PwC pays high price on its road to redemption

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Body

Consulting firm PwC remains a pariah as the fallout from the tax leak scandal continues to bite, writes Colin Kruger.

'I'm extremely proud of the contribution every individual at PwC Australia makes to this firm and their ongoing commitment to producing exceptional results for our clients."

This was the brave part of the statement PwC boss Kevin Burrowes made on Wednesday as he announced another 366 employees and partners would be cut at the embattled firm to right-size the shrinking business.

This was on top of the 340 staff sacked in November due to the tax scandal, and economic conditions. As well as the 1300 staff that left when PwC was forced to spin off its lucrative government business for just $1 after it was banned from any further government work.

The firm's website still boasts of a workforce of 8000 employees, but those stats are from a year ago when the news surfaced that several PwC partners had allegedly used confidential government tax information to woo some of the biggest companies in the world as clients.

The outlook appears grim and not just for the tax business, which was the source of PwC's woes. There are clear signs that the audit and assurance business - the original core business of the big four firms and the unit that PwC is counting on to lift it out of the mire - is also suffering.

Westpac's dramatic dumping of PwC last week in favour of KPMG was a big blow, with the bank's business worth $70 million over the last two years alone. But that is not the only signal of the corporate sector's disaffection with the firm.

On March 1, PwC's 19-year run as the auditor of $3 billion Super Retail Group - the company behind retail names such as Rebel Sport, Supercheap Auto and BCF - came to an end.

Mineral sands group ***Iluka*** ***Resources*** will end its 33-year relationship with PwC in May.

"Following completion of a tender process, and given PwC's tenure, the board of ***Iluka*** considered it appropriate to replace PwC with KPMG as ***Iluka***'s external auditor," it said.

Finance group Harmoney Corp and ed-tech group Keypath dropped PwC in December and January, respectively.

Developer Lendlease is still keeping quiet on its audit plans. PwC was meant to replace KPMG last year on audit work.

Macquarie Group is also keeping silent on its plans after flagging a review of its audit services last year to see if it should end its 30-year relationship with PwC. Macquarie paid PwC more than $79 million in fees last year.

The irony is that the assurance business, which includes audit, was highlighted as one of the few positives in last year's Switkowski review, which was triggered by the tax scandal and ordered by interim PwC boss Kristin Stubbins.

"Some parts of PwC Australia - notably the Assurance business - appear substantially to model best practice. The firm should ... look to these strengths as it rebuilds," the report said.

But that is easier said than done. The whole point of hiring a big four audit firm such as PwC is to attach your financial results to a brand whose reputation is beyond question.

PwC's reputation is far from that, and it will suffer further this year at the hands of the incredibly influential Canberra politicians who helped bring the malfeasance by those partners to light.

The level of political fury in Canberra has not abated due to the firm's patchy record at coming clean on the tax scandal.

The latest flashpoint is PwC Australia's insistence that it has no access to the report by law firm Linklaters, which had been commissioned by PwC's international office to independently investigate the involvement of global partners in the tax leak.

Only a one-page summary of this report has been released publicly. It says while six international partners should have raised questions about the confidential information that was shared with them, the report found no evidence that any PwC personnel outside Australia used the information from PwC Australia for commercial gain.

Burrowes, who was parachuted in as CEO of PwC Australia by the global group, told a Senate hearing last month that the group had declined to give him access to the full report.

"So you'***re*** going to accept, from PwC International, a failure to respond to your request, as the CEO of what's described as a systemically significant player in the Australian economy, and we'***re*** supposed to put up with that, as a nation? That seems to be a completely untenable position," Labor senator Deborah O'Neill told the hearing.

Greens senator Barbara Pocock described it as a "running sore of dishonesty".

The bigger issue, as O'Neill puts it, is that the statement by PwC International on the Linklaters report "is certainly at odds with evidence we've received in the Australian parliament from the Tax Practitioners Board [TPB] in recent weeks, where it's not only six people who have been identified, but more than that."

The Tax Practitioners Board, which brought the scandal to light when it banned former PwC partner Peter Collins, said it had nine current investigations stemming from the tax scandal.

The Australian Federal Police announced in May 2023 it was also pursuing a criminal investigation of the tax leak scandal.

But the next bombshell for PwC is likely to be the final report by the Senate inquiry into the integrity of consulting services. The report, which is due this month, is expected to be postponed until May.

As inquiry chairman, Liberal senator Richard Colbeck, indicated with a comment at the most recent hearing that it will not be pleasant for PwC: "I really do want to inflict some pain on PwC in relation to this Linklater's report."

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