

## AGENDA PAPER

**Item Number:** 7

**Date of Meeting:** 26 March 2026

**Subject:** Update on Parliamentary Inquiries relating to the accounting profession

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Action required     For discussion     For noting     For information

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### Purpose

To update the Board on the Parliamentary Inquiries relating to the accounting profession.

### Background

In recent years, the accounting profession has seen an increase in ethical failures, from cheating on ethics exams to fraud, breaches of confidentiality, and conflicts of interest. In Australia, these ethical failures have led to several parliamentary inquiries that have affected the accounting profession.

APESB have engaged with these inquiries by providing submissions and appearing at public hearings throughout the period 2023-2024. Detailed updates on the inquiries were provided at the Board meetings in August 2023 ([Agenda Item 11](#)), November 2023 ([Agenda Item 10](#)), March 2024 ([Agenda Item 10](#)), June 2024 ([Agenda Item 10](#)), September 2024 ([Agenda Item 10](#)) and December 2024 ([Agenda Item 12](#)).

### Parliamentary inquiries update

#### ***FPAR Committee Inquiry into Management and Assurance of Integrity by Consulting Services***

On 9 March 2023, the Senate referred an inquiry into management and assurance of integrity by consulting services to the Finance and Public Administration References (FPAR) Committee. The inquiry's focus is set out in the [Terms of Reference](#).

The Committee tabled two interim reports: [PwC: A Calculated Breach of Trust \(June 2023\)](#) and [PwC: The Cover-up Worsens the Crime \(March 2024\)](#).

The Committee issued its final [Report](#) (FPAR Inquiry Report) on 12 June 2024, making [12 recommendations](#) for the Government to consider. The report also includes 22 additional recommendations from the [Australian Greens](#). Refer to the update provided to the Board in June 2024 ([Agenda Item 10](#)).

On 23 January 2026, the Government published its [Response](#), in which it addressed 11 recommendations, with PwC Australia noted as the respondent to Recommendation 1. The Government also noted, without comment, the Australian Greens' recommendations.

In managing consultants' conflicts of interest (COI), the Government has indicated its support and has since undertaken measures to strengthen supplier integrity and contract transparency. The following actions are particularly relevant to APESB:

Recommendation	Relevance to APESB
<p><i>Recommendation 5</i></p> <p>That the Department of Finance amend the Supplier Code of Conduct to include a requirement for service providers to:</p> <ul style="list-style-type: none"> <li>• act in the public interest; and</li> <li>• incorporate elements from the professional standard APES 110 that align with public sector values.</li> </ul> <p>The Department of Finance should also publish guidance to illustrate examples of conduct that are consistent with these values.</p>	<p>APES 110 Principles (integrity, objectivity, professional competence, confidentiality and professional behaviour) are captured by the <a href="#">Commonwealth Supplier Code of Conduct</a>, which came into effect on 1 July 2024. It places obligations on suppliers and their subcontractors to act ethically while under contract with the Commonwealth. In particular, they must uphold values and behaviours similar to those expected of public officials under the APS Values.</p>
<p><i>Recommendation 6</i></p> <p>That the Department of Finance review its guidance on conflicts of interest and provide a clear and consistent definition of what constitutes a conflict of interest, a conflict-of-interest breach, and expectations around the management of conflicts of interest. The guidance should also emphasise that active management of conflicts of interest must be an element of APS project management of the contract.</p>	<p>Finance concluded its review of confidentiality and COI arrangements across the Commonwealth in December 2024. The review delivered a unified approach to managing COI, a <a href="#">common COI definition</a> and <a href="#">risk-based principles</a>, key principles underpinning <a href="#">confidentiality</a> and guidance on developing legally binding and enforceable confidentiality clauses.</p> <p><a href="#">Resource Management Guide 208</a> was developed to support the management of confidentiality and COI when engaging external suppliers.</p>
<p><i>Recommendation 7</i></p> <p>That the Department of Finance develop a central register for conflicts of interest breaches for use by government entities.</p>	<p>Existing mechanisms, such as the <a href="#">Commonwealth Supplier Code of Conduct</a>, the <a href="#">Notice of Significant Events Clause</a>, and <a href="#">Resource Management Guide 208</a>, achieved the intended purpose of a central register. Thus, a separate central register is not necessary.</p>

The Government also noted the Treasury's public consultation on the regulation of accounting, auditing and consulting firms in Australia, in which matters relating to current partnership limits (Recommendation 9) and self-regulatory framework (Recommendation 10) will be further considered as part of a broader Treasury review.

The Government's response to the FPAR Inquiry Report is provided in Agenda Item 7 (a).

### ***PJC Inquiry into Ethics and Professional Accountability: Structural Challenges in the Audit, Assurance and Consultancy Industry***

On 22 June 2023, the PJC resolved to undertake an inquiry into Ethics and Professional Accountability: Structural Challenges in the Audit, Assurance and Consultancy Industry in response to allegations of misconduct in the Australian operations of the major accounting, auditing and consultancy firms. The focus of the inquiry is set out in the [Terms of Reference](#).

In early November 2024, the inquiry issued a [Report](#) (PJC Inquiry Report) that set out [40 recommendations](#) to reshape the industry through the implementation of evidence-based solutions. The PJC Inquiry Report also includes four additional recommendations from [Liberal members](#) and an additional five recommendations from [Greens Senators](#). Refer to the update provided to the Board in December 2024 ([Agenda Item 12](#)).

On 6 February 2026, the Government published its [Response](#) to the PJC Inquiry Report. The following legislative changes and actions are of interest or relevant to APESB's work:

#### (a) Government engagement with consultancy firms

- Finance completed the review of the ethical soundness of PwC Australia in mid-2025, see the [final report](#). (Recommendation 1)
- [The Commonwealth Supplier Code of Conduct](#) was developed as a key measure to strengthen supplier behaviour, as noted above. (Recommendations 29, 30 and 31)
- Inclusion of standard clauses to place contract obligations on suppliers to meet expectations set out by the Supplier Code. (Recommendations 29, 30 and 31)
- [Guidance for Commonwealth entities](#) and the [Contract Management Guide](#) have been updated to assist officials in managing contractual obligations and suppliers' ethical conduct. (Recommendations 29, 30 and 31)
- Amended the Commonwealth Procurement Rules to require the first approach of Australian suppliers for certain procurements, including Small and Medium Enterprises (SMEs) for procurement below \$125,000. (Recommendation 34)

#### (b) Government consultation on the regulation of accounting, auditing and consulting firms

- Strengthened the TPB's powers to improve regulation and transparency within the tax profession in the [Treasury Laws Amendment \(2023 Measures No. 1\) Act 2023 \(Cth\)](#).
- Enhanced the tax practitioners' obligations through the [Tax Agent Services \(Code of Professional Conduct\) Determination 2024](#).
- Amended the promoter penalty laws to strengthen the ATO's enforcement powers, and extended whistleblower protections to eligible whistleblowers disclosing to TPB or ATO under the [Treasury Laws Amendment \(Tax Accountability and Fairness\) Act 2024 \(Cth\)](#). (Recommendations 36, 37 and 38)

In strengthening the current regulatory framework, the Government has consulted on issues including the governance and regulation of partnerships, and audit and

multidisciplinary firms; the provision of NAS and potential conflicts of interest; the role and enforcement powers of key regulators; transparency, public information and reporting issues; and the protections available to whistleblowers.

The Government will continue to consider these matters as part of ongoing policy work, with Treasury to consult publicly on whether the tax and corporate whistleblowing frameworks are working as intended.

(c) Government consultation on merging the AASB, the AUASB and the FRC

- In October 2025, the Government released an exposure draft legislation, the [Treasury Laws Amendment Bill 2025: Financial Reporting System Reform](#), for [consultation](#). The Bill proposes combining the AASB, AUASB and FRC into a single body called External Reporting Australia. This legislation was [introduced](#) on 12 February 2026 as the *Treasury Laws Amendment (Financial Reporting System Reform) Bill 2026*. Refer to the details below in this Board paper. (Recommendations 20, 22, 23, 24 and 28)

The Government's response to the PJC Inquiry Report is set out in Agenda Item 7 (b).

While recommendation 28 of the PJC report stated "*The committee recommends that the Australian Government, as part of establishing the new integrated Financial Reporting Council (FRC), consider how ethical standards and professional matters are to be treated (including the FRC's role in creating standards, and the role of the Accounting Professional and Ethics Standards Board)*", the Government in its response has not addressed this aspect.

New legislation establishing External Reporting Australia

The Bill consolidates the core standard-setting functions and powers of the AASB and the AUASB, their respective offices, and the FRC into a single entity known as External Reporting Australia (ERA). This new body will be responsible for developing accounting, auditing and assurance, and sustainability standards. ERA will be governed by a Governing Council, whose members, including the Chair, are appointed by the Minister. [Key features of the new standard-setting structure](#) include:

- The Governing Council will have the power to establish standard-setting boards and appoint their members. The legislation requires the ERA to establish at least one board for each of the three 'categories' of standards:
  - accounting;
  - auditing and assurance; and
  - sustainability standards
- The Minister may also give External Reporting Australia additional functions in the future, such as responsibility for a new kind of standard. In that case, the Governing Council may establish a new board or expand the role of an existing board.
- External Reporting Australia does not have the function of providing strategic policy advice and reports in relation to the quality of audits conducted by Australian auditors, or corresponding coercive investigation powers.
- The Minister appoints the Chair and other members of the Governing Council of External Reporting Australia. The Governing Council appoints the Chairs and members of the standard-setting boards.

## Senate Inquiry on the 'Ban Unethical Contractors' Bill

On 30 October 2025, the Senate Finance and Public Administration Committees referred the [Public Governance, Performance and Accountability Amendment \(Ban Unethical Contractors\) Bill 2025](#) for inquiry and report by 17 March 2026. Submissions closed on 12 December 2026. The focus of the inquiry is set out on the [Inquiry website](#).

The Bill would amend the *Public Governance, Performance and Accountability Act 2013* to require that government procurement contracts cannot be entered into with potential suppliers or tenderers who have engaged in unethical conduct. It would also establish a public register of excluded suppliers.

On 12 December 2025, APESB made a [submission](#) to the inquiry, noting that APESB was unable to provide commentary on likely penalties for unethical behaviour, as such matters fall outside its mandate.

In early February 2026, APESB received an invitation to attend the public hearing on 20 February 2026. The Secretariat declined, reiterating that APESB is unable to comment on appropriate penalties as the inquiry falls outside its mandate. The Committee accepted the explanation and APESB's decision not to attend.

### **Way Forward**

Technical Staff will continue to monitor the progress and outcomes of Parliamentary Inquiries and update the Board on key developments.

### **Recommendations**

That the Board note the update on the Parliamentary Inquiries.

### **Materials presented**

Agenda Item 7 (a) Government's response to FPAR Inquiry in December 2025

Agenda Item 7 (b) Government's response to PJC Inquiry in February 2026

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