**EXPLANATORY STATEMENT**

**Issued by the Authority of the Minister for Finance**

*Financial Framework (Supplementary Powers) Act 1997*

*Financial Framework (Supplementary Powers) Amendment*

*(Treasury Measures No. 1) Regulations 2024*

The *Financial Framework (Supplementary Powers) Act 1997* (the FFSP Act) confers on the Commonwealth, in certain circumstances, powers to make arrangements under which money can be spent; or to make grants of financial assistance; and to form, or otherwise be involved in, companies. The arrangements, grants, programs and companies (or classes of arrangements or grants in relation to which the powers are conferred) are specified in the *Financial Framework (Supplementary Powers) Regulations 1997* (the Principal Regulations). The powers in the FFSP Act to make, vary or administer arrangements or grants may be exercised on behalf of the Commonwealth by Ministers and the accountable authorities of non‑corporate Commonwealth entities, as defined under section 12 of the *Public Governance, Performance and Accountability Act 2013*.

The Principal Regulations are exempt from sunsetting under section 12 of the *Legislation (Exemptions and Other Matters) Regulation 2015* (item 28A). If the Principal Regulations were subject to the sunsetting regime under the *Legislation Act 2003*, this would generate uncertainty about the continuing operation of existing contracts and funding agreements between the Commonwealth and third parties (particularly those extending beyond 10 years), as well as the Commonwealth’s legislative authority to continue making, varying or administering arrangements, grants and programs.

Additionally, the Principal Regulations authorise a number of activities that form part of intergovernmental schemes. It would not be appropriate for the Commonwealth to unilaterally sunset an instrument that provides authority for Commonwealth funding for activities that are underpinned by an intergovernmental arrangement. To ensure that the Principal Regulations continue to reflect government priorities and remain up to date, the Principal Regulations are subject to periodic review to identify and repeal items that are redundant or no longer required.

Section 32B of the FFSP Act authorises the Commonwealth to make, vary and administer arrangements and grants specified in the Principal Regulations. Section 32B also authorises the Commonwealth to make, vary and administer arrangements for the purposes of programs specified in the Principal Regulations. Section 32D of the FFSP Act confers powers of delegation on Ministers and the accountable authorities of non-corporate Commonwealth entities, including subsection 32B(1) of the Act. Schedule 1AA and Schedule 1AB to the Principal Regulations specify the arrangements, grants and programs.

Section 65 of the FFSP Act provides that the Governor-General may make regulations prescribing matters required or permitted by the Act to be prescribed, or necessary or convenient to be prescribed for carrying out or giving effect to the Act.

The *Financial Framework (Supplementary Powers) Amendment (Treasury Measures No. 1) Regulations 2024* (the Regulations) amend Schedule 1AB to the Principal Regulations to establish legislative authority for the Government to provide a grant to the International Auditing and Assurance Standards Board (IAASB) via its parent body, the International Foundation for Ethics and Audit. The grant is administered by the Department of the Treasury.

The IAASB is undertaking work on sustainability and requires financial resources amidst uncertainty over sources of future funding. The intended outcome of the grant is to support the development and promotion of international auditing and assurance standards, including in relation to sustainability.

Funding of $0.5 million in 2023-24 will support the IAASB’s work on climate assurance standards which will provide an important component of the foundation for the effective rollout of climate disclosure requirements at the domestic level. The introduction of standardised, internationally aligned climate reporting requirements is a key priority within the Government’s Sustainable Finance Strategy.

Details of the Regulations are set out at Attachment A. A Statement of Compatibility with Human Rights is at Attachment B.

The Regulations are a legislative instrument for the purposes of the *Legislation Act 2003*.

The Regulations commence on the day after registration on the Federal Register of Legislation.

**Consultation**

In accordance with section 17 of the *Legislation Act 2003*, consultation has taken place with the Department of the Treasury.

A regulatory impact analysis is not required as the Regulations only apply to non‑corporate Commonwealth entities and do not adversely affect the private sector.

**Attachment A**

**Details of the *Financial Framework (Supplementary Powers) Amendment***

***(Treasury Measures No. 1) Regulations 2024***

**Section 1 – Name**

This section provides that the title of the Regulations is the *Financial Framework (Supplementary Powers) Amendment (Treasury Measures No. 1) Regulations 2024.*

**Section 2 – Commencement**

This section provides that the Regulations commence on the day after registration on the Federal Register of Legislation.

**Section 3 – Authority**

This section provides that the Regulations are made under the *Financial Framework (Supplementary Powers) Act 1997*.

**Section 4 – Schedules**

This section provides that the *Financial Framework (Supplementary Powers) Regulations 1997* are amended as set out in the Schedule to the Regulations.

**Schedule 1 – Amendments**

***Financial Framework (Supplementary Powers) Regulations 1997***

**Item 1 – In the appropriate position in Part 3 of Schedule 1AB (table)**

This item adds one new table item to Part 3 of Schedule 1AB to establish legislative authority for government spending on an activity to be administered by the Department of the Treasury (the department).

New **table item 78** establishes legislative authority for the Government to provide a grant to the International Auditing and Assurance Standards Board (IAASB) via its parent body, the International Foundation for Ethics and Audit (IFEA) to support the development and promotion of international auditing and assurance standards, including in relation to sustainability.

The IAASB is the international body responsible for developing international standards for auditing, assurance and quality management. The IAASB is undertaking important work on sustainability and requires financial resources amidst uncertainty over sources of future funding. The Australian Government responded to a direct request to Australia and other jurisdictions for funding contributions by committing $0.5 million in 2023-24 to enable the IAASB to continue its work.

Australia benefits significantly from resources that are saved by adopting and modifying international ‘baseline’ standards for domestic use, rather than employing resources to undertake the full standards development process domestically. This approach allows Australia to adopt a benchmark set of standards for worldwide use and is more efficient than attempting to achieve international alignment of standards after jurisdictions develop their domestic standards first.

The funding will provide financial viability for the IAASB and support its work towards the establishment of a foundation for the effective rollout of domestic climate disclosure requirements. The introduction of standardised, internationally aligned climate reporting requirements is a key priority within the Government’s Sustainable Finance Strategy.

Funding will be provided to the IFEA as a one-off, ad-hoc grant. The grant will be administered in accordance with the Commonwealth resource management framework, including the *Public Governance, Performance and Accountability Act 2013, the Public Governance, Performance and Accountability Rule 2014,* the *Commonwealth Grants Rules and Guidelines 2017* and departmental grant requirements and processes.

The IAASB itself cannot enter into a grant agreement as it is not a separate legal entity. As the parent body, IFEA will enter into a grant agreement with the Commonwealth to receive the funding on behalf of the IAASB. The grant will be administered by the department, which will develop grant opportunity guidelines and publish grant information on the GrantConnect website (help.grants.gov.au).

As a delegate of the Secretary, a Deputy Secretary (SES Band 3)will be responsible for approving the grant, in accordance with the *Financial Framework (Supplementary Powers)* *Act 1997*. The delegate will have relevant knowledge regarding international reporting standards/requirements and the requirements relating to the commitment and accountability for Commonwealth resources.

Independent merits review of decisions made in connection with the grant would not be considered appropriate because the decisions relate to the provision of a one-off grant to a specific service provider for a specific purpose, over other service providers. The grant is a budgetary decision of a policy nature, rather than involving decisions immediately affecting any particular person’s interests. The IAASB is the chosen funding recipient due to its unique expertise and experience in developing international standards for auditing, assurance and quality management. The Administrative Review Council has recognised that it is justifiable to exclude merits review in relation to decisions of this nature (see paragraphs 4.16 to 4.19 of the guide, *What decisions should be subject to merit review?*).

Consultation was undertaken primarily with the Financial Reporting Council (FRC) to understand and determine the IAASB’s financial resourcing requirements. The FRC is the oversight body for accounting and auditing standards domestically, with strategy-setting expertise in those areas, and has responsibility for furthering the development of a single set of accounting, auditing and sustainability standards for worldwide use. The FRC supports the work of the IAASB, including recommending that the Government consider supporting the IAASB through funding.

The funding objective is also part of a package of measures relating to climate disclosures. Public consultation on climate disclosures indicated overall strong support from stakeholders for the implementation of mandatory climate-related financial disclosure, and broader appetite for Australia to align its financial reporting and transparency frameworks with global trends in sustainability reporting.

Funding of $0.5 million in 2023-24 for the grant was included in the 2023-24 Mid-Year Economic and Fiscal Outlook under the measure ‘Funding International Standard-Setting Bodies’. Details are set out in the *Mid-Year Economic and Fiscal Outlook 2023-24, Appendix A: Policy decisions taken since the 2023-24 Budget* at page 296.

Funding for this item will come from 1.3: Support for Markets and Business, which is part of Outcome 1. Details will be included in the Portfolio Additional Estimates Statements for the Treasury Portfolio.

Noting that it is not a comprehensive statement of relevant constitutional considerations, the purpose of the item references the external affairs power (section 51(xxix)) of the Constitution.

*External affairs power*

Section 51 (xxix) of the Constitution empowers the Parliament to make laws with respect to ‘external affairs’. The external affairs power supports legislation with respect to matters or things outside the geographical limits of Australia. The external affairs power also supports legislation with respect to matters concerning Australia’s relations with other nations.

The grant would provide funding to an overseas-based international organisation for activities to be conducted outside of Australia. Further, by providing funding to an international body to assist with functions that may benefit nations other than Australia, the grant may enhance Australia’s relationships with other nations.

**Attachment B**

**Statement of Compatibility with Human Rights**

Prepared in accordance with Part 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011*

***Financial Framework (Supplementary Powers) Amendment (Treasury Measures No. 1) Regulations 2024***

This disallowable legislative instrument is compatible with the human rights and freedoms recognised or declared in the international instruments listed in section 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011.*

**Overview of the legislative instrument**

Section 32B of the *Financial Framework (Supplementary Powers) Act 1997* (the FFSP Act) authorises the Commonwealth to make, vary and administer arrangements and grants specified in the *Financial Framework (Supplementary Powers) Regulations 1997* (the FFSP Regulations) and to make, vary and administer arrangements and grants for the purposes of programs specified in the Regulations. Schedule 1AA and Schedule 1AB to the FFSP Regulations specify the arrangements, grants and programs. The powers in the FFSP Act to make, vary or administer arrangements or grants may be exercised on behalf of the Commonwealth by Ministers and the accountable authorities of non‑corporate Commonwealth entities, as defined under section 12 of the *Public Governance, Performance and Accountability Act 2013*.

The *Financial Framework (Supplementary Powers) Amendment (Treasury Measures No. 1) Regulations 2024* (the Regulations) amend Schedule 1AB to the FFSP Regulations to establish legislative authority for the Government to provide a grant to the International Auditing and Assurance Standards Board (IAASB) via its parent body, the International Foundation for Ethics and Audit. The grant is administered by the Department of the Treasury.

The IAASB is the international body responsible for developing international standards for auditing, assurance, and quality management. The IAASB is undertaking work on sustainability and requires financial resources amidst uncertainty over sources of future funding. The Australian Government responded to this funding gap by committing $0.5 million in 2023-24 to enable the IAASB to continue its work.

Australia benefits significantly from resources that are saved by adopting and modifying international ‘baseline’ standards for domestic use, rather than employing resources to undertake the full standards development process domestically. This approach allows Australia to adopt a benchmark set of standards for worldwide use and is more efficient than attempting to achieve international alignment of standards after jurisdictions develop their domestic standards first.

The funding will help support the financial viability of the IAASB and support its work towards the establishment of a foundation for the effective rollout of domestic climate disclosure requirements. The introduction of standardised, internationally aligned climate reporting requirements is a key priority within the Government’s Sustainable Finance Strategy.

**Human rights implications**

This disallowable legislative instrument does not engage any of the applicable rights or freedoms.

**Conclusion**

This disallowable legislative instrument is compatible with human rights as it does not raise any human rights issues.

**Senator the Hon Katy Gallagher**

**Minister for Finance**