

On the second, we have been concerned about the poor quality of the records surrounding their carrying of certain stocks of merchandise such as liquor and tobacco, and so on, which comes in bond. I think it was last year the department put out a circular in which they quoted what we had been saying to them in our reports. Proper records have been set up to serve, they hope, to ensure that that privilege is not abused. That is a substantial item in the operations of embassies.

Mr. McLean (Charlotte): Would you define "abuse".

Mr. Henderson: Selling on the black market; getting personal funds mixed up with public funds; and that type of thing. If one does not keep records one can use the funds of a particular operation perhaps to pay bills under another heading that the Treasury would not pay, and so it goes. That would be my short answer to your question.

Mr. McLean (Charlotte): Yes. I was just thinking of liquor and tobacco coming in duty-free and being resold.

Mr. Henderson: That, of course, is what I meant by "black market."

The Chairman: All right. I will allow one more question.

Mr. Schreyer, you may proceed.

Mr. Schreyer: Mr. Chairman, Mr. McLean raised a rather intriguing point. As I understood it, if the senior administrative officer in the embassy had accepted as a receipt, a paper with some signatures which later turned out not to be genuine, Mr. McLean contended that personal liability should be assumed by the senior administrative officer. Is this a principle that is clearly understood? What is the practice in a situation like this?

Mr. Henderson: That question, if I may say so, should be addressed to the under secretary of the department. I am not sufficiently familiar with the practice.

The Chairman: That is fair enough. It is rather a question of policy.

Now, gentlemen, we have had a good discussion on this...

Mr. Bigg: Is this not one reason for government employees being bonded?

The Chairman: ...very, very important matter that you brought up, Mr. Winch.

Mr. Winch: May I raise something...

The Chairman: Yes; but before we leave this I think we should summarize the discussion, which has been a good one. It is time we made a review, as we did this morning.

We might keep in mind when we make our report, first, that the audit systems and the records of our foreign embassies leave much to be desired. I think we have come to that conclusion this morning. Secondly, that the implementation of our former recommendation has taken too long; that is, that there should be an audit of all these foreign offices.

Some hon. Members: Hear, hear.

The Chairman: There was also the suggestion by Mr. Noël that when teams do visit these embassies one member of them should be an auditor qualified to look into their operations. And, thirdly, that we wish our Auditor General to keep this Committee informed on what progress has been made in this matter. The estimate for our embassies was approximately \$25 million. So we are dealing with a large amount of money which, rightfully, should be audited and audited well. We have been dealing with a very, very important subject this morning, and the hour has been well spent. Now we will move on to the next one.

• 1100

Mr. Winch: Mr. Chairman, you asked us at the last meeting to do our homework.

The Chairman: That is correct, and you did.

Mr. Winch: Mr. Chairman, you gave us from paragraph 48 to paragraph 70.

The Chairman: That is correct.

Mr. Winch: I have a question on paragraph 70. I believe that here again a most important principle is involved. I am particularly concerned with the statement of Mr. Henderson in support, in which he states in the second to the last paragraph on page 37 the following:

...Neither the revenue nor the expenditure was recorded by the Department.

I think that the Public Accounts Committee is most concerned when the Auditor General tells us, as he tells us now, that neither revenue nor expenditure was recorded by the department. I would like very much to hear from Mr. Henderson on this matter.