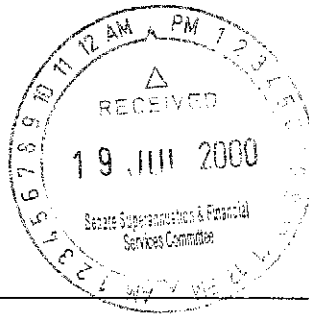


# **Senate Select Committee on Superannuation and Financial Services**

## **Main Inquiry Reference (a)**

**Submission No. 59** (Supplementary to Submission  
No. 38)

**Submittor:** Mr Ken Lockery  
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11 July 2000

Ms Sue Morton  
Secretary  
Select Committee on Superannuation and Financial Services  
Parliament House  
CANBERRA ACT 2600

Dear Ms Morton

Thankyou for forwarding to me the draft transcript from the Senate Select Committee hearings on Thursday 15 June 2000.

**Questions on Notice**

That copy of the transcript highlights the following five (5) areas in which I was asked to take questions on notice. The purpose of this letter is to provide the Committee with further information in that regard.

**1. "Fast track solutions"**

On pages 424-425, Senator Hogg inquired as to whether I was aware of any way to fast track the settlement of a claim in relation to fraud.

In relation to the liability issue, I doubt that this is possible. That issue is fundamental to the resolution of a claim, and its determination cannot be "compromised" in any way.

As to quantum, there may be some opportunities. I am aware that in relation to some insurance arrangements, insurers are prepared to make interim payments where liability is clear. It may be that this can be encouraged in some way. However, where the parties do not agree, it is very difficult to justify disentitling either party to due process as a means of resolving that issue.

**2. Fraud Controls**

[bottom of page 426]. Towers Perrin has put in place a number of systems to establish both protection from the occurrence of fraud and a detection system through reconciliation and review. The main control systems in use are summarised in Attachment A.

### **3. Ogilvy O'Donnell Recommendations**

[foot of page 428] Our original Submission to the Committee was written by direct reference to the summary points provided by Ms Ogilvy O'Donnell. We refer you to that document.

So far as the eight specific recommendations put forward by Ms Ogilvy O'Donnell are concerned, we consider that Recommendation 6 would be worth further investigation provided the assistance could reasonably be restricted to "genuine" cases. However, for the broad superannuation industry (as opposed to the specific area of "excluded funds" that Mr Ogilvy was in), we consider the other specific recommendations to be either inappropriate or impractical to apply.

### **4. Charges**

[top of page 432] The list of charges laid against the former employee are set out in Attachment B to this letter.

### **5. Giving Advice/Information**

[top page 436] Our observations are that in the past, sponsoring employers of corporate superannuation funds have tended to provide a good deal of information and advice regarding the operation of the superannuation fund.

However, given that in the likely "choice of fund" environment this will now "influence" a member who is deciding which fund to allocate his/her retirement savings, those employers will be much less inclined to provide other than the bare minimum documentation (and may legally be unable to do so). The result will be less informed members in many cases. However, it does seem to be an almost inevitable outcome of an environment where all employees have the right to be in a fund of their choice for their employer provided superannuation contributions.

I know that ASFA has considered this issue extensively, and so it may be useful to follow up the Association if you needed further comment on this issue.

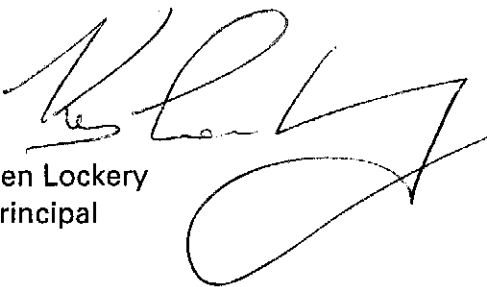
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*Towers Perrin*

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I trust the above provides the Committee with some useful further commentary as requested.

Yours faithfully



Ken Lockery  
Principal

## Main Control Systems in Use in Benefit Administration

a) System of control of transactions and assets

i) **Segregation of duties**

This is established using certain key features.

- a) Actual separation e.g. Accounts and Administrators.
- b) Password controls e.g. Contributions and Benefits
- c) All work to be done dealt with by two people (i.e. a doer and a checker).

ii) **Management Information System**

Reports are produced on a regular and timely basis and are circularised as appropriate.

iii) **Review and Reconciliation of Management Information**

Management information reports are reconciled and checked and they are sent out to clients for review.

b) Documentation

Systems are well documented and communicated to staff. The systems are subject to, and are accredited under ISO 9001.

c) Key internal controls monitoring

The main internal control (but by no means the only internal control) is the double checking of all transactions and procedures. Procedures are laid down that require that where feasible all transactions that are carried out by one person are checked and signed as checked by another person.

d) Routine audit

Under ISO 9001 the systems are subject to internal audit (although not conducted with a view to ensuring fraud is not occurring). External auditors review the systems in use in clients funds. Again this is not an audit used to review the possibility of fraud occurring, though as a by-product it may reveal it.

**Mark Cheeseman's Charges**

According to the Victorian Police's Charge Sheet dated 12 December 1996, Mark Ronald Cheeseman was charged with 128 counts of various offences being:

- (a) one count under Section 74 of the *Crimes Act 1958 (Vic)* of stealing money, being property belonging to Towers Perrin Ltd valued at \$1,000,000;
- (b) 104 charges under Section 74 of the *Crimes Act 1958 (Vic)* of stealing money of various amounts and at various times between 22 February 1989 and 24 July 1996, being property belonging to Alexander Wills Ogilvy;
- (c) 20 counts under Section 83A(3) and (4) of the *Crimes Act 1958 (Vic)* for making false documents, being letters to Alexander Wills Ogilvy and Ms Ong of ANZ Bank, which Mark Ronald Cheeseman knew to be false, with the intention to induce Mr Ogilvy and Ms Ong to accept them as genuine documents; and
- (d) three counts under Section 82(1) of the *Crimes Act 1958 (Vic)* of dishonestly obtaining a financial advantage by deception.