AGENDA PAPER

Item Number:	13
Date of Meeting:	25 November 2026
Subject:	Update on Parliamentary Inquiries

☐	**Action required**	x	**For discussion**	x	**For noting**	☐	**For information**

Purpose

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

Background

In recent years, the accounting profession has experienced a series of ethical failures, ranging from cheating on ethics exams to fraud, breaches of confidentiality, inadequate handling of internal whistleblower complaints and conflicts of interest. In Australia, these ethical failures have led to several parliamentary inquiries that have affected the accounting profession.

In addition, the Treasury commenced a review of tax and corporate whistleblowing in Australia in 2026, as well as undertaking consultation on options for the regulation of accounting, auditing and consulting firms in Australia. APESB made submissions to both of these Treasury consultations.

APESB has engaged with these inquiries by providing submissions and appearing at public hearings throughout 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), December 2024 (Agenda Item 12), March 2026 (Agenda Item 7) and September 2026 (Agenda Item 12).

Current developments

This paper provides an update on developments relating to parliamentary inquiries since the September 2026 Board meeting.

PJC on Corporations and Financial Services: Oversight of ASIC, the Takeovers Panel and the Corporations Legislation

The Parliamentary Joint Committee on Corporations and Financial Services (the Committee) is conducting an ongoing inquiry into the oversight of the Australian Securities and Investments Commission (ASIC), the Takeovers Panel and the Corporations legislation.

As part of this inquiry, the Committee have been considering allegations raised by a former KPMG senior executive concerning audit independence, misuse of confidential client information, tender integrity failures, whistleblower protections and governance practices at the firm.

The Committee has held nine public hearings in total, with the latest hearings being held on 4 and 10 September 2026. The September 2026 hearings mainly focused on the failure of the Shield Master Fund and the promotion of that investment option by specific Superannuation Trustees. The transcripts from the hearings are available on the Committee's website.

A further hearing is scheduled for 27 November 2026 in Canberra. At the time of drafting this paper, the program for this hearing has not been publicly released.

KPMG Australia

At the September 2026 Board meeting (Agenda Item 12(c)), the Board received a summary of the Committee hearings and other developments relating to the KPMG whistleblower matter. Key developments relating to the KPMG whistleblower matter since the start of September 2026 are set out below.

KPMG Action Plan

KPMG Australia released an Action Plan on 23 June 2026 to address issues raised by the Committee. The Action Plan focused on strengthening governance, culture and ethics, and controls across the firm to deliver meaningful and transparent reform.

KPMG issued progress updates on the plan on 12 August 2026 and 4 September 2026. The updates contain high-level details of third-party reviews also being undertaken, which are outlined in further detail under the heading third-party reviews of KPMG Australia below.

In October 2026, KPMG published version 2.0 of the Action Plan, incorporating recommendations from reviews and its progress to date. Completed actions include (pages 2-7):

- **Governance**: appointed an Independent Chair to the National Governance Board; and updated the Partnership Agreement to appoint other independent Board Members.
- **Culture and ethics**: updated ethics and independence policies and procedures, and confidentiality policy.
- **Controls**: mandatory firm-wide training on client confidentiality, privacy and information protection; targeted mandatory training for Partners and Directors; strengthened system of quality management focusing on controls related to compliance with professional and ethical standards; and firm-wide confidentiality attestation.

New action items include (pages 2-7):

- **Governance**: third-party assessment of governance effectiveness, strengthen the National Executive Committee, establish an Integrity Office, and appoint a Whistleblower Protection Officer.

- **Culture and ethics**: review and update the performance frameworks, people leadership models and accountability, enhance the Ethics Champions Network, promoting ethical-decision making, and advocating for stronger whistleblower protections.
- **Controls**: organisational learning and commissioning independent quality assurance of case management.

Third-party reviews of KPMG Australia

KPMG have released details of the following third-party reviews:

(i) Andrews Group Review

The Andrews Group report, issued 3 September 2026, was commissioned by KPMG Australia as a lessons-learned review of the firm's handling of a whistleblower disclosure.

The Review made 6 recommendations for KPMG to consider (Report, pages 13-25):

- Review values and principles and identify cultural drivers that supported and encouraged these actions, choices and behaviours.
- Appoint a Whistleblower Protection Officer responsible for overseeing the whistleblower program.
- Establish an Integrity Office within KPMG Australia to take responsibility for running and overseeing the whistleblower program.
- Review the whistleblower program to ensure that the elements of the whistleblower protection framework have been appropriately embedded into the program.
- Enhance and uplift the Ethics Champions Network initiative.
- Advocate for legislative reform that not only provides enhanced protection for whistleblowers but also provides KPMG Australia whistleblowers with a fail-safe mechanism should they find themselves in a position where internal channels can't be relied on. Linked hypotheses.

In KPMG's published response (page 1), KPMG acknowledged the report's findings that it failed to protect the whistleblowers. KPMG accepted all recommendations, which have since been incorporated into version 2.0 of KPMG's Action Plan (page 11).

(ii) CA ANZ CEO Review

The CA ANZ CEO Review Report (the CA ANZ Report), issued 1 October 2026, comprises a Results Letter and the Reviewer's Findings and Suggestions Report (RFS Report). The targeted quality review of KPMG Australia, directed by the CA ANZ CEO, was undertaken between July and October 2026.

The review examined the design and implementation of the firm's systems and processes for

a) storing and handling confidential audit client information including processes for identifying, notifying and remediating instances of unauthorised use of confidential information; and

b) promoting an ethical culture within the audit function and across the broader firm, including whistleblower protection policies and practices.

These were assessed against the requirements of APES 110, ASQM 1, APES 320 and APES 325 (RFS Report, page 2).

The Results Letter states that "based on the work performed within the agreed scope of the CEO Review, CA ANZ assesses that KPMG's systems and processes relating to the areas reviewed comply with the applicable mandatory requirements" (Results Letter, page 3). The RFS Report noted that "no significant deficiencies were identified giving rise to findings in the two areas under review" and records no findings in either area (RFS Report, pages 1 and 2).

The CA ANZ Report also notes that the reviewer relied on information provided by KPMG without independent verification, that its conclusions are not an assessment of every element of KPMG's system of quality management, and that the absence of a finding should not be understood as confirmation that no deficiency, breach or other issue exists (Results Letter, page 2).

The RFS Report outlined 9 suggestions, which CA ANZ encouraged KPMG Australia to consider as Better Practice Suggestions (RFS Report, pages 11-17):

Area 1: Confidential information of audit clients

- **Operational initiatives**
    - All mandatory training should align to existing resources available online to partners and staff, or the latter updated as necessary, to ensure ready recall. This can be enabled by incorporating links to online resources into the training modules – requesting they be bookmarked.
    - Expectations regarding the appropriate use of information obtained during professional engagements to be made clear through guidance or FAQs within the firm. For example, Confidentiality policy or audit specific guidance to include clear examples of the types of audit client information considered as confidential, as aligned with the firm's Data Handling and Classification policy.
    - Training for all partners and relevant staff to emphasise restrictions on using audit confidential information for pursuits. This can be through measures such as business development activities using publicly available information or information with appropriate client consent.

Area 2: Promoting an ethical culture within the audit function and across the broader firm

- **Ethical Leadership and Tone from the Top**
    - Work to further embed an ethical decision-making skillset across the firm by ensuring the existing CARE Ethical Decision Making Framework features in practical training and is applied during relevant decision-making.
- **Governance and Oversight of Ethical Culture**
    - Responsibility for ethics and conduct should be clearly defined within the Firm's governance structure to provide appropriate oversight of ethical matters and reinforce leadership accountability. Currently, the accountability for ethical culture is shared across firm leadership and is supported by various business services functions in how this is enabled through decision making support, reporting, learning and development, and consequences for ethical misconduct. It is recommended that an independent Chief Ethics Officer be appointed to provide oversight of the firm's ethics framework, including monitoring ethical behaviour, evaluating the effectiveness of ethics-related controls, supporting and involvement, as required, in the assessment of misconduct matters and accountability, and fostering continuous improvement in ethical culture and conduct.
    - There is a firmwide role set out pursuant to the KPMG Australia Partnership Agreement – Ethics & Independence Partner (EIP) – however the remit for the role is

specifically related to independence policies and ethical matters relevant to independence. There is also an Ethics & Independence Disciplinary Committee which only relates to disciplinary matters relating to independence policies and ethical matters relevant to Independence. It is recommended the role and committee titles be amended to more accurately reflect the narrower independence-related scope of these functions.

- **Independent Challenge and Ethical Oversight**
    - The Firm should consider establishing clear criteria for determining when an external independent investigator should be engaged for whistleblower or ethical misconduct matters. This could be incorporated into the existing risk-based case category framework.
- **Open Discussion, Speak-Up Culture and Whistleblower Protection**
    - There should be clarity (and consistency) in the language used in policies, training and communications regarding Whistleblower complaints versus grievance/workplace complaints and how they are managed. Although it is clear the differences are understood by People & Inclusion and Risk, the varying references to respectful behaviour, Respect@Work policies, integrity, ethics, ethical behaviour, ethical culture, ethical standards, grievances, misconduct, speaking up, raising concerns and whistleblowing can be confusing.
- **Transparency and Communication**
    - Leaders should share insights and lessons from real ethical conduct matters in communications to reinforce organisational learning and illustrate the consistent application of the firm's accountability and disciplinary framework, including appropriate consequences for misconduct. This should be in addition to any real-life scenarios used for training purposes.

KPMG accepted all of CA ANZ's suggestions (RFS Report, pages 11-17). However, for several suggestions, KPMG's response is a commitment to consider the matter, including appointing an independent Chief Ethics Officer, which KPMG will consider through the design of its Integrity Office. These suggestions are included in version 2.0 of KPMG's Action Plan (page 12).

On 2 October 2026, CA ANZ issued a media statement confirming the completion of the first CEO-directed targeted Quality Practice Reviews of major Australian firms. The reviews form part of CA ANZ's broader work to strengthen trust, accountability and audit quality, including the five-point reform plan it put to the Government in August 2026.

On 5 October 2026, CA ANZ issued a further media statement on the KPMG Quality Practice Review and ongoing conduct investigations, noting that:

- CA ANZ's independent Professional Conduct Committee (PCC) has 20 investigations underway in relation to the KPMG matter, including into KPMG's senior leaders.
- The CA ANZ CEO has directed Quality Practice Reviews of eight firms, including KPMG, with the intention of checking that in the wake of the KPMG scandal, they have appropriate systems and processes in place to handle confidential audit client information and promote an ethical culture, looking forward.
- Significant interim restrictions on Eileen Hoggett and Paul Rogers, including undertakings not to provide audit services or act as RCAs, and cancellation of their Certificates of Public Practice.
- Findings about KPMG Australia's current systems and processes from the initial Quality Practice Review do not determine, constrain or prejudge the outcome of the separate investigations. For that reason, this Review should not be interpreted or characterised as an exoneration of any individual, or as CA ANZ's final assessment of the broader matters

concerning KPMG Australia.

(iii) Principia Advisory's Ethical Culture Review

As part of its Action Plan, KPMG engaged Principia Advisory in June 2026 to undertake an independent retrospective review of its whistleblowing system and broader ethical culture. Principia spoke to nearly 500 KPMG partners and employees, received survey input from nearly 3,400 people, and reviewed thousands of pages of documents.

The Ethical Culture Review Report (the Principia Report), dated 5 October 2026, together with the accompanying Report of Findings and Strategic Roadmap and Recommendations Report, contains 26 findings and 14 recommendations. KPMG accepted the findings in full and committed to acting on all recommendations (Foreword, page 1), which have been addressed in version 2.0 of KPMG's Action Plan (page 13).

The Principia Report found that, in recent years, KPMG has made meaningful investment in systems and processes designed to reinforce its ethical culture and, with caveats, many of these systems are well designed and functional. However, the firm's institutional and cultural resources were insufficient to avoid the failings (Report, page 4). It also identified three interacting dynamics (Report, pages 4-5):

- a "say-do" gap, in which leadership actions became increasingly misaligned with the firm's stated ethical and cultural aspirations and purpose. This gap between what the firm said and what it did shifted behavioural incentives and created a strong signal as to what is expected and valued;
- structural weaknesses in governance and oversight that limited the firm's ability to identify, challenge and correct misconduct by leaders and the broader "say-do" gap. The partnership agreement, board composition and related governance structures concentrated power in a tightly connected group and undermined the independence and effectiveness of the Board; and
- a high degree of variability in experienced culture at local team level. While there are widespread areas of strong ethical culture at the ground level, KPMG has not succeeded in creating the enabling conditions for a consistent ethical culture across the firm.

Principia's Strategic Roadmap and Recommendations Report made 14 recommendations for KPMG to consider, grouped under four interventions (pages 62-70):

- **Reset leadership and governance around ethical stewardship**
  - Reform the National Governance Board to enable effective and sufficiently independent oversight and challenge, including an independent Chair, an Ethics and Culture board sub-committee with an independent Chair and a majority of independent board members, and an external board effectiveness review annually for the next three years.
  - Undertake a deliberate leadership reset.
  - Review and reinforce the operating model and accountability for people leadership at all levels within the firm.
  - Improve organisation-wide processes to learn from near misses and significant failures, including oversight by the board.
- **Simplify and clarify the control environment**
  - Review the learning and development architecture to promote principles-based ethical decision-making and the exercise of strong professional judgement.
  - Simplify, clarify and integrate ethical expectations, including in relation to redline non-negotiables.

- **Make conduct and culture consequential**
    - Strengthen the implementation of the values-based criteria for performance, progression and remuneration, including a values and conduct gateway for performance ratings of 'Effective Performance' and above, and an independent random sampling audit of the annual performance and remuneration processes.
    - Strengthen the consequence framework, including a remuneration adjustment and recovery mechanism for serious misconduct, and an independent random sampling audit of the consequence framework.
    - Improve transparency on consequences for misconduct and lessons learned without compromising confidentiality or procedural justice.
- **Strengthen independence and effectiveness of whistleblowing and speak-up architecture**
    - Establish a centralised Integrity and Speak-Up function with a reporting line to an independent board committee with sufficient protections, authority and resourcing.
    - Appoint a Whistleblower and Speak-up Protection officer with a reporting line to an independent board committee.
    - Redesign the end-to-end Whistleblowing and Speak-Up process, including defining an explicit protocol for the communication of misconduct matters.
    - Commission an independent quality assurance audit of case management and investigations annually for the next three years.
    - Reconstitute and resource the Ethics Champions Network with protected time and recognition.

(iv) Dr Ian Watt AC's Independent Review

The Department of Finance (Finance) commissioned an Independent Review of KPMG Australia following allegations raised in the Senate on 24 March 2026 about KPMG's conduct, governance and culture. Dr Ian Watt AC was appointed as the Independent Reviewer in June 2026, and Finance published his report, Dr Ian Watt AC - Independent Review Report (the Watt Report) in October 2026.

As summarised on Finance's website, the review found that:

- KPMG failed to respond appropriately to concerns raised by a whistleblower and that this reflected broader weaknesses in the firm's culture, governance and accountability arrangements.
- While KPMG had established policies, reporting channels and oversight structures, these did not operate effectively in practice to provide appropriate support to the whistleblower, identify emerging risks, or ensure timely and coordinated decision-making.
- KPMG's response to the matter was fragmented, lacked clear ownership and did not adequately bring together warning signs that warranted closer scrutiny.
- While recognising reform efforts underway within KPMG, the review concluded that restoration of trust will depend on KPMG's sustained implementation of reforms, independent assurance and demonstrated improvements in practice.

The Watt Report itself also concluded that KPMG's whistleblower framework was not fit for purpose in its application to this matter, and that vulnerabilities identified in independent work commissioned by KPMG in 2020 had not been addressed with sufficient and sustained focus, which was a missed opportunity. It found that KPMG's governance arrangements were stronger in design than in operation. Overall, it considered that KPMG should not be treated as permanently unsuitable for Commonwealth work, but that any future engagement should

depend on independently verified implementation of reforms, transparent reporting and demonstrated compliance with Commonwealth supplier expectations (Watt Report, pages 9-10).

The Watt Report includes 8 recommendations (Watt Report, pages 11-13). Six are for KPMG, Finance or both to implement. Two suggest changes to the Commonwealth Procurement Framework and require further consideration by the Government.

- KPMG should implement its Action Plan to ensure the necessary measures are put in place as rapidly as is appropriate. KPMG should maintain an implementation focus over the medium term to ensure the desired impact of the Action Plan. KPMG should prioritise the governance elements of its Action Plan and Principia's Recommendation 1, and empower its independent Board members.
- Finance should monitor the implementation of the Action Plan and the recommendations of the related reviews over the next 3 years, or until all substantive actions and recommendations have been implemented (whichever is earlier).
- The support provided to the Board and KPMG management by an Independent Implementation Advisor should continue beyond the current contract, and until the Implementation Plan is implemented.
- Finance should maintain the current pause on KPMG bidding for Commonwealth work for a further short period, until KPMG has further demonstrated that the Action Plan and related recommendations are being effectively implemented, is engaging constructively with the ASIC and TPB reviews, and is committed to addressing any recommendations that have been made by those organisations.
- Finance should consider reinstating the 'no bid' arrangement, in full or in part, if in the future KPMG's implementation of the Action Plan materially stalls, additional substantive information regarding the KPMG whistleblower matter becomes known, or KPMG is found non-compliant with the Supplier Code of Conduct for unrelated matters.
- Finance should strengthen the Supplier Code of Conduct framework, including strengthened sanctions such as the ability to restrict or prohibit suppliers from bidding for Commonwealth Government contracts where appropriate.
- Finance should continue working closely with the states and territories through the Australasian Procurement and Construction Council (APCC) and, where agreed, help them monitor KPMG's progress in implementing the Action Plan and share information on unethical behaviour by suppliers.
- To embed effective procurement practices in agencies, Finance should encourage Accountable Authorities and senior officials to improve oversight of their entity's procurement processes, and build procurement capability.

Finance accepted the administrative recommendations directed to it and noted those that are matters for Government consideration; refer to Finance's response (page 1).

On 22 October 2026, KPMG published its response, accepting all recommendations. KPMG agreed to maintain the pause on bidding for new Commonwealth work until 28 February 2027 and to work with Finance on an Implementation Plan and reporting regime.

On 23 October 2026, Finance also issued a further update on procurement of goods and services from KPMG, advising Commonwealth officials of the pause until 28 February 2027. The exemptions have been amended to apply only to variations of existing contracts with KPMG approved by the entity's accountable authority, and to the ongoing licensing of KPMG proprietary products currently used by Australian Government entities.

Media Articles

KPMG to cut up to 400 more roles as government ban bites

On 2 November 2026, it was reported that KPMG Australia was preparing to cut up to 400 staff by the end of November as fallout continues from its document misuse scandal and an extended ban on bidding for new federal contracts. This lifted total redundancies to 9% of the firm's workforce, mainly hitting the firm's consulting and the internal-facing business services divisions. KPMG International is also now expected to provide financial support to the Australian partnership by December. Read the AFR article.

KPMG to lose another auditor contract amid scandal

On 13 November 2026, Crown Resorts confirmed that it would terminate its audit contract with KPMG Australia. This follows the loss of auditor contracts from ANZ, Macquarie Group, IAG, and Lendlease amid allegations of audit misconduct and misuse of confidential client information. Read the Accounting Times article.

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.

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