

Activity



Write your thoughts down

Answers can include:

- mortgages
- credit cards and store cards
- loans and credit
- payday lending and debt collecting
- pensions
- savings and investments
- hire purchase and pawn-broking
- money transfer
- financial advice



List five other products/services the Ombudsman would look into.

click for suggested answers

The Financial Ombudsman

<http://www.fos.org.uk/>

This body, set up by parliament, deals with individual financial-related complaints directly and for free. It isn't the regulator, and doesn't issue fines, but it does resolve complaints. The website contains case studies, which would be useful to look through in order to understand how it arrives at a decision. Examples, of products the Financial Ombudsman would look into are:

- PPI (payment protection insurance)
- banking
- insurance
- stocks, shares, unit trusts and bonds.



click to continue

Case Study Exercise - Enron

Allow 40 minutes to read this case study and answer the questions which follow.

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Enron started in 1985 as a small oil and natural gas pipeline company in Texas. Masterminded by CEO and former economist Kenneth Lay and later by chief operating officer Jeffrey Skilling (both now household names in the US), it grew by promising to deliver gas and oil to a particular utility or business at a fixed future date and at a fixed price. As the energy markets - and in particular the electrical power markets - were deregulated, Enron's business expanded into brokering and trading electricity and other energy commodities.

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Enron was once the seventh-largest and one of the most admired companies in the US. Its sudden collapse in 2001 sent shockwaves through the financial systems of the world. Investors, including almost every pension and retirement fund in the US, lost tens of billions of dollars after revelations of company internal deals that hid billions of debt and losses from company financial statements. While the precise reasons for Enron's collapse are not fully clear, it is clear that both accounting failures and corporate governance failures have played a significant role. Investors were shocked, and out of money. Confidence in the whole framework of company accounts and in how directors run their companies has been shaken, not just in the US but elsewhere, including the UK.

[click to continue](#)

That nobody on the inside of the firm questioned illicit practices is ascribed to the firm's corporate culture. Enron was a high-performance, talent-intensive corporation. Enron's culture was focused on two things - the first was profits and the second was how to make even greater profits. Enron looked for recruits who demonstrated a strong sense of urgency in everything they did and employees were expected to maintain high levels of work intensity over extended periods of time. The firm put a lot of effort into attracting top talent but if anyone questioned practices, then their career was severely limited, as they were also quick to fire employees.

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However, one of the most controversial aspects of the Enron case is the failure of Andersen, the firm's auditors, to raise the alarm. Just why did the auditors fall down on their responsibilities? Perhaps the reason was something behind the methods used by major auditing firms. Over the past two decades, auditors have gradually focused more on how companies generate their financial data - the computerised accounting programs and internal controls - rather than on the numbers themselves, making it almost impossible for them to catch a client's highest-level executives from cooking the books.

[click to continue](#)

Case Study Exercise - Enron

Could an Enron-style scandal occur in the UK? Some observers believe the risk is less because of more rigorous accounting audit standards and better corporate governance in the UK. One warning sign is a change in the membership of the board of directors. Boards should be relatively stable, without constant changes in membership. Continuity aids in the monitoring of the company and gives board members a good perspective as to past actions and happenings. When the composition of a board changes frequently, there is usually trouble afoot. Either management isn't satisfied with the board's deliberations, or the board members are afraid that future service on the board will expose them to unacceptable legal liability.

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There are concerns, however, that the relationship between some auditors and their clients is still too cosy and one proposed answer to the current lack of confidence in audited accounts is compulsory rotation of auditors around companies to prevent auditors getting too close to longstanding clients. There is also concern about the practice known as 'low-balling', where accounting firms allegedly sustain losses on audit contracts to secure lucrative non-audit work so undermining the quality of audit work.

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A series of missteps, both accidental and calculated, coupled with 'bad luck' led to some of its more questionable dealings being brought to light, precipitating the ultimate collapse.

[click for questions](#)

Case Study Exercise - Enron



Write your thoughts down

How did Enron's business expand initially?

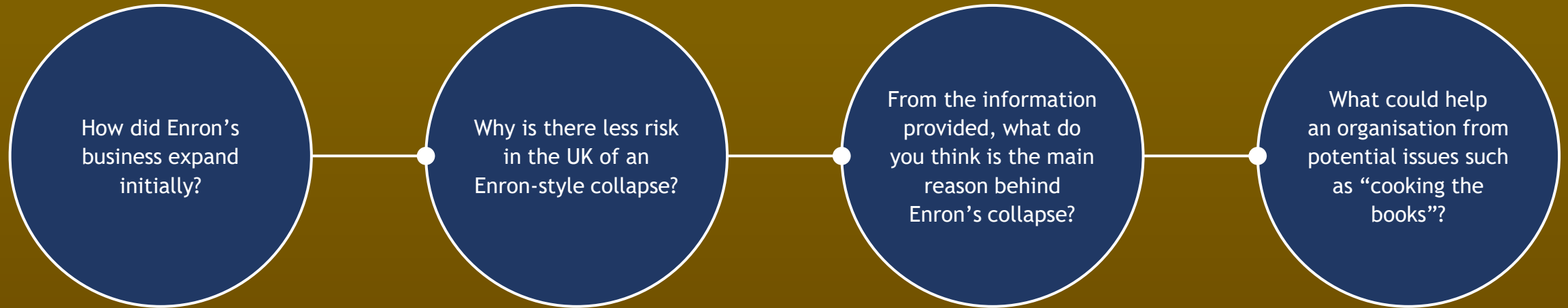
Why is there less risk in the UK of an Enron-style collapse?

From the information provided, what do you think is the main reason behind Enron's collapse?

What could help an organisation from potential issues such as "cooking the books"?

[click to continue to answers](#)

Case Study Exercise - Enron



A: It started to expand into brokering and trading electricity and other energy commodities.

A: There is more regulation than ever before in the UK with rigorous auditing standards and better governance.

A: (Should include at least three of these points):
Management providing incorrect, fabricated figures, hiding issues and money-syphoning - poor business ethics and a lack of customer (investor) regard. The practice of low -balling has also possibly contributed. Accounting and governance failures and possibly some bad luck and missteps all lead to the ultimate collapse.

A: Stability in Executive Management turnover at Board level and rotating auditors so the relationships do not remain too close to clients.

Exercise



Write your thoughts down

The Information Commissioners Office (ICO) is the authority which advises on Data Protection within the UK. Please review their 3 year plan in the document below and answer the following questions.

Allow 1 hour to complete this exercise.



<https://ico.org.uk/media/about-the-ico/documents/1043486/ico-plan-2015-2018.pdf>

click to continue

What two measures have been agreed to measure the customer satisfaction of the ICO helpline?

One of the strategic aims is that “Customers receive a proportionate, fair and efficient response to their information rights concerns”.

How will the output of the objective be produced?

One of the strategic objectives is to ensure “Enforcement powers are used proportionately to ensure improved information rights compliance”.

Firstly, what on-line tool will be produced to help organisations?

Secondly, what two Acts are mentioned in the prosecution of criminal offences?

Thirdly, what other Data Protection enforcement powers will be put into place?

List 5 values the ICO will abide by.

click to continue to answers

Exercise

A: Customer satisfaction over 90%

Answer at least 95% of calls with an average wait of no more than 60 seconds

A: In monthly and quarterly reports

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A:

Committed - We care about upholding information rights.

Team workers - We work together as one ICO team, sharing information and expertise.

Focused - We give priority to activities that make the biggest contribution to achieving our mission.

Effective - We work to produce high quality and timely outcomes.

A model of best practice - We do not ask others to do what we are not prepared to do ourselves.

Alert - We are alert to the views and needs of our stakeholders and to the potential impact of new developments.

Fair - We treat everybody we deal with fairly and with integrity and respect. We are inclusive in our approach.

Always learning - We are always learning and developing professionally

A1: A self-reported breach tool - to see if a breach is happening/or might happen

A1: The Data Protection (DP) Act and the Freedom of Information (FOI) Act.

A3: Answer can be paraphrased:

Using our enforcement notice power where there is significant risk to information rights and this is the most appropriate way of ensuring compliance.

Obtaining formal undertakings when improvements to information rights practices are required and this is the most appropriate way of ensuring compliance; ensuring required actions are undertaken.

Encouraging organisations to sign up to improvement plans which address information rights compliance issues, backed by formal action when needed

Reflections Exercise



Write your thoughts down

What three steps could you take to ensure your own data is more secure?

click to reveal suggested answers

Suggested Answers:

- Check your privacy settings
- Change cookie settings to a more secure setting
- Obtain anti-piracy software
- Don't open or respond to malicious/spam emails
- Restrict who can see your data online, by changing who can see your posts and more private information
- Report potential scams and advise friends and family so that they don't get caught out
- Ask companies who keep your data to provide a copy (via ICO procedures) and correct any inaccurate data held about you.

click to continue