

You may feel that as and when the Civil Service Act is changed, steps should be taken to provide that such an appointment may be made only if a position is in fact available at the time the person is eligible for re-employment.

The CHAIRMAN: Are there no questions?

Mr. HENDERSON:

49. *Defalcation by locally-engaged employee in Canberra, Australia.* A defalcation by a locally-engaged accountant employed by the Canadian Mission in Canberra, Australia, first came to light in January 1963 when a supplier requested from the High Commissioner payment of a long outstanding account for gasoline. Investigation by officers of the Mission and by a local auditor engaged for the purpose, together with a confession by the employee involved, disclosed not only misappropriation of payments made to the employee for gasoline purchased by Canadian personnel, but also other defalcations involving many aspects of the accounting activities, both as regards revenues and expenditures.

The Chief Treasury Officer in the Department of External Affairs was dispatched to Canberra to complete the investigation and he reported a total defalcation of \$13,589 over a period of four years. As well as misappropriating payments for gasoline amounting to \$1,533, the employee had stolen \$9,636 received from prospective immigrants to cover costs of air mailing documents to Canada for examination, \$888 representing income tax deducted from salaries of local employees, and \$1,532 by means of various other frauds. Of the total of \$13,589 reported stolen, \$7,053 was recovered from the employee and \$6,536 is to be charged to the Public Officers Guarantee Account. The direct cost of investigating this defalcation was approximately \$6,000 to which might be added indirect costs of \$6,000.

Our review of the various reports received by the Department dealing with the circumstances of this defalcation shows that it went undetected so long largely because of inadequate supervision of the accountant's work in the Mission coupled with a lack of attention by Mission officers to queries from Ottawa on its accounts and to routine financial matters. Weaknesses in the departmental system of internal financial control and neglect in Ottawa to follow up observations raised by Treasury officers were also contributing factors.

The Department dispatches inspection teams periodically to embassies and missions. The last visit to this Mission was in October 1961 when it was reported that there appeared to be no major problems regarding financial administration. At that time the Mission accountant advised the inspection team that departmental and Treasury observations on his monthly accounts were few whereas in fact they were numerous and serious.

The scope of work of the Audit Officers in the past has not embraced surprise audits of embassies and missions abroad for the reason that paid cheques, receipted vouchers and related supporting material are dispatched to the Department in Ottawa for checking and audit. We are discussing this procedure with the officials concerned and are reviewing the Department's system of internal financial control.

I suggest we put forward paragraph 49 to 1965, where we deal with the same subject.