

**SELECT COMMITTEE INTO THE
FINANCE BROKING INDUSTRY IN WESTERN AUSTRALIA**

**TRANSCRIPT OF EVIDENCE TAKEN
AT PERTH
MONDAY, 9 OCTOBER 2000**

SESSION 2 OF 5 (PART A)

Members

**Hon Ken Travers (Chairman)
Hon G.T. Giffard
Hon Ray Halligan
Hon Greg Smith
Hon Norm Kelly**

DESVEAUX, MR SERGE,
Chartered Accountant,
8 Cook Street,
West Perth, examined:

The CHAIRMAN: Good morning and on behalf of the committee I welcome you to today's hearing. Can you please state your full name, contact address and the capacity in which you appear before the committee?

Mr Desveaux: Serge Desveaux of 8 Cook Street, West Perth. I do not know why I am here.

The CHAIRMAN: You will have signed a document entitled, "Information for Witnesses". Have you read and understood that document?

Mr Desveaux: Yes, sir.

The CHAIRMAN: These proceedings are being recorded by Hansard. To assist the committee and Hansard, please quote the full title of any document you refer to during the course of this hearing for the record. A transcript of your evidence will be provided to you. I remind you that your transcript will become a matter for the public record. If for some reason you wish to make a confidential statement during today's proceedings, you should request that the evidence be taken in closed session before speaking about the matter. Further, the committee may, of its own motion, resolve to take evidence in closed session. The taking of evidence in closed session may be relevant when, for example, the committee believes that the evidence may breach term of reference 3 of its inquiry, which states -

The committee in its proceedings avoid interfering with or obstructing any inquiry being conducted into related matters and in particular inquiries by -

- (a) the police;
- (b) any liquidator or supervisor of any company;
- (c) the Gunning inquiry;
- (d) the Australian Securities and Investments Commission, or
- (e) any prosecution.

However, even if evidence is given to the committee in closed session, that evidence will become public when the committee reports on the item of business to the Legislative Council, unless the Legislative Council grants an ongoing suppression order at the time the committee tables its report.

The committee understands that you have some concerns that your evidence may impact upon legal proceedings and court cases that are pending.

Mr Desveaux: Yes, sir.

The CHAIRMAN: If members ask you a question, and you believe that to be the case, you should indicate that prior to answering the question. If the committee believes it is necessary, we can have a private hearing to go through those matters at the conclusion of the public hearing. Do you wish to make an opening statement to the committee? If not, members have some questions.

Mr Desveaux: My opening statement would be that because two former employees of Blackburne and Dixon have been charged, I do not know what would be the impact on them of what I am going to tell you.

The CHAIRMAN: Members intend to ask general questions rather than specific questions about specific deals that were done through Blackburne and Dixon. Obviously, if you think your answer may potentially impact on the court cases and it relates to a matter for which those people have been charged, you should indicate to us prior to answering it and we can have that in a private session at the end of the public hearing. If there is nothing else you would like to say to the committee to commence with, I will lead off with some questions. Can you tell us exactly what was your role at Blackburne and Dixon? We understand you were the auditor and you have also been the accountant.

Mr Desveaux: That is correct, but the external accountant.

The CHAIRMAN: Can you outline to us when you were the auditor and when you were the external accountant? When did those roles change and what did you do in those two roles?

Mr Desveaux: I was appointed the accountant of the Blackburne family by the late Mr Owen Blackburne in 1993. I was also appointed the auditor of Blackburne and Dixon's trust account. I was the auditor to 31 December 1997.

The CHAIRMAN: That was from 1993.

Mr Desveaux: To 1997.

The CHAIRMAN: What was your role? In all that time, you were also the external accountant.

Mr Desveaux: I was primarily the external accountant and the auditor.

The CHAIRMAN: I remind people in the public gallery that only accredited members of the media can take notes during the hearing. What was your primary role as the accountant?

Mr Desveaux: The late Mr Owen Blackburne had a number of companies and I was looking after the accounting, taxation and secretarial affairs of those companies.

The CHAIRMAN: Did you do any accountancy work for the firm Blackburne and Dixon?

Mr Desveaux: Yes, sir.

The CHAIRMAN: What sort of work did that involve?

Mr Desveaux: That involved providing taxation advice and preparation of the financial statements accounting for them.

The CHAIRMAN: Who did the work on the trust accounts and those sorts of documents?

Mr Desveaux: That was done by Mrs Julie Jones.

The CHAIRMAN: Did you provide her with advice?

Mr Desveaux: Yes, I did provide her with advice. If she did not understand something, she would ask me.

The CHAIRMAN: Who did the monthly trial balances of the trust account?

Mr Desveaux: Mrs Julie Jones. She was a competent person and she did her job well.

The CHAIRMAN: She indicated to us that you had an increasingly hands-on role within the financial affairs of Blackburne and Dixon.

Mr Desveaux: Yes. However, she was in charge of dealing with the audit side of it. She was the employee in charge of it. I did not process any entries if that is what you mean. I never touched any entries.

The CHAIRMAN: It was more a case of who was doing the trial balances and so on.

Mr Desveaux: She did.

The CHAIRMAN: As the auditor, how often would you come in?

Mr Desveaux: I would just look at the work that she had done, which pertained to the audit side of it.

The CHAIRMAN: Did you ever identify any problems with the trust account?

Mr Desveaux: As I said, she was quite competent. She would have sorted it out herself.

The CHAIRMAN: As the auditor, your job is to check that.

Mr Desveaux: I did.

The CHAIRMAN: What did you do as the auditor? What checks did you carry out?

Mr Desveaux: I reviewed a number of files. There were vouchers that had to be prepared before she could issue cheques and all those things. It was of a general standard applying to the audit.

The CHAIRMAN: Did you identify any problems with the trust account during that time?

Mr Desveaux: There is one that Mrs Jones brought to your attention. Can we come back to that, or do you want me to spell it out now?

The CHAIRMAN: Can you spell it out now, unless you think it will have some impact?

Mr Desveaux: No. The late Owen Blackburne and Dominic Casella had a number of business dealings together. I do not know how it happened, but Mr Blackburne issued two vouchers and \$305 000 was missing in the account of Dominic Casella. At first I did not review that file; I missed it. Then an audit was carried on at the behest of the supervisory board, which should have covered that. I did not report that one, because it should have been covered by the other auditor appointed by the board. The two items flowed from a transcript, which is in the possession of the board.

The CHAIRMAN: To the best of your knowledge that is the only problem that was ever identified in the trust accounts of Blackburne and Dixon.

Mr Desveaux: To my knowledge, that is the only one. There could have been others; I do not know. However, the files I reviewed did not show anything untoward.

The CHAIRMAN: You never identified any examples of payments that had been made without proper authorisation?

Mr Desveaux: No, otherwise I would have reported it to the board.

The CHAIRMAN: What sorts of checks did you carry out to ensure that that was not occurring?

Mr Desveaux: A voucher is issued for all payments. Mrs Jones would not issue a cheque if she did not have a green slip for it. She must have it to issue a payment. There were green slips for each payment.

The CHAIRMAN: Did all the examples you look at always have a payment voucher?

Mr Desveaux: Always.

The CHAIRMAN: After the identification of the matter that required the special auditor, you indicated that you did not look at the matter -

Mr Desveaux: The first year was 1994, and I missed it as I did not review that file.

The CHAIRMAN: Once you became aware of that matter, did you increase your checks on other accounts in the trust account at that time?

Mr Desveaux: You can do only so much. You single out a number of files to review. The vouchers were in the trust account.

The CHAIRMAN: What would you say is the role of an auditor?

Mr Desveaux: You assert that things are correct, but not necessarily everything. You cannot review all files out of necessity. You separate files and go through those.

The CHAIRMAN: How would you determine the number of files that need to be checked?

Mr Desveaux: You would say that you would take 20 files at random.

The CHAIRMAN: Was it a percentage of the total number of files?

Mr Desveaux: You choose at random a number of files and go through them.

The CHAIRMAN: How many?

Mr Desveaux: I do not recall now - I can check.

The CHAIRMAN: What about generally as an auditor?

Mr Desveaux: I take between 25 or 30 files; no more than that.

The CHAIRMAN: Is it based on a number of files or a percentage of the total?

Mr Desveaux: It is a number of files, not a percentage.

The CHAIRMAN: Would it not matter whether 100 or 300 files were involved; would you still review 20 to 25 files?

Mr Desveaux: Yes.

The CHAIRMAN: How did you choose the files?

Mr Desveaux: At random.

The CHAIRMAN: How is that done?

Mr Desveaux: You go through the files, and pick out a number of files.

The CHAIRMAN: Who did that?

Mr Desveaux: I picked the files I wanted to see.

The CHAIRMAN: When did you become aware that a special auditor was required or that problems had been identified in the trust account?

Mr Desveaux: That was notified to Blackburne and Dixon by the board.

The CHAIRMAN: When did you become aware of that?

Mr Desveaux: When the people came into the office?

The CHAIRMAN: When was that?

Mr Desveaux: It was some time in 1995.

The CHAIRMAN: Did that alter the way you conducted audits of the company?

Mr Desveaux: Not at all. These matters came up because Mr Dominic Casella had a big examination of one of his colleagues. This is when he was singled out.

The CHAIRMAN: Did that not cause you to review other files of Mr Casella's?

Mr Desveaux: Not at all.

The CHAIRMAN: Not even when you had an allegation with one file? How many of the trust account files related to the Mr Casella's matters?

Mr Desveaux: I do not know. He had a few.

The CHAIRMAN: As a rough percentage of the total files, how many related to Mr Casella's companies?

Mr Desveaux: Maybe two or three.

The CHAIRMAN: Did you look at any of his other files?

Mr Desveaux: They were in order.

The CHAIRMAN: So you looked at them?

Mr Desveaux: Yes. They were in order except for that particular file.

The CHAIRMAN: I understand from Mrs Jones' evidence that following the unfortunate death of Mr Blackburne, you became more involved in the day-to-day financial affairs of the company. Is that correct?

Mr Desveaux: It was only with the company, and not with the management of the office - if that is what you wanted to say.

The CHAIRMAN: I refer to the financial affairs of the organisation.

Mr Desveaux: In terms of the private companies, yes.

The CHAIRMAN: Was it nothing to do with the operation.

Mr Desveaux: Nothing whatsoever.

The CHAIRMAN: Did Mrs Jones ever raise her concerns with you about what was happening with the trust accounts and what was going on?

Mr Desveaux: I cannot recall that. We sat side by side and I cannot recall anything of that nature.

The CHAIRMAN: You sat side by side?

Mr Desveaux: At the times we were together in the office, we would talk about accounting in the office and how it could have been improved. There were various things. But that was not a concern because Mrs Jones was keen to forge ahead and be more of a managerial type. It was not a concern about anything else.

The CHAIRMAN: If she had raised such concerns, what would you have done?

Mr Desveaux: I would have reported it to the board, as I have done over the years.

The CHAIRMAN: You said earlier that you had not identified any problems with the trust account. Had you identified problems with the trust accounts over the years?

Mr Desveaux: Yes, for sure.

The CHAIRMAN: What were those problems?

Mr Desveaux: They are in my report. One instance was at times that the cheque was received, it came back and the cheque bounced, and the trust account was in debit. In those instances, Mrs Blackburne would keep up the money.

The CHAIRMAN: Did you not identify any other problems with the trust account?

Mr Desveaux: No.

The CHAIRMAN: Do you not recall Mrs Jones' raising any concern about the process conducted or payments without necessary approvals?

Mr Desveaux: No.

The CHAIRMAN: Did you identify the trust accounts going into deficit?

Mr Desveaux: Never.

The CHAIRMAN: Did you check other than with the end-of-month trial balances; that was, whether during the month the accounts were in deficit?

Mr Desveaux: It had never been in deficit.

Hon NORM KELLY: What about sub-accounts within the trust account?

Mr Desveaux: There was one trust account.

Hon NORM KELLY: There were sub-accounts.

Mr Desveaux: Yes.

Hon NORM KELLY: Would some of those sub-accounts be in deficit at times?

Mr Desveaux: No. I have never seen one.

Hon G.T. GIFFARD: Did you never see one go into deficit or never see one?

Mr Desveaux: Never seen one.

Hon G.T. GIFFARD: No ledgers?

Mr Desveaux: You are talking about sub-accounts. They have never been in debit.

The CHAIRMAN: Have you been made aware subsequently that the sub-accounts of Blackburne and Dixon were in deficit?

Mr Desveaux: Never. Not to my knowledge.

The CHAIRMAN: Are you aware of any payments being made without proper authorisation?

Mr Desveaux: No. In that case, Mrs Jones was always issued with a voucher for her to draw the cheques to make payments. She must have had one to make the payment.

The CHAIRMAN: Are you not aware of any occasions of payments made without -

Mr Desveaux: Not that I am aware of.

The CHAIRMAN: Are you aware of money being paid from one trust account to pay for something related to a project in another trust account?

Mr Desveaux: No.

The CHAIRMAN: Are you aware of payments being made from a trust account to another development project operated by Blackburne and Dixon?

Mr Desveaux: No.

The CHAIRMAN: Are you aware of funds being transferred overseas?

Mr Desveaux: No.

The CHAIRMAN: I ask as both the accountant for Blackburne and Dixon and Mrs Blackburne's affairs -

Mr Desveaux: I am not aware, sir.

The CHAIRMAN: Of any pavements at all being sent overseas?

Mr Desveaux: No.

Hon NORM KELLY: You said that you were appointed as Blackburne and Dixon's external accountant in 1993, and at the same time you were appointed as auditor. Who did you replace as auditor?

Mr Desveaux: He is dead now; it was Colin Kershaw I think.

Hon NORM KELLY: When you were appointed auditor, you or Blackburne and Dixon would have had to apply to the Finance Brokers Supervisory Board for that appointment.

Mr Desveaux: That is correct, sir.

Hon NORM KELLY: Did you make the board aware of your other role with Blackburne and Dixon as accountant?

Mr Desveaux: No. That arrangement is quite correct; Mr Kershaw was in the same position. It is accepted. You do not have to make them aware.

Hon NORM KELLY: Did you see any conflict in your role as auditor of the Blackburne and Dixon accounts when doing accountancy work and providing accountancy advice to Blackburne and Dixon?

Mr Desveaux: No. It is very correct in the profession for small firms that the auditor is also the accountant to the firm.

Hon NORM KELLY: Section 52 of the Finance Brokers Control Act states that “an auditor shall disclose to the Board any close relationship”, and it later refers to “any business dealings he has with or through such finance broker”.

Mr Desveaux: It was not a business dealing; I was providing a service.

Hon NORM KELLY: Were you providing a service as an employee or as a contractor?

Mr Desveaux: No, I was an external accountant. I was on contract.

Hon NORM KELLY: You would simply bill Blackburne and Dixon?

Mr Desveaux: On a time basis for the time that I spent on the account.

Hon NORM KELLY: So your accountancy business would bill Blackburne and Dixon for the services you provided?

Mr Desveaux: There was a bill for the services I rendered as an auditor and another bill for what I did for the companies.

Hon NORM KELLY: Would providing those accountancy services from your accountancy business mean an actual business dealing with Blackburne and Dixon?

Mr Desveaux: No, I do not operate that way. With business dealings you are in partnership with someone or other matters.

The CHAIRMAN: As the personal accountant for the Blackburnes, were you associated with any other companies they dealt with?

Mr Desveaux: I was just the accountant.

The CHAIRMAN: You were never a director?

Mr Desveaux: No.

The CHAIRMAN: Do you recall the names of the companies for which you would have done any work in relation to their books?

Mr Desveaux: Yes. Stefo Nominees Pty Ltd, OwenKay Investments Pty Ltd.

The CHAIRMAN: Were they the only two?

Mr Desveaux: There were a few more, but they have since been struck off the register.

The CHAIRMAN: Did they hold interests in any deals that had been brokered through the finance broking company, about which you are aware? Did they hold an interest in any development deals with Mr Casella or Mr Pavlinovich, for instance?

Mr Desveaux: Yes, Stefo had an interest.

The CHAIRMAN: Were they silent partnerships or were they public and open?

Mr Desveaux: They were just an interest, because Mr Pavlinovich was the main driving force.

The CHAIRMAN: Was there a public or a silent interest?

Mr Desveaux: A silent interest.

The CHAIRMAN: Do you remember the companies in which they had a silent interest?

Mr Desveaux: One was Kentlaw, one was Brook Law and one was Ocean West. There were only about three of them. That was for Mr Pavlinovich. In relation to Dominic, there was only one called Eaton.

The CHAIRMAN: Are you aware of them ever holding interests in any deals with finance brokers through a third party acting as their trustee?

Mr Desveaux: No, that was before my time.

The CHAIRMAN: They did hold interests through a third party, but it was before your time?

Mr Desveaux: Can you explain what you mean?

The CHAIRMAN: To your knowledge, did anyone hold interests in any deals on behalf of either Mr or Mrs Blackburne?

Mr Desveaux: No, none at all; not to my knowledge.

The CHAIRMAN: You were obviously thinking of a particular deal.

Mr Desveaux: No. I was thinking of the interest of Stefo in the companies I have just mentioned to you.

The CHAIRMAN: Was that normally held through a third party?

Mr Desveaux: No. Stefo had an interest in those companies.

The CHAIRMAN: So they had a direct interest?

Mr Desveaux: Yes.

The CHAIRMAN: They had no other trust arrangements that held interests on their behalf, other than Stefo and OwenKay?

Mr Desveaux: No; all the interests of Mr Blackburne were held in the name of Stefo.

The CHAIRMAN: Miss Jones gave evidence that after the death of Mr Blackburne, you became aware of some of the problems and were most concerned and tried to sort them out. Is that correct?

Mr Desveaux: Through the involvement of Stefo with other companies, and the death of Mr Blackburne, everybody started getting concerned about their interests. Therefore, I went to see Mr Pavlinovich a couple of times and we agreed that Stefo should relinquish its interest for payment.

The CHAIRMAN: Stefo would relinquish its interest, but Mr Pavlinovich -

Mr Desveaux: But it was for a sum of money.

The CHAIRMAN: They would pay Stefo Nominees for that, would they?

Mr Desveaux: That is correct.

The CHAIRMAN: So the interest was relinquished, was it?

Mr Desveaux: That is correct.

The CHAIRMAN: But he never received payment for that?

Mr Desveaux: Yes, a small amount of what was the agreed sum.

The CHAIRMAN: Was legal action ever commenced about those deals?

Mr Desveaux: Both sides commenced legal action.

The CHAIRMAN: Were you ever involved in any of that legal action?

Mr Desveaux: Those matters are now in court.

The CHAIRMAN: Are those actions ongoing?

Mr Desveaux: Yes.

The CHAIRMAN: Could you identify the actions?

Mr Desveaux: Mrs Blackburne is suing the group, Matt's group, and Matt's group is suing Mrs Blackburne, Stefo.

The CHAIRMAN: That legal action is still ongoing for the failure to make payments?

Mr Desveaux: That is correct. They have a claim and a counterclaim.

The CHAIRMAN: In broad terms, what is Mrs Blackburne's claim?

Mr Desveaux: That she has not been paid.

The CHAIRMAN: And Mr Pavlinovich's claim?

Mr Desveaux: He has come up with a number of things.

The CHAIRMAN: Is one of the claims that he is not required to make the payments?

Mr Desveaux: That is correct.

The CHAIRMAN: In terms of your work, have you identified how Stefo Nominees came to have an interest in those developments?

Mr Desveaux: This is what I was saying: I was not privy to the interests Stefo had in those companies. It was down the track, because I was the accountant when I saw those transactions.

The CHAIRMAN: So they all occurred before you became the accountant?

Mr Desveaux: Yes.

The CHAIRMAN: Stefo Nominees did not obtain an interest in any development?

Mr Desveaux: Subsequent to that, yes. We had other projects when I was the accountant.

The CHAIRMAN: How did they come to get those interests?

Mr Desveaux: That was behind closed doors; I was not there.

The CHAIRMAN: You were aware that they had an interest, but you did not know how they obtained that interest?

Mr Desveaux: No, they never disclosed that to me.

The CHAIRMAN: If you were doing the books, surely you would have seen the payments going in or out, or are you saying there may not have been payments?

Mr Desveaux: That is correct; that was the case with each of those transactions. You must bear in mind that Mr Pavlinovich always considered Blackburne as a most loyal friend and gentleman and all those things, and all those deals were done by handshake.

The CHAIRMAN: Did you see the books for Stefo Nominees?

Mr Desveaux: Yes, I am still the accountant.

The CHAIRMAN: Surely those books would show whether payments were made for the interests Mr Blackburne had in the arrangements with Mr Pavlinovich?

Mr Desveaux: No, he was paid for his expertise.

The CHAIRMAN: As a finance broker or in some other capacity?

Mr Desveaux: His expertise as a developer. He was doing a number of developments and he is in South Perth, and Mr Pavlinovich is a consultant and they used to work together. There was never any problem between the two parties. Mr Pavlinovich has never given a bribe - whatever you want to call it - to Mr Blackburne, or Mr Casella has never given any bribe to Mr Blackburne.

The CHAIRMAN: Or to anyone else in Blackburne and Dixon?

Mr Desveaux: No, not to my knowledge.

The CHAIRMAN: Why do you make that claim?

Mr Desveaux: Because of Mrs Jones' story that there was a kickback involved with Blackburne, Pavlinovich and Casella. I am saying that for you.

The CHAIRMAN: How do you know there was never a kickback?

Mr Desveaux: Because it was never referred to in the accounts.

The CHAIRMAN: You just told us they had a secret interest in a whole range of deals.

Mr Desveaux: You can ask Mr Pavlinovich - he is alive - and Mr Casella.

The CHAIRMAN: I am sure the committee will. You have told the committee that there was never a kickback?

Mr Desveaux: That was not the nature of the man. He never took bribes from anybody.

The CHAIRMAN: I had not indicated that I thought there was a kickback. You indicated that there was a kickback?

Mr Desveaux: Because it was in the newspaper.

The CHAIRMAN: How can you be so sure that there was not a kickback? You have indicated that he had interests in companies that were held through a nominee company, secretly, based on his experience or his advice as an experienced developer.

Mr Desveaux: In some instances he contributed assets.

The CHAIRMAN: Is that recorded in the accounts?

Mr Desveaux: For sure. Matt Pavlinovich can tell you that himself.

The CHAIRMAN: When I asked earlier, I thought you indicated that it was -

Mr Desveaux: You are asking me more questions and it is just coming out.

The CHAIRMAN: Did he make financial contributions to those deals?

Mr Desveaux: Yes.

The CHAIRMAN: Do you recall which deals he made a financial contribution to?

Mr Desveaux: Yes, Kentlaw. He was a director, he was a guarantor, and the investors knew that he was. He had a share in that company. In relation to Ocean West he sold some of his properties and put the money in, and for another one in Kalgoorlie Mr Blackburne traded some properties as deposit for that property.

The CHAIRMAN: Why did he hold secret interests through a trustee company?

Mr Desveaux: I cannot understand what you mean by "secret". It was no secret to anybody.

The CHAIRMAN: His interests were always very public and known to the lenders, were they?

Mr Desveaux: No. Can I go back? You said the investors were not told that Blackburne was a party to those deals: Is that what you want to know?

The CHAIRMAN: Yes.

Mr Desveaux: He did not tell that to investors, except in one case, Kentlaw.

The CHAIRMAN: It may not have been a secret between Mr Pavlinovich or Mr Casella and the investors but it was a secret to the investors that Mr Blackburne had an interest in those arrangements?

Mr Desveaux: You can call it that, yes.

Hon GREG SMITH: His interest was that he was a lender, not a borrower?

Mr Desveaux: He was a lender not a borrower; the company borrowed the money.

Hon GREG SMITH: Was he putting his own money into the deal?

Mr Desveaux: No, I think you have got me wrong. One of the companies was a borrower. Mr Blackburne was the other partner in that deal. The investors were not told that he was a partner, but the other people involved in that company, the borrowing company, provided the guarantees and they were the directors.

The CHAIRMAN: In some of the cases Mr Blackburne held an interest because he had provided capital or funds, but in others he had an interest but did not provide any capital or funds, is that correct? He was given an interest?

Mr Desveaux: Yes, in some circumstances.

The CHAIRMAN: What was the size of the interest he would hold in most of those instances? Was it a 25 per cent interest, a 10 per cent interest or a 50 per cent interest?

Mr Desveaux: No, never. It would be one-third.

The CHAIRMAN: You made the very clear statement that there were no kickbacks. Would you accept that people might perceive that if somebody is given a secret interest in a development project, having contributed no capital, that there may be something fishy about that arrangement?

Mr Desveaux: He had his personal efforts in it because in most instances he was the one who had done the financial advice.

The CHAIRMAN: Surely, that is what he does as the broker for which he is paid a commission, is it not?

Mr Desveaux: Yes.

The CHAIRMAN: What was he providing over and above what would normally be the role of a broker when providing advice and assistance for which he would be paid a commission?

Mr Desveaux: I cannot comment because this is what is in court.

The CHAIRMAN: This is the action involving Mr Pavlinovich. We will pursue this in private.

Mr Desveaux: Are you leading your comments for the record for the Press.

The CHAIRMAN: No, I am leading my comments so that we can understand what was going on. We are trying to find out why people have lost money because of the finance broking industry in this State.

Mr Desveaux: When you were dealing with your last sentence, it may be construed by the Press in a different way.

The CHAIRMAN: The way in which members of the Press report is their business and not mine. I am going back over this area quite extensively to get clear in my mind what the arrangements were and what is your knowledge of the arrangements. Have you ever been involved in assisting Mrs Blackburne to arrange finance for the purchase of any motor vehicles?

Mr Desveaux: No, but before the death of Mr Blackburne someone had agreed to purchase a car for her. When the car was ready and the money was not coming forward, I went to see two gentlemen to ask them to honour their commitment.

The CHAIRMAN: Who was the person who had agreed to purchase the vehicle for Mrs Blackburne?

Mr Desveaux: Mr Greg Johnson.

The CHAIRMAN: Who were the two people you visited?

Mr Desveaux: Greg Johnson and Matt Pavlinovich.

The CHAIRMAN: Did they eventually honour their agreement.

Mr Desveaux: Yes.

The CHAIRMAN: How much funding did they provide for the purchase of those vehicles.

Mr Desveaux: I could not tell you precisely.

The CHAIRMAN: Approximately. Are we talking about \$2 000 or \$20 000?

Mr Desveaux: No, a shade more than that.

The CHAIRMAN: \$200 000?

Mr Desveaux: No, it could be between \$50 000 and \$60 000.

The CHAIRMAN: Do you know why they had agreed to buy Mrs Blackburne a vehicle.

Mr Desveaux: That question is also being pursued in court.

The CHAIRMAN: This is in a civil action, is it?

Mr Desveaux: Yes.

The CHAIRMAN: Why do you think an answer might obstruct or interfere with the action. You can obviously tell me the truth of the matter, which should not interfere with that court case, should it? It is not a criminal prosecution.

Mr Desveaux: But the lawyer could cease on that.

The CHAIRMAN: He cannot use what is said in this inquiry. He would have to get that evidence by another means if he wanted to use it in the court case.

Mr Desveaux: Can I answer that in private?

The CHAIRMAN: I am not sure of the impact it would have, but if that is the way you want to answer I shall come back to it. Is that the only time you have assisted in obtaining motor vehicles for Mrs Blackburne?

Mr Desveaux: Yes, it is the one and only.

The CHAIRMAN: Mrs Jones indicated that after the death of Mr Blackburne, you assisted Mrs Blackburne in trying to get the affairs of Blackburne and Dixon in order. Is that correct?

Mr Desveaux: It was family companies, not necessarily Blackburne and Dixon.

The CHAIRMAN: She also indicated that she had a number of conversations with you in which you expressed concern about the state of the books of Blackburne and Dixon, and the impact that arrangements, probably through private companies, had on Blackburne and Dixon, and that you were attempting to get those matters sorted out. Is that correct?

Mr Desveaux: How could I say? I do not know what she means.

The CHAIRMAN: Let me try to get at it another way. After the death of Mr Blackburne, did you have any concerns about the financial affairs of the Blackburnes or Blackburne and Dixon?

Mr Desveaux: I do not know whether she means that or not. After the death of Owen Blackburne, there was friction with Matt Pavlinovich primarily. Obviously I wanted to address that problem. We decided that there should be an agreement for buying the interest in the other companies.

The CHAIRMAN: Did any of those problems have an impact on the affairs of Blackburne and Dixon?

Mr Desveaux: No, they were two separate issues.

The CHAIRMAN: There were no problems where money had been taken from trust accounts?

Mr Desveaux: No.

The CHAIRMAN: Do you know whether Mr Blackburne had any interests in Taiwan?

Mr Desveaux: No, not to my knowledge.

The CHAIRMAN: Is it possible that he had them and you were not aware of them?

Mr Desveaux: That is correct. It may have been before my time or whatever.

The CHAIRMAN: Did you deal with all of his financial affairs?

Mr Desveaux: I dealt with them all. There was nothing in the books about Taiwan.

The CHAIRMAN: Did you do his annual tax returns?

Mr Desveaux: Sure, there was nothing in them.

The CHAIRMAN: You mentioned the evidence that Mrs Jones gave us. Where did you get that information from?

Mr Desveaux: The newspaper.

The CHAIRMAN: She certainly indicated in her evidence that she used you as quite a close confidante.

Mr Desveaux: Yes, we were good friends.

The CHAIRMAN: She said that you provided her with regular advice on what to do. Is that correct?

Mr Desveaux: Yes. Whenever there was a problem, she would ask me.

The CHAIRMAN: Do you remember the sort of problems she asked you about?

Mr Desveaux: I was her accountant.

The CHAIRMAN: What were the types of problems that she used to raise with you?

Mr Desveaux: When she had problems, she would come to my office. We would talk about anything.

The CHAIRMAN: I am trying to get a feel for the types of problems that she would come to you with.

Mr Desveaux: She came to me for advice, not necessarily over work problems. At one time I knew she wanted to be a finance broker. I encouraged her to do it. She started a course. She left the firm, and that is it. She left the firm because the other employer would pay her more money. I do not think - I may be wrong - that she was concerned about the Press coming in, because in 1996 there was no Press involved at all.

The CHAIRMAN: That does not mean that she had not identified problems that would lead to the Press coming in. With the benefit of hindsight, one might say that she would be fairly accurate in that prediction.

Mr Desveaux: At that point in time you could not see it.

The CHAIRMAN: Her evidence was that she could see it in 1996.

Mr Desveaux: I do not know what she saw that I did not see.

The CHAIRMAN: You indicated that she came and saw you about problems. Do you recall any of the types of issues that she raised with you?

Mr Desveaux: It might have been in the nature of some gossip.

The CHAIRMAN: Like what?

Mr Desveaux: Could I tell you that in private? It has no bearing on the matter.

The CHAIRMAN: They were personal matters rather than business matters?

Mr Desveaux: Yes, office matters; not money matters.

The CHAIRMAN: She never came to you and asked for advice about the concerns she had as an accountant doing the books of Blackburne and Dixon?

Mr Desveaux: No, she wanted to forge ahead; she wanted more responsibility; she wanted to do more things in the office. She was happy with her job but she wanted more money. Mrs Jones was a competent worker; there is no doubt about it.

The CHAIRMAN: Did she ask you for advice about matters to do with her job as an accountant?

Mr Desveaux: She wanted to do a few things. She wanted to improve on the job. She did not want my approval to do it this way or that way. If there was something she wanted to do, she was not going to the books.

The CHAIRMAN: Did she ever ask for advice about the accuracy of the figures?

Mr Desveaux: No, because she was a very accurate worker.

The CHAIRMAN: She never approached you at all about any matters to do with her job of keeping the books and accounts of Blackburne and Dixon?

Mr Desveaux: No. Mrs Jones was responsible for the trust account, not the accounts.

The CHAIRMAN: Did she have concerns about her work with the trust account?

Mr Desveaux: She wanted to improve the system.

The CHAIRMAN: In what way?

Mr Desveaux: She had a lot of big ideas, and she always wanted to improve it.

The CHAIRMAN: Were her suggestions valid?

Mr Desveaux: Yes.

The CHAIRMAN: What sort of things did she suggest?

Mr Desveaux: I cannot recall any now. I shall try to recall them and tell you later.

The CHAIRMAN: If you cannot recall them now, what would help jog your memory?

Mr Desveaux: How could I answer?

The CHAIRMAN: She never raised any concerns with you at all?

Mr Desveaux: No, none at all.

The CHAIRMAN: Could you give any reason that she would feel she had raised matters with you, when you are saying she clearly did not?

Mr Desveaux: Maybe she did and I cannot recall.

The CHAIRMAN: Did you ever express any concerns to her?

Mr Desveaux: About what?

The CHAIRMAN: The problems with the accounts for Blackburne and Dixon Pty Ltd or the trust account for Blackburne and Dixon.

Mr Desveaux: No, I did not discuss the accounts of Blackburne and Dixon with her.

The CHAIRMAN: When we asked Mrs Jones about that issue, it related particularly to when she felt you had become the accountant rather than the auditor, and, as you have told us, that remained the same the whole way through. We asked her whether you ever expressed concerns about what was going on in the place, and she said that yes, you did, and that she understood you wanted to correct the problems. Do you have any idea what she may have been referring to then?

Mr Desveaux: No, I cannot really say anything there now.

The CHAIRMAN: She was certainly suggesting that you wanted to correct those problems, so she was not suggesting that you wanted to perpetuate them or anything like that. Her evidence was that you were very keen to try to fix the problems, but you cannot understand what the problems were that she thought you were trying to fix.

Mr Desveaux: No.

The CHAIRMAN: As members have no other questions, I ask people to leave the public gallery for a short while and we will go into a private session. We will go back into public session as soon as we have finished the private session.

[The committee took evidence in private]