

## **POOR SUCCESSION, AND THE SECOND FIVE YEARS**

A single process -- the choice of the second head of OIOS in late 1999 and early 2000 -- underscores basic doubts about the professionalism, seriousness and credibility of the UN's new internal oversight and corruption-fighting body.

The 1994 General Assembly resolution establishing the OIOS emphasized that the OIOS head should be an expert in oversight work. As noted in the preceding subsection, a set of excellent, highly-professional, and experienced candidates worldwide was readily available and well-known to the UN through the more than 170 national audit institutions in INTOSAI, many of whose top officials in turn know the UN programmes well from having served as external auditors for UN System organizations in the past.

Yet the first OIOS head chosen was a German diplomat, and the second a banker and civil servant, Dileep Nair of Singapore, in a selection process which has many gross flaws. This extremely disappointing choice process was succinctly revealed, in at least five distinct ways, in a single excellent article on this high-level UN leadership change:

(a) Succession planning was very poor. Mr. Paschke ended his five-year term in November 1999, but his successor was chosen by the Secretary-General only in February 2000. He assumed his office in April, leaving the post vacant for five months with no overlap or orderly transition. {The article observed that "OIOS has been leaderless since November ... [and] there has been widespread concern over the lapse in leadership.)"

(b) The UN's top legal official (and its "chief prosecutor" in staff "internal justice" appeals cases), Mr. Hans Corell of Sweden, was chosen to "fill in" as the interim head of OIOS, including the Investigation Section and its confidential records. This raises serious conflict-of-interest issues that may have compromised the "independent" and "arms length" OIOS status and its responsibilities to protect staff confidentiality.

(c) Some UN officials asserted that the job requires

a "deft diplomatic touch", a skill not required by the Assembly resolution, nor emphasized in the audit literature, but certainly a criterion quite helpful to the many diplomatic candidates who lusted after this high-profile, Under-Secretary-General post.

(d) UN officials also asserted that the UN USG salary (dubiously stated as being "only" \$95,000 a year), was too paltry to attract well-qualified public or private sector candidates. This sour and cynical stance ignores that UN salaries are linked to the highest-paid national civil service worldwide, and is also a crude insult to existing UN staff as second-rate people. (Contemporary articles noted that Secretary-General Kofi Annan, only two levels above a USG, earned a very handsome \$270,000 or so in annual total remuneration, tax-free], while another contemporary UN job announcement for a junior Director in New York, three levels below USG, offered a starting net salary of \$98,000-107,000, plus substantial additional benefits.)

[The comparative salary information is from "Global fat cats", The Economist, **September 23d, 2000**, p. 106, and "Chief, D-1, Information management ... Humanitarian Affairs", The Economist, **September 2000**. ]

e) While there were reputedly "some two dozen" candidates to head OIOS, there was little transparency. Only the single nominee chosen by Secretary-General Annan - - who is *inter alia* the chief UN administrative officer whose programmes are subject to OIOS review -- was identified to the General Assembly for its rubber-stamp approval.

Betsy Pisik, "Annan picks Singaporean for U. N. Inspector-General's job", Washington Times, **February 22, 2000**.

All these elements grossly undermine the legitimacy of the UN's senior-level appointments process (but fit firmly within defective methods for choosing other UN senior officials). Experts have repeatedly urged that such leaders be chosen not primarily on political considerations but by finding and choosing among the best-qualified candidates worldwide, in a transparent and publicly-scrutinized selection process.

Although Secretary-General Annan has publicly stated that choosing the "highest-calibre" people is his goal, senior-level appointments such as that of Mr. Nair at the OIOS, are made under his discretionary power, with no vacancy announcement, no publicized job descriptions, and no standard recruitment or promotion procedures.

These problems have been well-analysed in:

Brian Urquhart, and Erskine Childers, A world in need of leadership: Tomorrow's United Nations: A fresh appraisal, revised second edition, Dag Hammarskjold Foundation and Ford Foundation, Uppsala, Sweden, 1996, and Joint Inspection Unit, "Senior-level appointments in the United Nations, its programmes and funds", UN document A/55/423, **2000**, "Executive Summary" and pp. 2-10.

The second selection to head OIOS also clearly undermined, again, the insistence of experts in the early 1990s that a strong "Inspector General" was needed. As Childers and Urquhart stated:

"To carry maximum credulity and universal confidence the appointee must be of impeccable repute and with top-calibre qualifications for such work."

Erskine Childers, with Brian Urquhart, "Renewing the United Nations system", Development Dialogue, 1994:1, Dag Hammarskjold Foundation, Uppsala, Sweden, **1994**, pp. 146-147. [emphasis added]

Experts in democratization say that it is the second election in a country that shows whether meaningful reform has really taken hold. The UN's first choice to head the new OIOS in 1994 was dubious. But the second choice process and outcome in 2000 (however excellent a person Mr. Nair may be) was even worse in indicating serious disdain for proper, transparent, and professional selection of an oversight expert. Yet once again, no one raised any serious objections, and it appears that the selection of unqualified "diplomat Inspector-Generals" may well continue on in the future. (A new head of OIOS is due to be appointed in 2005.)

Mr. Nair's OIOS largely carried on as it did under Mr. Paschke. However, the pivotal incident in Mr. Nair's term may well have occurred early on, in September 2000. An article in the Observer (UK) reported that:

"The United Nations has been hit by an unprecedented wave of fraud, waste and corruption. Officials at its antifraud investigation unit say they are expecting to have to run more than 350 inquiries by the end of the year -- nearly twice the total for 1998, and a 50 per cent increase on last year. Thousands of staff, contractors, and consultants have been interviewed in scores of countries. ...

The revelations will embarrass Kofi Annan, the UN Secretary-General, who is to welcome national leaders ... to the 'Millennium Summit' in New York next week. ... Annan is hoping to convince skeptical heads of state that the UN has provided value for money and that its role should be expanded. ...

One senior investigator said last week that the UN investigations unit's workload was greater than ever. 'We are seeing more and more frauds and abuses of authority.' ...

The OIOS's annual report, due out next month, will reveal cases of sloppy management, lax enforcement, harassment and outright criminality. ... OIOS is working with dozens of international police forces -- including Scotland Yard -- on inquiries into the activities of UN personnel."

Jason Burke, et. al., "UN rocked by flood of fraud cases: Officials were 'addicted to luxury,'" The Observer International (UK), **September 3, 2000**.

[Note: any such interviews with OIOS staff seem to have come to an abrupt end thereafter, as discussed in the subsection on OIOS investigations which follows.]

The OIOS annual report for 2000, the first under Mr. Nair, was issued only a month later. It lacked the "fire" of the interview, but did indeed state impressively that:

"The Investigations Section investigated 38 cases which were presented for administrative or disciplinary action: 22 of those cases were recommended for criminal prosecution by national law enforcement authorities."

"Report of the OIOS", UN document A/55/436 of **2 October 2000**, para. 156.

The 2000 OIOS annual report also cited increasing workloads, declining cost savings, no new staff, and oversight work that was overly-centralized in New York rather than out in the field. The 2001 report was more upbeat. It discussed new arrangements to make overall assessments of the implementation of critical OIOS recommendations. OIOS reorganized, in order to gather monitoring, inspection, evaluation and consulting units into a new division to "leverage" the limited OIOS resources in a more integrated approach, and for

"improved management consulting services to client departments and offices."

"Report of the OIOS", UN document A/55/436 of **2 October 2000**,

"Report of the OIOS", UN document A/56/381 of **19 September 2001**, and

"UN's internal oversight office launches refocused annual report at Headquarters ...", Press release ORG/1139 of **24 October 2001**.

In 2002 the OIOS "responded with determination to calls by Member States for better use of [UN resources] by focusing its services to instil a greater sense of accountability throughout the Organization." It continued a strategy focused on three objectives: qualified staff, a culture of continuous improvement, and improved client relations. It introduced new initiatives of risk assessment; prioritizing investigative assignments to handle the increasing caseload; applying its internal management consultants to meet demands for services; supporting self-evaluation by program managers; and upgrading its performance management information systems. To meet these new tasks, the office appealed to Member States for extra-budgetary resources for a "Trust Fund for Enhancing Professional Capacities for Internal Oversight" that it established in 2001.

"Report of the OIOS", UN document A/57/451 of **4 October, 2002**, "Preface", pp. 7-9.

The 2003 OIOS annual report highlighted its new approach of identifying key risk areas for oversight in its annual work plan: the highest risks were safety and security, procurement, and

peacekeeping. It hoped to get managers involved in identifying the most serious risks in their operations, using as well the combined expertise of the OIOS staff, and to work in collaboration with Member States and other oversight bodies.

"Report of the OIOS", UN document A/58/364 of **11 September 2003**, and  
"United Nations internal office reports potential savings of \$37 million identified in work of organization," Press release ORG/1398 of **16 October 2003**.

[Note: these annual reports and press releases are available at  
[www.un.org/Depts/oios/](http://www.un.org/Depts/oios/) ]

The 2004-2005 United Nations Proposed Programme Budget showed that the OIOS has become robust and well-established. It now has overall resources for the biennium of some \$21 million plus estimated extra-budgetary resources of another \$23 million, and thus total expenses which amount to about \$22 million per year. OIOS has grown to 128 professional-and-above posts, plus 55 general service and local ones, for a total of 183 posts. About half the posts are temporary ones, either regular budget or extra-budgetary. OIOS headquarters are in New York, with units in Geneva and Nairobi, and a much-expanded presence (including some resident auditors) in field operations as well.

"Proposed programme budget for the biennium 1994-1995, UN document A/58/6 (Sect. 30) of **17 March 2003**, and  
"United Nations internal oversight," booklet, available at the OIOS website.

The OIOS website also highlighted its results in combating waste and fraud during 2004 on its website, as a lead element of its achievements:

"Financial benefits: Since 1995, OIOS has exposed waste and fraud in the Organization totaling some \$290 million, of which \$130 million was recovered and saved. "

[Available at [www.un.org/Depts/oios/](http://www.un.org/Depts/oios/) ]

Specifying cost savings is a tricky business, involving estimates of possible savings, savings actually achieved, and also waste stopped and therefore not continuing on in future years. However, at least three overall points should be noted.

- First, in its 10 years since the temporary unit began in 1993, OIOS operations have cost some \$170 million (10 x about \$17 million per year). This is less than the total waste and fraud exposed, but more than that recovered and saved. A good audit and investigation unit should definitely more than pay for itself.
- Second, the very large "waste and fraud" amounts appear to be mostly waste, especially from careless financial management errors involving benefits and claims. For instance, an OIOS audit in 2001 of mission subsistence

allowance rates of selected peacekeeping missions led to recommendations which, if implemented, could save about \$45 million per year.

- It can take years to recover what can be recovered or to realize cost savings identified, requiring, as OIOS notes, determined follow-up actions by itself and UN programme managers.

Meanwhile, a very high-profile new "integrity initiative" was also cited in the 2003 OIOS annual report:

" ... in May 2003, the United Nations launched the organizational integrity initiative, a three-year programme aimed at strengthening integrity and professional ethics in the Organization ... funded by a generous contribution from the Government of Norway ... [and resulting from] cooperation between OIOS and United Nations departments (including [OHRM]) ... The initiative consists of ethics training, staff perception surveys and outreach activities aimed at raising awareness about the importance of integrity in the workplace. A related objective is to enhance the profile of the United Nations integrity-building and corruption-control efforts just as Member States gather in Mexico to sign the United Nations Convention against Corruption at the end of the year. The United Nations itself must lead by example and ensure that integrity and professional ethics guide all its work."

"Report of the OIOS", UN document A/58/364 of **11 September 2003**,  
"Preface," p.3 [emphasis added.]

The OIOS biennial programme plan for 2005-2006 stated that OIOS assists the Secretary-General in fulfilling his internal oversight responsibilities, with operational independence under his authority, and the authority itself to undertake any action it considers necessary to fulfill its responsibilities. These actions include protection of assets, compliance of programmes with UN resolutions and rules, preventing and detecting waste and mismanagement, and improving programme delivery. The OIOS strategy is to ensure an effective and transparent system of accountability in place and to help identify, assess and mitigate risks and threats to achieving its objectives.

"Proposed strategic framework for the period 2006-2007: Programme 25: Internal oversight", UN document A/59/6 (Prog. 25), **20 April 2004**, paras. 25.1-25.4.

The annual report of the OIOS for 2004, the fifth and final report submitted to the General Assembly by Mr. Nair, marked the end of a full decade of OIOS work. It included an Office-wide self evaluation, citation of its operational independence and the need to ensure its independence as a cornerstone of good governance, and the need for a proper delegation of authority to OIOS for this end. IO Watch will explore this OIOS self-evaluation in more detail at a later date, recognizing that it is better (more professional) than the

standard, self-serving UN self-evaluations, in light of concurrent developments during 2004.

"Report of the Office of Internal Oversight Services" Note by the Secretary-General", UN document A/59/359 of **13 September 2004**, Preface.

In fact, during 2004 the central issues and tensions of the operational "independence" of the OIOS under the authority of the Secretary-General, and its role in ensuring "an effective and transparent system of accountability in place", were thrown into sharp relief in what became a most interesting -- and very troubling year.

Mr. Paschke had ended his five year term expressing considerable pride in what he had achieved, citing much critical accountability and oversight work still to be done (as if he had been an observer rather than the key responsible official), and with unequivocal accolades from Secretary-Annan, who stated in his covering note to the 1999 annual report that:

"The Secretary-General concurs with the observations of the Under-Secretary-General [of OIOS] in his preface that the independence of the Office has never been compromised during his tenure. He has enjoyed the complete support of the Secretary-General."

"Report of the Secretary-General on the activities of the OIOS", UN document A/54/393, of **23 September 1999**, Covering Note, para. 2.

IO Watch believes that overall the OIOS of Mr. Nair did a much better job than that of Mr. Paschke. It became regularly involved in (instead of avoiding) broad management audits of key areas such as peacekeeping, human resources management, and management systems. It performed more, and more substantive, investigations of fraud and mismanagement scandals in the Secretariat, even those involving some senior officials (although only after the stories hit the media), and generally upgrading the quality of OIOS work and financial support to expand its activities.

But there were continuing fundamental problems as well. The OIOS took its eye off the key task of putting a transparent and effective accountability system in place, choosing instead to work closely to help and support managers. In addition, the OIOS was hampered because the General Assembly continued to be rather awkward and inconsistent in handling and acting on substantive OIOS reports, a major continuing failing which this archive explores further with calls for annual results and status reporting to the General Assembly and especially the creation of a General Assembly audit subcommittee under Recent Developments .

Above all, the actual "independence" of this internal oversight unit under the authority of the Secretary-General was called into severest question. Six key developments occurred (plus the fundamental weakness of OIOS as an investigative "fig leaf", which is discussed in the next subsection).

**FIRST**, as already noted, in 2003 the OIOS established a three-year Organizational Integrity Initiative, funded by Norway, to strengthen integrity and professional ethics in the UN and enhance United Nations integrity-building and corruption-control efforts alongside the new United Nations Convention against Corruption established in late 2003. The OIOS also joined with Harvard University in establishing an Executive Programme on Corruption Control and Organizational Integrity designed for executives from the public, private and not-for-profit sectors around the world. And in addition, the UN underscored that it too must exemplify these processes in its own operations. As a message from Secretary-General Annan informed a Global Forum in 2003:

[Secretary-General Kofi Annan, in a statement to a global forum on Fighting Corruption and Safeguarding Integrity, in Seoul, Korea in May 2003] .. emphasized that corruption facilitates organized crime, human trafficking, and terrorism and asked the delegates to support the ... pending UN Convention on Anti-Corruption. ...

'For too long, the world has looked the other way while corrupt elites looted their countries of hundreds and even billions of dollars ...' Mr. Annan said.

Continuing, he said, 'The United Nations itself has launched an Organizational Integrity Initiative designed to promote professional ethics, improve accountability and better protect our resources and reputation. ...

*After all, if United Nations agencies are advocating integrity and good governance, we ourselves have a duty to lead by example and practice what we preach.'*

"Global Forum III: Ongoing challenges, shared responsibilities", US Agency for International Development, Newsletter of the Americas' Accountability/Anti-Corruption Project (AAA), No. 33, p. 1, at [www.respondanet.com/english](http://www.respondanet.com/english) .

However, in the midst of all this enthusiasm, the OIOS and the UN got far ahead of themselves. A UN Organizational Integrity survey responded to by some 6,000 UN staff and issued in June 2004 showed some quite negative findings within the Organization itself on unaddressed integrity and accountability problems.

*"A new survey of ... [UN integrity perceptions] has found that while structures for reporting and combating corruption exist, most staff members are either unaware of how to use them or afraid to do so for fear of high-level retaliation.*

The UN has a 'phone book' of rules and regulations which are totally useless as they are never practiced', a staff member is quoted as saying ... [Another says,] 'Senior leaders caught in serious breaches of ethics should be punished, not promoted as usual.'

... [The study] is being made public at a time when Secretary-General Kofi Annan has been forced by the widespread publicity [about corruption in the Iraq oil-for-

food program] to appoint a high-level panel to look into them. ...

The new study records relatively high levels of worker satisfaction ... but *its most negative findings have to do with ingrown leadership and the lack of response to reports of corruption.*

*'Get rid of the old boy network,' one staff member ... [says.] 'That network is wide, tenacious and powerful. ... So long as you can wind your way into that network, you are OK. ... Opposing the network is certainly the end of a UN career.'*

Warren Hoge, "Report criticizes the way UN fights corruption", International Herald Tribune, **June 16, 2004**. [emphasis added.]

[Note: The actual survey, based on responses from some 6,000 UN staff, is "United Nations organizational integrity survey", Final Report, prepared by Deloitte Consulting LLP, **June 2004**.

It can be found at

<http://www.un.org/News/oss/sg/index.shtml> .

It is also interesting to note, in comparing this 2004 survey with a similar one in 1995, that things have indeed gone downhill -- staff in both surveys sought better management, but in 2004, even after a decade of "management reform", UN staff were much more concerned with, and disturbed by, senior management accountability issues.]

These quite surprising survey findings led Secretary-General Annan to issue the integrity survey results with a placating cover letter, which stated *inter alia* that:

" ... According to the survey, staff generally perceive that breaches of integrity and ethical conduct are insufficiently and inequitably addressed by the disciplinary system. At the same time, they voice concern about the consequences of 'whistle-blowing' or reporting on misconduct, and certainly about the mechanisms for such reporting. ... Clearly ... these need to be better known and made more accessible to staff at large. We will inform all staff about the means available to them for reporting on suspected misconduct. We will also develop measures to reinforce formal protection for whistle-blowers, while ensuring that they are not used to cloak false accusations.

... it is interesting to note that, while the great majority of staff believe that their own immediate supervisors demonstrate integrity and uphold the United Nations' values, the general view of senior leaders is less positive. The survey rightly emphasizes the need for senior leaders to lead by example, living up to the commitments they make in their annual compact with me. ... I will therefore be directing my senior colleagues to make much greater efforts in this area ..."

Kofi A. Annan, "Dear colleagues", letter of **4 June 2004** , p. 3. [emphasis added.]

[Note: One feature of the response was to arrange open "town hall" meetings where staff could publicly express their views to their senior bosses and match findings against "realities" in various departments. What a mine-field!]

An equally strong admonishment came from staff representatives before the Fifth Committee of the General Assembly in October 2004.

"Rosemarie Waters, President of the United Nations Staff Union, said that the measures introduced in the past six years had had a profound and sometimes deleterious effect on the staff of the Organization. ... management had been reforming itself and increasing management authority, while reducing accountability. The Staff Union had the greatest respect for the Secretary-General's vision for the Organization

and had supported the goals of his reform programme. It could not, however, support the erosion of staff rights and dissolution of oversight mechanisms as a means of implementation, and it could not continue legitimizing actions in which staff, through their elected representatives, had no meaningful role to play. ...

The organization had yet to establish concrete measures for individual accountability, she continued. It was essential that areas with expanded delegation of authority for personnel decisions ... should be carefully examined, and, if abuses were found, such delegation should be revoked. The ... [OHRM] had informed staff representatives of its inability to enforce accountability because they lacked central authority. The Fifth Committee may wish to recommend that concrete individual accountability be developed, in consultation with staff representatives, on a priority basis."

"UN staff committee representatives tell budget committee concerns ignored in management reform report", Fifth Committee, Press Release GA/AB/3641 of 29 October 2004, pp. 2-3. [emphasis added]

**SECOND**, the UN indeed had a wave of major corruption and scandal allegations and findings which emerged during the last half of 2004. They are discussed in many places in this archive, including in particular the subsections on Late 2004: A "tipping point" for the UN? , Refugee Sexual Abuses , the Iraq oil-for-food programme , Corruption in the UN , Corruption characteristics , and in the next subsection on Investigation efforts: Is the OIOS a fig leaf?

**THIRD**, a major case of sexual harassment allegations involving a top UN official emerged in 2004 and was then eventually snuffed out. The development of the case is discussed more fully under the archive subsection on Anti-harassment efforts , and is noted here only in the following brief quotes which underscore the issues of OIOS independence versus the Secretary-General's ultimate authority to overrule any findings.

"Ruud Lubbers, the high commissioner for refugees [UNHCR] ... confirmed ... a sexual harassment complaint filed against him by a staff member.

Lubbers, 65, a former Dutch prime minister, denied the allegations. ...

The woman ... said the incident occurred at the end of a meeting as she, Lubbers and five male staff members were leaving the room. The woman told other staff members that she was "shocked and horrified," associates said.

Lubbers said Dileep Nair, chief of the [OIOS] had told him of the complaint ... filed ... four months after the alleged harassment took place.

Two UN investigators were sent ... to Geneva by OIOS ..."

Fiona Fleck, "Harassment complaint lodged against UN official", International Herald Tribune, **May 19, 2004**.

"[Mr. Lubbers] has written a staff member who formally accused him of sexual harassment, asking that she drop the case and promising to protect her from reprisals, people familiar with the case said.

The charge has been under investigation by [the OIOS]. ...

... [Lubbers received] the investigators' final report in June ... [which was] in New York awaiting official action. ...

In the May 28 staff message, Lubbers acknowledged an incident with the ... staffer but disputed its interpretation as abuse. ... he concluded, 'I'm really sorry for that.'

Fiona Fleck and Warren Hoge, "UN official is said to ask for dropping of sex case", International Herald Tribune, **May 19, 2004**.

"One of the UN's most senior figures has been cleared of sexual harassment by Secretary-General Kofi Annan. ...

Mr. Annan found that the complaint against [High Commissioner for Refugees Ruud Lubbers] 'could not be sustained by the evidence,' [a UN spokesman] said.

However, Mr. Annan said in a letter to staff of the [UNHCR] that he had written to Mr. Lubbers 'conveying in the strongest terms my concerns about the incident which gave rise to the complaint.'

Mr. Annan's spokesman said the matter was now 'considered closed' and that efforts were being made to 'rebuild trust and confidence' among UNHCR staff."

"Lubbers cleared of UN sex claim", BBC NEWS, **July 15, 2004**.

"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.'

UN spokesman Fred Eckhard attempted to explain the secretary-general's verdict on Thursday, asserting that Mr. Annan decided the allegations were unsustainable after seeking legal advice on the matter.

'He did not say there was no evidence. He said he found the evidence unsustainable on a legal basis', Mr. Eckhard said."

"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 ... 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**.

This very serious set of allegations of sexual harassment by Mr. Lubbers was thus "put to rest", but in a very heavy-handed and damaging way. Not only did Secretary-General Annan overrule the findings and recommendations of the in-depth study made by his investigators, but the Secretariat then withheld the release of the OIOS annual report to the General Assembly to attempt to cover up the actions he took. Saving an "old boy" had a heavy cost in top leadership credibility (and directly confirmed the staff suspicions of self-serving old boy manipulations as expressed in the Integrity Survey of June 2004.

**FOURTH**, however, there was still much more to come. Even as Mr. Nair and his OIOS staff investigated the serious allegations in the UNHCR and battled with Secretariat officials over the OIOS annual report release, Mr. Nair himself was enmeshed in a scandal of mismanagement allegations within his OIOS, 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**.

"Former top civil servant and banker Dileep Nair has been accused of violating UN regulations in the way he promoted and recruits 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",

Several months passed, with much attention devoted to the UNHCR sexual harassment allegations. Then, in mid-November, after the blocked OIOS report on the Lubbers case had finally been issued, the UN announced the results of its "investigation" of the allegations concerning Mr. Nair and the OIOS. The reaction was quick and fierce.

"An exhaustive probe has cleared the head of [the UN's OIOS] of alleged staff rules violations and has found no credible information to back corruption and other charges against him, a UN spokesman said today.

The investigation was ordered after the UN Staff Council ... [reported allegations against Mr. Nair] ... of violations of appointments and promotion in OIOS, as well as allegations of corrupt practices in the Office and 'other misconduct' by Mr. Nair.

Spokesman Fred Eckhard said ... 'a thorough review' conducted by [UN top manager] Catherine Bertini found that "no staff regulations or rules were violated ..., and that the relevant personnel procedures were followed.'

With regard to the other allegations, the investigation did not receive 'credible information on which to follow-up and, therefore, recommended that no further action was necessary in the matter', the spokesman said.

He added that Mr. Annan had accepted the investigation's findings and recommendations ... [and that he told] Mr. Nair 'that he had every confidence that the good work of the [OIOS] under his leadership would continue.'

"Thorough probe finds no evidence of wrongdoing by UN official", UN News Service, **16 November 2004**.

"Integrity sponsor unit 35:

The staff council:

[Recalling its April 2004 request for an independent investigation of violations in the OIOS] ...

Noting that the investigation apparently ... [made no attempt] ... to elicit information from the staff union clarifying the violations cited;

Concerned that the action taken was insufficient and [fails] ... to properly investigate and determine the full facts of the case;

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

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

Recalls that the Secretary-General declined to accept ... [the deputy Secretary-General's tendered resignation after 22 staff members died in the Baghdad UN compound bombing] ... , 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;

Requests:

i. ... [a] vote of no confidence to the Secretary-General ..."

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

Note: Fox News stated that the above was the text of a UN staff resolution which it received, calling for a vote of no confidence in Kofi Annan.

"UN management will meet next week with a [staff body over the handling of the investigation of mismanagement in the OIOS] ...

Original media reports indicating that the Staff Council would hold a vote of no-confidence today misconstrued what was taking place, spokesman Fred Eckhard said ... 'although they are dissatisfied with senior management, particularly in the way this whole OIOS matter was dealt with', he said.

Mr. Eckhard said that when the Department of Management submitted its report, staff members were also briefed and given additional details ... [and were] not happy with the results.

UN management was prepared ... to deal with their concerns. 'The idea is to keep dialogue going ... so that it isn't necessary to adopt resolutions saying they have no-confidence in senior management', he said. 'We'd certainly like them to have more confidence in us and we hope we can achieve that through dialogue.' ...

Asked why the Staff Council wasn't consulted during the OIOS investigation, the spokesman said that [would be discussed and that] ... in the investigation, one of the things brought forward initially had been an unsigned letter, and no one came forward to explain further."

"UN management prepared to hold dialogue with Staff Union over concerns", UN News Service, **19 November, 2004.**

[Note: three regular tactics used by UN top management to evade proper investigation of alleged UN mismanagement are displayed here: when forced to act, produce a report prepared in secret and without prior consultations; insist earnestly on eagerness for "dialogue" (but little else) with staff; and after receiving confidential reports, insist that there was "no one to talk with", without ever seeking out the people involved, in this case the Staff Council.]

"UN employees were readying on Friday to make a historic vote of no confidence in scandal-plagued Secretary-General Kofi Annan, sources told AFP. ...

Annan has been in the line of fire over a high-profile series of scandals ...

But staffers said the trigger for the no-confidence measure was the announcement ... that Annan had pardoned the UN's top oversight official, who was facing allegations of favoritism and sexual harassment [after a 'thorough review' by UN top manager Catherine Bertini.] ...

'This was a whitewash, pure and simple', said a [staff representative.] ...

In a letter sent to the union, ... Annan's chief of staff, Iqbal Riza said Nair had been 'advised that he should exercise caution' in future to 'minimise the risk of negative perception.' ...

In a [draft] resolution ..., the union said Riza's statement 'substantiates the contention of the staff that there was impropriety' and that there exists 'a lack of integrity, particularly at the higher levels of the organization.' ...

Staffers who asked not to be named, afraid that speaking out could damage their future prospects in the United Nations, said the Nair decision was emblematic of widespread corruption by Annan and his senior staff."

Marc Carnegie, "UN staff lose faith in Kofi Annan", [iafrica.com/news](http://iafrica.com/news), **19 November, 2004.**

"Angered at Secretary-General Kofi Annan's dismissal of allegations against the U.N.'s top investigator, union leaders met for a second day on Friday to decide what action to take. ...

Nonetheless, the union was clearly upset at Annan's exoneration of U.N. watchdog Dileep Nair earlier this week. ...

In a letter to [the Staff Union] ... Annan's chief of staff, Iqbal Riza ... wrote that the allegations 'required careful review and, inevitably, took some time to complete.'

But the Staff Union stressed ... that during the six-month U.N. investigation, despite being the complainant, 'the Staff Committee was neither informed that an investigation was taking place nor asked to clarify its concerns or provide testimony.'

[Spokesman Fred] Eckhard said, 'If they say they were not consulted, I think that's definitely something we'd like to discuss with them next week. That doesn't seem right.'

"Kofi Annan no confidence vote?", CBSNEWS.com, **November 19, 2004.**

**FIFTH**, while all the tumult about the Integrity Survey, the oil-for-food scandal, and the Lubbers and Nair investigations was going on, a very important and relevant finding by the UN Board of Auditors was being ignored. In their report for 2004, the Board found that the UN has no comprehensive anti-fraud plan, and many UN offices have little or no policy and mandates in this area. It recommended that the UN adopt a comprehensive corruption and fraud prevention plan with a coordination committee, appropriate training, follow-up processes, and a review of investigation processes away from headquarters. The Secretariat swiftly buried this warning by stating smugly that:

" ,, some of the Board's comments may give the mistaken impression to the uninitiated reader that the potential for large-scale fraudulent and corrupted activities is widespread. The Administration assigns high priority to the issues of fraud and corruption ..."

"Financial reports and audited financial statements for the biennium ended 31 December 2003 and Report of the Board of Auditors", Vol. I, UN document A/59/5 of **22 July 2004**, p. 12, item (u), paras. 15(f) and 344-349, and "First report on the implementation of the recommendations of the Board of Auditors ... for the financial period ended 31 December 2003: Report of the Secretary General", UN document A/59/318 of **1 September 2004**, paras. 124-126.

[Note: This important recommendation is discussed further in the next subsection of this archive, and also as the first item under the subsection on [Answers, A starting point](#) .]

**SIXTH**, while Mr. Annan's transmittal letter for Mr. Paschke's last OIOS annual report had commented warmly that the independence of the OIOS had never been compromised during his tenure, and that he had enjoyed Mr. Annan's complete support, he ended his letter on Mr. Nair's last report with a much different message:

"This year marks the tenth anniversary of the [OIOS] ... Given the critical nature of the responsibilities entrusted to the Office, and that since its inception no independent evaluation has been carried out ... it may be timely for the General Assembly to consider initiating a comprehensive review of its operations ... Such a review should be aimed at determining how to strengthen the capacity to deliver the mandates given by the General Assembly. The review will also provide me, as chief administrative officer of the Organization, an assessment of how well OIOS can assist me in the efficient and effective management of the United Nations. Should this proposal be endorsed by the General Assembly, I would be ready to establish a multidisciplinary panel of outside experts to conduct the review."

"Report of the Office of Internal Oversight Services" Note by the Secretary-General", UN document A/59/359 of **13 September 2004**, (page 1.) [emphasis added]

IO Watch finds this proposal by Mr. Annan to be troubling on many counts. The OIOS just completed its own self-evaluation of its work. The General Assembly itself was due to make another five-year assessment of OIOS work in 2004, and Mr. Annan's proposed review might compete with or actually derail the General Assembly review.

A new head of OIOS is to be appointed in 2005 and should be given flexibility in establishing himself. Mr. Annan himself is becoming a lame duck, and should not generate changes in OIOS functioning with a late-2005 or early 2006 report which locks his successor into policies that he might not want. Further, the proposal occurs just after Mr. Annan engaged in an awkward battle with the OIOS leadership leading to "exoneration" in the Lubbers sexual harassment allegations at UNHCR, and as the UN is plagued by accusations of many other scandals as well.

This proposed review would also be another of the "independent reviews" which Mr. Annan is quite fond of, where he sets the terms of the review, selects the people who will lead it, receives the final report, and decides what to do with it. This is not at all independent. (For instance, his proposal that he assemble a "multidisciplinary" panel to examine the OIOS seems like a code phrase for picking diplomatic friends to conduct this review, rather than expert oversight professionals from the International Organization of Supreme Audit Institutions (INTOSAI), (as this archive in fact proposes, see the subsection on External experts oversight review under Answers: A starting Point .) And any such report on OIOS functioning, if it is to be truly independent, should be made directly to the General Assembly which established it, not to the outgoing chief administrative officer of the troubled Secretariat, Mr. Annan himself.

**SEVENTH**, another important and very current OIOS matter was being conspicuously ignored (or hidden) by Mr. Annan. As noted at the beginning of this subsection, he very awkwardly left the OIOS succession process hanging in 1999. His chief legal officer was in charge of the OIOS for half a year after Mr. Paschke left and before Mr. Nair was finally chosen and arrived.

As already stated, any believer in good and professional management would strongly hope that (a) Mr. Annan, in selecting this third head of the OIOS, will indeed select a highly-

qualified and experienced professional auditor from among the many deserving candidates from the worldwide ranks of INTOSAI, and (b) will not allow OIOS to drift without a head after Mr. Nair leaves in April (but it seems in early 2005 that this secretive and delayed-succession process may indeed reoccur).

**EIGHTH**, finally, and most discouragingly of all, the Fifth Committee of the General Assembly -- in which UN Member State representatives supposedly provide oversight on behalf of the UN's worldwide constituency -- seems asleep at the switch.

To recapitulate the early 2005 situation, the OIOS made a generally positive self-evaluation of its performance during its first decade in 2004. But looking back on the year, the Office has in fact travelled a quite rocky road, with no end in sight. To recapitulate its struggles and challenges from the enumeration above, and add a few others.

1. The UN organizational integrity survey in 2004 found that UN staff mistrust the existing processes for reporting and combating corruption, ingrown leadership and the indulgences of the "old boy network".

2. Several scandals and conflicts arose which led to perceived "whitewash reports" to exonerate senior officials by OIOS, most notably in two successive cases involving the top UN corruption-fighters, and OIOS disparagement of refugee sexual abuse scandals in 2002, only to see them return virulently as a scandal in 2004 (see also Top corruption-fighter corrupted and Refugee Sexual Abuses elsewhere in this archive.)

3. The high-profile sexual harassment case involving the head of UNHCR was a positive moment for OIOS, as its investigators substantiated the charges and called for sanctions, followed however by exoneration granted by Mr. Annan and then covered up for a month by attempted alteration of the OIOS 2004 annual report (see also Anti-harassment efforts .)

4. The OIOS and Mr. Nair himself had its own internal scandal with allegations of mismanagement, and financial and sexual misconduct, in which the UN's top manager and Mr. Annan duly exonerated Mr. Nair in a secretive investigation much objected to by staff representatives.

5. The UN Board of Auditors reported in 2004 that the UN Secretariat has little or no anti-fraud plan, policy and mandates, and should urgently adopt them (which the

Secretariat smugly characterized as a "mistaken impression" (see also A real UN fraud prevention programme .)

6. Secretary-General Annan proposed in late 2004 that another of his "independent panels", in this case a "multidisciplinary" one, assist him in determining how OIOS can best assist him, to the detriment of such assessments and judgements by the General Assembly.

7. After selecting two diplomats to fill the critically-important post of the UN "inspector general" with a very awkward interregnum between them, Mr. Annan has not initiated an orderly and open process for picking a top professional as the third head of the OIOS during 2005.

8. Investigations of waste, fraud, mismanagement and abuse, the only truly new function given to the OIOS in 1994, started slowly and reluctantly, and had some dynamic moments, but has since almost disappeared as a priority activity, providing only a few exciting corruption-fighting stories each year in the annual OIOS report (see the next subsection and the two subsections on the sorry fate of UN whistle-blowers.)

9. The US GAO in-depth review of UN management reform in 2004 (following one made in 2000) found that nearly half of UN programme managers do not monitor or evaluate performance and are not held accountable, after a decade of OIOS and other effort and two lost decades before that, with a system only to be ready -- maybe -- by late 2006 (see Programme planning system (PPBE) .)

10. The established OIOS strategy of working in close partnership with managers rather than firmly enforcing management accountability has backfired, as the 2004 GAO review found that a significant reason for progress in establishing UN accountability systems was determined and continuing resistance to such change from UN managers, and the need for training to overcome this resistance (see The winner "Free the managers" .)

11. The enthusiasms of Mr. Paschke to involve UN managers in investigations (a very serious and professional investigative process) as amateur "Inspector Closeaus" has led to very disturbing activities, and new hazards for UN staff (Unleashed managers, which the General Assembly is slowly beginning to comprehend (see Unleashed managers .)

12. And the UN Code of conduct on staff rights and obligations of 1998 (updated in 2002) is quite explicit on staff obligations to cooperate fully with investigations by

OIOS and any "authorized" managers, but totally silent on the parallel staff rights to due process and protection from retaliation which the General Assembly had insisted on in 1994 ( see UN Code of Conduct .)

So how has the Fifth Committee of the General Assembly, the group that sets the integrity and accountability tone for the entire Organization, that is responsible for ensuring proper use of the funds provided by Member States, and indeed the body that is "accountable for accountability", responded to all these grave indications of OIOS shortcomings and UN weakness in accountability and corruption-fighting matters? Very weakly.

In the midst of all the severe questions about OIOS functioning outlined above, the Fifth Committee blithely assembled in late December 2004, before rushing off on holiday, to pronounce itself on the activities of the OIOS. It "noted with appreciation" the OIOS activities, urged OIOS to conform fully with its mandate, and called for support for OIOS recommendations on a few items -- compensations claims processes, procurement practices, use of consultants in UNHCR, control of field mission assets, control of assets and use of vehicles in UN field missions, and its earlier pondering on the OIOS review of UN information centers.

The Fifth Commmittee reports and the resulting General Assembly resolutions did indeed note with concern one item, but it was none of those scandals, fumbles, and breakdowns cited above. Instead, the Assembly called on the Secretary-General to develop rules and procedures to manage UN travel documents (laissez-passer) and to report to it thereon.

"Reports of the Secretary-General on the activities of the Office of Internal Oversight Services", General Assembly resolution 59/270 of **23 December 2004**, and

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

Even worse, the Fifth Committee and the General Assembly were just as unconcerned about the long-term as they were about the current situation. In 1999, they had conducted a mandated five-year "evaluation" of OIOS operations, which at least took almost a year of discussion, and expressed some mild concerns and suggestions for improvement.

In 2004 another five-year review was due. But this time the Assembly acted with incredible swiftness, dispatching the topic

with a very brief resolution dashed off as the Member State representatives rushed to their year-end vacations. The resolution did at least succinctly recognize the failure of management accountability and oversight efforts of the last ten years (as kind of a memorial service), stating that it:

"4. Affirms its primary role in the consideration of and action taken on the reports presented to it;

5. Notes that no mechanism has been established for the follow-up of [OIOS] recommendations, including those considered by the General Assembly;

6. Emphasizes the importance of establishing real, effective and efficient mechanisms for responsibility and accountability;

7. **Regrets that despite previous information provided by the Secretary-General on the establishment of accountability mechanisms, including the accountability panel, such mechanisms are not in place, thereby affecting the efficient and effective functioning of the Organization.**"

"Review of the implementation of General Assembly resolutions 48/218B and 54/244: Report of the Fifth Committee", UN document A/59/649 of **22 December 2004**, and

"Review of the implementation of General Assembly resolutions 48/218B and 54/244", General Assembly resolution 59/272 of **23 December 2004**. paras. 4-7. [emphasis added]

The Assembly then moved on to some housekeeping details on OIOS reports, to reaffirm as always the roles of the various external oversight bodies, to reaffirm its oversight role and that of the Fifth Committee, and called on Mr. Annan and external bodies to report on how to guarantee OIOS full operational independence (inherently impossible for an internal body).

Its major initiative, although feeble, was to agree with OIOS that the Secretary-General should report on measures implemented to strengthen accountability and the results achieved, and establish a "high-level" mechanism of Secretariat officials (plus "at least one" with UN oversight body expertise) to feed oversight findings into UN operations to improve them. Finally, the General Assembly announced casually that it:

"Decides to evaluate and review at its sixty-fourth session the functions and reporting procedures of the [OIOS] and any other matter which it deems appropriate ..."

"Review of the implementation of General Assembly resolutions 48/218B and 54/244: Report of the Fifth Committee", UN document A/59/649 of **22 December 2004**, and

"Review of the implementation of General Assembly resolutions 48/218B and 54/244", General Assembly resolution 59/272 of **23 December 2004**.

[Note: The 64th session will begin only in the autumn of 2009.]

*IO Watch finds all this extremely troubling. The General Assembly established the OIOS to hold the "old boy" senior and lesser officials of the Secretariat accountable. Yet clearly the*

OIOS itself has been led by "old-boys" Mr. Paschke and Mr. Nair, and compromised thereby as the managers were progressively freed. Even worse, the General Assembly shows through its "see no evil" approach in late 2004 that despite all the grave UN operational difficulties enumerated above, it too is also collectively an "old boy" outfit (or composed of many people who want very badly to become "old boys" or girls.) The best it can do is call for a group of senior "old boys" to decide how best (read whether!) to use OIOS and other recommendations.

**What hope is there for General Assembly (let alone Secretariat) leadership to ensure that the \$6 to \$10 billion that the world entrusts to the UN each year is effectively used, and the urgent programme needs addressed by UN field operations are at least improved somewhat?**

The downplayed and papered-over "annus horribilis" of the OIOS in the year 2004, as described in some detail in the preceding pages, and the feeble response of the General Assembly to this situation, were decisively contradicted and undermined in early January 2005. The Volcker group released its preliminary report on the UN's administration of the oil-for-food programme, as well as the set of OIOS audits of that programme.

The assessments were quite critical. They underscore the frailties of the OIOS in risk assessment, corruption-fighting, adequacy and deployment of investigative and audit resources, and the grave lack of actions taken on OIOS findings by UN senior officials.

"United Nations officials today welcomed initial findings by [the Volcker probe] into the UN Oil-for-Food programme in Iraq, acknowledging deficiencies ... and pledging to revamp the world body's current overall management structure.

[UN spokesman Stephane Dujarric told a press briefing that the preliminary analysis] ... 'is just one step in the ... inquiry which the Secretary-General initiated, and which continues to enjoy his full support and cooperation ...'

'What this initial briefing from the Committee does show is that there was a dynamic auditing process generated by the UN itself, as well as the audits of external auditors ...' He noted that all audits ... were conducted in accordance with internationally recognized standards ...

[and that] 'We ourselves are already focused on issues of management and accountability ... in a critical review ... which will lead to a broad overhaul of the UN's management structure and systems ...'

Mr. Dujarric pointed out that the Oil-for-Food programme 'did fulfil its main objective by providing humanitarian relief to 27 million Iraqis ...'

... [He] stressed that ... 'the audits that were released today are just one snapshot of the programme. ... they are part of a whole process.'

"UN undertaking management review in response to early findings I Oil-for-Food probe", UN News Service, 10 January 2005.

"The UN failed properly to oversee contractors hired to inspect Iraq's multi-billion dollar oil-for-food programme, according to ... fifty-six audits conducted over several years ... [to be] released today by the [Volcker group.] ...

Mr. Volcker has said the audits contain 'no flaming red flags.' ...

But they do raise important questions over the way in which the United Nations managed the programme ...

The UN claims the audits' existence demonstrate there was substantial oversight of the oil-for-food programme, but it is unclear to what extent their advice was heeded.

According to *Associated Press*, two ... audits examined irregularities, ... including overcharging by two companies that were hired to monitor oil sales and the import of humanitarian goods ... while another detailed financial mismanagement by a United Nations agency administering humanitarian aid.

The Volcker committee's own preliminary report is scheduled for release at the end of January."

Mark Turner, "Internal audits may increase pressure on UN to reform its management", *Financial Times* (UK), **January 10, 2005**.

'According to an early sampling of 10 [UN audit reports on oil-for-food]... the UN Office of the Iraq Program [OIP], which was led by Benon Sevan ... allowed major contractors to overcharge the United Nations and to understaff [monitoring] posts at ports and borders ...

The audits reviewed ... identify problems with all three of the program's main contractors hired to inspect transactions ...

The United Nations, however, denied allegations that the audits show that the United Nations did not adequately monitor the program. ...

Still ... congressional investigators ... say [the audits] reinforce questions about [whether] poor stewardship by the United Nations played a major role in widespread corruption in the administration of sanctions against Iraq.

The reports cite many accounting and operational lapses within the [OIP]. The auditors write that Sevan's office permitted its own employees to lose money and thousands of dollars' worth of equipment in the field, and allowed its contractors to overcharge the United Nations and to understaff critical inspection posts ...

One congressional investigator who has examined [most of] the documents said it was clear that Sevan's office failed to supervise the program's inspections. 'They did not do their job', he said."

Judith Miller, "UN audits fault running of Iraq oil-for-food program", *International Herald Tribune*, **January 10, 2005**.

"[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 contracts 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**.

"The man appointed to oversee a management shake-up at the United Nations has warned that it must brace itself for wide-ranging reform ...

'The crisis is still building,' [Mark] Malloch Brown said. 'It's very hard after [last] week's revelations to believe there isn't going to be some pretty tough stuff on management.'

Paul [Volcker's group] last week criticized the UN for its limited response to internal audits showing irregularities in the \$65 billion [Iraq oil-for-food] programme.

... Mr. Malloch Brown also warned that it was no longer only the institution's traditional, conservative critics that were calling for a shake-up.

Mr. Volcker also claimed the volume of allegations surrounding the former [head of the Iraq] programme, Benon Sevan, suggested there must have been some 'monkey business.'

At the end of January Mr. Volcker will issue his preliminary findings. 'That may be a transition point', Mr. Malloch Brown said ...

'It should be a mainstream preoccupation of every government share holder of the UN.' ...

A reshuffle of Mr. Annan's cabinet would take place within six weeks, maybe sooner, he said. ...

... The management shuffle would be followed by 'human accountability' reforms addressing other recent scandals."

Mark Turner, "UN warned to get ready for sweeping reforms", Financial Times (UK), **January 17, 2005**.

In early February 2005 the Volcker investigative group released its full preliminary report on the Secretariat's oil-for-food programme, and it contained more bad news for the UN. Mr. Annan responded dutifully with promises to take action against wrongdoers and pursue renewed management reforms.

"[The Volcker panel interim report] ... investigating the [UN] oil-for-food program in Iraq severely criticizes its director and depicts the program as 'tainted' for failing to follow the organization's own procedures.

In an essay Thursday in *The Wall Street Journal*, Volcker ... said the report .... accused Benon Sevan, the Cypriot who had headed what was once the world body's largest humanitarian effort, of 'irreconcilable conflict of interest.' ...

An official [said that the report] ... also criticized ... Joseph Stephanides, a senior official on the Security Council staff, for failing to ensure that the organization's own rules for buying oil, selling goods and selecting contractors were followed. ...

In his essay, Volcker said that ...

'The findings do not make for pleasant reading' ...

... The 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.' ...

.... The auditing system ... lacked 'clear reporting lines and the management responsiveness critical to achieving a fully effective auditing process.'

... [Further, he wrote,] the commission ... found what he called 'a clear lapse from disciplined judgement.'"

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

"Reaffirming his pledge to act resolutely on any findings of staff misconduct in connection with the United Nations Oil-for-Food programme for Iraq, Secretary-General Kofi Annan today announced ... disciplinary proceedings against officials involved in the operation and ... broader management measures in response to the [release of the Volcker panel report on ] ... the management of the now-defunct relief effort.

'Should any findings of the Inquiry give rise to criminal charges, the United Nations will cooperate with national law enforcement authorities pursuing those charges, and ... I will waive the diplomatic immunity of the staff member concerned,' Mr. Annan said in the statement ...

... The statement noted the [Volcker panel's] intention to publish a further interim report dealing with [his son Kojo's involvement, which Mr. Annan awaited] ... 'with a clear conscience' ...'

[Spokesman Mark] Malloch Brown acknowledged that 'we're dealing with critical and vital breakdowns in the management of the UN' ...

[On the inadequate UN auditing process, he stated that] 'we'll have to look again at what we can do to strengthen the external independence of audit, to strengthen the assurance that it will have the resources it needs to do the task' ..."

"Acting on Oil-for-Food report, Annan takes disciplinary action, further management steps", UN News Service, **3 February 2005**.

To sum up the very-muddled situation of the OIOS at the end of its first decade, IO Watch concludes that the "play-acting" at accountability of UN senior officials -- as enacted by Mr. Annan, Mr. Lubbers, Mr. Nair, Ms. Bertini, Mr. Eckhard, and many other senior officials -- in 2004 is definitely NOT the UN's "finest hour."

Especially when considered against the findings of the Integrity Initiative survey, the burgeoning UN-administered oil-for-food programme scandal, the UN security mismanagement involved in the Baghdad UN headquarters bombing, the anti-fraud programme warnings of the Board of Auditors and the UN's dismissive response, and the multiple other scandals brewing, the Secretariat's and the General Assembly's accountability and oversight performance crisis has suddenly become very clear.

Claudia Rosett, who has closely followed the evolution of the oil-for-food scandal for several years, had a very perceptive take on the key factors underlying this messy situation.

" ... the UN has [examined the] ... Secretariat's perception of its own integrity. ...

As Mr. Annan recounts, [the Integrity Survey contains] considerable focus on 'tone at the top' (while most staffers trust their immediate bosses, their opinion of U.N. senior leaders is 'less positive'). And as the report politely explains, there are concerns about accountability ('Most of the infrastructure to support ethics and integrity is in place, accountability is not.') ...

Having [found] ... that Secretariat staff don't trust the top management and are afraid to speak out for fear of reprisals, Mr. Annan's response will be to convene a group of top managers and invite staff members to speak out. ...

Does anyone see a problem here?

The basic flaws are simple: Anytime you create a large institution, accord it great privileges of secrecy, give it a big budget and have it run immune from any sane standard of accountability, you are likely to get a corrupt organization. ...

The problem with the Secretariat isn't 'tone' at the top. It's accountability at the top and secrecy throughout. ...

[A real solution] ... would probably require setting up a competing international institution, based on openness and accountability."

Claudia Rosett, "The problem with the Secretariat", The Wall Street Journal, **June 16, 2004.**

The UN is thus presently being challenged as never before to firmly install, and then apply and oversee, management accountability processes, not only in the OIOS, but in the Secretariat at large, among the top leadership, and in the Fifth Committee of the General Assembly, and is failing.

One more aspect deserves detailed attention -- investigations, which were the only new element added when the OIOS was created. The next subsection of this archive details

the weak development of this unique function, including its mandated use of staff whistle-blowing (confidential reporting of wrongdoing to an OIOS hot line). It further demonstrates how desperately the UN needs to address its management accountability, corruption-fighting, and rule-of-law deficiencies in order to attain credibility for its future operations.