

SESSION 1947

HOUSE OF COMMONS

STANDING COMMITTEE

ON

PUBLIC ACCOUNTS

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 18

WEDNESDAY, JULY 2, 1947

WITNESS:

Mr. Watson Sellar, C.M.G., Auditor General.

OTTAWA

EDMOND CLOUTIER, C.M.G., B.A., L.Ph.,
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY

1947

MINUTES OF PROCEEDINGS

WEDNESDAY, JULY 2, 1947

The Standing Committee on Public Accounts met at 11 o'clock a.m., the Chairman, Mr. L. P. Picard, presiding.

Members present: Messrs. Bradette, Cleaver, Cote (*Verdun*), Cloutier, Fleming, Fraser, Golding, Homuth, Jackman, Jaenicke, Macdonnell, Murphy, Picard, Probe.

In attendance: Mr. Watson Sellar, C.M.G., Auditor General.

The committee resumed its investigation into the Report of the Auditor General for the fiscal year ended March 31, 1946.

Examination of Mr. Sellar was continued.

Mr. Sellar furnished the Committee with information promised at the last meeting relating to certain transactions by the army in Netherlands currency, and with memoranda containing suggested amendments to the Consolidated Revenue and Audit Act, 1931.

At 12 o'clock p.m., the Committee adjourned until 4 o'clock p.m., this day.

AFTERNOON SITTING

The Committee resumed at 4 o'clock p.m., the Chairman, Mr. L. P. Picard, presiding.

Members present: Messrs. Bradette, Cleaver, Cruickshank, Fleming, Fraser, Gibson (*Comox-Alberni*), Gladstone, Golding, Jackman, Jaenicke, Macdonnell, Murphy, Picard, Probe, Warren, Winkler.

In attendance: Mr. Watson Sellar, C.M.G., Auditor General.

Mr. Fleming filed the following documents which are printed as appendices to this day's minutes of proceedings and evidence:—

Appendix "A"—Sessional Paper No. 1350 dated Friday, March 7, 1947.

Appendix "B"—Sessional Paper No. 135A dated Thursday, February 27, 1947.

Appendix "C"—Sessional Paper No. 38C dated Thursday, March 13, 1947.

Appendix "D"—Order in Council P.C. 6359 dated Tuesday, October 2, 1945.

Appendix "E"—Order in Council P.C. 4450 dated June 22, 1945.

Mr. Sellar undertook to furnish the Committee with a supplementary memorandum containing further suggestions regarding amendments to the Consolidated Revenue and Audit Act, 1931, which was ordered to be printed as *Appendix "F"* to this day's minutes of proceedings and evidence.

It was agreed that the steering committee draft a report for submission to the main committee embodying the suggestions made by Mr. Sellar relating to amendment of the Consolidated Revenue and Audit Act, 1931, and to the manner in which the estimates are presented to, and dealt with by, the House.

Mr. Sellar retired.

At 4.45 o'clock p.m., the Committee adjourned until Friday, July 4th, at 11 o'clock a.m.

A. L. BURGESS,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS

July 2, 1947.

The Standing Committee on Public Accounts met this day at 11.00 a.m. The Chairman, Mr. L. Philippe Picard, presided.

The CHAIRMAN: Gentlemen, we have with us again Mr. Sellar who has brought with him the answers to some of the questions he was asked yesterday. One question concerned the amount of Dutch guilders in circulation; another one concerned the dates of the fiscal year period and the third concerned the consideration of the estimates and public accounts. I think it would be in order if we asked Mr. Sellar to read the first answer, since it came ahead of the matter with which we were dealing at the end of the previous meeting. After that, we can go ahead with questions on the memorandum which Mr. Sellar produced yesterday at the end of the meeting.

Mr. Watson Sellar, C.M.G., Auditor General, recalled:

The WITNESS: On the question of Dutch guilders, I was asked as to the general history of the amount involved. My memorandum is as follows:

The army, when it commenced pay in Netherlands currency, received 20,000,000 guilders to finance day-to-day money requirements. From the date payments in guilders commenced to October 31, 1945, (as of November 1st a new guilder was put into circulation) pay issues amounted to 13,101,313.91 guilders. Other official issues brought the total to 17,987,874.84. With respect to the "old" guilders, army authorities redeemed 57,279,074.30 guilders. A classification of the redemptions, by sources, is:—

Canteen Sales	253,269.03
Bronco	6,036,586.02
Flower services	1,587,336.05
Excess funds from field post offices	12,209,291.60
Surplus regimental funds	1,253,508.91
In trust for deceased personnel	48,830.13
Exchanges	35,752,265.58
Miscellaneous	137,986.98

In addition, the army itself held 864,259 guilders. Thus a total of 40,155,455.40 guilders is established.

Gentlemen, I might say that my second to last sentence is a catch-basket one. I could put in qualifications as to the distribution of the 800,000 guilders but, for convenience, I just merged it as though the army held it all.

At this point Mr. Cote assumed the chair.

By Mr. Jackman:

Q. Mr. Sellar, when the Canadian army got 20,000,000 guilders for day-to-day expenses, what did they give the Dutch government in return for those, Canadian dollars or sterling?—A. Sterling, sir.

Q. At the then rate of exchange, I presume?—A. Yes.

Q. When the accounts were officially balanced, it was found the Canadian government had over how many guilders?—A. We had acquired 57,000,000 guilders.

Q. And the Dutch government refused to give us credit or purchasing power for the 57,000,000 net over?—A. For the 40,000,000 altogether.

Q. So, we had acquired 37,000,000 Dutch guilders which we should not have acquired, is that it?—A. Which the Dutch government refused to take anyway.

Q. Why would the Dutch not honour their own currency in that way?—A. Remember, my knowledge is somewhat limited but as I understand it, on October 31, 1945, the Dutch government cancelled its old currency and substituted a new guilder. The government allowed six or seven days for the redemption of the old guilders and after that they were outlawed.

Q. We did not turn them in fact enough, is that the only reason?—A. No, sir, perhaps that may be true to a degree, but the real complaint was that the undertaking of the Dutch government was 20,000,000 guilders. We had 57,000,000. We had acquired guilders for purposes other than army purposes.

By Mr. Fleming:

Q. I suppose the Dutch would take the stand that their resources in foreign exchange were pretty limited. I suppose to redeem another 40,000,000 old Dutch guilders would have been a terrific on their resources of foreign exchange?—A. Further, you have to bear in mind that whatever they did with the Canadian government they would have to do with the other governments which had troops in the Netherlands.

By Mr. Homuth:

Q. What do you mean by army and other purposes? What do you mean by other purposes?—A. You mean the difference between 13,000,000 and 17,000,000?

Q. Yes.—A. Those would be ordinary charges they would have to pay for services. I did not try to break it down. It is miscellaneous payments the army would make from day-to-day.

By Mr. Jackman:

Q. I understand why the Netherlands government would not have sterling or dollars available, but I do not understand why we did not have a credit in Dutch guilders spendable in Holland?—A. The Dutch refused to recognize the old currency at all.

Mr. PROBE: Is it not true that a regulation had been put into effect by the army which forbade the trafficking in guilders or in the currency of the countries we were in at the time. At the time the troops were in that country that regulation, was it or was it not still in effect at the time Mr. Sellar is referring to, after October 1, 1945? I think that is the answer as to where the money was accumulated. There was an element of exchange, cigarettes for Dutch guilders and so on. Was that army regulation or service regulation still in effect which forbade Canadian troops to have commercial relations with the Dutch? I think that is the key as to where the money came from.

Mr. FLEMING: That was mentioned yesterday.

By Mr. Murphy:

Q. Would there not be a day-to-day check, Mr. Sellar, through the different channels as to the amount expended or exchanged?

By Mr. Probe:

Q. Mr. Sellar has not answered my question yet.—A. I do not know about the regulations or what they were. You have to bear in mind that the Netherlands people were a friendly, allied people as distinct from the German people. I do not know what army orders were in respect to what we might call fraternizing.

Q. We had the same orders in Normandy and Belgium when I was there. We were fraternizing in the accepted sense, but we were forbidden to traffic. There is quite a difference?—A. As to that, I know nothing. My interest in this item and the reason I brought it before you is that in round figures we have \$16,000,000 in currency. In ordinary bookkeeping accounting it should be reflected in credit or cash in the bank. It is not; it is just charged off as a cost of running the army. I think that should have been identified in public accounts and that is my reason for putting it before you.

By Mr. Fleming:

Q. It has never been before parliament at all?—A. No, not directly. However, it is disclosed in the public accounts. The department set it out themselves.

By Mr. Gladstone:

Q. What is the procedure? I do not understand what happened. A Canadian soldier traded cigarettes and came into possession of guilders, what is the next step? How do the guilders get into the possession of some authority and what consideration is given a soldier for turning over the guilders?—A. My understanding is this; when a soldier left the Netherlands he was stripped of Netherlands currency and given the currency of the country to which he was going or else he received credit in his pay account. I think that is true, but if you want to be sure you should call somebody from the Department of National Defence.

By Mr. Jaenicke:

Q. When the Dutch issued that new currency you said they called in the old currency, is that right?—A. They refused to convert the old currency after a certain date.

Q. When they did convert the old currency into new currency, at what rate did they convert it?—A. I do not know.

Q. Did they give a guilder of the new currency for a guilder of the old currency?—A. I do not know.

By Mr. Homuth:

Q. Had we got in under the date line, we would have received sterling or dollars for the guilders we had?—A. No, the Dutch government refused to take them.

Q. But had we got in under the date line . . . ?—A. No, the Dutch government said 20,000,000 guilders were their liability.

By Mr. Ashby:

Q. You do not know how they arrived at that figure?—A. Of the 20,000,000?

Q. Yes.—A. That was our request, that would be the army request in the first instance for money. I am told, this is hearsay, that the army people first became disturbed over the situation by the degree of absenteeism from pay parades showing the troops did not need money.

By Mr. Fleming:

Q. Mr. Chairman, as Mr. Sellar stated yesterday this matter is still under negotiation between the two governments. The story is not necessarily closed?—A. No, sir, I know the Department of Finance has had conversations with the representative of the Netherlands government within recent weeks.

By Mr. Jackman:

Q. The guilders were perfectly good spendable currency as long as they were in the hands of the troops, but once they got into the hands of the government in excess of 20,000,000 guilders which were exchanged officially

for Canadian dollars or sterling, then the guilders became worthless apparently?—A. Yes, the troops got the money. The troops were paid.

By Mr. Fleming:

Q. The government is being called upon to take the loss by reason of signing this agreement with the Netherlands government and putting this ceiling of 20,000,000 on exchangeable currency?—A. That is the situation, yes.

By Mr. Jackman:

Q. In the original contract between the Canadian forces and the Dutch government there was a ceiling. We were just given the fact that 20,000,000 Dutch guilders were to be at the disposal of the Canadian forces in exchange for another currency. Was there anything in the contract of which you know, Mr. Sellar, which said 20,000,000 will be the amount which the Dutch government will honour when our troops withdraw from that land?—A. I have never read the document to that extent, so I would not like to say, sir.

Mr. PROBE: I am sorry I was not here yesterday, but what is the object of enquiring into this? Are we to make some recommendation to the House of Commons in respect to the amount of money apparently that the Dutch government is refusing to honour because of the Dutch guilders we find in our possession? Is our enquiry with respect to the disposal of this money or is it to trace how that money came into the hands of the Canadian troops?

The Acting CHAIRMAN: Mr. Picard will be in a better position to answer you than I am. I was at the industrial relations committee yesterday.

Mr. FLEMING: Mr. Sellar brought it out as an illustration.

The WITNESS: I have it in my report. It is item 72. I draw attention to this transaction because here is currency charged to a parliamentary appropriation and it is not reflected in the cash balances held.

Yesterday, I said they had a similar transaction in England. I may have misled you when I said a similar transaction because that transaction deals with Reich marks and Austrian currency. The Netherlands was not specifically mentioned. The British dealt with it by supplementary estimates and quite recently the House of Commons authorized £20,000,000 to be written off as balances irrecoverable and claims abandoned.

The explanation given was as follows:—

In addition to the increased expenditure brought about by the above changes...

They were dealing with the changes in army costs.

...it is necessary to make provision for substantial losses incurred on accumulation of surplus marks and schillings in Germany and Austria. On the 20th May, 1946, the Secretary of State for War informed the House of Commons of these losses and announced the introduction of the British armed forces special vouchers scheme. The supplementary estimates provides £20,000,000 to cover such of the losses as were incurred during the current year prior to the introduction of the special vouchers scheme.

The British government has written this off as a total loss, but they are dealing with Reich marks and Austrian currency.

At this point Mr. Picard resumed the chair.

By Mr. Fraser:

Q. The British were dealing with enemy countries and not with allies?—A. Yes.

Q. The way I look at it our troops overseas have evidently benefited by this money. I do not blame them a bit. However, I think it is up to your

department to try and work out some way by which that cannot happen again in another war. I feel that this Canadian Commercial Corporation may possibly recover some of that money for us when they are buying goods overseas.

Mr. FLEMING: I think there are two things which are entirely separate and between which we must distinguish. The first one is the administration problem of the armed services, in regard to whatever control they exercised over the troops and their transactions. Mr. Sellar's problem is a different one. It is to see that if money is to be issued for these purposes it must be appropriated for the purpose and should not just represent dipping into a general army pot. It is a matter which should be specifically voted by parliament.

Mr. PROBE: Has this already been done? Have we already balanced the deficit? The Canadian government has already paid this?

The CHAIRMAN: This item of \$16,000,000 or something like that is included in the army estimates which are to be voted. It is reported in the Auditor General's report here. The witness is bringing it to our attention because he feels this should have been the subject of a special war entry and a special vote by parliament as has been done in England. He has just brought our attention to the procedure which might have been followed. Does that answer your question, Mr. Probe?

Mr. PROBE: Yes, thank you.

The CHAIRMAN: Now, gentlemen, we might pass on to the next item.

The WITNESS: The next answer deals with the fiscal year periods. I am not sure what I was asked for, but I assumed you wanted a list of the various companies and boards with the end of their fiscal years. Now, I have circulated the list and have divided them between those which I audit and those which are audited by commercial auditors. Do you wish me to read this list of these various companies?

The CHAIRMAN: No, you can dispense with that.

Mr. FLEMING: But it will go into the record.

The CHAIRMAN: Yes, we will have it put in the record but you can dispense with reading it.

(The list of companies to be included in the record is as follows):

1. Active Crown corporations and instrumentalities with fiscal year ending March 31 are:—

Audited by Auditor General

Canadian Arsenals Limited
Canadian Broadcasting Corp.
Canadian Commercial Corp.
Commodity Prices Stabilization Corporation
Federal District Commission
National Battlefields Commission
Park Steamship Company Limited
Polymer Corporation Limited
War Assets Corporation
Wartime Housing Limited
Wartime Shipbuilding Limited
Yukon Council.

Audited by Commercial Auditors
Canadian Farm Loan Board.

2. Like bodies with fiscal years ending December 31 include:

Audited by Auditor General

Custodian of Enemy Property (1947)
Export Credits Insurance Corp.

*Eldorado Mining & Refining (1944) Ltd.
 Foreign Exchange Control Board
 National Harbours Board
 *Northern Transportation Co. Ltd.

Audited by Commercial Auditors
 Bank of Canada
 Canadian National Railways
 Central Mortgage and Housing Corporation
 Trans-Canada Air Lines

3. A few have year-end dates at other periods. They are:

Audited by Auditor General
 Canadian Sugar Stabilization Corporation Ltd. (probably August 31).

Audited by Commercial Auditors
 Canadian Wheat Board (the crop year—July)
 Industrial Development Bank (September 30)

The WITNESS: Then, I will start reading at paragraph 4.

4. Corporate bodies which are treated as departments use March 31. These include: National Film Board, National Gallery, National Research Council and Unemployment Insurance Commission.

5. From the viewpoint of the Audit Office, it would facilitate its work were the fiscal year-end of all corporations which are audited by it designated as December 31st. The reason is that all of such accounts would be out of the way before the final examination was commenced of the accounts of the government.

6. With respect to the suggestion that the fiscal year-end of the government be December 31st, obstacles which present themselves include:—

- (a) Parliament would have to meet in November or December to vote interim supply.
- (b) In view of our climate, field work starts in the spring months, therefore departments would have to estimate far in advance of actual requirements.
- (c) The dominion and the provinces have many interlocking interests, and as a result, the provinces are progressively adopting the March 31st date in order that statistics and financial statements and arrangements are easily reconcilable.

Those were the three points which I could see, Mr. Macdonnell, which I thought you should weigh from my angle.

By Mr. Fleming:

Q. Do I take it you are recommending to the fullest extent possible that the corporate bodies should have a fiscal year corresponding to the calendar year?—A. It would certainly be a convenience to me. It might present a little problem when you are comparing the financial reports of a corporation dated December 31st and the Public Accounts of Canada dated March 31st. You might see an advance from the government reflected in the books of the corporation at a certain figure and then when you looked at the public accounts you would see a different figure because of the three months interval, but I do not think that is imperative.

*Planning to change to March 31st.

Q. How is that situation met at the present time in the case of Crown corporations which are on the calendar year basis?—A. Well, take the National Harbours Board; it is the simplest one. We show a figure as of December 31st for the National Harbours Board. The Department of Finance shows the figure as of March 31st. There is sometimes a difference. If a person did not notice they were two different dates, he might say the figures were in conflict. I do not regard it is a serious problem.

I have put down here the Sugar Stabilization Board as having a fiscal year date of August 31st; that is the end of the sugar year. I am told they are playing with the idea of accepting March 31st, but I have no official notice of it so I put it down as August 31st.

Q. Has this matter been the subject of discussion between you and the governmental officials responsible?—A. No, sir.

Q. The matter has not been recently discussed?—A. No.

Q. Was there any discussion with you or any discussion of which you are aware when these various Crown corporations were set up as to what might be the best fiscal year in each case?—A. We will use the munitions companies, if you will localize it to that extent. I think it was discussed. We took the view, as those companies were going to be financed out of war appropriations it would be well to have their dates coincide with all of the departments.

Q. That would be March 31st?—A. March 31st, but that situation has changed now as the result of the Government Companies Operation Act.

The CHAIRMAN: Are there any more questions on that memorandum?

By Mr. Jackman:

Q. To the list of those audited by commercial auditors, I suppose you could add the name of the Canadian West Indies Steamship Company?—A. Yes.

Q. And the Hudson Bay Railway?—A. Yes. The Hudson Bay Railway Company is treated as part of the Canadian National Railways for administrative purposes.

Q. And audited by independent, outside auditors?—A. Yes. We are interested to the extent there is a parliamentary appropriation to make good any deficit. We are interested to that extent and beyond that we are not.

There may be various companies I have omitted from the summary, such as the Aero Timber Products, which is just a standby company now.

By Mr. Macdonnell:

Q. Mr. Sellar, I presume you would say that by and large this system is working out pretty well, but you would like to see in connection with these ancillary operations, the calendar year used?—A. Yes, I am a little selfish in this regard because it means my staff work could be better distributed.

By the Chairman:

Q. For parliament to have an exact picture of the reports that would not matter, as you said a moment ago?—A. You would have the reports. Take the National Harbours Board, I have signed all the reports for all the ports and delivered them. I think the last was three weeks ago.

By Mr. Macdonnell:

Q. You have pointed out that there is this lapse of time which means that you certify accounts as of the end of the year; then all that goes into the government's account itself three months later. If there is any likelihood of the three months period being untypical so the thing was a great deal distorted at the end of the three months period, we would get a false picture in public accounts and that would be important but I gather from you you do not expect there would be anything of that kind?—A. The chances are that would arise, unfortunately, in the case of the Canadian National Railways because if the

Canadian National Railways happens to be running in a deficit position it might mean a rather heavy advance from the government in January, February and March because those are the winter amounts and the hard months. You already face that situation with respect to the Canadian National.

Q. It is better that we should get a less favourable picture rather than a more favourable picture.

Mr. FLEMING: There is another advantage, apart from the one which Mr. Sellar has said he was putting from a selfish point of view. I should like his comments on this; if these Crown corporations were put on a calendar year basis and the books closed on December 31st, parliament would receive their annual reports and their audited statements during the session then next ensuing which would be the spring following. As it is now, when these companies are on the government fiscal year basis ending March 31st, we do not get the advantage this current session of parliament of these reports except in very rare cases. Usually, it is a matter of going over until the following session just like public accounts.

The WITNESS: Well, of course, the idea is and your legislation of last year was, that these would be all tabled by the first of July.

By Mr. Fleming:

Q. That is for the corporations which are operating under the Crown Corporations Act, but there are all these others which are set up under a special act and are operating on the government fiscal year basis. I think it is a matter of considerable importance. I instanced yesterday the Canadian Broadcasting Corporation. Here is a committee sitting this year going into the affairs of that organization and the last complete report before that committee is for the fiscal year 1946. Here we are sixteen months later, supposed to be reviewing those affairs and we can get only an approximate statement for the fiscal year ending March 31, 1947. It is not a finally audited statement of the company. It seems to me, quite apart from the matter of facilitating the internal operation of Mr. Sellar's department, this is a matter of the very highest importance for the working of the House of Commons. We are working with stale information part of the time?—A. Take the C.B.C. or any others, the statement for every one of them would be out not later than four months after the end of the year without any additional staff.

By Mr. Fraser:

Q. You would mean by that you would issue two books of this nature; one for the Crown companies and one for the ordinary accounts, would you?—A. No sir, because you already require the minister over these companies or in the case of the C.B.C., the governors to present to parliament a report including the financial statement. It is already in.

By Mr. Fleming:

Q. They are tabled separately?—A. You get them separately.

By the Chairman:

Q. How soon after the end of the year, if it was fixed at December 31st, could you bring a report that could be tabled in parliament?—A. If the year was fixed at December 31st, the first company's report would be ready in February; the next company report would be ready a week later and perhaps it would progress in that manner up to four months.

By Mr. Fleming:

Q. That is to say, if parliament was sitting beginning at the end of January it would receive a continuous string of reports of the operations for a period that would not be more than a month or two months, or at the very most, four months?—A. Yes, they would not be—

Q. We would be working with up to date information instead of the stale information with which we work far too often now?

The CHAIRMAN: The reports Mr. Sellar brings would result in our sitting here until August or September. If we received one in July it would form a basis for further questioning.

Mr. FLEMING: That is the reason for moving it back to December 31st.

The CHAIRMAN: You want to advance the time you are here. If we get a report for say 1946, with the year ending the 31st of December, we would not get the report let us say until July.

Mr. FLEMING: Mr. Sellar said it would take four months.

The CHAIRMAN: It would mean you would be keeping parliament here longer.

Mr. FLEMING: No, it would mean keeping parliament a shorter time because we would get the last of these corporation reports around April. We would be receiving these reports in February, March and April instead of having them come in now on the eve of prorogation of parliament or perhaps even after. I understand the C.B.C. report will not be ready until August of this year.

The CHAIRMAN: We will receive all these corporation reports, but we will not receive the general audit so we will be one year late as we are now.

Mr. FLEMING: That is a different matter.

The CHAIRMAN: Are there any other questions, gentlemen, on this item? Shall we go on to the next item?

By Mr. Jaenicke:

Q. If all the accounts were audited by you, Mr. Sellar, the accounts which are now audited by commercial auditors, how much additional staff would you require? Have you ever figured that out?—A. No, sir, I have never tried to figure it out. Parliament having decided that certain bodies should be audited by commercial auditors, I did not pay any more attention to it. The big consideration, of course, would be the Canadian National Railways.

By Mr. Macdonnell:

Q. I just ask you if it would be fair to sum up what you say, Mr. Sellar, by saying you are in favour of using the end of the year for these Crown corporations in spite of the very slight disadvantage there would be. Would that be a fair summary?—A. Yes.

Mr. MACDONNELL: I take it this is not the proper time to suggest any action by the committee. The time for that will come later, Mr. Chairman?

The CHAIRMAN: Yes. Do I understand, Mr. Sellar, you are personally making a recommendation to that effect?

The WITNESS: Yes, so far as the companies I audit are concerned, I am not in a position to know the internal machinery of the other companies.

The third memorandum, gentlemen, I present with some diffidence. Mr. Macdonnell asked me yesterday to give my observations on a point beyond my knowledge or field. It is in connection with the estimates. He asked whether there were any means by which the estimates and public accounts may be discussed while still fresh. I think that was his thought.

The following is the memorandum I have prepared:—

RE CONSIDERATION OF ESTIMATES AND PUBLIC ACCOUNTS

1. The Consolidated Revenue and Audit Act, 1931, contemplates that the accounts be closed on May 31st. During the war the date was always much later, because of closing entries with respect to overseas accounts, etc. The accounts for 1946-47 are not closed yet.

2. The mechanical side of printing requires four months at present. It would be prudent to add at least one month for first copy for the printers. Consequently, only by an early closing of the accounts can the volume be available before the new year. Of course, the Public Accounts of Canada are much more detailed than is general for national governments. Were it considered that some detail could be eliminated, a shorter time would be required for production.

3. So far as the Auditor General's report is concerned, it can be produced within six weeks after the balance sheet is proffered for certificate.

4. As to the question of the same committee considering current estimates and the public accounts, it appears that such a plan is receiving serious consideration in England. The report of a Select Committee on Procedure (ordered printed October 31, 1946) deals with the question and recommends:—

For these reasons your committee consider that the functions of the committee of public accounts and the estimates committee would be better performed by a single committee. Such a committee would have no powers beyond those possessed by the separate committees now, and there would be no change in the position or duties of the Comptroller and Auditor General, either in relation to the departments or the committee. The advantage of combining both functions in a single committee working through sub-committees is twofold. First, the knowledge and experience gained by examination of the accounts would be brought to bear upon the examination of current expenditure, and vice versa. Secondly, a single committee with sub-committees provides a method for co-ordinating the whole work of the examination of expenditure, for which neither overlapping membership nor any other method of liaison is a satisfactory substitute. The result would be a strengthening of parliamentary control of expenditure and it might be that fewer members would be needed for this work. As to the number of sub-committees needed and the division of the work, your committee think that these details would be better settled by the committee itself in the light of its own experience.

5. It is, of course, to be borne in mind that supply procedure at Westminster differs from that followed in Canada. Twenty sittings are set aside for estimates; items are selected for discussion by the opposition and the debate is on public policy. On the last day, or August 5th, at the latest the balance of the estimates are automatically passed.

6. I doubt if such a procedure would now be regarded as satisfactory in Canada. At the same time, one cannot ignore the time demands made on the House of Commons. My suggestion therefore is that thought might be given to:—

- (a) reducing the number of votes, in order to facilitate debate and to permit closer estimating.
- (b) requiring more extensive printed explanations to be provided to members;
- (c) dividing the estimates into groups, one group consisting of items which may be financed out of operating revenues;
- (d) the House referring to a committee for examination and report (before consideration by Committee of Supply):
 - (i) all items for which a minister is not directly answerable for the estimate. For example, the items for the House of Commons, the Senate, the Library, the Auditor General's Office, the Chief Electoral Office, the Civil Service Commission, the Courts, etc.;

- (ii) all items to be financed out of operating revenues. This would include such bodies as the Post Office, the Board of Grain Commissioners, the Patent Office, etc.;
- (iii) all items where administration is not directly controlled by a minister or by the Consolidated Revenue and Audit Act. For example, the National Research Council, the National Film Board, or any grants to the National Harbours Board, the Federal District Commission, the Canadian Broadcasting Corporation, or a Crown company, etc.;
- (iv) any grant which will not be accounted in detail to parliament. For example, grants to associations, fairs, steamship subventions, etc.;
- (v) any grant to be administered by a provincial government or by a municipality;
- (vi) any grant which the Speaker is of the opinion gives rise to the question: Is the purpose within the phrase "for the public service" of Canada?

I have taken the phrase which I quoted from the B. N. A. Act.

By Mr. Fleming:

Q. Item No. 1 in that last group, Mr. Sellar, an item for which the minister is not directly answerable for the estimate. You have given some examples. What about the statutory items, those items in the book of estimates marked with an "S". Do you include those?—A. You cannot do anything about them unless you are going to amend your Act. They are just included now for your information.

I am now working on my report for the next fiscal year. I am very seriously considering recommending to you that you should take a look at one statutory item for \$160,000 paid annually to the fishermen of the maritimes. It is supposed to be the equivalent of the Halifax award which was allotted or was paid back 60 years ago, over 60 years ago. The basis of the distribution was then set down. Conditions have changed materially since and I think there may be some way that the \$160,000 could be of greater benefit than as now applied. I do not say I am right, but I say it should be considered.

Otherwise, you have not got before the committee on supply an official statutory item at all. They are just there for your information.

Q. But they are linked with the item for administration of that particular department. They come up for consideration with the administration item?—A. For every vote, you start off with the minister's salary.

Q. I am thinking about a statutory item. For instance, under the Department of National Health and Welfare you have the old age pensions. You have two items, one for administration and then you have the statutory item which is the actual amount of the pensions paid?—A. Yes, that is there just for your information.

Q. But so far as discussion is concerned, you get it on the administration item?—A. Yes.

By Mr. Macdonnell:

Q. There is one item on page 2 of this last memorandum, (d),

The House referring to a committee for examination and report—
Am I right in thinking that would be substantially a committee like the single committee which is mentioned on the preceding page; the same kind of thing in general?—A. I have not tried to reason that out, sir. My only thought was this; that there should be one committee to deal with them all and not send some estimates to the external affairs committee; some to the industrial relations committee; some to the fisheries committee, the agricultural committee and so on. I thought they should all go to the same committee, whatever it was.

Q. Would it be a committee which might be generally described as discharging the functions of the committee on public accounts and estimates, as they call it in England? Would it be generally like that?—A. I would say yes, that would be my thought. What the thought would be from the point of view of the House of Commons, I do not know.

By Mr. Fleming:

Q. You might possibly use subcommittees. There is no reason why, in the case you mentioned, external affairs estimates could not be referred by the main committee on estimates to the committee on external affairs as a subcommittee to perform the functions of a subcommittee and report back to the main committee?—A. I agree with you there. Your idea is to be critical of the estimates. You want to promote economies in the estimates.

Q. And obtain information, too?—A. Yes, I know, but if you send the estimates to a committee—I am not using the words in an insidious way—but a committee that has a hobby would be partial towards the estimates of that department. Let us say the fisheries committee were considering the fisheries estimates. All the members of the committee would feel that the estimates were too low for the proper maintenance of the fishing industry.

Q. Yes, and you need not limit it to fisheries, you could use agriculture as an illustration?—A. I would not draw the line anywhere. You would want to see the estimates go to a cold-blooded committee rather than a friendly committee.

Mr. BRADETTE: When the estimates went before the external affairs committee we did not find the state of mind which has been mentioned by the witness. We were very careful in scrutinizing as thoroughly as possible all the estimates and enquiring into all the ramifications of the Department of External Affairs. We always had in mind keeping the expenditure as low as possible. I just want to correct that impression because we have had the external affairs estimates before us for the last three years.

Mr. MACDONNELL: But do you not think that is because that is money which is being spent outside the country?

Mr. BRADETTE: It may be, but we have been good watch dogs. So far as economies were concerned, we were willing and ready to use the broad axe if necessary. The members of the committee were not backward in stating their feelings on the subject.

As Mr. Sellar has suggested, it might be very different if we were dealing with an agriculture or fishery committee. In a committee such as external affairs, the members are dealing with a question in which they are all interested but in a different way from a member sitting on a committee such as agriculture. If you were a farmer sitting in the agriculture committee, you would want to see as much money go to the farmer as possible.

Mr. FLEMING: I should like to bear out what Mr. Bradette has said. This committee did perform a useful function in getting out the information about the workings of this department as well as questioning the estimates. Information was obtained concerning the department which had not been brought out before. You cannot possibly do that in a committee the size of the committee on supply.

Mr. BRADETTE: In a committee such as the House committee on supply, you only receive information indirectly. It is conveyed *sotto voce* to the minister and then expressed to the members of the committee. In a special committee, you have direct information from the officials concerned. This fulfils two great functions. It relieves the poor minister from a lot of drudgery and it gets direct information to the members of the committee quickly. The procedure followed in the House is not a businesslike one. In the committee on

external affairs, we had expert officials who knew the situation. We secured the information quickly and in a very clear, forceful way.

Mr. FLEMING: And directly.

Mr. BRADETTE: Yes, and directly. It was a marvellous experience for me and I believe the other members of the committee as well.

Mr. FLEMING: The minister did not even come to those meetings. The officials were there.

Mr. BRADETTE: Yes, he was saved a great deal of the burden. All the members of the committee were bright and quick in expressing their opinions on each item of the estimates. They expressed their opinions clearly and forcibly.

Mr. JAENICKE: I agree with that, but at the moment, I agree that if you were to go into the estimates thoroughly a committee such as Mr. Sellar suggests would be more advantageous. After all, we can investigate the workings of the departments when going through the estimates. In my opinion, we can call the officials. One thing about our foreign service; our legations and embassies, things of that nature, so far as external affairs are concerned we can call those officials for that information. So far as criticizing expenditures are concerned, I am of the opinion that Mr. Sellar's idea of having a general committee to investigate all the expenditures is much better than referring those expenditures to departmental committees. I think we are very just and mutually impartial in the external affairs committee, but I certainly think if you referred the agriculture estimates to the agriculture committee and the fisheries estimates to the fishery committee you would find those committees were interested in those particular industries and would certainly be partial, as has already been indicated by Mr. Sellar.

Mr. FLEMING: Mr. Chairman, I do not know that the two ideas, I think Mr. Sellar agrees, are necessarily exclusive. If you had this committee specially charged with a review of the estimates and a review of public accounts, it might want to farm out some part of its work, specialized work for instance, to the external affairs committee.

In the case of the External Affairs Departmental estimates, it might be that there is so much work to be done by that committee, if it did a thorough job, it might need assistance from some of the other standing committees. The standing committees could review the estimates of the departments closest to them. I do not think the ideas are necessarily exclusive. I think they could be harmonized in the light of experience. I think it is very important in the light of our experience with estimates, of which I can only speak in this present parliament, to have some standing committee do a really serious job of reviewing the estimate. I think the way we are handling our estimates in the House, as I said some little while ago, is little better than a farce.

Apart from a rare case, we do not sit down and check over the estimates at all. There are general discussions on policy. All members bring forward some particular problem which may have no relation to the actual expenditure, but which is simply related to the department. There is no committee or any body around here at all officially charged with the checking of the expenditures.

The CHAIRMAN: Many of the questions asked in the committee on supply are sort of fishing expeditions to get information more than actually checking on the estimates.

Mr. FLEMING: It takes a lot of time because a lot of members in the House are not interested in the particular item under discussion. They become restless and the result is that the member who is trying to get information is harried.

Mr. BRADETTE: I have been a chairman of the committees of the House and from my experience I would say that what Mr. Sellar asks now is something which might prove to be very beneficial. No one can study our estimates under present conditions. Our estimates are not thoroughly scrutinized for the simple reason when any new department is brought in, the first item is administration. This always brings forth a general discussion and the chairman has practically no means by which he can curtail the discussion in any way.

There is a suggestion in Mr. Sellar's report, in section 5, which says,

It is, of course, to be borne in mind that supply procedure at Westminster differs from that followed in Canada.

If we follow the British procedure we will be far ahead of the game, and then that committee will have reasonable opportunity to go into all matters. That will happen through the discussion we have on practically all items, not only administrative, but all items which will have to be concentrated before the committee. These discussions will take place before the committee and experts will give us all the information necessary. I believe the curse of the House of Commons in the Committee of Supply has been the repetition of discussion on the very same items. When it is stated at the end of the session that we have passed millions of dollars without scrutiny, it is absolutely unfair to the members of parliament. We spend three or four or five days, and, I have even seen us spend eight days, on an item of only \$50,000, meaning that the department concerned was thoroughly discussed. When it comes to the end of the session the items we pass so rapidly are really statutory items, and I want to be fair to their adoption. Generally speaking members of parliament have been very, very careful indeed in the discussions of public funds, even going so far as to curtail unnecessary travelling that they thought occurred in a department. In many cases it has turned out the other way. Perhaps more money is needed for a certain constituency and I am interested if it is my constituency. That is the human factor we must deal with. I would repeat again that the suggestion may lead to a change in our rules of procedure, but we must necessarily do that if we want to have proper discussion and to truly discuss the items.

Mr. FLEMING: I think Mr. Bradette is referring to the fact that we would save a lot of time in the House if the estimates were accompanied by printed explanations after the manner Mr. Sellar has suggested.

Mr. BRADETTE: I am not sure that it may not lead to more discussion.

Mr. FLEMING: It might lead to more intelligent discussion.

Mr. GLADSTONE: The consideration of estimates before a special committee and the bringing of officers of the department before the committee certainly would tend, in my opinion, to promote efficiency. According to our present method of considering estimates now in the Committee of Supply, what actually happens is that we put the minister and the government on the defence, together with those officers whom we are criticizing. It seems to me that is a long distance from the methods employed in ordinary business. I think it should be the desire of members of parliament to discover weaknesses if there are any weaknesses in departments and to correct those, in the interests of promoting efficiency and saving public money.

Mr. FRASER: I would like to ask Mr. Sellar a question. In this report on page 2, it reads: "All items where administration is not directly controlled by a minister or by the Consolidated Revenue and Audit Act".

Included in the list is the National Film Board. In our ordinary estimates we have the National Film Board under the National Revenue Department. Why do you put that in there?

The WITNESS: I used that to illustrate the point. The National Film Board is administered by a board consisting of two members of the Privy

Council and, I think, six private individuals, three of whom are to be selected from the public service of Canada and three who have no connection with the service of Canada. That body administers the National Film Board. Now Dr. McCann is, at the present time, the Chairman of the National Film Board. Therefore he is the minister who has to pilot that estimate through the House, yet he is not like the Dr. McCann, the Minister of National Revenue who is the supreme head over his department. He is just a member of the board of eight, and that is why I was drawing the distinction.

Mr. FLEMING: I have several questions, not on these memoranda submitted by Mr. Sellar this morning, but on the more general aspects of his report.

Mr. FRASER: May I ask another question with respect to the Film Board. Why is the Film Board estimate in our estimates? Take the other corporations—they are not in our estimates.

The WITNESS: The National Film Board is not a corporation in the true sense of the word. It is financed entirely out of parliamentary appropriations. I do not think it should be listed under National Revenue at all, because you have got to know the minister who is chairman before you can find it.

Mr. FRASER: Yes, I think you are right. It used to be under War Services.

The WITNESS: Yes, and I think it should be under its own name and not under a minister at all.

The CHAIRMAN: I think it applies to many items. Under item 3, the broadcasting corporations are discussed before the House.

Mr. FRASER: Yes, but we have not got the broadcasting corporations in our estimates.

The CHAIRMAN: But they are discussed before the House in the report of the minister.

Mr. FRASER: Not under the Canadian Broadcasting Corporation. I think we can only bring them in under an item of the Minister of Transport, along with the short wave stations down on the coast.

The WITNESS: Plus any capital loan—if you have a vote for the capital loan you may bring them in.

By Mr. Macdonnell:

Q. I have just two short questions. On page 2, item (c) says "dividing the estimates into groups, one group consisting of items which may be financed out of operating revenues;—" and so on.

(d) concerns the House referring to a committee for examination and report and then we have subsections (i), (ii), (iii), (iv), (v), (vi).

What are the substantial omissions from (d) and where are they set out?

Are they very important items?—A. Well, standard services, where it is purely a ministerial policy or governmental policy I have excluded—

Q. For example—A. Take the Department of Finance for example, which is purely an administrative service. The government is answerable for that but I do not think it would be consistent with our idea of ministerial responsibility for departments if the minister had to deal with details when he faced the House of Commons.

Q. It is very hard to draw the distinction in finance. You have some ancillary things like Wartime Prices and Trade Board, however, do not let me press that.—A. I was influenced by that a number of years ago, shortly after I came to Ottawa. Dr. McGibbon, who is a member of your constituency—

Q. My former constituency?—A.—moved a resolution that there should be an estimates committee that should deal with the estimates and it was on the basis of that debate that I was prompted to try and draw a dividing line

between governmental service in the true sense of the word, and others that might be regarded as requiring a little difference in financing.

Q. Another question is in regard to the fiscal year periods, I notice in paragraph 2 one of the bodies still being audited by civilian auditors is Central Housing and Mortgage. That seems to me to be purely government policy. The Bank of Canada is different, the Canadian National Railways are different, and Trans-Canada Air Lines are different, but it seems to me that Central Mortgage and Housing Corporation is purely a government operation, and I wondered whether or not we are not losing something by not having the benefit of the Auditor General's comments on that. I would like to raise the question as to just why this is dealt with that way?—A. You passed that last year, sir, in your Acts of 1946. You put it in then.

Mr. FLEMING: Do you approve of it?

The WITNESS: I have no opinion. I do not mind telling you now that Central Mortgage and Housing Corporation has all the houses of wartime Housing, and the board of directors of Wartime Housing consists of Central Mortgage and Housing personnel. I told Mr. Howe he should get his Act amended to take away my responsibility for auditing Wartime Housing.

Mr. FLEMING: Will there have to be two different sets of auditors?

The WITNESS: I do not care how they do it, but, having decided that Central Mortgage and Housing should be audited by outside auditors, it seems to me that Wartime Housing should be dealt with in the same way.

Mr. FLEMING: I obtained a return in the House on the employment of auditors by Central Mortgage and Housing Corporation. They have employed two different auditors.

The WITNESS: Yes, the section of the Act is quite detailed.

The CHAIRMAN: Are there any other questions on these memoranda or can we go back to the one submitted yesterday by Mr. Sellar.

Mr. FLEMING: I would like to ask Mr. Sellar a question about the nature of the audit that his department conducts.

By Mr. Fleming:

Q. Mr. Sellar, you said yesterday you had a staff of two hundred. Is it a complete audit that is conducted or is it what is commonly called a spot audit?

Mr. JACKMAN: Or a balance sheet audit?

By Mr. Fleming:

Q. Yes, or a balance sheet audit?—A. Certain transactions are naturally 100 per cent; those dealing with securities and so on are 100 per cent. Otherwise we proceed by means of test audits. If we find things are in order after we make a reasonable test we stop. If we do not find that is the situation, we keep following through until we are satisfied we have the picture. The staff are located in the departments. They are not centralized and they audit from the working records. As a rule our audit runs about a week to a month behind the actual transaction.

Q. In all cases it is a running audit?—A. Yes.

Mr. MACDONNELL: Do you mean your audit representatives are in the various departments and to all intents and purposes look like the member of the department.

The WITNESS: No, they do not look like them. They have a separate office and I keep changing them. I do not allow any man to stay too long so that he will get too familiar with the people he is auditing.

By Mr. Fleming:

Q. That is the answer. The next question I think, is this. It is about the follow-up that may or may not result from your recommendations. Now I take

it that the recommendations that you make as a result of your audit are not necessarily all contained in your formal report?—A. No, most of the problems we raise are settled long before the books are closed.

Q. Now where do you draw the line between those that are made on the spot and those that are reserved for formal treatment in your annual report?—

A. We record anything that concerns policy in relation to the responsibility of the House of Commons over the Consolidated Revenue Account. Such things should be reported to the House.

Q. Do you report those to the department concerned in advance?—A. The departments see my report before it is printed. They are asked if that is a fair statement of the facts, not whether they agree, with it, but whether it is a fair statement of the facts. If they say it is not a fair statement of the facts we ask them where we are wrong. We may adopt their suggestions or we may not adopt them. We tell them we want a fair statement because our report is going out in print and our statement will carry more weight than their denial later on, and we ask for their statement before it is printed.

Q. Do you have many cases of difficulty in reconciliation of the two positions?—A. No.

Q. In other words when we pick up your annual report the facts stated are common ground between you and the department concerned, but the views or opinions expressed are yours, and yours alone?—A. Yes.

Q. Well I am concerned about the follow-up in the department, both in the cases of the recommendations that go from you direct to the department, and also those that appear in your annual report. Are you concerned about the follow-up, or is that purely and simply a matter for the departments concerned?—A. No, we keep following it up. If remedial action is not taken in a year and we consider it sufficiently important, we will draw it to your notice a second time. If you pay no attention to it two years in a row, we form the opinion that you are not very much concerned and we withdraw the note.

Q. You are addressing parliament now in what you say?—A. Yes.

Q. I am thinking now of cases where you have recommended certain things regarding a particular department. Is it any concern of yours to follow that recommendation up with the department?—A. We make it our business. We are on very good relations with the departments and, as soon as our report comes out, the departments go after these various things because no department likes publicity that is critical, and they try to remove the opportunity for that criticism being repeated. Secondly, if it is expenditures, the comptroller of the treasury staff also may put on the pressure. Our own people, as I say, also get to work on it and very few things are not settled to the satisfaction of all concerned.

Q. What is the responsibility of the comptroller of the treasury with respect to following up recommendations which you make?—A. You could not find it in the statute. It is his job to see things are in proper order.

Q. That is he assumes responsibility of taking your recommendations and following them up where he considers they are legitimate?—A. Where he considers they are important but he may decide against me. Usually he does not.

Q. Does that often follow?—A. No, but I was the first comptroller, and the present comptroller was my assistant and we think rather along the same lines.

Mr. MACDONNELL: Like Hitler and Dr. Schacht.

Mr. FLEMING: There were several items in your report that I was interested in from that point of view. I do not want to take the time of the committee to go into detail but on page 21, I will just mention the items quickly in passing. About half-way down page 21, item No. 54, vote 230. The last paragraph says "order in council P.C. 5528 of August 9, 1945, accepts as of October 31, 1945, the resignation of John Grierson, Government Film Commis-

sioner." Then there was an expenditure of "£85 for the trans-Atlantic passage of Mr. Grierson from Prestwick to Montreal. The expenditure is recorded as a charge to vote 230 although Mr. Grierson was no longer in the service of the National Film Board when the trip was made".

Now did something follow that recommendation?

The WITNESS: The National Film Board immediately took up the matter; so did the comptroller of the treasury. They referred the matter to the treasury board for instructions and the treasury board on November 8, 1946, directed that "payment of travelling expenses incurred in 1946 would not be warranted. As you will be aware it is not the practice to pay travelling expenses of officers after resignation." Therefore the National Film Board was ordered to recover the amount from Mr. Grierson.

Mr. MACDONNELL: Who originally authorized the item?

The WITNESS: It was authorized in London, England.

By Mr. Fleming:

Q. By whom?—A. They had an office over there.

Q. The National Film Board?—A. The National Film Board had an office in London. Mr. Grierson acted in perfectly good faith in that respect. He had an understanding with the National Film Board that if they wanted him to come back his expenses would be paid, and it had been intimated to him that they wanted to discuss certain matters with him. He was off the payroll and, as far as I was concerned, it was a wrong expenditure, but Mr. Grierson had quite a reasonable explanation in that case.

Q. Now on page 28, and I would say that I am mentioning this item out of order, but the last paragraph on that page reports that in September 1944, the National Film Board sent an officer to London to act as co-ordinator of newsreels. Accountable advances for expenses were made to him from time to time. For the period September, 1944, to April 15, 1945, he proffered an accounting of \$5,134.36, which included \$949.59 disbursed for entertaining. As of March 31, 1946, an accounting had not been accepted for \$1,167.19. The Consolidated Revenue and Audit Act, 1931, requires that all outstanding accountable advances be repaid within sixty days after the close of the fiscal year. That was not done in this case, but deductions, first of \$40 a month and later increased to \$100 a month, are being made from his salary since April, 1946."

That is the first case. Then the second case concerns another officer. "Another officer was accredited in June, 1944, to the armed services film unit overseas as a war correspondent. A per diem living allowance of \$8 was authorized for him while in London. He returned from this assignment in November 1945. Net advances of \$6,627.36 were made and his accounting for \$4,248.23 was accepted. Thus, at the year end, \$2,379.13 remained to be adjusted. The officer has left the employment of the National Film Board."

Again I am concerned about the follow-up. I take it in the first case a portion of the expenses of the officer were disallowed and recovery is being made by monthly deductions from his salary.—A. Coupled with that was the amount that should be allowed for entertaining. That item was referred to the treasury board in the last fiscal year and on March 21, 1947, the treasury board authorized the department to accept \$500 as entertaining expenses out of that \$900 odd and the account is now settled.

Q. And he has, in other words, paid about \$400?—A. Yes.

Q. What is the explanation of the line of distinction between the \$400 and the \$500?—A. The distinction was this. He was pretty generous in his entertaining and we thought some of it was unnecessary. The treasury board, having reviewed the matter,—I was not there, of course,—apparently decided \$500 of that expenditure could be justified as entertaining and they allowed that, and told him to refund \$400. He had actually spent the other \$400.

Q. Did that arise out of an audit of yours or a recommendation from you, or did it arise out of an investigation by the treasury board, or the controller general?—A. That originated on an observation of my man in London, England. In examining these accounts, he came across them and notified the National Film Board of the extent to which this entertainment was running. He notified the National Film Board in Ottawa. They took action to correct it forthwith. When the accounts were submitted, the comptroller of the treasury, the National Film Board and ourselves, had a mutual interest. I reported it but it was the National Film Board and the comptroller of the treasury that dealt with it, in bringing it to the treasury board notice.

Q. Now take the second case, involving the \$2,379.13 where the officer has left the employment of the National Film Board. Was that never recovered?—A. That amount has been reduced down to \$264 but I am afraid there is an additional amount in connection with expenses in Greece and other countries.

Q. Expenses of the same individual?—A. Yes.

Q. Entertaining expenses?—A. No, just travelling expenses. He was supposed to operate through the army services but for some reason or other he went to hotels when he might have gone to the ordinary billets provided by the army. These accounts have just come in or at least they are 1946-47 accounts and I heard about them the other day.

Q. How much do they amount to?—A. I do not know.

Q. Are they substantial sums?—A. No, I do not think so.

Mr. FRASER: Are the claims fully paid?

The WITNESS: The man has received the moneys and he is now proffering the accounts in settlement.

By Mr. Fleming:

Q. You expect that you will have to recover from him?—A. Well I am told that. This is by way of information because you asked the question. I have not seen the accounts and I have formed no opinion on them. They have, however, dealt with the old ones and the amount as I say, is \$264 which is due on them.

Q. In other words an attempt is being made to recover the money from him?—A. Yes.

Q. On page 22, I will just pass quickly over this, but paragraphs 59 and 60 are of interest to me. The votes are 418 and 426.

Vote 418.—Construction was undertaken in 1945 of approximately 2,200 houses for purposes of the Veterans' Land Act. Practising architects were commissioned to prepare 22 designs. The fee was generally \$160, this giving the department the right to use a design 16 times. After that, \$10 was paid the architect for each time a design was used. The architects had no responsibility with respect to actual construction. The \$10 fee was paid 1,437 times with respect to 7 designs. Therefore, in addition to the initial fee, four architects received \$14,370 for seven plans. The department has since acquired the designs under an arrangement which permits use without further payment.

Now I take it your purpose in setting that out in your annual reports was to draw attention to the basis of payment which you considered to be unsound?—A. It seemed to me to be an extravagant thing to pay for a design over and over again when the department was absorbing the costs of making the blueprints. That was so especially in connection with a simple house and where we were paying this large sum out over a long period.

Q. What about the follow-up there?—A. In that case one architect, whose plans were used extensively, agreed to the department using his three plans indefinitely without any charge but he is the sole legal owner of the plan.

Q. I have some returns on that. I will put the return on the record. It is sessional paper 135A.—A. The Winnipeg firm had a cash settlement made to them and we bought the plan. The same thing occurred with the Calgary firm and the Vancouver firm. Cash settlements were made. The Ottawa man did not ask for cash.

Q. There is a sessional paper on that and perhaps it would save time if it were made part of the record.

The CHAIRMAN: Do you think this should go in the appendix in the form of questions and answers?

Mr. FLEMING: Yes, in the appendix. I think it ought to be in our record somewhere.

Then, the next item is 426. You deal with this matter of the construction of nine houses at Boucherville, Quebec.

In May, 1945, tenders were invited by the director of the Veterans' Land Act for the construction of nine houses at Boucherville, Quebec. Bids ranging from \$45,884 to \$70,200, were rejected as excessive. On August 30, 1945, a contract was made with the contractor who submitted the lowest firm price bid. This contract called for the construction of 17 houses at cost, with the contractor receiving \$175 per unit for his services. In the fiscal year \$87,018.10 was paid by way of progress payments. Administrative officers advise that this contract is under investigation; consequently the payments have been accepted in the audit subject to that qualification. Further claims of \$103,820.85 with respect to the contract were, at the time of audit, in the department.

Now, what was the thought in reporting on that, Mr. Sellar?

The WITNESS: I had to qualify my report because I did not know whether payments were going to be right. In this particular case the contractor is suing the government for \$109,000. That case is now before the Exchequer Court. The department, in addition, has instigated criminal proceedings against three individuals. There are two convictions and there is a case pending.

By Mr. Fleming:

Q. Again, Mr. Chairman, there is a sessional paper No. 135-C on that item. It would perhaps save some time if we perhaps put it in the appendix to our proceedings.

There is one other matter upon which I wanted to enquire. It is dealt with on page 24 of the Auditor General's report and concerns national housing administration. I had better not take the time to read all of it, but it deals with the reconversion plan on properties located in three different places. The first is a property on St. Jean Street in the city of Quebec; the second is a property on Burnaby Street in Vancouver; the third property is located on West 14th Avenue in Vancouver. I think it is fair to say that the gist of your comment here is that the price which is proposed to be charged to the government vastly exceeds the amount of the tender. What is your comment on that again? There was a sessional paper 38-C dealing with that matter. From the point of view of Mr. Sellar, I should like him to say how this comes to be in his annual report?—A. Because this whole conversion plan was set up under an order in council which contemplated that the rent would be fixed at rates sufficiently high that in a period of eight years the government would recover its investment. The rents, in these cases, are not adequate to recover this investment as the cost of the project as authorized has greatly exceeded the estimate.

Mr. BRADETTE: Pardon me, but are these orders for return?

Mr. FLEMING: They were sessional papers, but none of these were printed in Hansard. I would not be putting them in the record this way if they were printed in Hansard. They are sessional papers which were not printed.

The CHAIRMAN: Do you feel that all these reports are needed for the actual work of the committee? They are quite bulky. Do you think you could refer to them in the evidence rather than have all this material printed? I do not object, personally, but we are going outside our general practice.

Mr. FLEMING: There are two reasons for offering them, Mr. Chairman, and the first is that I happen to have these papers because I put in the questions. I thought the other members would like to have them. Then secondly, I do not want to take up any more time at this particular moment questioning Mr. Sellar.

The CHAIRMAN: The witness might possibly give us more information.

The WITNESS: No, I am no longer the company's auditor.

The CHAIRMAN: If we have a competent official, certainly from the Veterans' Land Act, could we not get the information from him rather than have the questions and answers merely printed from the sessional paper without comment. We have the proper official. If we put this paper in, I think in all fairness to the Veterans' Land Act people we might ask questions from the auditor, as you have already done about the vote for \$18,426. It would be better than leaving this on the record without any comment.

Mr. PROBE: Are we going to have the officials of the Veterans' Land Act before the committee again?

The CHAIRMAN: I did not mean the Veterans' Land Act, I meant the Auditor General. He is responsible for the two items here. These items have been included in his report and I think he is the right person to question. If we have any other person we want to call, we can do so.

What do feel about that, Mr. Fleming? I think if we were to put this in without asking pertinent questions of the person who is responsible for the audit, it serves no purpose. You have the auditor and you have the report. You have the opportunity to ask him any questions you care to ask. Merely having these reports printed without any reference or any scrutiny of them by the auditor may leave a wrong impression. You have the auditor here, so why don't you go ahead and ask him any questions you care to ask concerning these two matters?

Mr. FLEMING: We are going to take a lot of time if we do that, Mr. Chairman.

The CHAIRMAN: I think it would be fairer to the officials concerned. We have the auditor here and he is the one who has put in that item. Why don't you ask him any questions, since that is another way of putting this information before the committee? If you just print these papers without any comment, you can draw any inference you want from them. While the auditor is here, why not ask him the questions?

Mr. FLEMING: If the auditor wants to look those over, he may or may not be in possession of additional information, I do not know.

The CHAIRMAN: It would be more in accordance with our practice. You have some parliamentary returns and you have a witness here from whom you can get the information you want. I do not see the purpose of merely printing these papers when you have the proper official to give you the answer.

Mr. FLEMING: My answer to that is this; these are sessional papers prepared by the department concerned. Having the information, the questions are based on the statement in Mr. Sellar's report.

The CHAIRMAN: That is right, but you have Mr. Sellar here.

Mr. FLEMING: Mr. Chairman, again may I say these are lengthy questions.

The CHAIRMAN: We have given you all the possible time before the committee. We are sitting again to-morrow or, at least, we plan to do so, so I

do not see why we should not get all this information in the proper form by asking questions of the official who has reported on that matter. I am not restraining you or any member of the committee. It would not be my duty to do so and I am not trying to do so. On the contrary, I offer you an opportunity to ask questions and give you all the time possible that is available to the committee. Just putting those two questions in without any comment from the proper official permits us all to form our own judgment without having the information we might have received from the man who can give it to us. I think that is just fair.

Mr. FLEMING: Has Mr. Sellar any information bearing on these papers?

The WITNESS: Nothing in addition to what is there.

The CHAIRMAN: If you have any questions to ask, you can ask them.

Mr. FLEMING: It seems to me a waste of time.

The CHAIRMAN: Mr. Sellar can answer these questions.

Mr. FLEMING: Mr. Sellar says they are all there and says they are correct. It is just that I hoped to put them in the record.

The CHAIRMAN: After you have asked the questions and received the answers, you can make any deduction you want. Why don't you ask the questions of the auditor while he is here.

Mr. PROBE: Just to regularize this matter because I was interested in these matters raised by Mr. Fleming, but he was doing a first class job on these questions, I should like to ask a question with respect to the return on national housing administration on page 24 of the Auditor General's report. This deals with the conversion of the properties which were recently mentioned. Speaking of the St. Jean Street property in the city of Quebec, you say.

"The Crown was to pay \$36,000 and the owner \$34,000." Then, it turned out that the actual cost of the work was \$107,000. The question I wish to ask Mr. Sellar in connection with that is; where it says the Crown was to pay \$36,000, I presume that would be covered by a contract as between the owner of the apartments and the Crown?

The WITNESS: And the local representative at Quebec.

By Mr. Probe:

Q. How can your department explain, I do not suppose it is up to you to explain or justify it, but can you explain how that contract involved the government to the extent of \$36,000 when it actually paid \$73,766.51 on this conversion plan? Would there be a supplementary contract after the work had progressed to such a state it was found that the estimate was far too low? Would there be two contracts?—A. There was a second order in council authorizing the change.

Q. There is no order in council mentioned in your comment here?—A. I will give you a little office note which I have which might explain it to you. The original agreement fixed \$36,000 as the Crown ceiling. Order in council P.C. 6359, of October 2nd, 1945, reversed this, fixing \$34,000 as the ceiling for the owner because, and this I put in quotes, "by mutual mistake the terms of the said lease and contract varied from the original informal agreement of the parties set out in a letter dated March 27th, 1944 from E. Raymond, Regional Director of Housing, to R. D. MacDonald, owner, with respect to the responsibility for any additional cost of conversion over the estimate." The new agreement is for ten years so as to enable the Crown to amortize one-half of the additional cost of conversion over a total period of ten years. That is my note on it.

Q. Well then there is one other question; this possibly does not come within your department, but the Crown's original estimate of \$36,000 would be based on the opinion of the inspector on the spot?—A. Yes, sir.

Q. Is that the same inspector who was again consulted at the time he made this additional recommendation to the government? It would seem to me that he did not know his job, that is the whole thing.—A. I think that may have been the case. The original deal was that no matter what the cost of this conversion should be the government cost shall not be more than \$36,000; then it reversed and later on stated that regardless of what the cost of this conversion may be, the cost to the owner shall not be more than \$34,000; therefore we were stuck with a very large sum. The original plant was estimated to cost \$70,000, not \$36,000.

Q. That is right, and the estimates turned out 50 per cent short of what they should be, it was 53 per cent higher.

The CHAIRMAN: You said the change was made by order in council because the previous agreement, the contract, was not in accord with the first agreement.

The WITNESS: That is evident by a letter.

By the Chairman:

Q. You mean that under the first arrangement with Quebec the Central Mortgage corporation had agreed in a letter that its part of it would be \$34,000?—A. Yes.

Q. And as the result of later negotiations or developments the arrangement was to reverse the order of the first agreement?—A. At that time the scheme was administered by officers of the Minister of Finance, not the Central Mortgage and Housing Corporation. Consequently, there was a division of responsibility between local and headquarters officers.

Q. It was what you called.—A. It was this emergency housing project, and Mr. Nichols was then with that.

Mr. FLEMING: Now, Mr. Chairman, I would like to go back to this other matter; are we going to have this material put on the record or not? This is information which I think all members of the committee will want, and it is here in the form of sessional papers.

The CHAIRMAN: I think we should deal with that when we have a quorum present; we only have four here just now, and I think we should adjourn until tomorrow morning at eleven o'clock when that will be the first order of business before the committee.

Mr. FLEMING: Could we not have a meeting this afternoon?

The CHAIRMAN: We have only three members present now; so we cannot decide anything. We could try sitting this afternoon, but if we do not get a quorum we will have to adjourn; and the time is very short in which to issue notices to the members.

Mr. JACKMAN: Might I ask the Auditor General, in addition to the officers of his own department who are appointed to the various departments of government for continuous audit purposes, what other officers of the Comptroller of the Treasury department are in the various departments; including those who are permanent or temporary in the other department; those who check expenditures; together with an indication of their duties and functions?

The CHAIRMAN: Mr. Jackman, I have already pointed out that there is not a quorum present. We will adjourn until four o'clock this afternoon.

The committee adjourned at 12.50 p.m. to meet again at 4 p.m. this day.

AFTERNOON SESSION

The CHAIRMAN: Gentlemen, I think we have a quorum and we are ready to start. Mr. Fleming had the floor I believe, when we adjourned.

Mr. FLEMING: Mr. Chairman I would just like to go back to the matter of the returns. There were three returns, sessional papers, which had not been printed anywhere in the proceedings of the House which relate to the three items on which I questioned Mr. Sellar. The items were paragraphs 59, 60 and 67 of his report. Mr. Sellar has seen these and has knowledge of them and says they are correct. I propose, Mr. Chairman, that they be filed and printed as an appendix to the proceedings to-day. I think the information is of interest to members and there are a lot of figures here and it is not practicable to attempt to read them.

The CHAIRMAN: I have no personal objection as I stated this morning, but I expressed the view that this is a departure from the rules of committees as far as sessional papers are concerned. As far as I am concerned I have no objection, and, if it is the desire of the committee, we shall have them printed. The objection I raise is that any member who wishes to obtain information which is bulky, and which is furnished in the form of a sessional paper, may then come before a committee, and pass a motion that it be printed in the records of the committee. Outside of that feature I have no objection.

Mr. JAENICKE: What is the purpose of putting it in?

Mr. FLEMING: It will save a good deal of time. There are three items on which I was questioning this morning and the papers expand the information that is contained in the report, explaining it in some detail. In the Boucherville case. No. 60, Mr. Sellar's report is a short paragraph which raises the question as to how these claims, running over \$100,000 grew out of a contract for which the bids extended from \$45,000 to \$70,000, all of which incidentally were rejected as excessive.

Mr. JAENICKE: That is in connection with housing?

Mr. FLEMING: Yes. The work has proceeded and it turns out that over \$87,000 is paid out in program payments, and, in addition to that, there are further claims of over \$100,000. The answers to the questions in the sessional paper give you further information about these tenders and how they came to be made, on whose certificates as to progress reports substantial progress payments were made, and also the proceedings by petition of right, and so on.

The CHAIRMAN: The document is already public property as it has been tabled, and of course it is quite all right. I am only objecting because it is voluminous and my objection was that we would be open to publishing any report or sessional paper. Outside of that I have no objection.

Mr. FLEMING: The only time sessional papers would be relevant would be when we were dealing with the auditor's report.

The CHAIRMAN: But every member would have the same right as Mr. Fleming would have. You may be interested in something which may mean a return of fifty pages. Now you are entitled, as well as Mr. Fleming, to get it printed. What I say is it is a precedent. It is not a question of this particular item, but you could publish anything you want to, and my point is we are starting a new policy in the committee and it would be bound to extend to the privilege being given to any member of publishing any return, and that may result in very voluminous reports.

Mr. JAENICKE: I do not think it would establish a precedent. I think we could consider each case on its merits.

Mr. FRASER: I think this one has merit.

Mr. FLEMING: I think it is all relevant.

Mr. JAENICKE: Is that the case where the criminal proceedings are pending?

Mr. FLEMING: Yes.

Mr. JAENICKE: Does that show in the return?

Mr. FLEMING: It shows the contractors.

The CHAIRMAN: What page is it?

Mr. FLEMING: It is in answer to question 12, and the contractor has issued a petition of right. I should not have said it showed the criminal proceedings. It says "the contractor has issued a petition of right and served it on the Attorney General of Canada on the 16th January, 1947, claiming \$109,837.76 on the basis of his contract with the director, Veterans' Land Act". Then it goes on "on the advice of the Department of Justice, the Department of Veterans' Affairs is denying liability in the suit".

And then No. 16 "until the present investigation by the Royal Canadian Mounted Police and law officers of the Crown for the purposes of the court proceedings is completed no further investigation will be made".

I think the criminal proceedings were launched after this date.

The CHAIRMAN: I think Mr. Sellar might say a word on this. The report says the investigation stopped there.

Mr. MURPHY: I was wondering if Mr. Fleming was tabling another return which might deal with that?

The CHAIRMAN: We are dealing with this one. This is about Boucherville.

Mr. FLEMING: I told the committee that they are all strictly relevant.

The CHAIRMAN: Let us deal first with Boucherville. I was asking Mr. Sellar whether proceedings had been taken against the parties.

Mr. MURPHY: Just a moment, Mr. Chairman—

The CHAIRMAN: Do you mind waiting a moment? I have asked a question of Mr. Sellar and I will get the answer and then you may address the meeting.

Watson Sellar, Auditor General recalled:

The WITNESS: My information comes from the solicitor for the Veterans' Land Act or the Department of Veterans Affairs. I asked him the other day respecting the state of the prosecutions. The solicitor said they got a conviction in one case and I gathered it was over theft of supplies. They got a conviction in a second case involving bribery, and a third case is pending.

Mr. JAENICKE: Against the contractors?

The WITNESS: I did not ask the name of the parties. I do not think the contractor was involved. He was not one of those prosecuted.

Mr. JAENICKE: Is this the person that asked for the petition of right in court? Is it the same person?

The WITNESS: I do not know who the parties were. I gathered they were two employees of the Department of the Veterans' Land Act that were prosecuted but I did not ask the names.

Mr. JAENICKE: The criminal proceedings would not affect the civil proceedings.

The WITNESS: The civil proceedings are by the contractor against the department, he is suing the department.

Mr. JAENICKE: The civil proceedings would not be affected unless the parties are the same as those involved in the criminal case.

The WITNESS: They are not the same parties as are involved in these criminal proceedings.

The CHAIRMAN: Now the Boucherville sessional paper, No. 135C, is here-with produced with a motion that it be printed. Is the motion carried?

Carried.

The second one is sessional paper 135A and the third one is sessional paper No. 38C. It is moved by Mr. Fleming that these papers be printed herewith.

Carried.

Mr. JAENICKE: What were they again?

The CHAIRMAN: The second one concerns paragraph 59, vote 418 and the third one is concerning paragraph 67, page 24, the National Housing Administration, which was mentioned this morning by Mr. Fleming.

Now at the recess I asked the Auditor General whether he had the orders in council mentioned as having been passed in connection with those items in paragraph 67. Now he has brought herewith the orders in council and I think it appropriate that they be printed, together with the other papers, and I would so move. They are Nos. 4450 and 6359. The first one deals with the property at Nanaimo. In paragraph 67 the first item deals with St. Jean street in Quebec. The order in council is 6359 and it is produced herewith. On the second there is no order in council. On the third paragraph there is an order in council, P.C. 4450 which is produced herewith.

Mr. FLEMING: That is the one relating to the West 14th avenue in Vancouver?

The CHAIRMAN: Yes.

Mr. FLEMING: I would include those in my motion.

The CHAIRMAN: Now, gentlemen, shall we revert to the memorandum that was produced and read to the committee yesterday by the Auditor General, as to his different recommendations? Are we through with the other items that we dealt with this morning?

Mr. FLEMING: The motion regarding the orders in council was carried?

The CHAIRMAN: Yes, this motion was carried.

At the end of the meeting yesterday, the Auditor General read into the record his memorandum on different questions in which he was interested and he made some valuable suggestions. It was agreed that we would delay questioning until the next meeting. We did not reach that stage this morning, so if anyone has any questions to ask on this report this would be the appropriate time.

By Mr. Fleming:

Q. Mr. Sellar, there are a couple of changes which I would like to propose in the scope of your suggestion. Suggestion No. 3, or paragraph 3, on page 1 of your memorandum proposes that details be printed with the estimates in a narrow form, setting out "(b) explanations of increases." Should it not include decreases as well? If there is some spectacular decrease I think the members would be interested in that as well?—A. I would not have any objection.

Q. Perhaps you think a decrease has never happened?—A. Well, my idea in putting this together was to keep it as short as possible but to give you

gentlemen ample information. That was my thought. You should have as much information as the minister, except for all the minute listings, and you should be informed on any item.

Q. (e) deals with comparisons with previous years.

The CHAIRMAN: Where is that?

By Mr. Fleming:

Q. On the first page. Comparisons with both estimates and actual expenditures of previous years. I do not say how many years should be shown but I think it is important that it should be the actual expenditure.—A. I think a three-year comparison is the safest comparison to make, because then you do not run the risk of an abnormal year not balancing itself out.

Q. Would you be willing to amend your proposal to make it more definite?—A. My proposal was really this, sir. I did not think this committee would want to commit itself to a definite plan which the government would introduce. You want to hold your freedom of criticism. This whole thing revolves around whether the Consolidated Revenue Act should be revised. If so, the committee might suggest to the government that it be revised and then you could criticize the revision which was brought in. If you were to ask me what all I thought should be done to the Consolidated Revenue Act I would take a lot more pages than this to set out my thoughts because there are a lot of administrative provisions that I think should be buried.

Q. Speaking for myself, and having regard to the fact that we are pretty late in the session, I think with the weight that stands behind your recommendations here, that the committee might wish, and I hope it may wish, to forward these recommendations to the House, and perhaps make them the basis for recommending of revision of the Act, probably to a broader extent than is covered by the recommendations you have set forth in these memoranda.

The CHAIRMAN: I suggest that if we are going to pass on a definite set of recommendations, in detail, I think we would need more than a morning's work, and we would need more evidence from Mr. Sellar. He himself may want to put it in different shape and be more precise as to just what he has in mind. It does not prevent us from passing a recommendation, but he might have to go into more detail. I think if we want that we might ask Mr. Sellar to reconsider the matter. He has left it, in some ways, more or less open.

Mr. MACDONNELL: Mr. Chairman, what I think Mr. Fleming had in mind and what I had in mind, (and I hope the rest of the committee have the same thing in mind) is that we certainly do not want this matter to fall to the ground.

The CHAIRMAN: I do not think anyone wants that.

Mr. MACDONNELL: I have in mind what Mr. Sellar says. The committee should report that these questions arose, and that Mr. Sellar has made certain tentative suggestions, and that he urges that the whole legislation be reviewed and revised in the light of these suggestions and perhaps others. Now that puts forward a very definite suggestion on behalf of this committee. Also, it does not tie us, or Mr. Sellar, down tightly but it indicates that we think these are important matters for consideration.

The CHAIRMAN: I do not think that is quite the point. If we are going to go into details we had better notify Mr. Sellar and bring him back before us to explain exactly what he wants. Otherwise we should make a general recommendation which we can very well do. However, if we are going to go into details we will all want to study exactly what those recommendations are to be.

Mr. MACDONNELL: Do you not think we might just, without going into detail, indicate the subjects which Mr. Sellar has dealt with in these memoranda, and to which he objects, and which he has outlined would be

desirable to have changed. Our request would then be that these be gone into further and action taken as has already been suggested. We are all free then to say what we think about the details.

The CHAIRMAN: On page 4, section 14, "Summarizing the foregoing, my view is that there should be legislation to regulate:

(a) the form of estimates and the printed explanations associated therewith". . .

and so on. This item here could be very well the basis of a recommendation, but if we are going into detail and explain exactly what should be done, we would have to take more time. However, the members are here and they can speak for themselves.

Mr. WARREN: Mr. Chairman, I have been wondering if it is not possible that we might, unintentionally, crowd Mr. Sellar, who is a government official, into a position of laying down something that is really government policy. It would not be a very happy position for Mr. Sellar to be placed in or to be crowded into.

The CHAIRMAN: That can be decided amongst ourselves later on. We have a witness here and if we have any other questions to ask this is the time to ask them.

Mr. FLEMING: May I ask Mr. Sellar if you have further thoughts on the subject of necessary amendments to the Consolidated Revenue and Audit Act in written form? Have you them available?

The WITNESS: My answer to that is this, Mr. Fleming. When the Act was revised in 1931, I held, nominally, the senior office in the Department of Finance. I was not really the senior officer but the deputy minister was dead and I held the new appointment. We were asked to revise the Consolidated Revenue Act and get it ready for the session. We did so, but we worked against time, and I was never satisfied with our job. We had to work too fast.

Ever since then I have kept on my desk a dummy bill with the thought that if I were ever asked to reconsider the bill again I would have it. So I have on my desk a draft bill, but no one has ever criticized it and it is no good. It expresses the opinion of only one individual. A bill is no good until it has been picked to pieces and rewritten. I am sure you would not subscribe to all that I have set out in the draft bill and I am sure the government would not subscribe to it either, because I have taken the bureaucrat's point of view.

Mr. FLEMING: And what viewpoint is that?

Mr. GIBSON: He was anticipating you, probably.

The CHAIRMAN: Are there any further questions?

Mr. FLEMING: Well, Mr. Chairman, perhaps you would allow a little bit of discussion for a moment, in view of the last answer given by Mr. Sellar. I think we have got to face reality and the fact we are pretty close to the end of the session. We have another subject we are starting on in this committee on Friday that may take several meetings. I am thinking it is not feasible at this particular stage, to enter into a detailed consideration of this extensive revision of the Audit Act. Mr. Sellar has prepared a precis and I am wondering if we would not be helping the House, and helping the government, if we did pass it on to the House in the form of another report from the committee. Now, this memorandum from Mr. Sellar, with his ideas in it, would ask that the government, before the end of the next session, consider those proposals.

The CHAIRMAN: You mean we should pass on the text of Mr. Sellar's report?

Mr. FLEMING: Yes, with his recommendations which are embodied in it.

The CHAIRMAN: Just as it is?

Mr. FLEMING: The memorandum as it stands, with its recommendations, and referring also to the fact that Mr. Sellar in his evidence to the committee has recommended that the Consolidated Revenue and Audit Act be revised.

The CHAIRMAN: That is surely one recommendation that we could make; that he said it should be revised.

Mr. FLEMING: And we, as a committee, recommend before the end of the next session that the government give consideration to the recommendations. That would mean the recommendations of Mr. Sellar would be put before the government for study, and then when another session comes around, if the government thought the recommendations were worthy of action, in the ordinary course the bill would come to this committee after second reading. If the government has not taken steps in that direction, the committee itself next year could take up the detailed work of reviewing the Act.

The CHAIRMAN: If we are going to do that, I think it would be fair to ask Mr. Sellar whether he would be prepared to let this go as it is or, whether he wants to extend it, or add to it, or if he has any particular reasons why it should be not made part of the report.

The WITNESS: As a matter of fact it is now part of the record. I understand that you file your evidence with your final report. I honestly believe in what I have stated there, and I should be prepared to stand behind it. I do not think any useful purpose would be served by enlarging on it and perhaps adding another dozen or so points. I believe it is quite sufficient for parliament. My efforts have been to see that the House may retain control over public moneys and public property.

Some Hon. MEMBERS: Hear, hear.

Mr. FLEMING: May we infer from what you have just said, when you speak about an extensive revision of the Act, that this memorandum contains the backbone of the revisions you would put in the Act.

The WITNESS: Let me illustrate what I have in mind. In 1931 the debt of Canada was administered by the Department of Finance. In 1938 or 1939 the management and the servicing of the debt were transferred to the Bank of Canada. There are no statutory regulations dealing with the debt to-day. Now, as an outside agency has the service of that debt, I say there should be pertinent regulations in the Consolidated Revenue Act.

Q. Would it be a very great task for you to supplement this memorandum with an additional one reviewing points such as you have just mentioned?—A. I could give you that with the greatest of ease.

Q. I think, along with your suggestions that would be definitely helpful. Mr. Chairman. We are not going to have the time to write a report based on picking things out of a memorandum, and if Mr. Sellar would prepare the memorandum it would certainly help.—A. As I say, I have it on my desk and all I have to do is go through the various things I consider merit change. Another point on which I might speak is the fact that the Governor in Council is overloaded in making orders in council on routine matters. Now I think a lot of the work should be passed to the treasury board and let that body be the final authority. As I say that is an internal matter but it involves a great deal of routine.

The CHAIRMAN: In order to put this in concrete form, let us say we seem to be in agreement that a report should be made by Mr. Sellar along these lines. We will give him an opportunity to submit it to the steering committee.

The WITNESS: Would you just treat that as a supplementary statement which you could do with as you like? You could read it into the record or use it for your own information.

Mr. FLEMING: Information supplementary to Mr. Sellar's proposal for revision of the Consolidated Revenue Act.

The WITNESS: Yes.

The CHAIRMAN: And you could forward that to us.

The WITNESS: Yes.

The CHAIRMAN: And if we need you, we can call you back?

The WITNESS: I would like a day for the preparation of it.

The CHAIRMAN: The steering committee could meet next week, after we have received this, and come to an understanding or agreement on what the terms should be, and it could be submitted to the general committee.

Mr. CLEAVER: I think, Mr. Chairman, any report we make without study should not either oppose or give blessing to these recommendations. I think that would be as far as we could go without study. We have not enough material before us to say whether all these recommendations are agreed to, or what ones we disagree on.

Mr. FLEMING: May I ask Mr. Cleaver if he means anything more than we should not go beyond saying in the report that we recommend the government give consideration to these recommendations before the end of the next session?

Mr. CLEAVER: Yes, I entirely agree with that, but I do not think the committee should express an opinion with respect to the validity or the advisability of implementing these decisions until we have studied them.

Mr. MACDONNELL: That is my understanding of what we would do, Mr. Cleaver. We would say this matter is before us and it merits attention of the government, and Mr. Sellar has put forward his proposals.

Mr. CLEAVER: I will illustrate what I mean. Just last week an emergency rose in regard to berry boxes. I do not know whether all the members are aware of this but we have a terrific crop of berries this year, and owing to the shortage of steel we have not enough boxes, and we need to import them from the United States. Under the present order in council an arrangement may be made for the remission of the duty on those boxes which we need to bring in. Now I am not sure the treasury board would be so susceptible to public opinion or public need, as perhaps the minister would be, and I do not know whether I would like to have that type of authority taken away from the minister and placed with the treasury board.

The WITNESS: The authority is with the treasury board now. I mean that the Minister of National Revenue recommends to the treasury board certain things, and the treasury board considers them and recommends to the Governor in Council. That is section 33 of the Consolidated Revenue and Audit Act.

Mr. CLEAVER: Did I understand you correctly that the recommendation should be changed from a ministerial recommendation to a direct recommendation of the treasury board?

The WITNESS: No, instead of the Governor in Council having to pass several hundreds of orders in council retiring civil servants, accepting resignations, and so on the treasury board would act for the Governor in Council.

Mr. CLEAVER: You would make the order on the recommendation of the minister?

The WITNESS: Yes.

Mr. CLEAVER: That would be quite satisfactory.

Mr. FLEMING: I do not think we are at odds, Mr. Chairman, on the scope of the recommendation. I think we appreciate we cannot go exhaustively into the details, but Mr. Sellar has made out a very impressive case for the revision of the basis of preparation of estimates, and also the method whereby the House

of Commons may maintain control, in the House, of public money and public property. I think we are serving a purpose by saying we are forwarding the recommendations and urging that the government give consideration to them before another session of the House.

The CHAIRMAN: Let us say then that we will have two meetings of the steering committee next week. One meeting will consider the report on the other part of our work concerning the custodian's office, and then another meeting will consider the report presented by Mr. Sellar. Now if I may ask the members, has anybody any suggestion as to what should go in the report concerning the custodian's office? If they have, would they kindly get in touch with me this week or with the clerk of the committee so that we may embody as much as we can in our first draft. The ideas of the members may contain some conflict but we can always iron them out and discuss them. It would facilitate the work of the steering committee if any member who has definite ideas as to what should go in the report will submit suggestions.

Mr. MACDONNELL: Is it possible for us to take some cognizance of the memorandum which Mr. Sellar gave us this morning dealing with the other matter of Estimates and Public Accounts?

The CHAIRMAN: They have been circulated among the members have they not?

Mr. FLEMING: We are speaking of the four of them.

The CHAIRMAN: Yes, his suggestions in general.

All right gentlemen, we will adjourn.

The meeting adjourned at 4.45 p.m. to meet again at the call of the chair.

APPENDIX "A"

SESSIONAL PAPER NO. 135C

Friday, March 7, 1947.

Mover:—Mr. FLEMING, M.P.

Question:—

1. Were tenders invited by the Director of the Veterans' Land Act for the construction of houses at Boucherville?
2. Who was the Director of the Veterans' Land Act at that time?
3. Who is the Director to-day, and what are his qualifications and salary?
4. If tenders were invited, when were they invited, and for how many houses, and on what terms?
5. What tenders were received and who submitted them?
6. Which of these tenders were rejected?
7. Was a contract entered into, and if so, with whom as contractor, and for the erection of how many houses, and on what terms as to price and payment?
8. If such contractor was a corporation, who were its directors and officers at that time? If it was a partnership at the time, what are the names of the partners?
9. Were any tenders invited for the construction of the number of houses and on the terms set out in the answer to question 7?
10. What payments have been made pursuant to the said contract, and on what dates?
11. What record of progress had been made and submitted at the date of each such payment, and by what Government inspector or inspectors was the same made or provided in each case? Are all such inspectors still in the employ of the Government?
12. What further claims or requisitions for payment have been made by the contractor, and for what amounts, and on what dates, and on what basis?
13. What is the Government's intention with reference to such claims?
14. Are any further claims expected, and if so, for what and in what amount?
15. What investigation of this contract and the circumstances surrounding it has been made, and by whom, and at what expense to the Government to date?
16. What further investigation is intended, and by whom is it intended that it shall be made, and when is it expected to be completed and at what estimated expense?

The attached information has been received by the Secretary of State of Canada from the Department of Veterans Affairs.

Answer From Department of Veterans Affairs

1. Yes.
2. Mr. Gordon Murchison.
3. Mr. Gordon Murchison. Practical farming experience 1909 to 1914; joined staff of Soldier Settlement Board in Province of Saskatchewan July, 1919 as Land Inspector and was successively appointed to positions of Loan Adviser, Chief Appraiser, Assistant Superintendent and District Superintendent; Manager of Canadian Farm Loan Board in Alberta 1935 to 1938; Director of Soldier Settlement 1938 to date, and Director of Veterans' Land Act from inception of operations under that Act to date. Salary \$8,000 per annum.

4. Tenders were invited by advertisement as follows:—

Montreal Daily Star, May 26, 28, 29, 1945.
Daily Commercial News, May 29, 30, 31, 1945.
La Presse, May 26, 28, 29, 1945.

Copy of the advertisement attached.

5. Tenders were received from the following, for nine houses:—

O. Boisvert, Shawinigan Falls	\$45,884.00
Leclair-Dupuis, Montreal	52,257.14
J. L. Guay, Montreal	53,476.00
Douglas Bremner, Montreal	54,707.00
Deakin & Stewart, Montreal	61,010.00
R. & B. A. Ryan, Montreal	63,180.00
Archambault, Montreal	70,200.00

6. All of the tenders were rejected.
7. A contract was entered into, after negotiations, with the lowest of the original bidders, O. Boisvert, for the erection of 17 houses. The contract was on cost plus fixed fee basis, the fee being \$175.00 per house, plus plant and equipment rental fee of \$70.00 per house.
8. Contractor was neither a corporation nor a partnership.
9. No. See answer to Question 7.
10. Payments made pursuant to the contract:—

Date	Name	Amount
21 September, 1945	O. Boisvert	\$58,956.90
18 October, 1945	O. Boisvert	28,061.20
13 August, 1946	C. Asselin	263.25
13 August, 1946	Howard Air Con'ding	3,183.00
14 August, 1946	Cote Bros. Reg.	1,386.52
15 August, 1946	E. Barbyson	662.64
23 August, 1946	C. Proulx & Co. Ltd.	360.08
4 September, 1946	C. Frignon & Fils	2,627.00
4 October, 1946	J. Dube	77.34
14 January, 1947	Northern Electric	180.03
Total Payments to Date		\$95,757.96

11. Records of progress were made weekly from:—
10th August, 1945 to October 5, 1945, by L. Lapointe and J. C. Lacroix.
12th October, 1945 to March 8, 1946 by J. G. Leblanc.
8th March, 1946 to May 3, 1946 by P. Richard.

Messrs. J. C. Lacroix and L. Lapointe are no longer employed by the Department having been released in November, 1945.

12. The contractor has issued a Petition of Right and served it on the Attorney General of Canada on the 16th January, 1947, claiming \$109,837.76 on the basis of his contract with the Director, Veterans' Land Act.

13. On the advice of the Department of Justice, the Department of Veterans' Affairs is denying liability in the suit.

14. No.

15. As there were indications that costs under the contract were running unduly high, departmental inquiries were initiated in September, 1945. On October 15 and 16 an "on site" investigation was conducted under supervision of the Chief of the Building and Construction Branch, Veterans' Land Act, and the Chief of the Construction Section, Inspection and Audit Division of Treasury. This led, on 23rd November, 1945, to the suspension of certain privileges and led the Royal Canadian Mounted Police being requested to make an independent investigation. Such investigation is continuing. No accounts for expenses have yet been received. Two convictions have already been obtained of persons implicated, and the prosecution of others is pending.

16. Until the present investigation by the Royal Canadian Mounted Police and the law officers of the Crown for the purposes of the Court proceedings is completed, no further investigation will be made.

TENDERS

Sealed Tenders, addressed to the District Superintendent, Veterans' Land Act, Montreal, Room 111, Confederation Building, and marked Tender for Boucherville project will be received up to 12 o'clock noon, June 11, 1945, for the construction of nine (9) houses and approximately 1500' of road for veterans on lots 43-3, 43-4, 43-5, 43-6, 43-7, 43-8, 43-9, 43-10, 43-11, Township Parish of Boucherville, County Chambly, Province of Quebec.

Plans, specifications and form of contract to be entered into may be seen, and tender forms obtained on application to the District Construction Supervisor at Montreal.

Plans, specifications may be obtained from the above official upon receipt of an accepted cheque, made payable to the Receiver General of Canada for the sum of \$25.00 (Twenty-five dollars). This cheque will be returned upon the return of the plans and specifications in good condition.

Each tender must be accompanied by a certified cheque on a chartered Canadian Bank equal to ten per cent (10%) of the tender price, payable to the order of the Receiver General of Canada, which cheque will be forfeited in the event of the tenderer refusing to enter into a contract on the basis of his tender, if called upon to do so, or failing to satisfactorily complete such a contract. Cheques of unsuccessful tenderers will be returned.

The Department does not bind itself to accept the lowest or any tender.

G. MURCHISON,
Director,
The Veterans' Land Act.

Department of Veterans Affairs,
Veterans' Land Act,
May 25, 1945.

APPENDIX "B"

SESSIONAL PAPER No. 135A

THURSDAY, February 27, 1947.

Mover:—Mr. Fleming, M.P.

Question:

1. What architects were commissioned in each year to prepare designs for houses under the Veterans' Land Act?
2. On what basis were the architects selected?
3. What fees were paid to each by years?
4. On what basis were such fees calculated?
5. Who has owned the designs since they were submitted?

The attached information has been received by the Secretary of State Department from the Department of Veterans Affairs.

Answer:

Department of Veterans Affairs

1. In 1944 the following architects were commissioned to prepare designs for V.L.A. houses:—

C. B. K. Van Norman, B.C.	Rule-Wynn-Rule, Alta.
Moody and Moore, Manitoba	G. Adamson, Ontario
W. K. Humphrys, Ontario	Marcel Parizeau, P.Q.
Alward and Gillies, Maritimes	

Owing to pressure of their other business Messrs. Adamson and Parizeau did not supply sufficient and suitable designs so withdrew; consequently in 1945 Mr. P. J. Savard of Montreal was commissioned to prepare plans.

2. Architects were selected after discussions with the officers of the Royal Architectural Institute of Canada.

Year	Rule-Wynn-Rule	C.B.K. Van Norman	Moody & Moore	W. K. Humphrys	Alward & P. J. Savard Gillies
1944-1945.. ..	800 00	1,600 00	750 00	490 00
1945-1946.. ..	7,490 00	4,150 00	4,800 00	4,710 00	440 00 780 00
1946-1947..	1,200 00
	8,290 00	6,950 00	5,550 00	4,710 00	930 00 780 00

4. Minimum of \$160.00 per plan, and \$10.00 per house after the first 16 houses were built from the plan. A further fee was paid to some of the architects in order to buy the plans outright.

5. All architects retained ownership of their designs until the following agreements were made in 1946:—a final fee was paid to Messrs. Van Norman, Rule-Wynn-Rule, and Moody and Moore, and ownership of certain of the plans prepared for V.L.A. by these firms was ceded to V. L. A. Alward and Gillies ceded ownership without a further fee. W. K. Humphrys retained ownership but granted full rights to V.L.A. to use any of the Humphrys' designs for V.L.A. without further fees of any kind. P. J. Savard retained ownership. These designs and those not purchased outright from Van Norman, Rule-Wynn-Rule, and Moody and Moore may be used by V.L.A. upon payment of a \$10.00 fee each time the plan is used.

APPENDIX "C"

SESSIONAL PAPER No. 38C

THURSDAY, March 13, 1947.

Mover: Mr. FLEMING, M.P.

Question:—

As to each of the following buildings:—

- (a) on St. Jean Street in the City of Quebec;
- (b) on Burnaby Street in the City of Vancouver;
- (c) on West 14th Avenue in the City of Vancouver which were the subject of agreements for conversion into apartments on the home conversion plan—

1. With whom as owner was the agreement made for conversion of the building into apartments?
2. If the owner was a corporation, who are its officers and directors and where is the head office located? If the owner was a partnership, who were the partners?
3. What was the estimate of the cost, and who prepared it, and what were the shares agreed to be borne respectively by the Government and the owner?
4. Who checked the estimate on behalf of the Government?
5. What was the actual cost of the conversion and in what shares has it been borne by the Government and the owner?
6. What payments have been made pursuant to the said agreement and on what dates?
7. What record of progress had been made and submitted at the date of each such payment, and by what Government inspector or inspectors was the same made or provided in each case? Are all such inspectors in the employ of the Government or Central Mortgage and Housing Corporation?
8. What investigation of this agreement, and of the estimate of cost and of the actual cost of conversion, has been made by or on behalf of the Government?

Answer of the Department of Reconstruction and Supply

1. (a) 197-199 St. Jean Street, Quebec—Ronald D. MacDonald, and 63 St. Jean Street, Quebec—Joseph J. Bourque.
- (b) 1281 Burnaby Street, Vancouver—Hugh F. Lumb; 1185 Burnaby Street, Vancouver—Beatrice Moore, and 1340 Burnaby Street, Vancouver—Emma V. Smith.
- (c) 435 West 14th Avenue, Vancouver—Thomas and Mary C. Ellis, and 905 West 14th Avenue, Vancouver—John S. Mulcahy.
2. Not applicable.
3. (a) 197-199 St. Jean Street, Quebec
Estimate of cost—\$70,000.00.
Prepared by—A. Deslauriers & Fils Ltée.
Shares agreed to be borne by:—
Owner —\$34,000.00
Government—Balance of cost
63 St. Jean Street, Quebec
Estimate of cost—\$14,000.00
Prepared by—Albert Noel, Contractor
Shares agreed to be borne by:—
Owner—\$3,500.00
Government—Balance of cost.

- (b) 1281 Burnaby Street, Vancouver
 Estimate of cost—\$24,200.00
 Prepared by—Herbert P. Falls, Contractor
 Shares agreed to be borne by:—
 Owner—nil
 Government—Total cost
- 1185 Burnaby Street, Vancouver
 Estimate of cost—\$25,000.00
 Prepared by—Herbert P. Falls, Contractor
 NOTE:—The effect of the agreement between the Government and the owner as to their respective shares is a matter of dispute between the parties.
- 1340 Burnaby Street, Vancouver
 Estimate of cost—\$19,000.00
 Prepared by—Marwell Construction Co. Ltd.
 Shares agreed to be borne by:—
 Owner—\$2,500.00
 Government—Balance of cost.
- (c) 435 West 14th Avenue, Vancouver
 Estimate of cost—\$5,381.80
 Prepared by—The Armstrong Co. Ltd.
 Shares to be borne by:—
 Owner—nil
 Government—Total cost.
- 905 West 14th Avenue, Vancouver
 Estimate of cost—\$12,000.00
 Prepared by—James G. Moffatt
 Shares to be borne by:—
 Owner—\$3,000.00
 Government—\$9,000.00
4. (a) 197-199 St. Jean Street, and
 63 St. Jean Street, Quebec,
 Mr. E. Raymond, District Representative, N.H.A.
- (b) and (c)
 1281 Burnaby Street
 1185 Burnaby Street
 1340 Burnaby Street
 435 West 14th Street, and
 905 West 14th Street, Vancouver
 Mr. J. Davidson, District Representative, N.H.A.
5. (a) 197-199 St. Jean Street, Quebec
 Actual cost of conversion—\$107,763.85
 As follows:—
 Construction cost\$ 97,020.11
 Equipment (Stoves and Refrigerators) 7,063.09
 Rent paid to owner during conversion 3,680.65
 \$ 107,763.85
- Shares were borne as follows:—
 Owner\$ 34,000.00
 Government 73,763.85
- 63 St. Jean Street, Quebec
 Actual cost of conversion\$ 42,811.38
 As follows:—
 Construction cost\$ 39,770.58
 Equipment (Stoves and Refrigerators) 1,747.80
 Rent paid to owner during conversion 1,293.80
 \$ 42,811.38
- Shares were borne as follows:—
 Owner\$ 3,500.00
 Government 39,041.05
 Extras requested by owner 270.33
- (b) 1281 Burnaby Street, Vancouver
 Actual cost of conversion\$ 37,072.28
 As follows:—
 Construction cost\$ 31,462.01
 Equipment (Stoves and Refrigerators) 4,393.50
 Rent paid to owner during conversion 1,216.77
 \$ 37,072.38
- Complete cost was borne by the Government.

- 1185 Burnaby Street, Vancouver
 Actual cost of conversion\$ 38,300.36
 As follows:—
 Construction cost\$ 34,545.31
 Equipment (Stoves and Refrigerators) 2,671.83
 Rent paid to owner during conversion 1,083.22
 \$ 38,300.36
- Shares were borne as follows:—
 Owner\$ 9,000.00
 Government 29,300.36
- NOTE:—The matter of further recovery from the owner is in dispute. See answer to Question 3(b).
- 1340 Burnaby Street, Vancouver
 Actual cost of conversion\$ 27,360.08
 As follows:—
 Construction cost\$ 24,631.20
 Equipment (Stoves and Refrigerators) 2,288.88
 Rent paid to owner during conversion 440.00
 \$ 27,360.08
- Shares were borne as follows:—
 Owner\$ 2,500.00
 Government 24,860.08
- (c) 435 West 14th Avenue, Vancouver
 Actual cost of conversion\$ 7,901.77
 As follows:—
 Construction cost\$ 6,661.23
 Equipment (Stoves and Refrigerators) 949.25
 Rent paid to owner during conversion 291.29
 \$ 7,901.77
- Complete cost was borne by the Government.
- 905 West 14th Avenue, Vancouver
 This conversion project was abandoned after officials of the N.H.A. were of the opinion that the owner had violated the terms of the said lease and that the contractor had violated the terms of the contract. The owner and the contractor disputed the validity of the notice of cancellation given them by the N.H.A. officials. After negotiations the owner and contractor agreed to release all claims against His Majesty the King in respect of the said lease and contract upon payment to the contractor of the sum of \$4,000.00—authority by Order in Council P.C. 4450 dated 22nd June, 1945.
6. (a) 197-199 St. Jean Street, Quebec
 Construction—
 Payments to contractor:—
 July 3, 1944\$ 2,500.00
 August 22, 1944 3,250.00
 September 9, 1944 6,000.00
 October 10, 1944 8,000.00
 November 24, 1944 9,000.00
 March 16, 1945 6,250.00
 October 4, 1945 20,000.00
 October 24, 1945 5,636.08
 Total\$ 60,636.08
- 63 St. Jean Street, Quebec
 Construction—
 Payments to contractor:—
 November 24, 1944\$ 890.00
 December 13, 1944 4,550.00
 March 9, 1945 2,000.00
 April 6, 1945 2,000.00
 June 4, 1945 4,000.00
 June 4, 1945 1,984.00
 June 4, 1945 1,232.00
 June 4, 1945 2,697.00
 October 31, 1945 977.69
 October 31, 1945 324.42
 October 31, 1945 14,009.02
 March 27, 1946
 Total\$ 34,665.71

(b) 1281 Burnaby Street, Vancouver

Construction—

Payments to contractor:—

October 9, 1943	\$ 4,117.05
November 17, 1943	3,191.04
December 16, 1943	2,952.00
February 2, 1944	3,927.00
February 16, 1944	5,896.64
March 30, 1944	3,689.94
June 29, 1944	2,152.44
July 25, 1944	4,895.12
January, 1945—Credit	26.79

Total\$ 30,794.44

1185 Burnaby Street, Vancouver

Construction—

Payments to contractor:—

February 2, 1944	\$ 3,638.00
February 16, 1944	2,924.41
March 13, 1944	2,947.86
April 22, 1944	1,076.02
May 22, 1944	1,996.37
September 20, 1944	7,000.00
October 25, 1944	4,098.24
November 30, 1944	1,000.00
Owner's share paid to contractor	9,000.00

Total\$ 33,680.90

1340 Burnaby Street, Vancouver

Construction—

Payments to contractor:—

August 31, 1944	\$ 2,129.91
August 10, 1944	2,609.09
October 27, 1944	3,813.65
November 30, 1944	5,041.30
January 24, 1945	6,061.74
January 31, 1945	587.95
April 2, 1945	3,086.67

Total\$ 23,330.31

(c) 435 West 14th Avenue, Vancouver

Construction—

Payments to Contractor

October 3, 1944	\$ 628.14
November 1, 1944	978.80
November 30, 1944	1,587.26
January 11, 1945	765.16
January 31, 1945	1,794.64
March 9, 1945	581.28

Total\$ 6,335.28

905 West 14th Avenue, Vancouver

See answer to Question 5 (c).

7. (a) 197-199 St. Jean Street, Quebec.

After the first of each month the contractor submitted an estimate of material delivered and used together with the payrolls of personnel employed on the job in the previous month. The N.H.A. inspectors, Messrs. L. Blouin, L. Pouliot and C. H. Soucy carried out daily inspections of the project checking on construction, delivery and use of materials, and the time sheets of men employed by the contractor. The inspectors signed the delivery slips for materials used for the conversion and counter-signed all the invoices submitted by the contractor certifying that the materials had been expended on this project. The contractor's estimate was then checked against invoices and payrolls and if found to be in order, it was forwarded together with supporting documents to Treasury Department, Ottawa for payment.

Before payment of the last and final payment was made, the entire account including all invoices, payrolls, etc. was audited by Treasury Department, in Ottawa. When the District Representative, N.H.A. certified that the work was satisfactory and the costs fair and just, the Treasury Department made payment of the final estimate and holdback sum if the account was correct.

The inspectors named above were formerly employed by N.H.A. having been obtained through the Civil Service Commission, on a temporary basis. They are not employees of Central Mortgage and Housing Corporation.

63 St. Jean Street, Quebec.

Sale procedure as above.

The inspectors assigned to this project included Messrs. J. E. Morency, T. Nadeau L. Pouliot and L. Blouin. They were formerly employed by N.H.A. but they are not employees of Central Mortgage and Housing Corporation.

(b) 1281 Burnaby Street, Vancouver

The contractor submitted a monthly estimate with supporting invoices and payrolls for work done in the previous month. Mr. A. R. Taylor, the N.H.A. inspector assigned to this project kept a running check on the men, their hours of work, rates of pay and checked his own records against the payrolls submitted by the contractor. Mr. Taylor also countersigned all invoices for materials as having been expended on the job and submitted a weekly report on the progress of construction.

The contractor's estimate was then checked against the invoices and payrolls and if found in order, it was forwarded with supporting documents to Treasury Department, Ottawa for payment.

Before final payment was made, as in all other cases, an audit was made of the entire account by Treasury Department, Ottawa. When the account was found to be in order and after the District Representative, N.H.A. certified that the work was satisfactorily completed according to plans and specifications and that the prices were fair and just, final payment together with the holdback sum was made to the contractor.

Mr. A. R. Taylor, the inspector on this job was formerly an employee of N.H.A. and Central Mortgage and Housing Corporation. At present he is not an employee of Central Mortgage and Housing Corporation.

1185 Burnaby Street, Vancouver

Same procedure as above.

Mr. J. Valentive, the inspector on this project was formerly employed by N.H.A. He is not an employee of Central Mortgage and Housing Corporation.

1340 Burnaby Street, Vancouver.

Same procedure as above.

The inspector on this job was Mr. G. A. Copley, who was formerly employed by N.H.A. He is not an employee of Central Mortgage and Housing Corporation.

(c) 435 West 14th Avenue, Vancouver

Same procedure as in (b) above.

Mr. W. P. Colbert was the inspector assigned to this project. He was formerly employed by N.H.A. and then by Central Mortgage and Housing Corporation. He is not an employee of Central Mortgage and Housing Corporation at the present time.

8. (a) 197-198 St. Jean Street, Quebec

Before the agreement was drawn up, an investigation of the credit and reputation of the contractor was made and a legal search of title carried out as to title of the property concerned. When the District Representative was satisfied with the finding of this investigation, the agreement was then assigned by the contractor and the owner and forwarded to Head Office, N.H.A. Ottawa for approval. Head Office, N.H.A. then submitted it for signature by the Minister of Finance.

The District Representative, N.H.A. together with a local architect inspected the property in question to investigate the qualities, possibilities and probable costs for successful conversion. If the District Representative, N.H.A. was satisfied that the net income of the property as a converted unit warranted the cost of conversion, the architect then proceeded to draw up the plans and specifications. Tenders were then called for from various contractors. The District Representative, N.H.A. was responsible for awarding the contract subject to final approval of the Minister of Finance.

The contract was awarded on a cost plus fixed fee basis. N.H.A. representatives were daily present on the job to check on progress and costs.

Any change in plans and/or specifications effected by unforeseen defects in the building which affected the estimate was referred to the District Representative, N.H.A. who, after consultation with the architect, was responsible for approval of same, subject to final approval by Head Office, N.H.A.

63 St. Jean Street, Quebec.

Before the agreement was drawn up, and investigation of the credit and reputation of the contractor was made and a legal search of title carried out as to title of the property concerned. When the District Representative was satisfied with the findings of this investigation, the agreement was then signed by the contractor and forwarded to Head Office, N.H.A., Ottawa for approval. Head Office, N.H.A. then submitted it for signature by the Minister of Finance.

The District Representative, N.H.A. together with a local architect inspected the property in question to investigate the qualities, possibilities and probable costs for successful conversion. If the District Representative, N.H.A. was satisfied that the net income of the property as a converted unit, warranted the cost of conversion, the architect then proceeded to draw up the plans and specifications. Tenders were then called for from various contractors. The District Representative, N.H.A. was responsible for awarding the contract subject to final approval of the Minister of Finance.

The contract was awarded on a cost plus fixed fee basis. N.H.A. representatives were daily present on the job to check on progress and costs.

Any change in plans and/or specifications effected by unforeseen defects in the building which affected the estimate was referred to the District Representative, N.H.A. who, after consultation with the architect, was responsible for approval of same, subject to final approval by Head Office, N.H.A.

(b) and (c) 1281 Burnaby Street
1185 Burnaby Street
1340 Burnaby Street, and
435 West 14th Avenue, Vancouver
The same investigation as for 63 St. Jean Street, Quebec, as in 8(a) above.

APPENDIX "D"

P.C. 6359

AT THE GOVERNMENT HOUSE AT OTTAWA

TUESDAY, the 2nd day of October, 1945.

PRESENT:

HIS EXCELLENCY

THE GOVERNOR GENERAL IN COUNCIL

Whereas under the provisions of Order in Council P.C. 6812 dated August 30, 1943, the Minister of Finance entered into a lease dated 3rd May, 1944, with R. D. MacDonald of the City of Quebec of certain property situate in that City, whereby the Minister on behalf of His Majesty in right of Canada leased the said property from the owner for a term of five years subject to a right to renew for an additional term of three years, and the Minister entered into a contract dated the 22nd of April, 1944, with Henri Deslauriers, Contractor, and the said R. D. MacDonald, to have certain alterations made to the buildings on the said property, estimated to cost \$70,000, in order to provide additional housing accommodation in the City of Quebec;

And whereas the Minister of Finance reports that by mutual mistake the terms of the said lease and contract varied from the original informal agreement of the Parties, set out in a letter dated March 27, 1944, from E. Raymond, Regional Director of Housing, to R. D. MacDonald, with respect to the responsibility for any additional costs of conversion over the estimate; whereas the original informal agreement between the Parties provided that the owner should be responsible for a portion of the cost of conversion in an amount not exceeding \$34,000, the Crown being responsible for the balance, the terms of the formal contract provided that the Crown should be responsible only for an amount of

\$36,000 of the costs of conversion and that the owner should be responsible for the balance of the cost of the work over and above the amount payable by the Crown;

That due to certain hidden defects in one of the buildings being converted the costs of conversion exceeded the estimate of \$70,000 by approximately \$24,000; and

That the owner is agreeable, in consideration of the Crown correcting the mistake in the formal contract to accord with the intent of the Parties, to extend the term of the lease for an additional two years so as to enable the Crown to amortize one-half the additional costs of conversion over a total period of ten years.

Therefore, His Excellency the Governor General in Council, on the recommendation of the Minister of Finance and under and by virtue of the War Measures Act and pursuant to Order in Council P.C. 6812 dated August 30, 1943, is pleased to approve and doth hereby approve the revision of the said lease and contract to provide that the term of the lease be extended to a total term of ten years and that the Crown pay all costs of conversion over and above an amount of \$34,000 which shall be paid by the owner.

(Sgd.) A. D. P. HEENEY,
Clerk of the Privy Council.

APPENDIX "E"

P.C. 4450

CERTIFIED to be a true copy of a Minute of a Meeting of the Committee of the Privy Council, approved by his Excellency the Governor General on the 22nd June, 1945.

The Committee of the Privy Council have had before them a report, dated 20th June, 1945, from the Minister of Finance, representing:—

1. That by Orders in Council P.C. 4579 of June 4, 1943; P.C. 8305 of October 26, 1943; P.C. 6814 of August 29, 1944; and P. C. 7742 of October 6, 1944, the Minister of Finance was authorized to lease suitable buildings in Vancouver, Victoria, Nanaimo, and contiguous municipalities, and to convert the same into housing units to be sublet to suitable tenants for the relief of the housing shortage in the said Cities;
2. That pursuant to the said Orders in Council the Minister of Finance, by indenture dated the 29th day of November, 1943, agreed to lease from John Shirley Mulcahy (hereinafter called the Owner) of the City of Vancouver, the premises known as Lot 11, Block 436, subdivision of District Lot 526, Group 1, New Westminster District, according to the registered map or plan thereof deposited in the Land Registry Office at the City of Vancouver, Province of British Columbia, and numbered 1276, for a term of five years from December 1, 1943, but no rental has been paid to the owner for the said property;
3. That by Agreement dated November 30, 1943, James George Moffatt (hereinafter called the Contractor) agreed with the Minister of Finance to provide all the materials and perform all the work to alter the said premises for the cost of the work together with a fee of \$700;

4. That the said Agreement with the Contractor was by mutual agreement cancelled and replaced by an Agreement dated July 15, 1944, under which the Contractor agreed to provide the materials and perform the said work for the sum of \$12,000 of which amount \$3,000 was payable by the owner;
5. That during the course of the alterations, and after the Contractor had furnished part of the material and performed part of the work, the officials of the Housing Administration were of the opinion that the Owner had violated the terms of the said lease and that the Contractor had violated the terms of the said contract, and notices were given by the said officials to the said Owner and Contractor cancelling the said lease and contract;
6. That both the Contractor and the Owner disputed the validity of the said notices and claimed damages from His Majesty the King in right of Canada for wrongful repudiation of the contract and lease;
7. That after negotiation the Owner and Contractor have agreed to release all claims against His Majesty the King in respect of the said lease and contract upon payment to the Contractor of the sum of \$4,000; and
8. That in the opinion of the Minister it is advisable and in the best interest of the Crown that the said claims should be settled.

The Committee, therefore, on the recommendation of the Minister of Finance, advise that under and by virtue of the War Measures Act, the Minister of Finance be authorized to pay from moneys appropriated for the purposes of carrying out the provisions of P.C. 7742 of October 6, 1944, the sum of \$4,000 in full settlement of all claims which John Shirley Mulcahy and James George Moffatt have against His Majesty the King in right of Canada under lease dated November 29, 1943, between the said John Shirley Mulcahy and the Minister of Finance and under contracts dated November 30, 1943, and July 15, 1944, between James George Moffatt and the Minister of Finance.

(Sgd.) A. D. P. HEENEY,
Clerk of the Privy Council.

APPENDIX "F"

July 3, 1947.

The Secretary,
Public Accounts Committee.

DEAR SIR,—At the meeting in the afternoon of July 2nd, it was suggested that I file with you a memorandum outlining the various changes which I consider might usefully be made to the Consolidated Revenue and Audit Act, 1931. This is the memorandum.

1. The name of the Act be changed to "Public Finance Act", and repeal the Board of Audit Act, c. 10, R.S.; Contingencies Act, c. 31, R.S.; Department of Finance and Treasury Board Act, c. 71, R.S., and c. 48, Statutes 1931; Public Lands Grants Act, c. 114, R.S.; Ordnance and Admiralty Lands Act, c. 115, R.S.; Consolidated Revenue and Audit Act, c. 27, Statutes 1931; Department of Transport Stores Act, c. 16, Statutes 1937, and Government Companies

Operation Act, c. 24, Statutes 1946, and also various financial sections in other statutes. In short, my thought is that all pertinent directions be brought together in a single statute. It is for such reasons that I think "Public Finance Act" would be a more appropriate title.

2. Change the title "Comptroller of the Treasury" to "Comptroller of Accounts", because many people confuse the work of the Comptroller with the activities of the Treasury Board. The Board is composed of Ministers, and should not be confused with the activities of an administrative office.

3. In a great many statutes an order of the Governor in Council is required to signify a decision. The mass of such routine is now of proportions that it must make serious inroads on the time of the Cabinet. My thought is that the Governor in Council be vested with a power to delegate to the Treasury Board the exercise of such of its functions as it might from time to time decide.

4. It would be desirable were revenue accounts to remain open for ten days after March 31st, in order that current receipts in transit be related to the proper year.

5. A great many services are rendered for the benefit of individuals. In many cases there is no clear authority to make charges. I would empower the Governor in Council to fix scales of charges and, on publication in the *Canada Gazette*, it be obligatory to collect.

6. Section 33 of the Consolidated Revenue and Audit Act permits the Governor in Council "whenever he deems it right and conducive to the public good" to remit any "duty or toll". I would broaden that to cover any tax, impost, duty or toll. I would also provide in the same section a means to compromise or write-off bad debts, etc.

7. At the present time there is no clear authority to permit the Minister of Finance to invest, temporarily, idle cash balances in his bank accounts. I would give him such a power, but prohibit him from buying Government securities listed at substantial premiums, as such purchases bring speculation into a transaction.

8. At present no officer has any general responsibility with respect to revenues. My thought is that the Comptroller of Accounts should be required to keep constantly under review assessing, collecting and accounting practices of each department. His reports would be to the Minister of Finance.

9. It is my opinion that it is an undesirable practice to amend legislation by means of an item in an Appropriation Act, therefore I would insert a section prohibiting the submission of Estimates including such an item.

10. I have already outlined my thoughts with respect to Estimate's explanations.

11. In a previous memorandum it has been suggested that a practice of credits-in-aid appropriations be introduced for those services which have material "service" revenues—as distinct from taxes.

12. Instead of cheques being drawn on the Receiver General of Canada, it would be better to draw on the Bank of Canada and thus permit cashing banks to clear at all bank clearing centres.

13. There should be legislation to govern the cases where securities should be given by contractors and the use which may be made of such deposits.

14. Likewise, the situation should be clarified with respect to powers of attorney tendered to the Government.

15. Parliament must consent before the Government may borrow. In my opinion, there are too many borrowing authorities tacked on to statutes. In addition, there are general borrowing statutes—mainly to refinance, but permitting new borrowings. A maturity might properly be refinanced without fresh

legislation, so long as the principal amount is not increased. This would eliminate refinancing of debts statutes.

16. The method of handling loan issues—door-to-door sales and pay-roll deductions—presents the risk that, by theft or bankruptcy, a small purchaser may be defrauded without recourse on the Government. Provision should be made that, in either of the foregoing contingencies, the collector be regarded as an agent of the Crown.

17. The present statute was enacted when the Debt was serviced by the Department of Finance. As a result of the Bank of Canada Act, the activity is now performed by the Bank. For that reason, Debt Servicing regulations, which are of concern to the public, should be statutory.

18. In my opinion, the stores of all major departments should be regulated in such a manner that they are tied-in with the Balance Sheet of Canada. Likewise, I am of opinion that commercial real property should be periodically valued and controlled by the Balance Sheet. Property which is unsaleable might be ignored—for example, the Parliament Buildings, the canals, etc.

19. The functions of the Deputy Minister of Finance have outgrown the keeping of accounts. That task might be performed by the Comptroller of Accounts.

20. A single accounting office should be operated for Senate, House of Commons and Library accounts and the Comptroller of Accounts required to post monthly in that office a statement of transactions for the information of Senators and Members.

21. It should be a statutory duty on the Auditor General to examine all accounts receivable, etc. (at present his duty is to examine actual collections). I would also make it necessary that he examine stores and property accounts to a much greater degree than is now required; also, require him to report on systems, or practices followed by departments in administering revenue collections, stores, etc.

22. The present retiring age of the Auditor General is 70. I would reduce it to at least 65, and believe it should be 60, because no man should occupy the position too long.

23. The present officers' guarantee fund is based on an Appropriation Act item. A comprehensive plan in a statute would be preferable.

24. It would remove criticism were a Minister authorized to recognize writs for attachment of civil servants' salaries, when issued after judgment, up to a percentage of salary.

25. All corporation budgets should be annually submitted to the appropriate Minister for approval in those cases where parliamentary approval is not required by legislation or usage. Further, limits as to what the budget might provide might be set out. Purpose: to avoid deficit planning.

26. I would adopt a recent American statute and require the accounts of all corporations owned or controlled by the Crown to be audited by the Auditor General, and require him to report on any ultra vires transactions—the expense of audit to be shared.

27. Title to Crown property, administered by a corporation, be vested in that body, leaving to the Courts the question of liability for taxes.

28. Make the calendar year the fiscal year for Crown corporate bodies.

Yours faithfully,

WATSON SELLAR,
Auditor General.