Adjustment of Accounts Act

As a result of the inclusion of certain balances identified in Notes 5 and 7 to the financial statements and designated for deletion from the accounts, assets and liabilities are overstated by $3,481 million and $52 million respectively.

There is an allowance for losses on the realization of assets of $546 million. However, this is a general allowance against all classes of assets. I do not think that we need to go into detail on these reservations.

The Auditor General's second reservation was with regard to Crown corporations and how they are excluded from the accounting entity of the Government of Canada. His third reservation was also with regard to Crown corporations which have a history of deficits and lack sufficient revenues to repay their indebtedness to Canada. I will be dealing with those matters in a few minutes, so I will leave them for the moment.

I should now like to refer to the Auditor General's statement of 1979 because things had changed a little bit by then. The Auditor General in giving his opinion in 1979 said in part:

—The recorded value of special assistance loans to developing countries and subscriptions to international development associations, amounting to $2,977 million, is questionable since, by their terms these loans and subscriptions have characteristics of grants or contributions. These loans and subscriptions are recorded at cost in accordance with Note 1 . . . ; whereas grants and contributions are recorded as budgetary expenditure.

There were sufficient warnings all the way along for the government of the day to bring in a bill of this sort, but for whatever reasons governments use to pad their own way, these arguments or warning signs were not heeded. I would like to make reference at this point to the Royal Commission on Financial Management and Accountability, which is commonly known as the Lambert commission. This commission supported the recommendations of the study of the accounts of Canada when that report was tabled in March, 1979, and in addition to the support of the recommendations of the study, it contained some 165 recommendations. Surely that number was large enough and serious enough that the government could have felt it should act.

● (2040)

After all these statements, the House may be asking what the problems really are, why it is important to have this bill, why all these alarms were sounded and why they were not heeded. I should like to use two examples to illustrate the problem, Mr. Speaker. The first is the $650 million that was paid into the airport revolving fund some time ago. Apparently the Auditor General believes that that amount will never be repaid. In this instance we had the government regarding an expenditure on the books as an asset. That money was gone from the treasury. It was used in the airport revolving fund where it was needed in order to operate the airports, but the government showed it as an asset, all the while knowing it was not going to get it back.

The other example concerns the roughly $2.600 million advances to the unemployment insurance fund and recorded as accounts receivable or assets, and not recorded as expenses until later years. The government may claim that it did not think it was necessary to act so quickly, but there is a precedent. I would refer hon. members to the St. Lawrence Seaway Authority. In the publication "Public Accounts of Canada 1978", volume III, page 148, paragraph 4, referring to the year ended March 31, 1978, there appears the following statement:

On April 1, 1977, loans from Canada of $624,950,000 were converted to equity by parliamentary appropriation.

With a flick of a pen the government can change a $625 million liability into an equity or into an expenditure! Later in the same paragraph appears the following:

Effective April 1, 1977, further accrual of interest on the deferred interest was cancelled by the governor in council.

In addition the Authority has also offset $120,986,136 of contributed capital against deficits incurred prior to March 31, 1978. It is also the intention of the Authority to seek approval from Parliament to have the remaining deferred interest payable cancelled and reversed.

To my knowledge, that step has not been taken, Mr. Speaker. Perhaps the House wants to put its hands in its pockets in order to protect itself. Perhaps the President of the Treasury Board will seek that change before too many months pass.

The remaining part of the problem, as I see it, and something which the government still has to correct, is the nearly $3 billion of special assistance loans to developing countries and subscriptions to international development associations. In his 1979 report the Auditor General said that these loans were of questionable value since, by their terms, they have the characteristics of grants or contributions. They are not dealt with by the bill we are now considering but will have to be considered before too many months go by.

Since the government has now come clean and is willing to make these adjustments and have a balance sheet that will more fairly present the affairs of Canada at the end of any fiscal year, the House must now consider if the government will have the strength to stop using the old schemes to hide government spending, or if we will have another similar adjustment in a few years time. I do not expect the present President of the Treasury Board will be around at the time when this might happen. I think the House and the people of Canada can take solace from the fact that we have an effective watchdog, however, in the person of the Auditor General, and that we have a new watchdog before the fact, we hope, in the person of the Comptroller General of Canada, and of course there is always the long-term watchdog, the Public Accounts Committee which I am very happy to chair. That body will be watching out for the President of the Treasury Board if he wants to make any of these other adjustments.

There is another aspect of the accounts of Canada which I would urge the President of the Treasury Board to look at, Mr. Speaker, and I consider this aspect to be a serious problem. I refer to contingent liabilities which are not dealt with in Bill C-22. To be fair, they were not dealt with in Bill C-13 either, but for a new government Bill C-13 was a major step. I would urge the President of the Treasury Board to get after these contingent liabilities.

To illustrate the seriousness of the problem I would refer the House to "Public Accounts of Canada 1979", volume I, page 2:13. Paragraph four states as follows: