hold a bachelor degree, maybe a master's, an MBA, but really above that.

The Hon. ANTHONY D'ADAM: I don't know whether you've heard some of the earlier evidence that has been taken by this Committee, but one of the issues that I think has arisen is that many of the council members that are appointed are actually recommended based on a system of corporate networks. I wondered if perhaps you could offer some comments about that dynamic. It seems that councillors are tapped on the shoulder by key leaders within the existing council membership. So they're drawing on a limited pool of people.

CORINNE CORTESE: Yes, I have heard that testimony and your particular comments on that, which I found very interesting. I agree. It's like an elite network that perpetuates. Someone serves on a board here together and then they come to know each other and this is how the cycle kind of filters around. I think that that's certainly the case. The appointment process—I think it would be good to scrutinise and perhaps think about how we better regulate that or manage that. Again, it's not been my area of focus and it's certainly not my expertise. HR matters—it's not my focus.

But there is some irony, I think, because, if we think about how corporate boards are formed, typically the corporate board members are appointed because they've got years of experience in the sector that they're appointed to—or at least adjacent sectors. Yet we don't see that really in university councils. They would perhaps have attended university or have a degree, but often these externally appointed members are, as you say, drawn from an elite network or in some similar way. But we go to shop at Woolies, but we can't serve on the board of Woolies. Or we've been to hospital, but we can't serve on the board of a hospital. Those kind of similarities, I think, are difficult to—

The Hon. ANTHONY D'ADAM: I've just got one further question. There are two components to it. The first one is there seems to be a bias against the notion of elective selection as opposed to appointment based on a designated skills matrix.

CORINNE CORTESE: Absolutely.

The Hon. ANTHONY D'ADAM: Certainly from my experience at Sydney University in the past, the alumni used to elect a substantial proportion of the university council and that was through an open, transparent, elective process. But there seems to be this notion that somehow that's a flawed way of selecting people, which I find kind of ironic given that we live in a democracy and we don't propose that our leaders are appointed in some opaque process but through an open and transparent process. Yet, when it comes to governing significant institutions, there seems to be this bias against having elected people dominate the board.

CORINNE CORTESE: Yes, I agree.

The Hon. ANTHONY D'ADAM: Perhaps if you could offer some comments about that.

CORINNE CORTESE: Absolutely. If we are to think about the appointment process for students and for staff, there's an expression of interest. We read their profiles. Staff have a link that we vote anonymously. We select our favourite person—not our favourite; our preferred person. Favourite is the wrong word. Then they are chosen to represent the staff and student body on council. Then the alternative is we get an announcement. We have a new council member appointed by the chancellor. This is our person. There's no insight into how that process takes place, which is a huge problem. There's no similar open and transparent process which—you're absolutely right—I think it's a problem.

The Hon. ANTHONY D'ADAM: This question around the skills matrix that's applied, it seems to narrow the pool. I suppose there's an open question about whether people need to bring the skills to the board or whether their role is more about accessing expertise to assist them in a decision-making process. Perhaps you could offer some comment about the question of whether the skills matrix is reducing the pool of people who are able to be appointed to boards.

CORINNE CORTESE: It well might be. I don't know what the skills matrix is, actually. We've all heard about this skills matrix, but I'm not quite sure what it is. I assume it follows roughly the legislative requirements that someone has to have financial expertise, expertise with infrastructure decisions, uphold the responsibilities of the university. In my opinion, there's no reason why that person couldn't be drawn from academic staff. There's lots of academic staff who have all of that experience—in bounds—but it's always that person is drawn from outside, for some reason.

The CHAIR: Could I perhaps follow on from Mr D'Adam and your answers about transparency. In your submission, you talk about concerns about noncompliance with GIPAA requests and GIPAA disclosures. I wonder if you could speak a bit about that and what those concerns are based on?

The Hon. WES FANG: It sounds like the State Government.

The CHAIR: Thank you, Mr Fang. Professor Cortese?

CORINNE CORTESE: I'm comfortable in GIPAA. Thank you very much. After I had been through the annual reports, looking for consultants expenditure, I think I found a total of $640 million on consulting spend. That was a shocking amount to me, as it would be to a lot of people, for one year. I figured there was something off about that because there was so much bundling with contract and professional services fees, and what does this mean? I decided I would have a look to try to get some more granular data, so I figured I would take a look at the GIPAA disclosures and every university's contract register to try to get some more information. In doing that, I had a look at more than 2,200 GIPAA records for these 10 universities.

Just as an observation, those GIPAA registers were incredibly difficult to access, difficult to locate. Once I found them, they're difficult to get information out of. There was information that was missing, redacted, withheld; inconsistent reporting; consulting engagements were often categorised in different ways, so it was difficult to figure out the information. Given that there were so many, I focused my review of those records mainly around the big four, because that followed along with other inquiries that were going on at the time around those consulting firms. I also extended to look at Accenture, Gartner, KordaMentha, McKinsey, Nous and Scyne, because those firms are also known for their strategy and advisory work in higher education.

Looking at the 10 universities, I found about $129 million in consulting expenditure for 2024 within those firms, but again just not consistent. Transparency was difficult to get a good handle on. One university contract register made no mention at all of those firms. I was really puzzled about that. This was the University of Sydney. I was surprised because there was "consultants" as a separate line item in the annual report for $18 million, but there was nothing in the GIPAA register. I thought, "I can't believe that University of Sydney would fail to meet its disclosure obligations," or that it wouldn't engage any of those firms when every other university was. It just felt strange to me. Anyway, that was the next piece. I got busy doing some more research there.

University of Sydney's annual report helped here because there was a small piece in their annual report that talked about the Annual Reports (Statutory Bodies) Regulation, and this probably comes to Ms Boyd's question from earlier. This regulation talks about an exemption from a requirement to disclose consulting engagements if that engagement was commissioned by the governing body or council of a university. That regulation has been repealed, but the exemption has been carried through to the Government Sector Finance Act. To circle back to the University of Sydney, the absence of disclosures of the University of Sydney is not actually a compliance issue; it's just like a longstanding legislative provision that applies to all university governing bodies. If they commission the engagement, they don't have to report it.

Now I don't know what I'm looking at in these GIPAA disclosures. Is it all of them or is it some of them? Is it a few, none, some? What are we actually seeing? I'm really not sure. Just an acknowledgement—and here is what I was trying to find earlier—the Treasurer's annual reporting directions should help here—hopefully helps—and there's a requirement there that universities do disclose their obligations with regard to consultant engagements, from this year. Let's see what happens.

The Hon. RACHEL MERTON: Professor Cortese, if I could take you back to figure 2 of your submission, which shows 56 per cent of university council members have affiliations to corporate, consulting and industry groups. I am just checking, are we aware of the extent of the affiliation with the membership of the 10 university councils? How many affiliated council members would be holding positions, or prior positions, with the relevant consulting firms?

CORINNE CORTESE: With the consulting firms, or with corporate and consulting—46 per cent.

The Hon. RACHEL MERTON: In terms of table 2 of the submission, which refers to the consulting-related expenditures. We have the total of that expenditure, being $640,594,000. Is it possible that a higher amount could have been spent on external consultants as to what is captured here, given it's embedded and remains a bit unclear?

CORINNE CORTESE: Absolutely. There could also be less, since that is likely to also include contract services. As I said, the reporting is just so difficult to unpick that I'm just really not sure. Some of the amounts include contract services, consultants and contractors, professional services. I'm just not sure what amounts are included in that. Then, with that reporting exemption, where we don't know whether all consulting contracts are captured in that, I'm just really not sure. That's to the best of my research. I was able to pull out what's been publicly disclosed and put it in there. That's the best I could do.

The Hon. RACHEL MERTON: If I could just return to the issue of membership of university councils. I note that you make reference in your submission that membership must include designated officials, and in the list you also mention ministerially appointed members. I wonder if you might be able to elaborate on what we know about appointed members.

CORINNE CORTESE: The ministerially appointed members?

The Hon. RACHEL MERTON: Yes.

CORINNE CORTESE: Not much—just that they can be ministerially appointed.

The Hon. RACHEL MERTON: Would there be any council members in place today that would be ministerial appointments?

CORINNE CORTESE: Absolutely, yes. There are usually two or three.

The Hon. RACHEL MERTON: On each university council?

CORINNE CORTESE: Yes.

The Hon. RACHEL MERTON: You also touched on the audit provision of some of the big four consulting firms. Just breaking that down further, the issue of independence comes up here in terms of the same firm providing an audit function in addition to non-audit advisory consulting functions. Do we know anything around that about disclosure? If the firms are going to audit, what else is the same firm doing for the same university?

CORINNE CORTESE: All universities are audited by the Australian National Audit Office. The big four, for example, don't audit universities. They can provide consulting services. They can also be internal auditors, but they can't be external auditors. Because universities are public sector organisations, they are audited by the public sector auditor, which is the Australian National Audit Office. There is no conflict there in terms of the auditor and the consultant that is often a concern in the private sector.

Ms ABIGAIL BOYD: One of the things we found in our consultancy inquiry with the use of consultants in government agencies and other places was that with the hollowing out of staff, you then ended up with an influx of consultants acting as contractors. I have spoken with people in universities who say that in IT and other non-academic areas, where there has been staff cuts—often instigated by a consultant report—those staff cuts are then quickly made up for by the employment of consultants as contractors into previous staff positions. Have you seen any of that in the reporting? Is there any indication or evidence of that in the actual reports coming out from the universities that you've seen?

CORINNE CORTESE: Not that I've seen directly because a lot of the contract disclosures don't say much. They would just have the amount, the contractor, and then a lot of the contract details, there's no information about who's employed to do the job and not even much on the purpose of the engagement. But anecdotally, there are people that leave an institution and come back as a consultant working for the same institution or another institution. There is a lot of that going on, unfortunately.

Ms ABIGAIL BOYD: We might have to ask the unis for that breakdown of labour.

The CHAIR: We are at 10 o'clock, which is the end of our session with the professor. Thank you again, professor, for your submission and for appearing today and sharing your expertise. We do appreciate it.

CORINNE CORTESE: You're so welcome. Thank you.

The CHAIR: I don't think you took any questions on notice, but if there are supplementary questions from the Committee, our secretariat will be in touch with time frames. Thank you so much.

(The witness withdrew.)

Dr DAVID BOND, Director of Online Programs, UNSW Business School, affirmed and examined

Mr JACK THROWER, Senior Economist, Australia Institute, before the Committee via videoconference, affirmed and examined

The CHAIR: I welcome our next witnesses. Would either of you like to start by making a short statement?

DAVID BOND: No.

The CHAIR: Mr Thrower, would you like to make a short statement?

JACK THROWER: Yes. I will make it brief. Essentially, I wanted to give a brief explanation of what research the Australia Institute has been focused on in this sector. It's essentially been returning the university sector in Australia as a whole, including New South Wales, to the public goods of teaching and research, which is its purpose. We've seen too much that things are prioritised to maximising surpluses, enhancing privileges and the status of senior management while students and staff have suffered in the current system, including wage underpayments, declining quality of education and research and things like that. We believe that we're currently in the worst of both worlds between a public and a private system. This system takes a lot of public money, both in the research and teaching grants and things like that, but isn't accountable in the same way as public institutions generally are. It's great to see that New South Wales is launching an inquiry into this, but it's rare to see, either at the Commonwealth or State level, this sort of public inquiry and attention on these issues.

Meanwhile, while it has some privatised features and the high pay that you see in the corporate sector—and what we would argue is wasteful competition between universities on things like advertising and essentially competing for the same student pool, even though these are all public institutions that are all working towards the same public goal—it doesn't have the private accountability of the private sector either. While vice-chancellors are paid like CEOs, they don't face a board or regulatory oversight in the same way that private companies do. I will finish up by underlining that the solutions here are going to be about reforming structures and aligning incentives, which will mean starting reform at the top, reforming the ways that university councils and their equivalents work and, essentially, aligning their incentives towards the public good.

The CHAIR: Dr Bond, I note you were here for the evidence of Professor Cortese. You created a YouTube video about finances at UTS over a 10-year period. Part of that was looking at where to find information. I wondered if you could give an overview of what you did, where you found information, and where the challenges are in terms of transparency to understand the spend of universities generally, and on consultants in particular.

DAVID BOND: The source of that information was publicly available through, primarily, the annual reports, which are available through the university websites. We're not talking consultants specifically at this point but the general sweep of the information provided. There is a level of consistency across the sector in terms of the line items that you see on the face of the income statement. As Professor Cortese mentioned, once you start to drill into other expense items and into the notes, there is a level of divergence in terms of how different universities will provide that information. But for the most part, there is information provided through that. For someone with a background in knowing where to look, the actual available reports—if you know where to look on the university website, and Google obviously helps as well in that sense—are relatively accessible. Within the actual statements themselves, they can be quite lengthy documents, but, again, with some level of base financial knowledge, it is relatively easy to navigate where to find the majority of information.

The CHAIR: That's sort of general income expense information. When it comes to specifics about consultant spend, contractor spend and service spend, how easy would it be for your layperson to be able to break down those categories and understand what was going on? You're not a layperson, so it's hard to reflect.

DAVID BOND: If you're speaking of consultants specifically, and having heard the previous evidence, I would support that in terms of 2024 and the reports. There are some differences that have happened over time, but for the 2024 reports, as was mentioned, only two universities provided or disclosed recognised consultants as a line item on the income statement. The remaining universities did not and provided that as a note disclosure within other expenses. As was also noted, and I have obviously in my notes, there is a level of difference in terms of how that information is provided—consultants, consultancy, professional services, contracts, contract services. To the extent that I have any assurance about whether that line within other expenses is saying the same thing, I don't. It does go to a number of other expenses listed where it's actually, from an outside observer, quite difficult to understand what that necessarily pertains to.

The CHAIR: Universities are obviously complying with accounting standards and those kinds of things, but "person in the street" transparency around this particular expenditure is quite difficult to unpick.

DAVID BOND: It is. Of the 10, one university—and, interestingly enough, it's UTS—actually provides quite extensive disclosures around the consultants spend. In line with TPG25-10, the Framework for Financial and Annual Reporting, they don't seem to have exercised that exemption option. They have actually provided that, which is great. I think there are opportunities to look at how that information is then provided and aggregated to make it more meaningful to a user, and I am happy to speak on that as required. But they do actually provide that, whereas the other universities have either explicitly noted that they have taken the exemption or just make no comment at all.

The CHAIR: Mr Thrower, if I can go to you, the Australia Institute has done a lot of work in the university space and on expenditure in particular. I know that there's the particular report about highlighting the large travel, marketing and consultant spend. What types of information should councils be required to publicly disclose that they currently do not? We've just heard that they're doing what they legally need to, but what would be a better option around that for transparency?

JACK THROWER: We did have a specific recommendation in our submission to the Federal Senate, which was to require all universities to provide, along with their financial reports, a separate and itemised consultancies disclosure report, as is currently the case in Victoria. The Federal Government has flagged that they are planning on increasing disclosure requirements regarding consultancies. I think that the itemised, particularly above a certain level, is important because in our experience there is quite a lot covered under the category of consultants. When we've published research about this, we've been criticised or pushed back on by universities who are saying, "That's actually including a lot of things," which is certainly their right. But the fact that we're unable to make assessments based on publicly available information sort of proves the point in a lot of ways.

For instance, ANU, which we've had a particular focus on, has announced changing their disclosures for the level of detail they go into on consultants. It would be sort of going to the same recommendation as we had before. Itemised consultancies would potentially only be above a certain level, but even some of the smaller spending on consultancies that have only come out through things like Senate estimates and freedom of information requests have been quite shocking. There was a case with ANU where it appears that during a lot of negative media they sought the services of a reputation management firm for $6,000, which is not a lot of money in the scheme of things, obviously. But an FOI that asked for the results of that was responded to that there were no written materials either from notes made from the meeting or written materials provided by the company or anything like that. Even some of these smaller things, like the fact that you can spend $6,000 and have absolutely nothing to show for it, are quite shocking. Even some of the smaller spending can be not a good use of universities' money, so much of which comes from the public.

The CHAIR: I might go to Dr Bond. We've had some suggestions there. In order to make information more accessible to your layperson, would you have suggestions that would help or best practice or examples?

DAVID BOND: Yes, I have a number of suggestions. Some relate to, I suppose, the annual report and the financial statements themselves and some relate to the potential for other disclosures. In looking through the GSF and some of the frameworks that already exist, I think there's actually scope to be able to do that quite readily. The first would be that universities are required to recognise expenses relating to expenditure and consultants on the income statement. We already see two doing that; the remainder don't. To make it more salient to the audience would be helpful—to make it more salient for those that are using it. The second would be to take—not all expenditure on consultants is actually expensed. There's a difference between the money that is spent on consultants which ends up in the income statement and money which is spent on consultants which is capitalised and ends up being built into an asset of the university.

The CHAIR: Could you give an example of that?

DAVID BOND: Yes. If there's money spent on, say, architecture or design, which is included in capital works, depending on the actual fact pattern of the situation, that may well end up being capitalised into the cost of the asset. To give you an example of the materiality of that, for UTS—and this is the only one where it's possible to do because they actually have provided disclosures around this in 2024—in their additional disclosure, they noted that they had a $41.44 million spend on consultants, whereas what they've expensed is in the order of about $32 million. There's a reasonable percentage of the spend which is not being seen in that expense line, even if it was to be in the income statement.

I think to have an additional disclosure within the notes to the accounts which includes all spend on consultants, whether or not it be expensed or capitalised, would be beneficial. Within my reading—and I'm not a lawyer, so I'll have to caveat that here. Within the GSF, in section 7.11, it does seem to provide the option, based upon the Treasurer's directions, that the format—the preparation, content and presentation of annual reporting—can be set. It seems to me—again, I'm not a lawyer—that there may already be a mechanism in place that if there is direction from the Treasurer, those items would be included in the reporting.

The CHAIR: Mr Thrower, I want to ask some more general questions about governance. The Australia Institute has been very active in this space for a number of years. We had a previous witness talk about the corporatisation of the councils. In your submission to the Federal governance inquiry, you stated that decades of pressure to make universities more "business like" have produced scandalous consequences. What specific governance failures do you consider to be a direct result of this corporatisation? It's a big question.

JACK THROWER: It depends in some ways on how we're defining the corporatisation. If it's broadly defined, then I'd say most of them. Zooming out, one of the big changes has been the move away from collegiate models of governance, where academics are governing themselves in some ways through representatives and things like that, and more towards this managerial, top-down model. The thing that I've been focusing on in recent months is the role of university councils and how currently the vast majority of people on university councils are either appointed by the council themselves or appointed by government, usually with some heavy involvement of the council through a subset committee. Usually the council is quite involved, which essentially makes these things not really representative institutions. They're more self-perpetuating.

The counter-example would be that the Parliament is elected by the people. The people rate how well the Parliament has been performing and then they either re-elect or elect out the government. In the business world, you have the shareholders elect the board. If they're unhappy with the performance of the board then they can also get rid of the board. Whereas for university councils, as they currently are, the main incentive that they have is not towards—because they're not directly accountable to—their main constituents, which would be students and staff. The main incentive, structurally, that they have is towards maximising the prestige of the association with the institution or networking with other high-powered individuals and things like that. I think that would be one of the key things.

From that, you can see where various scandals come from. For instance, the high pay of vice-chancellors seems to be partly attributed to the fact that the chancellor and the vice-chancellor have quite a lot of sway over the university councils. A lot of these scandals you see around things like huge consultancy spends, huge travel expenses, large building projects that don't seem to have much to do with the central purposes of the institution but do boost the prestige of these institutions, sort of stem back to the fact that university councils—their incentives aren't aligned to maximising the quality of teaching and research; it is more towards the immediate prestige of the institution and the entitlements of senior management and things like that. Those sorts of scandals and other things like huge wage underpayments—you can see how these are all linked to the fact that the incentives for the central governance structure aren't aligned with outcomes such as teaching and research or the welfare of students and staff.

The CHAIR: It was a big question, so thank you for having a go at it. Before I pass to my colleagues, I want to ask a very particular question. The Australia Institute has looked at ANU and the University of Newcastle and at least called into question whether they really had a financial crisis as the basis of their restructuring agendas. We've since seen similar claims at UTS. Do you have views on the UTS case? Are we still seeing this, or has there been some slowing of the financial crisis narrative?

JACK THROWER: I haven't looked into the books at UTS in particular, so I don't think I can comment in an informed way on that. What most universities call underlying operating results, which we've called into question at ANU—usually it's found outside of the audited financial statements, and often it appears to be the university's own assessment of what their actual financial position is. But, as I said, it's not included—or at least in the case of ANU it's not included—in the financial statements. We've raised a lot of questions around why certain things have been excluded, particularly around why a revenue stream has been excluded but any expenditures related to that revenue stream have not been excluded. If you start excluding revenue and not excluding expenses, you're obviously going to look a lot worse. I don't know if it has slowed in very recent times but, as far as I'm aware, the University of Newcastle only started reporting this underlying result last year or very recently. It hadn't previously reported on this metric.

The reporting of different financial results, from my perspective, seems to be spreading. More universities are doing it than they used to, including the University of Newcastle. Interestingly, I think part of it is also how it all plays into the general political and media narrative. For instance, ANU—there was a lot of reporting. One of the main reasons that we wrote that report is because there was so much media reporting on how big ANU's underlying deficit was, even though that wasn't their operating results as found in their financial statements. But interestingly, for some universities, even though they do claim an underlying deficit, the media doesn't pick that up in the same way. For instance, the University of Sydney, I noticed, for 2024 had an operating surplus of over \$545 million—so half a billion—but reported an underlying loss of \$68.6 million. So they managed to turn half a billion in surplus into a loss.

The CHAIR: Can I interrupt there? Just for the non-accountant's brain, and perhaps Dr Bond might have a view on this or be able to demystify it for me—picking up from where you've just left off, Mr Thrower, about how what can seem to be quite a large surplus can be reported as a deficit, but also this idea that revenue streams can be excluded but expenses on those streams can be included—Dr Bond, is there an accounting reasoning that would help me understand how that's a possibility? Sorry, that's putting you on the spot.

DAVID BOND: Mr Thrower has been discussing around what we call non-GAAP earnings. The statutory accounting requirements are where the income statement, balance sheet and so on are generated from, which is a set of rules that in the Australian setting come under the Australian Accounting Standards. Those have specific requirements in there. There is some flexibility within them but there is a framework there that works. Non-GAAP reporting, underlying earnings, things of that nature—and much of this may be a frustrating answer—it depends, because what that does is it moves away somewhat from the regulated framework to allow companies, and this is something which you see in listed organisations as well, have choices that they get to make around what they include and what they exclude. As to the logic behind those choices, that is then up to the organisation in question as to how they've come to that.

The CHAIR: That's a bit like a choose your own adventure. If an organisation or a company was trying to be a bit clever, then what you choose to include or exclude obviously paints a particular picture. You spoke earlier about disclosure notes. As an organisation, are you required to explain or provide—

DAVID BOND: Yes, there are reconciliation requirements in there. So they should—and this hasn't always been the case. It was a growing trend through the last 15 or 20 years or so, but there have been changes to requirements, which have required organisations to provide a reconciliation. How that pertains to the university sector, I would have to take that on notice. But there are reconciliation requirements.

The CHAIR: Would you mind doing that? That would be helpful. As I said, it's for the uninitiated. Understanding that you can put some things in and put some things out and how you explain that and where you find that explanation et cetera would be really helpful.

The Hon. RACHEL MERTON: Dr Bond, the Committee has received multiple submissions raising concerns about the corporatisation in the governance of the university sector and the negative impact on academia. Has there been pressure put on your school to reduce things like course offerings or academic study leave or other restructuring pressures?

DAVID BOND: In my personal experience at UNSW, no.

The Hon. RACHEL MERTON: Just further to that, there's also been reports in terms of students unable to engage in in-person course offerings and encouraging students to study online instead, appreciating some flexibility there—just wondering what your insight might be on that.

DAVID BOND: I do note that I'm the Director of Online Programs, so the online piece is obviously quite salient. But our programs are devised to serve a market need, where there is a desire to study that way. We, as a broader institution—I mean, face-to-face is important, so there's no push to move things purely online. I think there is some level of providing options if that suits the students. But yes, we haven't—again, from my knowledge—gone down that track of trying to move people online.

The Hon. RACHEL MERTON: Dr Bond, checking what percentage of your students would be international fee-paying?

DAVID BOND: The portfolio that I'm involved with is probably 95 per cent to 97 per cent domestic. I can't speak to the rest of the university.

Ms ABIGAIL BOYD: Thank you to our witnesses for coming along and giving us the benefit of their experience. I want to ask a couple of general questions. Do you think that the consultants are driving a race to the bottom when it comes to university quality? It's a big question. I will put a bit of context around that. I'm thinking, for example, of the Nous benchmarking product that they have where they're constantly saying to people, "Oh, X University did this and they saved X amount of money. When we benchmark you on that, you could also run that same program and make those same savings." Do you think that lack of diversity in approach to how to run a university is running the overall level of universities down into the ground?

DAVID BOND: At a broader context, I'm not in a position to comment on that. At a local context—and I'm primarily on the education side—quality and what we do for the student experience and ensuring quality in terms of programs is one of the highest priorities that we have within the work that we do. But at a broader university level, I'm not well placed to comment on that.

The CHAIR: Mr Thrower, did you want to answer Ms Boyd's question?

JACK THROWER: I wouldn't be surprised if that's true. I haven't looked particularly into it. My brief research into that sort of Nous model is that it does seem to be quite opaque. There has been some general concerns that the sort of one-model-fits-all idea that you are seeing from particularly these consultants is having a negative impact on the quality of university education. Consultants are often more symptom than cause, in that—as we've seen not just in the university sector but also in government and things like that, the various reasons that people use consultants, such as reduction in the corporate capability of different organisations and trying to avoid accountability, and obviously there's a bit of a feedback loop because once you do it once, then you degrade your own institutional capability and build up expectations and working relationships and things like that.

But I don't know that I would say that consultants are the main cause. It's more a symptom of increasing commercialisation and lack of accountability in the sector that is both increasing the use of consultants and expensiveness. Sometimes it seems like consultants are being used more as cover for things that the university management wants to do. Then they get a consultant to have a report that says, "It turns out that your idea was a good one all along." So I don't know if that sort of touches on some of the issues there.

Ms ABIGAIL BOYD: Yes. I think we've seen that evidence already in our inquiry of where there seems to be a decision made, then the decision-based evidence-making occurs after the event and you get the consultants in to back the decision that you already want to make. But I'm trying to unpick what I call the infiltration of consultants into every aspect of what used to be public institutions. When you think about somebody like Nous Group, which has really cemented itself now in the education sector, it is using the data that it has derived from all of that consulting work and then feeding it back into a benchmarking product that it is then trying to market to universities. Nous Group also was involved in a lot of the Commonwealth's work around the Universities Accord, including summarising submissions and doing all sorts of work that some might have thought was a bit of a conflict of interest, and it is now marketing those products to universities. If we don't want to call it an individual conflict of interest, if we want to call it a cultural embedding, do you see that as a problem for the sector?

JACK THROWER: The concern with consultants is broader than the university sector. It is concerning that, with the degradation of institutional capacity both in the public sector—as in the public service—and universities—I do agree that it is concerning and that it seems to be an accelerating trend in the sense that, as you rely on consultants more, then you do lose the capacity to do the work yourself. Then you are seeing things like the build-up of these models. Without even casting aspersions on conflicts of interest within organisations and things like that, even assuming full firewalls between these things, the fact that you are seeing the increasing influence of consultants at various different levels in areas of traditionally public sector work and, in this case, universities, it is concerning, yes.

Ms ABIGAIL BOYD: Dr Bond, do you want to respond?

DAVID BOND: No.

Ms ABIGAIL BOYD: Not touching it with a barge pole.

The Hon. ANTHONY D'ADAM: I want to pose to both of you the proposition that a lot of what's happening in terms of the governance of universities is actually driven by the increasing dependence of universities on foreign student revenue. I'm persuaded by Jeffrey Pfeffer's resource dependency theory that organisations basically evolve to adjust their behaviour to support where they get their primary source of resources from. Do you think it's fair to say that that's the major contributing factor to what we've witnessed in terms of the evolution of university governance culture?

DAVID BOND: I wouldn't be able to comment on the governance culture. It's not an area I have expertise in, but I think it's no secret, because it is disclosed where fee revenue and government revenues—and the changing of importance of those as a mix to the sector over the last 20 years or so. There has been an increasing need to generate revenues through other sources because that government revenue has declined. You see that in certain institutions. University of Sydney, just to throw a mention—there was a $500-odd million surplus this most recent year. I think in 2020-21, there was a billion-dollar surplus. That was heavily driven by upticks in fee revenue. Now, whether they're international students or fee-paying domestic students, it's hard to ascertain. But that is certainly a real part of what is going on within universities. What impact that is having on the culture from a general perspective and from governance, it is again outside my expertise to comment on.

JACK THROWER: I don't think I would say that it's the cause of the governance failures. The reliance on international fee revenue is a structurally strange way to fund what are, at the end of the day, public goods of research and teaching, particularly research, because research is structurally underfunded in the Australian system. One of the main ways that universities are able to fund their research is through international students. Instead of governments recognising that research has all these benefits, they have essentially tied it to a services export—in the same way as you would assume that there would be strange outcomes if we tied the funding of our health system directly to exports of iron ore or something like that.

If something was tied to that directly, then you do see strange behaviours to ensure this revenue stream, which is definitely profitable. There are a lot of other revenue streams where the profitability or the ability to bring in more revenue than they cost—for a lot of universities it's unclear whether it'll cost more than it brings in in revenue, whereas international students seem to definitely bring in more revenue. The fact that you do see universities really trying to make sure that they have enough revenue to pay for their research has led to various behaviours that you wouldn't see if you actually just had the public properly fund these things and not hide that revenue and expenditure in such a way.

Whether that's a governance issue, I don't know if I'd agree, in that I think that you can have good governance structures, that everything is non-scandalous and transparent, and you can have situations in which an institution is doing badly on the books. In terms of if everyone was running actual deficits, they could both be running deficits and be well governed, through no fault of their own, if that makes sense. I don't think that it's necessarily a governance problem. I would put the governance problems down to the lack of connection between students and staff and university councils.

The Hon. ANTHONY D'ADAM: My proposition is basically that the governance problem arises out of the orientation of the universities to be, effectively, export focused rather than focused on the internal domestic public interest of serving the Australian community rather than focusing on chasing the international student market and orienting the university's operations towards that focus. It has to have an effect, doesn't it, if the priority of the university is to attract international students? We heard evidence in this inquiry about that. One of the justifications for the major building works at the University of Technology was that it was about creating an environment that was attractive to students. Clearly the logic is filtering through to the decision-making in the governance structures that, really, the priority for the university is attracting and maintaining the flow of international students so that those revenue streams are constant and stable. Do you think that's a fair observation?

JACK THROWER: I do think in terms of the increased reliance on what could broadly be seen as commercial and more businesslike sales stuff, which includes a large amount of the kind of stuff like commercialisation; but also, yes, a large amount of the revenue is from international students, and has devoted attention towards that sort of revenue maximisation, including through international students. I would agree.

The Hon. ANTHONY D'ADAM: I want to pose another one last question. I think we're operating on an assumption about the structure of university governance that's premised on a central university council. This is for either of the panellists. Do you think it's possible to conceive of a governance model that is more decentralised? I suppose, ultimately, it's about the questions or decisions that are made by the university council and whether those decisions could be made at other levels. I'm thinking some UK universities operate on a college-based model where you've got a cluster of, effectively, autonomously governed institutions clustered together in a university. Is there another way of conceiving of how our university system should be governed other than this centralised model with a university council that has overarching control, effectively, over most of the decisions that are made in the university?

DAVID BOND: I suppose our response to that would be that universities, for most in the sector and not just in New South Wales but across Australia, are very large, diverse institutions. To be able to manage that, to govern that, would be incredibly tough to be across competing interests, competing stakeholders within the institution, let alone what you're dealing with outside that. Does that mean there is an alternative model? To the extent that decisions can be decentralised where it makes sense, that could be a path forward. But I think the increasing in size of the institutions over the last 15 to 20 years means that the governance structure at the top is an incredibly tough job held inside their backgrounds or diversity, or potentially lack thereof.

JACK THROWER: Particularly given the size of the institutions, if viable more decentralised models can be explored and essentially get back to that point of being accountable to the staff and students of the institutions, I think that would definitely be a positive development. I note that Professor John Quiggin provided a submission to this inquiry and also wrote a similar paper for the Australia Institute which goes into returning to collegiality models of governance. For instance, in this circumstance he looks into the potential applicability of the University of California model for the Australian system, which might be of interest to the Committee. But I think that investigating decentralised models would definitely be a useful endeavour.

The Hon. WES FANG: Mr Thrower, I was noting an answer that you provided to one of my colleagues earlier indicating that consultants could often be engaged to deliver an outcome for a university that they were seeking to build a justification for, in effect. I'm always wary of generalisations. Can you provide some concrete examples where you've come across a university hiring a consultant where there's already been a predetermined outcome that the university's seeking, and the consultant's been effectively used as a cover to provide that outcome? If you've got three examples, that'd be really great.

JACK THROWER: I'm able to get back to you on notice. I have seen a fair bit of it in the media but I would be—

The Hon. WES FANG: I assume since you've given evidence on it that you'd have, I guess, some examples to hand. It was certainly part of your evidence.

JACK THROWER: I don't have them. I haven't done—this is my first work on universities in a couple of months, so I don't have it to hand but I can certainly—

The Hon. WES FANG: But you did provide evidence to the Committee in an answer to one of my colleagues' questions that that was the case and that there were certainly consultants that were engaged to provide universities the outcome that they wanted. That was your evidence, right?

JACK THROWER: My evidence is that it certainly seems to be the case in certain circumstances but—

The Hon. WES FANG: And what are those circumstances?

The CHAIR: If I could just jump in, Mr Thrower, I can't remember if it was your Australia Institute submissions or perhaps *The Saturday Paper* investigation I was reading that cited the ANU example of I think it might have been Nous who provided strategic advice to the council, which was then put on council letterhead and described as the council coming up with it. I wondered if that was part of your research, or is that something I'd read elsewhere?

JACK THROWER: That's not part of our research. I have read various reporting from *The Saturday Paper* and things where this sort of behaviour has been assessed but we haven't done investigations into it. I am predominantly making a statement of my impression based on various parts of research. It's difficult to make specific allegations that such a thing did in fact occur without full inquiries into the matters. What I wanted to highlight is my concern based on reporting in the media that such things, based on that reporting, appear to be happening. I can get you specific examples on notice but I don't have them at hand right now.

The CHAIR: That would be great. If you could take that on notice.

The Hon. WES FANG: I was going to seek specifics but given that there is clearly none, I am okay.

The CHAIR: I will just correct the record. The witness has said that he will take that on notice and provide examples in due course. Mr Thrower, one of the conclusions of the discussion paper which was about elective spending of universities that the Australia Institute looked at in 2024 or 2025 listed spending on advertising, marketing and promotional expenses of universities across Australia. The University of New South Wales came out in 2023 as having spent $24 million on marketing. One of the conclusions in the paper was that the marketing spend by universities doesn't necessarily lead to a much higher commencement rate. Can you talk a bit about this if you have that information to hand?

JACK THROWER: Yes, I do. The main issue with marketing spending that we're highlighting here is that while in the current system it might make sense at an individual university level to try to advertise to students—although it does appear sometimes that's quite unsuccessful. It is not boosting commencements considerably. Also, at an aggregate level, if all these universities are competing for the same students and we are trying to run a society-wide system which is trying to minimise unnecessary spending and focus spending on education of those students and research, that competition between universities is wasteful. In individual circumstances, it seems to be somewhat ineffective, particularly considering that, when marketing is trying to get one person to buy your product over someone else's product, you can get into a wasteful arms race that all universities are spending too much money on marketing in order to compete for the same students at aggregate levels and not really boost overall attendance of universities.

The Hon. RACHEL MERTON: Mr Thrower, last year you participated in *Failing the Test: Australian Universities in Crisis*, a podcast by the Australia Institute. You explained how consultancy generates secrecy and blocks stakeholders like academics and students from decision-making. I am wondering if you might be able to elaborate a little bit more on that?

JACK THROWER: Was there a—can you repeat the question, sorry.

The Hon. RACHEL MERTON: It was a podcast you participated in and it was in reference to consultancy and the point being that you reported that it generates secrecy, it blocks stakeholders like academics and students from decision-making.

JACK THROWER: The main point, particularly regarding secrecy, with what I looked into, particularly at ANU, both applies more broadly across the sector. The outcomes of consultancies are often not released or only released through FOI processes and other forced transparency mechanisms. Consultants' reports are, as I said before, often not released publicly or even released to students and staff or people who might want to have a say in these things and then only provided to senior management or university councils and things like that. They are then used in decision-making, which, as I highlighted before, is predominantly not representative of students and staff. I guess the key issues here are around that lack of transparency—even in a redacted form these things are not being regularly released as a matter of course, and the lack of representation in bodies where they are used to inform and justify decisions.

The CHAIR: We have reached the end of our session today. We very much appreciate you both being here to share your expertise. I think a couple of things were taken on notice to help me out, Dr Bond, about accounting practices. I can't remember, Mr Thrower, for you but there may well be supplementary questions. The secretariat will be in touch with timing and process for that. Again, we thank you very much for taking the time to be with us today.

(The witnesses withdrew.)

(Short adjournment)

Mr TIMOTHY ORTON, Managing Principal and Chief Executive Officer, Nous Group, affirmed and examined

Mr PAUL TAYLOR, Principal, Nous Group, affirmed and examined

The CHAIR: I welcome our next witnesses. Thank you so much for making time to come and speak with the Committee today. We very much appreciate it. Would you like to start by making a short statement?

TIMOTHY ORTON: Yes, I will on behalf of both of us. We appreciate the opportunity to appear today before this inquiry. We've worked extensively with universities in Australia, Canada, the United Kingdom, the United States, Ireland and Mexico, so we will bring an international perspective on at least some of the questions that you ask us. Nous Group is an Australian founded and owned international management consultancy working with leaders in the private, public and community sectors across a range of sectors, including education, health, human services, safety and security, energy, and financial services. Founded in Australia 27 years ago, we provide services across the country and internationally in New Zealand, the United Kingdom, Canada and Mexico. We believe in the transformative power of education and have been supporting many of Australia's higher education institutions over the last 20 years.

For decades, higher education has been a cornerstone of Australia's prosperity, fuelling our economy, driving innovation, shaping our democracy and anchoring our role on the global stage, and it is entrusted by the public to shape the next generation. We appreciate that the sector is always evolving and changing, and that there are some important issues to consider, as reflected in the terms of reference for this inquiry. We would also acknowledge that Australian higher education institutions are some of the best performing in the world. Their comparators in the UK and Canada look to Australian universities for their dynamism, innovation and commitment to directing their resources to their core missions of teaching, research and impact. On many measures, Australian universities are well regarded, with a disproportionate number when adjusted for population ranked in the top 100 and top 500 global universities.

Today the higher education sector is facing a number of challenges, from new funding models to changing student expectations to digital disruption. They know they need to adapt. Our work as consultants supports university leaders to make decisions to strengthen institution performance, to deliver on their mission and to maintain financial sustainability. We support universities on a broad range of complex issues: on institutional strategy, on their research performance, on student experience and wellbeing, and on education models that lead to improved outcomes for students and more skilled and capable Australians. We are commissioned by universities to deliver outcomes to their specifications. We are engaged when we have a capability that is not within our client's skill set or experience. Our work is consultative, data driven and built through engagement to support university leaders, both academic and administrative, to make well-informed, long-term decisions.

Universities have always been admired for their deep research and their commitment to data and evidence. One of the ways we support universities is with our UniForum benchmarking program, which is an exemplar of that data and evidence. It was developed in conjunction with Australian universities to provide them with better data and evidence to inform their decision-making. It has now been used by 75 universities around the world. We recognise the critical importance of Australia's higher education sector for our nation's prosperity, and we want the higher education sector to work better for all Australians. We remain focused on delivering the best outcomes for our clients, their students and staff, and the broader communities they serve. Thank you again for the opportunity to appear before this inquiry. We welcome your questions.

The CHAIR: Thank you so much for that introductory statement. Mr Orton and Mr Taylor, have either of you worked in a university?

TIMOTHY ORTON: Yes, I have worked in Deakin University.

The CHAIR: In what capacity?

TIMOTHY ORTON: I was the head of their commercial arm from 1992 to 1995, so a long time ago.

The CHAIR: Yes, I've been around for a while as well. That was in the professional staff area as opposed to the academic area.

TIMOTHY ORTON: That's right, but I worked closely with deans, deputy vice-chancellors, research and in some cases academics.

The CHAIR: You mentioned UniForum in your introduction. Can I ask how the data is populated? I've noted in your evidence to the Federal inquiry that it's noted as data driven. I'd like to know a bit more about where that data comes from.

TIMOTHY ORTON: Sure. UniForum was developed around 15 years ago by a consortium of Australian universities—in that case it was Go8 universities, including Sydney and New South Wales—who said, "We would like to understand better the way we should organise our administrative services or our professional services," so things like student services, HR, finance, IT et cetera. They said, "We're going to need an external party to provide that service for us." What was done—working collaboratively between that external party, which was not part of Nous Group at the time, and the universities—was they agreed as to what data was required, how it would be collected and at what level it would be collected across the university. In practice, it's collected at very local levels, so within schools, within faculties and within administrative units within the university. That data is collected to a particular framework and software application that Nous Data Insights provides to those universities.

The data is then gathered together for each university. It goes through an extensive checking process. Where appropriate, a person within the university who's responsible for the UniForum process checks the information. It's then provided to Nous Data Insights. Nous Data Insights then assembles that information in a way that is able to compare the way universities have organised their administrative services across different universities, and it's provided back to the universities in reports which show how they've organised their administrative services when compared to a range of other universities, including Australian universities, Canadian universities and UK universities.

The CHAIR: I think it might have been asked of you at the Federal inquiry, but I didn't quite get a sense from the answers. First of all, I might get you to go back because I didn't understand what data. I understand now the process, but I didn't get to what the actual data you're using is. And then you've said that you take that data and then you use whatever methodology it is, which I would like a bit of insight into as well, and then provide it back to the universities. Who pays who? Do you pay the universities who give you their data? Is that data about staff? I'd like to know about that because I'm concerned—I'm just being frank with you—about the type of data you're using and whether staff have agreed to it because I understand that part of your benchmarking is using a staff survey. Do staff get to see the results of the survey? Do they know what happens to the data? Is it paid for? There's a bit in there I know, but if you could attack that, that would be appreciated.

TIMOTHY ORTON: You're right to be very interested in it because universities find it very valuable for them. It really helps them with their decision-making. The data collected is essentially asking administrative staff, "Where do you spend your time? How much time on human resources issues might be recruitment, might be training, might be payroll et cetera? How much of your time is spent on student services? How much of your time is spent on research support?" You can imagine, Chair, that there's a wide range of activities that are provided by administrative services. The managers for each unit within the university gather that information together by making their assessment as, "Where's my team spending its time?" That's the data that's collected. It's not data about individuals. It's about the roles that individuals play, and the data that comes through is de-identified from the individuals.

The CHAIR: Part of that is an assessment of management as to the allocation of tasks and then part of that is a staff survey.

TIMOTHY ORTON: Sorry, there are two different parts to it.

The CHAIR: Yes, that's what I'm suggesting and understanding from your answers to the Federal inquiry. But the second part is the survey of staff, which you're saying is de-identified. Do staff get to see the results of that survey?

TIMOTHY ORTON: Let me explain the two parts. There's one bit, which is, where are people allocating their time across all the different things that make up administrative services? That's what the management of the units complete. The survey is a survey of what level of satisfaction do people have of the quality of services that they're receiving? That's true of both academic and administrative staff. It's a survey of the whole university or a selection of a subset of the university as to what's the quality and what's their level of satisfaction. It's called the service effectiveness survey. They're two separate things.

The university decides who should have access to the information. That's not a decision by Nous Data Insights. It's not written into any contracts. There are people who are appointed within the university that are responsible for the information, and then the university executive decides how broadly should we share this information. Do we share it with all of our administrative leaders? Do we share it with our academic leaders? That's a decision for the university. I would emphasise, Chair, they can only share their information and then compare that with de-identified benchmarks for universities. This is an important point I made at the Senate inquiry too. The data is owned by each university, and then the benchmark data is owned by the collective of the universities.

The CHAIR: I understand that the university owns its own data, but it then feeds your model, doesn't it? Its data then feeds into your benchmark. Do universities receive any benefit for giving you data that feeds your benchmark, which you then onsell to other universities?

TIMOTHY ORTON: Again, let me clarify. You can't access that data if you're not a member of the program.

The CHAIR: That's not what I'm asking. What I'm asking—

TIMOTHY ORTON: But it's an important point for me to make.

The CHAIR: A university obviously has control of their data, but their data feeds your benchmarking.

TIMOTHY ORTON: Their data, by the approval and the acquiescence of all the participating universities—yes, universities get to see their data against the benchmarks of other universities.

The CHAIR: But not only against. You can't create a benchmark unless you have the data from those universities.

TIMOTHY ORTON: Sure.

The CHAIR: Otherwise, you've got no benchmark. In essence, whether by acquiescence or otherwise, universities are giving you their data, which feeds your benchmark, which you then onsell to other universities—

TIMOTHY ORTON: No—

The CHAIR: —as a benchmark. Not their data, but your benchmark, fed by their data, you then use as part of your service to other universities. Otherwise, your benchmark doesn't work.

TIMOTHY ORTON: I understand the question, but I think you're misunderstanding something, Chair, if I can just have a chance to explain it again.

The CHAIR: Do explain.

TIMOTHY ORTON: In Australia, there are currently nine universities that are members of UniForum. Those nine universities provide their data into the model, and those universities then see their performance—where they're allocating their administrative resources compared with the other eight universities in Australia and compared with the roughly 25 to 30 universities from Canada and the UK. No other university sees that data, so there's no selling of that data or selling of those benchmarks to other universities.

The CHAIR: Maybe we're speaking at cross-purposes. I understand that there's a difference between the university holding its own data and you not sharing that data specifically, but you create benchmark data. Without data to input, you don't have a benchmark. I'm not suggesting that you give USYD's information to UNSW, but your benchmark has to be created out of something. I'm presuming that you aggregate the data from different universities to create the benchmark. Otherwise, how is it a benchmark? Is that correct?

TIMOTHY ORTON: Pretty close, yes. We're getting closer to not being at cross-purposes. What we provide for each university is how they've allocated resources across all the functions. There is then what's called a normalised mean, which says, if 100 is the mean, you're at 92 or you're at 107 et cetera. There is a normalised mean, but actually we show where you are with respect to all the other universities. But you only know your university; you don't know who the other ones are.

The CHAIR: No, but my point is that you have to create a benchmark, and the benchmark you use is from the aggregated data of other universities.

TIMOTHY ORTON: I'm sorry I made that so difficult.

The CHAIR: It's okay. I just wanted to make sure that I understand that the data is being used as part of your benchmark. I know there are lots of questions from the other Committee members, but I want to quickly ask you about a specific engagement. It is less about UniForum and more about Nous consulting. I understand that Nous consulting undertook work at the University of Sydney Business School as part of the change process, and I want to understand how much Nous was paid for that work at the business school and what your particular role was in that project. I don't know if that's one for Mr Taylor.

PAUL TAYLOR: We were engaged by the Sydney Business School on a small engagement. It was under $50,000. The purpose of that engagement, as we do work with many faculties and business schools around the world, was engaged by the leadership team to understand where are the drivers of high workload, what's going on across the school, and how do we create the capacity to then pursue—in their example, they'd just launched a new strategy for the school. They wanted to create the capacity to pursue some of those strategic initiatives, and how do they organise their academic leadership and their professional staff within the school in order to make the most of that.

Our engagement was relatively specific. We were asked to talk with the heads of discipline—that's the different units within the business school, the academic leads there—and also the discipline executive officers, who are the professional staff leads. We did a series of interviews and workshops to talk through where are the drivers of that high workload, how can you solve for that to create the space and the capacity, and then put some of those ideas—both the input from both the academics and the professional staff and also our own experiences across different faculties and business schools—forward to the dean and the deputy dean so that they can consider it as a range of inputs around how they actually create the capacity to then go and chase some of their strategic goals.

The CHAIR: Staff provided input into that process. Were they given feedback and your final report to consider?

PAUL TAYLOR: My understanding is that the report wasn't made available to all the staff. But we, individually, as we met with each of those, then fed back what we understood from that engagement and what our views were. So they got feedback from us, but that final report was kept by the school leadership.

The CHAIR: I refer back to your opening statement, Mr Orton, where you said that you provide services where there is a lack of experience in a particular organisation. I will disclose that I know about the Sydney Business School. I did my PhD there, and I know the school specialises in things like work time and how you allocate time and workload. I wonder how, at one of our highest ranked universities and business schools, we couldn't possibly have expertise that was able to consider the workload of the staff. I wonder how you—obviously wanting to be ethical participants—determine whether your expertise outstrips that of professors who actually specialise in the area?

TIMOTHY ORTON: Let me pick that up. I won't comment on Sydney Business School in particular because it would be inappropriate. But talking more generally—because it is the case that most analytical work that is done within universities, where they're wanting to make executive decisions, is done by the university. In our experience, consultants are used relatively rarely for most of the decisions that executives are making. When they do engage us, they engage us because we've worked with many universities. Most of the people in the university might have worked with one or two or three or four, and we've worked on that issue many times before, whereas in many universities they will not have seen that issue before. Now, your point with respect to workload and the Sydney Business School is a point well made. I suspect that they looked outside for independence on that occasion.

The CHAIR: That's really interesting, isn't it? It raises the question of how independent any consultancy can be, given that they're being paid. I note in your responses to the Federal inquiry about your involvement with the universities accord process that you raised the issue that you approach the process with objectivity. I wonder, how can a consultant that is being paid be truly either objective or—what was the other word you used? External?

TIMOTHY ORTON: Independent.

The CHAIR: I hate to use the terminology, but in terms of the pub test, it doesn't necessarily pass it, does it?

TIMOTHY ORTON: I think it does pass the pub test, Chair, in large part because professionals have a professional ethic to be objective and independent. The question you're asking of consultants could also be asked of lawyers, of engineers, of accountants, of doctors—of the whole range of professions where people are essentially being paid for their services. I don't think it's unreasonable that people are remunerated for the services they provide. I'm not sure, Chair, that you can jump from "you were paid" to "therefore, you're not independent".

The CHAIR: I'm not at all casting aspersions on Nous, but we have seen through multiple inquiries at State and Federal level—I can see Ms Boyd raring to go—examples of where conflict of interest provisions et cetera have been blatantly breached by consultants. I'm not suggesting we had Nous on that list, but it makes it a bit difficult in terms of credibility, I'm afraid, for the rest of the industry. I'll put that as a comment and pass to Ms Boyd.

TIMOTHY ORTON: I'm more than happy to answer questions with respect to conflicts of interest, if that's helpful. Of course, I can only answer for Nous, not for the consulting profession.

The CHAIR: Of course. I couldn't ask you to take the blame for the whole industry.

Ms ABIGAIL BOYD: Thank you for coming along and giving us some the benefit of your experience today. Going back to the Chair's questioning, how many Australian universities have provided their data into that benchmarking product?

TIMOTHY ORTON: Over time, Ms Boyd?

Ms ABIGAIL BOYD: Yes. In total, how many Australian universities?

TIMOTHY ORTON: Let me just turn to that particular page or do you have it in your mind, Paul?

PAUL TAYLOR: Over time we've had 18 members as part of uniform over the whole history of that program. As Tim said earlier, there are currently 11 members as part of the uniform program today.

TIMOTHY ORTON: It'll be nine in 2026.

Ms ABIGAIL BOYD: So the benchmarking product itself has used the data from at least 18 Australian universities?

TIMOTHY ORTON: No, universities are only interested in the contemporary data, Ms Boyd. They might be interested in their own data historically. They're interested in their data compared with the other universities because what's happening today is quite different from what was happening five years ago, for example.

Ms ABIGAIL BOYD: The product then has international universities in there as well as those 11?

TIMOTHY ORTON: Yes. It has universities from Canada, the UK, sometimes Ireland, and once Mexico. Particularly Australia, the UK and Canada, there are some similarities between universities. They look to each other to learn from.

Ms ABIGAIL BOYD: How many other universities are in that database? If you've got the 11 Australian, how many international?

TIMOTHY ORTON: There would be 25. I could give you the exact number if I take that on notice. There is roughly 30—sort of 14 or 15 in the UK and 12 or 13 in Canada.

Ms ABIGAIL BOYD: I understand that Nous has now been working with universities for many, many years and has been taking in billions of dollars in the fees that it's got from that work.

TIMOTHY ORTON: Did you say billions, Ms Boyd?

Ms ABIGAIL BOYD: I don't know. Maybe hundreds of millions. I don't know how successful your business is.

TIMOTHY ORTON: Not at all. Think more modestly, Ms Boyd. I would say millions each year, and sometimes not many.

Ms ABIGAIL BOYD: No, not per year, but over the life of your work with universities.

TIMOTHY ORTON: Over the life you might get to $100 million, if you stretched it. At the moment, as I said at the Senate, for every $1 million that a university spends at the moment, they spend $370 with us.

Ms ABIGAIL BOYD: But it's fair to say that you've made some money out of the university sector over a period of time or it wouldn't have been good business. My question to you is: Who has benefited from that work?

TIMOTHY ORTON: Universities would say that they have benefited from that work and, as a result, their students, their staff and the community has benefited from that work. They'd say that very strongly, which is why they continue to use us.

Ms ABIGAIL BOYD: But given that restructuring in Australia has led to the merging or disbanding of more than 50 schools of study and drastic reductions in course options for students—particularly in humanities—can you honestly say that the infiltration of consultants into universities has led to a better outcome for students?

TIMOTHY ORTON: I can honestly say, Ms Boyd, that the work that Nous Group has done for universities has led to better outcomes for students. Let me give you an example. If a university runs a wide range of courses, they will typically have very few students per course. As a result, it's very difficult for them to invest in the quality of that course because they are relatively minor fees to support it. That's one effect that says universities should consider the range of courses they provide.

Ms ABIGAIL BOYD: How does that benefit a student who wants to do a particular course and previously could do a particular course when universities were run for public benefit rather than for profit?

TIMOTHY ORTON: Well, I think, firstly, universities are still very much run for public benefit. In the work that we do with university leaders such as deans and with heads of schools, it's very clearly the case that they're running the university, they're running their school for public benefit. To say otherwise is terribly inaccurate.

Ms ABIGAIL BOYD: But given that we've seen over 2,400 job cuts over just 15 universities in Australia, again on the back of consulting reports, do you think that your work has benefited academic staff or other staff in these universities?

TIMOTHY ORTON: The number of academic staff in Australia has fortunately increased dramatically over the last 20 years due to the additional revenue that has flowed into those universities, largely due to a growing participation among domestic students—both undergraduate and postgraduate—and due to the growth of international students. If you look at the numbers, Ms Boyd—and I'd need to take on notice the exact number—there are a lot more academic staff in universities now than 20 years ago and 10 years ago.

Ms ABIGAIL BOYD: I would love to see that breakdown.

TIMOTHY ORTON: I think it would be extremely helpful, and you'll be astounded by the growth in the sector.

Ms ABIGAIL BOYD: I would love to see that breakdown and the type of labour. Are you aware that internationally Nous' nickname is "Nousferatu" on the basis that you're seen as being this kind of vampire that comes into universities, sucks them dry and leaves them worse off for teachers and students. What is your defence to that?

TIMOTHY ORTON: I'm aware that the universities we work with hold us in very high regard and that many other universities—

Ms ABIGAIL BOYD: The boards or the councils or the vice-chancellors who are getting millions of dollars?

TIMOTHY ORTON: The boards, the councils, the deans, the heads of school, the academics and the administrative staff. Yes, there's a joke going around. It's good to have jokes. It's not our joke, and we're not uncomfortable with being made fun of—as we should be—we have a sense of humour as well. It doesn't much reflect Nous and the work that we do, nor our reputation, but it's good fun to have it on the record.

Ms ABIGAIL BOYD: I don't think it's very fun at all.

TIMOTHY ORTON: Well, you're laughing about it.

The Hon. ANTHONY D'ADAM: I'll just go to some specifics. I think you threw out a figure of $300 for every $1 million spent at a university. Can you specify the value of Nous contracts in higher education for the last financial year?

TIMOTHY ORTON: In New South Wales?

The Hon. ANTHONY D'ADAM: No, nationally.

TIMOTHY ORTON: Yes, I can. In the last year, in FY 25 for Australia, our revenue from universities for both Nous consulting and Nous data—

The Hon. ANTHONY D'ADAM: No, not revenue. The value of the contracts.

TIMOTHY ORTON: Sorry, what's the distinction you're making?

The Hon. ANTHONY D'ADAM: Surely revenue is different to—

TIMOTHY ORTON: Well, the revenue is the combination of the value of the contracts.

The Hon. ANTHONY D'ADAM: Give us the revenue then.

TIMOTHY ORTON: It is $15,070,000 million.

The Hon. ANTHONY D'ADAM: So you delivered $15 million worth of services?

TIMOTHY ORTON: Yes.

The Hon. ANTHONY D'ADAM: And what was the value for 23-24?

TIMOTHY ORTON: FY 23 was $13.95 million and FY 24 was $13.25 million.

The Hon. ANTHONY D'ADAM: And what is projected for this year?

TIMOTHY ORTON: We might get to $10 million, if we're lucky, maybe $8 million or $9 million.

The Hon. ANTHONY D'ADAM: How many contracts does that equate to for this financial year?

TIMOTHY ORTON: For this financial year, year to date, it would equate to about 30 to 35 contracts.

The Hon. ANTHONY D'ADAM: How many for the previous financial year?

TIMOTHY ORTON: I'm running an average contract of $150K to $200K, so 13 times five would be 65 , 70 contracts.

The Hon. ANTHONY D'ADAM: Of that, how many of those contracts were actually won through a competitive process? You can take it on notice if you'd like to.

TIMOTHY ORTON: I think the number is about 70 per cent, Mr D'Adam.

The Hon. ANTHONY D'ADAM: Seventy per cent are won on a competitive and open process?

TIMOTHY ORTON: Yes.

The Hon. ANTHONY D'ADAM: Of this year and previous years?

TIMOTHY ORTON: Let me take it on notice. If I'm wrong, I'll correct it.

The Hon. ANTHONY D'ADAM: Yes, if you can give us some specifics about that. Can I ask about uniforms—

TIMOTHY ORTON: If I could comment, our experience is that large pieces of work tend to be competitive. Smaller pieces of work—because universities have panels in place, they may not go to contracting, just as the New South Wales Government runs that process.

The Hon. ANTHONY D'ADAM: You said the average was about $100,000, I think.

TIMOTHY ORTON: It is $150,000, but sometimes we do—

The Hon. ANTHONY D'ADAM: That's a small contract, isn't it?

TIMOTHY ORTON: Well, we're a modest firm, so $150,000 we would call medium. We'd call less than $50,000 small—

The Hon. ANTHONY D'ADAM: For a university, $100,000 contract is not a big figure, is it?

TIMOTHY ORTON: It's small, but they will have—

The Hon. ANTHONY D'ADAM: You're saying 70 per cent of those are being dealt with through a competitive process, through open tender?

TIMOTHY ORTON: For larger projects, yes. For smaller projects, most will have a panel in place.

The Hon. ANTHONY D'ADAM: That doesn't make sense, does it? If you say 70 per cent of your contracts are going to open tender and that the average value is $100,000—

TIMOTHY ORTON: I didn't say $100,000. I said $150,000 to $200,000.

The Hon. ANTHONY D'ADAM: Either way, it's still fairly small fry in terms of the value. You're saying the majority of those are going to open competition.

TIMOTHY ORTON: The majority of the large ones will go to open competition.

The Hon. ANTHONY D'ADAM: So that doesn't equate, does it? If you say 70 per cent are in open and you're saying the average is $200,000, that doesn't make sense, does it?

TIMOTHY ORTON: Let's take your wisdom from the start and I'll take it on notice for you.

The Hon. ANTHONY D'ADAM: Can I ask about UniForum. What's the charge out for UniForum? How much do you charge per university for access to that data?

TIMOTHY ORTON: That's commercial in confidence.

The Hon. ANTHONY D'ADAM: Per annum.

TIMOTHY ORTON: That's commercial in confidence.

The Hon. ANTHONY D'ADAM: Commercial in confidence doesn't actually apply to questions that are asked in this forum.

TIMOTHY ORTON: I'm happy to take it into a commercial-in-confidence discussion—an in-camera discussion so that you can know the figures. But if I make it public, then all of our competitors will also know those figures.

The Hon. WES FANG: Point of order: I certainly am aware that in other inquiries that I've been on, when we've pushed for contract information in other circumstances, Labor Government members have indicated that there is commercial in confidence there. I'm not disagreeing necessarily with the Hon. Anthony D'Adam. We can certainly push the matter—

The Hon. ANTHONY D'ADAM: I'm happy to go in camera.

The Hon. WES FANG: But I think that this will set a precedence if we're forcing witnesses to disclose commercial in confidence.

The Hon. ANTHONY D'ADAM: The Chair has made a very good suggestion, which is you can provide the answer on notice in confidence. That way, it remains confidential to the Committee.

TIMOTHY ORTON: Very happy to do so.

The CHAIR: Let's do it that way, and then we don't have to go into—

The Hon. ANTHONY D'ADAM: Let's do it that way. That's sensible. I have two more questions. One is how many data points are there for UniForum.

TIMOTHY ORTON: I'm going to take that on notice because there's a lot.

The Hon. ANTHONY D'ADAM: That's fine. Finally, you made a comment about the economics of popular courses and not popular courses. One of the functions of universities is actually to preserve discrete bodies of knowledge that may not have a commercial interest at that point in time. How do we reconcile the commercial imperatives in terms of course costing and the obligations of universities to actually preserve bodies of knowledge that aren't necessarily popular in society?

TIMOTHY ORTON: It's a really good question, Mr D'Adam, and probably takes the wisdom of Solomon to solve, because most universities will be playing a balancing act most of the time. They'll be thinking, "How many of these less-popular courses can we afford to run because it meets the needs of students in the community?" For example, if you're a regional university, it's very important that the courses you provide in the regions—they'll think very carefully about what's the range of courses. There's no perfect answer because if they—

The Hon. ANTHONY D'ADAM: It's vicious cycle, though, isn't it? Obviously if you diminish—

TIMOTHY ORTON: Vicious cycle. If they provide an endless number of courses, they will not have the resources to do any of them well, nor the resources to be able to break even.

The CHAIR: But it also goes to the decisions they make about where they spend those resources, which we've covered in previous sessions.

The Hon. RACHEL MERTON: Mr Orton, I note that on your website you speak of how you have partnered with a leading Australian university over a period of 15 years through a series of transformation projects to improve student outcomes, research performance, international competitiveness and financial sustainability. I'm wondering if you might be able to elaborate as to the details of that work over 15 years in terms of the university and the cost of that service for 15 years.

TIMOTHY ORTON: It's not a New South Wales university.

The Hon. RACHEL MERTON: It's stated as an Australian university.

TIMOTHY ORTON: It's an Australian university. You want to know the range of work we've done?

The Hon. RACHEL MERTON: The university and what the cost of that was over the 15-year period.

TIMOTHY ORTON: Given the university may or may not want to be named, can I provide that on notice in camera and provide the revenue figures over those 15 years as well? Would that be okay?

The Hon. RACHEL MERTON: Yes.

TIMOTHY ORTON: Very happy to do so. We're very proud of the work we've done with that university. It's substantially more highly regarded now than 15 or 20 years ago—largely due to the quality of the leadership and the people of the university, but we've made a small contribution too.

The Hon. RACHEL MERTON: In terms of the discussion and your appearance here and what we're meeting under here—just in terms of the scale of fees or the cost, can you give us an insight into what that might be?

TIMOTHY ORTON: Yes. My sense would be that university would spend, on average over a period of time, probably about half a million to a million a year with Nous Group—sometimes more, sometimes less. For the last year, I know it was slightly over $1 million.

The Hon. RACHEL MERTON: Mr Orton, we've also been provided in a submission to this inquiry a summary of consulting engagements by New South Wales universities as disclosed in contract registers. I note that the Nous Group is listed here in terms of the University of Wollongong at $2.9 million, if my eyes are right. I'm just wondering if you might have anything further on that.

TIMOTHY ORTON: Sure. Mr Taylor will answer that—

The Hon. RACHEL MERTON: My mistake, sorry, it was a total of $1.4 million in 2024, that being services to the University of Wollongong at just over a million and just under half a million to the University of New South Wales. I'm just wondering if you might be able to elaborate on what service was provided.

PAUL TAYLOR: Obviously two different engagements for two different universities. The engagement for the University of Wollongong is their membership in the UniForum program. It's a multi-year contract. That's that value. We haven't done consulting work with the University of Wollongong during that period.

TIMOTHY ORTON: That's not one year.

The CHAIR: But can I just clarify on that? So the $1.4 million—

TIMOTHY ORTON: We might be in commercial in confidence again.

The CHAIR: —over multiple years is for the UniForum subscription?

PAUL TAYLOR: I don't think that figure is correct that's been stated there.

The CHAIR: Okay, you can provide that.

PAUL TAYLOR: But the engagement with Wollongong is just for the UniForum program. As Tim said, we can provide what those fees are.

The CHAIR: That would be good, because we had University of Wollongong here in late December and there was a lot of confusion as to how they were disclosing the Nous data. It'll be really helpful to have that clarified.

The Hon. RACHEL MERTON: Mr Taylor, did you want to comment on the other one?

PAUL TAYLOR: The engagement with the University of New South Wales—we're engaged by them periodically on a range of engagements. I believe that that is part of their large piece of work that they did around their program and pricing, and thinking about what programs they would offer to which international markets and how they would price those. We've supported them in a range of areas there that would cover a substantial amount of that.

The Hon. WES FANG: Mr Orton, there's been quite a lot of questions and commentary this morning related to the data that you use to benchmark other universities. Did those universities that are engaged with you for that benchmarking realise that their data is being used and that they are benchmarked against the other universities that are engaged with your service?

TIMOTHY ORTON: Every university that's a member of UniForum knows the names of the other universities within the UniForum. In fact, they meet once or twice a year to share best practice and how they might learn from each other. What they don't know is whose data is whose, but they know who is in the group and, in fact, they develop close relationships over time, both nationally and internationally.

The Hon. WES FANG: It's the case then that, in effect, you are the conduit for all the data to be collected, collated and measured, and for each university then to be anonymised and have that data benchmarked and those results returned, but not necessarily provide insights as to what other universities specifically are doing. Obviously, there is the overall structure which you have in the data, but the idea that you're selling data from other universities is perhaps a misnomer.

TIMOTHY ORTON: It's completely incorrect; it's much more than a misnomer. The reason it's called UniForum is—and this, I think, will be helpful for the inquiry. Yes, they see the way their administrative services are organised when compared with others. They also come together for a forum once a year where they share best practice, and they're very open about this. One university will talk about the way that they have changed their student services to strengthen student experience. Another university will talk about the way they've changed their HR processes while another university might talk about the way they've changed their recruitment processes to the benefit of all universities. It's a collaborative forum where universities are supporting each other, rather than otherwise.

The CHAIR: Would they have discussed the Renew program that you rolled out at ANU?

TIMOTHY ORTON: The premise is wrong. We didn't roll out Renew ANU. As we explained to the Senate, we did specific pieces of work, but we didn't design Renew ANU; nor did we roll it out.

The Hon. WES FANG: In that circumstance, then, you've effectively become the conduit through your program. The universities engage and provide you their data, which then provides that benchmarking ability. Have you created a captive market? Is it the case that you are now so ingrained and involved in universities that there is no opportunity for another player to come into the market to challenge you because, in effect, without having the membership of all the universities or the large universities that are all paying into your system, that they're unable to benchmark themselves. How can a competitor come in and challenge your market share, given that you hold all that data? Is it anti-competitive?

TIMOTHY ORTON: Over time, there have been competitors. There's a company called Tribal that provides a benchmarking product, which works on a different model. The quality of the product's not nearly as good and so the price is much lower.

The Hon. WES FANG: Because you have the availability of the data from all the universities. Is that the case?

TIMOTHY ORTON: No. We work very hard and have designed a product that's superior. It's a bit like you comparing a very low-priced car compared with a medium- or higher-priced car.

The Hon. WES FANG: That's an interesting analogy. Sometimes a medium-priced car can be worse than a lower priced car.

TIMOTHY ORTON: Sometimes. Fortunately, UniForum's not a lemon.

The Hon. WES FANG: Sometimes you are paying for the brand as opposed to the technology; or you can have the same technology as you can have in a Volkswagen or a Porsche. You can have the same technology in both cars, but you're paying much more for one than the other.

TIMOTHY ORTON: Point well made.

The Hon. WES FANG: So it's an interesting analogy that you've brought up. I'm just curious, is it the case that it's anti-competitive because of the structure? Or, if there was a competitor, how would they—

TIMOTHY ORTON: As I was going to say before my analogy led us astray, there have been two competitors, Tribal and then one of the university associations attempted to give a benchmarking product. The answer is that it's extremely difficult to do this and it's extremely difficult to compare different universities that have different levels of research intensity. We have developed, because of our hard work, the statistical models that mean that universities have trust in the quality of it. The strength of our position is relative. It's nine universities at the moment out of 40, so you wouldn't say it's a great market share. The strength of our position is due to the quality of the work that we've really worked hard at for 15 years.

The CHAIR: I want to follow up on that. One of the criticisms or concerns we've had over the evidence so far was that there seems to be an institutional isomorphism in universities that they end up looking very much like each other. In fact, why would we want a university sector where each university's offerings and services and models look like each other? UniForum and your approach, doesn't that lead to further movement towards sameness because you're benchmarking, you're sharing best practices—if every university was trying to achieve the same thing?

TIMOTHY ORTON: Actually, quite the contrary has been our experience. University leaders, executives, are very sophisticated managers. You might have a view on that. Our experience has been they're very sophisticated expert managers. Let me give you some examples. One of the Go8 universities was looking at the amount of effort it puts into research support. It said, "That's interesting. Our effort is lower than other universities, but we have a strategy of substantially improving our research performance and increasing our research performance. If that's the case, maybe we need to think much more carefully about how we provide research support and how much investment we put into research support because we want that number to be higher than others, so we don't want to be the same as everyone else. We want to be different."

Another university might say, "We think we are well placed with respect to marketing and recruitment in terms of the numbers, so therefore perhaps we'll put less effort into that than would otherwise be the case." So in fact universities are taking the data and saying, "Where does it make sense for us to be just the same as everyone else"—because there's clearly best practice—"and where does it make sense for us to be quite different because strategically we're pursuing a different path than many of our comparators?"

The CHAIR: Which university is pursuing a different path to trying to increase up the international rankings, attract international students, increase research productivity, decrease staff costs? Which university diverges from that set of priorities? I'm just intrigued because I haven't seen one yet.

TIMOTHY ORTON: This is not a UniForum member, but I think Victoria University in Melbourne is a really interesting example where they've taken quite a different approach with respect to teaching. They've adopted a block teaching approach where, rather than doing four units per semester, they do one unit every month so you're really focused on that particular unit. They've taken a very different approach.

The CHAIR: That's a different approach to practice, not just to overall strategy, but we could argue about that. We haven't got much time. I appreciate that answer. That's interesting. I have one last question about UniForum and it goes back a bit to Mr Fang's question about competitors. I think, again, either in your verbal or written evidence to the Federal inquiry, you note that UniForum's methodology and formulas are the intellectual property of Nous Data Insights and are not shared with member universities or third parties due to commercial sensitivity. Given that universities rely on these benchmarks to do things like restructure staffing and operations, how can universities validate the rigour, neutrality or appropriateness of the models driving major organisational decisions? As an academic, I'm very used to the concept of peer review and being open about where and how you use your data, and what formulas you use et cetera. If that's not open, how do we know that the methodology—

TIMOTHY ORTON: The methodologies have been tested rigorously with a range of academics from different universities, but we don't put it out to the world. They have been tested with the universities that first developed it— those Go8 universities that were involved from the start—and they've subsequently—

The CHAIR: When was that?

TIMOTHY ORTON: That was back in the noughties and the teens, but it's constantly evolved and we have each chapter—so there's an Australian chapter, a Canadian chapter, a UK chapter—has a steering committee. That steering committee's updated on when we change the methodology. Some universities have joined who said, "We really want to test this methodology", and they've got their statistical experts in. Some of them have taken the view which says, "This methodology's incorrect", and as we've gone through it and explained it to them in detail, they've said, "Okay, now we understand and now we accept it." It's not on Nous Data Insight's statements. It's on the universities being aware of what they're being subject to. Some universities like to interrogate it much more than others; so it's not open slather, but it is peer reviewed.

The CHAIR: If you could provide on notice some further information about that, that would be helpful.

TIMOTHY ORTON: Sure.

The CHAIR: Unfortunately, we're at the end of our time. I do appreciate that you've come in today and been prepared to take our questions. I know you've taken some things on notice. I suspect there will be quite a few supplementary questions as well. The secretariat will be in touch with how we need to do all of that and the timing of that. We appreciate your willingness to come and speak to us.

TIMOTHY ORTON: Thank you, Chair. If I could just say that I understand the interest you have in UniForum. I would say to you it's a world-class service that universities benefit from very substantially, but universities choose when they want to be members of it and when not. We're very happy to answer more questions on it. We're very proud of the product.

The CHAIR: Thank you for that. I suspect we'll be taking you up on the more questions.

(The witnesses withdrew.)

Ms CLAIRE McGUINNESS, NSW Government Lead Partner, KPMG Australia, before the Committee via videoconference, affirmed and examined

Mr CHRIS MATTHEWS, National Sector Education Lead Partner - Education, KPMG Australia, before the Committee via videoconference, affirmed and examined

The CHAIR: I welcome our next witnesses. Would either of you like to make a short opening statement?

CLAIRE McGUINNESS: I have more than 20 years experience working within government prior to joining KPMG. Chris has over 15 years experience delivering projects for education institutions, advising across schools, skills and higher education on transformational change. We appreciate the chance to contribute to the Committee's important work examining governance, accountability and the role of consultants within the New South Wales university sector. Given this Committee's focus, I will briefly address our work across the sector and then speak to our engagement with the University of Technology Sydney—UTS. KPMG has a long history of working with universities across Australia and we recognise the significant responsibility that comes with supporting institutions that play such a vital role in our communities, our economy and the future prosperity of our country.

Universities across Australia are facing complex and rapidly evolving challenges, from financial sustainability and global competition to technological disruption, regulatory change and shifting student expectations. Equally, universities are complex, multifaceted institutions and therefore addressing these challenges can require specialist expertise, surge capacity and capability beyond what internal teams can reasonably maintain in addition to their day-to-day work. Our role as advisers to the sector, is to bring the breadth of KPMG's multidisciplinary expertise to help universities navigate those issues. For example, we can support decision-makers by providing independent analysis, diagnostic insights, benchmarking and practical advice. Given the complexities that universities are navigating, our advice and evidence-based insights can provide important inputs to enable good decision-making against a backdrop of the broader strategic environment and institutional priorities.

We also understand that our work must be grounded in the highest standards of integrity and governed by strong conflict of interest management processes. We know that this has been a particular focus of the Committee so we are keen to proactively address this today. KPMG has strict conflict of interest frameworks supported by systems that assess independence requirements and potential ethical, commercial, reputational or operational risks. We are committed to continuously improving these processes to ensure they are appropriate and fit for purpose. In the context of this inquiry, it is important to specifically note our people cannot deliver services to a university where they hold a governance role. This policy ensures that actual and perceived conflicts of interest in any such scenario are appropriately managed.

I would like to briefly address our work with UTS. KPMG was engaged by UTS management to provide benchmarking and high-level diagnostic advice as part of the Operational Sustainability Initiative. Our early work involved using many levers to assist leadership by identifying financial pressures and assessing options to improve the long-term sustainability of the institution. This work was advisory in nature, based on data provided to us by the university and subject to validation processes run internally. KPMG's role was to provide analytical insights. Decisions about staffing, academic structures and organisational changes were ultimately and appropriately matters for UTS leadership. More broadly, our work across the sector is grounded in a commitment to strengthening governance, supporting sound financial stewardship and contributing positively to educational and research outcomes. We welcome the opportunity to address your questions openly today, to explain the nature of our work and to support the Committee in forming a clear and evidence-based understanding of our role.

As you would appreciate, some matters are confidential and commercial-in-confidence and there may be limitations in how far we can go in responding to specific details. That said, our intention is to be as transparent and constructive as possible within these boundaries. Ultimately, KPMG's contribution to the sector is grounded in a commitment to the public interest, a core requirement under our professional standards and our adherence to the code of ethics for professional accountants. Universities are critical national institutions and when they seek specialist support, our aim is to ensure they receive high-quality, ethical and responsible advice that helps them meet their mission, whether that is improving student outcomes, ensuring financial sustainability, strengthening governance or enhancing research capability. Thank you again for the invitation to appear. We look forward to assisting the Committee with any questions.

The CHAIR: I would like to jump straight in because you mentioned UTS, so it's an easier segue way for me to ask about UTS. Did anyone in your organisation have conversations or any communication with UTS's head of government affairs and external engagement before KPMG was chosen to undertake the planning and organisational change initiative that you've just talked about? You might have to take that on notice. I don't know if either of you were directly involved in UTS. Were you?

CHRIS MATTHEWS: Yes. I was historically involved in UTS. I confirm that I did not have conversations with that person in that role.

CLAIRE McGUINNESS: I can confirm that I had no conversations with the person in that role.

The CHAIR: Do you know the head of government affairs and external engagement at UTS?

CHRIS MATTHEWS: I believe that to be Danielle Woolley.

The CHAIR: That's right.

CHRIS MATTHEWS: I'm a relatively new partner to KPMG, being a director for two years, so I'm aware that she's in that role but haven't engaged with her.

CLAIRE McGUINNESS: I know Danielle Woolley. I've been a partner with KPMG for just under four years and so I was aware of her and knew her in the context of her previous role.

The CHAIR: Her previous role at KPMG?

CLAIRE McGUINNESS: Yes.

The CHAIR: One of the reasons we're interested and have been interested about the KPMG role at UTS is that it's been a little bit difficult for us to understand exactly what went on there. Could you tell us the total amount that KPMG charged UTS, given that there was an original scope of works and then I understand that was completed and yet the contract seemed to be extended on a fortnightly basis on the same scope of works. We're only going on what we've been able to get through GIPAA and other documents. If you could please tell me how much is the total amount on this project that you've just mentioned, including the extension? Also, is the work finished—are you still doing work for UTS?

CHRIS MATTHEWS: I can confirm we're currently not undertaking work for UTS but that the supports that KPMG provided to UTS ceased in August 2025, so last year. Across the duration of our support for the Operational Sustainability Initiative, of which we were one input, I believe it to be about $7 million in support. KPMG had a clear contract with deliverables. The nature of these large programs of work means that we have regular status check-ins on what we're delivering and the value to our clients. At times the deliverables do change in both major programs of work. Our client requested additional analysis beyond the original scope and time frame. That is why there's an extension beyond the original time frame for the contract you referred to.

The CHAIR: Sorry, there are two bits that I'm still not clear on. One is when did you start working on that particular project? It seems like it was in late 2024, but there doesn't seem to be a contract for the work signed off until March 2025. And then you said you finished in August, but there was a contract extension around that time as well. Did you not undertake any work or get paid for any work following that contract extension?

CHRIS MATTHEWS: KPMG commenced working with UTS through a competitive tender process. It responded to a tender to support the university around financial challenges. That was approximately September 2024. Work was delivered across October and November 2025. KPMG was then—which is in the public domain—procured for an additional piece of work, which then ran through till the end of June 2025, and then we were extended for an additional period of weeks, which takes us up to August 2025.

The CHAIR: So there wasn't an extension?

CHRIS MATTHEWS: There was an extension to the original—there's an extension to the piece of work that ended in June.

The CHAIR: So we're talking June to August?

CHRIS MATTHEWS: Yes, July to August was the extension for a few weeks.

The CHAIR: July to August was the $180,000 per week extension?

CHRIS MATTHEWS: Up to $180,000 per week. Again, we had fortnightly check-ins with the clients around the deliverables and what our scope of work was, and the activities and costs. They obviously had control around where our analysis was focused.

The CHAIR: Thank you for that. That's helpful. If you could provide to me on notice the exact final figure for the original contract and the extension—as I understand it, it was up to 180—that would be appreciated. I understand you might not have that right in front of you now.

CHRIS MATTHEWS: Before I release information, it's obviously subject to a commercial-in-confidence review and permission from the client as well.

The CHAIR: I'd appreciate if you could be as forthcoming as possible. If you think there are confidentiality issues, as you may have heard with our previous witness, that can be handled through the Committee. How many staff did KPMG have working or embedded in UTS during that project?

CHRIS MATTHEWS: I'd need to take on notice the number of staff that KPMG had on the project.

The CHAIR: How many of those would have had direct university experience, apart from having been to university? When I say "experience", let me be very clear. This is a question for yourselves. How many of you have worked in universities?

CHRIS MATTHEWS: I can't confirm the exact number, but members of KPMG's team that worked at UTS and more broadly that work across the sector have worked in higher education institutions in their career.

The CHAIR: If you could provide a bit more detail on that on notice, that would be helpful. Is it true—

CLAIRE McGUINNESS: I can probably add a couple of broad comments about that. KPMG works very hard to maintain sector expertise across all the areas of our clients—all sectors. We recruit specifically to make sure that we've got a really great mixture of capability and sector expertise to offer to our clients. That is a real focus for the firm. I think it's critical to be able to stay in lockstep with client needs and to bring the right insights, but in the context of the client sector.

The CHAIR: I appreciate that. Speaking of relevant expertise, did KPMG consult with internal experts? UTS has an excellent business school. I disclose that I used to work there for a decade, but it does have an excellent business school. Did you, in order to get appropriate experience and expertise, consult with staff about the overall project that you were embarking on?

CHRIS MATTHEWS: KPMG's scope was to provide analysis: one input into the decision-making that the university makes to deliver on its broader public mission. The analysis that we undertook was discussed and validated by members of UTS staff, both senior executives and the academic and professional side. So, yes, there was consultation with the analysis and, ultimately, that was undertaken by UTS.

The CHAIR: Did KPMG provide a spreadsheet of staff indicating who should lose their jobs based on KPMG's assessment of data that it had looked at?

CHRIS MATTHEWS: KPMG, as I said, undertook an analysis of many levers that the university can pull when looking at financial sustainability and making decisions around where they invest, whether that be on teaching, research and student experience. One element of our analysis included looking at academic performance, which is a common measure across the sector. As part of looking at academic performance, we looked at research income. Research income is one of the major revenue streams of an institution. I think on the student revenue side, domestic and international student revenue, but equally research income. We did look at staff-level research income data because of the importance it has to the overall research income of an institution. The purpose of that was to show that alignment to the research income of the institution. To the best of our knowledge, that was not used for any purpose other than to help inform the performance—

The CHAIR: But it did rank people based on the metrics that you chose—and I very much understand research income, as an unreformed academic. It did rank people based on the metrics and the data that KPMG chose and saw?

CHRIS MATTHEWS: The data that was used for that is UTS data that is available to individual academics at UTS as well as management of the university. It is their data. We did take that data. It's in a spreadsheet. Yes, it did have research income, and that would be research income and publications of individual staff members. Yes, it did include that data.

The CHAIR: How do you respond to the fact that that spreadsheet, since it was actually validated that it existed, which took some time—the data has come out to be not accurate, in that some of the academics that were listed in certain spots, it didn't accurately reflect their research? That came out from emails out of GIPAA requests from UTS leadership itself, and then academics separate to that have come out and said that that information just is not correct. You were giving advice on rankings when you weren't using data that actually is verified. Is that correct?

CHRIS MATTHEWS: We were not providing advice around that. We took UTS data. It was collated into this spreadsheet, which had research income and research publications as one measure of many that an institution would look at around performance. Equally, this could be used by an institution for investment and where areas need further support. That was provided to the institution.

The Hon. ANTHONY D'ADAM: Do you take no responsibility, Mr Matthews, for the consequences of that?

The Hon. WES FANG: Point of order—

The CHAIR: A point of order has been taken, Mr D'Adam.

The Hon. WES FANG: The witness was trying to provide an answer to the question the Chair asked. I'm sure Mr D'Adam will have an opportunity to ask a question—not make a statement—very shortly.

The Hon. ANTHONY D'ADAM: It was a question.

The Hon. WES FANG: But the witness certainly needs to have the opportunity to finish his answer before any statements are made.

The CHAIR: I will allow Mr Matthews to finish his answer before we go to Mr D'Adam. Sorry, Mr Matthews. You may continue.

CHRIS MATTHEWS: We undertook a broad analysis, which I confirm did include the spreadsheet that has research income and publications in that. That is provided to the institution. Many institutions would have that same data, which is available to an individual academic. That can be used for many purposes. To the best of my knowledge, the university did not use that for any redundancy purposes. I believe they've gone on record to state that as well.

The Hon. ANTHONY D'ADAM: My question is: Do you take no responsibility for the consequences of the advice that you're providing? You're providing a service. It's an advisory service. It's quite clear that you've provided a list that was designed to inform decision-making by the university. It's quite evident where the direction is that that list was pointing to. Surely you must take some responsibility, rather than hedging? You understand the advice you're giving. You understand how that advice might be used. Do you take no responsibility for the consequences?

CLAIRE McGUINNESS: I might make a couple of comments and then I can pass to my colleague. KPMG takes our responsibility and the privilege that we have in supporting government and public sector institutions very seriously, and certainly the delivery of high-quality outcomes for our clients. This is a true commitment to our clients and, certainly in the higher education sector, one that we stand steadfastly by. Chris might want to make comments more specifically about this client, but we work with the data that we're able to obtain from our clients, and we work with them to analyse that data in projects like this to provide insights that may inform decision-making here in relation to financial sustainability. So we do our best with the data that's provided using the high quality capabilities we have across our staff base and informed by the sector expertise that we also have, particularly in the higher education sector.

The CHAIR: But you didn't consult staff to check the accuracy of the information you were using? So you didn't check that.

CHRIS MATTHEWS: As part of the analysis steps, we agreed what the scope of work was and then sourced the data from the client, so it was the client's data. We undertook analysis, and that undertakes a validation step before anything would happen with that. As part of that validation step by a UTS staff member in senior management, they determined that that data that had been provided to us was not reflective or not accurate. Therefore, they asked us to discontinue that analysis. It's clear that that was discontinued upon a review process.

The Hon. ANTHONY D'ADAM: It's not neutral data, is it? I mean, there's an assumption that underpins the assembling of a spreadsheet like that around research value being a key criteria to determine whether staff should be retained. Surely you knew that in presenting the data that way that the inference that would be drawn by the decision-maker would be that those who are generating less research income should be cut? There's an assumption there that underpins the presentation of the data. It's not just a neutral exercise, is it?

CHRIS MATTHEWS: It is one data input of many. So for example, the research income and publications could be used to identify areas where the university needs to provide more support to that staff member. Equally, where greater investment is required. There are many factors that feed into decisions an institution may make. Is it an early-stage career? Equally, we looked at various other measures. It was just one data point, and as I mentioned earlier, the university determined that that was discontinued as well.

The Hon. ANTHONY D'ADAM: Those are possible interpretations. But then there's the plausible or the probable interpretation. Given that you're a sophisticated consulting operation, you can pretty well assume how the information you're supplying is going to be interpreted by the decision-maker, surely?

CLAIRE McGUINNESS: KPMG obviously works to the scope of work through which we've been appropriately procured, and so our focus is delivering that service to the client in line with that contract, and that is really important for us. As my colleague Chris noted, there was a broad range of inputs analysed, and this was but one of those inputs.

The CHAIR: Could you assemble a spreadsheet that will help us determine which staff need more support?

CHRIS MATTHEWS: Our scope of work was agreed to under a competitive tender process. KPMG presented a framework that looked at many different opportunities for the university with regards to financial sustainability. That could be aligning new course and subjects to jobs and skills growth. It could be looking at research focus areas to research priorities for Australia. It also included looking at workforce and non-workforce costs. We did look at multifactor opportunities, including a procurement property as well as that course and subject. It is a multifaceted analysis that is a dataset for universities to make informed decisions around where they invest in the public mission of an institution when they need to make hard decisions.

The Hon. WES FANG: In relation to the scope of work that UTS has provided you to do, there's been a lot made of this list, and I'm not sure I'm fully au fait with the history of it. However, is it the case that part of the engagement from UTS was the formation of this list?

CHRIS MATTHEWS: Ultimately, the decision around our scope of work sits with UTS. Yes, it was a competitive tender process. We presented, "Here are many areas of analysis that we could undertake." They chose to procure KPMG and that analysis framework that we presented, and then we undertook that analysis, so a multifaceted analysis which was prepared for the client.

The Hon. WES FANG: I think you said in answer to a question from my colleague that that work was discontinued prior to being completed. Is that the case?

CHRIS MATTHEWS: Yes. We were requested to provide the spreadsheet to a senior member of the executive who wanted to undertake some validation. The validation process by that executive was completed, and they determined that KPMG would no longer continue that piece of analysis and that any further work on that would be conducted by UTS employees.

The Hon. WES FANG: So it was incomplete. The data that has been identified by my colleagues as—I'll say inaccurate, was that perhaps because it was an incomplete piece of work, or was it that you were provided erroneous or inaccurate data? I think you said that the data source was the client themselves. Is that right?

CHRIS MATTHEWS: We believe it's the underlying data that needed to be refreshed through that validation exercise.

The Hon. WES FANG: Was the dataset and the spreadsheet that you produced used in relation to the decision to terminate any of the staff? Or was it the case that you handed it over to UTS, and from that point you're unsure as to what happened with it? I'm a bit confused as to whether you've created this spreadsheet and you've indicated that these are the people that need to be sacked, or you've created a spreadsheet, it's incomplete and you've then handed it to the client because you've been disengaged from that part of the work. I'm not sure which is the most accurate of those two circumstances.

CHRIS MATTHEWS: KPMG created that spreadsheet, which had some data inputs. But, again, multifaceted analysis is undertaken. There are many other pieces of analysis that were undertaken. We were clearly directed by the client to cease working on this spreadsheet. To the best of my knowledge, it was not used by UTS for any redundancy purposes. They have gone on the record to state that. So any further questions with regards to the use of the spreadsheet once it was provided to our client under our contract would be a question for UTS.

The CHAIR: I wondered if I could ask a question about the OSI more generally. What advice did you give regarding any strategy or management of responses to the OSI? Were you asked to consider how the feedback might be responded to or anything once the drafts went out, or was your work terminated by then?

CHRIS MATTHEWS: KPMG's scope, as I mentioned before, was around analysis for the university to make informed decisions. KPMG was not engaged for any organisational change or any consultation communication component of the OSI program. There were many UTS staff as well as us a consultancy involved in OSI, but there were parts which did not have KPMG involvement.

The CHAIR: I just want to go back then to this contract extension because I'm really not clear. You've said that part of the work was terminated. You've said that you weren't engaged with the ongoing feedback and strategy development, that that became university decision-making and what you'd done had fed into that. What were you doing for those weeks when your contract was extended? Because, from what we can see publicly, it's the same work that had actually been completed on the previous contract. Could you explain in a bit of detail what was the work you were doing in that contract extension?

CHRIS MATTHEWS: Thank you for the question, Chair. In the nature of these large programs of work, we clearly stated in our statement of work that we agreed with the institution the areas of analysis that we would undertake. As you undertake that analysis, sometimes there are areas where the university wants a deeper dive or greater analysis. There were some elements where we did not pursue analysis, because the first round of analysis determined that they didn't want to pursue that, and we take direction from the client. The extension relates to certain areas. I believe one was greater analysis around disciplines that the university wanted us to undertake. It's additional time of us as a consultant to undertake that analysis at the direction of the university beyond the original scope.

The CHAIR: Could you provide that information? Because, unfortunately, all we can see is that it is the original scope that's been the extension. So it's still quite difficult to understand. I appreciate the example you've given, but if you could take on notice and provide more detail on which of those areas you were asked to dive deeper into during that contract extension, that would be appreciated.

CHRIS MATTHEWS: I can provide information, obviously subject to commercial-in-confidence review in conversation with the client. There is a significant amount of information already released on the UTS deliverables in the GIPAA on the public record.

The CHAIR: Quite a lot of that was redacted, which is why we're having trouble. So actually I'd like you to provide some information. I'm not asking for everything, but you can give us the headlines of the types of issues that you were exploring. That would be appreciated.

Ms ABIGAIL BOYD: How many KPMG partners and employees do you have sitting on university boards in Australia at the moment?

CLAIRE McGUINNESS: Thank you for the question, Ms Boyd. As you'll be aware, KPMG has a number on boards. We have very strict conflict-of-interest processes in place to manage those additional roles that some of our partners may perform. I don't have the specific number on hand, though, but I understand those board positions are publicly reported.

Ms ABIGAIL BOYD: If you could provide that on notice, that would be great. Also, the retired partners who are still benefiting financially from a stake in the partnership—that would also be very useful if you could come back on notice with those figures.

CLAIRE McGUINNESS: We can take that on notice.

Ms ABIGAIL BOYD: I understand that part of KPMG's consulting work for other organisations sometimes includes advice on governance. If you were advising us or the Government on the composition of university boards and the governance of universities, what would be top of your wish list of reforms?

CHRIS MATTHEWS: I'm happy to start. Again, specifically with regard to New South Wales universities, firstly, on the public record, New South Wales universities take governance very seriously. When you think about governance as well, it's important to think about governance in the sector and for New South Wales institutions at two levels as well. So the choices you'd make in university equally will be impacted by the sector level governance, which is shifting at the moment.

There's a new potential statutory body in ATEC. You've got TEQSA, which is compliance and standards. And TEQSA is quite clear that the role of university governance has three parts under the framework. We look at academic governance as obviously the governing body and then senior management. Why I raise those is the governance of institutions in higher ed in New South Wales needs to reflect and align with what's broadly happening across the sector. One of the things that I believe would help would be greater role clarity of those different parts—so what is the role that they all play in governance of institutions? Equally, as we mentioned earlier, transparency around decision-making is always one that can continue to be improved. Claire, have you got any further comments?

CLAIRE McGUINNESS: Thank you, Chris. I don't sit in our governance area, but what I would note is, when we think about governance internally—for example, from a KPMG perspective—we think about the balance of requirements that our board needs to have. We've reported in our impact report, which is one of our voluntary disclosures that we make annually, that we have an increased number of independent board members. We also have a capability program for our board members, which focuses in on key new areas of expertise or capability that may be required. So diversity, I think, is important as well.

Ms ABIGAIL BOYD: On that, do you acknowledge that there's an overbalancing of commercial and consulting interests on university councils, and do you support the calls to increase the number of academic and student experience staff on those councils?

CHRIS MATTHEWS: Ultimately, there needs to be a balance of corporate experience and business experience on a university council so it does bring commercial acumen, financial and risk skills. Equally, it may increasingly bring some tech—digital and AI. It may help with industry partnerships and industry research collaboration, but appreciate there needs to be a balance across academia and professional, and transparency around the appointments and composition that make sense.

Ms ABIGAIL BOYD: How many commercial consultants do we need on a university council when the university's prime purpose is providing an academic experience in a safe and happy institution for students and staff. Do you support the calls for a rebalancing of university councils to include more staff and student representatives?

CLAIRE McGUINNESS: I might make one quick comment and then pass to my colleague Chris. I would note that the experience that board members bring to boards—and each board for every institution or not-for-profit body, for example, requires different skills and capabilities at different times. Each board member brings the cumulative experience of the breadth of their career, whether it be across private, public or a mix of both areas. I wouldn't necessarily strictly think that membership of a board is aligned purely on a public or private basis, but rather the cumulative expertise of board members.

Ms ABIGAIL BOYD: With respect, that's not what I'm saying. I'm asking that, in the same way when we have a local health district we talk about making sure that there's a community representative and that there are sufficient medical people on that board, no-one's saying that we don't need a person, or even more than one person—maybe two people—with business experience on a university council. But when you have such a preponderance of them, do you agree that that is a pretty mis-balanced university council make-up for an institution that's supposed to be about education?

CHRIS MATTHEWS: I can't comment specifically on the numbers on specific boards in the sector, but what I would say is, as you said, a balance of public and private, at the same the continued evolution of the skills set—and tech, AI et cetera are in short supply on boards across corporate Australia and potentially in the sector, so it's getting a balance of skill set as well as sector expertise. I agree there's a balance. Whether there's an imbalance I probably couldn't comment at this point in time.

The Hon. RACHEL MERTON: Thank you to you both. You both speak of the importance of integrity in the work that you do in this sector. We understand you keep a database to avoid conflicts of interest arising. Whose obligation is it to keep that database and those records up to date?

CLAIRE McGUINNESS: You're absolutely right. KPMG has a very rigorous framework to manage conflicts of interest. We have policies and procedures and we're supported by a technology system which brings those through and connects into our potential opportunities that we may have with those institutions. It is a responsibility of individuals, either our partners or employees when they join the firm, they meet as a matter of course with our ethics and independence team to discuss specifically any roles that they might hold outside of KPMG—for example, not-for-profit board or governance roles. Those discussions are had, and we do that in the context of KPMG's business and our client requirements, and then decisions are made around those positions continuing. Those are entered into our system. But, equally, if an employee or a partner has the opportunity to take on one of those roles while they're employed, they go through that same process with our ethics and independence team. That data is inputted into that system.

The Hon. RACHEL MERTON: Given the onus is placed on staff to actively avoid conflicts and to report in the systems you mentioned, what penalties apply to staff members who cannot meet this onus?

CLAIRE McGUINNESS: I think it's important to note also that we undertake mandatory ethics and independence training, which is really reinforcing those policies and procedures and ethical requirements in terms of potential roles outside of the firm, which, in my personal experience, the firm takes very seriously indeed. I'm not in a position in my role to understand the types of penalties that are in place, but I can assure the Committee about how seriously the firm takes these matters and the messaging and the emphasis that is placed on that for us as partners, and for employees of the firm as well.

The CHAIR: Thank you. That brings to an end our time here. Thank you, Mr Matthews and Ms McGuinness, for agreeing to appear. We do appreciate that willingness. You took some things on notice. We'd appreciate getting those back in due course. There will probably be supplementary questions as well and the secretariat will liaise with you about timing. That brings to an end our session for this morning.

(The witnesses withdrew.)

(Luncheon adjournment)

Ms LUCY MANNERING, NSW Government Cyber and National Privacy Lead Partner, Deloitte, affirmed and examined

Mr ALLAN MILLS, NSW Government and Public Service Team Lead Partner, Deloitte, affirmed and examined

The CHAIR: I welcome our next witnesses to the inquiry this afternoon. Thank you for making the time. Do you have an opening statement?

ALLAN MILLS: Thank you for the opportunity to appear before the Committee today. My name is Allan Mills and I am the lead partner for New South Wales government and public sector at Deloitte. Joining me is Lucy Mannering, our New South Wales government cyber lead partner and Deloitte's national lead for privacy. Deloitte recognises that universities are critical public institutions. They educate future generations, advance research and contribute significantly to the state's social and economic development. Deloitte is proud to work with clients in the higher education sector. In our profession, for example, we employ more than 250 graduates each year from New South Wales universities from a broad range of disciplines. In New South Wales, Deloitte has approximately 4,000 professionals providing services across audit, tax and legal, consulting, finance and economics, technology, engineering, and cybersecurity. We support a diverse range of clients, from not-for-profit organisations and public institutions to privately held and publicly listed corporations.

The vast majority of our work in the higher education sector is focused in technology and cybersecurity services. These are areas that require deep, specialist skills and are increasingly central to universities operating safely, efficiently and sustainably. We believe that we deliver value in three deliberate ways. First, we bring highly relevant experience and specialised capability for a defined period of time. Universities engage us when they need expertise that would not be efficient or practical to maintain permanently in house. Second, we are engaged to deliver specific, measurable outcomes, whether that is implementing a new enterprise system, strengthening cyber resilience, improving financial sustainability or modernising student services. Third, we focus on capability transfer.

Our objective is to leave institutions stronger and more self-sufficient, with enhanced internal skills and systems. These are intentional choices. If we cannot demonstrate clear value, manage conflicts appropriately and meet the highest professional and independent standards, we do not pursue the work. It is a privilege to support the sector that also provides so much for us. Feedback from our clients consistently confirms the quality and practical impact of our services. We welcome the opportunity to contribute constructively to this inquiry. Thank you, and we look forward to your questions.

The CHAIR: That also explains the cybersecurity aspect, which I must confess, when I saw that Ms Mannering was here, I was wondering about. I appreciate that explanation.

The Hon. WES FANG: Didn't you know? I could tell straight away.

The CHAIR: Thank you, Mr Fang. I wanted to ask you a question about UNSW. The Fair Work Ombudsman recently secured a $200,000 penalty in court against UNSW for systemic record-keeping failures that hindered FWO's investigation into its underpayments. I note that FWO began their investigation in 2020. In June 2020, UNSW announced they would be undertaking a comprehensive review of all payments to casual academic staff and that Deloitte would be providing expert advice to their review. What was your role in the review and what advice did you provide, given that the penalty was just announced this year and so these were for actions post the engagement of Deloitte?

ALLAN MILLS: We are really proud of the work that we do across the sector and, in particular, in relation to the wage remediation aspects. We provide two major types of services in this area. One, which you touched on, is the specialist advice doing the deep forensic analysis, reviewing all of the different payments and structures over many years, sometimes with information that's hard to obtain, working across the deans and schools to collect that information; then, secondly, supporting the university in the implementation of systems, tools and processes so that the university does not find itself in the same situation again. We were fortunate to be supporting the university through both parts of the program, performing that type of work.

The CHAIR: If I could just investigate a bit more, one of the things you do is help implement IT systems as a way to remedy situations and assist in the future. In this case the judge was critical of UNSW's focus on complex multi-year IT overhauls that ignored the most obvious solution of timesheets, which would have then collected the information that they needed between the dates in question. Were you involved in those IT overhauls to try and remedy the underpayments in the case of UNSW?

ALLAN MILLS: Absolutely. UNSW would need to tackle all aspects of the program. We were fortunate to be supporting them in the implementation of the systems and tools to overcome and meet some of those requirements. I think it's worth touching on the way in which we're engaged. That would be through the university seeking a contract or an engagement or scope of work and then us responding to that and agreeing with them in terms of the types of skills and services that could be delivered to meet the outcomes that they've specified in their requirements.

The CHAIR: I guess my question is—and I don't know if you've heard any of the evidence today, but the discussion is consultants are engaged because of some perceived expertise and expert advice. A judge identified that the best advice that could have been given to UNSW was actually a really easy fix: get your casual staff to fill in timesheets. Why wasn't that something that, as experts, Deloitte recommended to UNSW? I don't know if UNSW is a bit cranky about the $200,000 they've had to pay as a penalty for not doing that. Did you recommend that? If not, why not?

ALLAN MILLS: The system that's been implemented provides that functionality.

The CHAIR: Okay but it wasn't taken up. So you just say, "Here's the system", or you're there to help remedy underpayment. Do you not say, "This is a priority part because this is the bit that's going to get you into trouble As the experts, we're telling you that you need to make sure this function is engaged"?

The Hon. WES FANG: Point of order: I'm just curious as to which part of the terms of reference this line of questioning covers off. It would seem, in my submission, that it's almost seeking to clarify the delineation between the client and the consumer, which I'm not sure is the remit of this Committee.

The CHAIR: Your point of order is not upheld. The terms of reference is the use of consultants and governance.

The Hon. WES FANG: To the point of order: It's in terms of the relationship between Deloitte and UNSW, which is in effect a matter for those two organisations.

The CHAIR: No. The point is, Mr Fang—maybe I need to make it more clearly. I'll do that to assist the witness. The point is that Deloitte are engaged as experts. Clearly something has gone wrong because expert advice would have ensured that engagement over a series of years to remedy wage theft would assume that during that time, no further wage theft occurred. That would be a fair assumption if experts were engaged to remedy a situation, that that situation would be remedied and, indeed, would not continue.

ALLAN MILLS: I can understand the Committee's concern and I get the gist of the direction. Just responding to that would be—we are engaged for specific pieces of work which can be not the entire program but parts of the program. The decisions that are then adopted by the university in terms of how those recommendations are accepted or implemented is the responsibility of the university themselves.

In many cases, we are providing recommendations which are fully adopted. Sometimes there are other contextual things that happen with the university which we're not privy to, and different decisions are made. I can't talk to the specifics on this engagement in terms of the recommendations because I was not involved directly in the delivery of the project, but that just gives a flavour of how programs of that size and magnitude operate. We wouldn't expect every single recommendation to be fully adopted because there are always competing priorities with the university executive to do other things.

The CHAIR: I understand that, and it might well be that your people did recommend that.

ALLAN MILLS: I don't know.

The CHAIR: It just appears odd that in a contract to remedy wage theft, wage theft continues. You may well be right about the circumstances. If I could ask about UTS. In an AFR article from January this year, Deloitte was identified as a systems integrator of the Workday project at UTS. Can you explain what your role is there?

ALLAN MILLS: Sure. For the Committee's knowledge, Workday is a proven platform that has been implemented across the higher education sector all across the world. It is responsible for doing things like providing teachers and academics—casuals—with payment in terms of the HR systems. It also provides finance, asset management and some student management system work as well. Through a competitive process, we responded and we put forward a proposal which is going to help UTS deliver that capability into the university and replace many of the legacy systems that they're using at the moment in the finance and HR spaces, allowing those leaders to then focus on supporting teachers, academics and staff.

The CHAIR: Can I ask how much the contract is worth for Workday at UTS?

ALLAN MILLS: For specifics on the engagement itself, I think the university is the best organisation to speak with. I would acknowledge, though, that UTS is good at providing detail on the contracts that they award, and their leadership team has been forthcoming in providing that to this Committee.

The CHAIR: So you're not prepared to tell us.

ALLAN MILLS: As all of these operate underneath a commercial engagement, then I think it's more appropriate for the university to provide that information to you.

The CHAIR: I appreciate that. One of the discussions we've been having today is what disclosure should look like, and I just wondered if consulting firms objected to letting us know how much they're paid. No secrets about what you're doing in detail, but I just wanted to know if that was a general approach of Deloitte that you would not disclose information of that nature.

ALLAN MILLS: One thing we would always do is make sure that we're meeting our obligations.

The CHAIR: That same article claims that EY, another consulting firm, found that there was a breakdown in the relationship between the Workday program director and Deloitte, with the project lacking the mechanisms to monitor and manage the performance of Deloitte. I wondered if you could explain why this might be their conclusion, and also noting the context where this Workday program has been cited as pivotal to the OSI, which is the Operational Sustainability Initiative, which has been so controversial at UTS. If it's in danger of failing then that is something that a lot of people have paid a lot for in terms of jobs and other things. Could you explain your take on what was meant by that EY assessment?

ALLAN MILLS: No problems. Programs of this nature are always complex and have many moving parts, which is why the university has established a thorough governance structure which manages the program, which allows issues like this to be unearthed and then dealt with. The EY work was performed as part of that governance structure, which I think is a reflection of a healthy review of a complex program such as the one that UTS is undertaking. As UTS has picked us—we have a proven track record of delivering these programs, not just in the higher education sector but across industry—we're absolutely going to stay laser-focused on delivering the milestones and the outcomes. That's what UTS would expect from us as a proven implementer of systems of this nature.

The CHAIR: Thank you for that, but it doesn't really answer my question. What are the issues that EY was referring to in terms of lacking the mechanisms to monitor and manage the performance of Deloitte because of the breakdown in relationships? That was the assessment.

ALLAN MILLS: I'm sorry, I'm not sure of the question.

The CHAIR: EY found that there was a breakdown in the relationship between the Workday program director and Deloitte. I understand that you're saying that these are complex and there are good assessment mechanisms—although consultants engaged to assess consultants? Okay.

The Hon. WES FANG: The irony.

The CHAIR: The irony. But do you have any reflections or is there anything that you could add about the nature of that breakdown? Is the program in danger? It's incredibly important. People have paid a lot.

ALLAN MILLS: We acknowledge the importance of the program to the university. I would just like to add that with programs of this nature, there are multiple layers of governance and interaction between organisations such as Deloitte and the client. Throughout the program there has been engagement and clarity on what's happening in the program at both the workstream level, the project management level—which was the main focus of the EY report—as well as the executive level.

The CHAIR: So you won't confirm or deny whether there's a breakdown in the relationship between the Workday director and Deloitte?

ALLAN MILLS: I think from time to time there are always periods on programs where things can be improved to improve the way that teams of people work together, and one thing that we do is we are always implementing alongside university people and university teams. Like forming any team, sometimes you need to reflect on that and then think, "How can we change and make this more productive going forward?"

The CHAIR: I have one more question and then I'll pass over to my colleagues. In 2025 Deloitte was embroiled in a scandal about the use of AI in writing a government report that was found to contain errors, particularly hallucination of references. Have you gone back to check that other reports haven't relied on similarly hallucinated references, particularly in the university sector?

ALLAN MILLS: I thought this would come up, so if you don't mind I'll just refer to my notes. It is important and it did fall outside of my scope. I'm the New South Wales government public sector leader, not the Federal government leader.

The CHAIR: I appreciate that.

ALLAN MILLS: It is on public record that the report that we wrote for the Department of Employment and Workplace Relations did contain errors generated by AI in the citations in specific reference to a legal case. We have taken responsibility for that, and we do acknowledge that there was not the appropriate level of quality oversight, and that was not followed. As leaders and partners and me personally, delivering work, we are always accountable for the work that we do and hold ourselves to that. An updated report was issued to the client, and it's worth noting that the recommendations and findings in that report did not change and were fully accepted by the client.

The CHAIR: That being the case, you continue to use AI in the generation of reports?

ALLAN MILLS: Like organisations across Australia and the globe, Deloitte does use AI in its day-to-day work, and it's something that we are all beginning to use. In terms of how we make sure that we do that in a safe and secure way for higher education and all of our clients across the country, we have put in place extensive training with all of our people, processes and guidelines, and tests that people need to complete before they even have access to the tools. When it comes to an engagement where we think there's an opportunity for AI to complement our work, then that will be fully disclosed in the procurement process and in our tender documentation, and then before the project starts, there's a confirmation with the client. In some cases, we use the client's AI infrastructure rather than Deloitte's infrastructure to then deliver that work. The most important thing in this period of time, as we're becoming more accustomed to the use of AI, is making sure that we're doing that transparently and that we're working with clients to make sure they know where it's being used.

The CHAIR: Sorry, I did say it was the last one, but this is kind of related. You have a team that works in higher education, I presume?

ALLAN MILLS: Yes, we do.

The CHAIR: How many people are in that team? What would be the breakdown of those who have actually worked as an academic or as a professional commercial staffer?

ALLAN MILLS: Let me clarify it. The way that we organise ourselves within Deloitte, we don't have industry-specific teams per se where we could say, "That is the direct higher education team." If I just pick our two major businesses that do the majority of work with the higher education sector, we have the strategy and regulation team, and we have the tech and transformation team. Within those groups—say, engineering or cyber—there'll then be a partner or two who would focus on the higher education sector. Given the nature of the work or the opportunity that arises, we will then make sure that we're bringing the best capabilities and mix of university experience and skills with the right competencies from a technical perspective, which then works alongside the university team. We'd be picking and choosing from the different teams to make sure that we're bringing the best team to each of the engagements.

Ms ABIGAIL BOYD: Good afternoon to our witnesses. Thank you for coming. It is the same question that I asked to KPMG: Do you have an idea of how many Deloitte partners, employees or ex-partners you have sitting on university councils?

ALLAN MILLS: Within New South Wales public universities we don't have any, and we don't have anyone at all in the university councils nationally either. Just to touch on that, Deloitte has a very strict approach to the way directorships work. As Deloitte partner, you do have the ability to be a director on cultural institutions such as arts and creative, but that also includes universities. That requires sign-off and approval from our Australian reg leader, which is difficult to come by. Today we don't have anyone on any boards across the country.

Ms ABIGAIL BOYD: How many Deloitte partners or employees do you have currently working in roles in universities as contractors?

ALLAN MILLS: On a day-to-day basis? So how many people are doing projects and things like that? Is that what you mean? Or do you mean people taking operational roles to actually help in the running of the university?

The CHAIR: Both would be good.

Ms ABIGAIL BOYD: Yes, both would be good.

ALLAN MILLS: I don't mind.

Ms ABIGAIL BOYD: Just to give you some context—

ALLAN MILLS: One of them is a really easy answer, which is we don't second or—this is the language that has been used in similar committees—"body shop" people into roles. There have only been two secondments in New South Wales public universities this year. Both of them relate to capability that the university is in a recruitment process for, for the person to then step out. But that's just two individuals. From project-based work, we have somewhere between 100 to 150 people working on different projects across New South Wales public universities.

Ms ABIGAIL BOYD: The reason I asked the question is that there is an allegation—or at least anecdotal evidence that I have heard—that after there have been staff cuts, particularly in IT areas, within universities is then a far greater number of Deloitte consultants doing projects in those same departments that otherwise would have previously been done by the employees. Do you have any data on the number of positions that are now being filled that used to be filled by the capability of permanent staff or casual staff of the university itself?

ALLAN MILLS: That doesn't ring any bells for me, but if you are able to provide the specifics on that, I'll come back to you as a supplementary question and provide the detail. But it doesn't ring any bells.

Ms ABIGAIL BOYD: But the 100 to 150 that you have at the moment, would they be in those IT roles or would they be in other parts of operations within the university?

ALLAN MILLS: They would be project-based people delivering specific outcomes in the different universities. They wouldn't be in operational roles.

Ms ABIGAIL BOYD: I have a final question, which you might need to take on notice. Have you employed any of the people who have been laid off in the universities from those sorts of departments?

ALLAN MILLS: Not that I'm aware of, but I'm happy to double-check and come back to you.

Ms ABIGAIL BOYD: Thank you.

The Hon. RACHEL MERTON: Thank you to both of you for being here. You may have heard earlier today we were talking about issues around conflicts of interest, consultants and work like that. I put this question to KPMG. They speak of the importance of integrity in their service delivery, and we understand a database is managed to avoid conflicts of interest arising. I was wondering if you had anything to elaborate as to how it's managed with yourselves.

ALLAN MILLS: I'm extremely focused on this in my role. This is the core role that I play in Deloitte. Making sure that any engagement that happens across New South Wales government, the universities or not-for-profits is centrally coordinated, in terms of the engagement or the proposal, to make sure at an organisational level if we have the skills, the capabilities and the scale to support the university—or client—at this time, and then if there are any conflicts in place. We manage that through a system, which is a comprehensive enterprise system. The second check that we have, after we've committed to respond to the tender process, is an additional check before the engagement actually starts, which is then completed for all of the named resources that are part of the proposal. As you would understand, you don't always know the people who are going to be involved at the start of the proposal process. When the submission is made, a second confidentiality and independence check is done at that point, and the partner who is responsible for that engagement needs to sign off that they are comfortable that all of those individuals are meeting their requirements.

The Hon. RACHEL MERTON: When that requirement is not met, what are the penalties that are put in place? How is that managed?

ALLAN MILLS: There are probably two parts to that. When those requirements aren't met, then we won't proceed. That is a good sign of the conflicts process working well—that something has been identified. In some cases, we are able to swap teams around to make sure that, say, if it's a personal conflict in terms of relating to a family member or something like that, then we can work through that with a disclosure, but then quite often we stop. In the case where a conflict hasn't been disclosed and that comes to light, then that would be managed through our quality and risk review. As an individual and a partner, that then forms part of my annual report.

The Hon. RACHEL MERTON: In terms of penalties and breaches, just detail how that is managed.

ALLAN MILLS: That's managed by an independent group within Deloitte that is stepped back from the client delivery role and is managed through that team.

The Hon. RACHEL MERTON: If I could just touch on the earlier reference to AI, we've had reports in the last week about another one of the big four—a partner—being fined to the tune of $10,000 where AI was used for cheating what was reported to be internal training relating to integrity. I'm just wondering what measures are in place with Deloitte to manage some of this.

ALLAN MILLS: We take every step we can possibly take, and we're always reviewing thoroughly to make sure our processes are as robust as possible. But, from time to time, I'm sure things will happen. We need to make sure that the processes identify that, and then we take swift action to deal with it and acknowledge it. I'd also just like to add that we do put those acknowledgements in our annual report, which we provide each year.

The Hon. RACHEL MERTON: Have there been any similar breaches in terms of integrity training, conflicts of interest, independence or disclosure relating to AI?

ALLAN MILLS: No, not to my awareness—sorry, apart from the DEWR report, which will be flagged in our annual report.

The Hon. WES FANG: Thank you for appearing today. There has been, I'll say, a lot of demonisation of AI, especially today in this hearing. In the same way that an aircraft uses an autopilot—and early autopilots may have had malfunctions and issues, but we now rely on them primarily for navigation because they are so much safer than human interaction. Is it the case that the AI that you use in your organisation—and, indeed, a lot of other organisations use—continues to improve, continues to get better and adds to the productivity of your organisation?

ALLAN MILLS: That's exactly the mindset that we have at Deloitte. We acknowledge that none of this is perfect or finalised and done. No-one's got it perfect. But what I can say is within Deloitte we have our own platform, which is called MyAssist, and that is a security control to the highest global standards to make sure that we are doing work which is confidentially contained, there's no leakage between engagements and we're being as disciplined as we can possibly be, using the latest insights and technology.

The Hon. WES FANG: So in instances that have been highlighted today in questions to you, they're more aberrations than necessarily a reflection of the quality of AI. Would that be a fair assumption?

LUCY MANNERING: I might jump in there. We really acknowledge that it's crucially important in all of this work to centre a human in the loop when we're reviewing work that might have been assisted by MyAssist. That's really where the role of a partner who's an expert in the field is very important. Having that expert, partner-level responsibility is crucial to maintaining those standards.

The Hon. WES FANG: In terms of the engagement by university sectors seeking to get input from consulting firms, there's been a lot of commentary about the cost that is involved to those university sector organisations, but how often does that experience exist in the university sector? How often does the cost of not having to employ specialist people in these roles, and not keeping a workforce that is only used temporarily for certain projects or aspects of work that the university sector might require—how much does that save the university sector by having an outsource ability to a consulting firm, which means that they don't have to have a workforce on their books that's only working 10 per cent, 20 per cent or 30 per cent of the time?

LUCY MANNERING: I'll jump in there. Thank you for the question. It is a really good point. The work that I do with universities is incredibly specialised and highly technical, and really only needs to be done once every 10 to 15 years. Border firewall upgrades, for example. You do not need—

The Hon. WES FANG: Well, I'd say they might be a bit more than 10 or 15 years.

LUCY MANNERING: But you don't need 10 engineers sitting around every day being paid by the university. It's really on-call resources, when needed, for that specialist technical expert capability. That's where it's really beneficial to have cross-sector experience. Specialists in these fields work across a range of sectors at Deloitte and bring specialist technical expertise learnt from other sectors such as banking and government, particularly, into the university sector. That's something that we find really valuable, particularly in terms of the global insights that we can bring.

The Hon. WES FANG: So to distil it right down to its basics, does the employment of consultants for these specialist tasks save universities or cost universities money, ultimately? It is cheaper for them to employ staff that do those specialist roles, or is it cheaper to outsource those to a specialist that knows exactly the task that's involved and then cuts off that contract?

LUCY MANNERING: I'll answer the first part and then I think Allan can answer the second. It's not only that it might be more cost-effective for the universities to bring in specialists in the field from externally; it's also really a matter of the talent war that exists within these specialisations. It's very difficult to employ specialists in a lot of these fields, and it's a competitive advantage for firms like ours that we are able to do that.

ALLAN MILLS: And then, just touching on what you mentioned before, to actually end up with a more thorough, detailed, cutting-edge proposition for those individuals, having that industry knowledge and having the experience of working with other clients in that space, is not something that a single university would be able to provide. They may be able to provide interim support for a period, but then they will need to continue to invest. Touching on one of your projects, Ms Mannering, maybe touch on the left and right side work.

LUCY MANNERING: Part of the work that we do is very much "left seat, right seat" uplifting of capability. Our technical specialists are extremely passionate about the work that they do.

ALLAN MILLS: That's a good word.

LUCY MANNERING: It took me a while to get there. Extremely passionate about the work that they do, and really enjoy working with their colleagues on projects within the organisations that they're working with. We really do aim to do a skills uplift and transfer with that "left seat, right seat" training and development model. Equally, our people benefit from the work that they do with their colleagues within the cyber teams, particularly, that are embedded in the universities.

ALLAN MILLS: The other point to touch on is one of scale. Universities are complex, large organisations which require sometimes many people to be working on a project at any given time. In order to get that scale to deliver the projects in the time frame required, there's also that which needs to be thought about. We find when we're working at our best is when the Deloitte team is complementing the good capability that already exists in the university with that surge or that scale effort. That means that the university has got consistency with its operational team, and then we're complementing their work in delivery.

The Hon. WES FANG: Thank you, I just wanted to have a little bit of perspective on the matters.

The CHAIR: I think perspective is what we get here.

The Hon. ANTHONY D'ADAM: I've just got a few questions. Some of the earlier evidence we heard, I think from the Nous Group—there was a comment about the professional ethics of the consulting industry. Is there a professional body for the consulting industry?

ALLAN MILLS: Deloitte has a number of bodies which exist through our accounting standards. But as mentioned in a number of the committees, both at a State level and at a Federal level, a single unified body doesn't exist at the moment.

The Hon. ANTHONY D'ADAM: So it's not really a profession, then, as we would understand a profession, with a professional body and some overarching standard-setting, including setting ethical standards, like the Law Society or Certified Practicing Accountants Australia. There are some standards there and a sort of governance framework that effectively enforces those standards. There's nothing like that for the consulting industry, is there?

ALLAN MILLS: I think you could spend a lot of time understanding what the boundaries of the consulting industry definition are. But all of the professionals that work within Deloitte report through at least one of those bodies. To say there's no oversight I think would be a mischaracterisation of the sector.

LUCY MANNERING: I would jump in there. Like all professional services, Deloitte employs a large number of solicitors, accountants and tax specialists who are subject to the professional rules of their governing bodies, such as the Law Society.

The Hon. ANTHONY D'ADAM: If you're providing purely consulting services, there are no overarching standards. There's no benchmark in terms of the ethical standards that are regulated by a body that covers those who are just providing—it's different if you're a lawyer or if you're an accountant; they're established professions. But for just the offering of consulting services, there is no framework, is there?

ALLAN MILLS: I'm not aware of a single—as I mentioned earlier, there isn't a single—

The Hon. ANTHONY D'ADAM: The answer is no, I think it's fair to say.

The CHAIR: We've spoken a bit about AI, but we've asked more about Deloitte's use of AI. You mentioned that tech and the cyber world is what you offer universities. Are you involved in, or do you offer, any sort of AI implementation or any products for universities? Is that something that you're engaged in? I know there are software—and I'm sure other things that I don't know—but AI-specific services.

ALLAN MILLS: What we're finding with most of the large enterprise systems that are being deployed now, they will have elements of AI included in them. At the core of what that's doing is it's making the interaction with whoever's using it—whether it's an academic, a faculty member, student, staff member, admin, whoever it is—to complete the typically administrative tasks at a quicker speed. Whether they're putting in an academic leniency request or they're changing access to a particular campus, by using these systems, they can now do it much quicker. That's because of pre-population of fields. The systems have a better understanding of the individual and can complete some tasks on their behalf.

The CHAIR: Relatedly, with any of your products or services, do you hold multi-year service agreements? Or is it these project-type ones that Ms Mannering was talking about where you come in and fix something or do something or build something and then you're out?

ALLAN MILLS: That varies. We organise ourselves in terms of the type of work into three main areas. One area is the advisory-type work, which is the more traditional work that you would expect from consulting, which goes to the wage remediation advisory-type work, as an example. You then have implementation work, which we've talked a little bit about, which is where the vast majority of the work that we do with the university sits. That's the implementation of either new cyber capabilities, enterprise systems, tools or technology. Then there's the operate business. The operate business is where the organisation is unable or does not want to run that system into the future, then they can engage us to provide support services to provide that system.

The CHAIR: Do you have those operate business contracts currently at universities in New South Wales?

ALLAN MILLS: It's an emerging area for us because clients are asking us and we're responding to tenders that have those aspects in the tender process. Yes, that's right.

The CHAIR: So you do, or you are just responding to tenders? You do provide those services?

ALLAN MILLS: We do, and we want to win that type of work. So when it's coming through from a university in a tender document, absolutely we will respond.

The CHAIR: Could you tell me which universities?

ALLAN MILLS: I won't provide the specific universities because those are commercial engagements. What I can do, though, is take it on notice and come back, because I get the direction of where you're going with that question. I'm happy to come back with more detail on notice on the specific types. But what I can say is it does relate specifically to the following and implementation of a technology—and that may or may not have been delivered by us—and providing ongoing support, because universities do find it challenging in some cases to get the support for those platforms because of the scarcity of resources in the market.

The CHAIR: Understood. It's a real tough market for those kinds of services. I don't need to know, and there's probably no point providing me the detail because I wouldn't understand what it is in the technical sense, but I am trying to get a sense of how much work is undertaken by consultants. I don't know if you saw any of the earlier evidence, but there's very little transparency around the amount of work, the types of contracts, the frequency. Do you not think that consultants should provide details? You might say, "It's not our role; we're abiding by the law," but this is a normative question. Shouldn't the public, who fund public universities, be able to see when external contractors are being paid for work at public universities? As a conceptual idea, isn't that reasonable?

The Hon. WES FANG: This Government doesn't disclose half of their things.

The CHAIR: Thank you, Mr. Fang.

The Hon. WES FANG: I'm just saying. This Government doesn't disclose half its stuff.

The CHAIR: Mr Fang.

ALLAN MILLS: Transparency is an important thing for an effective working government and institutions. That's always helpful. The changes which are underway and have been widely discussed are reasonable. They're the types of reforms—and the more transparency we can give, the better. But until we get to that point, we're always going to meet the obligations of the contracts that we operate under and we will always meet any reporting obligations that the New South Wales or Federal Government has on us for reporting on our services.

The CHAIR: Wouldn't Deloitte like to be the leader, the ethical leader, and declare—or would Deloitte be prepared to say that if the others declare, we'll declare?

ALLAN MILLS: The challenge with this sector—because it's such a vibrant sector in terms of suppliers and the breadth of people that are involved, whether that's multinational organisations or whether it's homegrown businesses, having capture of all is going to be really important. So regardless of whether one organisation says that that's what we would do, it's really important that it's a fair playing field for everyone from a competitive procurement process, both for the universities and all the suppliers.

The CHAIR: So it's a no for now, but we'll get back to you if we change the regs. We very much appreciate you being prepared to come down and talk to us today. Thank you, Mr Mills. I know we have you as a regular at our activities. I can't promise there won't be more! Thank you, Ms Mannering, for appearing this afternoon. You may have taken some things on notice, but there might be supplementary questions, and we will get back to you with time frames and the like for those. Again, we very much appreciate you taking the time and answering our questions today. That is the end of our scheduled hearing for today.

(The witnesses withdrew.)

The Committee adjourned at 14:15.