

Until it was removed by an amendment taking effect on April 1, 1973, the War Veterans Allowance Act contained a limitation on personal property that could be held by veterans otherwise eligible for an allowance.

Because of inadvertent or intentional failure to disclose personal property, many instances of overpayments to veterans had occurred.

Acting upon a written opinion of the Department of Justice, the War Veterans Allowance Board cancelled the balances of 1,134 overpayment accounts totalling \$790,000, including 27 accounts for which mortgage security was held.

After a question from the Auditor General, the Board obtained a subsequent opinion from the Department of Justice, which contrary to the first opinion stated that the amendment was not retroactive and that the debts remained outstanding.

Subsequently, the Treasury Board used alternative methods and regulations to cancel the accounts.

Your Committee recommends that the Department of Justice be more careful in issuing opinions.

**PARAGRAPH 69—Suspension of recovery of War Veterans Allowance Overpayments.** (See *Minutes of Proceedings and Evidence, Issue No. 23, dated April 24, 1975*).

Prior to November 1, 1973, the War Veterans Allowance Board had been recovering, by monthly deductions, from 2,700 recipients of War Veterans Allowance accumulated overpayments which arose because of veterans' incomes in excess of statutory limits.

On November 1, 1973, after commencing a lengthy review to determine whether or not recovery of overpayments was causing hardship, the Board suspended recovery attempts.

Your Committee is concerned that there was a lack of authority for the suspension of recovery attempts, and recommends that authority should be established before any such action is taken.

#### REVENUE CANADA (TAXATION)

**PARAGRAPH 61—Delays in issuing assessments and inadequate liaison between divisions of the Department of National Revenue (Taxation) resulting in loss of revenue to the Crown.** (See *Minutes of Proceedings and Evidence, Issue No. 25, dated May 1, 1975*).

A failure to collect assessed taxes and interest amounting to \$3.6 million was blamed on a too lengthy investigation and a lack of liaison between the Special Investiga-

tions Division and the Collections Division of Revenue Canada (Taxation).

During this 16 month investigation the taxpayer had systematically transferred most of his assets to Switzerland, and by February 1971 when assessments for the taxation years, 1966 to 1969 were issued, it was not possible to seize or attach any assets of substantial value.

Your Committee recommends that Revenue Canada take immediate action to revise procedures to eliminate such occurrences and that if necessary the Minister of Finance act swiftly to introduce legislation.

Your Committee also recommends in appropriate cases full disclosure of the names and facts of cases written off be made public.

#### DEPARTMENT OF NATIONAL DEFENCE

**PARAGRAPH 51—*Ex gratia* payments to members of the Canadian Forces.** (See *Minutes of Proceedings and Evidence, Issues Nos. 26 and 27, dated May 6 and 8, 1975*).

In February 1972, more than 400 members of the Canadian Forces suffered losses or damage to personal property in two fires at the Canadian Forces Base St. Jean, Quebec. Claims totalling \$163,000 were filed with the Department of National Defence. Although the Department of Justice issued an opinion that the Department of National Defence was not liable, the latter paid \$139,500. However, the Auditor General noted that these payments were not identified as *ex gratia* by the Department and furthermore payments in excess of \$100 were not listed in the Public Accounts of Canada as requested by the Public Accounts Committee in its Second Report to the House in April 1961 (*concurrent in by the House, April 26, 1961*).

The Auditor General stated that the Department had taken action to prevent the criticism of this omission from recurring.

It is not clear where the problem of authority over *ex gratia* payments lies.

The Auditor General maintains that the authority to make *ex gratia* payments vests in the Governor in Council and may not be delegated.

The Department of National Defence officials cite Queen's Regulations and Orders:

#### 210.05 —Compensation in special cases

In the case of loss or damage for which compensation is not otherwise payable under QR&O, the Minister may, notwithstanding anything in this section, authorize the payment of such reasonable compensation as he considers appropriate, having regard to the circumstances. (G)

The Department of National Defence legal officers maintain that article 210.05 issued under the authority of the