

The WITNESS: Might I add that in my report this year you will find quite a number of paragraphs which are related to the expected revision of the Consolidated Revenue and Audit Act. They are not in there by way of criticism but rather for the sake of information so that members may have an opportunity of familiarizing themselves with these matters if they think they are of importance, when they come to consider that bill. I am not criticizing the items in particular. I knew that this bill was coming up, therefore I put them in.

The CHAIRMAN: Page 4, Item 6. Are there any questions? Then item 7?

Mr. MACDONNELL: I would like to ask if the Auditor General could give us details of the decrease of \$16 million odd under the heading of "Return on Investments"? Or is that something which we should have looked up for ourselves before we came here?

The CHAIRMAN: Where is that, please?

By Mr. Macdonnell:

Q. I refer, Mr. Chairman, to the item entitled "Return on Investments", which is to be found in line 4 of Item No. 7, and which shows a decrease of \$16,360,000.—A. Mr. Chairman, that arose in the main through the sale of securities which were held as temporary investments of the government of Canada.

Q. Under some one department, or just in general?—A. During the war years the Minister of Finance had a security investment account. He was permitted by order in council to make temporary investment of idle balances in the consolidated revenue fund so that they would be earning money. He accumulated quite a lot of money. Some of these securities matured and they were redeemed. In effect, therefore, they ceased to produce interest.

Q. You mean he bought them at a premium?—A. He may have bought some of them at a premium. He bought them on the market, some at a discount and possibly some at a little over, at a premium; but they were paying 3 per cent interest. Of course, when he sold them, that source of income disappeared.

By Mr. Fulton:

Q. Did he invest that money in government bonds?—A. Oh, yes, government bonds.

By Mr. Macdonnell:

Q. It was my understanding that we had been maintaining the price of our government bonds so that they would never go down.—A. It was not a support of the market proposition. It was to keep idle money earning interest. For example, he would float an issue during the war of, let us say, two or three billion dollars. He would not need all that money at once. And if it lay idle in the bank, he would get no return on it. But if he put it out into government securities, he would get 3 per cent interest.

Q. Then this \$16 million odd represented returns on money which was only temporarily available; and when it became needed for a certain purpose, it would have to be spent?—A. It was converted.

By Mr. Fulton:

Q. What effect does it have on the revenue and expenditure picture of the country, when you invest your money in securities and pay yourself interest on it and then show that interest as revenue?—A. You have to do it. You have to show the interest paid on debt to the public as an amount which you pay out; and on the revenue side you show what you get in yourself. It is a cross entry, but you cannot avoid it.

Q. It is cancelled out?—A. Yes, and you cannot avoid it.