The current issue and full text archive of this journal is available on Emerald Insight at:
https://www.emerald.com/insight/1096-3367.htm

Governance as integrity

The case of the internal oversight at the United Nations through the lens of Public and Private Bureaucracies Transaction Cost Economics

Maria do Rosário Da Veiga
ISCTE – Instituto Universitário de Lisboa (ISCTE-IUL), Business Research Unit (BRU-IUL), Lisbon, Portugal, and
Maria Major
ISCTE – Instituto Universitário de Lisboa (ISCTE-IUL), Business Research Unit (BRU-IUL), Lisbon, Portugal and Nova School of Business and Economics, Universidade Nova de Lisboa, Carcavelos, Portugal

Received 24 August 2018
Revised 23 November 2018
22 February 2019
17 May 2019
18 July 2019
Accepted 24 July 2019

Abstract

Purpose – Through a case study on the governance structures of the UN, the purpose of this paper is to develop a critique of Public and Private Bureaucracies Transaction Cost Economics (PPBTCE) (Williamson, 1999) as a theoretical lens to analyze internal oversight structures.

Design/methodology/approach – The authors explore "probity" and "independence" transactions' attributes through historical narrative case-based research to answer the question – Why did numerous attempts to strengthen the governance of UN internal oversight structures not relieve "probity" hazards?

Findings – The analysis shows that at the UN increasing and strengthening the governance of oversight structures, i.e., incentives, did not relieve probity/ethics hazards as predicted in PPBTCE. Secretaries-General and UN General Assembly, entities charged with oversight powers, systematically trumpeted the UN Charter, breaching probity/ethics and disregarding the supervisory independence prerogative of internal oversight structures, hence failing to contribute to the "common good" and to protect the UN mission.

Originality/value – This paper is the first application of PPBTCE to internal oversight transactions within an International organization context testing probity and independence attributes. The authors find that "independence" outweighs the "asset specificity" attribute whenever decisions on the governance of internal oversight arise. As far as sourcing decisions are concerned, the authority of the sovereign and the independence of the judiciary as well as quasi-judiciary transactions are not transferable attributes and, thus, cannot be contracted along with the actors' ethics. PPBTCE should be modified to include, e.g. "virtues ethics" behavioral assumption as a transaction costs' reduction device and explanatory framework for "probity" hazards, abandoning the opportunism behavioral assumption.

Keywords Ethics, Public sector, International organizations, Internal oversight, Public and Private Bureaucracies Transaction Cost Economics

Paper type Research paper

1. Introduction

The negative aspects of fraud and corruption have been attracting the attention of researchers from different areas. Some of the literature reports intensive exploration of the *modus operandi* of the auditing function in the context of organizations that collapsed in the aftermath of serious and broad-reaching corruption cases (e.g. Neu *et al.*, 2013; Guénin-Paracini and Gendron, 2010; Carnegie and Napier, 2010; Gendron and Spira, 2009; Power, 2003; Graaf and Huberts, 2008; Grigorescu, 2008; Heath and Norman, 2004).

The second author of the paper acknowledges that this work was funded by Fundação para a Ciência e Tecnologia (UID/ECO/00124/2013 and Social Sciences Data Lab, Project 22209) by POR Lisboa (Lisboa-01-0145-FEDER-007722 and Social Sciences Data Lab, Project 22209) and POR Norte (Social Sciences Data Lab, Project 22209).

Journal of Public Budgeting, Accounting & Financial Management

1096-3367
DOI 10.1108/JPBAFM-08-2018-0086

Other strand of research has focused on how to construct ethical subjects to reduce corruption through control-by-punishment and increased administrative controls, such as auditing and inscription processes embedded in effective legal and institutional systems (cf. Neu *et al.*, 2015; Hopkin and Rodríguez-Pose, 2007; Everett *et al.*, 2006).

At the same time, the role that the ethics of actors of inscription processes plays in the corruption has also merited the interest of researchers to counter-argue that control by punishment, although necessary, is insufficient to combat corruption (cf. Grossi and Pianezzi, 2018; Hoskin, 2015; Sikka and Lehman, 2015; Chwastiak, 2015; Neu *et al.*, 2015; Sargiacomo *et al.*, 2015; Roberts, 2015; Gabbioneta *et al.*, 2013; Everett *et al.*, 2006; Everett *et al.* 2007). In this same vein, the application of the lens of virtues ethics to study the profession of certified public accountants (Lail *et al.*, 2017; West, 2017, 2018a, b) is advocating that the character traits of accountants in action should be shaped by virtues and concern "the common good to take into account the institutions and structures of contemporary society" (West, 2017, p. 344).

Building on this range of literature on fraud and corruption we analyze decisions on the governance structures of the United Nations (UN) – an International Organization (IO) whose role in the World Order is undeniable, and that entails an organizational context and decision-making processes that are highly complex (Hosli *et al.*, 2011; Potrafke, 2009; Analoui, 2009; Torgler, 2008; Dreher *et al.*, 2008).

Since its establishment over 70 years ago, the UN has experienced several events of corruption and fraud widely reported by the media. Yet the world community has the expectation of UN active contribution to the "common good," the idea of good governance envisaged by Aristotle – the "good of the *polis* and of citizen […] allows us to distinguish just regimes from preverse ones […] through citizenship" (Sison and Fontrodona, 2012, p. 214). The world community expects that the UN Charter, establishing the UN "rules of the game" (Williamson, 1993, p. 113), allows for an institutional design that provides for good governance and the grounds for the proper management and control mechanisms that safeguard its "common good" mission.

In IOs, such as the UN, as well as in many other types of organizations, executive (and legislative) decision-making powers design, shape and often mostly determine the sourcing of the governance mechanisms that govern oversight transactions. Internal oversight is among the management control mechanisms (Speklé, 2001) which the UN General Assembly put into place shortly after its creation in 1944 (UN Document GA Resolution 163 (II), 1947) intended to safeguard the UN's mission and objectives.

Thereafter, the internal oversight underwent several reforms, all triggered by news of corruption, exposing widespread problems of UN managers' impunity and improprieties (Grigorescu, 2008; Congressional Research Service – USA, 2007). The lack of "independence" underpinning the internal oversight mechanisms was always a key weakness in the forefront of the factors pointed to as causing the deficiency of the internal control mechanisms. Auditors seek to protect the organization, in the spirit that "[n]o […] auditor can afford to be without independence; he needs it as a judge needs it, in order to be impartial and fearless in criticism" (Normanton, 1966, p. 298).

The degree of independence of the internal oversight – a fundamental aspect of its governance (Gendron *et al.*, 2001) – is also largely determined by the executive decision-making powers. The Institute of Internal Auditors (IIA) frames the internal audit transactions' independence attribute in the Independence and Objectivity Standard regarding the requirements for the internal audit good governance: organizational independence; and the direct interaction of the Chief Internal Audit with the Board. The third dimension set by the standard – auditor's objectivity, expresses concern with the individual's ethics/probity. Independence is, therefore, a fundamental attribute attached to the outputs of the audit profession and is at risk of impairment under certain circumstances (IIA – Institute of Internal Auditors, 2011).

Notwithstanding independence being the heart and the lungs of oversight activities, there are only a few studies focusing on decisions concerning the governance of the internal oversight services within the public sector (e.g. Gendron *et al.* 2001; Neu *et al.*, 2013). In the private sector, a few used the lens of the Transaction Cost Economics (TCE) framework (Speklé *et al.*, 2007; Widener and Selto, 1999; Spraakman, 1997) to explore decisions on sourcing the governance of internal audit services, but none tested or theorized independence in any of its dimensions. This gap in the TCE literature is even more evident as Williamson's (1999) Public and Private Bureaucracies Transaction Cost Economics (hereinafter PPBTCE) addresses the choice of modes of governance of public sector transactions such as sovereign and judiciary transactions – instances that may be included in internal oversight, and there are no empirical studies drawing on PPBTCE to study internal oversight in public sector.

Our analysis develops with the application of PPBTCE to explore the UN executive (and legislative) power's decisions regarding the sourcing and governance of its internal oversight transactions. By doing so, we seek to answer the question: "Why did numerous attempts to strengthen the governance of UN internal oversight structures not relieve "probity" hazards?" By focusing on the executive (and legislative) power actors' decision making when facing widespread corruption problems and its impact on independence, we contribute to the growing interdisciplinary research and conversation amongst accounting, PPBTCE and ethics. More specifically, we offer a critical analysis of PPBTCE's opportunism behavioral and suggest ways forward by, instead, embedding in it the concept of virtues ethics.

The paper proceeds as follows. In the next section, we develop the theoretical concepts informing the analysis of our empirical study by framing Williamson's (1999) PPBTCE approach and introducing the ethical dimension in governance structures. Research methods and methodology for the empirical research follow. The paper continues with the presentation of our empirical study and discussion in the following sections. We end with conclusions.

2. Public and Private Bureaucracies Transaction Cost Economics (PPBTCE) and the ethical dimension within governance structures

In 1999, Williamson extended its original TCE theory to the governance of public sector transactions such as "sovereign and judiciary transactions" (Williamson, 1999, p. 321). This extension was based on the idea that, in comparative terms, public bureaucracy is the most efficient governance structure for sovereign transactions. Sovereign transactions "are endowed with indefeasible authority" (Wilson, 1989, p. 398), may include tasks such as the judiciary and require the security of the state "to correct any defects in the institutions themselves or in people's use of them" (Miller, 2017, p. 125); furthermore, their outsourcing is problematic, and the executive power is chiefly accountable. The attributes of sovereign transactions include efficiency, equity, accountability and authority (Wilson, 1989, p. 358).

Judiciary transactions are those that are administered by the courts to produce or deliver justice and constitute the output of the judicial branch of any "sovereignty." The most important attribute of judiciary transactions is "independence" (Williamson, 1999, p. 321). This "independence" requires the systematic exercise of the "virtues ethics" according to McCloskey (2006): "the virtues that we need if we are to develop from our initial animal condition into that of independent rational agents [viz., prudence, temperance, and justice], and the virtues that we need, if we are to confront and respond to vulnerability and disability both in ourselves [courage, hope] and in others [love, faith], belong to one and the same set of [seven] virtues, the distinctive virtues of dependent rational animals" (p. 307).

Sovereign transactions are afflicted by "asset specificity," "uncertainty," "frequency" and "probity" contractual hazards (Williamson, 1999, p. 322), the latter being the novelty introduced specifically for public bureaucracies' governance structures insofar as "[d]iferential probity

becomes evident in conjunction with extreme instances (of which are sovereign transactions […])" (Williamson, 1999, p. 322). How to identify "extreme instances" does not seem to be clear in PPBTCE, as it is also not clear why probity is a function of an "extreme instance" and not a function of all instances. In fact, all types of transactions carry moral dimensions and moral consequences (McCloskey, 2011), as admitted by Williamson, who recognizes that probity is a function of the executive power and an attribute of governance. In this vein, we suggest internal oversight/auditing to be included among sovereign transactions.

"Probity," defined as the "loyalty and rectitude with which […] a transaction is discharged" (Williamson, 1999, p. 322), has three dimensions: vertical, in that the executive power may lack confidence in the information and assessments of the staff (or the staff may be perceived) to be non-compliant with the executive's objectives; horizontal relates to the possibility that counterparties may perceive a lack of authority of the executive, which may make the activities of the executive's contractor more difficult to carry out; internal, which implies "a high standard of integrity that includes professional excellence to be exercised in the organizational unit to which a task has been assigned" (Williamson, 1999). The absence of loyalty places organizations and the public system at risk. The protection of the organizations' mission and the relief of probity hazards depend upon internal cooperation and responsive governance structures "to which reliable responsiveness to the president – goal congruence, timely compliance […] can be ascribed" (Williamson, 1999, p. 323) so the well-designed public bureau will have some built-in mission safeguards. This appears to indicate that the underlying assumption is that added control mechanisms and incentives work in instilling ethical behavior. Risk of breaches against probity is described as "inexcusable incompetence or even betrayal" (Williamson, 1999, p. 324) that places the entire system at risk, and such "breaches are punishable as treason" (Williamson, 1999, p. 324).

Both "loyalty and rectitude" are attributes that express the virtues of character (Audi, 2012; Kesebir and Kesebir, 2012). Professional excellence is a virtue from the Greek "arête," which means excellence as "it refers to qualities that allow people to excel" (Hackett and Wang, 2012; Caza *et al.*, 2004). A virtue encompasses more than just a simple selection of an action because it does not demarcate ethics. It is about a way of being and making a certain good choice in all circumstances (Freeman, 1994; Paine, 2004; McCloskey, 2006). Probity is described as a virtue (Bruni and Sugden, 2013, p. 156) highly valued in trade; hence, it is "the subject of economics […] the study of human character and its virtues" (McCloskey, 1996, p. 188).

Virtues are considered to advance the well-being of both individuals and the society – the "common good" (Aristotle and Ross, 2009; McCloskey, 2006; McCullough and Snyder, 2000; Schuurmans-Stekhoven, 2011; Sison and Fontrodona, 2012; Whetstone, 2001), providing a standard for assessing actions and managerial practices for enhancing ethical decision-making (Joseph, 2016; O'Toole, 2005). "As Aristotle noted […], for an action to count as ethical, it must be done knowingly, be chosen for its own sake, and be done from a fixed disposition to do the act" (Den Uyl, 2009, p. 357), practicing and learning by example (Miller, 2017; McCloskey, 2006). When virtues are absent it may leave room for vices such as the lack of rectitudinous and dishonest practices (Audi, 2012; Dupont, 2014).

Despite the inclusion of the novel "probity" dimension in PPBTCE, attached to leadership and management action, and not to the actors' behaviors, the behavioral assumption of "opportunism – self-interest seeking with guile" (Williamson, 1999, p. 311), i.e. "[t]he possibilities that economic agents will lie, cheat and steal" (Williamson, 1993, p. 101) was maintained from the original TCE model. Opportunism, implying "[…] calculated efforts to mislead, distort, disagree, obfuscate, or otherwise confuse" (Williamson, 1985, p. 47), permeates all parameters of PPBTCE, is pervasive and may be unethical. "Opportunism" and "probity" are opposite moral traits (Ghoshal, 2005; Romar, 2004; Sison and Fontrodona, 2012). The first can be assimilated to a vice and the latter to a virtue. In TCE, preventing the opportunistic hazards depends on the effectiveness of the monitoring and control of people

enabled through administrative controls, reductive to bureaucratic control-by-punishment or privatization control-by-contract and incentives, disregarding the actor's customs and ethical traits (Roberts, 2015; Bruni and Sugden, 2013; McCloskey, 2011; Romar, 2004; Chen *et al.*, 2002). As Moschandreas (1997, p. 49) claims, TCE fails "[…] to admit that self-interest seeking individuals in positions of authority may exploit relations opportunistically […].. PPBTCE, while working with both "opportunism" assumption and "probity" hazards simultaneously, may lead to the self-fulfilling prophecy referred to by Ghoshal and Moran (1996), reinforcing the opportunistic behaviors instead of promoting the prevalence of "probity."

In PPBTCE, it remains unclear how the coexistence of the behavioral assumption of "opportunism" and the "probity" contractual hazard work and interrelate, and how opportunistic behavior is mitigated despite the fact that TCE does not assume opportunism to be a universal trait of mankind (Williamson, 1985, 1993), but rather that some individuals may behave opportunistically some time. This might be due to the fact that as Husted and Folger (2004) observe, the social-psychological dimensions of the production of goods or services are not dealt with in TCE. Opportunism is a moral hazard that, when it materializes, carries added transaction costs, and *mutatis mutandis*, when probity/ethics materializes transaction costs go down (Ghoshal and Moran, 1996; Werhane, 2000; Williamson, 1993). "[G]ood ethics, made manifest in the context of economic relationships with others, is also good business" (Jones, 1995, p. 417). Organization theory admits breaches of ethics on account of opportunistic behavior (Roberts, 2015; Zhang, 2009; Foss and Klein, 2005; Ghoshal, 2005; Jones, 1995; Kay, 2019; Moschandreas, 1997; Ghoshal and Moran, 1996; Granovetter, 1985). The question then is how to avoid opportunistic behavior and to practice ethics (Dupont, 2014; Sison *et al.*, 2012).

Notwithstanding, according to Neu *et al.* (2015), Hopkin and Rodríguez-Pose (2007) and Everett *et al.* (2006), bureaucratic controls and inscriptions may help to develop disciplined and ethical subjects. In PPBTCE, the governance structures govern transactions "as the institutional matrix in which the integrity of a transaction is decided" (Williamson, 1996, glossary). The public bureaucracy has an advantage in providing goods and services that require a high degree of "probity" in the presence of highly incomplete contracts when compared with full privatization for public sector transactions such as "[…] sovereign, judicial […]" (Williamson, 1999, pp. 307-308). The alignment hypothesis is established in terms that "[p]robity concerns will be relieved by governance structures […]" (Williamson, 1999, p. 323), i.e. added administrative control mechanisms and incentives.

Despite the proposed advances in TCE theory, to the best of our knowledge, PPBTCE has not yet been empirically applied to study any aspect of the internal oversight in the public sector. There are only a few studies applying TCE to study the sourcing of internal audit services, most of them in the private sector. Speklé *et al.* (2007) surveyed a sample of 66 companies in the Netherlands, replicating Widener and Selto's (1999) study of 600 companies in the USA, seeking to determine the attributes that drive the decision to insource vs outsource internal audit services. In so doing, they tested TCE's asset specificity, frequency and uncertainty transactions' attributes. Speklé (2001) also drew on TCE to propose a framework to explain various archetypical control constructs such as asset specificity, arguing that "TCE and MC [management control] share a common interest in understanding purposive control, and both are committed to the explanation of control structure choice" (p. 420); and Spraakman (1997) developed an experiment applying TCE to test the usefulness of internal audit findings for cost economizing. Nevertheless, neither of these studies explored the sourcing of internal audit/oversight within the public sector and the independence attribute.

Williamson (1999) recognizes that PPBTCE is still in the infancy of its development: "The use of extreme instances is intended to uncover important but hitherto neglected features […] The idea of 'governance as integrity' [emphasis in the original] […] has broader scope than is evident from prior treatments. But while probity seems to resonate, it is also vague. Applications need to be delimited. Operationalization is wanting" (p. 340).

Fredland (2004) is among the few who have empirically tested PPBTCE to study the increasing role of providing combat and support military functions to sovereign governments. His conclusions bear on the significance of the probity hazards attached to direct combat sovereign transactions that limit their outsourcing, and that "sovereignty is at issue for both the importer and the exporter" (p. 215), thus corroborating Williamson's (1999) thesis that the outsourcing of sovereign transactions is problematic. Also, Ruiter (2005) examined the applicability of PPBTCE to the public sphere. "Probity" was analyzed with the help of the distinction between legal acts, rules regimes and transactions to conclude that probity is a secondary attribute of public transactions deriving from certain governance structures rather than a factor co-determining matching governance structures.

Despite the implied claims that the theory is relevant, there is still the need to understand how PPBTCE can be used in the public sector, namely, to analyze decisions affecting the governance of internal oversight, which we address in the remaining parts of this paper.

3. Methodology

We begin with David and Han's (2004) claim that "empiricists have not taken sufficient advantage of the possibilities for longitudinal work in TCE" (p. 55) to support our strategy to investigate UN decisions on the governance and sourcing of internal oversight in a longitudinal across-context and across-time perspective. With the aim of confronting variations in UN governance structures over a lengthy period of time (cf. George and Bennett, 2005; Leonard-Barton, 1990), we carried out a longitudinal and in-depth case study covering the period between the mid-1980s and 2008 built on historical narrative.

Evidence was organized into two complementary sets: primary data comprising documents and archived records collected from the UN publicly accessible website (https://search.archives.un.org), and secondary data gathered outside the UN such as reports, newspapers and magazine articles, as well as other publications related to the topic under analysis (see the Appendix for a full list of primary and secondary sources). We used multiple sources of evidence so that we could triangulate evidence and enhance the quality of the study (Yin, 2014; Miles *et al.*, 2013). Collecting evidence from archival sources at the UN website revealed a low intrusive method that provided detail and evidence of corroboration or contradiction against data from other sources (cf. Merriam, 1998) and that allowed gathering an enormous quantity of archived documents for the period under study. Archival data at the UN website included: internal regulations and rules issued by the Secretary-General; internal organizational charts; press releases; internal reports issued by the UN organs and departments (such as Joint Inspection Union (JIU), Board of Auditors (BOA), Office of the Internal Oversight Services (OIOS), Office of Inspections and Investigations (OII), UN General Assembly, Department of Management and Administration (DAM), Secretary-General, etc.); meeting records, speeches and minutes of the UN Organs' meetings: UN General Assembly; United Nations Security Council (UNSC); working documents submitted to the General Assembly for appreciation, approval, and/or resolution; General Assembly documents and resolutions; UN Security Council's (UNSC) resolutions; and the Independent Inquiry Committee (IC) reports.

All these data and documents were retrieved electronically and printed, thereby allowing analysis in a subsequent stage of our research. Primary data amounted to an estimated 30,000 pages. Every UN document collected is dated, thereby allowing us to build a sequential and chronological historical account of events and to identify specific spans of time.

In order to collect secondary data from outside the UN, we searched the electronic archives of general international press and specialized newspapers, such as *The Financial Times*, *The Wall Street Journal*, *The Economist*, the *International Herald Tribune*, etc., using the keywords "UN reform," 'UN fraud," "UN corruption," "Oil-For-Food

scandal," "Inquiry," for the same period under scrutiny. Additional secondary data (e.g. Congressional Research Service – USA, 2005, 2007; Ahlenius, 2010; Childers and Urquhart, 1994; GAO – US Government Accountability Office, 2004) were searched as confirmatory data, counterfactual data or complementary data of certain events not reported in UN official documents.

Secondary data amounted to approximately 10,000 pages. A case study database containing the evidence was prepared to facilitate the organization of our inquiry (cf. Yin, 2014). To augment the reliability of the information a chain of evidence was maintained (Yin, 2014). This helped us to build our analytical narratives and to interpret and analyze them through the lens of the PPBTCE framework; by interacting our empirical material with the theoretical framework, we sought to put into evidence the close connection between empirical research and emergent theory (cf. Eisenhardt and Graebner, 2007).

Publicly accessible written materials provided us with a large quantity of enduring and official accounts about the changes that occurred in the UN internal oversight structures. Such records are important insights on the decisions made by the UN executive power when events of fraud and corruption unfolded and provide a very rich data source for our study. By combining official UN written documents with other documentary evidence collected outside the UN, we were able to obtain a fuller understanding of the actions undertaken by the UN to reform its internal oversight governance structures.

By embracing a broad time period, we sought to spot the moments of significant change and adaptation (cf. Williamson, 1999) in internal oversight structures, allowing the construction of Figure 1. Through this historical exploration, we learned that there were five pivotal moments (or distinct events), all of them determined by casualties of organizational dysfunctions translated into severe cases of fraud and corruption and threats to the UN's reputation (cf. Lieberman, 2001). Departing from this periodization, we have gone through a very detailed analysis, spotting all relevant facts connected with oversight at the UN, and attempt to analyze these periods through the lens of PPBTCE.

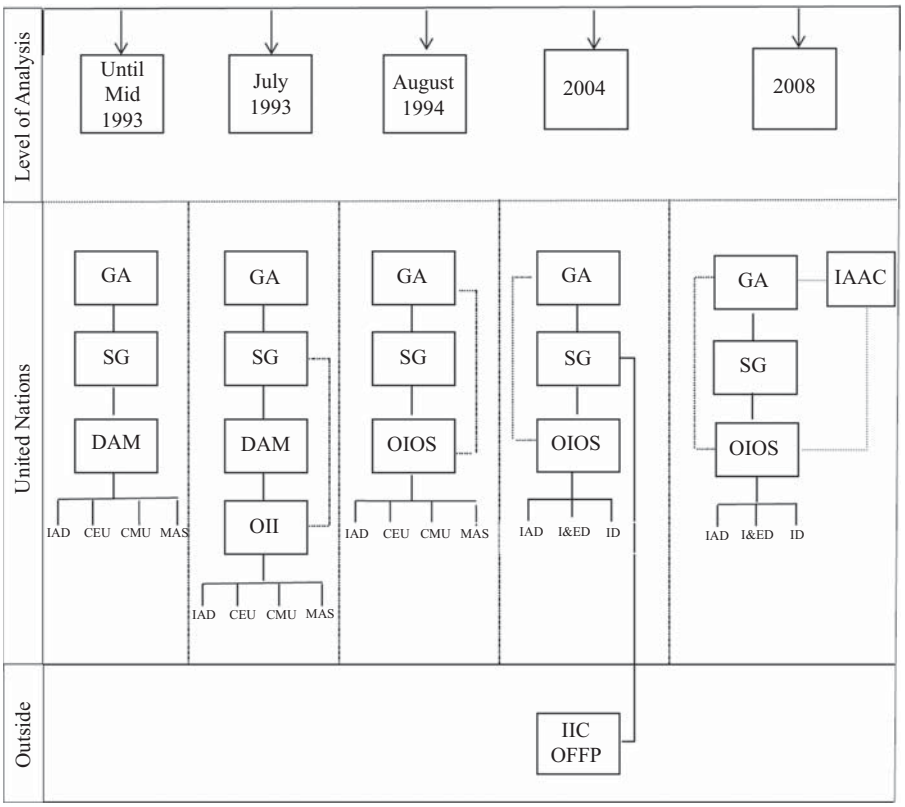
4. The case of the internal oversight structures at the UN

Period mid-1980s to 1993: fragmentation of the oversight structures

Internal oversight transactions at the UN and elsewhere are infused with "probity," and therefore, according to Williamson (1999), they are sovereign transactions requiring the security of the independence endowed to the Secretary-General by the UN Charter and the UN Convention on Privileges and Immunities. This entails (cf. Williamson, 1999) indefeasible executive authority of the Secretary-General received through the UN Charter compounded with the authority specifically delegated by the General Assembly; irrevocable authority, since there is no provision in the UN Charter allowing such a possibility; irreversible, as the Secretary-General cannot choose at will since his authority is established by law, that is "the rules of the game" – the UN Charter and the UN Convention on Privileges and Immunities.

Between 1985 and 1993, the General-Assembly, the BOA and the JIU at the UN claimed that the four existing fragmented internal oversight structures lacked effective independence (cf. Figure 1) (JIU – UN Joint Inspection Unit, 1988, para. 163; UN document A/RES/47/211, 1992; UN Document A/41/49, 1986; UN Document A/45/226, 1990; JIU – UN Joint Inspection Unit, 1990). The Secretary-General breached his vertical probity duty (JIU – UN Joint Inspection Unit, 1993; UN Document A/RES/47/211, 1992; UN Document A/RES/47/315, 1992) when he continuously disregarded multiple recommendations for reform. Adverse news published in the media on UN corruption problems in 1992 disclosed failures of probity at all organizational levels and quite specific problems of UN managers' impunity and improprieties (IO Watch Website, 2014; Branigan, 1992a, b).

Acting within the purview of the UN Charter institutional framework, the General Assembly encouraged the Secretary-General "to take urgent steps to strengthen the independence […]



Notes: GA, General Assembly; SG, Secretary-General; DAM, Department Administration and Management; IAD, Internal Audit Division; CEU, Central Evaluation Unit; CMU, Central Monitoring Unit; MAS, Management Advisory Service; OII, Office Inspections and Investigations; OIOS, Office of the Internal Oversight Services; I&ED, Inspection and Evaluation Division; ID, Investigation Division; IIC OFFP, Independent Inquiry Committee into the Oil-for-Food Programme; IAAC, Independent Advisory Audit Committee

Figure 1.
Evolvement of the internal oversight structures at the UN

of the internal audit function" (UN Document A/RES/47/211, 1992, para 14) endorsing the efforts of the BOA "to ensure that common auditing standards for the UN system are consistent with those of recognized international auditing bodies" (UN Document A/RES/47/211, 1992, para. 19). The UN senior officials' resistance to accept independent oversight (UN Document A/45/226, 1990) breaching IIA's (IIA website) vital "Attribute Standard 1,100 – Independence," reached the media – internal auditors were being precluded from exercising their professional duty.

From the perspective of PPBTCE, the failures can be seen as that of incomplete contracting between the heads of the four internal oversight structures and the Secretary-General (Williamson, 1999) ever since the internal oversight structures were first established at the UN: lack of independence, understaffing, blurred lines of reporting and a general lack of accountability concerning the enforcement of oversight recommendations (JIU – UN Joint Inspection Unit, 1993; Thornburgh, 1993a, b). Notwithstanding, the Secretary-General is the highest administrative officer at the UN with explicit political powers in accordance with

Articles 97 and 99 of the UN Charter (Fröhlich, 2007) and is thus entrusted with the power to make decisions pursuant to all other main UN organs' requests and recommendations (Article 98 UN's Charter), he does not exercise these powers to enforce the JIU's and Thornburg's recommendations to strengthen the internal oversight capacities.

By 1993, the US arrears to the organization had reached $1bn, followed by the Russian Federation with the second largest arrears (Thornburgh, 1993b). Faced with these funding pressures and hoping to end the freeze on US contributions, the Secretary-General Boutros-Ghali appointed Richard Thornburgh, former US Attorney-General, to head the DAM, where the four fragmented internal oversight structures were hierarchically attached. He assigned the Ford Foundation to conduct an external review of the UN, which set up a commission headed by Paul Volcker, former chairman of the US Federal Reserve, and Shijuro Ogata, former deputy governor of the Japan Development Bank. Both Thornburgh and the Ogata-Volcker-Commission issued reports highlighting many of the same weaknesses pointed out by the BOA and JIU. The Thornburgh report suggested the appointment of an inspector-general to root out fraud, waste and abuse (Ogata and Volcker, 1993; Boutros-Ghali, 2008).

Thornburgh's (1993a) report referred to a chronically fragmented and inadequate structure for audit, inspection, investigation and program evaluation. It also raised the problem of the lack of credibility of the audits considering the perceived lack of independence of the divisions, and stressed what was noted in the Volcker-Ogata report: "Major donors, and indeed all Member States, deserve the reassurance that […] their contributions are being wisely and prudently utilized [which they can then convey] to their taxpayers, the ultimate supporters of all United Nations activity" (pp. 29-31); but the reforms would depend not only upon the exercise of the necessary political will by the Secretary-General, but also upon the member states' support for reform (Thornburgh, 1993b).

Thornburgh's proposal for the appointment of an Inspector-General followed PPBTCE's prediction insofar as it was based on an increased bureaucratic control-by-punishment approach (cf. Williamson, 1999). Although he also proposed the "adoption of a comprehensive code of conduct" [as he saw it, an ethical problem (McCloskey, 2006)], the emphasis of his solution was instead on increased administrative controls and incentives. The events narrated in the following periods show that strengthened control mechanisms did not work over ethics.

Period July 1993–August 1994: introduction of reforms in the internal oversight

Following the events described above, the Secretary-General announced the appointment of an Assistant-Secretary-General to lead an independent OII whereby the four internal oversight divisions were repositioned (UN Document ST/SGB/262, 1993). The new Director-OII had a rank of Assistant-Secretary-General, one level below the rank of the prior Under-Secretary-General-DAM, but reported directly to the Secretary-General. The Secretary-General's decision shows resistance to accord full independence to the new internal oversight structure by determining that "[t]he Assistant-Secretary-General will work closely with the Under-Secretary-General for Administration and Management" (UN Document ST/SGB/262, 1993) meaning "subordinated to" with very limited freedom of action, i.e. lack of the independence that internal auditors require (IIA – Institute of Internal Auditors, 2011). OII was an arrangement more beneficial to the Director-DAM (the auditee) than to the Director-OII (the auditor). In substance, this restructuring did not improve in any manner the independence of the internal oversight, nor did it reduce the transaction costs.

This move brought up the oversight structures in the hierarchy of the Secretariat (see Figure 1): from a divisional level located under the DAM to the highest echelon of the organization reporting directly to the Secretary-General's position. Up to the point that the integrity of the internal oversight transactions was administered within the remit and

responsibility of the Secretary-General only, the probity hazards were limited to the Secretary-General's behavior and to the behavior of the Assistant-Secretary-General for OII.

The USA was not satisfied with this change and continued the pressure (Congressional Research Service – USA, 2005). The media put it clearly: "The [US] Senate, in its version of an appropriations bill passed in July, approved $44 million to repay a portion of US debts to the United Nations, but conditioned funding on the creation of an independent UN office to root out waste" (International Herald Tribune, September 30, 1993). The General Assembly also expressed dissatisfaction (UN Document A/RES/48/218 A, 1993) "regretting" the inadequacy of the Secretary-General's dismissive report (UN Document A/48/452, 1993) and recalling "the need to ensure respect for the separate and distinct roles and functions of external and internal oversight mechanisms […]" (UN Document A/48/452, 1993, p. E) on the basis of JIU's report on UN accountability and oversight problems. JIU classified the existing mechanisms "seriously deficient" and concluded that "rising criticisms and concerns" clearly indicated a "crisis of confidence" among Member States about the UN's deteriorating management performance, which required urgent and far-reaching corrective action (JIU – UN Joint Inspection Unit, 1993, p. 2). This circumstance suggests that the OII was not properly designed in accordance with the professional auditing standards on independence: its director was powerless between the power of the Secretary-General and the power of the Under-Secretary-General-DAM. In fact, the Director-DAM could easily block or delay the OII action through maneuvering the availability of funds or even blocking the disclosure of certain adverse findings and recommendations.

The pressures upon the UN Secretary-General to improve accountability within the UN continued to build, eventually paving the way to the establishment by the General Assembly of the new OIOS in July 1994 (UN Document 48/218 B, 1994) to replace OII. This structure, still in place today, was mirrored from similar positions of Inspector-Generals in the US (Grigorescu, 2008), except for the reporting lines and budget appropriations. In fact, full independence in the terms established by IIA's standards was not accorded to OIOS at this point as the head of the UN OIOS reported administratively to the UN Secretary-General and functionally, through the Secretary-General, to the General Assembly (UN Document 48/218 B, 1994). Notwithstanding, Boutros-Ghali asserted that OIOS was established "enjoying complete operational independence in the conduct of its duties" (Boutros-Ghali, 1996, p. 1).

The new OIOS was created with controversy among the decision makers because of the powerful new oversight regime that had been forced (by the USA) upon the UN. This unease was evident in the great interest in the choice of the first head of the OIOS (Preston, 1995). Others viewed the newly created oversight mechanism with enthusiasm: "[…] The United Nations now will have what many in Washington have long argued for: an independent office to oversee its fiscal and management operations […] U.N. member states will have to keep a watchful eye on its performance, safeguard its independence and aggressively follow up on its findings. A serious, workable instrument, is in place" (Funk and Laurenti, 1994).

Since July 1994 and until 2008, the new structure was headed by an Under-Secretary-General, appointed by the Secretary-General, confirmed by the General Assembly, with a five year, non-renewable, term appointment, reporting to the UN Secretary-General directly and through her/him to the UN General Assembly. The first appointee to Director-OIOS had no managerial experience in his national diplomatic service. He neither had any professional auditing or investigative credentials, expertise, experience or accomplishments, nor any evidence was ever provided to validate the legitimacy of this important UN accountability appointment (IO Watch Website, 2014). This reveals the probity hazards embedded in the internal oversight contract: the appointee did not have the skills required in the General Assembly's resolution. This was a failure of "vertical probity" (Williamson, 1999, p. 323) right from the beginning. By doing so, the Secretary-General and the UN General Assembly had increased the uncertainty of the internal

oversight functioning and, therefore, the transaction costs as well, because the risks of reputation and failure were very high (cf. Williamson, 1999).

The new OIOS organization chart came in December 1995 (UN Document ST/SGB/ Organization, Section OIOS, 1995) as follows (see Figure 1): the Under-Secretary-General and its Office; the Audit and Management Consulting Division, the Evaluation Unit, the Investigation Division, and the Monitoring and Inspection Unit. The JIU – UN Joint Inspection Unit (1995) pointed out the advantages of consolidating the small four internal oversight units at the UN Secretariat.

OIOS' terms of reference (UN Document 48/218 B, 1994) is an incomplete contract (Williamson, 1999, p. 311) from the very start: the "operational independence" concept, although mentioned, was neither defined nor specified (for instance in reference to auditing professional standards), and was even impaired, as OIOS was also not granted the crucial power to decide on its own budget. Also, the "cause" for "removal" of the Under-Secretary-General-OIOS was not specified, allowing a high degree of discretion to the Secretary-General, thus confirming Williamson's (1999, p. 336) prediction of low autonomy as far as the autonomy of executives in a public bureaucracy is concerned. It is a tripartite contract involving the General Assembly, the Secretary-General and the Under-Secretary-General for OIOS increasing the transaction costs, the agency costs and increased potential conflicts, and, therefore, probity hazards. It required more interactions and cooperative efforts than previously. With this arrangement, the new OIOS had enlarged the scope of responsibility for internal oversight: the General Assembly became a new party to the tripartite internal oversight contract, and the probity hazards, whatever they ought to be, would have a bearing upon the General Assembly's behavior, as well.

Internal audit, monitoring, inspections and evaluation of OIOS' transactions, fit Williamson's (1989) sovereign transactions definition. Given the institutional design of the UN, which does not provide for separation of the executive from the judiciary powers, as both are endowed to the Secretary-General, investigation transactions lack the full judiciary independence accorded in institutional systems with clear separation of legislative, executive and judiciary powers. Missing the full integrity and independence dimension associated with the production of the output and the separation of powers respectively – a likely classification for the investigation transactions as entrusted to OIOS, we suggest, is "quasi-judiciary" transactions.

Period 2004–2005: outsource of the inquiry into the Oil-For-Food Programme (OFFP)

Background of the Oil-For-Food Programme. In April 1995, the UNSC established the OFFP under the remit of the United Nations Secretariat (UNSC's Resolution 986), an intended temporary task that lasted from December 1996 to the US-led invasion of Iraq in 2003. It was built as a means to bridge the gap between diplomacy and force relief of the negative impact on the Iraqi population of the UNSC sanctions, in the form of restraints on trade, placed on Iraq at the time of its invasion of Kuwait in 1990 and maintained after the Gulf War. It represents for the UN the greatest enterprise it undertook in terms of the size of financial and human resources, number and variety of entities involved and, above all, the complexity of its organization and management (Congressional Research Service – USA, 2005).

The internal monitoring and oversight of the OFFP was entrusted by the UN Secretary-General to the UN Office of the Iraq Program, but still under the Secretary-General's authority, to the UNSC's Iraq sanctions committee (a subsidiary committee established by the UNSC under its remit of responsibility), and to the OIOS reporting to the Secretary-General, and through him to the General Assembly. The BOA and the JIU also had oversight responsibilities in the sphere of their respective mandates. This arrangement was defective in many aspects: OIOS, the only internal oversight

mechanism endowed with the power and resources to investigate fraud and corruption by the General Assembly had no direct access to either the General Assembly or to the UNSC. The UNSC's Iraq sanctions committee was charged with the responsibility of reviewing and approving transactions, but without being required to take action in case of violations (Meyer and Califano, 2006). The Secretary-General found himself in a conflict of interest, being responsible for the UN Office of the Iraq Program, the executive branch of the OFFP and the OIOS, the oversight branch. The OIOS was, therefore, in a quandary over its oversight of the OFFP and to counter this vicious circle, the OIOS should be made to report directly to the General Assembly and to the UNSC.

As early as 2000, UN oil overseers alerted the UNSC to suspicions of illegal oil surcharges by the Iraqi government, but nevertheless, the UNSC members unanimously approved the contracts (International Debates, 2005). The media started to warn about serious problems concerning the mismanagement and lack of oversight of the OFFP, and an emerging major scandal from late 2002 (Hosenball, 2002; Rosett, 2003a, b). It was evident that there was a lack of transparency in the workings and decisions of the UNSC 661 Committee, and Secretary-General Annan was given direct authority to sign off on all goods not itemized on a special watch list, putting a veil of secrecy over billions of dollars in contracts. The scandal exploded in early 2004 after an Iraqi newspaper published a list of about 270 people including UN officials, politicians and companies alleged to have perhaps profited from the illicit sale of Iraqi oil during the OFFP (BBC News Website, 2013). The pressures in the media forced Secretary-General Annan to respond, proposing an internal inquiry to be carried out by the Investigation Division of the OIOS. However:

> […] in response to criticism that the in-house inquiry already in place was insufficient, Annan said a wider investigation was needed to 'prevent an erosion of trust and hope that the international community has invested in the organization'. The [Security] Council has shown no enthusiasm for a comprehensive inquiry that inevitably would look into the activities of middlemen and banks, many of whom are from some of its principal countries […]. (Hoge, 2004a, b, c, d, e).

The crisis had a severe impact on the UN and blame was spread amongst the actors: Secretariat, UNSC, UNSC permanent members, Member States in the General Assembly, OIOS, General Assembly's Fifth Committee and outside contractors. Notwithstanding, none of the external oversight bodies at the UN (the JIU and BOA) audit reports mentioned any findings of fraud and corruption during the seven years duration of the OFFP. Instead, OIOS had reported some instances of mismanagement within the OFFP, although it had not conducted comprehensive reviews (IIC – Independent Inquiry Committee into the United Nations Oil-For-Food Programme *et al.*, 2005). Relevant to this lack of oversight is the fact that both the Secretary-General and the UNSC had direct executive and oversight responsibilities in the OFFP management. The Secretary-General was in an apparent conflict of interest position.

The secretary-general's role. While facing the threats to his personal position with many voices outside the UN calling for his resignation (IO Watch Website, 2014; Coleman, 2004; Hoge, 2004a, b, c, d, e; Lederer, 2004; Miller, 2004), and under pressures from the USA, the Secretary-General took the lead and the decision to contract out "an independent high-level inquiry (IC) to investigate the administration and management of the OFFP in Iraq" (UN Document Security Council Resolution 1538, 2004) on the basis of only apparent concerns about the lack of independence of OIOS. Once again, Paul Volcker was appointed the chair of the IC on an attempt to increase general perception, inside and outside the UN, of independence and integrity of the outcome of the investigation. Simultaneously, the Secretary-General terminated OIOS' ongoing investigation (Letter to UNSC members, UN document Letter to UNSC members, President of the Security Council, 2004) without formal explanations, despite the fact that it was the governance structure in place (and the only one)

with statutory mandate and responsibilities entrusted by the General Assembly to conduct audits and investigations.

The Secretary-General established the terms of reference and the scope for the inquiry, acting in apparent conflict of interests: the contract not only failed to specify any assessment or evaluation of the operational oversight of the OFFP (Farley, 2005; Fox News, 2005; Gardiner, 2005) but also failed to specify the procedures that would be adopted to follow up any recommendations to emerge from the inquiry (IIC – Independent Inquiry Committee into the United Nations Oil-For-Food Programme *et al.*, 2005). According to Meyer and Califano (2006, p. 244), "The IIC's investigation was independent. Its investigative methods, reports, and conclusions were not subject to the supervision of the UN, member states, or any third party." This apparent "full" independence positioned the IC in a void of sovereign power and, therefore, without any enforcement powers. The IC took a stance of transparency said to be necessary to repair the UN's reputation: "[C]ommittee conclusions and analysis would need to be made public in their entirety" (Volcker *et al.*, 2006, p. xiv). Meyer and Califano (2006) stated that "almost from the start, questions arose about the design of the Program and its administration" (p. x). This fundamental and founding aspect of the OFFP has never been the object of any review, audit or analysis inside or outside the UN. The estimated cost of this inquiry was $36m, involving the work of more than 70 staff over nearly two years (Meyer and Califano, 2006, p. 244).

With this decision the Secretary-General, as well as the UNSC, might have avoided the General Assembly undertaking the inquiry under its direct remit of responsibility: they opportunistically set the stage in a way that better protected their personal positions and interests, namely, considering that the Secretary-General's position was being questioned at the time. For the UNSC, the IC might have been the best solution to protect its members' diverging interests that were nevertheless united by a collective problem, which had been their direct responsibility in the management of the OFFP over a period of more than seven years. The Secretary-General, having contracted out the IC, breached the "rules of the game," a breach of vertical probity, and went beyond his remit of authority, trumpeting the General Assembly's authority, and, by the same token, also the OIOS' authority and independence.

The Independent Inquiry Committee's lack of power. The IC's contract explicitly embodied elements of both audit – sovereign transactions – and criminal (illicit or corrupt activities), and administrative investigations – judiciary transactions (Williamson, 1999). It was sought to determine: whether there were procedures violated for the processing and approval of contracts under the OFFP; whether personnel, agents or contractors had engaged in any illicit or corrupt activities; and whether the accounts of the program were maintained in accordance with financial regulations and rules of the UN.

The independence attribute attached to any judiciary inquiry could have been in the back of the mind of those pressing and calling for an "external" entity to carry out the inquiry, assuming that, as the IC had an external autonomous structure, the independence was thereby assured. But this was not the case. The IC could not be endowed by the General Assembly with the "security and the authority of the state" (Williamson, 1999) as it was an outsider entity working under an outsourcing type of contract. The IC was not independent from the Secretary-General, had no subpoena powers, had no power to produce a judgment, had no sentencing power and had no enforcement power – attributes unique to judiciary transactions. These attributes that should exist in the IC's inquiry were not present in the "outsourcing" contract established between the Secretary-General and the IC. These powers are endowed only to the Secretary-General through the UN Charter and cannot be sub-delegated. Most importantly, the power to waive both the functional and the diplomatic immunities accorded to UN staff is also exclusively endowed to the Secretary-General, and the Charter has no provision allowing the Secretary-General to delegate any of these powers.

In contrast, OIOS would have been better equipped and more powerful to conduct the inquiry, because it was endowed with the power to investigate by the General Assembly, the legislative body of the UN, and through the Secretary-General could, therefore, exercise subpoena and judgment powers for disciplinary measures or for turning the case over to the New York State judiciary authorities (Meyer and Califano, 2006, p. xiv).

The inquiry into the OFFP was an idiosyncratic transaction (single transaction requiring specific specialized professional knowledge) (Williamson, 1985, p. 79). The decision contradicts Williamson's prediction that the public bureaucracy is the most efficient mode for organizing sovereign and judiciary transactions (Williamson, 1999).

Period 2005–2008: creation of the Audit Advisory Committee and of the Ethics Office

In the aftermath of the OFFP inquiry, at the end of 2005, the General Assembly decided to establish an "Independent Audit Advisory Committee" (IAAC) to assist it in discharging its oversight responsibilities. It also requested the Secretary-General to propose the terms of reference and ensure coherence with the outcome of the ongoing review of oversight and report to the Assembly. Moreover, at the same time, the General Assembly approved the resources for the establishment of an Ethics Office (UN Document A/RES/60/248, 2005, Para. 164).

The setting-up of the Ethics Office followed shortly after the IAAC establishment's decision had been taken, positioning it (the Ethics Office) under the remit of the Secretary-General's authority. Recognizing "[t]he Charter of the United Nations, in Article 101, paragraph 3, provides that all staff members are required to meet the highest standards of efficiency, competence and integrity […] basic principles governing the conduct of staff members are spelled out […]" (UN Document A/60/568, 2005, p. 2). In a set of staff rules and regulations including the UN system standards of conduct, the Secretary-General justified the creation of the Ethics Office "to ensure ethical conduct, more extensive financial disclosure for United Nations officials and enhanced protection for those who reveal wrongdoing within the Organization" (UN Document A/60/568, 2005, p. 2). He explained that "[t]he objective of the ethics office will be to assist the Secretary-General in ensuring that all staff members observe and perform their functions in consistency with the highest standards of integrity, as required by the Charter of the United Nations" (UN Document A/60/568, 2005, p. 5).

How the Ethics Office could help enact ethics in the UN environment and ethical behavior in the UN staff was not clarified. The JIU – UN Joint Inspection Unit (2010) concluded: "[e]stablishing the ethics function is not enough however; […] A necessary corollary is the understanding of and adherence to the principles and practices of ethical behaviour by all staff members (including executive heads), as well as consultants and contractors, elected officials and oversight bodies" (p. 1). The creation of an ethics office was a desperate attempt at rebuilding reputation in the wake of the OFFP scandal. However, the UN was unable to give the staff a relevant ethical framework from which they could learn and develop appropriate behavioral frames (McCloskey, 2006). The transaction costs added by this ethics office were redundant and unnecessary to the fulfillment of the UN mission.

The effective set-up of the IAAC materialized only two years later, in 2008. This new oversight governance structure was hierarchically positioned above the OIOS (see Figure 1), but OIOS' contract was not modified in any of its dimensions. Its terms of reference included the prerogatives of monitoring of the internal oversight as well as advisory functions regarding management of risk and internal controls, financial reporting, the BOA's reporting and cooperation with all oversight bodies.

With this new structure, a shift and rebalancing of powers was implemented among the Secretary-General, the OIOS and the General Assembly (cf. Figure 1). The OIOS lost some of

its independence as far as the power of initiative in building its work plan is concerned. The areas and subjects to be audited and the funding are now monitored by the IAAC, a political governance structure. In sum, the integrity of the internal oversight transactions are now governed within an ambiguous triangular set-up in which OIOS, with an eminently professional oversight approach, reports administratively to the Secretary-General and functionally to the IAAC, and in which the strategic aspects of its mission are decided by the General Assembly through the mediation of the IAAC. The complexity for OIOS operations has greatly increased the transaction costs because more coordination and interactions are now necessary.

5. Discussion

The study examines the decisions of the executive (and legislative) powers at the UN to strengthen the governance of internal oversight structures from 1993 to 2008. It involves an analysis of both the insourcing and the outsourcing of internal oversight services, with the aim of boosting the perception of internal oversight organizational independence through the increase of administrative controls as well as through its operational capacity in the aftermath of (and as a response to) fraud and corruption events.

Executive powers insourcing decisions during the period highlight that adaptation had been central to the organizational response to externalities, confirming the alignment between sovereign transactions' attributes and governance structures as predicted in PPBTCE (Fredland, 2004; Williamson, 1999). The outsourcing of the investigation of the OFFP scandal decision in 2004, on the contrary, shows misalignment between transactions and governance structure, an issue observed in the literature (Speklé *et al.*, 2007; Fredland, 2004; Williamson, 1999). The outsourcing of the OFFP inquiry decision, an idiosyncratic sovereign and quasi-judiciary transaction, failed to work for the inquiry. This event demonstrates that the authority of the sovereign and the independence of the judiciary as well as quasi-judiciary transactions are not transferable attributes and cannot be contracted (cf. Fredland, 2004). By the same token, the actors' probity/ethics cannot also be contracted/negotiated (cf. McCloskey, 2006). Contrary to widespread practice, this event shows that outsourcing oversight services do not guarantee an independent appraisal, the independence being an attribute intrinsic to the actors' behavior, and not to the externalization of the entity entrusted to inquire. This inquiry brought high transaction costs that, in economizing terms, could have been avoided; the UN was already equipped with the OIOS governance structure duly empowered by the General Assembly to carry out audits and investigations with indefeasible sovereign authority, had the Secretary-General not impaired its independence, and had the General Assembly and the UNSC enforced the direct access and reporting of OIOS to the General Assembly, banning its hierarchical dependence on the Secretary-General.

An ambiguous and highly politicized climate around the governance of the internal oversight highlights a paradox. On one hand, the lack of independence of the internal oversight structures as a rational argument for reforms was used throughout the period analyzed, whenever fraud and corruption manifested at the UN (namely, by the JIU, the BOA and the UNSC) (cf. Neu *et al.* 2013). On the other hand, the Secretaries-General and the UNSC opportunistically hampered the independence of the internal oversight structures, which served as breaches of probity, to prevent the effective implementation of an internal oversight process. This paradox is due to the fact that the UN Charter's institutional design positions the Secretary-General in a constant conflict of interest between the political and the executive (including the judiciary) powers it entails (Fröhlich, 2007). This defective institutional design is aggravated, whenever the Secretary-General behaves opportunistically /unethically, hampering the independence of the internal oversight.

Notwithstanding, increased administrative controls did not produce the intended benefits for the organization (cf. Sison and Fontrodona, 2012), and did not reduce the probity hazards, contradicting Williamson's (1999, p. 323) theory that probity hazards are relieved by governance structures. In the same vein, our findings show no evidence of improved management control efficiency and effectiveness despite the fact that the internal oversight transaction costs have increased steadily over a period of more than 20 years. This is in opposition to findings of Neu *et al.* (2015), Hopkin and Rodríguez-Pose (2007) and Everett *et al.* (2006), who argued that increasing internal controls, and inscriptions within bureaucratic structures help constructing ethical subjects for curbing fraud and corruption.

In fact, only in 2005 was the nature of the root problem – ethics – spelled out clearly when the Secretary-General created the Ethics Office admitting that "[s]taff members expressed concern about the ethics climate within the United Nations in 2004 integrity perception survey […] recent events have created the imperative to establish new mechanisms to improve ethics within the Organization" (UN Document A/60/568, 2005, p. 2). These statements confirm Grossi and Pianezzi's (2018, p. 96) claim that "corruption is more about the conscience and ethics of the actors" and prevailing studies on the role actors' ethics play in fighting corruption (Roberts, 2015; Hoskin, 2015; Neu *et al.*, 2015).

The appropriate purpose in connection with oversight transactions at the UN, the "common good" (Sison and Fontrodona, 2012), or "goal congruence" (Williamson, 1999), is enacting virtuous mechanisms in order to keep the UN organization free of fraud and corruption and maintain the integrity of its mission. The alignment hypothesis in PPBTCE is attained assuming that there are no probity hazards as far as the governance of sovereign transactions is concerned. This also would allow for a reduction of the transaction costs associated with internal oversight structures to a minimum so that resources available could be channeled to activities linked directly with the mission and goals of the UN. To this end, internal oversight would have to perform the reporting functions well (cf. West, 2017), and at minimum cost (efficiency in TCE terms), which also implies that two conditions have to be met: the contracts between the internal oversight structures and the Secretary-General should allow for the IIA institutional framework, in particular, the IIA – Institute of Internal Auditors (2011) attribute standard on Internal Auditors Independence and Objectivity not being violated by the executive power, and the independence of OIOS was necessary to safeguard the probity and the excellence of the internal oversight services (cf. Hackett and Wang, 2012).

The Secretary-General and the UNSC utilized or exploited their political power to counter the independence of the internal oversight in several instances with a negative impact on the UN image and its "common good." Either the actor acts virtuously, though not adding transaction costs (Williamson, 1999), or acts unethically, causing additional transaction costs (Williamson, 1985). The co-constructs of opportunism as a behavioral assumption and probity as contractual hazard within PPBTCE are counter-productive. They are mutually exclusive and produce contradictory outcomes when analyzing a case with both attributes. TCE reflects a realist position that humans often behave badly/opportunistically (Ghoshal, 2005; Jones, 1995; Romar, 2004). If an opportunist behavior is assumed, control mechanisms are perceived as the only solution to misbehavior, whereas a focus on the ethics of individuals could lead to new and more effective alternative solutions. "Opportunism" is the moral hazard of probity failures; hence, the emphasis of PPBTCE should be on probity/ethics rather than on opportunism.

The independence of the internal audit process was continually hampered. Internal auditors and investigators were unable to block or curb corruption at the UN because they were prevented from doing their job (Hackett and Wang, 2012), insofar as their organizational independence was continuously trumpeted by the Secretaries-General. The Secretary-General is the chief executive officer of the UN Secretariat, a position established by the UN Charter, which includes the provisions for his/her appointment but does not include the provisions for

his/her removal/dismissal. The decision of the Secretary-General to create the Ethics Office in 2005 was motivated by external pressures and self-interest, and according to McCloskey (2006, p. 340), "[A]ristotle and other philosophers concerned with virtue persuasively argue, actions undertaken solely for external reasons cannot be considered virtuous, because they are coaxed or coerced, carroted or sticked."

All things considered, the Secretaries-General were well aware of the cases of fraud and corruption going on at the time of the events. They were also conscious of the claims for improving the operational capacity and the independence of the internal oversight structures through the BOA and JIU oversight reports, thus having had the necessary information to exercise practical wisdom and make the decisions that could have safeguarded the mission of the organization. Yet, they did not follow this course of action: the pattern of behavior of the Secretaries-General was similar – they were most sensitive to external pressures (in 1993 and 2004 for the contracting out of the IC), and therefore acted opportunistically, protecting their personal position instead of the organization. Up to the creation of the Ethics Office, they did not take any action toward constructing an ethical environment within the UN. No strategy was designed to protect the mission and the reputation of the UN.

6. Conclusions

This study critically analyses the applicability of PPBTCE to cases of executive (and legislative) powers' decisions of governance and sourcing of internal oversight services at the UN and contributes to the literature in a number of ways, by pointing out its limitations but also suggesting ways forward. First, it complements and extends PPBTCE not only by advancing clarifications of why internal oversight are "sovereign" and "judiciary" transactions in practice but also by adding a third, hybrid type of transaction warranted in the case – the "quasi-judiciary" transactions to accommodate the investigation transactions conducted within the remit of OIOS at the UN. Furthermore, the case contributes to PPBTCE by bringing to the forefront two attributes/hazards of the internal oversight transactions: "independence" and "probity." Based on our findings, we contend that "probity" hazard should not be defined and theorized as attached to the transaction, but rather to the actors; moreover, "independence" attribute/hazard emerged from our analysis as a necessary addition to the PPBTCE, conveying the three dimensions of the IIA Independence and Objectivity Standard.

Second, the study contributes to prevailing literature on auditing, as it shows that "independence" and "probity" are fundamental transactions' attributes intrinsic to any organization, whether public or private. We concluded that these two attributes outweigh "asset specificity" (high specialized resources), whenever sourcing of internal oversight is at stake, thereby contradicting earlier studies in the field (Speklé *et al.*, 2007; Widener and Selto, 1999). The authority of the sovereign and the independence of the judiciary as well as quasi-judiciary transactions are not transferable attributes and cannot be transacted, along with the actors' probity/ethics. We, therefore, argue that in order to work, inquiries (such as that of OFFP) would have to be set up as judiciary and sovereign transaction governed within an oversight governance structure that can be positioned under the remit of the UN Charter and the UN Convention on Privileges and Immunities to partake of the authority of the sovereign. Our findings open new avenues for research on the development of ethical principles and processes in the area of internal oversight and should be further developed and explored.

Finally, the study contributes to the literature on fraud and corruption as well as, to the interdisciplinary conversation between accounting, ethics and PPBTCE by confirming the role actors' ethics play in fighting corruption (cf. Grossi and Pianezzi, 2018; Roberts, 2015; Hoskin, 2015; Neu *et al.*, 2015). In fact, despite the increasing efforts to improve governance, which includes the creation of an ethics office in 2005, the probity hazards were not reduced.

This is an outcome predicted by PPBTCE, which stems from the assumption that ethical behaviors are absent (cf. Roberts, 2015; Bruni and Sugden, 2013; McCloskey, 2011; Romar, 2004; Chen *et al.*, 2002). The way forward would be to incorporate virtue ethics (McCloskey, 2006). Such an extension would allow PPBTCE to abandon the opportunism behavioral assumption (cf. Duran and McNutt, 2010; Melkevik, 2019; Ghoshal, 2005; Romar, 2004). Avoiding opportunistic behavior at the same time as enacting actors' virtuous behaviors should work against corruption (cf. Audi, 2012; Karayiannis and Hatzis, 2012).

In addition to the above contributions, there are also important implications for practice. Our findings reveal that reform of the UN Charter, embodying the institutional design, is warranted. The UN has been discussing institutional reform for more than 30 years, and yet there have been no substantially new institutional reforms that have made a positive impact. We claim that institutional changes at the UN should be twofold: the empowerment of the General Assembly with the full control over the internal oversight and provisions to accommodate the consideration of ethical traits for the appointment of the Secretary-General and UNSC representatives, where breaches of ethics would lead to dismissal. The latter institutional change implies that an ethical referential framework should be adopted beforehand. Additionally, we suggest that the UN should create some sort of civil society scrutiny mechanism to help oversee and protect its mission.

Further research to confirm and/or capture other differentiations in comparison to Williamson's original set is suggested in order to refine theory. Longitudinal studies across context and time, and sectional analyses in the international public sector, both in IOs within the UN system and elsewhere (namely, in the EU), as well as at the state level, are of particular interest. Carrying out these studies would further our understanding of the predictive power of the PPBTCE theory and of the role of ethics. Future research applying institutional and/or organizational behavior theories may also help to unveil aspects other than those discussed herein.

References

Ahlenius, I.B. (2010), "End-of assignment-report", available at: www.foreignpolicy.com/files (accessed July 14, 2010).

Analoui, F. (2009), "Reform in international institutions: the case of the United Nations", *Journal of Management Development*, Vol. 28 No. 6, pp. 495-503.

Aristotle, B.L. and Ross, D. (2009), *The Nicomachean Ethics*, Oxford World's Classics, New York, NY.

Audi, R. (2012), "Virtue ethics as a resource in business", *Business Ethics Quarterly*, Vol. 22 No. 2, pp. 273-291.

BBC News Website (2013), available at: www.bbc.co.uk/search/news/?page=2&q=oil-for-food&dir (accessed May 15, 2013).

Boutros-Ghali, B. (1996), "Strengthening internal oversight at the United Nations", *International Journal of Government Auditing*, Vol. 23 No. 2, pp. 1-2.

Boutros-Ghali, B. (2008), "Boutros-Ghali, Boutros, Facts on File", in Pubantz, J. and Moore, J.A. (Eds), *Encyclopedia of the United Nations*, 2nd ed., American History Online, Inc., New York, NY, available at: www.fofweb.com

Branigan, W. (1992a), "The UN empire: polished image, tarnished reality", *The Washington Post*, September 20, p. 34.

Branigan, W. (1992b), "As UN expands, so do its problems", *The Washington Post*, September 21, p. 20.

Bruni, L. and Sugden, R. (2013), "Reclaiming virtue ethics for economics", *Journal of Economic Perspectives*, Vol. 27 No. 4, pp. 141-164.

Carnegie, G.D. and Napier, C.J. (2010), "Traditional accountants and business professionals: portraying the accounting profession after Enron", *Accounting, Organizations and Society*, Vol. 35 No. 3, pp. 360-376.

Caza, A., Barker, B.A. and Cameron, K.S. (2004), "Ethics and ethos: the buffering and amplifying effects of ethical behavior and virtuousness", *Journal of Business Ethics*, Vol. 52 No. 2, pp. 169-178.

Chen, C.C., Peng, M.W. and Saparito, P.A. (2002), "Individualism, collectivism, and opportunism: a cultural perspective on transaction cost economics", *Journal of Management*, Vol. 28 No. 4, pp. 567-583.

Childers, E. and Urquhart, B. (1994), "Renewing the united nations system", Development Dialogue, No. 1, Dag Hammarskjâld Foundation, Upsala.

Chwastiak, M. (2015), "Commodifying state crime: accounting and 'extraordinary rendition", *Critical Perspectives on Accounting*, Vol. 28, pp. 1-12.

Coleman, N. (2004), "Kofi Annan must go", *Wall Street Journal*, December 1, p. 10.

Congressional Research Service – USA (2005), "CRS report for congress, Iraq: Oil-For-Food Program, Illicit trade, and Investigations", prepared for Members and Committees of Congress, The Library of Congress, RL30472 of June 14, Washington, DC.

Congressional Research Service – USA (2007), "CRS report for congress, United Nations reform: US policy and international perspectives", prepared for Members and Committees of Congress, The Library of Congress, RL30472 of January 22, Washington, DC.

David, R.J. and Han, S.K. (2004), "A systematic assessment of the empirical support for transaction cost economics", *Strategic Management Journal*, Vol. 25 No. 1, pp. 39-58.

Den Uyl, D.J. (2009), "Homo Moralis", *The Review of Austrian Economics*, Vol. 22 No. 4, pp. 349-385.

Dreher, A., Nunnenkamp, P. and Thiele, R. (2008), "Does US aid buy UN general assembly votes? A disaggregated analysis", *Public Choice*, Vol. 136 Nos 1-2, pp. 139-164.

Dupont, B. (2014), "Father knows best: using Adam Smith to teach transactions costs", *The Journal of Economic Education*, Vol. 45 No. 4, pp. 320-329.

Duran, X. and McNutt, P. (2010), "Kantian ethics within transaction cost economics", *International Journal of Social Economics*, Vol. 37 No. 10, pp. 755-763.

Eisenhardt, K.M. and Graebner, M.E. (2007), "Theory building from cases: opportunities and challenges", *Academy of Management Journal*, Vol. 50 No. 1, pp. 25-32.

Everett, J., Neu, D. and Rahaman, A.S. (2006), "The global fight against corruption: a Foucaultian, virtues-ethics framing", *Journal of Business Ethics*, Vol. 65 No. 1, pp. 1-12.

Everett, J., Neu, D. and Rahaman, A.S. (2007), "Accounting and the global fight against corruption", *Accounting, Organizations and Society*, Vol. 32 No. 6, pp. 513-542.

Farley, M. (2005), "UN oil-for-food inquiry findings surprised Volcker", *Los Angeles Times*, October 28, available at: www.latimes.com/news/nationworld/world/la-fg-volcker28oct28,1,2978183.story?headlines-world

Foss, N.J. and Klein, P.G. (2005), "The theory of the firm and its critics: a stocktaking and assessment", in Glachant, J.-M. and Brousseau, E. (Eds), *New Institutional Economics: A Textbook*, Part VI, Chapter 20, Cambridge University Press, Cambridge.

Fox News.com (2005), "Danforth: Volcker doesn't have right tools", January 8, available at: www.foxnews.com/story (accessed June 20, 2014).

Fredland, J.E. (2004), "Outsourcing military force: a transactions cost perspective on the role of military companies", *Defence and Peace Economics*, Vol. 15 No. 3, pp. 205-219.

Freeman, R.E. (1994), "The politics of stakeholder theory: some future directions", *Business Ethics Quarterly*, Vol. 4 No. 4, pp. 409-421.

Fröhlich, M. (2007), *Political Ethics and the United Nations: Dag Hammarskjöld as Secretary-General*, Taylor and Francis Group, Routledge, London and New York, NY.

Funk, S.M. and Laurenti, J. (1994), "Watch-dog for the UN", *Washington Post*, August 8, available at: www.washingtonpost.com

Gabbioneta, C., Greenwood, R., Mazzola, P. and Minoja, M. (2013), "The influence of the institutional context on corporate illegality", *Accounting, Organizations and Society*, Vol. 38 Nos 6-7, pp. 484-504.

GAO – US Government Accountability Office (2004), "Observations on the oil for food program and areas for further investigation", GAO-04-953T, July 8, available at: www.gao.gov/products/GAO-04-953T.

Gardiner, N. (2005), "The Volcker investigation into the U.N. Oil-for-food scandal: why it lacks credibility", available at: www.heritage.org/research/reports (accessed May 25, 2014).

Gendron, Y. and Spira, L.F. (2009), "Identity narratives under threat: a study of former members of Arthur Andersen", *Accounting, Organizations and Society*, Vol. 35 No. 3, pp. 275-300.

Gendron, Y., Cooper, D.J. and Townley, B. (2001), "In the name of accountability – state auditing, independence and new public management", *Accounting, Auditing & Accountability Journal*, Vol. 14 No. 3, pp. 278-310.

George, A. and Bennett, A. (2005), *Case Studies and Theory Development in the Social Sciences*, MIT Press, Cambridge, MA.

Ghoshal, S. (2005), "Bad management theories are destroying good management practices", *Academy of Management Learning & Education*, Vol. 4 No. 1, pp. 75-91.

Ghoshal, S. and Moran, P. (1996), "Bad for practice: a critique of the transaction cost theory", *Academy of Management Review*, Vol. 21 No. 1, pp. 13-47.

Graaf, G. and Huberts, L.W. (2008), "Portraying the nature of corruption using an explorative case study design", *Public Administration Review*, Vol. 68 No. 4, pp. 640-653.

Granovetter, M. (1985), "Economic action and social structure: the problem of embeddedness", *American Journal of Sociology*, Vol. 91 No. 3, pp. 481-510.

Grigorescu, A. (2008), "Horizontal accountability in intergovernmental organizations", *Ethics and International Affairs*, Vol. 22 No. 3, pp. 285-308.

Grossi, G. and Pianezzi, D. (2018), "The new public corruption: old questions for new challenges", *Accounting Forum*, Vol. 42 No. 1, pp. 86-101.

Guénin-Paracini, H. and Gendron, Y. (2010), "Auditors as modern pharmakoi: legitimacy paradoxes and the production of economic order", *Critical Perspectives on Accounting*, Vol. 21 No. 2, pp. 134-158.

Hackett, R.D. and Wang, G. (2012), "Virtues and leadership: an integrating conceptual framework founded in Aristotelian and Confucian perspectives on virtues", *Management Decision*, Vol. 50 No. 5, pp. 868-899.

Heath, J. and Norman, W. (2004), "Stakeholder theory, corporate governance and public management: what can the history of state-run enterprises teach us in the post-Enron Era?", *Journal of Business Ethics*, Vol. 53 No. 3, pp. 247-265.

Hoge, W. (2004a), "Oil-for-Food: Annan seeks to blunt allegations", *International Herald Tribune*, March 23, p. 8.

Hoge, W. (2004b), "Russia backs inquiry into UN oil program: reversal clears way for role by Volcker", *International Herald Tribune*, April 21, p. 9.

Hoge, W. (2004c), "UN chief critics ignore good being done, Annan says", *International Herald Tribune*, April 23, p. 3.

Hoge, W. (2004d), "UN study finds its workers uneasy abbout reporting corruption", *International Herald Tribune*, June 16, p. 5.

Hoge, W. (2004e), "Annan's post at the UN may be at risk, officials fear", *The New York Times*, December 3, p. 3.

Hopkin, J. and Rodríguez-Pose, A. (2007), "'Grabbing Hand' or 'Helping Hand'?: corruption and the economic role of the state", *Governance*, Vol. 20 No. 2, pp. 187-208.

Hosenball, M. (2002), "Iraq's black gold: how Saddam skimmed oil profits while the United Nations looked the other way", *Newsweek International*, November 11, pp. 37-40.

Hoskin, K. (2015), " 'What about the box?' Some thoughts on the possibility of 'corruption prevention', and of 'the disciplined and ethical subject", *Critical Perspectives on Accounting*, Vol. 28, pp. 71-81.

Hosli, M.O., Moody, R., O'Donovan, B., Kaniovski, S. and Little, A.C. (2011), "Squaring the circle? Collective and distributive effects of United Nations Security Council Reform", *The Review of International Organizations*, Vol. 6 No. 2, pp. 163-187.

Husted, B.W. and Folger, R. (2004), "Fairness and transaction costs: the contribution of organizational justice theory to an integrative model of economic organization", *Organization Science*, Vol. 15 No. 6, pp. 719-729.

IIA – Institute of Internal Auditors (2011), "Practice Guide, Independence and Objectivity", October, available at: www.iia.nl/SiteFiles/IIA_leden/Praktijkgidsen/Final_OAP_Practice_Guide_Dec_2011[1].pdf

IIC – Independent Inquiry Committee into the United Nations Oil-For-Food Programme, Volcker, P.A., Godstone, R.J. and Pieth, M. (2005), "Report on the management of the Oil-For-Food Programme", September 7, available at: www.iic-offp.org/documents

International Debates (2005), "The Iraq Oil-For-Food programme, allegations of abuse", Congressional Digest Debates Online, available at: www.congressionaldigestdebates.com (accessed June 15, 2014).

International Herald Tribune (1993), "House pushes for UN watchdog unit", 30 September, available at: www.nytimes.com/column/iht-retrospective

IO Watch Website (2014), available at: www.iowatch.org (accessed February–August 2014).

JIU – UN Joint Inspection Unit (1988), "Reporting on the performance and results of United Nations programmes: monitoring, evaluation, and management review components", UN Document A/43/124, available at: www.unjiu.org/content/reports

JIU – UN Joint Inspection Unit (1990), "Extra-budgetary resources of the United Nations: towards transparency of presentation, management, and reporting", UN Document A/45/797, available at: www.unjiu.org/content/reports

JIU – UN Joint Inspection Unit (1993), "Accountability and oversight in the United Nations Secretariat", JIU/REP/93/5, United Nations Joint Inspection Unit, September, available at: www.unjiu.org/content/reports

JIU – UN Joint Inspection Unit (1995), "Accountability, management improvement, and oversight in the United Nations", JIU/REP/95/2 – Part I and Part II, Joint Inspection Unit Geneva: United Nations, available at: www.unjiu.org/content/reports

JIU – UN Joint Inspection Unit (2010), "Ethics in the United Nations system", JIU/REP/2010/3, Joint Inspection Unit Geneva: United Nations, available at: www.unjiu.org/content/reports

Jones, T.M. (1995), "Instrumental stakeholder theory: a synthesis of ethics and economics", *Academy of Management Review*, Vol. 20 No. 2, pp. 404-437.

Joseph, T. (2016), "The integration of theoretical ethics with practical decision-making in organization and management", *Journal of Leadership, Accountability and Ethics*, Vol. 13 No. 3, pp. 98-105.

Karayiannis, A.D. and Hatzis, A.N. (2012), "Morality, social norms and the rule of law as transaction cost-saving devices: the case of ancient Athens", *European Journal of Law and Economics*, Vol. 33 No. 3, pp. 621-643.

Kay, J. (2019), "The concept of the corporation", *Business History*, Vol. 61 No. 7, pp. 1129-1143.

Kesebir, P. and Kesebir, S. (2012), "The cultural salience of moral character and virtue declined in twentieth century America", *The Journal of Positive Psychology*, Vol. 7 No. 6, pp. 471-480.

Lail, B., MacGregor, J., Marcum, J. and Stuebs, M. (2017), "Virtuous professionalism in accountants to avoid fraud and to restore financial reporting", *Journal of Business Ethics*, Vol. 140 No. 4, pp. 687-704.

Lederer, E.M. (2004), "Son's payments on deal disappoint Annan", Associated Press, November 30, New York, NY.

Leonard-Barton, D. (1990), "A dual methodology for case studies: synergistic use of a longitudinal single site with replicated multiple sites", *Organization Science*, Vol. 1 No. 3, pp. 248-266.

Lieberman, E.S. (2001), "Causal inference in historical institutional analysis: a specification of periodization strategies", *Comparative Political Studies*, Vol. 34 No. 9, pp. 1011-1035.

McCloskey, D. (1996), "Missing ethics in economics", *The Value of Culture: On the Relationships Between Economics and Arts*, Amsterdam University Press, Amsterdam, pp. 187-201.

McCloskey, D.N. (2006), *The Bourgeois Virtues: Ethics for an Age of Commerce*, University of Chicago Press, Chicago, IL.

McCloskey, D.N. (2011), "Ethics, Friedman, Buchanan, and the good old Chicago School: Getting (back) to humanomics", paper presented at the Annual Summer Institute for the History of Economic Thought, University of Richmond, Ricmond, Virginia, June 24, pp. 24-27.

McCullough, M.E. and Snyder, C.R. (2000), "Classical sources of human strength: Revisiting an old home and building a new one", *Journal of Social and Clinical Psychology*, Vol. 19 No. 1, pp. 1-10.

Melkevik, Å. (2019), "A theory of business eunomics: the means–ends relation in business ethics", *Journal of Business Ethics*, Vol. 160 No. 1, pp. 293-305.

Merriam, S. (1998), *Qualitative Research and Case Study Research in Education*, Jossey Bass Publisher., San Francisco, CA.

Meyer, J.A. and Califano, M.G. (2006), *Good Intentions Corrupted: The Oil-for-Food Scandal and the Threat to the UN*, Public Affairs, New York, NY.

Miles, M.B., Huberman, A.M. and Saldana, J. (2013), *Qualitative Data Analysis*, Sage, Thousand Oakes, CA.

Miller, J. (2004), "Senators accuse UN leader of blocking their fraud inquiry", *The New York Times*, November 10, p. 14.

Miller, R.C. (2017), "Markets and their virtues", *Economic Affairs*, Vol. 37 No. 1, pp. 125-133.

Moschandreas, M. (1997), "The role of opportunism in transaction cost economics", *Journal of Economic Issues*, Vol. 31 No. 1, pp. 39-58.

Neu, D., Everett, J. and Rahaman, A.S. (2013), "Internal auditing and corruption within government: the case of the Canadian sponsorship Program", *Contemporary Accounting Research*, Vol. 30 No. 3, pp. 1223-1250.

Neu, D., Everett, J. and Rahaman, A.S. (2015), "Preventing corruption within government procurement: constructing the disciplined and ethical subject", *Critical Perspectives on Accounting*, Vol. 28, pp. 49-61.

Normanton, E.L. (1966), *The Accountability and Audit of Government*, Manchester University Press, Manchester.

O'Toole, J. (2005), *Creating the Good Life: applying Aristotle's Wisdom to find Meaning and Happiness*, Rodale Books.

Ogata, S. and Volcker, P. (1993), "Financing an effective united nations: a report of the independent advisory group on U.N. Financing", Ford Foundation, New York, NY.

Paine, T. (2004), *Common Sense*, Broadview Press, Mineola, NY.

Potrafke, N. (2009), "Does government ideology influence political alignment with the US? An empirical analysis of voting in the UN general assembly", *The Review of International Organizations*, Vol. 4 No. 3, pp. 245-268.

Power, M. (2003), "Auditing and the production of legitimacy", *Accounting, Organizations and Society*, Vol. 28 No. 4, pp. 379-394.

Preston, J. (1995), "UN corruption cop: new man on a very political beat", *International Herald Tribune*, March 29.

Roberts, J. (2015), "The 'subject' of corruption", *Critical Perspectives on Accounting*, Vol. 28, pp. 82-88.

Romar, E.J. (2004), "Globalization, ethics, and opportunism: a Confucian view of business relationships", *Business Ethics Quarterly*, Vol. 14 No. 4, pp. 663-678.

Rosett, C. (2003a), "Open the books on oil-for-food: when UN sanctions invite corruption", *International Herald Tribune*, April 21.

Rosett, C. (2003b), "Bush is right to snub the 'axis of avarice': contracts in Iraq", *International Herald Tribune*, December 17.

Ruiter, D.W. (2005), "Is transaction cost economics applicable to public governance?", *European Journal of Law and Economics*, Vol. 20 No. 3, pp. 287-303.

Sargiacomo, M., Ianni, L., D'Andreamatteo, A. and Servalli, S. (2015), "Accounting and the fight against corruption in Italian government procurement: a longitudinal critical analysis (1992–2014)", *Critical Perspectives on Accounting*, Vol. 28, pp. 89-96.

Schuurmans-Stekhoven, J.B. (2011), "Is it God or just the data that moves in mysterious ways? How well-being research may be mistaking faith for virtue", *Social Indicators Research*, Vol. 100 No. 2, pp. 313-330.

Sikka, P. and Lehman, G. (2015), "The supply-side of corruption and limits to preventing corruption within government procurement and constructing ethical subjects", *Critical Perspectives on Accounting*, Vol. 28, pp. 62-70.

Sison, A.J.G. and Fontrodona, J. (2012), "The common good of the firm in the Aristotelian-Thomistic tradition", *Business Ethics Quarterly*, Vol. 22 No. 2, pp. 211-246.

Sison, A.J.G., Hartman, E.M. and Fontrodona, J. (2012), "Guest editors' introduction reviving tradition: virtue and the common good in business and management", *Business Ethics Quarterly*, Vol. 22 No. 2, pp. 207-210.

Speklé, R.F. (2001), "Explaining management control structure variety: a transaction cost economics perspective", *Accounting, Organizations and Society*, Vol. 26 Nos 4-5, pp. 419-441.

Speklé, R.F., Van Elten, H.J. and Kruis, A.M. (2007), "Sourcing of internal auditing: an empirical study", *Management Accounting Research*, Vol. 18 No. 1, pp. 102-124.

Spraakman, G. (1997), "Transaction cost economics: a theory for internal audit?", *Managerial Auditing Journal*, Vol. 12 No. 7, pp. 323-330.

Thornburgh, D. (1993a), "Report to the secretary-general of the United Nations", United Nations, Under-Secretary-General for Administration and Management, March 1, New York, NY.

Thornburgh, D. (1993b), "How to clean up the United Nations", *International Herald Tribune*, March 26, p. 8.

Torgler, B. (2008), "Trust in international organizations: an empirical investigation focusing on the United Nations", *The Review of International Organizations*, Vol. 3 No. 1, pp. 65-93.

UN Document A/41/49 (1986), "Report of the group of high-level intergovernmental experts to review the efficiency of the administrative and financial functioning of the United Nations", Recommendation 39, available at: http://undocs.org/

UN Document A/45/226 (1990), "Analytical report of the secretary-general on the implementation of general assembly resolution 41/213", April 17, pp. 165-168, available at: http://undocs.org/

UN Document A/47/315 (1992), "Financial reports and audited financial statements, and reports of the board of auditors", August 20, available at: http://undocs.org/

UN Document A/48/452 (1993), "Accountability and responsibility of programme managers in the united nations: report of the secretary-general, general assembly", October 5, pp. 57-60, available at: http://undocs.org/

UN Document A/60/568 (2005), "Implementation of decisions from the 2005 world summit, outcome for action by the secretary-general, ethics office; comprehensive review of governance arrangements, including an independent external evaluation of the auditing and oversight system; and the independent audit advisory committee report of the secretary-general", November 28, available at: http://undocs.org/

UN Document A/RES/47/211 (1992), "Financial reports and audited financial statements and reports of the board of auditors", General Assembly, March 24, available at: http://undocs.org/

UN Document A/RES/48/218 A (1993), "Review of the efficiency of the administrative and financial functioning of the United Nations", General Assembly, December 23, available at: http://undocs.org/

UN Document A/RES/48/218 B (1994), "Review of the efficiency of the administrative and financial functioning of the United Nations", General Assembly, August 12, available at: http://undocs.org/

UN Document A/RES/60/248 (2005), "Special subjects relating to the proposed programme budget for the biennium 2006–2007", General Assembly, Resolution adopted by the General Assembly on 23 December 2005, February 1, available at: http://undocs.org/

UN Document GA Resolution 163 (II) (1947), "Provisional financial regulations of the United Nations", UN org Documents 2, November 20, available at: http://undocs.org/

UN Document Security Council Resolution 1538 (2004), "Adopted by the security council at its 4946th meeting", April 21, available at: http://undocs.org/

UN Document Letter to UNSC members, President of the Security Council (2004), 4 June, available at: http://undocs.org/

UN Document ST/SGB/262 (1993), "Establishment of the office for inspections and investigations", August 24, available at: http://undocs.org/

UN Document ST/SGB/Organization/Section OIOS (1995), "Functions and organization of the office of internal oversight services", Secretary-General's Bulletin, December 19, available at: http://undocs.org/

Volcker, P., Goldstone, R.J. and Pieth, M. (2006), "Independent inquiry committee into the United Nations Oil-For-Food Program, Manipulation of the oil-for-food program by the Iraqi Regime", available at: www.iic-offp.org (accessed April 2013).

Werhane, P.H. (2000), "Business ethics and the origins of contemporary capitalism: economics and ethics in the work of Adam Smith and Herbert Spencer", *Journal of Business Ethics*, Vol. 24 No. 3, pp. 185-198.

West, A. (2017), "The ethics of professional accountants: an Aristotelian perspective", *Accounting, Auditing & Accountability Journal*, Vol. 30 No. 2, pp. 328-351.

West, A. (2018a), "Multinational tax avoidance: virtue ethics and the role of accountants", *Journal of Business Ethics*, Vol. 153 No. 4, pp. 1143-1156.

West, A. (2018b), "After virtue and accounting ethics", *Journal of Business Ethics*, Vol. 148 No. 1, pp. 21-36.

Whetstone, J.T. (2001), "How virtue fits within business ethics", *Journal of Business Ethics*, Vol. 33 No. 2, pp. 101-114.

Widener, S.K. and Selto, F.H. (1999), "Management control systems and boundaries of the firm: why do firms outsource internal auditing activities?", *Journal of Management Accounting Research*, Vol. 11, pp. 45-47.

Williamson, O.E. (1985), *The Economic Institutions of Capitalism*, The Free Press, New York, NY.

Williamson, O.E. (1989), "Transaction cost economics", *Handbook of Industrial Organization*, Vol. 1, pp. 135-182.

Williamson, O.E. (1993), "Opportunism and its critics", *Managerial and Decision Economics*, Vol. 14 No. 2, pp. 97-107.

Williamson, O.E. (1999), "Public and private bureaucracies: a transaction cost economics perspective", *Journal of Law, Economics, and Organization*, Vol. 15 No. 1, pp. 306-342.

Wilson, J.Q. (1989), *Bureaucracy. Basic Books*, New York, NY.

Yin, R.K. (2014), *Case Study Research: Design and Methods*, 5th ed, Sage Publications, Thousand Oaks, CA.

Zhang, A. (2009), "Corruption as a determinant of transaction governance structure", *Strategic Outsourcing: An International Journal*, Vol. 2 No. 1, pp. 27-36.

Further reading

JIU – UN Joint Inspection Unit (2004), "Review of the Headquarters Agrrements Concluded by the Organization of the United Nations System: Human Resources Issues Affectinhg Staff", JIU/REP/2004/2, Joint Inspection Unit Geneva: United Nations.

Marsh, C. (2013), "Business executives' perceptions of ethical leadership and its development", *Journal of Business Ethics*, Vol. 114 No. 3, pp. 565-582.

Melé, D. and Armengou, J. (2016), "Moral legitimacy in controversial projects and its relationship with social license to operate: a case study", *Journal of Business Ethics*, Vol. 136 No. 4, pp. 729-742.

Corresponding author
Maria do Rosário Da Veiga can be contacted at: rosario.veiga@iscte-iul.pt