

Friday, 27 March 2026

Committee Secretary
Senate Standing Committees on Economics
Department of the Senate
PO Box 6100
Parliament House
CANBERRA ACT 2600
AUSTRALIA

Dear Committee Secretary,

Submission to the Senate Economics Legislation Committee – Treasury Laws Amendment (Financial Reporting System Reform) Bill 2026

Chartered Accountants Australia and New Zealand (CA ANZ) and CPA Australia welcome the opportunity to make a submission to the Senate Economics Legislation Committee's inquiry into the *Treasury Laws Amendment (Financial Reporting System Reform) Bill 2026*.

Consistent with our [earlier submissions](#), we support the overall objective of strengthening confidence in Australia's financial reporting system and ensuring it remains fit for purpose as reporting demands evolve. We also support the core principle of 'preserving existing strengths' that acknowledges that Australia's existing standard-setting framework has been operating effectively for decades, is internationally aligned, and has earned strong confidence and respect among key stakeholders, both domestically and internationally.

Our submission is directed at ensuring that the reforms achieve their stated objectives in practice, while preserving the strengths of the existing framework. In particular, our proposed amendments focus on governance, independence and the maintenance of credible, technically robust standard-setting arrangements. These elements are central to sustaining confidence in Australia's financial reporting system.

We have concerns about some aspects of the Bill that we believe should be addressed to ensure the effectiveness and integrity of the framework is maintained. Our submission therefore reiterates a limited number of targeted recommendations that were previously raised but have not been incorporated into the Bill, and we believe a post implementation review is critical. We believe these changes are critical to maintaining confidence, integrity and the right governance and operational practices in the new model. Accordingly, our recommendations for legislative inclusion are as follows:

- embedding sufficiently rigorous and transparent due process requirements;
- the size, composition and skills mix of the Governing Council;
- minimum board sizes to safeguard technical capability and diversity of views;
- clarity and safeguards around Governing Council intervention powers;

- mandatory consultation in the development of standards;
- ensuring an explicit role for External Reporting Australia in influencing the development of international standards adopted in Australia.
- Requirement for an independent post implementation review into ERA, its role, its functions and its operations two years and five years after inception.

We appreciate the constructive engagement that has occurred throughout the policy and legislative development process, and the changes made in response to stakeholder feedback. However, the proposed reforms represent a significant structural change to a system that is widely regarded as working well. Treasury explicitly stated in its 2025 consultation paper that, for the avoidance of doubt, it was not seeking views on the merits of the policy decision. Given that the policy decision to merge the existing bodies is confirmed, and the relative merits, risks and trade-offs of this change — including consideration of alternative models — have not been subject to a comprehensive assessment through the consultation process, this places a premium on ensuring that the legislative design is robust, proportionate and appropriately safeguarded.

The attachment to this submission contains an **illustrative drafting** showing how our key recommendations could be reflected in the Bill. This is intended as a high-level working illustration, rather than a final or exhaustive legislative proposal, and is provided to assist the Committee in its scrutiny of the legislation.

Given the significance of the proposed changes, we consider the Committee's role in examining the design, safeguards and long-term implications of the Bill to be critical. We would welcome the opportunity to engage with the Committee, Treasury and other stakeholders as the inquiry progresses.

If you have any queries please contact Amir Ghandar, CA ANZ Reporting and Assurance Leader at [REDACTED] or Ram Subramanian, CPA Australia Financial Reporting Lead at [REDACTED].

Sincerely

[REDACTED]

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Attachment

Proposed amendments to the *Treasury Laws Amendment (Financial Reporting System Reform) Bill 2026*

Embedding sufficiently rigorous and transparent due process requirements

1. Omit section 230(2)(b). Substitute:

Operation of the board

(2) Subject to section 233E, the determination must also provide for:

- (b) the manner in which the board is to perform functions or exercise powers, including:
 - (i) the requirement for a technical work plan to include agenda-setting and project prioritisation; and
 - (ii) the criteria for determining standard-setting projects; and
 - (iii) consultation requirements, including exposure drafts and comment periods; and
 - (iv) transparency requirements (including publication of meeting papers and decisions); and
 - (v) requirements for effects analyses, including costs/benefits and implementation considerations; and
 - (vi) requirements in respect of exceptions to procedural requirements and how they are justified and disclosed; and
 - (vii) how international engagement and adoption decisions are made; and
 - (viii) how dissenting views are recorded and addressed; and

The size, composition and skills mix of the Governing Council

2. Section 227: replace paragraph (b)

Omit paragraph 227(b). Substitute:

- (b) not fewer than 8, and not more than 11, other Council members.

3. Section 227A: replace subsection (1) and insert new subsections (a)-(e)

Omit subsection 227A(1). Substitute:

- (1) The Council members are to be appointed by the Minister by following the process set out in subsections (a)-(e)

Insert after subsection (1):

(a) Public nominations process – Before appointing a person as a Council member, the Minister must cause a public process to be undertaken that:

- (i) invites nominations (including self-nominations); and
- (ii) publishes selection criteria; and
- (iii) provides a reasonable period for nominations

(b) Assessment against criteria – The Minister must have regard to an assessment of nominees against the published criteria, including the principles and balanced representation requirements in subsection (4)

(c) Transitional – Subsections (1A)-(1C) do not apply to acting appointments under section 227D.

4. Section 227A: replace subsections (4) and (5(a)) to provide for balanced representation and expertise coverage

Omit subsection 227A(4). Substitute:

(4) Before appointing a person as a Council member, the Minister must also have regard to the principle that, taken together, the Council members provide balanced representation across stakeholder groups affected by External Reporting Australia's standards and guidance, including (without limitation):

- (a) governance;
- (b) business;
- (c) financial markets;
- (d) law;
- (e) government;
- (f) accountants;
- (g) users of external reports (including investors/creditors);
- (h) preparers (including for-profit, not-for-profit and public sector);
- (i) audit and assurance practitioners;
- (j) sustainability and climate-related reporting expertise;
- (k) regulators and governance experience;
- (l) science;

and that, taken together, the Council members include substantial expertise across accounting, auditing and assurance, and sustainability standard-setting domains.

Omit subsection 227A(5(a)). Substitute:

(a) the principle that the Governing Council should have a balanced representation of persons to promote confidence that standard setting will not be overly influenced by perspectives of any individual member or the interests of any particular sector, group or industry.

5. Term limits (Governing Council)

Amend section 227B. Insert at end of section 227B:

(2) A person must not hold office as a Council member for more than 2 terms in total

Standard-setting boards: minimum size and chair appointment flexibility

6. Standard-setting board size

Amend section 231(1) to specify:

“not fewer than 8... board members”

7. Chair part-time or full-time

Amend section 231A to provide:

The Chair of a standard-setting board may be appointed on a part-time or full-time basis.

8. Term limits for board members

Insert a two-term cap.

Clarity and safeguards around Governing Council intervention powers

9. Omit subsection 233D(3). Substitute:

(3) The Governing Council must not make, formulate, vary or revoke a particular standard in the performance of External Reporting Australia’s functions if the standard is of a kind determined for a standard-setting board under paragraph 230(1)(b). If subsection (4) is satisfied, the Governing Council must direct the relevant standard-setting board to revisit the standard and rectify it to address any concerns raised by the Governing Council.

Mandatory consultation in the development of standards

10. Section 225A: insert explicit requirement to consult on international standards and standards developed in Australia by the standard setting boards

Insert new subsection 225A(8A):

(8A) In conducting its functions, including the making and formulating of standards, External Reporting Australia must consult in a genuine and timely manner with interested and affected parties, to enhance the quality of standards and guidance and to be satisfied that the standard-setting process is appropriate and responsive to the public interest.

Ensuring an explicit role for External Reporting Australia in influencing the development of international standards adopted in Australia

11. Section 225A: insert explicit participation, research & outreach function

Omit subsection 225A(1)(f). Substitute:

(f) to monitor and participate in the development of, and amendments to, international accounting standards, international auditing standards and international sustainability standards;

Insert after paragraph (g):

(ga) to conduct, commission and publish research and undertake stakeholder outreach to build an evidence base to inform:

- (i) the development, modification, adoption and maintenance of standards and guidance under this Part; and
- (ii) Australia's participation in international standard-setting.

Section 225A(2): add safeguards

12. Insert 225A(3A):

(3A) The Minister must, in respect of a legislative instrument in subsection (2) above:

- (a) undertake public consultation on the proposed legislative instrument; and
- (b) ensure the legislative instrument is accompanied by a statement of reasons addressing how it preserves technical independence and due process.

Post-implementation review of External Reporting Australia

13. Insert 366 Post implementation review of External Reporting Australia:

(1) The Minister must cause an independent review to be conducted of the operation of External Reporting Australia, including its functions, governance arrangements and the effectiveness of its operations:

- (a) as soon as practicable after the second anniversary of the commencement of this Schedule; and
- (b) as soon as practicable after the fifth anniversary of the commencement of this Schedule.

(2) A review under subsection (1) must consider:

- (a) whether External Reporting Australia is operating in accordance with the objects and intent of this Act;
- (b) the effectiveness of governance, accountability and decision-making arrangements;
- (c) the extent to which the independence and technical integrity of standard-setting

functions have been maintained;

(d) the effectiveness and transparency of due process and consultation arrangements;

(e) the effectiveness of arrangements for international engagement and influence in standard-setting; and

(f) any other matter the reviewer considers relevant to the performance of External Reporting Australia.

(3) A review under subsection (1) must be conducted by a person, or persons, who are independent of External Reporting Australia and the Department administered by the Minister.

(4) The reviewer must give the Minister a written report of the review.

(5) The Minister must cause a copy of the report to be tabled in each House of the Parliament within 15 sitting days of that House after the Minister receives the report.