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ADMINISTRATIVE ARRANGEMENTS

Statement by the Prime Minister,
The Rt. Hon. Malcolm Fraser, M.P.

I wish to announce measures being taken to effect a major re-shaping of elements of the central Commonwealth departmental machinery.

The changes are essentially designed to provide for more effective management of the business of Government, and to strengthen the Government's decision making processes. Particular emphasis is being laid on improving capacity to service the Government's requirements for forward planning, priority setting and the strategic planning of Government initiatives. Given the complexity of modern democratic government, and the comparatively short term which Commonwealth governments are allowed between elections, it is crucial that there should be more orderly and effective scheduling of Government business through the various stages of research, objective setting and policy formulation, program design and the evaluation of program effectiveness.

The new arrangements involve separation of the financial management and control activities of the existing Department of the Treasury from its role in broad economic policy analysis and advice to Government. For the future, the financial management and control functions will be performed by a newly created Department of Finance.

The new departmental arrangements are designed to help make more manageable the heavy work load of economic and financial expenditure management which necessarily falls to the Treasurer and senior officials. In addition, it will be possible under the new arrangements for more concentrated attention to be given at the departmental level to the functions of financial budget management and the development of forward estimating, as well as to the analysis of economic issues and the formulation of economic strategy proposals for consideration by Government.

Outline statements of the functions approved for the Department of the Treasury and the Department of Finance are available. I ask leave to incorporate them in Hansard.

As a result of a decision by the Cabinet this afternoon, Sir Frederick Wheeler is to be recommended for appointment as Secretary to the Department of the Treasury. Mr R.W. Cole, presently the Australian Statistician, is to be recommended for appointment as Secretary to the Department of Finance.

The President of the Executive Council has indicated his agreement to the announcement of these recommendations.

My colleague, the Treasurer, will have Ministerial responsibility for the new Department of Finance. As Treasurer, he will also retain responsibility for the Department of the Treasury. This will help ensure proper co-ordination of the activities of both Departments. The Minister for Aboriginal Affairs will be an additional Minister Assisting the Treasurer.

Formal action will be taken to give effect to these changes within a short period.

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In association with these changed administrative arrangements, there will be a strengthening of the existing resources available in the Department of Prime Minister and Cabinet for the evaluation of the effectiveness of Government programs. Regular evaluations will be undertaken of major sectors of Government services. Where appropriate these evaluations will be followed by detailed reviews and the development of modified or new programs.

The Government has also taken steps to develop further already established capacity within the Department of Prime Minister and Cabinet to advise the Government on forward programming, priority setting and the strategic planning of Government initiatives.

The intensified policy and program assessments which will thus be possible will be closely associated with accelerated development of the forward estimates system. The closest co-ordination will be maintained between relevant areas of the Department of the Prime Minister and Cabinet and the Departments of the Treasury and Finance.

The Government is convinced that the new arrangements will assist it materially in dealing effectively with the major issues which currently face the nation.

Careful consideration has been given to the recommendations of the Royal Commission on Australian Government Administration headed by Dr Coombs, to the work of consultants which reported to the Royal Commission on relevant aspects and in particular to the report of the Royal Commission's Task Force on Economic Policy. In deciding the nature of the new arrangements, the Government has been aware of the differing expert views which found expression through the Royal Commission regarding the appropriate central administrative machinery which should be developed.

The Government's decisions also reflect the outcome of its consideration of the reports of the Administrative Review Committee, which emphasised the importance of improved financial and program planning and control. The range of approaches to improving the organisation of the Government's administrative resources which these various reports have canvassed has been of great value in helping to stimulate and clarify thinking in this respect.

SUMMARY OF FUNCTIONS OF THE
DEPARTMENT OF THE TREASURY

The Department will be responsible for advice on or administration of:-

- . economic, fiscal and monetary policy. Its main responsibility will lie in the field of general economic management and it will be involved in a continuous assessment of current and future economic conditions and the provision of advice on appropriate policies including those relating to resource allocation. These policies include:-
 - budgetary policy - matters relating to expenditure, revenue and deficit/surplus and means of achieving overall budgetary objectives.
 - monetary policy - matters relating to the control of the money supply, official interest rates, etc.
 - taxation policy - matters relating to the structure and level of taxation in relation both to budgetary needs and effects on resource allocation.
 - incomes and prices matters - providing advice on trends in income and price levels and on their bearing on broad economic objectives.
- . external economic relations - i.e. matters relating to external financial and economic policy issues, including the balance of payments, overseas reserves, the working of the international economic and monetary systems, Australia's role in international financial affairs, Australia's membership of various international organisations.

- . Commonwealth/State financial relations including the provision of financial assistance to the States and local authorities and the sources of State and local authority revenue.
- . matters relating to the raising, redemption or conversion of Australian Government loans in Australia and overseas, administration of the Financial Agreement and the Gentlemen's Agreement, and the operations of the National Debt Commission.
- . financial and economic aspects of policy matters concerning the structure and functioning of the banking system and other financial institutions in the Australian capital market, Australian capital investment abroad, exchange control, coinage, and aspects of company law bearing on company structures and financing.
- . matters relating to foreign investment in Australia.

SUMMARY OF FUNCTIONS OF THE DEPARTMENT OF FINANCE

This Department will be responsible for advice on, or administration of:

- * The Public Account (Consolidated Revenue Fund, Trust Fund, Loan Fund), which also includes prescribing rules for central and departmental accounting within the requirements of the Audit Act and other related legislation; research into management accounting techniques, accounting policy and arrangements, operation of Commonwealth accounting systems.
- * The collection, preparation and financial analysis of forward estimates of departmental expenditure;
- * The preparation of Appropriation Bills.
- * Expenditure Review
- * The general oversight of the finances of departments and authorities financed from the budget
- * Participation in evaluations of the effectiveness of expenditure programs in meeting Government determined objectives.

- * Financial evaluation of expenditure proposals and programs in the fields of social services, veterans' affairs, health, education, housing, immigration, science, recreation, arts and culture, aboriginals, the environment, employment and Australian Government employment;
- * Financial evaluation of expenditure proposals and programs relating to air, land and sea transport and internal and international communications, assistance to manufacturing, mining, rural, fishing and tourist industries - for example, by way of reconstruction schemes, payment of bounties and subsidies and assistance to research and promotion.
- * Financial aspects of the legislation and operation of statutory authorities of the Australian Government;
- * Financial evaluation of expenditure proposals and programs relating to defence, budgetary aspects of the Defence Five Year Rolling Program, and Services pay and conditions, defence works, civil works and related programs, foreign aid and mainland and external territories.
- * Financial evaluation of expenditure proposals and programs relating to urban and regional development, irrigation, transport and other developmental projects.

* General and life insurance

* Actuarial services

* Royal Australian Mint