

report what is known in accounting circles as a qualified opinion to the financial statement because of three areas of improper accounting. These include, first, insufficient liability reporting and public service pensions. It is detailed here as \$1.36 billion that did not have to be paid into pensions because of the wage freeze. They proceeded to juggle the books and show that as a deficit reduction, instead of putting it in the proper account where it should be.

The next one is a disputed investment in PetroCan. Listen to this one. They suddenly decided to increase the book value of PetroCan.

**Senator Olson:** Everybody else was going down.

**Senator Molgat:** It is 80-percent owned by the government, and overnight they decide to increase the book value? By how much?

**Senator Barootes:** And who overpaid for PetroCanada?

**Senator Molgat:** By how much? They increased the book value of PetroCanada by \$1.25 billion. Not a big amount, just \$1.25 billion. There is more cooking of the books. I am not saying it. The Auditor General is saying it. Your Auditor General is saying it.

The other area where the Auditor General says that they have cooked the books is improper reporting of income tax revenue collected on behalf of the provinces. You tell me about a businessman who would have improper reporting of revenue. What would happen to him?

**Senator Frith:** On behalf of someone else; funds held in trust.

**Senator Molgat:** Yes, on behalf of the provinces. There are three clear areas where they have juggled the books, they have cooked the books. Yet they are now trying to tell us that they are on target. That sort of accounting can certainly get you on target, if you juggle the books and move the target right along the line. When we look at these accounts, when we have the Leader of the Government tell us, oh, trust us, trust us, we will be on target, that means we have to be doubly vigilant.

**Senator Lynch-Staunton:** If you will allow, I would like to get back to the Estimates and Senator Olson's use of words such as deceit, lies, fraud, lack of honesty. I cannot let those go by. Will you allow?

He refers to some secret fund that may or may not exist. We are talking about the \$400 million which will go to pay half of the \$800 million payment to western Canadian farmers. If Senator Olson will look at page 19 of the Supplementary Estimates, he will see under Agriculture, Agri-Food Program, an amount of \$39 million in assistance to Canadian farmers and producers of agricultural products, and a footnote, "The Department of National Defence will reduce its available expenditure authority in order to offset this requirement." There is nothing secret about that. They are transferring funds which are not needed by Defence to agriculture for more pressing needs.

On page 21, \$361 million assistance to Canadian farmers and producers of agricultural products, and the same footnote,

[Senator Molgat.]

"The Department of National Defence will reduce its available expenditure authority . . ." So I think the record has been corrected. Do not leave the impression of secret funds or cooked books or deceit and dishonesty.

**Senator Frith:** You have hardly answered all those questions.

**Senator Olson:** You are talking about \$21 million and \$39 million that probably was appropriated to the Department of Defence. But I am talking about \$400 million in one instance, out of a total of \$800 million that the government has promised to the farmers. That is the money they are taking from a fund that never existed.

**Senator Frith:** He didn't say it was secret.

**Senator Murray:** I am sorry to have to come back on this, but that is incorrect. I mentioned two items.

**Senator Olson:** I heard you.

**Senator Murray:** The two together add up to \$400 million.

**Senator Barootes:** Will Senator Molgat entertain a question on his lovely statement?

**Senator Molgat:** Absolutely.

**Senator Barootes:** I know you have a very long and distinguished career both provincially and federally in various legislatures.

**Senator Molgat:** Thank you. Now I am getting worried.

**Senator Barootes:** I wanted to ask if you can recall an Auditor General in the last 30 years of your time in legislatures who had found the books to be perfectly in order, and was very happy with what he had found as an auditor? Do they not all, in your experience, have some faults to find with whatever is being done by the provincial or federal government? I go back to the Liberal days, not just the Conservative period.

**Senator Olson:** It has never been as bad as this.

**Senator Molgat:** I do not know if Senator Barootes was making that as a statement or as a question he was asking me. Certainly the Auditor General has had observations every year. But my recollection is that the observations have been on some very precise and smaller details.

The Auditor General is not saying "Here, I have found this thing wrong and that thing wrong". He is saying that he is withholding full approval of the latest financial statements, and he is saying that it is improper accounting. That is a very different thing than finding some odd thing here and there that has been improperly done. He is saying here that your accounting is improper. He is saying here that he is not giving you clear financial statements.

● (1520)

Senator Barootes has been involved in a lot of corporations and businesses. What would it mean in a corporation if the auditor said that? That would be a very clear signal.

**Senator Frith:** The shareholders would be outraged.