



Enron scandal 'also affects South Africans'

By Keeran Sewsunker

Do you believe that the Enron corporate scandal didn't affect us here in South Africa?

"Think again!" says Lynn Brewer, the former executive of the company that blew the whistle on the shenanigans going on at the energy giant.

Brewer is on a tour of the country to create awareness about white collar fraud and its implications for shareholders, employees and the public alike.

'Many South Africans believe that the Enron saga has nothing to do with them'

Enron was an industrial giant with hundreds of divisions and subsidiaries, was supposedly worth billions of dollars, and had more than 20 000 employees.

But, in 2002, the company filed for bankruptcy after it emerged it had overstated its revenue and profits to shore up its share price.

Enron shares collapsed, resulting in the financial ruin of many people, including employees who had their entire pension fund invested in the company's stock.

"Many South Africans believe that the Enron saga has nothing to do with them, that it's something America should be worried about. But it creates vulnerability for companies here that do business with American companies because many have not changed their behaviour post-Enron. In fact, each month the Securities and Exchange Commission - which oversees the capital markets - is dealing with an average of 20 000 reports of fraud within companies by whistleblowers," she said.

And it affects everybody, she says, because even if you are not a direct investor you are probably "indirectly invested" through your pension fund or other investments.

She said there was a strong indication that many more companies were corrupt and felt that the suggestion of a domino effect and the ultimate collapse of capital markets was not far-fetched.

"Warren Buffet, the world's most successful investor and the second-richest man in the world, does not invest in the capital markets in America but puts his money on foreign currencies. It is like a type of corporate terrorism that is taking place in American firms," she said.

Brewer has founded the Integrity Institute in the US as a sort of corporate watchdog and has teamed up with the locally based Corporate Governance Accreditation organisation to bring awareness of the issue to South African corporates.

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