

THE THIRD FIVE YEARS OF THE OIOS BEGIN, IN TURMOIL

The second five years of OIOS existence had seemed to settle into a comfortable routine, as the Office became more accepted and used within the Secretariat. The hundreds of yearly audits and consultations with managers continued, but the OIOS began doing some quite useful reports on peacekeeping, human resource management and other broader topics as the General Assembly wished. Mr. Nair put much stock in collaboration with other oversight organizations and broader policy efforts and assistance in the UN system, and Mr. Annan pronounced himself "appreciative" of its work and annual reports.

OIOS investigations work continued to struggle with limited resources, and, after its burst of enthusiasm for investigating a "wave of fraud" cases in 2000, suddenly adopted a very low profile of reporting on overall investigations work. The greatest attention was devoted not to "crime-busting", but to a three-year organizational integrity initiative to strengthen integrity and professional ethics in the UN. In two rather short and disorderly resolutions in late 2004 and early 2005, the General Assembly pronounced itself generally satisfied with, and supportive of, the OIOS and its progress.

"Report of the Secretary-General on the activities of the Office of Internal Oversight Services", General Assembly resolution 59/271 of 23 December 2004, and

"Report of the Office of Internal Oversight Services" on strengthening the investigation functions in the United Nations", General Assembly resolution 59/287 of **13 April 2004**.

Beneath the surface, however, quite momentous and negative events were taking place concerning Secretariat accountability and oversight efforts. By the time Mr. Nair departed in April 2005, under a cloud, the OIOS situation had become a serious mess.

First, allegations of waste, mismanagement and abuse arose in -- of all places -- the OIOS itself, first in mid-2004 and then continuing on as part of a larger unease about Secretariat anti-corruption efforts, as shown by the following quotes.

"The United Nation's anti-corruption department has been rocked by accusations that the office itself is corrupt.

The head of the [OIOS] ... , Dileep Nair, has been accused of promoting and recruiting people in ways that are not consistent with U. N. rules and regulations. Also, a senior investigator has been suspended and there have been accusations of financial and sexual misconduct.

The scrutiny of Nair and his division comes at a delicate time, as the United Nations is under intense scrutiny for alleged abuse of the Iraqi oil-for-food program.

Nair has been accused of covering up abuses [in that] ... program. ...

Other allegations of impropriety include charges that some inside the OIOS received financial kickbacks in return for promoting people and that some people were promoted in exchange for sexual favors."

Jonathan Hunt, Watching the UN's watchdog", [Fox News](#), **June 16, 2004**.

"There are ... allegations that some inside OIOS received financial and sexual favors in return for promoting people.

The United Nations Staff Union has asked UN Secretary-General Kofi Annan to establish an independent investigation of the OIOS, alleging that personnel decisions made by Mr. Nair 'violated the rights of staff members.' ...

The union has also expressed concern over the possibility that Mr. Nair suspended Mr. Francois Pascal, a senior investigator in his organisation, 'because he was making waves over controversial recruitment and promotion decisions Nair had made.'

Mr. Annan -- who handpicked the Singaporean for the job four years ago -- has asked Mr. Nair for an explanation.

Fox News reported that Mr. Nair, currently on sick leave, denied all the allegations made against him.

He stressed that he had done nothing wrong and would step down if the investigations found problems in the OIOS.

Said Mr. Nair: 'That goes without question because that would mean my integrity is impugned and the only thing I work upon in this office is integrity and the credibility that people have in this office ...'"

Lee Ching Wern, "S'porean UN anti-graft unit chief under probe", [newstoday.com.sg](#) , **June 19, 2004**.

"Integrity sponsor unit 35:

The staff council:

[Recalling its April 2004 request that the Secretary-General establish an independent investigation of violations of the delegation of authority in the OIOS] ...

Regrets the decision of the Secretary-General to accept the findings of an incomplete investigation; ...

Further considers that the failure to fully investigate the allegations ... upholds the findings of the [staff integrity survey] that there is a lack of integrity particularly at the higher levels of the organization;

Recalls that the Secretary-General declined to accept the honourable action of the deputy Secretary-General who tendered her resignation as a result of the Baghdad bombing of a UN compound that resulted in 22 staff members perishing, to hold accountable the head of UNHCR for alleged sexual harassment and to hold accountable the chef de cabinet whose son was employed by the Secretariat in contravention of staff rules;

Decides that the senior management no longer displays the level of integrity expected of all employees of the organization"

"Raw data: U.N. staff resolution", [Fox News](#) (US) website, **November 19, 2004**.

"The United Nations, which extols the virtues of 'good governance', is not practising what it preaches, say [many long-time observers.] ...

The complaints ... come amidst several recent scandals, including accusations of bribery, nepotism, sexual harassment, and mismanagement of peacekeeping operations overseas.

'The underlying problem is a lack of transparency and accountability' says Hillel Neuer, [one close observer.] ..

... in 2003 the OIOS cleared the U.N. Office on Drugs and Crime in Vienna of charges of corruption and mismanagement.

... Senior U.N. officials in New York [have reportedly routinely abused] their first class or business class airline privileges ...

[Neuer said] 'if some of the things that happen at the United Nations took place in a big corporation, people would have been fired.'

[A UN shortcoming, Neuer added, is that the investigation results emerge very slowly] ... are mostly 'white-washed' ... [and occur] only after 'a lot of prodding from the media and NGOs.'

[A reporter asked spokesman Fred Eckhard if there is] 'a record that shows that the United Nations, under Kofi Annan, has taken allegations of mismanagement and misbehaviour seriously and fired people as a result?'

[Eckhard replied] ... 'I will certainly ask for you ...'

Thalif Deen, "Corruption: U.N. failing to practice 'good governance', [IPS Inter Press Service](#), **December 9, 2004**.

Second, there have been persistent doubts about the determination of the OIOS, first under Mr. Pashke and then Mr. Nair. to firmly address mismanagement problems, and that indeed it does "whitewash" mismanagement allegations and excuse senior officials' abuses (see especially this archive's subsections on [Top corruption fighter corrupted](#) and [Refugee Sexual Abuses](#)).

However, in 2004 OIOS did stand up against a senior manager on a sexual harassment case. Mr. Annan, however, overruled the report and exonerated the official. Issuance of the OIOS annual report (revealing the OIOS conclusion) was then delayed. Finally, Mr. Annan had to reverse himself after persistent media pressure. The following quotes show the damage that these events did to the idea of the operational "independence" of the OIOS, and to the UN's stated commitment to fighting corruption.

"A senior UN official [Ruud Lubbers] was cleared of sexual harassment earlier this year because the secretary general rejected the verdict of an internal watchdog. ...

But a revised report issued by UN watchdogs on Thursday revealed that investigators supported the allegation ... [and recommended appropriate action].

Mr. Annan refused to take action, saying the allegations were 'not sustainable.'

...

Despite the recommendation, Mr. Annan dismissed the complaint, but instead wrote to Mr. Lubbers stressing his concerns 'in the strongest terms.'

The disclosure that the OIOS ruled against Mr. Lubbers was made public when 'technical reasons' meant that details of the case were included in a version of the watchdog's annual report.

An original version ... did not include details of the case against Mr. Lubbers ...

In May Mr. Lubbers acknowledged making a 'friendly gesture' which was misunderstood by the woman.

He denied allegations of improper conduct."

"Kofi Annan 'vetoed UN sex claim'", BBC News, **October 28, 2004.**

"The lawyer for the [UN] staff member who brought sexual harassment charges [at UNHCR] ... has said that [Secretary-General Annan's admission] ... of having overruled his own investigators in clearing [Ruud] Lubbers would spur an appeal ...

... the admission that UN investigators had found the woman's complaint valid and had recommended punishment emerged this past week in the [OIOS] annual report ... [which restored this damning disclosure in a last-minute restoration] ...

A senior UN official had said earlier that if the claims against Lubbers were found to be true, he would be obliged to resign. ...

When he cleared Lubbers of the formal charges in July, Annan ... did not reveal the negative findings of his own investigators ... and said that the complaint against Lubbers 'could not be sustained.' ...

[The lawyer, Edward Patrick] Flaherty, argued that the doctored document strengthened his client's case ...

'This demonstrates that there are two sets of [UN] rules ...' Flaherty said. 'One for the protected class and one for the rest. Mr. Lubbers is part of the protected class. My client is not.'

The appeal also cites 12 instances of Lubber's alleged attempts to intimidate the complainant ... "

Fiona Fleck and Warren Hoge, "Appeal is expected in UN sex case: Lawyer cites Annan's overruling of his own investigators", International Herald Tribune, **November 1, 2004.**

"The resignation of Ruud Lubbers ... over allegations of sexually inappropriate behaviour brought sighs of relief yesterday from UN officials in New York.

After allegations surfaced last year, Mr. Lubbers mounted a vigorous defence.

Mr. Annan chose to issue a stern warning but take no further action. Since then, the UN has struggled to convince an increasingly skeptical audience that it is serious about addressing mismanagement.

Yesterday UN officials were wishing the affair could have been dealt with sooner. 'The mistake was that it was treated as a legal problem when it was a management problem,' one said.

But it is also clear that ... something of a revolution is also needed.

For a start, [UN senior officials] believe that the UN can no longer hand out 'jobs for the boys' behind closed doors. ...

... According to [an adviser to Mr. Annan], the UN faces 'a real crisis ... an architectural crisis.' The next seven months will determine whether the edifice can be refurbished or comes crashing down."

Mark Turner, "UN reformists see opportunity for change as Lubbers leaves", Financial Times (UK), **February 22, 2005.**

Third, the staff integrity survey report of June 2004, part of the three-year integrity initiative which Mr. Nair was so proud of, also provided a very blunt conclusion of many staff who doubt the commitment of the UN leadership to corruption-fighting, and support for staff whistle-blowers who report problems to the OIOS.

" ... the UN has [examined the] ... Secretariat's perception of its own integrity. ... [The Integrity Survey politely explains there are concerns about accountability] ...

More directly ,,, [the report notes (p. 11) that] 'Staff members feel unprotected from reprisals for reporting violations of the codes of conduct. This is not a perception confined to a few staff in remote locales and/or dangerous circumstances. Forty-six percent (46%) gave unfavourable response to this item, while only 12% gave favourable responses.'

This is of course just one of the U.N.'s various investigations into itself. Best-known this season is the investigation into Oil-for-Food ... Beyond that, there is an entire division [the OIOS] ... which produces in-house investigations ... An April 14 U. N. Staff Union resolution expresses concern 'over recent events regarding an OIOS investigation into its own investigators ...'

Someone needs to help this institution, and it is not a consulting team ... nor a batch of investigators operating under terms defined by the U.N. ...

I'm working around to the belief that in the matter of reforming the U.N., the only thing worse than having the U.N. ignore a problem is to have the U.N. investigate it."

Claudia Rosett, "The problem with the Secretariat", The Wall Street Journal,
June 16, 2004. [emphasis added]

Fourth, the interim report of the Volcker inquiry in January 2005 made some very severe judgments about OIOS work and the way that top management failed to use its reports.

"[The Volcker commission's 36-page 'provisional' assessment of UN auditors' performance says they] ... did not adequately monitor its giant oil-for-food program in Iraq and that in some cases UN officials ignored recommendations deemed crucial by the auditors. ...

... The audits make clear that many of the deficiencies were known in the late 1990s, at a time when indications of corruption of the program by Saddam Hussein and others were reaching the UN. ...

The briefing paper chronicles numerous shortcomings in the Iraq auditors' activities. [It cites] ... the auditors' failure to monitor in depth the New York headquarters of the office that administered the program, where nearly 40 percent of the \$1 billion of the program's administration costs were spent.

In addition, the commission noted, the auditors failed to monitor contracts for the oil sales ... or those for the purchase of goods ... to ease the debilitating effect of sanctions on Iraqis. Nor did the auditors examine the letters of credit issued by the program's major banker ...

The program, the commission said, suffered from a 'chronic shortage' of auditors assigned to monitor the UN's largest aid program, financed through 2.2 percent of Iraq's oil revenue."

Judith Miller, "Oil-for-food auditors failed", International Herald Tribune,
January 11, 2005.

"[The Volcker preliminary report] ... has sharply criticized the United Nations for insufficiently auditing operations [of the oil-for-food program, especially] ... at its New York headquarters.

'There were no examinations of the oil and humanitarian contracts ... during the OFFP. ... Oil contacts were not examined ... despite the fact that UN officials had contract-approval responsibilities.'

It was also 'unclear' why the audits ... 'focused on areas and operations peripheral to or ... away from, headquarters operations of the OIP.'

Even where audits of the programme were done, there was often no follow-up. ...

The UN has explained many of the programme's problems in terms of political games between powerful countries, but the audits reveal that the UN secretariat itself failed to exert necessary oversight.

The report said more comprehensive monitoring could have deterred the surcharge scheme on Iraqi oil contracts, ... as well as undercutting the Iraqi government's kickback scheme for goods purchases. ...

[It found] ... no examination of the processing of letters of credit by the ... bank that handled the oil-for-food account, 'even though UN officials were overseeing the work of the BNP and had approval roles in oil sales and payments to vendors.'

Mark Turner, "UN criticized by Iraq oil-for-food inquiry", Financial Times (UK), **January 11, 2005**.

'Volcker said [his] interim report concluded that the auditing system was 'underfunded and undermanned' and hence, 'unable to meet effectively the challenge posed by a really unique, massive and complex program of humanitarian assistance.'

Despite 'the skill and dedication of auditing professionals,' he wrote, the auditing system lacked 'clear reporting lines and the management responsiveness critical to achieving a fully effective auditing process.'

Even though no evidence of 'systematic or widespread abuse' was found in [spending the program's administrative funds], Volcker wrote, the commission still found 'a clear lapse from disciplined judgement.'

Judith Miller, "Panel calls oil-for-food program 'tainted'", International Herald Tribune, **February 4, 2005**.

Fifth, the widespread and drawn-out media discussion of the involvement of Mr. Annan and his son in the Oil-for-food programme scandal during late 2004 and in 2005 combine with the many other emerging mismanagement scandals to further weaken the reputation of the UN Secretariat, and to increase doubts about the capacities, performance, and integrity of the OIOS.

"U. N. Secretary-General Kofi Annan said yesterday he was disappointed in his son for accepting payments from a key contractor in the oil-for-food programme for more than four years longer than ... previously acknowledged. ...

But the appearance of a payoff to the Secretary-General's son was just the latest ... of revelations about the Iraqi oil-for-food program ...

While the organization scrambles to respond to oil-for-food inquiries, other troubles are piling up at the organization's doorstep. ...

The U.N. peacekeeping program is wracked by accusations of rape, sexual harassment and extortion by blue helmets and civilians in the U.N. mission in Congo. ...

International pressure also is building on the United Nations and the Security Council to do more to protect civilians in Darfur, Sudan. ...

Internally, a [staff] ... group seeks to reopen an investigation of [the head of the

OIOS] ... over charges of sexual harassment and favoritism ...

The U.N. staff union also has criticized Mr. Annan's willingness to exonerate Deputy Secretary-General Louise Frechette for failing to protect U.N. staff members in Iraq ...

[Mr. Annan] also threw out an internal report finding merit in a [recent] sexual harassment complaint against ... [UNHCR head] Ruud Lubbers."

Betsy Pisik, "Another oil-food scandal emerges", The Washington Times, **November 29, 2004**.

The culmination of all these OIOS (and UN internal oversight) travails came in March 2005, when Mr. Annan's previous firm support for Mr. Nair abruptly evaporated. The Secretary-General's spokesman announced that:

"We yesterday issued a charge letter against Dileep Nair based on an adverse finding made against him in the report of the Independent Inquiry Committee (IIC). Separately, we are initiating an independent, thorough review of allegations made against him by the Staff Council to determine whether a full, external investigation is warranted.

"UN says charge letter issues against Dileep Nair based on findings of Volcker report", UN press release SGSM/9793, **31 March 2005**.

The sudden charge against Mr. Nair, less than a month before his five-year term ended, was part of further accusations and confusions in April 2005, involving as well UN Deputy-Secretary General Louise Fréchette.

"Dileep Nair ... will be leaving the United Nations, on April 23, ostensibly disgraced.

[The second Volcker interim report accused him] ... of misusing Oil-for-Food funds and violating UN staff regulations. 'Given Mr. Nair's oversight responsibility within the Organization, he must be held to the highest standards of conduct,' concluded Volcker's findings on Nair. ...

UN Secretary-General Kofi Annan, whose own conduct was found to be 'inadequate', issued a charge letter against Nair ... Annan said he's 'relieved' he's been 'exonerated' by the ongoing Volcker investigation. ...

Over four months ago, the UN Staff Council and Kofi Annan said Nair was innocent. ...

[Mr. Annan had] ... informed Nair that he had "every confidence that the good work of the [OIOS under Nair's] leadership will continue.'

[Further, according to press reports, and the interim Volcker report, Ms. Fréchette] intervened directly ... to stop United Nations auditors from forwarding their investigations to the UN Security Council. ... Frechette does not dispute she may have intervened because audits are 'a management tool to be used only by internal managers.'"

Marinka Peschmann, "The hell no I-won't-go Secretary-General, the accused UN auditor and Louise", Canada Free Press, **April 4, 2005**.

Sixth and finally, in May 2005 the Secretariat released a new management reform document for "real action now" and immediate reform, "particularly in the critical areas of management, oversight and accountability." More specifically,

under a section on "Enhancing Oversight and Accountability", it stated that:

Perhaps the most obvious shortcomings identified by the Volcker Inquiry and other crises are in the area of oversight and accountability. **The current 'control' systems for monitoring management performance and preventing fraud and corruption are insufficient and must be significantly enhanced.**"

"UN management reforms 2005: Management reform measures to strengthen accountability, ethical conduct and management performance", May 17, 2005, pp. 2-3, available at www.un.org/reform_update.html.

To address criticisms from both the General Assembly and the Volcker Inquiry and increase oversight effectiveness, the Secretariat stated that it was establishing a new Oversight Committee, with three internal and two external members and meeting four times a year. The Committee, it is stated, will "ensure" that appropriate action is taken on recommendations from the OIOS, the Board of Auditors, and the JIU, using a new tracking system to follow the 500-plus "important" audit recommendations each year. In addition, the Secretariat highlighted a comprehensive review of the OIOS:

"In November 2004, the Secretary-General recommended to the General Assembly that the [OIOS] undergo a comprehensive external review to strengthen its independence and authority while ensuring it is fully equipped in terms of resources, expertise, and capacity to carry out all aspects of its work. ... In addition, the General Assembly has asked the Secretary-General to report on how to guarantee the full operational independence of OIOS at the upcoming session this fall [of 2005].

Status: The Secretary-General's recommendation is currently before the General Assembly ...[and] preparation of his report is underway.]"

"UN management reforms 2005: Management reform measures to strengthen accountability, ethical conduct and management performance", May 17, 2005, p. 3, available at www.un.org/reform_update.html.

As these allegations and findings continue to grind relentlessly on, doing more and more damage to the OIOS, there is one piece of good news. In May the General Assembly appointed Ms. Inga-Britt Ahlenius of Sweden as the new head of OIOS. Although the relevant press release (and the home page of the OIOS) did not say so, IO Watch understands that she is a professional, experienced audit official. The press release did note that the Assembly had decided in 1994 that the OIOS head should be just such a professional, but omits the fact that Mr. Paschke (a diplomat) and Mr. Nair (a banker) definitely were not professionally qualified or experienced. IO Watch believes this fact has been a key cause of the poor OIOS performance now so sharply coming to light.

"General Assembly confirms appointments of UNDP Administrator, head of internal oversight services", UN Press Release GA/10345, 5 May 2005.

Ms. Ahlenius inherits quite a mess, and certainly has her work cut out for her. In addition to all the matters discussed above, and especially the May 2005 Secretariat admission of the crisis in UN oversight and accountability, she must deal with other major issues discussed throughout this archive:

-- recognition that the UN still lacks a comprehensive strategy and mechanisms for fighting fraud and corruption, which the Secretariat is now scrambling to address (see [A real UN fraud prevention programme](#));

-- an understaffed and mysterious OIOS investigations unit which scarcely reports on what it does ([Investigation efforts: Is the OIOS a fig leaf?](#));

-- an investigations process which is contaminated by the use of amateur manager/investigators, the very group who should themselves be the ones most subjected to scrutiny (see [Unleashed managers](#) and [Manager/investigators?](#));

-- failure for over a decade to implement and actively use a required whistle-blower system and to protect them from retaliation (see [Disappearing Whistle-blowers](#) and [Suppressed whistle-blowers](#));

-- the staff integrity survey results showing much mistrust of UN corruption-fighting and staff-protection assertions: the consultants emphasized that, once in place, such mistrust is quite difficult to overcome (see the third item above and the second item discussed under [Late 2004: A "tipping point" for the UN?](#));

-- the flawed UN internal justice system and staff code of conduct, lack of the rule of law, and tolerance of abuses (see *inter alia* [Inept "Administration of Justice" System, Behind the Scenes, Revision of the Code of Conduct, Piercing the Cloak of UN Impunity, Refugee sexual abuses, and Anti-harassment efforts](#));

-- the weakness of UN external oversight groups (except for the UN Board of Auditors, who are only part-timers) and the General Assembly's present apathetic performance of its own oversight responsibilities (discussed in the following subsections of this section on inadequate UN oversight);

-- Mr. Annan's own ambitions to create another one of his "independent" inquiry groups to reform OIOS operations, which is awkward in light of his suppression of OIOS reporting in the 2004 sexual harassment case (see [Anti-harassment efforts](#));

-- the conveniently and repeatedly postponed key actions to finally establish a complete system of monitoring and evaluation of programme results for systematic management accountability in the Secretariat, which was dumped on the OIOS in 2002 and comes due in 2006 (see the latter portions of [Programme planning system \(PPBE\)](#)).

This entire process of management accountability and oversight reform remains very hazy. The control mechanisms, it is said, "must be enhanced". A new senior management committee can help somewhat (by looking at 500 recommendations yearly in four meetings?). But far more important will be giving the OIOS "adequate resources ... to carry out all aspects of its work" (the present staffing has long seemed far short of what is needed, as Mr. Annan chose not to seek additional resources). It also requires strong leadership, from the Secretary-General himself and other top officials, and much closer support, use of, and attention to these fundamental processes by all UN managers and by the General Assembly itself.

The key policy question of strengthening OIOS "independence", of course, is akin to squaring the circle, and may receive too much verbal "word-play" attention, without addressing the clear and concrete oversight performance and management systems mechanisms that need to be fully established and implemented. How can an Office of Internal Oversight Services reporting to the Secretary-General (and to the Assembly, in reports entitled "Report of the Secretary-General") have "full operational independence"?

The UN clearly needs much stronger oversight, and prompt and responsive Secretariat action on oversight findings in light of the ongoing mismanagement "crisis." But it remains to be seen how and to what extent the UN "old boys" will finesse or delay action in this area in 2006, and continue their decades-old gambit of promising "self-regulation" of UN operations.

IO Watch concludes that it is Member States who must step in to help the new head of OIOS in her daunting task, by accepting their own responsibilities to provide independent and expert oversight, accountability, and transparency, and to work closely and supportively to fulfill the potentials of the OIOS (and by systematically following up on OIOS reports to facilitate a much needed dose of independence and freedom of operation).

IO Watch offers some [Answers: A Starting Point](#) in this area. They include [A real UN fraud prevention programme](#), an

[External experts oversight review](#), a [General Assembly audit subcommittee](#), annual reporting to the General Assembly on both Secretariat results achieved and resource status and use, and, most importantly, that the Member States who "pay the bills" will overcome a [Geneva Group "due diligence" failure](#) and enlist the support of other Member States to help ensure that, this time, real UN Secretariat accountability, transparency, and accountability will finally be established, and the operational integrity of the UN restored.