

*Adjustment of Accounts Act***AFTER RECESS**

The House resumed at 8 p.m.

● (2000)

GOVERNMENT ORDERS

[*Translation*]

ADJUSTMENT OF ACCOUNTS ACT

MEASURE RESPECTING ACCOUNTS OF CANADA

Hon. Donald J. Johnston (President of the Treasury Board) moved that Bill C-22, an act to adjust the Accounts of Canada and to make related amendments to certain acts be read the second time and referred to the Standing Committee on Public Accounts.

He said: Mr. Speaker, the proposed bill is designed to implement many recommendations concerning technical improvements to be made to the Government of Canada's financial statements and to write off certain loans.

In 1973, the then secretary of the Treasury Board, Mr. Osbaldeston, undertook a study on the accounts of Canada with a view to resolving many accounting problems which, in the preceding years, had been studied by the Standing Committee on Public Accounts or raised by successive auditors general.

This task force was made up of representatives from the Department of Finance, the Department of Supply and Services and the Treasury Board Secretariat. Mr. Glenn Ross, a chartered accountant from Coopers and Lybrand, an accounting firm established here in Ottawa presided over the group and he acted as special accounting consultant to the secretary of the Treasury Board. The study was completed in October 1975. Its 41 recommendations were accepted by the Treasury Board and by cabinet, and in March of 1976 they were submitted to the Standing Committee on Public Accounts which approved them.

Recommendations 10, 11 and 12 contained in the report summarize the main purpose of this legislation and they explain the concepts of assets and liabilities from the point of view of the Canadian government. To meet these new definitions, we will have to delete certain items which were previously registered as assets and recognize that in the future, these disbursements will be considered as expenses, not as assets.

In order to make these necessary changes, we have used a method which consisted of three steps. First, to indicate the changes brought to the financial statements of the government as of March 31, 1979, the Minister of Finance (Mr. MacEachen) exercised the authority conferred to him by section 54(2) of the Financial Administration Act to provide, for the

assets and liabilities, such reserves as he deems necessary in order to have an exact picture of Canada's financial situation. The second step consists of the application of part of the legislation which rescinds all legal powers with respect to various accounts, funds and loans to be deleted. The third step will consist of the application of part of this same legislation which provides for the deletion of outstanding amounts which are registered in the accounts of Canada as of March 31, 1980. Most of the deletions concern the Unemployment Insurance Fund and the Airport Revolving Fund.

[*English*]

The exact amount to be deleted will not be known until the actual balances at March 31, 1981, are established. The \$3.8 billion estimate of the balance to be deleted that was quoted in our press release of April 28, 1980, was based on figures published in the public accounts for 1978-79. Since the press release, preliminary figures for the year 1979-80 have become available from the end year accounting records, and the estimate of the amount to be deleted can now be revised down to \$3 billion. This change occurred because the government's cost of paying benefits to the unemployment insurance fund was reduced by about \$1 billion in the fiscal year 1979-80 from what it was in 1978-79. This reduction in the government's cost of paying benefits was due to a new formula that increased the share of costs to employees and employers, reduced benefits paid because of some new rules, and a slight improvement of the rate of unemployment.

The objectives of this act could have been met through special supplementary estimates followed by a special appropriations act, but because they are accounting adjustments rather than spending initiatives, and because they represent a significant change in accounting policy, it was felt that they would be better explained through a separate act. In keeping with this philosophy, it was decided to include in this act only those items which has been previously agreed to and publicly acknowledged in the financial statements of Canada. Note three of the 1979 Public Accounts relates to recommendations 10, 11 and 12 of the study of the accounts, and to the write-off of certain loans which are also included in this bill. A more detailed explanation of the major items is provided in the following comments.

● (2010)

I should like to deal with unemployment insurance. The largest amount involved relates to the unemployment insurance account. At March 31, 1980, advances by the government and other current obligations to this fund were in the order of \$1.6 billion. The following details will explain how that amount is determined. The unemployment insurance account is intended to be self-sufficient as long as unemployment remains below a specific rate. Until January, 1976, that rate was fixed at 4 per cent, but now it is calculated using an eight-year moving average of the unemployment rate. For example, the moving average rate used for 1979 was 6.6 per cent. The government is required to pay the fund for the cost of benefits attributable to unemployment higher than this rate.