

30 March 2026

Senate Standing Committees on Economics  
PO Box 6100  
Parliament House  
Canberra ACT 2600

Via email: [economics.sen@aph.gov.au](mailto:economics.sen@aph.gov.au)

Dear Committee Secretary,

## Treasury Laws Amendment (Financial Reporting System Reform) Bill 2026

Thank you for the opportunity to provide a submission to the Senate Inquiry into the Treasury Laws Amendment (Financial Reporting System Reform) Bill 2026 (the **Bill**), which combines the Australian Accounting Standards Board (**AASB**), Auditing and Assurance Standards Board (**AUASB**), and Financial Reporting Council (**FRC**) into a body called External Reporting Australia (**ERA**).

The Australian Institute of Company Directors Limited (**AICD**)'s mission is to be the independent and trusted voice of governance, building the capability of a community of leaders for the benefit of society. The AICD's membership of more than 53,000 includes directors and governance leaders of not-for-profits, large and small businesses and the public sector.

The AICD supports the creation of a fit-for-purpose, internationally aligned, strongly governed body that can oversee high quality corporate reporting, including the development of standards.

AICD's submission builds on our views expressed in our earlier submissions to Treasury's consultations in November 2025<sup>1</sup> and February 2025<sup>2</sup> along with engagement from AICD's Reporting Committee. We reiterate several points which would strengthen the establishment of External Reporting Australia (**ERA**), including increasing the size of the Governing Council membership, reflecting the learnings from the Briggs Review into Public Sector Board Appointments (**Briggs Review**), and implementing a post-implementation review of the legislation, in line with better policymaking principles.

### 1. Executive summary

- **Governing Council membership** - The AICD recommends lifting the upper limit of the Governing Council to 12 members to help achieve the design principle of allowing greater flexibility for ERA to meet future governance needs.

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<sup>1</sup> Treasury, *Positioning Australia's financial reporting system for the future – draft legislation*, AICD submission, November 2025, available [here](#).

<sup>2</sup> Treasury, *Positioning Australia's financial reporting system for the future*, AICD submission, February 2025, available [here](#).

- **Non-voting associate members** – The AICD recommends amending the Explanatory Memorandum to provide more detail on which ‘unique circumstances’ may warrant the need to appoint a non-voting associate member. It may reduce governance complexity to simply allow a larger Governing Council.
- **Appointments** – The AICD recommends making the board skills matrix for ERA publicly available, in line with principle of transparency, as outlined in the Australian Government Appointments Framework.
- **Post-implementation review** – The AICD strongly recommends the inclusion of a statutory post-implementation review of ERA to ensure it is working as intended (for example, after five years).
- **Cost/benefit analysis** – The AICD recommends specifying that the ERA must conduct a periodic cost/benefit analysis of the collective stock of standards to ensure the volume of regulatory burden on entities is necessary and proportionate.
- **Broader reforms** – The AICD recommends the Government release the outcomes of the 2024 Treasury consultation on the regulation of accounting, auditing and consulting firms in Australia.

## 2. Key points

### Governing Council membership

The AICD recommends lifting the upper limit of the Governing Council to 12 members to help achieve the design principle of allowing greater flexibility for ERA to meet future governance needs, especially with the phased introduction of mandatory climate reporting and assurance. As a matter of good practice, we observe that public sector boards tend to be between 6 to 12 members.<sup>3</sup>

The Governing Council should have a well-balanced and broad mixture of skills and experience, including an appropriate level of independent members and members with recent industry expertise, including accounting, audit and assurance, and sustainability. It is critical that there is a minimum core membership for technical expertise, especially over the early years where it is anticipated that ERA will have three standard-setting boards with responsibility for accounting, auditing and assurance, and sustainability standards.

### Non-voting associate members

The AICD recommends amending the Explanatory Memorandum to provide more detail on which ‘unique circumstances’ may warrant the need to appoint a non-voting associate member, especially if only a relatively small number would ever need to be appointed at any one time. From a transparency perspective, we also recommend the Minister outline the rationale underpinning the decision to appoint a non-voting associate member rather than a voting Governing Council member.

We believe that the objective of appointing non-voting associate members to bring particular expertise to deliberations could be achieved more efficiently with a larger Governing Council as recommended above, using ERA’s power to establish committees and consultative groups (under section 225A (4)), or engaging consultants (under section 232A).

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<sup>3</sup> AICD, *Board size*, Director Tool, July 2019, Page 2, available [here](#).

## Appointments

We note the Government has accepted some of the key recommendations of the Briggs Review into Public Sector Board Appointments (**Briggs Review**) last December and adopted a new principles-based framework for public sector appointments that came into effect on 2 February 2026.<sup>4</sup>

We welcome the Government's new appointments framework that responds to several of the recommendations contained in AICD's submission to the Briggs Review, including recommendations around the use of skills matrices and selection criteria and Ministers being more transparent about appointments.<sup>5</sup>

The AICD recommends the Government make the board skills matrix for ERA publicly available, in line with principle of transparency, as outlined in the new Australian Government Appointments Framework.

## Post-implementation review

The AICD strongly recommends the inclusion of a statutory post-implementation review of ERA to ensure it is working as intended (for example, after five years). This should include a review of the powers, functions, and composition of the Governing Council and effectiveness of the standard-setting bodies. The Briggs Review also recommended external board reviews should be conducted every 5 years.<sup>6</sup>

In the Second Reading Speech, the Assistant Treasurer and Minister for Financial Services, Dr Daniel Mulino MP said the Bill was the 'biggest reform to our financial reporting standard setting institutions in over two decades.' The significance of this legislation reinforces the need for a post-implementation review to ensure that the reform achieve its intended policy objectives.

Recent examples of where Government has introduced a mandatory post-implementation review, includes the draft bill to establish the Australian Tertiary Education Commission, which has proposed statutory reviews after two and five years<sup>7</sup> whilst the *Treasury Laws Amendment (Financial Market Infrastructure and Other Measures) Act 2024* has a review scheduled as soon as practicable after 1 July 2028.<sup>8</sup>

## Cost/benefit analysis

The AICD supports the requirement to conduct a cost/benefit analysis extended to auditing and assurance standards (section 233C). We had previously called for this to occur as the earlier draft legislation had only specified this for proposed accounting or sustainability standards.

We again recommend specifying that the ERA must conduct a periodic cost/benefit analysis of the collective stock of accounting, auditing and assurance, and sustainability standards to ensure the volume of regulatory burden on entities is necessary and proportionate, mindful of the desire to maintain international alignment where possible.

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<sup>4</sup> Minister for Finance, Women, Public Service, and Government Services, Senator the Hon Katy Gallagher, *Government launches new appointments framework*, Media release, December 2025, available [here](#).

<sup>5</sup> Australian Public Service Commission, *Australian Government Appointments Framework*, December 2025, Page 18, available [here](#).

<sup>6</sup> Lynelle Briggs AO, *Report of the Review into Public Sector Board Appointments Processes: No Favourites*, August 2023, Page 71, available [here](#).

<sup>7</sup> Minister for Education, the Hon Jason Clare MP, *Universities Accord (Australian Tertiary Education Commission) Bill*, Second Reading Speech, November 2025, available [here](#).

<sup>8</sup> Parliament of Australia, *Treasury Laws Amendment (Financial Market Infrastructure and Other Measures) Act 2024*, September 2024, Page 286, available [here](#).

Note: Whilst not mandated by legislation, the Government also [directed](#) Treasury to conduct a post-implementation review of the Compensation Scheme of Last Resort in 2025.

In 2025, the AICD engaged economics advisory firm Mandala Partners (**Mandala**) to assess the current scale and impact of regulation in Australia on businesses, and the economy.<sup>9</sup> The research's headline finding was that Australian organisations now spend around \$160 billion a year (or 5.8 per cent of GDP) to comply with federal regulation, up 40 per cent as a share of GDP in the last decade.

The drivers of this change include significant growth in regulation, including delegated instruments such as standards, greater compliance related employment and higher legal spend by organisations trying to understand and comply with new obligations. Cumulative impacts across the regulatory system have received less attention than individual assessments.

### Broader reforms

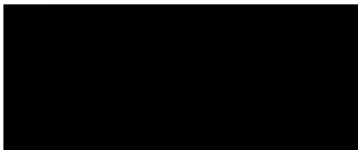
More than a year after the initial discussion paper outlined the proposals to merge the AASB, AUASB and FRC, we reiterate that providing an overall picture of the pipeline of forthcoming reforms will provide greater clarity to market participants in the financial reporting system landscape.

In the government response to the final report of the Parliamentary Joint Committee on Corporations and Financial Services (**PJC**) inquiry into the audit, assurance and consultancy industry, the Government stated that it considered the issues outlined in the PJC inquiry's recommendations as part of the 2024 Treasury consultation on the regulation of accounting, auditing and consulting firms in Australia.

The Government said it would continue to consider these audit regulation matters as part of ongoing policy work.<sup>10</sup> However, greater clarity is needed. Specifically, the AICD recommends the government release the outcomes of the 2024 Treasury consultation on the regulation of accounting, auditing and consulting firms in Australia.

If you would like to discuss any aspects of our submission further, please contact Sean Dondas, Policy Adviser [REDACTED] or myself [REDACTED]

Yours sincerely,



**Christian Gergis**  
Head of Policy

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<sup>9</sup> AICD and Mandala Partners, *\$160 billion and counting: The cost of Commonwealth regulatory complexity*, November 2025, Page 31, available [here](#).

<sup>10</sup> Parliament of Australia, *Parliamentary Joint Committee on Corporations and Financial Services (PJC) inquiry into the audit, assurance and consultancy industry*, Government response, February 2026, Page 5, available [here](#).