

THE BRUSSELS WHISTLEBLOWER¹

PETER BOWBRICK

In 2003 a Brussels whistleblower was fired by Neil Kinnock. Her crime: she pointed out that the European Commission accounting system is terrible, that fraud is rampant, and that a scandal of Enron scale is on the cards. The politicians and top officials who want to fire her say, ‘We have known that the accounts were bad for a long time. We have started a three-year programme to install a new accounting system. Until it is in place, she should keep her mouth shut.’

This is a common ploy, which I have seen used by corrupt organizations throughout the world. When corruption is so bad and so obvious that there is a public outcry and powerful lobbies demand reform, something has to be done. They call in one of the big four accountancy firms, and pay them a handsome fee to design and install a new accounting system over the next three years.

This gives a clear message to managers and officials, ‘There will be no prosecutions for any of your theft over the last ten years. You will also get away with anything you steal in the next three years, before the new system is fully operational. However, you had better steal more than usual, because it will be harder after the new system is operational.’

In practice, it is possible to delay the new system for several years. There can be implementation problems. There can be computer problems. These can be so bad that you employ another of the big four to produce another accounting system, after another three years. Even if the system is implemented and operational, the accountants do not produce the accounts on

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time – I have worked with several corrupt organizations where the audited accounts are produced four years late.

Accountants, and the corrupt officials, will tell you that no action can be taken until there is a good accounting system, and audited accounts are produced.

This is nonsense. I am an economist, so I mistrust all accounts and accountants anyway. We see different worlds. They see figures on a sheet of paper, and are quite happy as long as the debits and the credits add up to the same figure. We economists see goods, services and resources, and use the accounts as some sort of indication of what is happening to them.

I have done major reforms of organizations which had no usable accounts. This is detective work, requiring cynicism and common sense as much as economics.

In one state-owned marketing board, I noticed that a badly paid clerk in the export department was wearing what I took to be Dior dresses. I checked the accounts. The figures for export sales exactly matched the dockets from the London and Paris commodity brokers. I could find no discrepancies. So I ignored the accounts, and checked the dockets from the commodity brokers against the reported prices on the commodity markets. It turned out that 40% of the value of the product, \$90 million a year, was going missing. The commodity brokers were colluding with management, who were, no doubt, colluding with politicians.

I visited a factory which crushed oilseeds to make cooking oil. Normally, one would have expected that the oil produced was 10% of the weight of the oil seeds bought. This factory was producing only 5%. The manager explained that the oil seeds were old, and were of very poor quality, that the factory was old and the machinery was obsolete, that he could not get spare parts. All true, and his story was confirmed by the accounts. I ignored the accounts. I looked at the invoices for the bottles bought by the factory.

Over the last five years, it had consistently used enough bottles to bottle 10%.

This showed that the manager had been stealing half the throughput.

My skill as a detective does not mean that I am snowed under with offers of this kind of work. On the contrary, there are quite a few countries where I cannot work again – I have frightened too many officials and managers.

This does not worry me too much, as I am a coward. When I found the woman with the Dior dress, I was terrified. Somebody could save themselves \$90 million a year by knocking me on the head. I played stupid, pretending not to notice anything, and posted diskettes of my files to my wife, in case I did not make it to the airport.

This is not hysteria. Once, I was doing an investigation in the West Indies asking the manager of a state-owned firm some routine questions. He did not answer them. He just looked me in the eye and said, ‘Mr Bowbrick, in this country, you can get a man shot for \$150, Jamaican.