

J

103

H7

1949

P8

A1

THE

OF

AND

OF

AND

PUBLIC ACCOUNTS

OF

OF

OF

OF

OF

minutes

SESSION 1949

HOUSE OF COMMONS

STANDING COMMITTEE

ON

PUBLIC ACCOUNTS

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 1

TUESDAY, MARCH 29, 1949

THURSDAY, MARCH 31, 1949

WITNESS:

Mr. Watson Sellar, Auditor General.

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.Ph.,
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1949

ORDERS OF REFERENCE

HOUSE OF COMMONS,
Monday, March 14, 1949.

Resolved,—That the following members do compose the Standing Committee on Public Accounts: Messrs. Arsenault, Beaudry, Black (*Yukon*), Bradette, Burton, Case, Cleaver, Cockeram, Cloutier, Cruickshank, Dechene, Denis, Diefenbaker, Dionne (*Beauce*), Ferguson, Fleming, Fournier (*Hull*), Fournier (*Maisonneuve-Rosemont*), Fraser, Gibson (*Comox-Alberni*), Gladstone, Golding, Grant, Green, Hamel, Hartt, Heon, Homuth, Howe, Isnor, Jackman, Johnston, Kirk, Macdonnell (*Muskoka-Ontario*) Marshall, Maybank, Murphy, Nicholson, Picard, Pinard, Probe, Raymond (*Wright*), Richard (*Gloucester*), Richard (*Ottawa East*), Rinfret, Stuart (*Charlotte*), Thatcher Warren, Winkler, Young—50. (Quorum 15.)

Ordered,—That the Standing Committee on Public Accounts be empowered to examine and inquire into all such matters and things as may be referred to them by the House; and to report from time to time their observations and opinions thereon, with power to send for persons, papers and records.

WEDNESDAY, March 23, 1949.

Ordered,—That the Public Accounts of Canada for the fiscal year ended March 31, 1948, and the Report of the Auditor General be referred to the Public Accounts Committee.

THURSDAY, March 24, 1949.

Ordered,—That the name of Mr. Croll be substituted for that of Mr. Gladstone, and

That the name of Mr. Mutch be substituted for that of Mr. Kirk, and

That the name of Mr. Sinclair be substituted for that of Mr. Grant, and

That the name of Mr. Langlois be substituted for that of Mr. Fournier (*Hull*).

FRIDAY, March 25, 1949.

Ordered,—That the name of Mr. Benidickson be substituted for that of Mr. Howe, and

That the name of Mr. Robinson (*Simcoe East*) be substituted for that of Mr. Hartt, and

That the name of Mr. Gauthier (*Portneuf*) be substituted for that of Mr. Arsenault, and

That the name of Mr. Jutras be substituted for that of Mr. Dionne (*Beauce*) on the said Committee.

TUESDAY, March 29, 1949.

Ordered,—That the said Committee be empowered to print, from day to day, 600 copies in English and 200 copies in French of its Minutes of Proceedings and Evidence, and that Standing Order 64 be suspended in relation thereto.

Attest.

ARTHUR BEAUCHESNE,

Clerk of the House.

REPORT TO THE HOUSE

TUESDAY March 29, 1949.

The Standing Committee on Public Accounts begs leave to present the following as its

FIRST REPORT

Your Committee recommends that it be empowered to print, from day to day, 600 copies in English and 200 copies in French of its minutes and proceedings and evidence, and that Standing Order 64 be suspended in relation thereto.

All of which is respectfully submitted.

L.-PHILIPPE PICARD,
Chairman.

NOTICES OF MOTIONS

Mr. Macdonnell.—That the Auditor General be asked to appear before the Committee and to give evidence particularly as to certain comments in his report, and that this be the first order of business.

Mr. Isnor.—That the Auditor General be requested to prepare and present a statement to the Committee in respect to some matters which he considers important and particularly in respect to paragraph 100 (page 26) dealing with the decrease of the net debt for the fiscal year, the saving brought about for this particular period, and, as well, for the period 1946 to 1948.

Mr. Probe.—That this committee proceed with examination of administration of Indian Trust Funds, and that officers of Indian Affairs Branch be asked to prepare such material as the Committee may require to facilitate such examination.

Mr. Young.—That this committee proceed with the examination of the contracts and accounts for coal used in the heating of public buildings owned or rented by the Federal Government.

MINUTES OF PROCEEDINGS

TUESDAY, March 29, 1949.

The Standing Committee on Public Accounts met at 11.00 o'clock a.m., the Chairman, Mr. L. Philippe Picard presiding.

Members present: Messrs. Benidickson, Bradette, Burton, Case, Cleaver, Cockeram, Cloutier, Croll, Dechene, Diefenbaker, Fleming, Fraser Gauthier (*Portneuf*), Golding, Green, Heon, Isnor, Jackman, Johnston, Jutras, Macdonnell (*Muskoka-Ontario*), Maybank, Murphy, Mutch, Nicholson, Picard, Pinard, Probe, Raymond (*Wright*), Richard (*Gloucester*), Richard (*Ottawa East*), Rinfret, Robinson, (*Simcoe East*), Sinclair, Stuart (*Charlotte*), Warren, Winkler, Young.

Mr. Warren moved that Mr. Isnor be appointed Vice-Chairman. At the request of Mr. Isnor, and by leave of the Committee, Mr. Warren withdrew his motion.

On motion of Mr. Fleming:

Resolved.—That Mr. Pinard be Vice-Chairman.

On motion of Mr. Cockeram:

Resolved.—That the Committee recommend that it be empowered to print, from day to day, 600 copies in English and 200 copies in French of its minutes of proceedings and evidence.

The Chairman read the Order of Reference.

On motion of Mr. Bradette:

Resolved.—That a subcommittee consisting of the Chairman, the Vice-Chairman and Messrs. Burton, Croll, Fleming, Marshall and Mutch be appointed to consider and report on all matters relating to procedure and agenda, and that, whenever made, any proposals concerning order of procedure in the Committee shall be referred to the subcommittee on Agenda and Procedure.

Mr. Macdonnell gave notice of the following motion:

That the Auditor General be asked to appear before the Committee and to give evidence particularly as to certain comments in his report, and that this be the first order of business.

Mr. Isnor gave notice of the following motion:

That the Auditor General be requested to prepare and present a statement to the Committee in respect to some matters which he considers important and particularly in respect to paragraph 100 (page 26) dealing with the decrease of the net debt for the fiscal year, the saving brought about for this particular period, and, as well, for the period from 1946 to 1948.

Mr. Probe gave notice of the following motion:

That this committee proceed with examination of administration of Indian Trust Funds, and that officers of Indian Affairs Branch be asked to prepare such material as the Committee may require to facilitate such examination.

Mr. Young gave notice of the following motion:

That this committee proceed with the examination of the contracts and accounts for coal used in the heating of public buildings owned or rented by the Federal Government.

Mr. Nicholson gave notice of the following motion:

That this Committee proceed with an examination of the procedure of auditing the accounts of the Canadian National Railways with accountants other than the Auditor General.

All notices of motion were referred to the Subcommittee on Agenda and Procedure.

At 11.55 o'clock a.m., the Committee adjourned to the call of the Chair.

A. L. BURGESS,
Clerk of the Committee.

MINUTES OF PROCEEDINGS

THURSDAY, March 31, 1949.

The Standing Committee on Public Accounts met this day at 11.00 o'clock a.m., the Chairman, Mr. L.-Philippe Picard, presiding.

Members present: Messrs. Beaudry, Benidickson, Bradette, Burton, Case, Cleaver, Croll, Cruickshank, Dechene, Denis, Fleming, Fournier (*Maisonneuve-Rosemont*), Fraser, Gauthier (*Portneuf*), Golding, Isnor, Jackman, Jutras, Langlois, Marshall, Murphy, Mutch, Nicholson, Picard, Pinard, Probe, Raymond (*Wright*), Richard (*Gloucester*), Richard (*Ottawa East*), Sinclair, Stuart (*Charlotte*), Warren, Winkler, Young.

In attendance: Mr. Watson Sellar, Auditor General.

The Chairman presented the first report of the subcommittee on Agenda and Procedure which read as follows:

The subcommittee on Agenda and Procedure met on Tuesday, March 29th and has agreed to recommend:

1. That the next meeting of the Committee be held at 11.00 o'clock a.m., on Thursday, March 31st, and that the Auditor General, Mr. Watson Sellar, be requested to prepare and present at that meeting a statement in respect of certain matters which he considers important. It is also recommended that the business of the meeting be confined to the presentation of this statement and questioning of Mr. Sellar on it.

2. That the next meeting of the subcommittee to consider agenda be held as soon as practicable after Mr. Sellar has been heard.

3. That each member of the Committee be furnished with a copy of any brief or statement prepared for the Committee's information.

4. That Mr. Nicholson's notice of motion, viz.:

That this Committee proceed with an examination of the procedure of auditing the accounts of the Canadian National Railways with accountants other than the Auditor General.

be ruled out of order on the ground that it deals with a matter which is beyond the scope of the Committee's Order of Reference. It is suggested that such a motion might properly be made in the Sessional Committee on Railways and Shipping, owned and operated by Government.

In respect to paragraph 4 of the subcommittee's report, the Chairman suggested that the question of the admissibility of Mr. Nicholson's motion be allowed to stand.

The report of the subcommittee, as amended by the Chairman's suggestion, was concurred in.

Mr. Sellar was called, heard and questioned.

At 1.00 o'clock p.m., the Committee adjourned to the call of the Chair.

A. L. BURGESS,
Clerk of the Committee.

MINUTES OF EVIDENCE

House of Commons,

March 29, 1949.

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

The CHAIRMAN: Gentlemen, we have a quorum.

As I open the first meeting of the Public Accounts Committee for the 1949 session I wish to thank you for the confidence you have shown in me by electing me as chairman of the committee. I will do my very best to discharge my duties, if possible, to the satisfaction of all.

We have been together on two other occasions during the sittings of this committee, once in the fall of 1945 and again in 1947. I think I can say that I have had the co-operation of all members and that has contributed to the successful work of the committee. I expect that there will be again the same co-operation from everyone.

I do not wish to make a speech on this matter because I think everyone understands the situation and we wish to proceed as quickly as we can. The Public Accounts Committee has sat only four or so times in the past twenty years and the sittings have occurred at about this same period in the session so we can conclude that we are not late in getting the members together for our work.

Before we start I think it would be appropriate to say that the rules of procedure in committees and standing committees are the same as the rules for the committee of the whole.

Item No. 605 on page 81 of Beauchesne's parliamentary rules and forms, second edition, reads "Generally speaking, the proceedings of a select (special) committee are assimilated, like those of a standing committee, to those of a committee of the whole House".

Standing order No. 58 reads "The standing orders of the House shall be observed in the committees of the whole House so far as may be applicable, except the standing orders as to the seconding of motions and limiting the number of times of speaking".

Standing order No. 47 states "All motions shall be in writing and seconded, before being debated or put from the Chair".

The word "seconded" does not apply in this committee but a motion should be in writing and put by the chair before being debated. So that we may have more order in the debates I think we should abide by that rule and although motions put to the committee need not be seconded they should be in writing, be read by the chair, and then be given consideration by the committee.

Another matter of importance before us is the appointment of a steering committee. I do not know whether you share my views but I do not like the expression "steering committee" and I feel that title indicates a body which runs the affairs of the committee. To me it seems that a more appropriate name would be the one which is sometimes used "committee on agenda and procedure". As far as I am concerned I prefer that title and it sounds more democratic.

It is usual too at the first meeting to have a proposal concerning the members of that subcommittee—usually seven in number—named by the chairman after consultation with all parties.

In the past the chairman has consulted in advance with the parties and he receives suggestions as to the names of the members who shall constitute the committee on agenda and procedure. I did that last night but before we proceed with the names of the members I think we should settle the appointment of a vice chairman. After the appointment of the vice chairman, someone might propose the names of the following gentlemen as members of the committee on procedure and agenda: Mr. Croll, Mr. Mutch, Mr. Fleming, Mr. Burton, Mr. Marshall.

Mr. WARREN: I would nominate Mr. Isnor as vice chairman.

Mr. RICHARD (*Gloucester*): I second the nomination.

Mr. ISNOR: I wish to thank the honourable gentlemen for nominating me but I do not think I had better accept the office.

The CHAIRMAN: That is a customary gesture—of course I did not do it when I was proposed as chairman—but it is a very noble idea to refuse the nomination. However I must put the motion.

Mr. ISNOR: It is always nice to carry on business in an orderly manner and in a way which will bring about the best results. Unfortunately I very definitely feel that I cannot carry out the duties of vice chairman and for that reason I would ask the gentlemen be good enough to select someone else.

Mr. CLEAVER: In view of what Mr. Isnor has said I would suggest the appointment of the vice chairman stand over until the next meeting. I do not feel that even though the committee wishes him to act as vice chairman we should impose upon him.

The CHAIRMAN: Of course, as we have the committee on agenda and procedure already under consideration, we might as well have it complete because the committee will be responsible for setting the order of precedence of the work which we are to do and I think it is in order to have another proposal for the position of vice chairman.

Mr. FLEMING: I would nominate Mr. Pinard.

Mr. COCKERAM: I would second that motion.

The CHAIRMAN: Moved by Mr. Fleming, seconded by Mr. Cockeram that Mr. Pinard be selected as vice chairman of the committee on agenda and procedure?

Carried.

Mr. BRADETTE: Do you wish to have a motion now regarding the appointment of the committee on agenda and procedure?

The CHAIRMAN: A motion would be proper.

Mr. BRADETTE: I would move that the gentlemen whom you mentioned a few moments ago comprise the committee on agenda and procedure.

Mr. CASE: I would second that motion.

Carried.

The CHAIRMAN: There is also a motion required asking leave to print the minutes of our proceedings and evidence from day to day, six hundred copies in English and two hundred copies in French.

Mr. CROLL: I would so move.

Mr. COCKERAM: I second.

Carried.

The CHAIRMAN: It is also customary to have the chairman read the order of reference in order that the committee shall know what it is called upon to do. The date of the Order of Reference is March 14, 1949.

"Ordered,—That the Standing Committee on Public Accounts be empowered to examine and inquire into all such matters and things as may be referred to them by the House; and to report from time to time their observations and opinions thereon, with power to send for persons, papers and records."

The next Order of Reference is dated March 23, 1949.

"Ordered the Public Accounts of Canada for the fiscal year ending March 31, 1948, and the report of the Auditor General be referred to the Public Accounts Committee.

(Sgd.) A. BEAUCHESNE,
Clerk of the House."

As it stands at the moment we have the Auditor General's report and the public accounts for last year.

The matter of public accounts now before us is quite a vast order and I think it proper to decide now that any motion concerning the order of precedence of the work we are to carry on should be in writing and be referred automatically to the committee on agenda and procedure. That committee will study and report to the main committee on the order of procedure and upon what shall be done or shall not be done.

Mr. MACDONNELL: If I am in order, may I suggest the first thing that should be done is to call the Auditor General himself. It seems to me that there are certain very vital comments which he makes upon which there will be questions and therefore I would move that the Auditor General be asked to appear before the committee to give evidence with respect to certain comments made in his report. I would move that be the first order of business.

The CHAIRMAN: The discussion is open. Are there any other remarks?

I might say that I have already contacted the Auditor General indicating that he might be called before us. This morning he is tied up with the Ottawa Improvement Commission, but he could be at our disposal at any time on Thursday.

Mr. BURTON: I would like to say a word in connection with this matter. I am heartily in accord with Mr. Macdonnell's motion, with the exception of his remarks about the first order of business. If we are to have a committee on agenda and procedure the committee will naturally have to have some say with respect to the order of business. As for as I am concerned I have no objection to the Auditor General's evidence being the first order of business and that should be a recommendation to the subcommittee. Furthermore I have in mind, Mr. Chairman, that as this is our first meeting we should endeavour to obtain from the members as much information as possible about the different subjects upon which they would like discussion, so that the committee on agenda and procedure can arrange the program, and so that the other members of the committee can prepare themselves for taking part in whatever investigations and discussions may occur. While I support the greater part of Mr. Macdonnell's motion I do think that the committee on agenda and procedure should decide what the procedure shall be.

Mr. PROBE: Mr. Chairman, I have a specific matter which I wish to bring before the committee for examination. I support the idea that the Auditor General should be available to us, perhaps throughout the duration of the sittings of the Public Accounts Committee to deal with any specific matters which we desire to refer to him directly, but if I am in order before the vote is taken on Mr. Macdonnell's motion, I would like to move consideration of a matter.

The CHAIRMAN: The suggestion which I made previously is not in the form of a motion but you will recall that it was to the effect that all matters concerning procedure and subjects for discussion should be referred immediately

and automatically to the committee on agenda and procedure. In view of the wording of the motion regarding the appointment of the subcommittee we might handle the situation this way. The subcommittee, consisting of the members mentioned before, shall be appointed to report on all matters relating to procedure and agenda. There should also be added a suggestion that all matters concerning order of precedence be automatically referred to the committee on agenda and procedure. This morning we have a proposal made by Mr. Macdonnell and by Mr. Probe, and perhaps other gentlemen have proposals for matters to be considered by the committee and those proposals would be automatically referred to the committee on agenda and procedure. When the committee meets it will decide upon certain steps and report back to the main committee. Mr. Sellar, for instance, is at our disposal at all times but on some occasions he has to be out of the country as he is one of the three auditors for United Nations. Mr. Sellar himself remarked that in connection with many public accounts matters Mr. Clark, the Deputy Minister of Finance and others might be more able to give us the desired information. The committee on agenda will of course try to arrange the days upon which Mr. Sellar shall be called in order to meet with the necessities of his United Nations work.

Mr. FLEMING: I have just one observation. I do not like your word "automatically." I think when we get our work launched it will be found desirable and necessary in practically every case that suggestions relating to agenda and procedure go to the agenda committee. I am quite sure that when the subcommittee meets it will plan its work in advance so that there will always be work for the committee to do. I do not think we ought to insert the word "automatically" because I think the good sense of the subcommittee will take care of any situations of an emergent nature. It might be found, for instance, that in some cases a witness is available on short notice but might not be available later. Accommodation would be extended to the witness in a situation of that kind. If you omit the word "automatically" I think the motion will take care of all situations of that kind.

I have just one other matter to discuss. As I understand Mr. Macdonnell's motion it is to help the committee get started at once. One would hope with the considerable amount of work this committee will have to do this session as one looks at some of the subjects, we might get started this week. Thursday would seem to be the logical day and if the committee would indicate its willingness to sit Thursday at an agreed hour, perhaps 11 o'clock, and if the committee would indicate something of the work on which it wishes to get started, then the committee on agenda and procedure can arrange that course without delay.

I think that Mr. Sellar is the logical man to begin with. The report which he will give will be a logical jumping-off place for the work of the committee throughout the session because it will be an introduction to other subjects.

Therefore, it would seem to me, notwithstanding the suggestion made by Mr. Macdonnell about our first referring matters to a subcommittee, that Mr. Sellar is the logical man to begin with. We might decide at this time to meet on Thursday and to call Mr. Sellar at that time.

The CHAIRMAN: Gentlemen, speaking personally, as chairman of this committee, I think we ought to have a rule to follow. Otherwise, every time somebody proposes a new subject we would have to discuss it and iron it out in this committee. The word "automatic" may not be the correct word to use, although I thought that it fitted the case. So let us say "immediately."

I think that any proposal as to the work of this main committee should first be referred to the committee on agenda and procedure because, properly, the purpose of a committee on agenda and procedure is to iron matters out, discuss proposals, and make decisions.

The committee might decide to hear Mr. Sellar on such and such a day only to learn that Mr. Sellar would be in New York on that day. So I think the task of arranging appointments is one for the committee on agenda and procedure. Therefore I shall reword the proposal as follows:

That a subcommittee consisting of the chairman, the vice chairman and Messrs. Burton, Croll, Fleming, Marshall and Mutch be appointed to consider and report on all matters relating to procedure and agenda, and that any proposals concerning order of procedure in the committee shall be immediately referred to the committee on agenda and procedure.

The motion I have just read is moved by Mr. Maybank. So the question now before the committee is this proposal: that we appoint a subcommittee on agenda and procedure to consider and report on matters relating to procedure and agenda, and that immediately there is any proposal as to order of procedure it shall be referred to the committee on agenda and procedure.

Mr. MAYBANK: Mr. Chairman, I suggest that we change the word "immediately" to "whenever".

The CHAIRMAN: Whenever.

Mr. CASE: Mr. Chairman, in your earlier remarks you referred to the steering committee as being in the nature of an automatic body which would run the whole show. I think, in view of the fact that Mr. Sellar is the key man in relation to the Auditor General's report, surely this committee is the body to make the decisions on such a subject and that the other motion, the one relating to procedure, might be referred to the committee which you have designated.

The CHAIRMAN: I am in favour of our hearing Mr. Sellar but I think we should establish a rule now which would hold with respect to the whole committee in order to ensure a systematic arrangement.

The committee on agenda and procedure might sit tomorrow morning, or it might sit this afternoon. Then we might have a meeting of this main committee on Thursday with Mr. Sellar.

Let me stress the necessity of our having a definite rule so that the committee on agenda and procedure may iron out any questions which might arise as to subject-matter.

All those in favour of this motion will please so indicate.

A MEMBER: What is the motion?

The CHAIRMAN: The motion is that a subcommittee consisting of the chairman, the vice chairman and other gentlemen to be selected by the different parties, be appointed to consider and report on all matters relating to procedure and agenda, and that whenever a proposal is made concerning order of procedure in the committee, it shall be referred to the committee on agenda and procedure.

All those in favour? I think it is unanimous. The motion is carried unanimously.

Carried.

Now, we have the first motion as to the order of precedence. The first motion to be referred to the committee on agenda and procedure is the motion by Mr. Macdonnell. I think there is unanimous consent that Mr. Sellar be heard as the first witness, and I shall report to the committee accordingly.

Mr. ISNOR: In connection with the first witness, Mr. Sellar, might I ask if he will just make a statement along the lines covered in the Auditor General's report, or will he deal with specific cases?

The CHAIRMAN: I have already spoken to Mr. Sellar to ascertain whether or not he would be available, and he said that he had in mind, as has been done in past years, to open with a summary of his views on certain points. So I think it would be advisable if we let him come and make his statement first. Then we could ask him questions. And also, if we did not finish with him the first day, we might ascertain when he would next be available.

Mr. ISNOR: I had in mind particularly a reference to the net debt which is cited on page 26 and I thought of making extended remarks as to the saving.

The CHAIRMAN: Which item is that?

Mr. ISNOR: It is item 100 entitled Net Debt; and item 101 reads:

The recorded over-all increase in net debt during the fiscal year was \$676,119,655.96.

I was going to suggest that Mr. Sellar be requested to comment not only on the savings, or the decrease of that amount, but the savings affected for that year and also to cover the period from 1946 through to the present time. I had this in mind because of the differences of opinion in regard to whether or not it is wise procedure, or whether or not right policy is being followed in reducing our net debt and pleading a saving. And I thought by doing this we might get a clearer picture before us.

The CHAIRMAN: Mr. Isnor, would you kindly put your motion in writing so that it can go before the agenda committee.

Mr. ISNOR: I should be very pleased to do so.

The CHAIRMAN: Mr. Isnor moved: That the Auditor General be requested to prepare and present a statement in respect to paragraph 100 (page 26) dealing with the decrease of the net debt for the fiscal year, the saving brought about for this particular period, and, as well, for the period 1946-47 to present report 1947-48. This motion will be referred to the agenda committee.

Mr. PROBE: I would like now to move that this committee proceed with an examination of Indian trust funds, and that the officers of the Department of Indian Affairs be asked to prepare such material as the committee might require in order to facilitate such an examination.

The CHAIRMAN: Mr. Probe moved: that this committee proceed with the examination of administration of Indian trust funds and that officers of Indian Affairs Branch be asked to prepare such material as the committee may require to facilitate such examination.

This motion will be referred to the committee on agenda and procedure. Are there any other suggestions relating to the work of the committee?

Mr. MUTCH: It would seem that you have enough material before you now to keep you going for a couple of months, so I move that we adjourn.

Mr. YOUNG: I move that this committee proceed with the examination of the contracts and accounts for coal used in the heating of public buildings owned or rented by the federal government.

The CHAIRMAN: Moved by Mr. Young: That this committee proceed with the examination of the contracts and accounts for coal used in the heating of public buildings in Ottawa owned or rented by the federal government.

This motion will be referred to the committee on agenda and procedure.

Mr. ISNOR: Before the motion is put, I would like to say to Mr. Young that I am anxious to learn something about the coal situation as it applies to the coal industry. I trust Mr. Young will agree to reword his motion so as to take in the subject of coal supplied to public buildings in the provinces of Quebec and Ontario.

I feel that we are importing altogether too much coal from the United States with respect to those two particular provinces, and I feel that Nova Scotia coal should be used to a greater extent, particularly in Quebec. I also

think that we should extend our border line in order to use a greater amount of Nova Scotia coal in Ontario. Similar remarks might well apply to coal from Alberta. I wonder if Mr. Young would be good enough to embody that thought in his motion.

The CHAIRMAN: Mr. Young, would you agree to have the clerk of the committee embody Mr. Isnor's suggestion in your motion?

Mr. YOUNG: I would be quite happy, Mr. Chairman.

Mr. MAYBANK: Might I suggest that if you would just place a period after the word "buildings" it might be sufficient.

The CHAIRMAN: In view of Mr. Maybank's suggestion we might shorten the motion to read:

Moved that this committee proceed with the examination of the contracts and accounts for coal used in the heating of public buildings owned or rented by the federal government.

This motion will be referred to the agenda committee.

Are there any other suggestions, gentlemen, as to the work we might perform in this committee."

Mr. NICHOLSON: Mr. Chairman, two years ago the member from Vancouver North initiated discussion in the House in connection with the audit of the Canadian National Railways accounts. He proposed that the audit should be performed by accountants other than the Auditor General. Therefore I move: That this committee proceed with an examination of the procedure of auditing the accounts of the Canadian National Railways with accountants other than the Auditor General.

The CHAIRMAN: Mr. Nicholson moved: That this committee proceed with an examination of the procedure of auditing the accounts of the Canadian National Railways with accountants other than the Auditor General.

Before discussion takes place, might I suggest that Mr. Nicholson's motion is out of order because there is a committee of the House especially appointed to look into matters of railway and shipping. The committee I have mentioned is sitting at this very moment and I suggest that Mr. Nicholson's motion is a proper one to be considered by that committee. I repeat my view that Mr. Nicholson's motion is out of order and that this matter should be referred to the committee on Railways and Shipping.

Mr. NICHOLSON: Mr. Chairman, before you make your ruling final, might I say that it was the member for Vancouver North who raised the question. I quite understand that legislation now makes it mandatory for parliament to refer this matter to the committee. And I also understand that The Railway Act requires that there be outside auditors.

The Auditor General in his report at page 4, paragraph 8, makes reference to this matter, and I think it would be a proper question for this committee to discuss with the Auditor General. The member for Vancouver North argued the matter very well before the House two years ago. I think this committee would be a very appropriate place to discuss whether it would be a saving to the treasury of Canada if its audit could be performed by accountants other than the Auditor General. Mr. Sinclair pointed out the fact that because an outside auditor made a suggestion regarding capitalization, he thereby lost the contract for a certain period of time.

The CHAIRMAN: Are the auditors not appointed by an Act of the federal parliament?

Mr. NICHOLSON: That is right, Mr. Chairman.

The CHAIRMAN: Then, how would you suggest that they be appointed?

Mr. BURTON: Mr. Chairman, while the Act has been passed and while steps have been taken, nevertheless I would contend, with all respect, that we, as a public accounts committee, have a perfect right to examine into the expenditure of public money. Consequently I do believe that Mr. Nicholson's motion should be referred to the steering committee, and, if possible, arranged for on the agenda so that the members of this committee who wish to enquire into the expenditure of public money may have an opportunity to get the information they desire. Nothing may come of it, but, in spite of the fact of the other committee sitting and dealing with the operations of the railways and shipping owned and operated by the dominion government, I submit that we are the committee whose function it is to enquire into the question of moneys being spent.

Mr. JACKMAN: If we should follow Mr. Burton's suggestion, then this committee would have the power to inquire into any department whatsoever. Such a procedure would certainly upset the whole scheme of our arrangements. So I would suggest to Mr. Nicholson that if he wants to have an examination with respect to the procedure followed by the firm of auditors which audits the Canadian National Railways accounts, he first follow the suggestion of the chairman that the committee hear Mr. Sellar; in other words, that Mr. Sellar first be called to testify before the Railway and Shipping Committee.

The CHAIRMAN: Are there any other comments?

Mr. FRASER: Mr. Chairman, personally I feel that what we are about to do is to put the cart before the horse. I believe that we should first hear Mr. Sellar. Then, after we have heard his statement, we will be in a better position to know what is what because we will have received his ideas. We do not want to find ourselves in a position where we cannot study things which ought to be studied because our agenda is already clogged up.

The CHAIRMAN: All these suggestions from the members of the committee will be referred to the committee on agenda and procedure which will, in turn, report to the main committee. We are just starting out today and I do not think we should close the door this morning. Personally I have no objection to our hearing from Mr. Sellar first of all.

Mr. FRASER: That is what I mean, Mr. Chairman. I submit that Mr. Nicholson's motion should not take precedence over our first hearing from Mr. Sellar.

The CHAIRMAN: We shall look into that question in the subcommittee.

Mr. MAYBANK: Mr. Chairman, I think though that what Mr. Fraser has said is substantially correct. We have got a good two or three days' work lined up now with Mr. Sellar, and it seems to me that quite a number of things might come up as a result of his being before us; people may have a number of ideas as to what they would like to bring forward. If we start laying out too many things now, inevitably some would be thought deserving of precedence over others. I do not want to move, gentlemen, but I should think the agenda committee should consider the suggestions already made here this morning and proceed on the lines suggested, opening on Thursday with Mr. Sellar. He will be here for more than one day, and at the conclusion of his evidence no doubt there will be many matters before the committee. We might even get enough work lined up to last us till Christmas, if people are really interested in following matters which may arise to their conclusion.

Mr. FLEMING: I would like to support fully the remarks made by Mr. Maybank, because there is a very great danger at the present time that we might tie our hands too much if these motions which are now being put on the record are regarded as anything more than suggestions.

The CHAIRMAN: That is what they are.

Mr. FLEMING: There is so much in Mr. Sellar's report that is bound to call for questions. I mean, he has made certain comments of a general nature in his report, and then he goes on to deal with a great many particular matters. When he comes before us as a witness we will be asking for information on specific matters. I quite appreciate the point raised by Mr. Maybank; obviously, we need to do whatever we can to get ahead with this work, to deal with specific matters as they arise and not get turned off on to some other subject.

The CHAIRMAN: Mr. Fleming, may I make the suggestion that if we are going to get anywhere we must have order in the committee. The Auditor General in the public accounts has covered a vast volume of material, and I think if we are going to have orderly procedure in the committee we should first, as has been suggested, call Mr. Sellar to make a general statement on which he can be questioned; and then any further matters which concern Mr. Sellar may be brought in in such order as the agenda committee may decide as in the best interests of the committee. I am sure the committee do not want to lay themselves open for a general discussion of any item which may be brought before it. If we do that we may get off on this, that or the other subject. I think I have the support of the committee in suggesting that we must look to our agenda committee for direction in procedure. My thought this morning was that motions of the kind I have been receiving would be in order for reference to the agenda committee. Mr. Sellar can come before us as our first witness and give us a general survey of his work; and I presume, in the usual way, he will have a general memorandum to submit to the committee dealing with questions which he considers of particular importance and interest. After that, any other matters to be considered by the main committee will be taken up in the order recommended by the committee on agenda and procedure. I now propose to deal with Mr. Nicholson's motion.

Mr. MACDONNELL: I was just going to say you have cleared this up. You have pointed out that what we have before us this morning are suggestions as to matters to be considered. Then, too, you have made it clear that we are going to have Mr. Sellar before the committee. It seems to me that we are all in agreement on that point.

Mr. GREEN: Mr. Chairman, is there any serious objection to this committee taking up Mr. Sellar's report to the House section by section?

The CHAIRMAN: I thought that first we would follow the procedure established in other committees of this kind; that it would be a benefit to the committee for Mr. Sellar to appear before us and deal with what he thinks is important and go on from subject to subject. And in doing that I think we would be within our powers to deal with Mr. Nicholson's motion as it relates to item 8 on page 4, a matter which would ordinarily come under the review of this committee. At the same time, we have so much work otherwise relating to public accounts that it is suggested that Mr. Nicholson might get quicker results if he were to bring his motion to the attention of the committee on Railways and Shipping which is sitting at the moment. I would also point out that his motion would involve an amendment to the Railway Act, because the audit procedure followed at the moment comes under the Railway Act. That is why I submit the committee on Railways and Shipping would be the proper medium before which he should bring that motion. I also make that suggestion because of the very great volume of other work which this committee now faces. While reference to the matter does not appear in the report of the Auditor General, in the public accounts, and therefore it can come before us, there is this other committee which will be sitting much less than we are.

Mr. NICHOLSON: I will be very glad to abide by the ruling of the agenda committee. I am sure that I would be out of order in suggesting that the audit matter be discussed in the committee on Railways and Shipping.

The CHAIRMAN: Then the motion will be referred to the agenda committee.

Mr. CASE: And let them finalize it.

Mr. GREEN: Would it be possible for us to see the railway committee room?

The CHAIRMAN: We will surely try to get a larger room so that each member will be able to have a place at the table.

Mr. FRASER: Then I take it, Mr. Chairman, that the agenda committee will not decide on any procedure until after Mr. Sellar has been before the committee?

The CHAIRMAN: No, that is the proposal already agreed to. All I can say at the moment, gentlemen, is that it will most probably be that; but if we are to have order we have to abide by what we have decided to refer to our committee on agenda.

Gentlemen, if it is agreeable to you, the committee on agenda and procedure will meet shortly. I will send notices to the members and probably we will commence our meetings on Thursday morning, but I want to consult with Mr. Sellar before fixing a date. So, if you agree, the committee stands adjourned to the call of the Chair.

The committee adjourned sine die.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

March 31, 1949.

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

The CHAIRMAN: Gentlemen, we have a quorum.

I wish to report first on the work of the committee on agenda.

The subcommittee on agenda and procedure met on Tuesday, March 29th, and has agreed to recommend:

1. That the next meeting of the committee be held at 11.00 o'clock a.m., on Thursday, March 31st, and that the Auditor General, Mr. Watson Sellar, be requested to prepare and present at that meeting a statement in respect of certain matters which he considers important. It is also recommended that the business of the meeting be confined to the presentation of this statement and questioning of Mr. Sellar on it.

2. That the next meeting of the subcommittee to consider agenda be held as soon as practicable after Mr. Sellar has been heard.

3. That each member of the committee be furnished with a copy of any brief or statement prepared for the committee's information.

Now, we discussed at the same meeting of the committee on agenda the question of Mr. Nicholson's motion:

That this committee proceed with an examination of the procedure of auditing the accounts of the Canadian National Railways with accountants other than the Auditor General.

We came to the conclusion that this should be ruled out of order on the ground that it deals with a matter which is beyond the scope of the committee's order of reference. It is suggested that such a motion might properly be made in the Sessional Committee on Railways and Shipping, owned and operated by the government.

I met Mr. Nicholson personally and suggested that as he was a member of the other committee that he might bring the matter to their attention. This he declined to do considering that this committee was the place where it should be brought up. I have reserved final decision on the matter and will consult further with the authorities in the persons of the law officers of the Crown, and the Clerk of the House if necessary. But at the present time I might say this with reference to his motion, that it appears to be outside our jurisdiction for two reasons particularly; first of all, there is the Committee on Railways and Shipping owned and operated by the government sitting at the moment and while that committee is sitting, members of the House are not allowed to raise any matter pertaining to that committee as long as it is sitting, or until in fact its report has been brought down in the House. We as a committee are a creature of the House and we are in the same position as members when it comes to dealing with a matter of this kind.

Mr. PROBE: Might I digress there for a minute; is that true only so long as that committee is discussing the matter in question?

The CHAIRMAN: So long as it continues in operation. On that point I would refer you to Beauchesne, volume 2, paragraph 602 on page 181 where it says:

Committees are regarded as portions of the House and are limited in their enquiries by the extent of the authority given to them, but governed for the most part in their proceedings by the same rules which prevail in the House. B.464.

Then paragraph 665, page 195 reads:

Until the report and evidence have been laid upon the table, it is irregular to refer to them in debate, or to put questions in reference to the proceedings of the committee. M.440.

After that committee has made its report I do not see why it should not be brought up here providing it comes within our terms of reference. But the second reason why we think it is out of order is because Mr. Nicholson has relied on item 8 of Mr. Sellar's report to show that it is within our authority. Now, the comment of the Auditor General contained in item 8 of his report refers to certain advances made from the consolidated revenue fund by the Minister of Finance to the Canadian National Railways. The Auditor General suggests that the provisions of the Canadian National Railways Financing and Guarantee Act 1948, under which these advances were purported to have been made, are not retroactive and that, therefore, a portion of the advances authorized by Order in Council P.C. 805 of February 26, 1948, are irregular.

It is submitted that the Auditor General's remarks are a comment on funds disbursed by the Department of Finance and have no bearing on the method of audit of the accounts of the Canadian National Railways; and that, on this ground also the motion should be ruled out of order.

So, as I said, we will let the matter stand in abeyance for the present and in the meantime I will consult the law officers of the Crown and, if necessary, the Clerk of the House; but at the moment I do not think it comes within our terms of reference.

Mr. BURTON: Then we can leave the matter in abeyance for the present.

The CHAIRMAN: Yes, and I will bring a further report to the committee at a later stage.

Now, gentlemen, we have Mr. Sellar with us this morning and I suggest that we permit him to carry on in the customary way, to present his brief without interruption; then we will go back over it item by item for a full and complete discussion.

Watson Sellar, Auditor General, Called:

Mr. SELLAR: Mr. Chairman and gentlemen, the instructions I got were to bring with me a memorandum on such items as I consider to be important, and that allowed me some discretion in the selection of material. What I regard as being important are those transactions which might be regarded as the accounting control of the House of Commons over public funds; therefore, what I am submitting to you this morning pertains to that phase of the audit which was the big phase of the last year. I have prepared a memorandum and if you will permit me to I will just read it to you.

Mr. SELLAR:

1. The accounts of the government of Canada are competently maintained. Paragraph 2 of the audit report draws attention to the volume and diversity of transactions and throughout the report notice is directed to various administrative practices and procedures. The reason is that I am of the opinion that a gap would be filled were some rulings or directions given by the Public Accounts Committee to the end that the influence of parliament goes beyond the grant of money or the right to levy taxes. Paragraphs 7, 9, 11, 15, 27, 70, 74 and 78 touch on questions of administration which also have elements of interest to the legislative side. In this submission I propose adding explanations to the texts of paragraphs 3, 4, 30-35, 91 and 94, because the interest is

less with respect to present or past policy than with future application. The listing of paragraphs is not exhaustive; moreover, in some instances like problems are present in more than one paragraph. An illustration is the point in paragraphs 62 and 91. In both, the question really is whether a strict legal interpretation should be applied to problems which are really of accounting and financial nature. Many years ago the British Public Accounts Committee relieved the law officers of full responsibility for application where the point of law was, in fact, incidental to questions relating to accounting and financial practices. In such circumstances, the committee made the lords of the treasury primarily answerable to parliament. In Canada, we still burden the Deputy Minister of Justice with all such problems.

2. *Utilization of Votes:* In paragraphs 30-35 it is noted that while annual appropriations for 1947-48 approximated \$1,350 millions, about \$245 millions lapsed unused. Many lapsings stem from decisions to postpone works because of scarcity of labour and materials. However, the submission of supplementaries on March 19—less than a fortnight before the year ended—permits tests to be made of the accuracy of departmental estimating of requirements. The supplementaries included 83 items having the words "further amount required." These amounted to about \$30,700,000. Of this amount, \$10,670,000 was not used. In fact, 23 votes, involving \$7,400,000, were not used at all; in 56 votes, totalling about \$17,000,000, there were lapsings of \$3,270,000, and in only four, totalling over \$6,300,000, was the full amount spent.

A characteristic of the Canadian system of presenting estimates is to divide services into a multiplicity of items. If the various subheads for public works' projects and for steamship subventions are rated as the equivalent of items, the House considered over 1,300 in 1947-48. What this means may be illustrated by glancing at the votes for the Department of Transport, which is a big department with varied, yet interlocking, activities. In 1947-48 that department had 72 votes and 7 statutory primary accounts. In 8 instances there was no departmental administrative responsibility—the C.N.R. deficit is an example. Eliminating these, 71 accounts record application given to grants which approximated \$51,400,000. The expenditures were about \$43,800,000, with 58 accounts reflecting 20 per cent of the outlays. In other words, 80 per cent of the expenditures were conveniently controlled by 13 votes, while the remainder required 58 votes.

Three years ago the United Kingdom Public Accounts Committee reported that:

The comptroller and auditor General stated that the detailed form of the statements of new works appearing in the pre-war estimates and appropriation accounts was designed many years ago when it was thought desirable to secure parliamentary control over capital expenditure in great detail. He thought that the effect had been under modern conditions that the estimates and accounts became loaded with voluminous particulars of works of no especial magnitude or importance and rather bewildering to parliament.

Your committee are in agreement with the view expressed by the comptroller and Auditor General in evidence that a reversion to the very detailed form of the pre-war statements of works services is to be deprecated and that some new standard should be adopted. They think that the adoption of a higher limit than before the war for the display of individual works should secure greater prominence for the most important works undertaken and give parliament all that is necessary for controlling capital expenditure. As regards the appropriation accounts they feel that some further simplification might be considered with a view to including details of the important works only in cases where there was an appreciable variation from the estimates.

That committee has since approved of various consolidations. Appendix "A" reproduces paragraphs of the committee's reports on the subject in the last three years.

I feel that, pending a complete overhauling of the system, it might be suggested that (a) various vote items be consolidated, and (b) the actual expenditures in the last completed year be placed opposite each item, rather than the previous year's estimate.

3. *Financial supervision of the Governor in Council:*

Parliament controls over-all expenditures by the text of votes. It seeks to preserve control, after appropriation, by stipulating in various statutes that payments be subject to the approval of the Governor in Council. As the grant is to the Crown, at first glance it seems inconsistent to consider the Governor in Council as a parliamentary check against abuses, but the true intent, I think, is aptly stated in a leading case of Australia:

The theory that the Crown chooses its ministers is over-shadowed by the constitutional rule that it chooses only such as possess the confidence of parliament; and the theory that ministers execute the royal will accommodates itself to the fact that the royal will is to do what parliament desires.

I sometimes wonder if the volume of routine now loaded on the Governor in Council is not blurring the aim of various statutory directions. For that reason, notice of the existing burden is taken in paragraph 4. To illustrate the situation, a tabulation is now offered of 266 financial orders in council issued between January 21 and February 1, 1949, and which were required by various statutes. That period is used because (a) it contains ten working days, and (b) parliament convened in the period, so a presumption is that the cabinet had also many problems of public policy to consider. The classification is:

- 49 authorized works contracts involving \$5,000 or over;
- 41 Granted superannuation or pensions to civil servants, service forces members, etc.;
- 35 authorized purchases of supplies by Canadian Commercial Corporation for National Defence;
- 30 approved recommendations of the Civil Service Commission respecting departmental establishments;
- 21 approved recommendations of the Civil Service Commission respecting rates of pay to civil service classes;
- 18 approved enfranchising individual Indians and use of Indian band funds, etc.;
- 14 dealt with statutory regulating powers;
- 14 authorized leases or sales of Crown property;
- 12 made appointments to offices—judges, senators, etc.;
- 9 approved tax or duty remissions recommended by the Treasury Board;
- 6 approved proposed agreements with other governments;
- 6 dealt with the sale of treasury bills, etc.;
- 6 made appointments to positions exempted from the Civil Service Act;
- 2 approved cold storage subsidy agreements;
- 2 authorized establishing house-to-house mail deliveries in two towns;
- 1 dismissed a civil servant sentenced to gaol for theft.

At confederation a public work involving \$5,000 may have been one of some importance. Labour and materials' costs do not now permit much to be done for \$5,000, yet section 36 of the Public Works Act requires any contract of \$5,000 or over to be authorized by the Governor in Council. There was a principle involved when grant of superannuation or pension involved an immediate decision of policy; now civil servants, etc., contribute throughout their years of employment, and age limits, etc., are regulated by legislation. The grant of pension is, in fact, a routine act. Likewise it seems unreasonable

to require the cabinet to validate a decision of the Civil Service Commission to amend the establishment in branch x, of division y, of department z by substituting a position of one classification for that of another. The making of regulations, on the other hand, is certainly within the field of the Governor in Council, as are appointments to offices, the ratifying of terms of agreements with other governments, etc. It is not necessary to go over the whole list. It is proffered simply to suggest that in the revision of the statutes it may be in the interests of parliament to have existing directions to the Governor in Council reconsidered.

4. *Foreign Exchange Control Act*: The statute provides that "under the control and direction" of the Minister of Finance, a board shall operate and manage the Exchange Fund Account, which is, by the Act, a "special account in the name of the Minister of Finance." The board consists of the Governor of the Bank of Canada and five senior civil servants. The Bank of Canada serves the board without remuneration. Authorized dealers are, by section 17, remunerated for their services out of the exchange fund account. Any other costs of administering the Act are, by section 13, to be paid out of moneys provided by parliament. Section 5 declares that the then existing exchange fund account "is continued."

The fiscal year of the board is the calendar year. It commenced operations on January 1, 1947, with a net deficit in the exchange account of \$28,807,124.67, representing the net outstanding loss arising out of the return to par of the Canadian dollar in relation to the U.S. dollar. Replying on section 7(1) of the Act, which reads:

The minister may make advances to the exchange fund account out of unappropriated moneys in the consolidated revenue fund on such terms and conditions as the Governor in Council may prescribe.

the Governor in Council approved, in January, 1947, advances of \$1,275,000,000 at an interest rate of $\frac{5}{8}$ ths per centum per annum. On December 31, 1947, after payment of interest charges of \$5,100,000, the board had net earnings of over \$10,800,000. Before certifying the annual statement, I suggested to the chairman that he secure an opinion from the Deputy Minister of Justice whose reply sets out the points I raised. It reads:

At the suggestion of the Auditor General, you have referred to me for an expression of opinion two questions relating to the operation of the exchange fund account. The first of these is as follows:

(1) Is the interest charge for advances by the consolidated revenue fund to the exchange fund account a proper charge?

Section 7 of the Foreign Exchange Control Act authorizes the minister to make "advances" to the exchange fund account out of unappropriated monies "on such terms and conditions as the Governor in Council may prescribe." One of the terms and conditions prescribed is that amounts advanced in the exchange fund account "shall bear interest at the rate of $\frac{5}{8}$ ths per centum per annum". Mr. Sellar points out quite accurately that ordinarily a relationship of creditor and debtor is a condition precedent to the creation of an interests liability. It is quite true that the minister in his capacity as Receiver General cannot, strictly speaking, stand in the relationship of creditor towards himself in his capacity as minister having control and direction of the exchange fund account. Nevertheless, parliament has by section 7 authorized the minister to "make advances to the exchange fund account," thus establishing a statutory fiction that the relationship of debtor and creditor does exist. The employment of the word "advances" effects this result; otherwise, section 7 must be regarded as a nullity.

This being the situation, it appears to me quite proper and in order for the Governor in Council to prescribe such terms and conditions in relation to the "advances" as if genuine advances or loans were in contemplation and one of these terms or conditions would naturally be a provision for the payment of interest. I would answer the question, therefore, in the affirmative.

The second question submitted is:

(2) Has the account monies in hand which are required to be surrendered in accordance with the provisions of section 8 of the Act?

According to my information, the operations of the Foreign Exchange Control Board from the date when it commenced operations on January 1, 1947, to the end of the calendar year resulted in earnings or interest being realized which, after deducting amounts paid pursuant to section 17, amounted to \$10,817,631.27.

The question is whether, in view of section 8, this amount should be turned over to the consolidated revenue fund, notwithstanding that losses in excess of this amount were sustained by the fund prior to the commencement of operations just mentioned. The question in my opinion should be answered in the affirmative. Section 8 does not appear to me to be open to any other construction.

The Auditor General further asks whether the "interest" payments above-mentioned are to be out of moneys provided by parliament for costs of administration. I am of opinion that the charges in respect of "interest" are not "costs" since there is no actual disbursement and must be charged to or against the fund itself.

With all proper respect for opinions of the law officers, this seems to me, as an auditor, unnecessarily to 'strain at a gnat'. It is unnecessary to superimpose interest charges to make certain that all net earnings are annually surrendered, because section 8 of the Act directs an annual surrender to consolidated revenue fund of

the amount of the earnings or interest from gold, currencies, deposits, securities and other investments or dealings therein or therewith credited to the exchange fund account.

5. *Receiver General Balances*: The opinion (above quoted) of the Deputy Minister of Justice indicates that current earnings in the exchange fund account may not be applied to liquidate a \$28,807,124.67 deficit existing in the account on December 31, 1946. Thus, consolidated revenue fund is short that amount. As no action was taken last session to recoup consolidated revenue fund, the situation is noted in paragraph 91.

Paragraph 94 draws attention to certain trading transactions affecting the securities investment account, where a somewhat similar problem is present. From time to time the Receiver General has large bank balances. An order in council made in 1941 has as its purpose that of regulating temporary investments by him. It directs the Receiver General: (a) to trade only in securities of Canada; (b) to credit interest earnings to revenue, (c) to retain profits in the account, and (d) to charge any trading losses to war appropriation. An authority relied on to make the order is the Loan Act, 1940, of which the material part of section 2 is:

2. The Governor in Council may . . . raise by way of loan . . . seven hundred and fifty million dollars, for paying or redeeming the whole or any portion of loans or obligations of Canada, and also for purchasing from time to time unmatured securities of Canada to be withdrawn from circulation or resold, and for public works and general purposes.

In 1942-43 there was like legislation for \$750 millions and in 1944 for one billion dollars. No proceeds of any loan have been specifically set aside for operations of the securities investment account. With respect to operations in the 1948 financial year, the Deputy Minister of Finance states in his introduction to the public accounts:

. . . As shown in the above table the net reduction in the government's outstanding funded debt during the year was \$582 millions. In addition, however, an amount of \$410 millions in government of Canada bonds was purchased from the public and transferred to securities investment account. These latter securities may be held as temporary investments of surplus cash balances, or until the securities mature or are cancelled, but their purchase for purposes of this account has the same economic effect as the retirement of debt. (p. xiv)

The cost of securities held in the trading account on March 31, 1948, is recorded as \$686,820,000, with a par value of \$660,364,000. Since trading operations commenced under sanction of the Order in Council, over \$32,400,000 has been paid, by way of interest earnings, to revenue. As of March 31, 1948, a profit balance of over \$10 millions on completed transactions was recorded.

The direction of the Governor in Council "that any net profit shall remain to the credit of the investment account until the Minister of Finance otherwise directs," I feel, clashes with terms of the Consolidated Revenue and Audit Act, 1931, which includes this definition:

"public moneys", "public revenue", or "revenue" means and includes and applies to all revenue of the Dominion of Canada, and all branches thereof, including any fees required to be paid under any rule or standing order of the Senate or House of Commons, and moneys received through the sale or pledge of securities and moneys borrowed, and all moneys, whether arising from duties of customs, excise or other duties, or from taxes, or from post office, or from tolls for the use of any canal, railway or other public work, or from fines, penalties or forfeitures or from any rents or dues, or from any other source whatsoever, whether such moneys belong to Canada for or are collected by officers of Canada for or on account of special purposes or in trust for any person or for any province forming part of Canada, or for the government of Great Britain, or otherwise;

The \$10 million profits are real monetary gains and the phrase "from any other source whatsoever" is all-embracing. For such reasons I think the profits should be credited to revenue. If that view is the proper one, the situation is that unless securities, now held, of a par value of \$660 millions, are resold before maturity at prices which produce \$686 millions, there will be an unauthorized expenditure of \$26 millions, despite the large earnings by way of interest and resales.

In view of the large sums which the Receiver General has on hand from time to time, it is obviously desirable that he be in position to employ idle balances; but a practice of purchasing above face value introduces an element of risk, unless it be permissive to offset by using earnings and profits on other transactions. Appendix "B" outlines a securities' trading transaction (where a loss resulted) which was reviewed by the British Public Accounts Committee many years ago.

6. *The National Capital Area:* It is anticipated that large expenditures will be made, from time to time, in developing the national capital area. For that reason, paragraph 3 draws attention to the legislation now regulating the Federal District Commission. A question of public policy seems to be whether an effort should be made to recover a portion of the cost. For example, assume that the decision is to create a parkway along a river. Should adjacent property holders, whose lands materially increase in value as a result, pocket the capital

gain, or should the policy be to acquire more land than is needed for the project with the intent to resell after the work has enhanced values? If the project were an ordinary municipal one, financed on the credit of the municipality, no objection need be taken to owners profiting thereby, but when the scheme is national in perspective and financed by the country as a whole, it seems reasonable that as much of the cost be recovered as may be practicable. But such a policy would put the Federal District Commission into the real estate business and present the question of the means which might be employed to acquire property to be held for resale. In such decisions as *City of Sydney v. Campbell* [1925] A.C. 338 and *Boland v. C.N.R.* [1927] A.C. 198, the trend of thought does not appear to support use, by a statutory body, of the Expropriation Act, in its present form, whenever the real objective is to acquire land in order that it may be resold at enhanced values after improvements have been made in the area.

The joint resolution of 1948, which approved, in principle, developing a national capital area, stated:

That it is desirable that the work necessary to this end be under the supervision of the Federal District Commission, distinct from its ordinary operations.

and Vote 809 of the 1948-49 appropriations reads:

To authorize the establishment of a special account in the consolidated revenue fund, to be known as the national capital fund, consisting of such amounts as may be appropriated by parliament for the purpose out of which the Minister of Finance may from time to time, on the recommendation of the president of His Majesty's Privy Council for Canada, pay to the Federal District Commission amounts to be expended by the Federal District Commission with the approval of the Governor in Council for the construction, operation and maintenance of works or projects within the national capital district in keeping with an approved general plan for the improvement and development of the national capital and not in the nature of ordinary municipal improvements—amount required for the fund, to be effective July 1, 1948. The figure is \$2,500,000.

While there is no doubt as to the intent that the Federal District Commission act as an agent or servant, it may be that, in the event of litigation, the courts would ignore the text of the joint resolution and look only at the vote and the Federal District Commission Act. Neither of these clearly indicates a power to carry on major commercial enterprises for profit. It is for such reasons that I feel it would be prudent to control the financial application of national capital area projects by more precise legislation than is now on the statutes' books.

The CHAIRMAN: What about the appendices, gentlemen? Would it be in order to have them read at this time? You may go on, Mr. Sellar.

APPENDIX "A"

(Referred to under heading No. 2, page 2.)

The WITNESS:

*Extract from the Fourth Report from the
Committee of Public Accounts, 1945-46:*

4. Before the war Estimates for Works Services recorded in detail new works costing over £2,000 (Civil Estimates) or £2,500 (Defence Estimates) and, in a bulk figure, those costing less than these amounts but over £500. New works costing £500 or under were included in Estimates under the Maintenance and Repairs heading. Expenditure on these Works Services was recorded in the Appropriation Accounts broadly in the same detail as in the Estimates. During the war no details of individual works items have appeared in the Estimates or Appropriation Accounts of the Defence or Supply Departments.

Following the decision not to ask Parliament for Votes of Credit in 1946-47 and to present ordinary Estimates for that year, the Treasury reviewed the form of estimates for works services. Considerable difficulties presented themselves in estimating and accounting under separate items for the smaller items of New Works, and in forecasting the details of individual items forming part of approved programmes. The Treasury consequently proposed that in both Civil and Defence Estimates for 1946-47, only works costing £10,000 or over should be recorded in detail, items costing less than £10,000 being shown in bulk as New Works if costing £1,000 or over, or included in the total for maintenance and repairs if under £1,000. These proposals were referred to Your Committee in October, 1945, and they did not feel that their work would be hampered by the changes. When the Estimates for the Defence Services (and the Ministry of Supply) came to be prepared, further difficulties arose. It proved impossible in the time available to make a final selection, for inclusion in the 1946-47 Estimates, from the many works of rehabilitation necessary, or to prepare proper estimates of total cost, or to arrive at decisions on security aspects. The Estimates of the Defence Departments and the Ministry of Supply for 1946-47, as published, therefore, omit all details of individual new works, but a statement giving details will be presented to Parliament later. Your Committee and the Select Committee on Estimates, which was set up on 5th March, 1946, will be further consulted before this statement is presented.

5. The Comptroller and Auditor General stated that the detailed form of the Statements of New Works appearing in the pre-war Estimates and Appropriation Accounts was designed many years ago when it was thought desirable to secure Parliamentary control over capital expenditure in great detail. He thought that the effect had been under modern conditions that the Estimates and Accounts became loaded with voluminous particulars of works of no especial magnitude or importance and rather bewildering to Parliament.

Your Committee are in agreement with the view expressed by the Comptroller and Auditor General in evidence that a reversion to the very detailed form of the pre-war statements of works services is to be deprecated and that some new standard should be adopted. They think that the adoption of a higher limit than before the war for the display of individual works should secure greater prominence for the most important works undertaken and give Parliament all that is necessary for controlling capital expenditure. As regards the Appropriation Accounts they feel that some further simplification might be considered with a view to including details of the important works only in cases where there was an appreciable variation from the Estimates.

Extract from the Third Report from the Committee of Public Accounts, 1946-47:

10. The Public Accounts Committee of 1945-46 were consulted about the form of estimates for works services proposed by the Treasury as a result of the decision not to ask Parliament for Votes of Credit in 1946-47. In paragraph 5 of the Fourth Report they agreed that the reversion to the very detailed form of the pre-war statements of works services was to be deprecated. They thought that the adoption of a higher limit than before the war for the display of individual works would secure greater prominence for the important works undertaken and would give Parliament all that was necessary for controlling capital expenditure. The Treasury welcomed this suggestion.

11. The Treasury suggested to your Committee and to the Select Committee on Estimates that, for reasons of security and the difficulty of getting out normal estimates for works services, the services of the Defence Departments and the Ministry of Supply should no longer be set out in detail, but grouped under broad headings. These proposals were accepted for the years 1946-47 and 1947-48, continuance on this basis to be subject to further review. The Treasury, in making these proposals, had suggested that further information beyond that published could be made available in evidence and Your Committee accordingly asked them to consult with the Comptroller and Auditor General on the point. Your Committee understand that, as a result of this consultation, arrangements will be made to furnish the Public Accounts Committee next year with a list of the estimates for, and expenditure on, new works services of £100,000, or more, related to the 1946-47 Accounts. A similar course will be adopted, where appropriate and necessary, to supplement the published information on works services in other Civil Department Votes. Your Committee recommend that the proposed arrangements be accepted and reviewed by the Public Accounts Committee next year.

Extract from the Second Report from the Committee of Public Accounts, 1947-48:

1. The Appropriation Accounts for 1946-47 were the first to be presented since the ending of the wartime Votes of Credit. Like the Estimates, the Accounts were prepared as far as possible on the same lines as before the war, but they did not always include the same detailed information, mainly because of manpower difficulties and the uncertainties of the immediate post-war period.

2. The Public Accounts Committee of 1946-47 agreed, in paragraph 11 of their Third Report, to the abridgement of the New Works Statements in the Accounts for 1946-47 and 1947-48, on the understanding that the Departments concerned would furnish statements of the estimates for, and expenditure on, new works services of £100,000 or more. Your Committee were duly furnished with these statements. They found them sufficient for their purposes and recommend that these arrangements be continued in future years.

3. Further suggestions were made in evidence for simplifying the Accounts, e.g., by raising the minimum of individual losses requiring notation in the Accounts, the omission of statements of extra remuneration and of some appended accounts, etc. Your Committee recommend that the Treasury should review these suggestions in conjunction with the Comptroller and Auditor General and the Departments concerned.

Appendix "B" (Referred to under heading No. 5, page 6.)

The Public Buildings Expenses Act, 1898, provided that:

1. (1) The Treasury shall issue out of the Consolidated Fund or the growing produce thereof such sums, not exceeding in the whole two million five hundred and fifty thousand pounds, as may be required by the Com-

missioners of Works for defraying the costs of the purchases, buildings and works specified in the schedule to this Act, whether incurred before or after the passing of this Act.

(2) Any sum so issued may, so far as not immediately required, be invested in such manner as the Treasury direct, and any interest thereon shall be applied for the purposes of this Act.

The Fourth Report, 1903, from the Public Accounts Committee includes the following:

3. Your Committee think it right to call attention to the serious loss which has resulted from the investment by the National Debt Commissioners of the funds issued to them for temporary investment, under the Public Buildings Expenses Act, 1898 . . .

Your Committee would point out that Consols, being liable to fluctuations, are more suitable for permanent than temporary investment, and would invite the Treasury to consider whether in similar cases hereafter such investments should not be made in Treasury Bills or in some other securities in which the capital sum would not be liable to diminution.

The resulting Treasury Minute, dated December 24, 1903, reads:

The Committee draw attention to the loss which has occurred from the investment mainly in Consols of the sum of £2,360,000 which was issued to the National Debt Commissioners under this Act. The Consols were purchased for the most part at the high prices which obtained in 1898 and a part of the year 1899. The subsequent sales of Consols which have been effected from time to time, as money was required for the purposes of the Act, have necessarily been made at a much lower range of prices. Since the date of the Committee's report, parliament has made provision for meeting this loss, an issue having been authorized by the Public Buildings Expenses Act, 1903, of £80,000 being the estimated amount of the net loss from depreciation of securities after allowing for the gain to the Fund from interest on its investments.

My Lords take note of the Committee's view that Consols, owing to their liability to fluctuation, are more suitable for permanent than for temporary investments, and that in the investment of a fund such as the one now in question, Treasury Bills should be preferred, or other securities in which the capital of the fund would not be liable to diminution. My Lords readily agree that, when a definite sum of money has been allocated by Parliament for investment for a particular purpose, every care should be taken that the mode of investment shall be such as to give the utmost possible certainty of the money in its entirety being available as and when required. They desire, however, to point out that up to the time at which the investments for the Public Buildings Act Expenses Fund were made, and for many years before, Consols were regarded as an eminently satisfactory security for this purpose. Consols were preferred for such investments precisely on the ground that they could be bought or sold, in any quantity, and at any time, with a minimum risk of variation in the price. The fluctuations which have marked the price of Consols in recent years had not begun to show themselves in the spring of 1899, nor was it possible then to foresee the rapid fall which was in fact impending.

It has also to be observed that, under present circumstances, if the investment of a similar fund had to be considered, there would be no difficulty in complying with the view of the Committee that short term securities like Treasury Bills should be chosen. There is now a large amount of Government securities of that class in existence, but the great bulk of them have been created since the period at which the buildings fund was invested. At that time there were no securities of the kind except Treasury Bills, and the quantity of those bills had been reduced to the

lowest limit which was deemed compatible with their retention as an effective means of raising money for the Exchequer. There would have been some risk of defeating this object if the Government had taken out of the hands of the public for a series of years a considerable proportion of the limited issue of those bills.

Appendix "A". Extract from the fourth report from the Committee of Public Accounts, 1945-46.

By Mr. Fleming:

Q. This refers to the United Kingdom?—A. It is all the United Kingdom; both the appendices are for the United Kingdom, Public Accounts Committee. I could summarize them both for you if you like. The general conclusion that they reached in the Public Accounts Committee in England was: That they would not put in an individual vote for any work project for less than £100,000. That is the minimum figure they are taking for their works project. The rest are to be consolidated into votes. They have tried that method for over two years, and the Public Accounts Committee found it to work quite satisfactorily. Appendix "B" deals with the loss of money by investing it.

By Mr. Bradette:

Q. That refers to the United Kingdom as well?—A. Yes, Mr. Bradette, the United Kingdom.

By Mr. Isnor:

Q. Would the vote be broken down in the Auditor General's report?—A. Yes, sir. They break it down in some detail in their vote, but they do not vote subheads.

By Mr. Cleaver:

Q. It is one single vote, notwithstanding the subheads?—A. Yes, sir.

By Mr. Isnor:

Q. You mean in discussions it is considered as £100,000 vote. There is no discussion in regard to the items?

The CHAIRMAN: I am sorry to interrupt you, Mr. Isnor, but before we began with Mr. Sellar today, we established a rule that we would not ask any important questions until we came to the end of his reading of the summary. After that members may ask questions starting with number one.

Mr. ISNOR: Well, Mr. Chairman, I was here at the opening of the meeting.

The CHAIRMAN: I am sorry.

Mr. ISNOR: I understood that Mr. Sellar had already completed his statement.

The CHAIRMAN: No, Mr. Isnor. I think it would be more satisfactory, if you do not mind, to carry on until the completion of Mr. Sellar's comments.

The WITNESS: I would like to answer that question afterwards. The second point had regard to losing money by investing it. In 1898 they passed a blanket Act, authorizing the Commissioner of Works to construct a series of public buildings over a number of years. And for that purpose they appropriated £2,550,000. That money was turned over to the national debt commissioner to invest until the money was actually needed. The money was invested in consols. Consols were selling at a high price, but the South African war came along and the price of consols broke badly. As a result, £80,000 were lost,

when they sold out. In that case the Public Accounts Committee dealt with the matter and criticized the investment in a security which was liable to fluctuate. The committee said they should have invested the money in treasury bills. However, a new appropriation was obtained from parliament to make good the deficit.

By Mr. Bradette:

Q. Those were British consols?—A. Yes. Now, the question has been raised over this £100,000 which they used in England.

The CHAIRMAN: Excuse me, Mr. Sellar. Up to now I have insisted on following a certain order. So I think we should refer to article No. 1.

Mr. FLEMING: Might I ask about the printing in the proceedings of these two appendices, Mr. Chairman? I suggest that they be printed.

The CHAIRMAN: Yes, Mr. Fleming. The whole memorandum and appendices will be printed in our records. Are there any questions with respect to item 1, on page 1?

By Mr. Fleming:

Q. I wonder if Mr. Sellar would enlarge on the practice which obtained in Britain as outlined in the third sentence from the end of paragraph 1, reading as follows: "Many years ago the British Public Accounts Committee relieved the law officers of full responsibility for application where the point of law was, in fact, incidental to questions relating to accounting and financial practices."—

A. Their practice over there was as follows: They made a rule first that the opinions of law officers should never be published. Those opinions are treated as departmental information. If I should ask for an opinion of a law officer in England I would not get it because he is not permitted to give it. That is number one.

The second point is: They found that the law officers were being asked to give opinions based on a statement of a particular set of facts. In other words, the law officers might not have the full story before them on which they would give an opinion. Then the department might twist that opinion to apply to other sets of facts, and it was found to be generally objectionable. Therefore, they made a rule that before any department applied for a legal opinion on any financial or accounting matter that department must first submit its request to the Treasury in order to make sure that the text was all-embracing so that the law officers would have a complete statement of the facts and points involved before them.

Secondly after the law officers gave an opinion it was ruled that the Treasury must then review that opinion, and if it was decided that financial or accounting problems were of the essence of the matter, then Treasury had the power to take the responsibility of making directions as to how that opinion was to be applied. The Public Accounts Committee approved that practice as early as the 1890's and they have been following that practice ever since.

Q. Does the practice vary in that respect in Canada? Would you recommend a change in our practice?

The CHAIRMAN: Would you be good enough to speak a little louder, please?

Mr. FLEMING: I am sorry, Mr. Chairman.

By Mr. Fleming:

O. My question was: What is the practice in the same regard in Canada, and in what respect, if any, does Mr. Sellar recommend that the practice be changed?—A. The practice in Canada is that the deputy minister of any department enjoys the full right to write to the Deputy Minister of Justice

and state a set of facts to him and ask for guidance as to what he should do. The Deputy Minister of Justice, in theory, has to deal with that communication. It is true that he may go behind the scenes and enquire from other sources as to what might be involved, but he gives his opinion based on that particular state of facts. We have followed the practice of quoting him, and of saying that he is responsible for a practice being carried on in a certain way. I do not think it is fair to the Deputy Minister of Justice. I think that the department is in question, the department seeking the opinion, is the one to take the full responsibility and that it should not be able to pass anything off on to the Deputy Minister of Justice.

My thought is, that whenever a matter arises dealing with financial practice or accounting practice, the Deputy Minister of Justice, when he receives a communication of that nature, should ask the Minister of Finance if the minister has any supplementary data which he would like him to take into consideration before giving an opinion.

By Mr. Sinclair:

Q. Do you say, Mr. Sellar, that under British practice, these matters are treated as privileged and confidential?—A. Yes.

Q. But you say that our practice here in Canada is not to treat them that way?—A. No.

Mr. ISNOR: Mr. Chairman, I have a question in respect to the last paragraph on page 1.

The CHAIRMAN: I am awfully sorry, Mr. Isnor, but we are still on item No. 1.

By Mr. Sinclair:

Q. Mr. Sellar, I take it that these communications and opinions of the Department of Justice addressed to other departments, in your opinion, should be privileged for the use and benefit of the officers who receive them, and not be regarded as legal opinion so far as other cases which might arise. Is that your point?—A. I would not like to go quite that far, Mr. Sinclair. You see, we are not lawyers. The Department of Justice may have a set of facts placed before it. They give an opinion of that set of facts. Then we may take that opinion and use it in connection with another set of facts, in the belief that they are similar. But, in fact, the facts may be entirely different. Therefore, I say that we should not follow the practice of asking the Deputy Minister of Justice: may we or may we not do this?

By Mr. Croll:

Q. That is not the deputy minister's difficulty, but rather it is your difficulty, Mr. Sellar, in using facts as a precedent and applying that precedent where it should not be applied. A. That can happen, sir. I do not go to the Deputy Minister of Justice at all. I rather take the view that, as a parliamentary officer, I cannot be bound by the opinion of an administrative officer.

Q. May not the decision given by a department to another department be challenged in the courts? And who is going to challenge any act taken by your department, Mr. Sellar, in the courts?—A. I have no power to reject payment.

By Mr. Cleaver:

Q. Is your problem not this, Mr. Sellar, that occasionally parties may cite a ruling or a legal opinion of the Department of Justice in connection with a case to which you do not think that ruling or opinion should apply, on the facts? A. Yes, Mr. Cleaver, and I think the Department of Justice

is not the best place to decide a question which involves financial or accounting matters. In my first paragraph I referred to paragraph 62 of my report. Briefly, the facts are as follows: Judges' Act provides for pensions to be paid to judges at the rate of two-thirds of their salary. It also provides that if retired judges take positions in the public service, while on pension, then their pension should be reduced. The Wartime Prices and Trade Board used some retired judges, chiefly in connection with rental boards, and they paid them \$15 a day for their services plus an allowance for expenses. The question was put to the Deputy Minister of Justice, whether that was salary. The Deputy Minister of Justice ruled that it was salary, but the nature of the payment, the method of compensation on a daily basis made it very difficult for him to reconcile it with the section of the Judges' Act applicable, and he said he could not see how it could be done. But we, on the accounting side, could have seen how it could be done.

Q. I take it that you would not have raised this point at all if an instance had not arisen where you believe that Justice gave an opinion different to what it should have been if all the facts had been properly presented to Justice, or if some department had recited to you an opinion from Justice which you believed was not a correct opinion.—A. I would not put it that way, Mr. Cleaver. I know that the Department of Justice is very careful in its opinions. I think the Department of Justice is being treated unfairly by not being given the full story.

Q. Do I understand your recommendation to be that before any department asks for the opinion of Justice, the Treasury Board should have an opportunity of going over the facts and of making additions or corrections to those facts on which Justice is to give an opinion?—A. I would not say the Treasury Board, sir. That would slow up the procedure. Moreover, the Treasury Board is on the plane of ministers. The Treasury Board is composed of ministers. Actually, you would accomplish the same thing by saying that the Minister of Finance should review it.

By Mr. Croll:

Q. He should review the facts in that decision.—A. He should review the facts that go to the Deputy Minister of Justice.

Q. I did not gather that that would satisfy you, because a moment ago in an answer to a question you said that despite the decision made with respect to a rental judge—you used that as an example—the opinion given by the Deputy Minister of Justice—you could have shown him how the decision might have been otherwise. Are you not giving an interpretation of accounting rather than the legal effect?—A. I am sorry that I did not explain myself properly. What I was getting at was this: if that had to go to the Minister of Finance before, he would possibly say—I am saying "possibly" because he might not—"Here, this is not a point of law at all, this is accounting; you are not going to go to Justice, you will proceed on a certain basis and I will take the responsibility for your going that way."

By Mr. Mutch:

Q. In the case of a decision like that the rental judge who is himself being affected by this would probably contrive to make it a matter of legal interpretation since he would, presumably, suffer from that decision, and you probably would not avoid litigation either in the form of an appeal or actually in the courts if you so interpreted it?—A. I used the case of the judges because I have it in the report. The practical situation is this: it is almost impossible to get men to take those positions and certainly a retired judge has got a better mind for dealing with those situations than a person who is just picked off the

street. They have taken these gentlemen to do the work and I do not think any of them have made any money out of it. I am not criticizing them in any way. I am illustrating that there are solutions that could be worked out fairly with the judges and others.

Q. The fact remains that if they were going to lose money by performing an additional public service, they having reached the age of retirement, the public service would likely be deprived of their services?—A. The alternative is that as it is today they are getting more than they got on those particular days when they were judges.

Q. Let me ask you this question: was it Judge Carroll of Quebec who was acting as lieutenant governor who was refused payment at the time he was acting as lieutenant governor? I assume that was your decision?—A. No.

Q. Under those circumstances he did have recourse to the courts, and whoever made the decision in the government the courts found otherwise. Now, that was a legal interpretation, and your suggestion is that under such circumstances we leave it with the administration officers as in done at this time?—A. No, leave it with the Minister of Finance.

Q. Yes, leave it with the Minister of Finance who makes these decisions.—A. I think we have bogged down our Department of Justice with too many matters that are really outside their field.

Mr. SINCLAIR: Your remarks have special reference to financial matters?

The WITNESS: Purely financial.

Mr. MUTCH: That might explain why the Department of Justice gives us so many completely contrary rulings.

By Mr. Bradette:

Q. I was going to ask this question for information. I see these words in paragraph 1:

An illustration is the point in paragraphs 62 and 91. In both, the question really is whether a strict legal interpretation should be applied to problems which are really of accounting and financial nature.

Sometimes it is awfully hard to divorce things of a financial nature from points of law; we are bound to have some running on parallel lines, and you must rely on law for the application of some of these agencies. What is the reason for that paragraph? You seem to think the Department of Justice should have no jurisdiction over those two departments, or those two individuals?—A. No. Let us take 91. I read the Justice opinion into my text. Now, in that case it was purely an internal accounting matter whether \$5,000,000 should be recorded as revenue, as an account by way of interest, or whether the \$5,000,000 should be shown as part of the profits of operating the Foreign Exchange Control Board. No individual was concerned whatsoever. It was purely a bookkeeping matter within the public accounts.

By Mr. Mutch:

Q: Does not that hinge on the interpretation of (a) the law, or (b) an order in council, and that interpretation must, in the first instance, be a legal interpretation, must it not? Or, in this case an order in council, say, and is it not true that only the law officers of the Crown can indicate what is the intent of legislation, whether it be in the form of a statute or an order in council? A. In this particular case I am willing to agree with the law; but the Department of Justice relies on giving an interpretation of the word "advances" and the word "advances" to an accountant means a very simple thing. We understand that. But to the law officers, apparently, it means something different.

Q. It means something different in each specific case they deal with. I would not quarrel with that.

By Mr. Bradette:

Q. Your point applies to specific cases in your department, not in the general tenor of legal activities in accountancy and financing?—A. I am referring purely to transactions that do not affect materially any individual or the public. Within the framework of administration. That is essentially what I am after; in order that the accounts be kept as simply and as clear as possible.

By Mr. Richard (Ottawa East):

Q. Is not that just what exists in our other departments; there are too many administrative problems being referred to the Department of Justice, and departmental heads are not taking upon themselves sufficient authority to decide their own problems?

By Mr. Cruickshank:

Q. From where I am sitting I have heard some private conversations and some mumbling, and I want Mr. Sellar and the members of the committee to understand that if I cannot hear what is going on I will stay in my own room. I have a question to ask, and it is this: would it be warranted to have a new branch established in the Department of Justice staffed by legal experts and experts in business accounting to advise all departments of the government on all legal and financial problems on government expenditures?—A. Mr. Cruickshank, in reply to your question I do not think we need any new section in the Department of Justice. It is a good department. Do not think I am reflecting on them in what I am saying. All I am interested in is having the public accounts kept simply and clearly so that the members of the House of Commons can readily grasp what is involved. I have referred to paragraph 91 in my reports today and to the fact that when you are looking at the Foreign Exchange Control Board you want to know how much money was made in the year. The report shows \$10,000,000. Actually there was another \$5,000,000 which was charged up as a fiction of interest on loans. Really it was \$15,000,000. It would be desirable to see it all in the one place. That is my reason for introducing this matter. We have a good Department of Justice; and do not think that I am reflecting on it in any way. I do think they are overloaded with questions they should not have to deal with.

Q. Have they sufficient staff? Would you say that the Department of Justice has a sufficient staff?—A. I would not like to answer that question.

The CHAIRMAN: May I suggest that members follow the example set by Mr. Cruickshank and rise when they address the committee. It might help us to hear everybody better. Mr. Richard asked a question a short time ago. Perhaps he would repeat it.

By Mr. Richard (Ottawa East):

Q. I was asking a question of Mr. Sellar as to what is the situation in all departments and whether administrative heads do not take enough upon themselves to answer their own administrative problems, and refer too many matters to the Department of Justice.

Mr. SINCLAIR: I suggest it is an unfair question.

Mr. CRUICKSHANK: May I suggest that Mr. Sinclair stand up.

Mr. SINCLAIR: I suggest that is an unfair question, to ask him to comment on or condemn the other departments.

Mr. RICHARD: The Minister of Finance, then.

By Mr. Cleaver:

Q. Perhaps I could put Mr. Richard's question in a more palatable form to the witness. Mr. Sellar has given the problem to us. I wonder if he would mind putting on the record now just what he would recommend be done to meet the problem?—A. What I will suggest, sir, is this, that this committee do not go definitely on the record recommending anything, because you are going into the administrative side. But I do think this, that you could go as far as to indicate that you think that on the two types of cases I have brought to your notice it might be prudent to have departments follow the practice of submitting to the Minister of Finance their proposed submissions to the Department of Justice in order that the Minister of Finance could make certain that everything is covered thereby.

Q. You have said their proposed submissions?—Yes.

Q. Would you indicate the types of submissions to which you refer?—A. They would just write a letter.

Q. The types of problems?—A. I am talking of purely those of a financial administrative character within the framework of government administration—not affecting private individuals.

Q. That was the indication I wanted.

By Mr. Fleming:

Q. In connection with this matter of getting accounting advice before questions are submitted to the law officers may I ask Mr. Sellar if the Auditor General is ever consulted by any department of the government with reference to problems of that nature which have accounting aspects to them, before the matter goes to Justice?—A. We are consulted every day, sir, mainly to shut us off so that we will not criticize afterwards—get us committed in advance; but they do consult us, and sometimes they follow our advice without going to Justice. Sometimes they go to Justice and Justice produces a very interesting and valuable contribution to the problem; so the relationship with the department is good. The departments are keeping their accounts well and I think on the whole are trying to obey the rules.

Q. You have no objection to being consulted by departments?—A. It happens every hour of the day. My officers are being asked questions and I am being asked questions.

Q. With regard to this matter of trying to bring accounting science to bear on matters which otherwise would be treated as legal problems, it strikes me and I put this forward that the Auditor General is rather a person to go to with problems of this kind than the Minister of Finance? Now, does not that mean that you are burdening the Deputy Minister of Finance with a great many problems—pardon me, I mean the Deputy Minister of Justice. Now, is not the recommendation that the problems having to do with accounting be referred to the Minister of Finance likely to have the same effect on the matter? If these problems are problems that admit of or are likely to be assisted by advice of an accounting nature would not the Minister of Finance be more likely to be able to help?—A. Sir, the answer to that question is this, that all kinds of expenditure accounts are kept by the Comptroller of the Treasury who is an officer of the Minister of Finance; therefore, if a department is going to Justice against a decision of the Comptroller of the Treasury the Minister of Finance by having notice of it can ask the Comptroller what his side of the case is and make sure that there is a full statement so that Justice has all the facts before it. That is the crux of it. Now then, so far as committing myself is concerned, I have a dislike to committing myself in advance. My duty is to report to the House of Commons my opinions each year. If I agree to something that literally ties my hands and the hands of my staff, with the result

that my freedom of action is restricted. Further to that, the Comptroller of the Treasury is the particular one who is consulted in the usual course of events and I do not think that I should try to superimpose my opinion on any department.

Q. No, it is not a question of superimposing at all, it is a question of this matter of consultation. I rather gathered from your remarks that you had given approval to the practice of consultation with your department by other departments who had these problems having financial or accounting aspects to them.—A. Yes. You see, my staff generally are in the departments, they are not all in the Confederation Building, they are working with the accounting sections; they are right in there and available for consultation all the time. When we can't get the explanation we want right away we don't write to someone, we go to them and ask them to produce their records and then we ask them; why did you do that? The point I was trying to make clear there, sir, is this; that when a matter is referred to Justice for an opinion, Justice should have the whole story before them with every implication of it; then they would be in a better position to render an opinion.

By Mr. Isnor:

Q. Mr. Chairman, there is a question I would like to direct to the witness which relates to the balance in the Foreign Exchange Control Board's account. We see in section 4 a reference to the fact that the financial statement of the Board opened with a deficit figure of \$28,000,000 and that a profit of \$10,000,000 was made during the year without reducing the amount in the deficit account at the end of the year. Now, my question is this, from an accounting standpoint, should not that \$10,000,000 have been shown in that account?—A. Are you discussing now this matter of reference to the Department of Justice?

Q. No, I am asking you to brush aside the legal aspect of it for the moment and deal with it purely from the accounting standpoint.—A. From an accounting standpoint the exchange fund account is a straight trading account where you have your gains and your losses and where one should be offset against the other. The consolidated statement which was recently laid before the House of Commons showed a deficit of \$28,000,000 carried forward from the war years despite the fact that there was \$10,000,000 surrendered as revenue last year, and so much further this year. Personally, I think that that \$10,000,000 should have been applied against that deficit of \$28,000,000 and reduced it to \$18,000,000, and that the interest amounts indicated herein should have been treated in the same way.

Mr. MUTCH: The fact is we got that \$10,000,000 back but we have nothing to show for it as against our earlier deficit.

The WITNESS: Yes.

Mr. CASE: On a point of order, Mr. Chairman, perhaps I may not have heard the witness correctly; as you know, it has been rather difficult to hear all that has been said even where I am sitting. I have one point in mind which I would like to have cleared up, namely: did I hear Mr. Sellar correctly when he was speaking a moment ago about the legal aspect of this matter in reply to a question because I think he said, at least as I heard it, that a retired judge would be a better man to give an opinion rather than someone picked up off the street. What was his reference to someone being picked up off the street.

The WITNESS: What I meant by that, Mr. Chairman, was that you have to study all these questions and you have got to have a competent man who would give impartial consideration to them, one who is capable of hearing the argument by both sides and giving a competent judgment. It is with that thought in mind that I made the statement I did to the effect that a man with fifteen or twenty years experience as a judge would be a better man to do that sort of thing than, as I said, a man whom you just picked off the street without any legal training and so on.

Mr. CROLL: Might I say this—if I understand what you have been saying correctly, and if I am wrong you can correct me—that apparently this is what happens: the deputy minister has a problem and he calls up someone in your department who gives him a verbal opinion; he does not like it and he says, just to be sure of his position, that he is going to take the matter up with the Deputy Minister of Justice. He goes to the Deputy Minister of Justice and he gets an opinion, and then it comes to your notice and perhaps you do not agree with that opinion. However, he has the opinion and he has that advantage over you. Then you go to the Justice Department and you say: well you did not have all the facts before you when you gave that decision—but that doesn't help you because it has already been given—but what you have in mind is that before a matter is submitted to the Department of Justice both sides of the story shall be on record; isn't that it?

The WITNESS: You are using the personal pronoun there, and if you don't mind I would like to avoid that.

Mr. CROLL: Well, no, I don't mind.

The WITNESS: What I meant was that the Deputy Minister of Justice should have every angle of the case before him and all the facts, so that when he deals with it, he will not be dealing with just one side of the issue. That is what I meant.

Mr. NICHOLSON: Mr. Chairman, we seem to be agreed on this, why don't we make a recommendation?

The CHAIRMAN: Might I say, Mr. Nicholson, that at the moment we are studying the contents of this brief rather than dealing with recommendations. Of course, we have the right to make the recommendation, but I suggest that in the usual way that should be reserved to a later stage of our proceedings. We have just started on this memorandum, and are discussing it section by section, and I think we should confine our activities at this stage to the completion of that study.

Mr. NICHOLSON: Are not the committee agreed that we should make a recommendation at this time?

The CHAIRMAN: No, not at this stage.

Mr. NICHOLSON: Well, Mr. Chairman, the paragraph which is now before us does make mention of the fact that \$10,670,000 was not used; it also makes reference to supplementary estimates. Now, isn't that what happens every year? What is the explanation of the fact that so many departments ask for money which they do not use?

The WITNESS: I understand the supplementary estimates were brought down in the House this week. Naturally, my staff in the several departments will be giving them just the same attention as they do any other votes. We carry on what is known as a continuous audit. Now, when it comes to an explanation of these items, I cannot give you any explanation because I have nothing to do with the preparation of estimates.

Mr. CROLL: You did give an explanation in the report here, you say why.

Mr. FLEMING: May I ask, Mr. Chairman, if he follows through on the receipt of the money appropriated before the end of the year for certain specific services that are not actually rendered before the end of the year or not actually performed until later on, and he includes such items in his report?

The CHAIRMAN: Let us not switch to the report yet.

Mr. FLEMING: This is with reference to the item we have before us; the payments are made before the services are performed. My first question is: does the auditor-general follow through, we will say in the accounts of the following year, to ascertain if the services were performed for which the payment was charged in the year ending the previous March 31st?

The WITNESS: Yes, it is our duty to follow all expenditures through, but to us there is nothing magic about March 31st. It is just the end of the year. As I said, our audit is a continuing thing, but for the purpose of reports, a certain date is desirable and in the case of government accounts the deadline is March 31st, the end of the fiscal year. However, that does not change our activity with respect to the audit of expenditures, the proper audit of property accounts and so on.

Mr. FLEMING: I take it then that as to these cases where you have payments charged before the services were performed, you study the account after March 31st and you do find out that in fact these services were performed.

The WITNESS: I thought you were referring to this paragraph. I do not know just to what you have reference.

The CHAIRMAN: I do not think we should go into that at this time.

Mr. FLEMING: But we are dealing with that in connection with this paragraph.

The CHAIRMAN: Just a moment. Might I say this, we are not entering into a discussion of the report at this moment but just paragraph two of the memorandum which is before us. I do not think we should ask the witness to go outside of the memorandum to discuss sections of the report at this time. We will come back to the report later on.

Mr. FLEMING: But, Mr. Chairman, this is the first item of section two, or paragraph two as you call it. Is not that what you are referring to?

The CHAIRMAN: I am referring to paragraph two of this memorandum.

Mr. FLEMING: This is an important matter. I understand—

The CHAIRMAN: Even so, you are referring to an item in the report of the auditor-general which we will discuss later on. At the moment we are dealing with the contents of paragraph two—or perhaps I should say section two—of the memorandum which Mr. Sellar has put before the committee this morning. I would like to see our discussion limited to the subject matter of the memorandum itself.

Mr. FLEMING: Very well, Mr. Chairman, I hope you do not misunderstand me. I was referring to paragraph two, and to the related section in the report.

Mr. CRUICKSHANK: Speak up so we can hear you, please.

The CHAIRMAN: Yes, I think we should speak louder.

Mr. FLEMING: Mr. Chairman, I thought I was being courteous.

The CHAIRMAN: That will explain to you why I chose a much smaller room for our earlier meeting. While we have much improved lighting and space in this room we have much worse acoustics.

Mr. FLEMING: I would like to ask Mr. Sellar this—this is pertinent to the section under discussion—he is talking here about lapses in appropriations, and then steps apparently were taken with a view to preventing the lapse of appropriations by making commitments in anticipation of such lapses of appropriations.

Mr. SINCLAIR: What are you discussing now, is it paragraph 2 of the memorandum?

Mr. FLEMING: I am referring directly to this paragraph 2, or section 2 of the memorandum. It states here specifically, "about \$245,000,000 lapsed unused". And he goes on, "many lapsings stem from decisions to postpone work because of scarcity of labour and materials", and so on.

Mr. SINCLAIR: What you are referring to now is referred to in the report of the Auditor General. We are not discussing the report of the Auditor General yet.

The CHAIRMAN: That is the point I have tried to make.

Mr. FLEMING: It is right here in the paragraph from which I just read.

Mr. CLEAVER: May I ask Mr. Fleming a question? I want to make sure that I understand what this is all about. Is your question regarding expenditures based on anticipation of a revote? A certain item is voted and appears in the votes for a certain year but it is not spent in that year and because it is not used it lapses and has to be revoted. Now, the question I am directing to you is this; are you concerned about the time which elapses between the voting of an item and the revote which takes place the following year?

Mr. FLEMING: No, I am simply seeking to deal with this problem of lapsing of which he speaks here. Now, the chairman has indicated that he does not want me to pursue one aspect of the matter, namely payments made in anticipation of lapsing. The study generally speaking has to do with the utilization of votes. That is what I was trying to take up with the witness when the chairman ruled my question out of order.

Mr. CLEAVER: I do not understand what you mean by lapsing. Surely a payment made before the vote lapses is quite proper.

Mr. FLEMING: These are payments made before services are rendered or performed.

The CHAIRMAN: I do not see anything in this memorandum dealing with that.

Mr. FLEMING: So you rule it out of order?

The CHAIRMAN: I have ruled that it is out of order because it is not dealt with in this paragraph now before us.

Mr. FLEMING: Very well, Mr. Chairman, we can come back to that on another item.

Mr. CASE: Mr. Chairman, might I speak on a point of order?

The CHAIRMAN: Certainly.

Mr. CASE: We have Mr. Sellar's report before us and your ruling is that we have to confine ourselves to a discussion of this memorandum paragraph by paragraph. Now, there is this section 2, and surely if the matter raised relates to the subject matter of that paragraph a discussion of it would be in order. Are you referring to this particular paragraph, Mr. Chairman?

The CHAIRMAN: I am just referring to the fact that in the committee on agenda we decided that today we would limit our discussion to the actual terms of the memorandum which has been submitted to us by Mr. Sellar and then on a later date when the Auditor General comes before us again we can raise one after the other all of the points that are mentioned in his report, but that for this morning we will confine ourselves to a discussion of matters directly relating to the memorandum which Mr. Sellar has placed before us.

Mr. FLEMING: My point is, Mr. Chairman, that this is part of paragraph 2.

The CHAIRMAN: Let us say it is part of section 2, I see that sections are divided into a series of paragraphs. We are now discussing items relating to section 2 of Mr. Sellar's memorandum.

Mr. FLEMING: You are dealing with section 2?

The CHAIRMAN: That is right.

Mr. FLEMING: Under the terms of your ruling then may I put a question to Mr. Sellar arising out of the statement that appears on page 2 of the report which was submitted to us this morning?

The CHAIRMAN: At the moment we are dealing with the first paragraph of section 2 of Mr. Sellar's report. Is that what you refer to?

Mr. FLEMING: Yes.

The CHAIRMAN: I am sorry.

Mr. FLEMING: On page 2 Mr. Sellar says "I feel that, pending a complete overhauling of the system, it might be suggested that (a) various vote items be consolidated, and (b) the actual expenditures in the last completed year be placed opposite each item, rather than the previous year's estimate."

Mr. Chairman, I say that the latter part of that recommendation is something which we welcome, but I would like Mr. Sellar, if he would, to enlarge upon what he has in his mind with reference to a complete overhauling of the system. He recommends, pending a complete overhauling of the system, first the consolidation of the various vote items and second showing last year's expenditures rather than last year's estimates. May I ask Mr. Sellar for his ideas for completely overhauling the system? Perhaps he will also indicate how, in the light of recommendation (b), he would handle the case where estimates may be reviewed before March 31st, or say early in April, and when the expenditure for the previous fiscal year may not be completely stated. We have had the question raised in the House on many occasions as to why the actual expenditure cannot be given.

The WITNESS: The reference to overhauling arises from what transpired two years ago when I was before this committee. I was asked to submit my views on the question of the form of the estimates. I did so. This committee submitted a recommendation to the House of Commons that the House of Commons consider changing the system of the estimates, somewhat on the basis of my thoughts. The committee did not take it upon itself but it recommended that the government consider my suggestion and that is why I say "pending overhauling of the system", because you have already made the submission. Basically my thought is the votes should be reduced in number and that the revenues from the votes should be identified with the cost of the operation so that you would have a complete picture before you of what is involved and whether a service is self-supporting or not. That is the basis of my recommendation put before the last committee and to accomplish that you would materially reduce the number of votes. I think we have too many votes in this country. The system is confusing to members of parliament when trying to decide whether they should speak on a particular vote number or whether the subject about which they are concerned is contained in another vote. I think you should be relieved of that problem and that you should have it quite clear.

What I am thinking of with regard to putting the expenditures opposite arises from the long standing complaint from parliament that when the main estimates are brought down there is no comparative column showing the amount to be voted this year as against the amount voted last year. Sooner or later some member gets up and says that the amount includes the supplementaries voted last year and that as there is no reference to the supplementaries this year the vote indicates a better showing than exists.

What I am suggesting is that you would have three columns, one containing the estimate for the coming year, one containing the total estimates granted for the previous year and the third showing the last completed year's expenditure. You would have the whole picture there. You would not have to do what I might call "stabbing in the dark" and you would have a self-explanatory statement.

May I now answer Mr. Isnor's question of a moment ago regarding the English practice.

In England where they use £100,000, the practice is different. In the English parliament they are limited to the number of days on which estimates can be considered and my recollection is that the limit is something like twenty days during the whole session. When that time has elapsed all estimates that have not been considered are automatically passed, and that is one reason

why they want to keep their items fairly large. They have not got the time to waste on little items. That is why they have adopted the figure of £100,000 but I am not suggesting that \$400,000 is the figure that you would want to use in Canada. I merely bring the matter up to indicate the decision to raise the figure.

Mr. PINARD: Can you tell us the figure you would suggest for Canada?

The WITNESS: Well, sir, I would put it this way. In every vote a department puts in a cushion and the smaller the vote the bigger is the cushion, relatively speaking.

Mr. CRUICKSHANK: There is a pretty small cushion in my riding.

The WITNESS: When I was in the treasury I could run salary costs of a staff of 1,000 people at 1 per cent less than the amount which I asked from parliament because I would have during the year sufficient resignations, deaths, and casualties of one sort and another that I had a cushion actually within my total. Therefore, I say that when a vote is mainly a salary vote you do not need a cushion of more than 1 per cent or 1½ per cent, if it is a fairly large vote. If you have a lot of small votes you are going to put in a cushion of 5 per cent to 10 per cent and therefore you are voting more money than is actually needed. You can see that by the amounts which lapse. When we apply to the Treasury Board for estimates they ask how much we spent last year and if we can show that we spent every cent we have an argument which is accepted in our favour. Therefore we may have spent money we did not actually need just because we had a margin.

Mr. CLEAVER: I wonder if Mr. Sellar would now indicate to the committee the various vote items which he suggests should be consolidated? Perhaps he could confine it to the type of votes?

The WITNESS: I suggest it can be done where you have a straight administrative service. In an ordinary department you start off with administration and then you break it down to the various branches. I think one vote is sufficient for all of those with sub-headings at which you can look and see the actual expense by branches. That is the sort of thing I speak of. There could be a division when you come to capital expenditure and maintenance of works. For instance with respect to canals I cannot see any distinction between operation and maintenance. If we are going to build a new canal it would be different, but if we are just going to fix up a lock I would say that it should be included in the one vote.

Mr. CLEAVER: The overall result is that your reserve for the unforeseen, or the cushion as you call it, being applied to one item could be considerably smaller.

Mr. FLEMING: May I ask Mr. Sellar a question about this matter of the cushion. Do you find it general practice in estimating to set up cushions on all items?

Mr. CROLL: Of course it is.

The WITNESS: We will never admit, sir, that we have a cushion in, but we all put cushions in.

By Mr. Fleming:

Q. To what extent do these cushions exist?—A. You can go by the lapsings. That is what you have to go by to see the real cushion. As a rule it will run anywhere from two per cent to five per cent of the votes.

Q. Your recommendation with regard to showing in the estimates the actual expenditure for the last year is made because you feel you can eliminate those cushions, or reduce them?—A. No. There is nothing which scares civil servants more than to face criticism from the House of Commons and if you have actual figures to criticize us upon we are more vulnerable than when you have got to pull figures out of the air.

Mr. SINCLAIR: We know that.

Mr. FLEMING: Let us come back to the matter of expenditures?

Mr. NICHOLSON: I wonder if Mr. Fleming would change positions with Mr. Sinclair down here so that we can all hear him?

Mr. CRUICKSHANK: Do not call me Sinclair.

Mr. FLEMING: One's tendency is to face the witness.

The CHAIRMAN: Finè.

Mr. FLEMING: When this question of showing expenditures in the estimates as the estimates are printed before the end of the year and before what we know the expenditures are, therefore all that can be given the House is last year's estimates, or last year's appropriation. What could be recommended to overcome that situation? Could it not be overcome by showing the actual expenditure since the date of the appropriation or estimates to perhaps the 31st of December as so much, and then give the anticipated expenditure for the portion of the year then remaining? Could you make some practical suggestion there, Mr. Sellar, to meet the question that is so often raised in the House?

Mr. BEAUDRY: The suggestion is made in paragraph (b) that the actual expenditure in the last complete year be shown opposite each item.

Mr. FLEMING: I do not know whether Mr. Beaudry was quite following me. When this question has been raised in the House, and it has been raised quite often, I have been very interested. The answer given to us is that the actual expenditures or the estimates cannot be shown in the printed book because the estimates are prepared in the fall and it is impossible to give the complete expenditure for the year. I am asking Mr. Sellar whether he could recommend to us some means by which that physical difficulty could be overcome? I ask for specific comment on the one suggestion that the actual expenditure be shown to the date when the estimate is prepared—perhaps the 31st of December—and then the estimated expenditure for the balance of the fiscal year might be shown.

Mr. BEAUDRY: You are dealing more with the question of time than the question of balances. You are narrowing the matter down to so many days a month over which you would like to see the expenditure shown.

Mr. FLEMING: I am not narrowing the matter down at all. We have a recommendation here, and a very sensible recommendation, that the actual expenditures in the last complete fiscal year be given. That would mean, as things stand now, that the last fiscal year would be twenty months old before we reviewed the estimates. It would be helpful however, to the House, to have as much information as possible about the actual expenditure for the fiscal year just closed. If we review the estimates in April we would like, as far as possible, complete expenditure for the previous year, complete to March 31st. If the recommendation is applied as it stands now it would mean complete expenditure to March 31st of the previous year. I wonder if Mr. Sellar could not help us out with a practical suggestion?

Mr. WARREN: Does this discussion all centre around the fact that there was some \$30,000,000 voted in the supplementaries and of that amount some \$10,000,000 was not expended?

The CHAIRMAN: We are discussing the whole principle involved in item No. 2.

Mr. WARREN: What would you do in this case? The Public Works Department decided that they were going to enlarge a building in the town of Pembroke in my riding.

Mr. SINCLAIR: Why?

Mr. WARREN: Because it was too small. The Public Works Department sent men in to make a survey and they found they could not get sufficient land around the public building to do the work and naturally that vote lapsed. The amount was \$25,000, a part of this \$10,000,000. This year came around and the vote was \$100,000 to buy property on which to build a new building. The original \$25,000 is part of the \$10,000,000. How could the situation be avoided? The department did not know property around that building would not be available. The result was they proposed to build a new building and sell the present property to the municipality for municipal offices.

I suppose there are thousands of those situations which arise across Canada in different departments, public works and other departments. Does that not explain why the \$10,000,000 was not expended?

The CHAIRMAN: Mr. Sellar will answer the question.

Mr. BEAUDRY: May I ask Mr. Fleming a question in order that I may understand him. Mr. Fleming, your point is in dealing with the 1950 estimates before the House, from the period March 31, 1949 to March 31, 1950, you would like to see against the various items the actual expenditure up to December 31, 1948? Is that the point you are trying to make?

Mr. FLEMING: I would like to have the actual expenditure for the fiscal year ending March 31, 1949. I think it is our duty and the duty of the House in reviewing the estimates for the fiscal year 1949-50 to insist on that information before passing an item. We are up against the physical difficulty of printing the estimates because the book is printed before the end of the fiscal year, March 31, 1949. I suggest in those cases it might be practical to give the actual expenditure up to the date of the printing of the estimates, which date might be December 31st and along with the figure on expenditures there could be given the figure for the estimated expenditure during the balance of the fiscal year. I would like to have Mr. Sellar comment on that suggestion because it is something about which he has made a specific recommendation. Mr. Sellar's recommendation, if read literally, would only give the actual expenditure for the fiscal year ended March 31, 1948, having regard to the time of the year we now review the estimates.

Mr. CRUICKSHANK: May I follow that up? It is not clear to me how you can give the actual expenditure to the end of March when we bring down the estimates before that time, as we do now. Would it not be a simpler matter to bring down figures for the calendar year? Our estimates come in about the 15th of March.

Mr. SINCLAIR: The use of the calendar year might be a good idea.

Mr. CRUICKSHANK: How can you say what the actual expenditures to March 31st will be when the estimates are brought down on the 14th of March? Would it not be better to use the calendar year?

The WITNESS: There are two questions and if I may, sir, I will answer Mr. Fleming first.

There is a point in the fact that you would like to have your expenditures as close as possible to the estimates you are considering. On the other hand, sir, bear this in mind. As a rule there is no material difference in the operating charges of administrative services from year to year. They are fairly consistent unless you have new services or, by reason of new legislation, you have added to those services. I am speaking now of the routine departments.

Reference was made a moment ago to the building at Pembroke. That situation is an entirely different thing. That is not a further amount which is required but it is a different vote and it would not come within this suggestion.

Therefore, what I was suggesting with regard to Mr. Fleming's thought was that you take the actual expenditures for a completed year. The last completed year would give you something to go on. Every minister will have, in his estimate book, his known expenditures up to date, when his estimates are being considered; and you can get that figure from him without any trouble. Therefore, you are pretty well covered even if you are a year old.

With regard to the calendar year, the problem is one mainly of the convenience of the House of Commons. If you made use of the calendar year, you would have to come here every fall to consider estimates and to vote supply before Christmas. That is the only reason.

If your fiscal year ran out on December 31, then you would have no money appropriated for January or February until you got down to it. You need supply to carry on to the first of January.

Up to 1907 the fiscal year of Canada was June 30. But you changed then to March 31. You put through your interim supply this week.

By Mr. Benidickson:

Q. Could we not do that when we leave?—A. No, because you would not have the estimates.

By Mr. Cruickshank:

Q. Why could we not vote? I do not mean for the construction, let us say, of a \$12,000,000 bridge across the Bay of Fundy, but rather for normal interim supply, before we leave?—A. I find myself venturing into politics now when I give you my answer. I am not a politician. The opposition has always regarded the grant of interim supply as an opportunity to raise objections and complaints about the King and the government of the day. Therefore, over the years, my experience has been that the opposition has never been willing to grant interim supply for a period longer than two months. I well remember, in 1926, we had great difficulty in getting interim supply for as long as 30 days. You see, it is a political question. It is also a constitutional and a parliamentary question.

Mr. NICHOLSON: A question was raised earlier regarding a possible recommendation by Mr. Sellar on the subject of grouping; whether he would care to make any recommendation regarding grouping in respect to the Department of Agriculture.

The CHAIRMAN: I am sorry, Mr. Nicholson. We must abide by our rules. We cannot go into recommendations concerning any definite department at this time.

By Mr. Nicholson:

Q. Oh, Mr. Chairman, I was referring to a suggestion made by Mr. Sellar as to how the grouping, in his report, might be carried out in practice.—A. I would not like to say definitely anything about this item or that item, without giving it a little further study. But when I was drafting this particular paragraph it so happened that one of the deputy ministers of transport came into my office. I said to him, "I am going to use you as an example, in a memorandum for the Public Accounts Committee, if I should be called before that committee." I said, "You have got 71 votes, and I think you have got too many. In my opinion not more than 22 votes are needed for the Department of Transport." He said, "My figure was a little less. I would have suggested 20 votes." You see, both our thoughts were that the Department of Transport, which has about 70 odd votes today, could have accomplished the same thing with a matter of 20 to 25 votes.

By Mr. Fraser:

Q. Did you not say, Mr. Sellar, that if a lock was to be built, it would come in under the estimates for transport or for public works or some suitable heading? Do you not think that would rather tend to confuse the members of the House? I feel that it would because I believe the members would want to have all the estimates for, let us say, the Trent Canal, in one place, and for the Lachine Canal, rather than have all the different canals divided up. Was it your idea that the estimates should be under separate canal items?—A. The item on which you vote in the House today, sir, is the grouped one for all canals. It does not show them separately. The details, of course, would show them separately. I prefer to continue with the same practice. I would keep the details separately, but instead of having, I think, three votes for operation, maintenance and capital, I would be inclined to bring these together and use subheads to identify them.

Q. You would have three all put into one?—A. Yes. And I would give more explanation than you have now in the printed book.

Q. Under paragraph 2 of item 2, I wonder if the estimates at the present time are correct and show the actual cost of maintenance of the department. I raise the point because, at the present time, Public Works takes the full cost of the building, maintenance of the building, telephones, and everything else of that nature. It is not shown in the departmental estimates. Do you feel that the public works estimates or cost for that separate department should be put in under that department in order to show the actual costs? Do you follow me, Mr. Sellar?—A. Two or three years ago, this committee received a recommendation from me with respect to bringing together the real costs of a department. You have an example of that in the public accounts before you. For example, the Treasury has an expenditure of \$761,000 for postage in connection with family allowance cheques. Obviously that sort of expenditure should be reflected in the cost of the department having to do with children's allowances.

The post office, in its annual report to parliament, states that the cost to the post office for carrying franked mail for government departments amounted to \$4,000,000 last year, and in addition there were other services which the post office rendered to departments, amounting to \$325,000, for which they received nothing in return.

I believe you should try to bring under each departmental heading the true costs of operating that department to a degree that is practical. I would not go to the extent of building up a bookkeeping system which went beyond its usefulness. I think it would be better to present a general rather than a particular concept. I think you would thereby accomplish your aim.

Q. With respect to receipts by different departments, for example money received by the Department of Mines and Resources, for maps which they sell; or money received by the National Film Board for rentals of film; what about those receipts? They are not shown. In the case of the film board I believe they use for their own purposes the money which comes in by way of receipts and it is not turned over to the consolidated revenue account. There might be other departments as well which follow the same practice. So, you see, we do not get a true picture. I feel that the receipts of all these departments should be shown. What are your views on that question, Mr. Sellar, and also what are your views in respect to amounts being spent by a department out of such funds?—A. I may be wrong, but I believe you are mistaken, Mr. Fraser, in regard to the National Film Board. They do have to surrender their receipts now. Possibly you were thinking of the war years, but now they have to surrender everything.

As I have already recommended to you before, it is felt that we should adopt in Canada a system which is known as Grants in Aid; that is to say where you have service performed in exchange for fees, the moneys derived from operating that service should be applied to the costs of operating that service and you would be required to turn over only the net. That is all that would be necessary.

I might cite the Board of Grain Commissioners as a good example. Instead of inflating their revenues and expenditures, they balance one against the other so that if they have a big year they might add to their staff out of revenue, but if they have a poor year, they might have to dismiss staff in order to live within their revenue.

Mr. BRADETTE: On the question of lapsings, as it would appear now from Mr. Sellar's report in relation to the years 1947 and 1948, there were unused lapsings of a little over 18 per cent. That might, to the public, appear to be extravagant. That view might be expressed for political purposes, but it would not be a true one because, even in the case of private corporations, it is impossible to reckon to the last cent or dollar. So, as in the case of private corporations, I feel it would be absolutely impossible for the government to budget right within the line. Let us suppose that instead of there being a lapsing, we found ourselves short of revenue in connection with some program. The Treasury would then find itself in the position where it could not go ahead and would have to curtail that program. Therefore, I do not foresee any possibility in the near future of avoiding lapsings. There are so many things which happen unexpectedly, such as the event which happened in Mr. Cruickshank's constituency. When such things occur, immediately you find some section of the country expecting to receive support and help.

Mr. Sellar has very properly mentioned his own department. I do not believe it would be any easier to administer his department than it would be to administer the whole government at large since it covers such a great expanse of territory. I can recall many occasions when the government was called upon to provide further estimates for things which could never have been foreseen. Therefore, I think we are striving for something we may never reach, something it would be impossible to reach. I do not believe we can ever completely avoid lapsings.

Surely it cannot be said that a lapsing of 18 per cent in connection with a budget of one billion dollars is too high. I suggest that for us to try to vote within a line more closely than that would be, I think, attempting the impossible.

Mr. Sellar has given us wonderful hope in his report, when he speaks of various items which may be consolidated, so that items brought to the House would be not less than \$100,000. That would be a marvellous way to simplify some of the discussions in the House of Commons which, while sometimes constructive, are, nevertheless, often a waste of time. In spite of the fact that criticism may be levelled at the government on account of these lapsings on the ground that the government is too extravagant, nevertheless I do not think it is possible to avoid lapsing. If lapsings occur, the government is subject to the criticism of being extravagant, and on the other hand, should there be no possibility of lapsings, and important public works had to be curtailed, then the government would again come in for criticism.

By Mr. Sinclair:

Q. Mr. Fleming asked you a question, Mr. Sellar, about lapsings and I understood you to suggest that lapsings might be an indication of cushioning. That is not so, is it? Lapsing is much more than a cushion, for the reasons given by Mr. Bradette and by Mr. Warren. And there are many other reasons as well, are there not?—A. Mr. Sinclair, you cannot deal with a government the size of the government of Canada and take an over-all average on anything.

When I refer to a lapsing of 18 per cent, I do not mean that that percentage is true for every vote and for every service. Actually, to me, lapsing is something in which a government may well take pride, as an indication that there has been economy. You will bear in mind that my background is a financial one, and that the less spent, the better I think it is. Therefore, if a government has a large lapsing, I feel it is all to its credit. But I do think it is objectionable from the viewpoint of testing the efficiency of those who make the estimates because, if there is a large lapsing, it may be considered that they must have over-estimated beyond the real need.

A few votes represent a very large part of this lapsing, you know. In the Veterans Land Act there was approximately \$37,000,000. There was \$16,000,000 in Wartime Housing, and \$37,000,000 in National Defence. Those are three services which make up a substantial portion of that \$245,000,000. If you take them out, and recalculate, you will then have a smaller percentage than 18 per cent. My purpose in making this proposal to you is in the nature of an appeal to the people who prepare the departmental estimates. They should have before them the constant fear that the House of Commons is going to have sufficient information before it to enable it to jump on them, if they are extravagant in their estimates.

Mr. MUTCH: Mr. Chairman, there are certain benefits which accrue to veterans of the last war. Some of those benefits are realizable within a period of time as much as ten years. There are certain benefits which a veteran may receive at some time, provided he has not become too old, or has not become unsuitable. On the other hand those who prepare the estimates for the department have to see that the department is amply supplied with money in order to keep faith with those veterans, should a large proportion of those eligible decide to take advantage of certain benefits. Adequate funds must be on hand to provide the necessary benefits for those who qualify and apply for them. The people of Canada have a contract with those veterans. Therefore the estimates have to cover an unknown figure.

The decision rests with the beneficiaries and not with the government. There will always be, in sound budgeting, a surplus over that which is expended. The result is very much less embarrassing than to have to say to some veteran, "We cannot live up to our contract with you because we have not got the money."

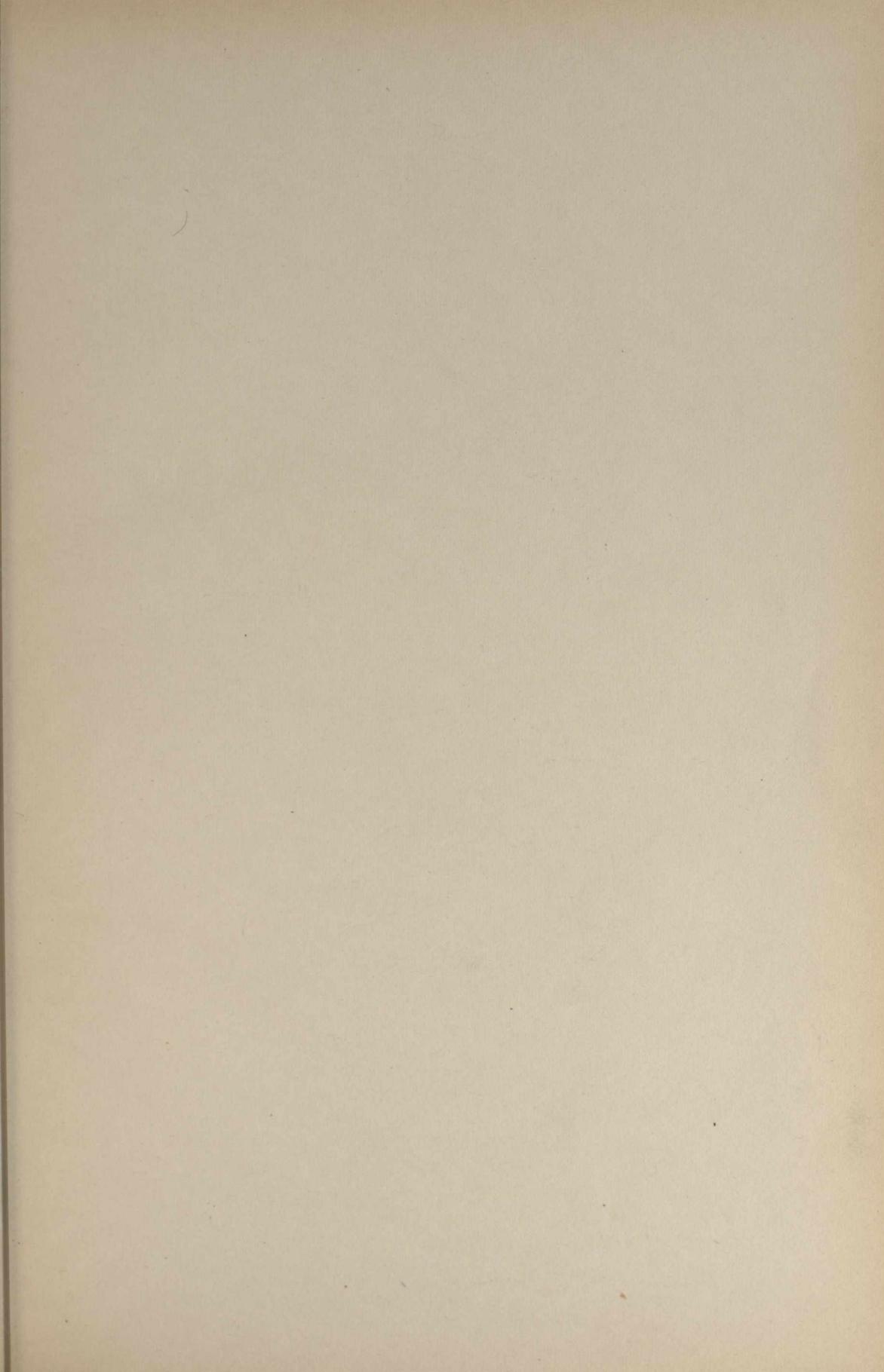
By Mr. Fleming:

Q. I take it that Mr. Sellar's view today in respect of this matter is precisely the same as it was when he appeared before the committee in 1947. In other words, his 1947 recommendations are the basis for what he has said to us today.—A. Yes, sir.

Mr. FLEMING: And I take it there is nothing particularly to be added to them.

The CHAIRMAN: Gentleman, it now being 1 o'clock, the committee stands adjourned to meet again at the call of the chair.

The committee adjourned at 1 p.m. to meet again at the call of the chair.



Ms. 10-19

