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PARLIAMENT OF TASMANIA

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PARLIAMENTARY STANDING COMMITTEE OF PUBLIC ACCOUNTS

**REPORT ON  
TASMANIAN APPLE AND PEAR MARKETING  
AUTHORITY**

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*Laid upon the Tables of both Houses of Parliament*

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The Committee was appointed under the provisions of section 2 of the Public Accounts Committee Act 1970 (No. 54).

**MEMBERS OF THE COMMITTEE**

**LEGISLATIVE COUNCIL**

Mr McKay (Chairman)  
Mr Batt  
Mr Gregory

**HOUSE OF ASSEMBLY**

Mr Bonney  
Mr Graham  
Mr Salter

By Authority:

A. B. CAUDELL, Government Printer, Tasmania

### TASMANIAN APPLE AND PEAR MARKETING AUTHORITY

The Auditor-General, at page 180 of his 1983 Report, commented as follows:—

The Tasmanian Apple and Pear Marketing Authority Act 1977 was repealed by the Apple and Pear Industry (Miscellaneous Acts Repeal) Act No. 81 of 1982 effective from 16 December 1982. As from that date all powers of the Board were exercised by the Chairman until 30 March 1983 on which date the Authority was dissolved.

Following the dissolution of the Authority all assets and liabilities became vested in the Minister to be paid into and met from Consolidated Revenue.

Section 11 (1) of the new Act requires the Minister to have prepared within three months of the relevant date (30 March 1983) reports and Financial Statements in respect of the activities of the Authority for the twelve months ended 31 December 1982 and the period 1 January 1983 to 30 March 1983. At the date of writing this segment of my Report (19 September 1983), those Statements had not been received in this office.

Statement for the year ended 31 December 1981 has received my qualified certificate, the qualification being—

'I was unable to obtain documentary evidence to support the nature of and reason for a payment of \$62 541 to an overseas importer.

I was not able to determine the correctness or otherwise of certain special fruit transactions on behalf of one grower in respect of fruit sold on the interstate market on a commission basis as the records of and accounting for these transactions were inadequate.

The only supporting evidence produced to me in respect of a payment of \$133 982 to a London Agent for expenses and promotion was an unsigned document purporting to be an agreement with the Agent.'

The Committee decided to enquire into the three matters which led to a qualified audit certificate. The Minister for Primary Industry, in response to a request for information, passed on a report made to him by the former Chairman in August 1983:—

#### *Payment to overseas importer*

The Singapore agent of T.A.M.A. was a firm named Fook Huat Tong Kee Pty Ltd (FHTK). Prior to the commencement of an apple season T.A.M.A would negotiate prices and quantities for that season.

For reasons best known to themselves, FHTK requested that the invoiced selling price per carton be 50 cents greater than the negotiated price and that this extra 50 cents be credited to their account with T.A.M.A. and be refunded at the end of the year.

As each shipment was made an invoice was raised using the inflated selling price, and debited to the account of FHTK who would pay the full amount. At the same time a credit note would be raised for 50 cents per carton shipped and credited to FHTK's account.

The relevant invoices and credited notes are available for vouching by the Auditor-General's staff and I am sure this examination has been made.

There is no further documentary evidence to support the nature of and reason for this payment. The arrangement was made verbally with T.A.M.A.'s customer at his request.

#### *Sale of Fruit on a Commission Basis*

The majority of growers did not contract all of their fruit with TAMA. The Authority was generally provided with that fruit that could not be sold on interstate markets. To reduce overheads the management of TAMA (with Board approval and relevant legal advice) decided to do deals with growers to market their uncontracted fruit for a commission on interstate markets. There was no requirements to pool these proceeds and had there been TAMA would not have been given this fruit to market.

The Chairman of TAMA was not involved in the day to day accounting of the Authority or the negotiations with Driessens. He has no knowledge that would help clarify the matter.

*Payments to London Agent*

I attach a copy of the document produced to the Auditor-General's officer which was initialled by both parties. Knowing and trusting the people TAMA was dealing with, the cost of preparing a more formal document was, in the commercial judgement of TAMA unnecessary.

The Committee felt it necessary to call Mr E. Beaumont, an officer of the Department of Primary Industry, who had been the Chairman of the Apple and Pear Marketing Authority. He made the point at once that no body or government had suffered any financial loss because of the matters raised in the Auditor-General's Report. He said that as Chairman of the Authority he had no involvement in the day to day accounting, though he had been aware of the Singapore payment and the payments to the London Agent.

Mr Beaumont told the Committee that he and the General Manager organised the agreement:

We went to Singapore to sell fruit. We had a price we wanted for the fruit. He agreed to pay it and subsequently said, 'If I pay an additional amount I would like it credited to an account with you and refunded to me at the end of the year'

He said the arrangement was made over a cup of coffee in the importer's office:—

You sit there and haggle with the guy on what he is going to pay for the fruit. You drink lots of coffee and finally you do a deal. I did not ask and he did not say and it would be wrong for me to surmise why he wanted to do that.

As the arrangement was made verbally, Mr Beaumont was asked what documentary evidence existed for the payment:—

The auditors have seen TAMA's debit notes to FHTK, the Singapore people. The auditors have seen the credit notes which were raised at the same time as the invoices. Obviously they must have seen his ledger account in TAMA's books. The paid cheques which came back from the Reserve Bank were examined by the auditors. They have not raised the issue that somebody else received the payment, they are commenting on the underlying further documentation. I cannot imagine what further documentation can be there to be seen.

He said no thought was given to drawing up a letter of confirmation or any other written record.

The Committee found this whole episode surprising and most unsatisfactory. We established that the payment had been made by seeking and obtaining a copy of a bank draft in favour of Fook Huat Tong Kee Pty Ltd for \$62 540.50 Australian.

While it is not possible to say that anything in the nature of mis-appropriation took place, on the evidence that was given to us and, apparently the auditors, this matter has not been satisfactorily explained. It is doubtful whether such an arrangement to accept overpayment could ever be acceptable practice for a public body. In this case it is all the more remarkable that the importer apparently put himself in the position where he was owed a large sum without any proof being in existence, let alone in his possession.

We were advised that there was no mention of the agreement in the Authority's minutes, a most serious omission.

When the Committee asked the former Chairman of the Authority about the negotiations for selling \$113 000 worth of fruit to the mainland, he claimed to have no knowledge at all on the subject:—

I am not too sure what the issue is there; we are getting into policies. The board agreed that it could be a policy of TAMA to sell an individual's fruit as an individual rather than pooling fruit. This was to try to minimise our administration costs by earning a bit of commission to help out. Obviously there is an account where the fruit purchases are credited. But I had nothing to do with that and if the auditor could not understand it I do not know why he did not make an issue of it then.

*Question* — I would think that the auditor did make an issue of it as soon as the information became available, in checking the reports.

*Mr Beaumont* — The issue was not raised with me until after TAMA had wound up.

The Auditor-General's complaint that the only supporting evidence produced in respect of a payment of \$133 982 to a London Agent for expenses and promotion was an unsigned document purporting to be an agreement was discussed at some length with the former Chairman. Again the negotiations were handled by the General Manager and the Chairman:—

We went to London and to Connolly's office. Before we went there we had prepared details of the arrangements we wanted — I think there is a photocopy of that there. We sat down and went through each item. Some of them were amended, as you can see from the documents you have. I then initialled the document and so did the managing director of Connolly's. The deal was then done.

The Committee did receive a photocopy of the agreement. It was undated, and there were numerous amendments written in by hand. The initials of two people appear at the end, alongside a notation. Mr Beaumont was asked whether 'to this day' he believed the document was good enough for a government agency to rely upon when some two hundred thousand pounds sterling was involved. He replied in the affirmative. The Committee cannot agree. The extent to which it would have been enforceable in law was, perhaps fortunately, not tested.

Mr Beaumont provided the Committee with details of his background. He had been secretary of Henry Jones IXL. Asked whether he thought people who become members of authorities or members of a board within a government framework see their role the same as someone who is a director of a private company, he replied that 'I do not know what they see. I am not trying to be cute. I simply do not know what they see.' This is all very well, but the approach of the former Chairman to formalising and documenting arrangements and agreements was not acceptable. Apart from any other consideration it caused a great deal of trouble to Audit and resulted in the most unsatisfactory situation of the Authority being wound up with the above matters still outstanding.

The Committee are not satisfied that we have been able to establish the whole truth concerning the payment of \$62 541 to an overseas importer. However, the Authority has long been wound up and the principals have moved to the mainland, so that attempts to pursue the matter further would be expensive and not necessarily successful.

As a result of our enquiries we recommend that documentation of contracts be required to be of a uniform standard. They should set out the obligations of all parties and be legally enforceable. Attention should be given to this in all Government bodies at once. The Committee intend to enquire further into this matter of the form of contracts, and to report to Parliament.

Committee Room No. 3,  
Parliament House,  
Hobart.  
13 November 1984.

PETER McKAY, Chairman.