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27 March 2026

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

Online submission: [economics.sen@aph.gov.au](mailto:economics.sen@aph.gov.au)

Dear Committee Secretary

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

I am pleased to make this personal submission to the Senate Economics Legislation Committee's inquiry into the *Treasury Laws Amendment (Financial Reporting System Reform) Bill 2026*.

I have extensive experience in accounting and financial reporting advice on Australian Accounting Standards and International Financial Reporting Standards across a wide range of clients, industries and issues in the for-profit, not-for-profit, private and public sectors.

My clients have included listed companies, unlisted and private companies, charitable and not-for-profit organisations, federal, state and local government departments and agencies in the public sector, and government owned corporations (government business enterprises).

I cover the following topics:

1. Removing parliamentary scrutiny over new standard-setting boards
2. Removal of Australian Accounting Standards Board and Australian Auditing and Assurance Standards Board as separate entities
3. Transitioning the FRC to the Governing Council of External Reporting Australia
4. Governing Council having final say over the issuing of standards.
5. Sustainability standards-setting board
6. Associate members

#### **1. Removing parliamentary scrutiny over new standard-setting boards**

The legislation combines the Australian Accounting Standards Board (AASB), the Australian Auditing and Assurance Standards Board (AUASB) and Financial Reporting Council (FRC) into a single entity External Reporting Australia, and allows this new body to create new standard-setting boards. Under the current structure, new standard-setting boards need to be decided by parliament.

The proposed legislation and materials to do not provide adequate justification as to why parliamentary scrutiny, and a known consultation process, has been replaced by a system to be determined by a politically appointed minister. The process of issuing, and potentially disallowing legislative instruments, is not a substitute for the existing consultation processes for legislation.

The Governing Council has further powers in relation to standard-setting boards, without the current consultation process (Explanatory Memorandum paragraph 1.73).

I disagree with this removal of parliamentary scrutiny, and believe that the legislation as it stands should not proceed. I do not believe there are any amendments that could eliminate this reversal without substantial rewriting of the legislation.

## **2. Removal of Australian Accounting Standards Board and Australian Auditing and Assurance Standards Board as separate entities**

The proposed legislation removes the AASB and the AUASB as separate statutory bodies yet seems to sort of retain them as separate standard-setting boards.

The implications of the change have not been fully explained. I address possible arguments for change, and why they are not supported below:

### *Collaboration and Efficiency*

The AASB and the AUASB are already co-located, produce a combined corporate plan, produce a combined annual report, have the same managing director, and the same systems.

Staff tend to specialise in one area – auditing standards, or accounting standards - even if they have knowledge of both. This is expected to continue.

I have not been able to identify any additional substantive efficiencies from the structural change.

### *Timeliness of Standards*

Australian standards are driven by international standards. The AASB and AUASB has already issued Australian equivalents to the international sustainability and auditing standards respectively, in a timely manner.

I have not been able to identify how the structural change will result in quicker standards.

### *Board Specialisation and Workload*

We have two boards (accounting and auditing) because of the different skills and experience needed. Those two boards are expected to continue, although under a different legal structure.

I have not been able to identify any substantive reasons that will improve financial reporting.

The proposed legislation should not proceed as it is not going to help transparency, public information or reporting.

## **3. Transitioning the FRC to the Governing Council of External Reporting Australia**

### *Using the FRC as the foundation for the Governing Council*

The basis of the structural change uses the existing FRC as the foundation. That is, existing FRC members are transitioned to the Governing Council for the balance of the term of their FRC appointment (Explanatory Memorandum paragraph 2.37).

Before using the FRC as a foundation, a review should be undertaken of the effectiveness of the FRC and its members.

I do not believe that the FRC has been effective, and consequently its functions should not be expanded as proposed. For example, the Report of the Parliamentary Joint Committee on Corporations and Financial Services inquiry, *Ethics and Professional Accountability: Structural Challenges in the Audit, Assurance and Consultancy Industry* (November 2024) includes an appendix listing the various recommendations the Committee made in December 2020 for the FRC to undertake, which have not been achieved in real outcomes.

This review should be undertaken before the legislation is passed.

*The Governing Council being the accountable authority of External Reporting Australia*  
An important change in governance under the new structure is that the Governing Council (i.e. all members including the chair) will be the accountable authority of External Reporting Australia.

Currently, the Chairs of the AASB and AUASB are the accountable authority of the respective Offices of the AASB and AUASB. The accountable authority role includes approving their board's priorities, business plans and procedures and their Office's budgets and staffing arrangements (including employing staff).

Before the legislation is passed, transitioning the FRC to the new Governing Council, there should be a review of the existing FRC members to ensure they have the ability and time to under the additional responsibilities. If they do not, the proposals should not proceed.

#### **4. Governing Council having final say over the issuing of standards.**

The current structure which excludes the FRC (and direct political appointments) from the issue of standards, has worked well.

Under the proposals, the Governing Council may take direct action by seeking to issue, amend or revoke a standard (Explanatory Memorandum paragraph 1.240).

I do not agree with the Governing Council, which are essentially political appointments, having the final say on standards issued by standard-setting committees.

Consequently, the legislation should not proceed, as this is a fundamental change designed into the new structure.

#### **5. Sustainability standards-setting board**

##### *New sustainability standards setting board*

The proposed legislation effectively creates a new sustainability standards-setting board, although under a changed structure.

I do not agree with a separate sustainability standards-setting body. However, I believe that the current structure for issuing sustainability standards can be improved.

Financial reporting standards (including sustainability standards) should be issued by a body with knowledge and experience in financial reporting (i.e. the current accounting standards board). Individuals involved in "sustainability reporting" do not necessarily have the experience of the due process involved with financial reporting,

or the experience of the impact (including costs) on the public sector, NFPs and SMEs.

I do not believe that establishing a new sustainability standards-setting board will achieve these goals. Therefore, the legislation should not proceed.

### *Expansion of sustainability standards beyond climate*

While sustainability reporting over the last year or so has been associated with climate reporting, future sustainability reporting is expected to cover biodiversity, ecosystems and ecosystem services, human capital and human rights. Individuals with experience in climate reporting do not necessarily have experience with those other areas of sustainability reporting.

I believe that sustainability standard setting can be improved, without establishing a separate sustainability standard setting board:

#### **Using the existing accounting standards setting board**

As we have seen with the recent sustainability standards, while there were proposals to make Australian specific amendments and cost-reductions, in the end the international climate reporting standards were adopted.

Consequently, we do not need four specialist sustainability people on the accounting standard setting board, if it is essentially going to endorse standards for large for-profit private sector entities.

The AASB already deals with industry specialised standards (for example, insurance, financial instruments) and does not need four specialists for each of those topic specific standards. Therefore, we don't need specialists for every single project on sustainability (today climate reporting, in the future biodiversity etc.) mentioned above.

As I state above, what we need is far more people on the standard setting boards with public sector, NFP and SME experience, as the real standard setting and changes are made in this area.

#### **Scope 3 disclosures – Evidence-informed**

The AASB has not applied its Evidence-Informed Standard-Setting Framework by not obtaining sufficient appropriate evidence that the disclosures of Scope 3 emissions, that involve considerable costs to obtain, and subject to significant estimations, assumptions and variability, is useful.

For example, Coles Group Ltd disclosed Scope 3 emissions of around 20 million tonnes carbon dioxide equivalent in 2023. What does this mean? Especially with the commonwealth's 82% renewable electricity by 2030 target, and net zero by 2050 target?

Do we really need Scope 3 disclosures, when the country has legislated net zero targets anyway?

While the legislation does require the disclosure of Scope 3 emissions, the AASB should have further applied its responsibilities of considering the best interests in the Australina economy for mandating these disclosures.

**6. Associate members**

I do not understand the amendments from the exposure draft legislation to introduce non-voting associate members of the Governing Council.

In the absence of an adequate explanation, these proposals should not proceed.

Yours sincerely,

David Hardidge

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