

Finance's response to the Independent Review of KPMG

The Department of Finance (Finance) commissioned the Independent Review of KPMG Australia (KPMG) following allegations raised in the Senate on 24 March 2026 about KPMG's conduct, governance and culture. Dr Ian Watt AC was appointed Independent Reviewer on 24 June 2026. He provided his Report to the Secretary of Finance on 14 October 2026.

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, the Review found these did not operate effectively in practice to provide appropriate support to the whistleblower, identify emerging risks, or ensure timely and coordinated decision-making. The Review concluded that 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 Review also considered the implications of its findings for the Commonwealth and made suggestions for improvements to the Commonwealth Procurement Framework.

The Report includes 8 recommendations. Six recommendations are administrative in nature and are for KPMG, Finance or a combination of both to implement. Two recommendations suggest changes to the Commonwealth Procurement Framework and require further consideration by Government.

Finance welcomes the Report and accepts the administrative recommendations directed to Finance. Finance notes those recommendations which are matters for Government consideration.

In response to the Review, Finance has agreed with KPMG a further extension to the pause on KPMG bidding for Australian Government work until 28 February 2027, during which period KPMG will provide Finance with an implementation plan, and the first of its quarterly progress implementation reports. Finance will assess KPMG's progress against the implementation plan to assure itself that KPMG is effectively implementing its committed changes, has appropriate governance and whistleblower arrangements in place, and cultural change is underway to provide confidence that KPMG meets the Australian Government's ethical expectations of its suppliers.

A response to each recommendation is set out below.

Response to Recommendations

Recommendation 1

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.

- a. This will include implementing the recommendations and suggestions of the reviews they commissioned (Principia, Andrews Group and Mallesons) and ensuring that the independent external reviews are properly addressed (Chartered Accountants Australia New Zealand).
- b. While all the recommendations are important, KPMG should prioritise the governance elements of its Action Plan (Items 1.1 of the Action Plan) and Principia's recommendations (Recommendation 1) to ensure that KPMG's Board members have the explicit information and authority to assess, test, challenge and, where necessary, direct implementation, and help ensure the reforms deliver the expected outcomes as early as possible.
- c. KPMG should empower its independent Board members by ensuring it has an effective Board charter, and processes in place to ensure Independent Members can access information from within KPMG effectively and promptly.
- d. To maintain transparency and build confidence in their implementation progress, KPMG should provide regular public updates of their implementation progress against the Action Plan.

Response

This recommendation is for KPMG to respond to.

Recommendation 2

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 the earlier).

- a. KPMG should develop an Implementation Plan and benchmarks for the consideration of Finance to form the basis of Finance's monitoring.
- b. Monitoring should commence following agreement to the Implementation Plan and benchmarks to be used.
- c. To assist monitoring:
 - i. KPMG should provide updates to Finance on their progress on a quarterly basis, with the first report to be provided 3 months after agreement to the Implementation Plan and benchmarks.
 - ii. Finance should have access to necessary information and KPMG staff as required and to help it assess the quarterly updates.

Response

Finance **agrees** to the recommendation.

Finance has agreed with KPMG that it will provide an implementation plan by 15 November 2026, for Finance's agreement. Finance has also agreed with KPMG that it will provide updates on its implementation progress on a quarterly basis, with its first quarterly report being provided by 29 January 2027. Finance will monitor KPMG's progress against the implementation plan over the next three years.

Recommendation 3

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.

- a. Should the current Advisor prefer not to continue in that role, KPMG should find a suitable replacement.
- b. To assist Finance in their monitoring role, KPMG needs to provide Finance regular access to the Advisor to discuss implementation progress.

Response

This recommendation is for KPMG to respond to.

Recommendation 4

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, and KPMG is engaging constructively with the Australian Securities and Investment Commission (ASIC) and the Tax Practitioners Board (TPB) reviews, and is committed to addressing any recommendations that have been made by those organisations.

- a. KPMG's implementation progress should be reviewed quarterly to coincide with KPMG's quarterly update.

Response

Finance **agrees** to the recommendation.

Finance has agreed with KPMG that the current pause on KPMG bidding for Commonwealth work will be extended to 28 February 2027 while KPMG demonstrates implementation of its Action Plan and related recommendations.

Finance will review KPMG's implementation progress on a quarterly basis, informed by KPMG's reporting and any other relevant information. Following assessment of KPMG's first quarterly report, should KPMG have made insufficient implementation progress, Finance will seek KPMG's agreement to further extend the pause.

Recommendation 5

Finance should consider reinstating the 'no bid' arrangement in full or in part if in the future:

- a. KPMG's implementation of the Action Plan materially stalls, and/or significant components of the Action Plan and the related recommendations not be pursued
- b. additional substantive information regarding the KPMG whistleblower matter becomes known and/or
- c. KPMG is found non-compliant with the Supplier Code of Conduct for matters unrelated to the KPMG whistleblower matter.

Response

Finance **agrees** to the recommendation.

Finance will continue to monitor KPMG's implementation progress, conduct and compliance with relevant obligations.

Consistent with this recommendation, once the pause on bidding for Australian Government contracts is removed, Finance may reinstate bidding restrictions, in full or in part, where implementation materially stalls, significant elements of the Action Plan or related recommendations are not pursued, or new information warrants further action.

Recommendation 6

Finance should strengthen the Supplier Code of Conduct framework to:

- a. provide strengthened sanctions, including the ability to restrict or prohibit suppliers from bidding for Commonwealth Government contracts where appropriate.
- b. improve guidance for suppliers on their notification obligations
- c. improve reporting by clarifying and promoting pathways for individuals and organisations to report concerns about suppliers' potential unethical behaviour
- d. provide clearer guidance for Commonwealth departments and agencies to assist them in assessing disclosures of potential unethical supplier conduct
- e. support disclosures to be effectively managed by Commonwealth departments and agencies through broadening the review role of the Procurement Coordinator
- f. improve information sharing across Commonwealth departments and agencies.
- g. provide a consistent basis for the treatment of existing procurements and contracts when establishing any future agreements with suppliers that they will not bid for Commonwealth procurements.

Response

Finance **notes** recommendation 6(a) to 6(f). Finance agrees to recommendation 6(g).

The Government will consider recommendation 6(a) to 6(f) and respond in due course.

Regarding recommendation 6(g) Finance will review previous responses to supplier misconduct issues and develop a framework to support a consistent process for responding to future supplier misconduct issues.

Recommendation 7

Finance should continue working closely with the states and territories through the Australasian Procurement and Construction Council (APCC) and, where agreed:

- a. help them monitor KPMG's progress in implementing the Action Plan and related recommendations and, where in place, support them to manage their own 'no bid' agreements with KPMG
- b. share information on unethical behaviour by suppliers and strengthen Commonwealth and State and Territory procurement frameworks to improve supplier integrity.

Response

Finance **agrees** to the recommendation.

Finance will continue to engage with state and territory governments through the APCC to support a co-ordinated response to this, and future supplier misconduct matters.

Recommendation 8

To embed effective procurement practices in agencies, Finance should:

- a. encourage Accountable Authorities and senior officials (including Department and Agency heads) to take a greater interest in, and improve oversight of, their entity's procurement processes to improve procurement outcomes
- b. build on the strong work of the Procurement and Contract Management profession, by exploring options to improve the procurement capability of entities, and empower senior officials to undertake high-quality procurement.

Response

Finance **notes** the recommendation.

The Government will consider the recommendation and respond in due course.