

Governor in Council gives the Minister considerable discretion in awarding compensation and such discretion amounts to a delegation of authority by the Governor in Council to grant *ex gratia* payments within the context of the Regulations.

The Committee agreed that it was difficult for the Department of Justice to advise the Auditor General, while also acting for the Department of National Defence.

Your Committee therefore recommends that the Auditor General seek outside legal counsel on this problem and report back to the Committee.

PARAGRAPH 45—Canadian Forces base Summerside, P.E.I. (See *Minutes of Proceedings and Evidence, Issues Nos. 26 and 27, dated May 6 and May 8, 1975*)

The Auditor General is required under Section 61 of the Financial Administration Act to report to Parliament any appropriation that was exceeded or was applied to a purpose or in a manner not authorized by Parliament.

In late 1969, the Department of National Defence reached the conclusion that with the phase-out of the Neptune maritime patrol aircraft, the remaining operational activities of CFB Summerside should be transferred to other Canadian Forces bases under Maritime Command and that this base should be closed in 1970, resulting in an annual saving in excess of \$6 million. In December 1969, the Government announced that because of economic considerations, the Base would not be closed before March 31, 1973. On March 23, 1972, the House was advised that the Base was to be retained in its present role.

To meet the additional cost involved in keeping the Base operational, the Treasury Board initially approved an increase of \$6.7 million in the National Defence Department's budget in 1971-72 and 1972-73. The ceiling was increased to \$7.5 million for 1973-74.

The Auditor General firmly maintains that the additional costs incurred in keeping the Base opened far exceed the costs necessary for fulfilling the defence function in the area. Furthermore, he observes that these appropriations of the Department of National Defence are being applied for a purpose not authorized by Parliament.

The Department of National Defence however is of the opinion that this expenditure for the operation and maintenance of CFB Summerside is a properly authorized charge on its appropriations, since it was approved by Parliament by means of this appropriation that had been authorized through the Main Estimates and Supplementary Estimates.

The Auditor General conceded that there were other votes in Parliament that could have accommodated this sum.

Your Committee entirely agreed with the principle, that any appropriation authorized by Parliament must be spent for the purpose authorized, and recommends that proper authority be sought for future expenditures of this sort.

PARAGRAPH 56—Excess fees paid to retired public servants and members of the Canadian Forces employed by the Department of National Defence under personal service contracts. (See *Minutes of Proceedings and Evidence, Issue No. 27, dated May 8, 1975*)

The Auditor General drew attention to the situation where retired public servants or retired members of the Canadian Forces and the Royal Canadian Mounted Police have entered into service contracts with government departments and agencies. He noted several cases where the guidelines provided by the Treasury Board for the calculation of fees were exceeded.

There were cases where the fees paid by the Department of National Defence to superannuates far exceeded the current level of salaries held by them prior to retirement.

The Auditor General also revealed a noticeable lack of central control of personal service contracts with the Department. Your Committee has been informed that proper control procedures have been subsequently introduced by the Department.

Your Committee is concerned that the practice complained of is widespread and is expanding.

Your Committee recommends that the Treasury Board consider conducting a study on the use of personal service contracts, and that a directive be developed for the guidance of all departments employing retired employees under contract.

Your Committee further recommends that recovery action be taken in cases of overpayment.

PARAGRAPH 57—Cost of vacant accommodation following closure of Canadian Forces Base Gimli, Man. (See *Minutes of Proceedings and Evidence, Issues Nos. 27 and 28, dated May 8 and 13, 1975*)

In his 1972 Report, the Auditor General noted that in 1965 the Department of National Defence had entered into an agreement with a development company whereby, for a period of 20 years, the Department guaranteed to this company a gross monthly rental of \$14,200 from the leasing of 150 housing units to be constructed at Gimli, Manitoba, primarily to accommodate married personnel assigned to the base. Then for no clear reason that the Auditor General was able to determine, the Department entered into a second agreement with the same company in 1967 to lease the same housing units from this company from 1968 to 1977 at a monthly rental of \$19,000, the rental being subject to review and retroactive adjustments every two years to