

Mr. BRYCE: I quite agree that our forecast should be accurate.

The CHAIRMAN: We will now turn to the 1965 report, page 112, paragraph 167. Before proceeding with that, I would like to take a moment to welcome a group of students from the Civil Service Commission who have come in to see the Public Accounts Committee at work. We welcome you. We are reviewing the Auditor General's Report which has to do with the observations made concerning the Department of Finance, and we have Mr. Bryce, the Deputy Minister of Finance, and Mr. Balls, the Comptroller of the Treasury, with us as witnesses.

I would like the Auditor General to introduce a person who is here at his invitation.

Mr. HENDERSON: Mr. Chairman, it gives me much pleasure to introduce to you Mr. A. K. M. Faiz, the deputy secretary of the National Assembly of Pakistan, who is interested in the workings of your committee. Following a discussion of some of the procedures with Mr. Faiz, we thought it would be nice if he came along and sat in this afternoon to see the committee in action.

The CHAIRMAN: Thank you, Mr. Henderson. We will now deal with paragraph 167, which is as follows:

The Statement of Assets and Liabilities as at March 31, 1965 was prepared by the Department of Finance on the same basis as in previous years, the following explanation concerning this basis being included in the introduction to the Public Accounts:

With certain exceptions, taxes and revenues receivable, revenue and other asset accruals and inventories of materials, supplies and equipment are not recorded as assets (except when these are held as charges against working capital accounts or revolving funds) nor are public works and buildings or other fixed or capital assets. Following the principle that only realizable or interest—or revenue—producing assets should be offset against the gross liabilities, costs of capital works are charged to expenditures at the time of acquisition or construction. Consequently, government buildings, public works, national monuments, military assets (such as aircraft, naval vessels, and army equipment) and other capital works and equipment are recorded on the statement of assets and liabilities at a nominal value of \$1 as the value is not considered as a proper offset to the gross liabilities in determining the net debt of Canada.

On the liabilities side, accrued liabilities (except for interest accrued on the public debt) are not taken into account in determining the obligations of the government. However, under section 35 of the Financial Administration Act, liabilities under contracts and other accounts payable at March 31 if paid on or before April 30 may be charged to the accounts for the year. These are recorded as accounts payable in the "Current and demand liabilities" schedule to the statement of assets and liabilities.

This explanation reflects a policy established by the Minister of Finance in 1920, that assets to be included in the Statement of Assets and Liabilities should be confined to those which are readily convertible or