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27 March 2026

Senator Lisa Dharmanin
Chair
Economics Legislation Committee
PO Box 6100
Parliament House
Canberra ACT 2600

Via email: economics.sen@aph.gov.au

Dear Chair

Senate inquiry – Treasury Laws Amendment (Financial Reporting System Reform) Bill 2026

The Property Council of Australia (the Property Council) welcomes the opportunity to respond to the Senate Economics Legislation Committee’s inquiry into the *Treasury Laws Amendment (Financial Reporting System Reform) Bill 2026*.

The Property Council is the peak body for owners and investors in Australia’s \$670 billion property industry. We represent owners, fund managers, superannuation funds, developers, and investors across all four quadrants of property investments: debt, equity, public and private.

The property industry is the country’s second largest employer, providing over 1.4 million jobs to Australians, representing a direct gross domestic product (GDP) contribution of \$232 billion, or 10.6 per cent of total GDP, as well as 18.2 percent of total tax revenues totalling \$129.6 billion.

The Property Council supports the Government’s objective of modernising Australia’s financial reporting architecture and establishing a framework that can effectively support accounting, auditing, assurance and sustainability standard-setting into the future. The institutional settings adopted through this Bill will be critical to market confidence, technical credibility and the long-term effectiveness of Australia’s standard-setting system.

We refer the committee to the Property Council’s November 2025 submission to Treasury regarding the exposure draft legislation, which has been attached to this submission.

In summary, the Property Council’s previous submission to Treasury raises several headline issues. These include the need to preserve strong technical capability within the new governance framework, ensure appropriate safeguards for the independence of standard-setting boards, retain a system-level focus on audit quality, improve transparency around appointments, and ensure that cost-benefit analyses appropriately consider the impact of divergence from

international standards. The submission also supports retaining existing standards nomenclature to avoid unnecessary confusion and transition costs.

We also emphasise that the work of the Australian Accounting Standards Board (AASB) in developing its 2027–2031 Work Plan should be given greater certainty during this process. The transition to the new framework should not delay, disrupt or otherwise undermine confidence in the forward standard-setting agenda and projects.

The Property Council welcomes the opportunity to discuss this submission in more detail. Please contact Dan Rubenach, Policy Manager at [REDACTED] to arrange a meeting.

Yours sincerely

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Torie Brown
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27 November 2025

Director
Financial Reporting System Reform Unit
Market Conduct Division
The Treasury
Langton Crescent
PARKES ACT 2600

By email only: frsreform@treasury.gov.au

To Whom It May Concern

External Reporting Australia – exposure draft legislation

The Property Council of Australia (the Property Council) welcomes the opportunity to comment on the exposure draft bill and explanatory materials for the *Treasury Laws Amendment Bill 2025: Financial Reporting System Reform, e*

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Members of the Property Council have varied reporting and disclosure requirements, from lodging financial reports with the Australian Securities and Investments Commission (ASIC), to periodic reporting as part of the ASX listing rules, to emerging climate-related financial disclosures. We represent both preparers and users of financial statements.

The Property Council supports the Government's objective of ensuring Australia maintains a high-quality, internationally credible financial and sustainability reporting framework. We recognise the importance of an agile and well-governed standard-setting system, particularly as climate-related and broader sustainability disclosures are introduced and refined.

In our [February 2025 submission](#), we:

- Supported the creation of a dedicated sustainability standards capability for Australia,
- Emphasised the importance of preserving and strengthening the independence of technical standard setting, and

- Highlighted the need to maintain and enhance confidence in Australia’s capital markets in the eyes of global investors.

We make this further submission to address several specific aspects of the exposure draft that are central to those objectives:

1. The impact of excluding current auditors from the Governing Council
2. The need to safeguard independence of standard-setting
3. Removal of audit quality responsibilities from the new Governing Council, and the proposed transfer of those responsibilities solely to the Australian Securities and Investments Commission (ASIC)
4. The appointment and nomination process for members of the Governing Council
5. The need for cost-benefit analyses to explicitly consider the cost of divergence from international standards
6. The importance of retaining existing standard nomenclature (for example, AASB, ASA and related prefixes)
7. The need for further information and clarity on the appointment and nomination process for the Governing Council.

Composition of the Governing Council – participation of current auditors

The exposure draft and explanatory memorandum appropriately highlight the need for the Governing Council of External Reporting Australia (ERA) to be, and be seen to be, independent from Australian auditors.

The Property Council supports that objective, however we are concerned that the drafting and commentary may be read as a blanket exclusion of current auditors from serving on the Governing Council.

In our previous submission, we expressed concerned about eligibility rules that would have barred people who work in, or have financial ties to, audit and accounting firms from participating on boards and committees. We argued that:

- High quality technical standard-setting benefits from the expertise of current practitioners, including auditors, and
- Perceived conflicts of interest should be addressed through robust conflict of interest management, rather than blanket exclusion of practitioners.

From the perspective of property companies and the institutional investors who allocate capital to our sector, the credibility of the reporting system rests on strong technical capability of its standard setters and an effective mix of users, preparers and practitioners in decision-making.

If the Governing Council is to have the power to make, formulate, vary, revoke or give a direction in relation to a particular standard and the decision of a standard-setting board, then it must reflect the same mix of users, preparers and practitioners in its own deliberations.

Recommendation 1: Clarify that current auditors may serve on the Governing Council, subject to the same strong conflict management as other members.

Safeguarding independence of standard setting

The Property Council has previously advocated for a financial reporting system that retains real and perceived independence of standard-setting. The exposure draft improves on earlier institutional options by requiring public meetings on the contents of standards.

However, we remain concerned that the Governing Council retains a broad capacity to “make, formulate, vary, revoke or give a direction” in relation to particular standards. Under the exposure draft, the Governing Council may direct a board on the content of a standard where certain conditions are met, including where a super-majority of members present vote in favour of a direction that is also supported by a majority of all members.

There is also a tension between the procedural safeguards in the Bill and the provision that failure to comply with those safeguards does not affect the validity of a standard. We appreciate the need for legal certainty, but this approach risks weakening the practical enforceability of the independence safeguards that are central to market confidence.

From the perspective of the property industry, any perception that the standard-setting boards are subordinate to, or may be overruled on technical matters, by a governance body for reasons other than due process or legality would be damaging. This is particularly sensitive as Australia implements climate-related and broader sustainability standards that will be closely scrutinised by global investors.

Recommendation 2: Amend the Bill so that the Governing Council’s power to override or direct a standard-setting board in relation to a particular standard is confined to failures to comply with due process requirements or circumstances where intervention is necessary to enable the council to discharge its obligations under the PGPA Act.

Audit quality responsibilities – retaining a system-level role for the Governing Council

We understand that Treasury’s policy intent is to consolidate standard-setting functions in ERA while transferring primary responsibility for audit inspection and enforcement activities to ASIC. We acknowledge that ASIC has, and should continue to have, a central role in monitoring and enforcing compliance with auditing standards and related obligations.

However, the exposure draft appears to remove from the new Governing Council any explicit responsibility for system-level oversight of audit quality, a role positioned historically within the Financial Reporting Council (FRC).

In our previous submission we cautioned against fragmenting responsibility for the overall health of the financial reporting system, including audit quality. There is a distinction between operational and enforcement functions (including inspections, investigations and disciplinary actions) and the high-level, system-wide oversight of the broader regime.

The ERA, and the Governing Council specifically, should be responsible for identifying emerging risks to audit quality, coordinating responses across standard-setting, enforcement and education, and advising the government on economy-wide settings.

By removing the role from the Governing Council, it weakens the feedback loops between evidence on audit quality and the standard-setting process and sends an unintended signal that audit quality

is a matter solely for enforcement, rather than the shared responsibility of standard-setters, users, preparers and practitioners.

Recommendation 3: Retain a system-level audit quality oversight function for the Governing Council.

Appointment and nomination process for the Governing Council

The exposure draft sets out the broad framework for the appointment of Governing Council members (by the Minister) and the skills and experience to be reflected in the Council's composition.

However, the exposure draft and explanatory memorandum provided limited detail about the process by which Council members will be identified and nominated, whether there will be an independent nominations committee or advisory panel, the extent to which positions will be publicly advertised and subject to a transparent selection process, and how stakeholders will have input into the skills profile and composition of the Governing Council over time.

Enhanced transparency in the appointment process will help ensure the Governing Council has the expertise to manage Australia's external reporting framework.

Recommendation 4: Provide more detail in the explanatory memorandum on the appointment and nomination process for the Governing Council.

Cost/benefit analysis – incorporating the cost of divergence

The exposure draft appropriately requires ERA to undertake a cost/benefit analysis for proposed domestic accounting and sustainability standards, and when commenting on or proposing the adoption of international standards.

The Property Council supports this requirement noting that high quality standards should be informed by clear analysis of their expected benefits and compliance costs.

From the perspective of the property industry and their investors, one key component of that analysis is the cost of divergence from major international standards, particularly IFRS-based accounting standards.

Where Australia chooses to diverge from the wording or requirements of international standards, or to introduce additional requirements, there can be material additional costs including:

- Higher costs for entities with cross-border operations or listings,
- Complexity in explaining Australian-specific requirements to global investors and lenders, and
- Potential pricing and competitiveness impacts if Australian disclosures are perceived as less comparable.

These impacts are especially important for capital intensive sectors like property, which rely heavily on global equity and debt.

Recommendation 5: Require cost/benefit analyses to explicitly consider the cost of divergence.

Retaining existing standard nomenclature

The Australian financial reporting system is underpinned by decades of practice, education and systems investment built around familiar standard prefixes and numbering conventions, notably AASB for accounting standards and ASA and ASSA for auditing and assurance standards.

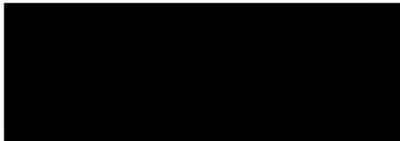
While the exposure draft focuses on institutional arrangements, the creation of ERA raises a question about whether standard nomenclature might be altered in the future, for example to re-badge existing standards. Even if there is no current intention to do so, a lack of clarity about the transitional arrangements creates uncertainty.

Unnecessary changes to nomenclature would impose significant transition costs on preparers, auditors, regulators, educators and software providers, risk confusion for investors and analysts familiar with existing labelling, and would otherwise add complexity to the interpretation of historical material, contracts and regulatory instruments.

Recommendation 6: Confirm that the existing standard nomenclature will be retained.

The Property Council welcomes the opportunity to discuss this submission in more detail. Please contact Dan Rubenach, Policy Manager at [REDACTED] to arrange a meeting.

Yours sincerely



Torie Brown
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