

position that is recounted by Mr. Henderson in paragraph 141 on pages 76 and 77 of his report, which really called for a rather different content of the report; therefore the report prepared in 1962 is really out of date and will have to be revised in its substance because, as the Auditor General knows now, there has been a reduction of the large deficiency to which he pointed there.

The accumulated deficiency has been reduced to much smaller dimensions. Moreover, my own view is, after going over the earlier report, that it should be modified in detail to provide more information and explanations than were given in the draft, and we would like to do this. The present Minister of Finance has not had an opportunity to review this matter sufficiently to present a report to the public accounts committee on this subject. He has been tied up, as hon. members will realize, on other urgent business coming before parliament and has not had an opportunity to devote sufficient attention to this one. Consequently, I am unable to present a report now, of the nature requested, on his behalf. We propose to go over the subject in detail with the Bank of Canada which operates the accounts on behalf of the minister and with the Auditor General, and, if the committee approved, we would submit a report to the committee at the next session of the house. However, I should say that there is a very real problem here in regard to the treatment of profits and losses in the account arising from the re-evaluation of the holdings of foreign exchange coming from changes in the exchange rates between the dates at which the accounts are revalued.

As hon. members will realize, we have here something in the order of \$1 $\frac{3}{4}$ billion of foreign exchange whose value, in terms of our accounts depends, of course, on the exchange rates between the Canadian dollar and the other currencies at the time the evaluation is made. The essential problem is how far should changes in the Canadian dollar equivalent in this foreign exchange be reflected in the main accounts of the government from year to year as a result of changes, either minor or major, in the exchange rates between the Canadian dollar and the other currencies. I would like to suggest to the minister that he present arguments pro and con the accounting problems involved reflecting these revaluation profits or losses in the main accounts of the government, the consolidated revenue accounts.

These, I think, should be distinguished from the profits and losses due to trading operations. Hon. members will recognize that in the operation of an account of this nature, which involves not only the purchase and sale of foreign exchange from day to day but also the purchase and sale of securities, mainly of course United States government securities, in which we invest moneys in this account—the foreign exchange—in order to get as much as we can out of it. These operations give rise to minor trading profits and losses from week to week, and these must be taken into account as well as the major changes which I have spoken of arising from the changes in the exchange rate itself, between Canada and other countries. We feel it is desirable to try to distinguish these as clearly as we can and explain how they bear on the recommendations which the Auditor General has made in his report for this year and earlier years.

Some of these changes are noted in fair detail in the report which the Minister of Finance makes from year to year on the operation of the exchange fund itself, particularly in the mimeographed notes which hon. members will find appended to that report as submitted and tabled in the house from year to year, but which are not normally reprinted in the public accounts themselves.

If hon. members interested in the details of this matter would wish to follow it, I think it can best be done by referring to these mimeographed supplements to the reports to the house which have been tabled from year to year, and we would propose in the report made to the committee to make reference to these in the explanation of the situation and the course of action which will be followed.