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 PARLIAMENT OF TASMANIA
 

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## REPORT OF THE STANDING COMMITTEE OF PUBLIC ACCOUNTS

ON

## POTATO MARKETING BOARD

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*Brought up by Mr Neilson on Wednesday, 25 March 1970, and ordered by the House of Assembly to be Printed*

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### REPORT

1. The Public Accounts Committee have the honour to report to your Honourable House as follows:—

The Committee have given consideration to the financial operations of the Potato Marketing Board following references in the 1968 and 1969 Auditor-General's Report, and an examination of some aspects of the Board's financial position by the previous Public Accounts Committee.

The Auditor-General at Page 146 in his 1968 report said:—'In March 1967, the Potato Marketing Board purchased Eta Foods (Vic.) Pty Ltd, at Latrobe for the purpose of producing potato crisps for sale on the Tasmanian market. A number of unsatisfactory features of the accounting procedures have been brought to the notice of the Board, and currently a firm of accountants has been requested to prepare a Statement of Accounts covering the Latrobe activities.'

In evidence to the Committee the Auditor-General on 1 September 1969 indicated: 'The Potato Marketing Board's activities at Latrobe were of concern and still are of concern.'

The Committee were informed that the Potato Marketing Board was operating at a very substantial profit over a period of years but that in recent years difficulties had been experienced at Latrobe where a very unsatisfactory picture had been revealed, and on the mainland where a detrimental change in the marketing position has occurred.

The Board's results for 1968-69 were as follows:—

### Tasmanian Activities

	\$	\$
Burnie (loss) .....	7,934	
Burnie Rents (profit) .....	5,839 Cr.	
Devonport (loss) .....	669	
Devonport Rents (profit) .....	92 Cr.	
Latrobe (loss) .....	19,201	
Latrobe Rents (profit) .....	507 Cr.	
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Net loss—Tasmania .....	.....	21,366

### Mainland Activities

Sydney (loss) .....	10,709	
Newcastle (loss) .....	649	
Brisbane (profit) .....	9,619 Cr.	
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Net loss—Mainland .....	.....	1,739
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Consolidated Net Loss .....	.....	\$23,105
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The above figures were arrived at after including a figure for Sundry Debtors of \$17,331.35, but the Auditor-General pointed out to the Committee that a sum of \$5,186.05 was subject to litigation and that the actual loss could be greater.

On 24 March 1970 the Auditor-General indicated that there had been a further deterioration in the Board's financial position. He revealed that he had sought from the Board comments on the Latrobe operation involving a reduction in sales from \$40,306 in 1967-68 to \$26,778 to 1968-69 with contributing factors being—

- (a) A breakdown in the 'sealing' machine between November and January and a loss of production because of a fall in demand.
- (b) A progressive reduction in supervision at Latrobe by reason of the Manager's preoccupation with activities at Devonport.
- (c) A falling off in sales promotion with advertising at a minimum and no salesman appointed until March 1969.
- (d) Failure to impose stock controls until November 1968 created doubts as to the authenticity of opening stock figures for the year.
- (e) Stock cards not reflecting an apparent shortage of 659 packets of potato chips although there was some indication that 600 packets had become stale and unsaleable early in 1969 and had been destroyed.

## 2. Cost of Production

Confusion as to sundry creditors in 1967-68 created doubts on the production costs for 1968-69 but it appeared to the Auditor that the following factors had an adverse effect on production costs during the year:—

- (a) Wastage in processed potatoes due to lack of suitable cool-store facilities.
- (b) Wastage due to certain types of potatoes used.
- (c) An increase in the packet content of chips to compete with other suppliers.

## 3. Stocks and Raw Materials

Failure to impose stock controls until 15 November 1968 made verification difficult but apparent shortages were evident in respect of potatoes, cooking fuel and fuel oil.

## 4. Operating and Administrative Costs

Despite fall off in production and failure of plant for some months, costs of light and power increased by \$1,168 with wages and salaries only reduced by \$1,194 despite the fact that a salesman was appointed only towards the latter part of the financial year. The Managing/Salesman ceased working for the Board on 4 October 1968.

## 5. Plant and Equipment

At 31 July 1969 plant and equipment was valued at \$10,043. The Board's attention was drawn to the possibility of age and obsolescence and the fact that attention should be given to making provision for eventual capital loss.

## 6. Lease of Factory, August and September 1969

The factory was leased to a former employee of the Board for the months of August and September 1969. The lessee was required to pay rent of \$68 per month and was to be charged with the cost of finished products on hand plus the cost of raw materials used in any further manufacture. At the date of audit, although rent had been paid, no payment for goods or materials had been received.

The Auditor-General indicated—

In an interim reply under date 19 November 1969 the Board informed me that the lessee of the factory had ceased operations on 30 September, owing the Board \$3,025 (for stock and raw materials used), although rent of \$544 had been paid. Legal action was being taken for the outstanding amount. A Writ has been issued but the amount was still outstanding at 18 March 1970.

The factory and property has been offered for sale but the reserve price was not reached and it is still the property of the Board.

Disposal of stock and plant is proceeding slowly but the Board has stated that realistic figures with respect to residuals will be reflected in the Accounts for 1969-70.

In respect of other matters raised, the Board replied on 22 December 1969 on the following basis:—

- (a) *Trading*.—The Board agreed that stock figures at 30 June 1968 could have been considerably inflated. It was understood that the Chairman had given authority for the destruction of some manufactured stock early in 1969 but no record has been made nor were stock cards adjusted.
- (b) *Cost of Production*.—The Board drew attention to the fact that stocks at 1 July 1968 were not capable of effective verification.
- (c) *Stocks of Raw Materials*.—The Board agreed that a considerable quantity of raw potatoes had been dumped with no adjustment to records. There was no explanation for shortage of fuel and cooking oils other than the possibility that daily usage had been understated.
- (d) *Operating and Administrative Costs*.—The Board claimed that increased usage of lights—particularly of the security light in the yard—replacement of globes on the instructions of a Factory Inspector and refrigerated cool room for some of the year only, were the explanations for the increased power usage.

With respect to wages and salaries it was claimed that accounting difficulties in both 1968-69 and the previous year required considerable extra work by the Accountants, Devonport Manager, and a Machinist, and a percentage of their salaries had been allocated to the Latrobe activities, thereby increasing the costs of that Branch.

The Auditor-General also indicated that on 6 February 1970 he had drawn the Board's attention to the following major items:—

- (a) *Stock on hand—Burnie*.—The stock included irrigation equipment to the cost value of \$5,340. Doubts existed as to its real marketable value.
- (b) *Stock on hand—Devonport*.—Doubts were raised as to the current values of wooden cases (\$4,511), Potato Bins and Pallets (\$338) and Cartons (\$550), included in closing stocks and also stocks of standard sacks which were included at a cost figure of \$17,404 as compared with \$1,503 held at the close of the previous year.
- (c) *Trading—Devonport*.—Further information was requested re the contract which resulted in a qualification of the Mainland Accounts by the auditors.
- (d) *Trading—Latrobe*.—Concern was again expressed at trading results at Latrobe where the Board had incurred a further loss of \$2,627 on its last month's operations in July 1969, with further losses possible as a result of disposal of obsolete plant and equipment and recovery of debts due to the Board.

In its reply received on 18 March 1970 the Board stated—

- (a) *Stock on hand—Burnie*.—Endeavours were being made to dispose of the irrigation equipment and a list of obsolete fittings was being prepared. A close examination of current and realistic values is to be made when this year's accounts are finalised.
- (b) *Stock on hand—Devonport*.—The wooden cases were ordered in anticipation of an overseas order for seed potatoes which did not eventuate. The Board will hold the stock in case another overseas shipment can be negotiated. No reply was received in respect of other items including standard sacks.
- (c) *Trading—Devonport*.—The total estimated loss to the Board of the Young Bros contract is \$8,589 and this is the amount being claimed by litigation.
- (d) *Trading—Latrobe*.—Efforts to sell factory and land as well as plant are still proceeding. The original cost was \$40,000 including \$10,000 for plant and equipment, leaving \$30,000 as being the price paid for factory and property. The Reserve Price at auction is understood to have been \$45,000 but only bid was \$15,000.

Your Committee in conjunction with its enquiries on another matter had the opportunity of visiting the site of the Potato Marketing Board's Sydney operations. We were deeply impressed by the dedication of the Manager of the Sydney Branch who is not only working diligently to arrange the satisfactory marketing of Tasmanian Potatoes in a city where increasing competition is making Tasmanian freight-disadvantaged potatoes less economic, but who is actually himself cooking potato chips for sale at a weekly Speedway meeting. No officer could possibly give more sincerely of effort for those he represents.

The Committee would summarise our understanding of the position as follows:—

The only clearly profitable part of the Board's operations are in Brisbane. Whether profitability there can be maintained is open to some doubt.

The Sydney operations, previously very profitable, are quite not 'holding their own' despite the personal efforts of the Sydney Manager where he is clearly working beyond his line of duty.

The Devonport and Burnie operations are at best marginal.

The Latrobe operation (now ceased) has had serious repercussions on the whole of the Board's activities.

In all these circumstances and in the light of other evidence including that of the Potato Commodity Committee of the Tasmanian Farmers Federation, the Committee feel that we should lay on the Table all the evidence we have received about this matter so that the House may determine what action, if any, should be taken.

W. A. NEILSON, *Chairman*

Ministerial Party Room,  
House of Assembly, Hobart.  
25 March 1970