

Senate Economics Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates 29, 30 & 31 May 2007

Question: bet 35 (APRA)

Topic: Strategic Capital Superannuation Fund

Hansard Page: E105/106

Senator SHERRY asked:

Last week there was an award under section 23 of SIS in relation to the Strategic Capital Superannuation Fund, and APRA disqualified the four trustees and the auditor for 18 months. After the investigation that you began in March 2003 there were several regulatory breaches. More than half the \$24 million in assets contributed by 488 members was unable to be found. The nature of the breaches were inaccurate record keeping, auditing accounts and submitting annual financial reports, as I understand it. Are you able to give us any more detail? The last report is that more than half of the funds were unable to be found. Why were they unable to be found and is there any chance of any of that being found in the near future?

Mr Jones—Sometimes it is not good to provide substantive replies to very specific elements of this. The facts are that 90 per cent of the eligible loss was recovered. Your question relates to the notion of additional moneys missing?

Senator SHERRY—Yes. The last report I have is as at 18 May, and this may have been a report referring to the initial 50 per cent missing. If you are giving us an update that 90 per cent has been recovered then that is fine. I will treat that as an update. Why did the money go missing? What was the core of the problem here?

Mr Jones—It goes back a number of years. It was a fund out of WA. The original issues were that it was acting as a public offer fund without having a licence so when we stepped in we froze the assets. This goes back a long time. Then we looked at possible breaches of the legislation, sole purpose fraud and so on and then had to have a look at what was missing.

Senator SHERRY—The action that you took against the four trustees and the auditor of 18 months disqualification, is that accurate?

Mr Jones—We cannot disqualify for 18 months, so that is not accurate. The only power that we have is to disqualify.

Senator SHERRY—And they have been disqualified?

Mr Jones—Precisely. We cannot disqualify for 18 months. What happens is that you are disqualified unless and until you come back to APRA and make a case to be no longer disqualified.

Senator SHERRY—I may be reading this report incorrectly in the sense that it may in fact refer to 18 months after the investigation began, rather than 18 months disqualification.

Mr Jones—It might be better if you want more detail if I take it on notice and provide more specifics.

Senator SHERRY—Yes.

Senate Economics Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates 29, 30 & 31 May 2007

Answer:

- The Trustees of the Strategic Capital Superannuation Fund (the Fund) received a grant of financial assistance of \$1,476,783 on 17 May 2007.
- APRA disqualified the four trustee directors in July and August 2004.
- APRA disqualified the auditor of the Fund in May 2004.
- Each disqualification takes effect immediately and is for an indefinite period; however, disqualified persons may apply to APRA for revocation of the disqualification at any time.
- The four former trustees and auditor were disqualified approximately 18 months following APRA's commencement of an investigation into the affairs of the Fund.
- The report of 18 May 2007 refers to 90% of what the Minister deemed as an 'eligible loss' suffered by the Fund being awarded to the Fund. The 'eligible loss' refers to losses suffered by the Fund and its members from fraudulent conduct or theft.
- Money did not go missing from the Fund, other than as reflected in the Minister's assessment of the eligible loss. Unlisted assets of the Fund were recorded in the books of the Fund by the former trustee at their purchase price. This materially overstated their realisable value.