

Employment Insurance Operating Account—continued**Notes to the financial statements for the year ended March 31, 2021—continued**

i) Measurement uncertainty

The preparation of financial statements in accordance with Canadian public sector accounting standards requires that management makes estimates and assumptions that affect the reported amounts of assets and liabilities as at the date of the financial statements and revenues and expenses during the reporting period. At the time of preparation of these statements, management believes the estimates and assumptions to be reasonable. The most significant estimates are related to premium revenues and receivable, administration costs, benefits payable, benefit repayments from higher income claimants, allowance for doubtful accounts, estimated overpayments and underpayments of benefits disclosed in Note 10, contingent liabilities and the amounts presented in Schedule II. Actual results could differ significantly from those estimates.

3. Benefit overpayments and penalties receivable

(in thousands of dollars)

	2021	2020
Benefit overpayments receivable	754,373	751,143
Penalties receivable.....	183,592	194,290
	937,965	945,433
Less: allowance for doubtful accounts	528,993	398,958
	408,972	546,475

Overpayments on EI income benefit claims processed during the current and preceding years are detected through a verification process. These overpayments are accounted for by reducing the benefit expenses during the year in which they are established.

An allowance for doubtful accounts is recorded for benefit overpayments and penalties receivable. The allowance is estimated by aging the balance of the accounts receivable outstanding and applying varying percentages based on past recovery experience to the aging categories with an adjustment for current economic conditions.

Penalties may be imposed on a claimant or an employer that provided false or misleading information. The Act sets the maximum amounts that may be imposed in these cases. Interest is charged on outstanding EI debts caused through misrepresentation. This includes overpayments and penalties. As per section 56.1(3) of the *Employment Insurance Regulations*, the rate of interest charged to EI claimants, employers or third parties on outstanding debts is equal to 3% above the average bank rate.

(in thousands of dollars)

	2021	2020
Benefit overpayments receivable—beginning of year	751,143	706,263
Benefit overpayments established.....	137,440	390,144
Interest accrued	13,553	18,973
Reimbursement	(101,445)	(305,886)
Uncollectible benefit overpayments receivable written off	(46,318)	(58,351)
Benefit overpayments receivable—end of year	754,373	751,143
Penalties receivable—beginning of year	194,290	188,724
Penalties imposed.....	245	54,719
Interest accrued	6,337	8,648
Reimbursement	(6,830)	(44,486)
Uncollectible penalties written off.....	(10,450)	(13,315)
Penalties receivable—end of year	183,592	194,290

During 2021, the Account charged a total \$19.9 million (\$27.6 million in 2020) of interest. The interest revenue presented in the Statement of operations and accumulated deficit (\$15.4 million in 2021 and \$22.4 million in 2020) is net of interest charged on accounts receivable deemed unrecoverable (\$4.5 million in 2021 and \$5.2 million in 2020). The allowance for doubtful accounts was increased by this amount.