

BIG FOUR

Giulio Valesini

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Images: Alessandro Spinnato, Davide Rinaldi

SIGFRIDO RANNUCCI IN THE STUDIO

The main investigation this evening focuses on the Big Four - the four leading auditing and consulting firms: PricewaterhouseCoopers, Deloitte, Ernst & Young, Kpmg. Together, they invoice 134 billion dollars. They work behind the scenes but their work has an impact on our daily life much bigger than you would imagine. They audit the balance sheets of banks and large companies and if they make mistakes, the fallout could be disastrous for workers and for savers and shareholders. They advise prosecutors, public bodies, public administrations, ministries and even the Vatican and the UN. So, if your company suddenly gives you the sack, leaves families on unemployment benefit and empty boxes in the local area, then it is likely to be the outcome of their suggestions. They are, as you have understood, rather like Prezzemolina in the fairy tale but once in a while we manage to "audit" them. This is also thanks to our Giulio Valesini.

GIULIO VALESINI OFF-SCREEN

It was the Night of the Oscars in 2017. Called to announce the winner, Warren Beatty hesitated.

WARREN BEATTY

The Oscar for best film goes to ...

GIULIO VALESINI OFF-SCREEN

A surprise winner ...

FAYE DUNAWAY

La La Land.

GIULIO VALESINI OFF-SCREEN

But the shout of joy is choked. There is a sudden flurry on stage. But especially great embarrassment.

JORDAN HOROWITZ - FILM PRODUCER

Guys, guys, I'm sorry, there's been a mistake. Moonlight, you have won the Oscar for the best film. No, I'm not joking.

GIULIO VALESINI OFF-SCREEN

The wrong verdict was delivered by Brian Cullinan, a partner of PricewaterhouseCoopers: the consultancy multinational that has collected votes for 83 years and keeps the envelopes right up to the final ceremony. Quite a blow for someone claiming reliability as their best quality. Yet in recent years the credibility of multinational consulting firms has been put to the test by sensational errors.

GIULIO VALESINI OFF-SCREEN

London, 18 April: staff of the British Museum took to the streets.

EMPLOYEE

I've been working here for twenty years, I'm fighting for my pension, for my rights!

GIULIO VALESINI OFF-SCREEN

120 people, including cleaners and caretakers, came to work for months without having a contract; they are former employees of Carillion, the company that managed maintenance for the museum that on 15 January went bankrupt.

EMPLOYEE 2

We used to work for the museum, then they outsourced everything and arranged for Carillion to employ us. And now we risk ending up on the streets.

TRADE UNIONIST

After Carillion went bankrupt, personnel management was handed over to Price. They are paying neither social security nor pensions.

GIULIO VALESINI OFF-SCREEN

Until a few months ago, Carillion was considered to be one of the most solid British multinationals; 43,000 employees, revenues totalling more than 5 billion pounds. The company, a leader in the construction industry, provided services to hundreds of public organisations. And Carillion, in turn, subcontracted work to about 30,000 small companies: such as Perry Mac, which ran Heathrow Airport health services.

CHRIS PERRY - CEO PERRY MAC

As they announced Carillion's bankruptcy in London, I was in a meeting with their managers who wanted to offer me a new contract. After saying goodbye, I read in the newspapers that they were bankrupt. Yet they behaved as if nothing had happened.

SIMONA PELUSO

And what happened to your company?

CHRIS PERRY - CEO PERRY MAC

Carillion owes us a lot of money, they hadn't paid us for months; Price has said we will recover perhaps three per cent. But probably we will not see a penny.

BBC JOURNALIST

Excuse me, sir, I'm from the BBC: can comment on the bankruptcy?

GIULIO VALESINI OFF-SCREEN

A hundred or so former Carillion suppliers in turn went under and have had to declare bankruptcy.

MATT DICKINSON- FEDERATION OF SMALL BUSINESSES

We risk a chain reaction of failures. Thousands of jobs are at stake.

SIMONA PELUSO

Did no one realise they were on the verge of bankruptcy?

MATT DICKINSON- FEDERATION OF SMALL BUSINESSES

Absolutely the opposite!. We had already written a letter to Carillion because they paid bills late putting suppliers in difficulty. But they continued to win tender contracts.

GIULIO VALESINI OFF-SCREEN

Yet according to Kpmg, which certified their accounts, Carillion's financial statements in 2016 presented no critical issues. And while suppliers we left empty-handed, Kpmg earned one and a half million pounds for its certification task. The truth about the

accounts emerged four months later, only because a Carillon executive revealed the accounting tricks. The shares collapsed and it was discovered Carillon had debts totalling one billion pounds. But why did Kpmg not notice this? Even Parliament called for a committee of inquiry into the bankruptcy.

PETER KYLE - CARILLION COMMISSION OF INQUIRY

And you are unable tell me whether your client was in credit or in debt to the tune of 200 million pounds?

PETER MEHAN - CARILLION AUDITOR & KPMG UK PARTNER

I understand it's frustrating but it's a complicated matter.

PETER KYLE - CARILLION COMMISSION OF INQUIRY

No, it's not complicated. I wouldn't even hire you to audit my fridge. Because you wouldn't be able to say what's there and what's missing.

GIULIO VALESINI OFF-SCREEN

Carillon is a textbook case because it involves all four consulting firms.

PREM SIKKA - CONSULTANT, CARILLON COMMISSION OF INQUIRY

Deloitte was the internal auditor, Ernst & Young provided consulting. Price was also a consultant and then became the liquidator: it is curious, I would even dare say inappropriate.

SIMONA PELUSO

And Kpmg?

PREM SIKKA - CONSULTANT, CARILLON COMMISSION OF INQUIRY

KPMG was the external auditor for 19 years and was not just an auditor but also provided other services.

GIULIO VALESINI OFF-SCREEN

Price cashed in twice, first as a consultant and then as the liquidator: in all, more than 20 million pounds. KPMG was an accomplice in juggling the accounts, the commission of inquiry claims. A law is needed to separate consulting from auditing. And it is not the first time that the British Parliament has looked into the Big Four.

FROM THE BUDGET COMMISSION MEETING ON 31 JANUARY 2013

MARGARET HODGE - MP

How much do you earn, as a percentage, from tax advice?

JOHN DIXON - FORMER HEAD OF TAX DEPARTMENT ERNST & YOUNG UK

Listen, I cannot tell you in this specific case.

MARGARET HODGE - MP

This is a scheme you designed for your client; you only have to tell me if it served to minimize taxes.

KEVIN NICHOLSON - PARTNER PRICEWATERHOUSECOOPERS

Well, it's one of the reasons.

MARGARET HODGE - MP

Thank you very much. You have already told us enough.

GIULIO VALESINI OFF-SCREEN

In 2013, Margaret Hodge led a commission of inquiry into the role of auditing firms in creating schemes that encourage tax avoidance.

MARGARET HODGE - MP

They had a defiant attitude. They behaved like clever lads who were cheating the system. They were proud of it.

GIULIO VALESINI OFF-SCREEN

Every year, in the UK alone, they earn two billion pounds each selling tax optimization schemes.

MARGARET HODGE - MP

A few years ago, we introduced tax relief on patents. One of Kpmg's partners collaborated with the Treasury to write the technical details of that law. He then returned to KPMG and published a brochure on how to exploit it to evade taxes.

GIULIO VALESINI OFF-SCREEN

However, the Big Four are rarely sanctioned for encouraging such practices. And perhaps the reason is clear: in the United Kingdom, where Ernst & Young, Deloitte and Price all have their registered offices, the authority controlling auditors (the Financial Reporting Council), is financed by the auditors themselves. And several former executives sit on the Board of Directors.

ALEX COBHAM - CEO TAX JUSTICE NETWORK

The Big Four work with governments; they can influence and even write the laws that regulate their profession, even internationally. If they carry forward an idea, it's because clients pay them to do so.

GIULIO VALESINI OFF-SCREEN

The Big Four have a staff of 900,000 people made up of consultants and auditors in 140 countries around the world. Yet they have a weakness for tax havens where they have opened 312 offices. There are seven in the Bahamas alone, one each in Aruba, a tiny island off Venezuela, Bermuda and even Curacao, in the Dutch Antilles. The Cayman Islands boast 500 employees out of just 60,000 inhabitants. On average, staff working in these places is twice the number in other countries.

RICHARD MURPHY - DIRECTOR TAX RESEARCH UK

They have carte blanche in tax havens: governments sell the right to propose laws to the highest bidder. Some regulations are sponsored by the Big Four. These States only function because they are there.

GIULIO VALESINI OFF-SCREEN

We also realised this when we went to the Isle of Man while working on Paradise Papers documents. Consulting by Ernst & Young's come the fore based on sophisticated corporate schemes for rich clients who avoided paying VAT on imports of expensive private jets.

FROM REPORT - 12 NOVEMBER 2017

ANGUS GILMORE - ERNST & YOUNG ISLE OF MAN

Our deferment account means we ensure that who buys the aeroplane never physically has to pay the VAT that the State otherwise would have to return in relation to the next tax declaration.

GIULIO VALESINI

Does the company's registered office have to be here?

ANGUS GILMORE - ERNST & YOUNG ISLE OF MAN

Yes, but the company only exists to hold the aeroplane.

GIULIO VALESINI

These Appleby documents suggest to us that the companies created are empty boxes.

ANGUS GILMORE - ERNST & YOUNG ISLE OF MAN

Come back tomorrow and you will have all the explanations you need ...

GIULIO VALESINI OFF-SCREEN

They never called us back. Ernst & Young, for this advice, earned 15,000 pounds. The names of clients who particularly appreciated this service include Nassef Sawiris, the richest man in Egypt. The reference shareholder of Adidas, which registered the company in the Isle of Man in order to buy the aeroplane: at a price of million dollars. VAT saved: about 13 million dollars. Then there is God Nisanov, one of the richest Russian oligarchs. He used a dummy to buy a G650 costing 69 million dollars. VAT not paid: almost 14 million dollars. Other clients also include Formula One champion Lewis Hamilton: he paid 16 million pounds for his brand new, bright red Bombardier Challenger 605. Thanks to the services of these consultants, he avoided paying VAT coming to 3.3 million pounds.

RICHARD MURPHY - DIRECTOR TAX RESEARCH UK

In recent years, with the advice of the Big Four, companies have paid millions and millions of less in taxes. The Big Four become very rich at the expense of the community as a whole.

SIGFRIDO RANUCCI IN THE STUDIO

They always land on their feet. Not the least because they earn before, during and after, even when a company goes bust. So, after the Paradise Papers scandal, the European Union decided that: any consultant who creates a corporate plan to avoid taxes and subtract resources from the country must report it. On pain of a fine; yet there is no little hypocrisy here, since individual countries are allowed to decide the fine. Inasmuch, what interest, for example, may Malta, Ireland, Holland or Junker's Luxembourg have to fine their own consultants or companies when, in recent years, they have embraced fiscal cannibalization, turned it into their strong point for growth to the detriment of other countries. There's no little hypocrisy even behind the Big Four: they earn money as consultants for ministries and governments, sometimes acquiring privileged information that then turn into an offer to pay less tax to their customers, perhaps even by exploiting those outposts they have tax havens. Alleged lobbying activity was the focus of an investigation by the Milan prosecutor's office involving Susanna Masi, a consultant for the Minister of the Economy, Padoa-Schioppa : she was accused of accepting payments in exchange for information by auditing firm Ernst & Young, which then turned it into useful advice for its clients. We shall see how this turned out.

GIULIO VALESINI OFF-SCREEN

When it became known that the Milan prosecutor's office has opened an investigation into Susanna Masi's dual role, a political row broke out..

ENRICO ZANETTI - FORMER DEPUTY MINISTER OF THE ECONOMY

Investigations have been underway for three years and in any case ...

GIULIO VALESINI OFF-SCREEN

Minister Padoan was asked to provide an explanation in Parliament.

ROBERTO GIACHETTI - VICE-PRESIDENT ITALIAN CHAMBER OF DEPUTIES

Thank you. The Minister of the Economy and Finance, Pier Carlo Padoan, has the faculty to respond.

PIERCARLO PADOAN - MINISTER OF THE ECONOMY

In this regard, please note that Susanna Masi is no longer advisor to the Minister as per a decree dated 23 November 2017 ... As to the question whether Ms. Masi had notified the Minister about investigations conducted by the Milan prosecutor's office the answer is "no".

ENRICO ZANETTI - FORMER DEPUTY MINISTER OF THE ECONOMY

I would say that this was a very cunning answer.

GIULIO VALESINI

You almost perceive that the Minister, you might say, didn't want to tell the truth?

ENRICO ZANETTI - FORMER DEPUTY MINISTER OF THE ECONOMY

He denied being aware of the criminal investigation underway but from my point of view and for anyone who heard his answer, it was "I didn't even know there was a professional relationship"; instead I learn with astonishment, genuine astonishment, that he was perfectly aware of it. It left me utterly amazed ... and even very annoyed, if I may say so.

GIULIO VALESINI OFF-SCREEN

As reported by the Reuters news agency, there is no wrongdoing for the Milan prosecutor's office. The Minister knew of the fee paid to Ernst & Young and so the prosecutors asked for files to be closed.

GIULIO VALESINI

Why was such a situation accepted?

ENRICO ZANETTI - FORMER DEPUTY MINISTER OF THE ECONOMY

I am quite unable to answer your question: it is utterly beyond belief!

GIULIO VALESINI OFF-SCREEN

The question mark on why the network paid Masi while she was at the Ministry is still open and without answers. And to understand why, we hunted our Donato Iacovone, the head of Ernst & Young in Italy since 2010. A giant with more than five thousand professionals and turnover of more than 600 million euros.

GIULIO VALESINI

Why was a consultant for a Minister also paid by Ernst & Young?

DONATO IACOVONE - CEO ERNST & YOUNG ITALIA

I'm sorry, I can only repeat that an investigation is still underway. I am unable and cannot say anything about this; in any case, it is a question for the firm, it does not involve me.

GIULIO VALESINI

But you are the person in charge, right? You are the CEO ...

DONATO IACOVONE - CEO ERNST & YOUNG ITALIA

But I undoubtedly coordinate another company. In any case, I am not that person. I'm sorry, believe me.

GIULIO VALESINI OFF-SCREEN

The investigation revealed that relationships with Masi were managed through Marco Ragusa, a partner of the legal and tax firm Ernst & Young; even though Masi had worked for the Ministry of Economy since 2012: initially in the secretariat of undersecretary Vieri Ceriani (Monti government), remaining until November when the investigations by the Milan prosecutor's office became known.

ENRICO ZANETTI - FORMER DEPUTY MINISTER OF THE ECONOMY

These legendary consultants - who are not even consultants for Padoan ... because the dramatic thing is that they've been there for five governments: the Ministers are their consultants, not the other way round!

GIULIO VALESINI

The relationship has been reversed.

ENRICO ZANETTI - FORMER DEPUTY MINISTER OF THE ECONOMY

Oh well, given that they have been around for five different governments: right wing, left wing, technical --- whoever gets in doesn't have the courage to move them ... so who's really in charge?

GIULIO VALESINI OFF-SCREEN

The economic relationship between Padoan's tax advisor and the consulting firm only terminated in 2015. In that year, Susanna Masi was given two public engagements: on the Equitalia Board of Directors and the Board of Directors of Invimit, the real estate arm of the Ministry of Economy. In 2016, she added another comfortable position: this time with the Railways. Masi apparently told magistrates that they were assignments that compensated for the loss of salary from Ernst & Young.

GIULIO VALESINI

As many as three: with the State Railways, Equitalia and Invimit ...

ENRICO ZANETTI - FORMER DEPUTY MINISTER OF THE ECONOMY

It couldn't get more crazy than this! I repeat, I would be the first, if I were the Minister, to seek high professionalism with obvious significant gains on the market precisely thanks to their skills, and tell them "drop everything, come over to me, give me a hand; I'll also give you some other assignments in keeping with your expertise to make sure that you leave other roles - but not too much and you can only dedicate yourself to public work".. I'd be the first to do so; but here we are talking about something else.

GIULIO VALESINI

So you would never have done anything like that.

ENRICO ZANETTI - FORMER DEPUTY MINISTER OF THE ECONOMY

But when someone tells me "I've been here for a year, two years, three years. The others aren't paying me any more ... the others aren't paying you? What on earth are we talking about? "

SIGFRIDO RANUCCI OFF-SCREEN

Neither Susanna Masi, for whom the prosecution requested filing, nor Minister Padoan, who in this case was not being investigated, wanted to talk with us and it's a pity because this - over and above the judicial responsibilities expressed by a magistrate - would have been interesting in elucidating the relationship between our ministry and these consulting companies. Well, we did understand that it is not a single person, a certain Mr. Ernst & Young or Mr. Deloitte, it is a huge network that makes use of the collaboration of many small partners in the territory like many small independent cells that nonetheless belong to a single body and if someone goes rotten, that person is expelled. The story we are about to tell involves the spider's web Deloitte has penetrated, infiltrated into the cracks of the politics of the Self-Governing Province of Trento and a consortium that was supposed to turn a territory into an example of excellence in the information technology field that ended up in liquidation. This prompted investigations, as many as six magistrates' inquiries, some ending with plea settlements, but a procurement system apparently tailor-made for Deloitte nevertheless emerged; this also because it availed the collaboration of a very skilled representative who, initially in the role of consultant, wrote the rules of the game, the tender, and then took part and won and also said "aren't I good".

GIULIO VALESINI OFF-SCREEN

The system inside the Trento Rise Consortium was denounced by former secretary general Fernando Guarino.

GIULIO VALESINI

It was a Deloitte network ...

FERNANDO GUARINO - FORMER SECRETARY GENERAL TRENTO RISE

It wedged itself into consortium operations and ended up distorting our mandate and function.

GIULIO VALESINI OFF-SCREEN

The director of operations was Massimo Bonacci, a partner of Deloitte. In an e-mail intercepted by the Fraud Squad (Guardia di Finanza), Bonacci informed company executives that they would take part in and win a tender. Which is precisely what happened. And they won the maxi consultancy worth 7.5 million euros with Trento Rise for the reorganization of the province.

MASSIMO BONACCI - FORMER MANAGER OF DELOITTE-TRENTO

I operated in accordance with Deloitte's rules.

GIULIO VALESINI

You wrote the rules of the game in which you took part.

MASSIMO BONACCI - FORMER MANAGER OF DELOITTE-TRENTO

No, no.

GIULIO VALESINI

"We are writing a tender which we will take part in to win the partnership on organizational innovation".

MASSIMO BONACCI - FORMER MANAGER OF DELOITTE-TRENTO

I always take part in a tender to win it!

GIULIO VALESINI

Yes, but I do not write it, however ...

MASSIMO BONACCI - FORMER MANAGER OF DELOITTE-TRENTO

In fact, this is incorrect. I did not write the tender, I qualified the planning.

GIULIO VALESINI

That's what you wrote though ...

MASSIMO BONACCI - FORMER MANAGER OF DELOITTE-TRENTO

When you write an internal e-mail, you write things on the fly. You do 24 thousand things, right? Ok? The CEO, forgive me, If he knew why he did not intervene?

GIULIO VALESINI OFF-SCREEN

Yet Deloitte also wanted other consultancy contracts to work on the reform of the province ordered by Lorenzo Dellai, *the "prince"* of politics in Trento. And the Deloitte manager went with Dellai to dinner at a well-known restaurant in Trento.

LORENZO DELLAI - FORMER PRESIDENT SELF-GOVERNING PROVINCE OF TRENTO

It's hardly unusual for a president of the province to accept meeting one of the largest international consulting firms.

GIULIO VALESINI

But one that is your client. As well as your supplier.

LORENZO DELLAI - FORMER PRESIDENT SELF-GOVERNING PROVINCE OF TRENTO

Which had recently opened offices in Trento. And was keen to outline to the province its programmes for setting up in Trento and the Trentino area certain business activities that were considered of great interest.

GIULIO VALESINI OFF-SCREEN

Dellai has never been involved in the Prosecutor's investigation. And we do not know what they talked about. Yet Bonacci, after dinner, sent other e-mails to Deloitte's top management in Rome.

GIULIO VALESINI

"I've had several meetings with Dellai and Dalmonego, his right hand man, about the project to reform the organization of the Province." Bonacci wrote. "They will give us a project by direct assignment worth 300,000 euros to start but provided we don't cock it up," forgive the term, "this is a continuous project lasting a year. We have already identified the tool for allocating the assignment".

LORENZO DELLAI - FORMER PRESIDENT SELF-GOVERNING PROVINCE OF TRENTO

This refers to the expectation that Deloitte had in preparing proposals that might have won a possible tender ...

GIULIO VALESINI

That they then did win ...

LORENZO DELLAI - FORMER PRESIDENT SELF-GOVERNING PROVINCE OF TRENTO

This is what then happened. So, you see, they made serious proposals!

GIULIO VALESINI OFF-SCREEN

Today, Bonacci justifies himself by claiming that those e-mails were little more than in-house bar-talk at Deloitte.

MASSIMO BONACCI - FORMER MANAGER OF DELOITTE-TRENTO

I replied in their style of in-house boasting.

GIULIO VALESINI

You wanted to make Rome understand that the situation in Trento was under your control.

MASSIMO BONACCI - FORMER MANAGER OF DELOITTE-TRENTO

Yes, so that they would come and mess things up for me.

GIULIO VALESINI

This is my territory.

MASSIMO BONACCI - FORMER MANAGER OF DELOITTE-TRENTO

Yes, and they did not come to mess things up. It is not my territory because I have relationships. Because the strategy these guys in Rome use it to boast about relationships to the nth degree.

GIULIO VALESINI

So you boasted in your own turn.

MASSIMO BONACCI - FORMER MANAGER OF DELOITTE-TRENTO

I replied in the same ...

GIULIO VALESINI

The problem is that then what you were claiming actually came about ...

MASSIMO BONACCI - FORMER MANAGER OF DELOITTE-TRENTO

Because I'm good!

GIULIO VALESINI OFF-SCREEN

Either he really is good or he had a crystal ball, because Deloitte then won tenders worth millions from the Province. Such as those worth about 10 million euros from Informatica Trentina. Its managers include Maria Isabella Bressan, wife of the president of Trento Rise, Fausto Giunchiglia: who Bonacci presented as a friend in his e-mails to his bosses in Rome.

UBALDO CORDELLINI - GIORNALE DEL TARENTINO (JOURNALIST)

Not to mention the University, obviously, and the research foundations.

GIULIO VALESINI

Which also awarded other tender contracts.

UBALDO CORDELLINI - GIORNALE DEL TRENTO (JOURNALIST)

Precisely. Then there were all the most important companies: for restructuring Tecnofin, if I'm not mistaken, which is one of the two finance outfits in the Province, a consultancy worth 180,000 euros was awarded. Trentino Network awarded other consulting projects worth hundreds of thousands of euros. And so on and so forth. TSM itself, the advanced professional training centre controlled by the province, also awarded substantial consulting contracts.

GIULIO VALESINI

To Deloitte.

UBALDO CORDELLINI - GIORNALE DEL TRENTO (JOURNALIST)

To Deloitte.

GIULIO VALESINI

You have conducted fifty questionings. Have you understood how Deloitte ...

MAURIZIO FUGATTI - SECRETARY LEGA NORD TRENTO

Got into Trentino? No. We wanted this to be made clear by the investigation underway but the plea bargaining puts a lid on the truth, because if there was a truth it was linked to politics.

GIULIO VALESINI OFF-SCREEN

Another Trento Rise tender has also ended up the prosecutor's sights: the tender for the single health centre. Deloitte this time chose a partner in order to take part: Keynet: a small, unknown company based in Trento involved in photovoltaic systems.

MAURIZIO FUGATTI - SECRETARY LEGA NORD TRENTO

But why ever did a multinational company come to Trento and sign an agreement with Keynet when there were other much more competent and competitive than Keynet.

GIULIO VALESINI OFF-SCREEN

The sole director administrator of Keynet for a long time was Renato Vindimian, an entrepreneur who in the past has bargained legal settlements for bankruptcy and illegal political party financing.

MASSIMO BONACCI - FORMER MANAGER OF DELOITTE-TRENTO

Vindimian phoned me in Trento, saying: "I'm Renato Vindimian, I have this company, I met your colleagues at Deloitte in London where we developed this solution. Would you like to meet?".

GIULIO VALESINI

So you didn't know that he was also involved in a company which also involved Rossi's brother-in-law?

MASSIMO BONACCI - FORMER MANAGER OF DELOITTE-TRENTO

I didn't know that. I found out later.

GIULIO VALESINI

So it was a mere coincidence.

GIULIO VALESINI OFF-SCREEN

Keynet is a minority shareholder in the company of Maurizio Bezzi, the brother-in-law of the President of the Province, Ugo Rossi, who has always publicly praised the role of Deloitte in the area.

GIULIO VALESINI

He answered questioning by talking about and praising the role of Deloitte in the Trento area.

UGO ROSSI - PRESIDENT SELF-GOVERNING PROVINCE OF TRENTO

I've never praised any role played by Deloitte.

GIULIO VALESINI

Nonetheless, I'd like to ask you something.

UGO ROSSI - PRESIDENT SELF-GOVERNING PROVINCE OF TRENTO

You ask me a question, I'll give you an answer. And you don't say "but" to me.

GIULIO VALESINI

Yet can I ask other questions?

UGO ROSSI - PRESIDENT SELF-GOVERNING PROVINCE OF TRENTO

You ask me a question, I'll give you an answer. Yet you don't say "but" to me while I'm talking. It's an interview: you ask the questions, I give the answers.

GIULIO VALESINI

The important thing is that you give me answers.

UGO ROSSI - PRESIDENT SELF-GOVERNING PROVINCE OF TRENTO

But you aren't letting me speak.

GIULIO VALESINI

Please, go on.

UGO ROSSI - PRESIDENT SELF-GOVERNING PROVINCE OF TRENTO

If we move on, that's fine, otherwise I will stop.

GIULIO VALESINI

Perfect.

UGO ROSSI - PRESIDENT SELF-GOVERNING PROVINCE OF TRENTO

Fine, thank you. Ask me the question again.

GIULIO VALESINI

You were ...

UGO ROSSI - PRESIDENT SELF-GOVERNING PROVINCE OF TRENTO

What is your question?

GIULIO VALESINI

Will you let me ask it?

UGO ROSSI - PRESIDENT SELF-GOVERNING PROVINCE OF TRENTO

Sure

GIULIO VALESINI

If you knew that Keynet - a company you knew very well - was a partner of Deloitte in the PUA tender contract of Trento Rise.

UGO ROSSI - PRESIDENT SELF-GOVERNING PROVINCE OF TRENTO

I frankly had no idea that Keynet was a partner of Deloitte.

GIULIO VALESINI

The have set up an RTI - a temporary grouping of companies.

UGO ROSSI - PRESIDENT SELF-GOVERNING PROVINCE OF TRENTO

I didn't know that. But I'm not required to know what companies do.

GIULIO VALESINI OFF-SCREEN

Keynet and Rossi's brother-in-law are also partners in Telemedika, the company that won the telemedicine tender, beating off the competition despite having been set up just thirteen days before the tender was issued. Keynet also President Rossi's home: and gave him a 10,000 euro discount on the cost of works and this is why Vindimian is accused of illegal financing.

GIULIO VALESINI

Keynet was also the same company that also booked halls during the election campaign.

UGO ROSSI - PRESIDENT SELF-GOVERNING PROVINCE OF TRENTO

Which I duly always paid for myself.

GIULIO VALESINI

So, it's a company you knew well.

UGO ROSSI - PRESIDENT SELF-GOVERNING PROVINCE OF TRENTO

Which I always paid for myself.

GIULIO VALESINI

Which also renovated your home.

UGO ROSSI - PRESIDENT SELF-GOVERNING PROVINCE OF TRENTO

Which I always paid for myself, and paying more than what was agreed.

GIULIO VALESINI

You know that an investigation is underway about that.

UGO ROSSI - PRESIDENT SELF-GOVERNING PROVINCE OF TRENTO

Of course I do, but it is also certainly true that they also quietly said that I am not involved.

GIULIO VALESINI

Listen, one last thing.

UGO ROSSI - PRESIDENT SELF-GOVERNING PROVINCE OF TRENTO

Fine, thank you.

GIULIO VALESINI

I read your answer to a question in which you said that Deloitte played a great role in the local area.

UGO ROSSI - PRESIDENT SELF-GOVERNING PROVINCE OF TRENTO

I don't remember. Thank you.

GIULIO VALESINI

I read it

UGO ROSSI - PRESIDENT SELF-GOVERNING PROVINCE OF TRENTO

Thank you very much

GIULIO VALESINI

Don't you remember it?

UGO ROSSI - PRESIDENT SELF-GOVERNING PROVINCE OF TRENTO

Thank you.

SIGFRIDO RANUCCI IN THE STUDIO

You're welcome. For tender contract affair, Massimo Bonacci, the Deloitte man, bargained a sentence of 18 months, then he left Deloitte and joined another Big Four, PricewaterhouseCoopers, because he is good. On the other hand, Deloitte compensated the commissioners of the consortium to the tune of million eight hundred thousand euros through a private agreement. But what are Deloitte's ethics? Its website states: legality, loyalty, correctness. Values that are all the more important when dealing with a public body - they add - and therefore "we make every effort to ensure that pressures, conflicts of interest and inappropriate influences do not affect our professional activities". So, let's say that in this case you did not make every effort and could certainly do much better. Let's see instead what are the ethics of all four Big Four firms when it comes to planning and controlling public spending in relation to European funds: €1 billion 300 million euros are at stake for consultancy, management and planning and one of these batches was in a tender contract issued by Consip in 2016.

FILIPPO ARENA- HEAD OF ANTITRUST CABINET

There was an agreement, there is an agreement. A procedure was followed that was long and thorough.

GIULIO VALESINI

Was the game played on the economic front?

FILIPPO ARENA- HEAD OF ANTITRUST CABINET

Precisely.

GIULIO VALESINI OFF-SCREEN

According to the Antitrust, the Big Four, in fact, were sure to achieve the maximum score for their technical offer; all it took to win was to agree on how to present the economic downturns. They would have drawn up a perfect chessboard scheme. The biggest discounts never overlapped. Without competition, a 30% discount was enough to win the million euro contract.

GIULIO VALESINI

Are we talking about high-level consulting?

FILIPPO ARENA- HEAD OF ANTITRUST CABINET

Absolutely.

GIULIO VALESINI

So it ranges from 500 euros a day?

FILIPPO ARENA- HEAD OF ANTITRUST CABINET

Yes, 500 euros for managers and 280-300 euros for junior advisors.

GIULIO VALESINI OFF-SCREEN

Documents reveal that, in order to decide how to share out the tender, the consulting Big Four apparently met at Assirevi - the association of auditors. Dozens of e-mails were exchanged between multinational companies.

ERNST & YOUNG

Deloitte called me today to open a round table for Consip's audit tender. I told them we would go for it together."

PWC

You were going to send me the request for comparison regarding the Consip consultation ...

KPMG

Forgive me, I'll send it to you straight away.

GIULIO VALESINI OFF-SCREEN

Have you read the emails. What do you think?

EZIO LATTANZIO - CEO LATTANZIO GROUP

It made me extremely sad to read all this stuff, right? As a consultant, operator ...

GIULIO VALESINI OFF-SCREEN

He broke the eggs in the Big Four's hamper: Ezio Lattanzio who, surprisingly, managed to win three batches, leaving Price off the pitch.

GIULIO VALESINI

Have you ever seen an offer scheme like this before?

EZIO LATTANZIO - CEO LATTANZIO GROUP

No, no, honestly, no.

GIULIO VALESINI OFF-SCREEN

The Antitrust slapped the Big Four with a fine of 22 million euros. If there had been no agreement, 4.5 million euros of public money would have been saved. Consip has still not yet cancelled the tender .

FILIPPO ARENA - HEAD OF ANTITRUST CABINET

If the Council of State confirms our decision, these four companies could not be allowed to take part in such tenders for three years ...

GIULIO VALESINI

European tenders? Or Consip tenders?

FILIPPO ARENA - HEAD OF ANTITRUST CABINET

Tenders on the same reference market.

GIULIO VALESINI

Aren't their licenses withdrawn, for example?

FILIPPO ARENA - HEAD OF ANTITRUST CABINET

No, there is no licensing problem.

GIULIO VALESINI OFF-SCREEN

Even savers remember the Big Four very well. In Jesi, Price certified the financial statements of Banca Marche.

BANCA MARCHE SAVER

I knew very well there was a company giving us the ok. But no, it was all fake. A fake check-up.

GIULIO VALESINI OFF-SCREEN

Banca Marche went bankrupt in 2016, sunk under 6 billion of bad loans. A bottomless pit that caused the savings of an entire local area to disappear.

GIULIO VALESINI

How much did you lose?

BANCA MARCHE SAVER

I loss about 50,000 and my daughter 10,000: 60,000 euros.

BANCA MARCHE SAVER

I lost 132,000 euros.

GIULIO VALESINI

Entirely lost?

BANCA MARCHE SAVER

Entirely lost

GIULIO VALESINI OFF-SCREEN

CONSOB accused Price of infringing as many as forty correct auditing principles. Its green light was reassuring: the financial statements they certified represented "the patrimonial and financial situation truthfully and correctly".

MARCO RICCI - JOURNALIST

The three main shareholder foundations lost something in the order to half a billion euros.

GIULIO VALESINI OFF-SCREEN

Price apparently did not notice anything, not even in 2012, when the banks balance sheets went haywire and in six months collapsed from 42 million in assets to 500 million in losses. The bank commissioners took the multinational to court and claimed 182 million euros in damages.

FORMER BANCA MARCHE MANAGER

The first 50 customers had 2 billion euros in exposure. The provisions set aside for bad loans were among the lowest in the Italian banking system; Price should not have certified the financial statements.

GIULIO VALESINI OFF-SCREEN

Price, in a study dated 2011, wrote: Banca Marche depreciates at-risk loans less than all other Italian banks. The bank grants loans to friendly entrepreneurs with limited assurances of repayment.

FORMER BANCA MARCHE MANAGER

There were the so-called overdue loans: one billion in overdue loans that were posted alongside routine credits

GIULIO VALESINI

Really?

FORMER BANCA MARCHE MANAGER

Price here didn't do a damn thing! They were evidently pretending, in order to keep the contract, let's say they the absolute minimum necessary.

GIULIO VALESINI OFF-SCREEN

Price also worked on the information document presented to savers concerning the increase in equity capital. The bank's business plan was certified as reliable, with a profit of €90 million in 2013. Investing in it, in short, would have been a good deal. Yet in actual fact, 180 million euros disappeared into thin air.

GIULIO VALESINI

Since in February savers and the market were told "buy shares in Banca Marche because it's a good investment".

ROBERTO POZZI - LAWYER, BANCA MARCHE SHAREHOLDERS

Because, in any case, the financial statements always closed with strong profits and because the business plan envisaged a profit for 2013 of 90 million euros.

GIULIO VALESINI

Price knew?

ROBERTO POZZI - LAWYER, BANCA MARCHE SHAREHOLDERS

Yes, in short, Price had all the tools to realize what was going on.

GIULIO VALESINI OFF-SCREEN

Savers have sued Price: they want 130 million euros to be paid back. The reports accompanying the 2011 and 2012 financial statements were signed by Fabrizio Piva, a partner with a passion for journalism: he was the editor of "Il Volo", Price's news magazine. Piva had already been fined by Bankitalia when he supervised the financial statements of Banca Esperia.

GIULIO VALESINI

Piva: how come you do not notice any critical aspects, any of the many anomalies in the bank's balance sheets?

ON THE TELEPHONE - FABRIZIO PIVA - FORMER PARTNER PWC

It's as if I explained to you how to write stupid things, don't you think?

GIULIO VALESINI

However, since the financial statements were certified without any review ...

ON THE TELEPHONE - FABRIZIO PIVA - FORMER PARTNER PWC

This is still all to be demonstrated. I'm a pensioner, do you understand? Six years have passed and I don't even remember the story.

GIULIO VALESINI

Well, just try and think how well savers who lost their money when the bank crashed remember it all

ON THE TELEPHONE - FABRIZIO PIVA - FORMER PARTNER PWC

Oh very well, what do you want me to tell you?

GIULIO VALESINI

There were certain positions where the bank was most exposed. Entrepreneurs who later proved not to have suitable guarantees to return all this money. It sufficed to check those positions.

ON THE TELEPHONE - FABRIZIO PIVA - FORMER PARTNER PWC

Credits that are no good today were ok yesterday.

FORMER BANCA MARCHE MANAGER

Because the actual work - checking out the individual positions - was done in the end by young staff. Partners sat back and watched and then signed.

GIULIO VALESINI

Is this what also happened with you?

FORMER BANCA MARCHE MANAGER

Of course! In fact, work was done by a younger colleague whose name I can't so that Piva only had to add his signature at the end. The person physically present in the bank was the young guy.

GIULIO VALESINI

Consob fined you ...

ON THE TELEPHONE - FABRIZIO PIVA - FORMER PARTNER PWC

They fined Price, PricewaterhouseCoopers!

GIULIO VALESINI

I get it. But you certified the financial statements, Mr. Piva!

ON THE TELEPHONE - FABRIZIO PIVA - FORMER PARTNER PWC

What's that got to do with it? I worked for a company.

GIULIO VALESINI

Was adding your signature the only thing you did, Mr. Piva?

ON THE TELEPHONE - FABRIZIO PIVA - FORMER PARTNER PWC

I was in charge of a team of people. I certainly did not mere sign papers. Fair enough, I see we're not getting anywhere. You are very good. Goodbye.

GIULIO VALESINI OFF-SCREEN

Deloitte took Price's place with Banca Marche. Having previously checked the financial statements of Cassa di Risparmio di Ferrara until the crack in 2015.

RICCARDO FORNI - PRESIDENT PRESS ASSOCIATION FERRARA

There's incompetence and bad faith.

GIULIO VALESINI

And the choice of Deloitte in this context - what kind of choice was it?

RICCARDO FORNI - PRESIDENT PRESS ASSOCIATION FERRARA

Use the good name of the advisor to give your own proposal credibility on the market.

GIULIO VALESINI OFF-SCREEN

The financial statements were certified without comments from 2008 by Michele Masini, a partner of Deloitte. According to the Ferrara prosecutor's office, together with the bank's top management, he hid from investors the real situation of the bank and the risks it ran during the increase in equity capital in 2011: 150 million euros.

GIULIO VALESINI

How much money did you lose?

CARIFE SAVER

Twenty thousand euros. I hoped one day _I'd collect 40, 50 thousand euros after thirty years on deposit.

GIULIO VALESINI

So you weren't really a speculator, in short.

CARIFE SAVER

I did not feel and have never felt I was like a speculator.

GIULIO VALESINI

Did you subscribe to the increase in equity capital to save the bank?

CARIFE SAVER

They told me it was to save the bank but to save the bank in a positive sense, that is, we are not on the brink of a precipice but want to improve conditions.

GIULIO VALESINI

Ah, so they didn't tell you they were up to their necks....

CARIFE SAVER

No, no, no.

GIULIO VALESINI OFF-SCREEN

The bank's commissioners have asked Deloitte and Masini to pay 100 million euros each in damages.

SERGIO LENZI - FORMER PRESIDENT CASSA RISPARMIO DI FERRARA

They also had easy-going comparisons after which they then adjusted certain assessments. It's not as if they certified the books without even paying a minimum of attention to what they were assessing.

GIULIO VALESINI OFF-SCREEN

Sergio Lenzi is also charged with Masini for obstructing Consob vigilance. The commissioners have asked him to pay 160 million euros in damages. He led the bank's majority shareholder foundation for many years. In 2010, when problems started to emerge, he became President.

GIULIO VALESINI

Until the Bank of Italy arrived for an inspection in 2009, Deloitte had never expressed any doubts over the modus operandi within the bank.

SERGIO LENZI - FORMER PRESIDENT CASSA RISPARMIO DI FERRARA

I do not know anything about this because I wasn't there. However, it is true, the financial statements in the end were always certified.

GIULIO VALESINI OFF-SCREEN

Deloitte, for its services to Cassa di Risparmio di Ferrara, received almost one million euros for consultancy services in 2010. And things went even better for who checked the accounts of banks in the Veneto before the huge crash. Starting off with Price in Veneto Banca.

FABIO PAVESI - ECONOMIC JOURNALIST

We found out that in 2015 when Veneto Banca was already wobbling, not only did Price give the go-ahead for the financial statements but also got well paid for it: 3 million 870 thousand euros for one year of work. The audit cost one million and 190, the consultancy one million and 9.

GIULIO VALESINI OFF-SCREEN

The same script for Banca Popolare di Vicenza. The auditor here was Kpmg. Same year: 2015. The year of the crash. We found out that the fee was 2 million 750 thousand euros. The audit cost one million euros and tax advice 20,000. Then there was other consulting worth another one million euros.

FABIO PAVESI - ECONOMIC JOURNALIST

In truth, the audit is a kind of Trojan horse to get into bank and businesses and then offer consulting services that are more profitable.

ALFONSO SCARINO - INDEPENDENT FINANCIAL ANALYST

The problem is that the company pays the auditing firm.

GIULIO VALESINI

In other words, it pays its own controller.

ALFONSO SCARINO - INDEPENDENT FINANCIAL ANALYST

Some time ago, a form of mediation was conceived, in the sense that companies do not pay the auditor directly but fund that then pays the auditor.

GIULIO VALESINI

And thereby break this two-way relationship between who controls and who is controlled.

ALFONSO SCARINO - INDEPENDENT FINANCIAL ANALYST

Precisely.

GIULIO VALESINI OFF-SCREEN

In January this year, the Indiana Consob decreed a 2-year ban for PwC: no audits for listed companies. Why? They did not notice an accounting fraud totalling 1 billion 700 million dollars set in motion by the multinational IT group Satyam. Deloitte also received a two-year ban in 2016, this time in Saudi Arabia. They didn't notice the financial "trickery" of the MMG group, specialists in industrial construction and oil. Then there was a £4 million fine in Britain in 2016 for the Aero Inventory crack. Kpmg is also on the list. It has collected multi-million fines. It was involved in a scandal in Canada in 2015: it helped millionaires evade taxes through Chinese boxes in tax havens and only a few weeks ago specialist consultants advised General Electric shareholders to abandon KPMG after 109 years of uninterrupted service. The reason? Lack of independence. In 2004, on the other hand, Ernst & Young was banned for six months even in the United States because it was simultaneously consultant and auditor for PeopleSoft. Yet the lesson served little purpose since in 2014 Ernst & Young negotiated a fine of 4 million dollars with the SEC for violating independence regulations: it was lobbying for two clients whose financial statements it also audited.

SIGFRIDO RANUCCI IN THE STUDIO

In 2016, the European Union introduced new regulations: firms that audit accounts cannot offer strategic consulting to the same client. Then rotation was imposed so that auditors should be changed every six years, then the limit was extended to nine years, with the possibility of reaching twenty. In short, they took us for something of a ride. And while it is small stuff, at least they did it. Yet the problem of market concentration still remains. And the snapshot is what happened after the banking cracks: it resembles the children's "Four Cantons" game. Banca Marche dismissed Pricewaterhousecoopers to allow Deloitte to come in, despite not having noticed the cracks in the accounts of Cassa di Risparmio della Banca di Ferrara, which then crashed. And Piva, who signed financial statements for Pricewaterhousecoopers, says he does not remember anything while enjoying a serene retirement perhaps because he sent a youngster to perform the check, as the bank manager claims. Yet where do they pick up these partners? Truth is, they always land on their feet. And guess who advised governments after the banking crack in order to save them? Yes, it was them again. But you can't help asking: if they could save them now, why did they not do so before they left savers on their knees? This is a serious question because they audit 95% of companies quoted on the stock exchange. And behind their certifications, there are not only numbers that can be blanked out but also the lives of workers, savers and shareholders. Perhaps you should return to those values that you boast about, which you advertise on your websites: loyalty, transparency and legality. Independence from those who pay you because otherwise there will remain a taste for fake certifications that, in some cases, brought about the banking crash. So, if you have the strength, just do it.