

Information Overload

Issue 72, December 2008

Welcome:

Welcome to the December edition of Information Overload. As this is the last edition of the year, we would like to take this opportunity to let you know that the offices are closed between Tuesday 23rd December and Monday 5th January 2009. For those of you who are currently working on contract through IEA, rest assured that you will be paid as usual during the Christmas period. We will not, however, be able to make any placements during this time. Messages can be left for us on 08 9335 2533 (answering machine) if the matter is urgent, or you can send us an email and we will respond to them as soon as we return.

From everyone here at IEA, we hope that you have a safe and happy festive season, and we look forward to speaking and working with you again in the New Year.

We would like to thank you in advance for forwarding this edition onto friends, colleagues and other interested readers. Please note that all back issues of this edition, as well as our main edition can be read and/or downloaded from the publications pages of our web site – <http://www.iea.com.au> should any of the topics be of interest and use.

We hope you enjoy reading. Have a great “holiday”

Kind Regards

Lorraine and the team at Information Enterprises Australia

In this issue we will look at:

- Abuse of power
- Corporate Governance
- A Thought to ponder.

Abuse of Power:

In March 2008 we mentioned several cases of collecting institutions who had lost or had stolen certain items from their collections. As we said then, you might “forget” to take one or two things back if you’ve been working on them at home, but you might notice if you had a couple of thousand pieces stacked in your living room.

For me the most amazing loss of material occurred at the Ronald Reagan Presidential Library which is estimated to be unable to find or account for 80,000 items which had been acquired

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by the then President of the United States during his term in the white house. Inspector General Paul Brachfeld said that his office was investigating allegations that a former employee stole Reagan memorabilia but that the probe had been hampered by the facility's sloppy record-keeping. Whether these items were taken for personal interest or use (given there were gifts ranging from scarves to belt buckles) or monetary gain. It does make me wonder how many will be found and returned to the Library.

<http://www.culturalheritagelaw.org/news-issues/news-issues-in-cultural-heritage/reagan-library-cant-fully-account-for-80-000-artifacts/>

It shouldn't surprise me any more, but it never ceases to amaze me how people who have been entrusted with the job of looking after our history and heritage will gladly take what isn't theirs. There have been a couple of very recent examples where items were taken purely for monetary gain. For example the ex-archivist at Mariners' Museum has been sentenced to 4 years in prison, after selling over 3,500 documents for \$172,357. The sad fact of the matter is, well there are several. The first is that most of the documents will never be returned – and given the museum had a lot of information relating to the Titanic this is quite disturbing. Secondly - our profession is being tarnished by the greed of a few people, and then there is the undeniable proof this was not a mistake, but a deliberate abuse of power, over a sustained period.

http://www.dailypress.com/news/dp-local_museum_1218dec18,0,6554694.story

But this is just small change compared to the biggest scandal of the year. And we thought the Enron Collapse was big....

Unless you've been living at the bottom of a pond in recent times, you will have heard the name Bernard Madoff, Madoff was the former chairman of the Nasdaq Stock Market, and has been arrested and charged with fraud to the tune of \$50 billion over the alleged running of a "Ponzi Scheme".

(NB: A Ponzi scheme is a swindle offering unusually high returns, with early investors paid off with money from later investors).

"There is no innocent explanation," Madoff said, according to the criminal complaint. He told the FBI agents that it was all his fault, and that he "paid investors with money that wasn't there," according to the complaint.

The \$50 billion allegedly lost would make the hedge fund one of the biggest frauds in history. http://news.yahoo.com/s/nm/20081212/bs_nm/us_madoff_arrest

What came out of the Enron scandal, apart from a complete shake up of the auditing world was of course Sarbanes Oxley – who knows what on earth will come of this particular scandal. Where were the safe guards? Where were the checks? And how on earth did he get away with it for so long? My final thought for the moment is this – if the economic crisis hadn't caused investors to take money out of hedge funds – how much longer would this have gone on for before he was found out?

Just as with the case of the Mariner's Museum documents, whereby one person thought to question the document he had received, would anyone have said anything if they had known what was going on or would they have kept quiet and pleaded ignorance?

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Corporate Governance

According to “The Corporate Library” (<http://www.thecorporatelibrary.com>) Corporate Governance is “The relationship between the shareholders, directors and management of a company, as defined by the corporate charter, bylaws, formal policy and rule of law.”

Corporate Governance is concerned with three key issues,
(1) how an organisation develops strategic goals and direction,
(2) how the board of the organisation monitors the performance of the organisation to ensure it achieves these strategic goals, and
(3) ensuring that the board acts in the best interests of the members, shareholders and other interested parties.

This should be achieved by:

Independence — independent views and opinions, objective assessment and freedom from constraints of internal and external influence.

Transparency and disclosure of information and decision-making — the governance system is open to relevant stakeholders in terms of strategy, decision-making and financial and operational performance;

No conflict of interest — the people working within the governance system have no actual or perceived conflicts of interest in decision making and are not in a position to influence outcomes (publication of all actual or perceived conflicts of interest is a sign of good governance practice);

Quality practices — the governance system is based on quality standards and practices as set out by the Australian Quality Council;

Process-based, not people-based — the governance system is not reliant on individual people and their skills to ensure the continuation and operation of the organisation. The system should be based on strong processes and procedures, not just talented people;

Linkages between responsibility and accountability — those who are responsible for an activity, or outcome are actually held accountable for it as well;

Practical and reliable — the governance system should not be overly complex and should be flexible to change.

Poor corporate governance on the other hand can come from a variety of sources including director inexperience, conflicts of interest, failure to manage risk, inadequate financial controls and poor business systems and reporting.

What is interesting with the Madoff case, is that he appears to have kept most of the information to himself – as was reported in the article – “Madoff had long kept the financial statements for his hedge fund business under “lock and key,” according to prosecutors, and was “cryptic” about the firm. The hedge fund business was located on a separate floor from the market-making business.”

Whether he was working on his own (in as much as no-one really knew the financial ins and outs except him) time will tell. Investigators will be unravelling the complexity of this particular scheme for quite some time. One thing I am sure of, the quality of the record keeping will help tell the true story.

With many thoughts

Lorraine

A Thought to Ponder

“To succeed as a team is to hold all of the members accountable for their expertise.
Mitchell Caplan, CEO, E*Trade Group Inc.

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If you would also like to receive the main edition of IEA’s Information Overload, please send an email to training@iea.com.au with subscribe client newsletter in the subject line, we have covered a wide variety of topics from record keeping to search engine optimisation of your web site – back issues can be found on our web site – <http://www.iea.com.au>. If you have any suggestions as to what should be included in future editions, then please send an email to training@iea.com.au.

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