

profits realized and interest earned on the University Capital Grants Fund and also to accept the 'hotch-pot' or trust fund approach to this distribution.

The Committee had been informed, at its meeting on July 28, 1964, that in the interim the Council had proceeded to allocate and distribute funds resulting from profits realized and interest earned on the foregoing bases. The Committee regarded the approach as a reasonable one but, because of the conflicting views held as to whether the action taken is ultra vires of subsection (2)(b) of section 17 of the Canada Council Act, recommended that steps be taken to seek amending legislation to provide clear authority for the Council to use the 1956 census and the 'hotch-pot' approach in the distribution of interest and profits in respect of the University Capital Grants Fund. Under the 'hotch-pot' approach interest is charged against those who have drawn money and taken into the Fund as revenue to be distributed, so that all participants are brought to a common time, which is the time when the Fund is finally all distributed.

The Committee was concerned to learn that notwithstanding its recommendation, no action had been taken by the Canada Council toward seeking amending legislation, and furthermore that the Canada Council did not consider amending legislation necessary and apparently proposed to do nothing about it. The Committee recalled that legal opinions were sought from the Deputy Attorney General and from three independent lawyers and that the Deputy Attorney General and two of the independent lawyers supported the view of the Auditor General that the procedure followed by the Council was not in accordance with the Canada Council Act. Nevertheless, the Council had followed the opposite opinion which had been given by one of the independent lawyers.

Consequently, the Committee reiterates its previous recommendation and requests the Canada Council to formally request the Government to give consideration to the required amending legislation with the objective of having this proposed legislation considered by Parliament prior to the final closing out of the Capital Grants Fund.

OFFICE OF THE AUDITOR GENERAL

14. The Committee made three recommendations in its 1963 and 1964 Reports to the House designed to assure the independence of the Office of the Auditor General and by so doing improve parliamentary control of public funds. The Committee regrets that no action has been taken with respect to any of these recommendations.

15. The members of your Committee have again reviewed the circumstances which gave rise to these particular recommendations over two years ago and wish not only to reiterate the importance they attach to them but to make two additional recommendations:

- (1) It continues to be the opinion of the Committee that it is fundamental that the Office of the Auditor General of Canada be strong, capable, efficient and equipped to operate in accordance with the high standards of independence and objectivity expected of professional accountants. The Committee has been particularly pleased to note in this connection that the Office was recently accorded the right by the Institutes of Chartered Accountants of Quebec (1964) and Ontario (1966) to article students-in-accounts.