

58. *Educational costs incurred by the Department of National Defence.* In the 1963 Report (paragraph 65) it was noted that audit examinations at selected departmental schools in Ontario indicated that there had been unsatisfactory control over the computation of grants receivable from the provincial Department of Education, in some cases claims not having been made in respect of outlays eligible for grants. In its sixth Report 1964 the Public Accounts Committee requested the Auditor General to follow this matter up to determine that amounts of grants underclaimed in the past are recovered and that practices adopted by the Department avoid losses in the future are adequate (see Appendix 1, item 26).

At the close of the fiscal year action was being taken to ensure that applications for grants are properly made in future and, following correspondence with the Department of Education of Ontario with a view to obtaining grants underclaimed in prior years, the Department is preparing revised claims for submission to the Province.

This is exclusively 1964. You may recall the Committee asked me to follow this matter up and determine that amounts of grants underclaimed in the past are recovered and that practices adopted by the Department to avoid losses in the future are adequate. In the 1966 follow-up report I quoted from a letter I had received from the Minister of National Defence on March 5, 1965, which was most helpful. I can tell the Committee that recoveries from 13 school boards up to April 15, 1966, approximated \$116,000 and it is estimated that an additional \$34,000 to \$44,000 will be recovered from seven other school boards. The Committee might be disposed to consider that their recommendation made in their Sixth Report which is item 18 of the follow-up report has, therefore, been implemented. It would be my feeling that that is what you would wish to say.

The CHAIRMAN: Paragraph 59.

Mr. HENDERSON:

59. *Construction of destroyer escort vessels.* In 1950 and 1951 the Department of Defence Production awarded 13 contracts on a cost plus 5 per cent profit basis to 7 shipyards for the construction of destroyer escort vessels for the Royal Canadian Navy, the last of which was commissioned in November 1959.

Part of the construction work involved incorporating into the ships certain components supplied by the Crown. As the actual cost of the components manufactured by other contractors had not been determined, a billing price was estimated, but nevertheless the shipyards were charged on a firm price basis. The amounts of the billings thus became part of the shipyards' cost on which the 5 per cent profit was calculated. While the final costs for all components were not available at the fiscal year-end, it is estimated that the billing prices exceed actual cost by some \$1,483,000.

Construction of destroyer escort vessels. This note shows how excess profits of some \$74,000 has been paid by the crown and shipyard contracts. We drew this to the attention of the department and we were advised that steps would be taken to effect recovery from the contractors. We have been following this matter up with the Department of Defence Production, and in March of this year they made certain observations to us, with the following conclusion, and I am quoting from their letter:

The possibilities of obtaining a refund from the shipbuilders have been discussed with them. They note that they simply received five per