

Senate Select Committee on Superannuation and Financial Services

Main Inquiry Reference (a)

Submission No. 232

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Date: 17 July 2001	

Subject: Questions on Notice – Hearings 12 and 25 June 2001

Please find attached the response to Senator Sherry's question on the Harris Scarfe Superannuation Fund.

Regards

A handwritten signature in black ink, appearing to read 'Peter Gannon', written in a cursive style.

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HARRIS SCARFE SUPERANNUATION FUND

The Harris Scarfe Superannuation Fund (the Fund) as at its last return on 30 June 2000 had 287 members and assets of \$9.07 million which were spread between Pooled Superannuation Trusts, Statutory Insurance Funds, direct equities and Cash Funds

As at 30 June 2001 all employer contributions were being paid by the administrator, (Ferrier Hodgson) and APRA has written confirmation that the administrators will continue to make these payments. Ferrier Hodgson has advised that based on its investigations of the employer Harris Scarfe Holding Ltd (HSHL), they have uncovered no irregularities which directly affect the Fund.

In addition, the external auditors of the Fund, PricewaterhouseCoopers, have been replaced by Messrs Crichton & Co, who have been instructed by the Trustees of the Fund to undertake an investigation of payment of contributions by the employer - sponsor over the last five years. While the investigation is not yet complete, APRA has been advised that, to date, only a few minor errors have been identified. Similar investigation by the payroll manager has uncovered only small administrative errors which will be rectified. Apart from these minor errors with the fund, APRA was advised that all payments have been made in accordance with Superannuation Guarantee requirements and in accordance with the terms and conditions of the employment contracts.

The financial losses incurred due to the write-off of the investments in HSHL is approximately \$381,000. These investments were within the 5 per cent limit set in the *Superannuation Industry (Supervision) Act* for exposure to in-house assets.

APRA's involvement with the Fund since HSHL had an administrator appointed has been significant, including requiring the Board to provide external verification of all assets and liabilities, requiring the Board to verify all expense accounts, reconciliations of contributions paid and payable, a review of internal administration, and also requiring the Board to provide APRA with an action plan detailing all proposed action to be taken by the Board in relation to the review of the Fund's financial position and operations.

Issues as to the future of the Fund

In May 2001, the directors temporarily suspended payment of all benefits pending the outcome of several reviews into matters including procedures, financial position of the Fund, crediting rates and an ex officer who sought to have his benefits paid out. Following satisfactory resolution of these issues, the directors ceased the temporary suspension of its processing and resumed payment under approved procedures. Based on information provided by the Directors there are no current restrictions with regard to benefit payments with the exception of one member, an ex officer of HSHL, whose payment has not yet been finalised on legal advice from the Fund's lawyers.

An employee representative is now the only remaining Trustee of the fund. Following the recent decision of the Administrator to retrench a large number of staff, the remaining Trustee will be meeting with the Administrator with the expectation that the only viable option is to proceed to an orderly winding up the fund. APRA has advised the Trustee to obtain independent legal advice in relation to all matters affecting the fund and to keep APRA informed. APRA will be present at the proposed meeting between the Trustee and the Administrator.