

File Notes on meetings and conversations

Phone call with [REDACTED] 2.00pm, 11 April 2016

I received an email message via linkedIn from [REDACTED] on Sunday 10 April asking me to call him. I did so at about 2.00pm on 11 April.



Phone call to [REDACTED] 11.30 am, 12 April

I rang [REDACTED] to advise him of the information I had received the day before from [REDACTED] and ask for the assistance of SSC to determine the appropriate course of action.

I gave [REDACTED] an outline of the information I had received from [REDACTED]

[REDACTED] I felt that therefore at the very least I have an employment issue I need to deal with.

I also explained to [REDACTED] a situation that had occurred in 2014 with Jo not complying with the Ministry's procurement policy.

I explained that in 2014 my acting Chief Legal Advisor (Lisa Nixon) had come to me with concerns that Jo had been making payments to two firms for which there was no contract, a lack of transparency about the services rendered, and that in one instance it appeared there may be a family association with the firm (Sharp Design) which Lisa understood was the name [REDACTED] went by. She also advised me that the Australian federal Police had made contact with the Ministry looking for Joanne Harrison. I told [REDACTED] that, at the time, there was no allegation of fraud, and nor did I have reason to suspect this. I was reluctant to make allegations of this nature, especially as I rated Jo as a top performer. She had been delivering very effectively in her role and was due credit for many of the success of the Ministry in our organisation development. I did however confront Jo in relation to the non-

compliance issues and sought an explanation about the matters of concern. I also sought an explanation about the contact from Australian Police.

In relation to the contracting matters, the explanations received were not completely satisfactory, but I accepted that services had been rendered for design etc (as some of this is evident around the Ministry), and concluded the non-compliance was due to sloppy behaviour. I directed Jo to ensure that this be addressed by having good support in place to manage these processes, and that there must be proper contracting and approvals in future. I was assured by her of future compliance.

I was also told by Jo that the Australian Police were contacting her regarding another person (a former EA) who had been making payments using her credit card, and that this had now been dealt with.

I told [redacted] that I accepted Jo's assurances and decided to not take the matter further. I indicated that, at the time, I had no reason to suspect fraud but that I now have concerns that this conclusion may have been wrong and that a forensic investigation may now be needed into her spending. Any investigation would, I thought, need to be carefully managed as part of any employment process in the absence of a specific fraud allegation.

(Following my meeting with [redacted] I asked my EA [redacted] to find the emails associated with this earlier incident.)

I noted that I thought I needed good advice on how to proceed with these issues, and that given Jo's role I was unable to draw on internal advice. [redacted] agreed to talk with his legal team and arrange a meeting for me with them.

Meeting with [redacted] and [redacted] (SSC), 1.30 pm, 13 April

I outlined the background situation (both in relation to the information from [redacted] and the previous procurement non-compliance issue) to [redacted] and [redacted] and invited their advice and how I should proceed.



Withheld under section 9(2)(a)
except where noted

Withheld under section 9(2)(h)



We discussed the scope to take steps to validate the information provided to me by [REDACTED] [REDACTED] agreed it would make sense for me to do so. He also suggested I get the assistance of someone I can trust internally. I subsequently met with David Bowden, my Chief legal Advisor, and briefed him on the situation. I asked David to make enquiries about recruitment requirements etc to help inform my planned discussions with Peter Cullen.

Withheld under sections 9(2)(a),
9(2)(ba)(i) and 6(c)


Phone call to [REDACTED] 9.00pm 13 April 2016





Meeting with David Bowden and Fiona Macmaster, 10.30 am, 18 April

I met initially with David to get any update before my meeting with Peter Cullen. I briefed David on the information I had since collected.



I asked that Fiona join us and I outlined the situation to her.

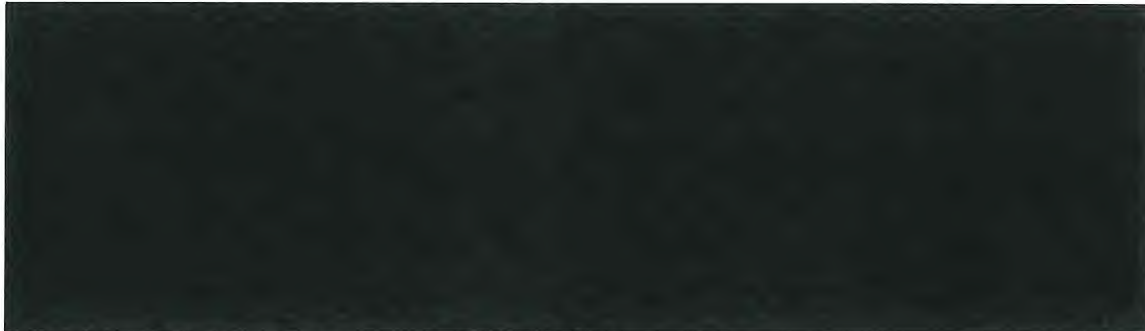
David and Fiona then gave me further details of the non-compliance issues with the latest contracts to a company called EJW consulting.

- I was reminded that last year (date unclear) David informed me of an approval by Andrew Jackson (acting under my delegation while I was out of the office) to exceed the limit for an open process through GETS. David expressed concern about the lack of transparency with the arrangements with Mazzerine Associates. I asked that he talk with Jo and seek to tidy this up. Jo agreed to place the contract on GETS and seek proposals. David told me that she evaluated the proposals and awarded the contract to EJW consulting. He (or his team) did not see any details of the proposal or the evaluation. The Legal team were asked to prepare a draft contract, which they did.
- David informed me today that despite the open GETS process, the contract was awarded to EJW which appears to have the same principal as the earlier company (Mazerinne). They also have the same bank account. I was informed that although a contract was drafted by legal, they do not hold a copy of the signed contract. I expressed my concern on hearing this information, especially in light of the additional information I have on Jo's history.

At this point I asked Fiona to pull together the information she has on the payments that have been approved by Jo.

Meeting with Peter Cullen, 11.00 am 18 April

Withheld under section 9(2)(h)



Meeting with Fiona and David, 3.30 pm 18 April

I met with Fiona and David ahead of calling [REDACTED] at 4.00pm. Fiona updated me on the payments made under Jo's cost centre and their totals for specific contractors. She showed me the invoices that had been approved by Jo.

I noted the basic nature of the invoices and the very limited information contained on them about the services rendered. I also noted that Jo had approved the expenditure and there was no separate certification.

Fiona confirmed that the payments are made to a different bank account to the one that Jo's pay is made to.

I directed that no further payments be made to EJW until we are satisfied with the veracity of the invoices and services. I also asked that in future no payments be made on any invoices unless there are two signatories or contracts on record.

I discussed with David how we could get information about whether declarations may have been made by Jo at the time of her recruitment. I agreed that David should talk discretely with [REDACTED] about any recollections she may have about the recruitment of Jo, and where papers may be held.

I invited David to look online to see if there is anything

Phone call to [REDACTED] of Audit New Zealand, 4.00pm, 18 April

I called [REDACTED] and spoke with him, along with Fiona and David. I outlined the situation in broad terms, noting that I had become aware of information last week about Jo and that this had given me cause to have concerns about payments she has approved that have limited disclosure. I noted that Audit NZ was already making enquiries about non compliance with our procurement policies because the matter had been raised in our internal compliance report. I noted that, at this stage, I had no evidence of a fraud but am concerned about the level of secrecy associated with payments she has approved, and the limited information or knowledge that others have of the services rendered.

I asked [REDACTED] if Audit NZ could look at these matters as part of their interim audit work this week as it would be helpful for me to know if I have more than a non-compliance issue before I meet Jo next week. I asked [REDACTED] to come back to me on this before the end of the week.

Brief discussion with David Bowden, 11.30 am 19 April

David informed me that he done a google search for both Mazerinne Associates and EJW. He said he found a rudimentary website for Mazerinne, but nothing for EJW. He could find nothing on the Principal, Elizabeth Williams. I agreed David should make further enquiries but that we should not attempt to make direct contact at this stage. Any contact should be deliberate and planned to avoid alerting Jo to our concerns, if indeed the company is not legitimate.

Phone call to [REDACTED] 5.00pm 19 April

I spoke with [REDACTED] to inform him of progress over the last few days. He said he would pass this on to [REDACTED]

Withheld under section 9(2)(a) and section 6(c)

Phone call to Andrew Jackson, 10.00 am 20 April

I rang Andrew to let him know about the situation. Andrew has just returned from off-shore and will be off work until next Tuesday. I don't want Andrew, as my deputy, to be surprised on Tuesday and decided it was appropriate to let him know.

Withheld under section 9(2)(a)

[REDACTED]

Brief discussions with David Bowden, 20 April

[REDACTED]

Withheld under section 9(2)(h)

Withheld under
section 9(2)(a)

Date: 22 April 2016
Author: 
Subject: Findings arising during our interim audit

During our interim audit we completed our testing in relation to the Ministry's control environment and associated internal controls. This included a review to the Ministry's practices for procurement and expenditure systems.

Although this did not include a complete review of the Ministry's procurement activity, from the work completed we identified a number of areas to raise to the attention of the Chief Executive.

We will be completing our formal interim management reporting to the Ministry soon, however considered it important to raise the areas within this memo to the attention of the Chief Executive prior to our formal reporting and in a timelier manner.

The contents of this memo will also be verbally discussed with the Chief Executive.

Ministry Policy and Practices

The following summarises our understanding of the Ministry's associated policies and practices.

- 1) Procurement: The Ministry requires all employees to adhere to the Government rules of sourcing. This expectation is included in the Ministry's procurement policy.
- 2) Multi-Year Contracts – The Ministry's policy also states that *"Expenditure budgets for the Ministry are valid for one year (1 July – 30 June) and multi-year contracts commit the Ministry to out years' expenditure for which no budget authority usually exists. In this case, only the Chief Executive would usually have the authority to sign such a contract, as only they would be deemed to have the authority in relation to out years"*.
- 3) Contract drafting: The Ministry's policy states *"Legal will provide a draft contract to the contract manager. This is to be checked thoroughly to ensure that it meets the requirements. When the draft contract has been settled internally, the draft is sent by the contract manager to the supplier for it to check. Any changes are to be cleared with Legal before being included in the draft. Legal will then provide execution copies of the contract, and provide a blue sign-off sheet. The sign-off sheet must be completed by the appropriate internal signatories before the contract is signed."*

A supplier contract is to be provided to Legal for examination before any binding commitment to contract with the supplier is entered into.

When both parties – the Ministry and the supplier – have signed the contract documents they must be sent without delay to Legal for filing in a secure location."

- 4) Variations to procurement contracts are not covered by the Ministry's procurement policy. The Ministry's legal team have informed us that variations to the total cost of a contract are in practice, not permitted. The financial delegations policy states:

"2.3 Variation of a Contract

If an existing contract is varied, the total value of the amended contract should be used to decide the appropriate signatory, not just the value of the increase. This is to prevent transactions being broken up to 'avoid' the delegation policy."

- 5) The mandatory government rules of sourcing also do not allow for a variation approved by the CE exceeding total funds. The applicable rules in this instance are rules 9, 10, 14 and 32.
- 6) The Ministry does not require a formal contract for any procurement below set financial thresholds (\$5,000 for goods; \$2,000 for services), all procurement above these thresholds are expected to have a formal contract.
- 7) Financial Delegations: The Ministry's financial delegations policy states that GMs (Level 2 delegations) can incur operating expenditure of up to 100% of their cost centre's budget. They may also approve contracts for goods or services for up to \$99,999. For any capital expenditure (purchase of furniture and fittings) there is no authority delegated to GMs, so this must be approved through the budgets by the CE.
- 8) None of the DCEs or GMs have the authority to approve expenditure that is for their own benefit. This is managed by the AP staff who will direct invoices to the CE and Manager, Finance rather than to the GMs for approval. The CE approves GM's MasterCard and other expenses and the Manager, Finance approves any GM travel and related expenses. All other expenditure is subject to budget approval.

Interim Audit findings

We raise the following findings for your attention:

Contracts:

- 1) Prior year finding: During the 2014/15 audit we reported to the Ministry an instance of expenditure instigated and approved by the GM (OD), which we were unable to locate a supporting contract for. The vendor was 'Sharp Design'. Concerns in relation to this was also raised by the Ministry's legal team who had not received a copy of the contract as required by the Ministry's policy and practice. We understand that the CE reiterated to the staff member the Ministry's policy expectations. During the current audit (2015/16) we have again identified some similar findings, and these are included in this memo.
- 2) There has been further expenditure incurred with 'Sharp Design' (approx. \$23,000), and also with [REDACTED] during the current financial year, and we have been unable to obtain a copy of the contract with each of these supplier. We have been informed that the contract may be held by the staff member responsible for the contract, but has not been proved to the Ministry's legal or finance teams. This is not consistent with the Ministry's policy and practices. We understand that these examples may have recently been raised with the Ministry's Leadership Team (MLT).

- 3) Invoices relating to expenditure for 'Sharp Design': We reviewed the expenditure incurred by the Ministry with 'Sharp Design'. We were not able to determine what the expenditure related to as the descriptions on the invoices have been blanked out as part of the approval process. These invoices have been approved by the GM (OD). We have been told by the Manager, Finance that the details were blanked out for confidentiality reasons. The only visible details are on the invoice coding which states 'security contract'. As part of our audit work, and as we were not able to obtain a contract or confirm what the expenditure related to, we have completed a search for the company. We were not able to find any company named 'Sharp Design', corresponding PO Box or physical address that would appear to relate to these transactions.

All the invoices reviewed had been approved by the GM (OD). There is an additional signature on the invoices, however, this is from accounts payable signing to state the invoices have been entered into the AP system, as is normal practice. We were not able to identify any other staff member that was able to inform us of the nature of the expenditure and what it related to. It is considered good practice for there to be more than one staff member involved in all procurement.

- 4) Invoices relating to expenditure for [REDACTED]. The related invoices reviewed have been approved by either the GM (OD) (for production laptop) or other staff within the OD team. The invoices are for the production and application of a replacement window in a breakout room on level 6, to create stickers and apply to 500 copies of the Sol, a final bill for Sol print costs, an invoice for development, concept and info graphics design and layout of the Sol for 2015/16. We have been unable to obtain the contract for these services. To gain further information on the expenditure, we performed a companies and internet search. [REDACTED] is a registered company, with a company website, that provides publishing. This would correspond with the Sol related costs, but we were unable to correspond this with the "production laptop" or "replacement window", due to a lack of information.
- 5) We have confirmed that there was a procurement contract in place with Mazarine Associates Ltd signed in October 2014. The contract was limited to \$90k, however, total spending to date is approximately \$260k.

Approval was sought by memo from the GM (OD) on the 12 November 2014, to the Acting Chief Executive, to exceed the \$90k limit. We have been informed that neither Finance nor Legal were consulted as part of this process.

No variation to the contract was made by the GM (OD) or approved by the Acting CE but no additional contract information has been submitted to Legal.

We were unable to obtain a copy of the original contract as it is not held by Legal, as expected in accordance with the Ministry's policy. The contract was the responsibility of the GM (OD), and we have been informed that it was signed without any consultation with the legal team. We understand that the contract is held by the GM (OD). This is also not consistent with the Ministry's policy or good practice.

We have obtained copies of all invoices relating to Mazarine from the Finance team. All have been approved by the GM (OD). The invoices have varying general descriptions, the majority of which relate to professional services and workshops, however, no further explanation is provided regarding what each invoice is specifically in relation to. Other descriptions refer to the 'LDC project', 'project management services', 'LMS module' and 'CIPD Modular training tool kits'. We were unable to

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obtain any information from staff at the Ministry as to what these relate to, who/how many attended workshops etc. Our expectation is that staff would have been aware of the nature of these costs, but have been informed only the GM (OD) is aware.

Due to the lack of description and being unable to locate a contract, we were unable to determine if these were legitimate expenditure.

- 6) A new secondary contract was signed between the GM (OD) and Elizabeth Williams (EJW) (part of Mazarine) that is believed to relate to the additional expenditure incurred on the Mazarine contract (as noted above). However, we could not locate the contract or variation. In the memo request for additional funding between the GM (OD) and Acting CE, the GM (OD) noted that this contract with EJW was signed in July 2014, however, the original contract with Mazarine was not signed until October 2014, which without the contracts we were unable to reconcile the dates. The Legal team is unsure re: the content of this secondary contract and why it was required as they have not obtained a copy.
- 7) We understand that the contract for EJW was for the 2014/15 & 2015/16 financial years and was signed by the GM (OD). This is not in line with policy as the Chief Executive should sign all contracts for multiple years as per the Procurement policy.
- 8) The legal team were not consulted (or received a copy of the contract) for EJW contract. As sighted in an email transcript between the GM (OD) and Legal, the Mazarine contract was signed without Legal's approval and has not been returned to Legal for filing. This is another example of non-compliance with policy.
- 9) The EJW contact email is not a company (Mazarine) address as would be expected; it is a personal e-mail account.
- 10) We have obtained copies of all invoices relating to EJW from Finance. All invoices have been approved by the GM (OD) only and descriptions state "Professional HR Services" and "workshops". We were unable to obtain any information or confirmation of the professional services or workshops, including when they were held and who attended. We again performed a company register and internet search and Mazarine appears to be a legitimate company, but we were unable to find any trace of an Elizabeth James Williams (EJW).

Outstanding information we have not been able to obtain

- 1) We have not been able to obtain copies of the contracts with [REDACTED] Sharp Design, Mazarine and EJW.
- 2) Documentation to support approval of additional expenditure above the Mazarine contract level.
- 3) Confirmation of the nature and purpose of the expenditure reviewed, where the descriptions are not sufficient. This includes the 'professional services', 'workshops' and where descriptions have been 'blanked out'.

Outstanding conclusions

Due to the outstanding information noted in this memo, we have been unable to conclude on the following:

- 1) Whether the contracts relating to Mazarine, Sharp Design and [REDACTED] and EJW are legitimate and pertain to the Ministry's business.
- 2) Whether the terms of the Mazarine and EJW contracts entered into are appropriate and have not exposed the Ministry to undue risk.
- 3) Whether expenditure incurred as described on the [REDACTED] Sharp Design, Mazarine and EJW invoices is in line with the respective contracts/requirements of the Ministry.
- 4) What the purpose of the EJW contract is, and how it relates to the Mazarine contract.
- 5) Whether there are other contracts that have not complied with the Ministry's policy and practices.
- 6) Whether the EJW or 'Sharp Design' are legitimate companies.

Evidenced concerns

- The procurement policy doesn't adequately cover contract variations in terms of how they should be processed and approved
- There are several instances where policies/procedures have not been adhered to:
 - Staff other than the CE approving expenditure for multi-year contracts
 - The Legal/finance team not being involved in the drafting and approving of contracts prior to signing
 - Contracts not being returned to Legal once signed by both parties
 - Contracts not being set up with 3rd parties where transactions are above the thresholds set in the procurement policy
- Descriptions on invoices have been blanked out
- Expenditure has exceeded agreed contract levels (Mazarine/EJW) where we have been unable to obtain/sight an explanation or approval
- Contracts are being held by individual staff, and Finance and Legal do not have access to them
- The ComplyWith survey has not been fully completed as required and elements of it have been completed by an inappropriate person.

Recommendations/next steps

The Ministry should:

- Follow up the issues identified to ensure that the Ministry has not been exposed to any undue risk or incurred any unintended or inappropriate expenditure
- Update its procurement policy to ensure it is clear to staff how contract variations should be dealt with and what approval is necessary

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- Ensure all staff adhere to the Ministry's policies and procedures and promptly address any instances of non-compliance
- Actively monitor actual expenditure against budgets/contracts to identify any instances where expenditure is in excess of the agreed level and then take prompt action to address these
- Ensure all contracts are held by the Legal team as required and that relevant staff have access to contracts as appropriate
- We recommend that the Ministry follow up the outstanding information, address the queries we have been unable to obtain information in regards to, and implement improvements to policy and procedures to ensure staff compliance.

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David Bowden

From: Martin Matthews
Sent: Friday, 22 April 2016 3:00 p.m.
To: David Bowden
Subject: FW: Employment issues

E-mail as sent

-----Original Message-----

From: Martin Matthews
Sent: Friday, 22 April 2016 5:41 a.m.
To: [REDACTED]
Subject: Employment issues

Dear Jo,

I am writing to inform you of my intention to commence an investigation into serious concerns that have arisen in relation to your employment. These concerns relate to whether you have deliberately and/or negligently failed to comply with procurement and management of contractual relationships. I am also concerned about the extent to which you may have misled your employer about this and other matters.

When I recently asked for your personnel file significant parts of it were missing. This is a source of grave concern for me. I have been able to retrieve some information and was concerned to discover a significant difference between two CVs you have submitted. One failed to disclose previous employment in New Zealand.

I have decided to investigate these matters more fully. To protect the integrity of that investigation I am taking the precaution of revoking your access to the building and the computer system and securing the filing cabinet from your office. To avoid any doubt I instruct you not to take any action, whether directly or indirectly, to access the building or computer system or your filing cabinet until such time that I am able to meet with you.

Given the sensitive nature of these matters, I propose that a meeting occur somewhere other than the Ministry. I require you to meet with me on Tuesday 26 April at 10.30am, Cullen Law (Level 8, Resimac House, 45 Johnston Street, Wellington). At that meeting I will provide you with a letter setting out my concerns in more detail. The purpose of that meeting is not to hear your responses to those concerns but to explain the process I intend to follow and to confirm whether you agree to paid special leave for the duration of the investigation. You would not do any work during such time for the Ministry of Transport or any third party.

If you do not agree to paid special leave I would propose hearing you on whether suspension should occur until the investigation has concluded and on what conditions that would apply. You may if you wish bring a representative to the meeting.

In the interim I instruct you not to contact any employee of the Ministry of Transport, whether directly or indirectly. This includes contact in respect of your work with other people and organisations you have been dealing with in your capacity as a Ministry employee. If you are of the view that you do need to contact someone in relation to your work, please advise me and I will endeavour to facilitate this if appropriate.

Withheld under section 9(2)(a)


Should you have any other questions in the interim please contact me directly.

Yours sincerely,

Martin

Martin Matthews

Chief Executive and Secretary for Transport Ministry of Transport - Te Manatu Waka



Ensuring Our Transport System Helps New Zealand Thrive

Sent with Good (www.good.com)

From: Joanne H [REDACTED]
Sent: Monday, April 25, 2016 02:14 PM New Zealand Standard Time
To: Martin Matthews
Subject: Re: Employment issues

Dear Martin

Thank you for informing me of your intentions to commence an investigation into serious concerns. I am very upset to read your note.
I understand your instructions and will fully comply with them.

I am unable to attend the proposed meeting you suggested, [REDACTED]
[REDACTED] I had hoped to discuss this personal matter with you, as I indicated to Andrew recently.

I will courier my pass keys, entry tag, and [REDACTED] to you in the morning. Please note that I do not, and have never had, access to personnel files for any staff member, nor for payroll systems or data at any time. Please check the returned keys to confirm this.
As you suggest information from my file appears to be missing, then you may not have my updated information. [REDACTED]
[REDACTED]

I am grateful for the consideration of the sensitive nature of your investigation, and the offer of special leave is appreciated [REDACTED]

From a work continuity perspective, please could I ask for [REDACTED] to be advised that I am away from work [REDACTED] and will be unable to conclude the [REDACTED] with him. As you know Martin, it has been months of intensive work, due to be finalised this coming week, it impacts a good number of staff there and it does need to be delivered.

I have some personal belongings in the white cupboard, PDJs, learning journals, my own training materials, some birthday gifts, merchandise, my shoes, desk toy and pens etc. The filing cabinet in the office belongs to [REDACTED] and still has to be fully cleared out. Please could these personal items be returned to me?

Yours sincerely

Joanne

On Fri, Apr 22, 2016 at 5:40 AM, Martin Matthews [REDACTED] wrote:
Dear Jo,

I am writing to inform you of my intention to commence an investigation into serious concerns that have arisen in relation to your employment. These concerns relate to whether you have deliberately and/or negligently failed to comply with procurement and management of contractual relationships. I am also concerned about the extent to which you may have misled your employer about this and other matters.

When I recently asked for your personnel file significant parts of it were missing. This is a source of

grave concern for me. I have been able to retrieve some information and was concerned to discover a significant difference between two CVs you have submitted. One failed to disclose previous employment in New Zealand.

I have decided to investigate these matters more fully. To protect the integrity of that investigation I am taking the precaution of revoking your access to the building and the computer system and securing the filing cabinet from your office. To avoid any doubt I instruct you not to take any action, whether directly or indirectly, to access the building or computer system or your filing cabinet until such time that I am able to meet with you.

Given the sensitive nature of these matters, I propose that a meeting occur somewhere other than the Ministry. I require you to meet with me on Tuesday 26 April at 10.30am, Cullen Law (Level 8, Resimac House, 45 Johnston Street, Wellington). At that meeting I will provide you with a letter setting out my concerns in more detail. The purpose of that meeting is not to hear your responses to those concerns but to explain the process I intend to follow and to confirm whether you agree to paid special leave for the duration of the investigation. You would not do any work during such time for the Ministry of Transport or any third party.

If you do not agree to paid special leave I would propose hearing you on whether suspension should occur until the investigation has concluded and on what conditions that would apply. You may if you wish bring a representative to the meeting.

In the interim I instruct you not to contact any employee of the Ministry of Transport, whether directly or indirectly. This includes contact in respect of your work with other people and organisations you have been dealing with in your capacity as a Ministry employee. If you are of the view that you do need to contact someone in relation to your work, please advise me and I will endeavour to facilitate this if appropriate.

Should you have any other questions in the interim please contact me directly.

Yours sincerely,

Martin

Martin Matthews
Chief Executive and Secretary for Transport
Ministry of Transport - Te Manatu Waka



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Minister

Personnel

* Sensitive and serious issue

- inform under 'no surprises'

* Commencing two investigations today
in relation to one of my senior
managers - GM O/D

* Employment investigation

- mislead me about
employment history.

- non-compliance with
contracting / procurement.

- Peter Churchman QC.

* Forensic investigation

- concerns about payments
to several parties to
ensure they are lawful
legitimate.

- Deloitte to do

* Alerted to some issues with her
two weeks ago

- asked for audit N2 to look
at closely & reported on Friday

- commissioned Peter Cullen to

advise on ~~employment~~ ^{employment} issues

- I advised her on Friday of my
- she is not at work. investigator

* I do not currently have evidence of fraud, but I am seriously concerned about this possibility
* I am talking with the SFO today to inform them of my concerns and actions.

* I have also taken advice from the JSC and am keeping them informed of what I am doing.

Next steps

1. Employment investigation

- do we proceed anyway
- send letter?
- response to email.

- [REDACTED]

- personal items?

- [REDACTED]

- dining

2. Forensic investigation

- Deloitte / TOR / dining
- Police (SJTW / phone call / invoice)
- SFO.

- 3 /
- Deloitte
 - Churchman
 - SFO

4 / Comme. - - On leave

- Audit N2 / follows up.

5 / Miniskv

6 / [REDACTED]

STO

* Want to inform you of a situation I am dealing with, and to seek your advice as to any other steps that may be needed / desirable.

* 2 weeks ago, informed about matters in relation to Truman Harrison via RM (OO)

o

o Our internal compliance report ... non-compliance. Previously viewed as sloppy. Asked Audit NZ to look closely at this - they have reported.

* Today will commence 2 investigations

o Employment Investigation

- procurement compliance
- misleading re employment history
- Peter Churchman QC

o Forensic Investigation

- follow up to Audit NZ work
- lawful & legitimate payments
- Detrité

* No direct evidence of fraud, but serious concerns

- * previous history
- * non-compliance
- * EJM - payment & voice mail.

* Taken steps to secure files (electronic etc)
* access to building etc

* Jo is on leave

- did not attend an employment meeting this morning

- contact yesterday by email.

- had been concerned if 'framed', she may have 'flown'

* I am concerned enough to alert you to my concerns and actions

- is there anything more I should do?

- is there anything more I should give SFO / Police?

- am in Auckland tomorrow

Advice

* Touch base with Deloitte - 

* Don't need to talk to ~~Wheel~~ at this stage

Withhold under section 9(2)(a)

From: [REDACTED]
Sent: Wednesday, 27 April 2016 9:10 a.m.
To: David Bowden
Subject: Mission update

Hi David, this picture is [REDACTED]

[REDACTED] came into the office about 9.40 Monday morning, [REDACTED] walked along the corridor to the end of the floor (presumably to check that no one was on the floor), came back, and tried a series of keys in Jo's office door. Then [REDACTED] left.

[REDACTED]

[REDACTED] - this was a specific visit solely to gain access to the office.

[REDACTED]



27 April 2016

Joanne Harrison
General Manager Organisational Development
Ministry of Transport

By email: [REDACTED]

Dear Joanne

Employment investigation

I wrote to you on 22 April 2016 about concerns in relation to your employment. I now set out these concerns in more detail.

Background

On 8 July 2013 you were appointed General Manager Organisational Development ("GMOD") with work commencing 5 August 2013 (with your permanent appointment being confirmed on 30 June 2015). As part of your role you received level 2 financial delegation and you agreed to be conversant with, and abide by, the rules and guidelines for financial delegations. Since that time there have been a number of occasions where you were questioned in relation the exercise of that delegation as well as compliance with procurement and management of supplier contracts.

Sharp-Design and other suppliers

In 2013 it was discovered that there were no contracts for a number of suppliers. When this was brought to your attention you stated in an email of 30 October 2013 that [REDACTED] Sharp-Design and [REDACTED] would no longer be working as part of the OD restructure. You also said that for future contracts you knew what was expected.

In May 2014 preparatory work for the Estimates Select Committee revealed suppliers had been engaged without any apparent contracts specifically:

1. Sharp Design (total spend 2013/2014 \$123,348); and

[REDACTED]

You were asked to forward contracts for these suppliers but none were forthcoming. The money spent also appeared to be odds with you statement in October 2013 that these suppliers would no longer be required from December 2013.

I wrote to you about these matters on 25 August 2014 seeking an explanation as well as an indication of how you would ensure all future procurement would be managed in accordance with Ministry policy and procedure. You responded it was your mistake based on genuine misunderstandings around contracting policy and any related party disclosures. You also said you fully understood the scrutiny and accept you had failed to comply with the policy for contracting. In future you assured me [REDACTED] would oversee the contracting process on your behalf, countersign the invoices and keep a running total of all costs. You made these statements via email on 25 August 2014.

www.transport.govt.nz

Less than two months later you were asked to finalise deliverables with Legal in a contract prior to signing with the supplier. This is a requirement of the procurement policy. You signed with the supplier without doing so. Lisa Nickson reminded you it is for the legal team to finalise the contract to ensure everything is in order prior to signing and that the original contract is to be held by Legal. This was explained in an email on 22 October 2014.

In considering these matters at the time, you assured me arrangements were in place to manage future procurement consistent with expectations. I had no information to cause me to question whether services were actually provided, and I was not prepared to bring my trust and confidence in you into question without reasonable evidence.

Mazarine Associates and Elizabeth Williams

I was unaware that on 9 October 2014 you sought approval, in my absence, from Andrew Jackson (Deputy Chief Executive) to continue arrangements with two suppliers (one being Mazarine Associates) that you had engaged without contracts. You also sought to put in place written contracts with them in spite of the procurement policy not being followed and despite your assurances in October 2013 that contracts would be in place in future. At the time Mr Jackson instructed you that in the future every effort was to be made so that contracts were in place following due competitive procedures. A contract with Ms Williams of Mazarine Associates was only located in your filing cabinet last week.

In mid 2015 concerns were raised in relation to Mazarine Associates. Invoices were being received but there did not appear to be any contract on file. There were also concerns that this engagement had occurred without having been registered on the Government Electronic Tenders Service website ("GETS"), a requirement of the procurement policy and the government's mandatory rules of sourcing.

In September 2015 David Bowden (Chief Legal Advisor) raised non-compliance with you and the need for competitive tendering. I understand your response at the time was you thought you were doing the right thing. You noted that future expenditure for this work would likely be above \$100,000 and that now would be an appropriate time to tender for the next stage, as the work with Mazarine was at an appropriate point to finish. It appears that during the earlier engagement with Ms Williams in 2014 you knew expenditure over \$100,000 must be registered through GETS. You demonstrated this knowledge in a document addressed to Ms Williams (although there is no evidence of this document ever being sent).

As above, a copy of a contract with Ms Williams of Mazarine Associates was located in your filing cabinet. This contract is dated 15 October 2014 and states a limit of \$90,000 for work in 2014 and a further \$95,000 work for 2015. This is a multi-year arrangement, which is in conflict with the financial delegation policy which requires the Chief Executive to sign such agreements.

Subsequent to Mr Bowden's discussion with you there was a call for registration of interest arranged through GETS. This was uploaded on 11 September 2015.

As a result of that process you engaged two suppliers, one being Elizabeth Williams and the other being [REDACTED]. While the registration of interest from [REDACTED] is what might be expected of a successful applicant, it is of concern to me that Ms Williams' registration of interest was far from the same standard, and yet she obtained the most favourable assessment. I also note Ms Williams was the same person involved in the Mazarine Associates engagement.

You then entered into two contracts with the suppliers. You are the only Ministry signatory on these contracts, despite the likely value of them being above your financial delegation to sign. The legal team did not see these contracts, nor were the deliverables confirmed with them. The Finance team also should have been aware of the financial components of the contract. These were issues you ought to have been aware of.

In particular the contracts did not state a limit on the fees to be completed by the suppliers as required by the procurement policy and the financial delegation policy.

Compliance memorandum

Every year the Ministry undertakes a compliance survey, a key tool to monitor whether the Ministry is complying with its legal obligations and its procurement procedures. On 4 December 2015 Clif Corbett wrote a memorandum in respect of a compliance survey undertaken in July/September 2015. The memorandum noted there had been a recurrence of contracting non-compliance in your area of Organisational Development. Mr Corbett stated that the actual breach of the GETS requirement was irretrievable and that the issue was not lack of awareness of the procurement policy as this had been discussed previously.

I referred the memorandum to the 14 December 2015 meeting of MLT. The papers were circulated on 11 December. You expressed concern to me about the report. I asked that you work through any parts you thought were inaccurate with Legal. You wrote to Mr Bowden on 11 December 2015 that you were struggling to understand parts of the paper that specifically attack OD over contract documentation. You said this despite your initial assurance to be conversant with relevant policy when you first became GMOD, and the instances identified above where you acknowledged what you had done wrong and that you would rectify matters.

Audit New Zealand and review of invoices

In following up the Ministry's compliance report as part of an interim audit, Audit New Zealand requested copies of invoices in relation to expenditure with suppliers you had engaged. This request was made on 14 April 2016.

It was then brought to my attention that the ongoing invoices from Ms Williams have been paid, signed by you, but not countersigned.

This appears to be in direct conflict with your assurance to me on 25 August 2014 that in future [REDACTED] would oversee the contracting process on your behalf, countersign the invoices and keep a running total of all costs.

The invoices lacked detail and I have real concerns as to what, if any, services have actually been provided.

I asked Audit New Zealand to look more closely at these matters as part of its interim audit and it has since reported to me its interim findings. These include (among others):

1. further expenditure with Sharp Design (\$23,000) and [REDACTED] in the current financial year;
2. a company named Sharp Design cannot be located;
3. inability to identify what Sharp Design expenditure related to;
4. the contract with Mazarine limited to \$90,000 has total spending to date of \$260,000;
5. no formal variation to the contract with Mazarine was made;

6. invoices with Mazarine do not explain what each invoice relates to;
7. a memorandum from you states a contract was signed with Ms Williams of Mazarine in July 2014 but the contract was not signed until October 2014;
8. multi year contracts with Ms Williams of Mazarine were not signed by the Chief Executive as required;
9. the legal team were neither consulted nor received copies of contract; and
10. lack of information or confirmation of the services provided by Ms Williams.

Summary of compliance issues

In summary, the issues arising from your procurement and management of contracts are as follows:

1. no contract existing for Sharp-Design;
2. work with [REDACTED] and Sharp-Design continued when you said it would cease;
3. failure to follow procurement process;
4. no contract existing for Mazarine Associates as at July 2014;
5. why copies of draft contracts were not provided to Legal and Finance for approval;
6. failure to provide Legal with a copy of any completed contract;
7. failure to set limits on expenditure within contracts;
8. entering into multi year contracts;
9. failure to set clear deliverables;
10. whether services were genuinely provided;
11. failure to obtain signatures from parties to contracts; and
12. invoices were not countersigned and records not kept appropriately.

Concerns relating to non compliance

In October 2014 I considered certain matters that had been brought to my attention in relation to your compliance with our policies. As stated above, you assured me arrangements were in place to manage future procurement consistent with expectations. I had no information to cause me to question whether services were actually provided, and was not prepared to bring my trust and confidence in you into question without reasonable evidence. That is no longer the case.

The countersigning of invoices is a fundamental internal control, and one you assured me would be carried out. When balancing the apparent failure to do so with your repeated assurances that you would comply with all relevant policies, I am left in a position where I have to consider whether your non compliance, both in the past and more recently, is deliberate or negligent.

If deliberate, I also need to consider why this is the case, and whether you were misleading your employer as to why you did not comply and/or in making assurances that you would comply in the future.

Concerns relating to representations

As I mentioned in my email of 22 April 2016 I recently asked for your personnel file and discovered significant parts of it were missing. As GMOD you are responsible for safety and security of personnel files. This is an area of grave concern to me. Your personnel file does not have your successful application for a position in 2011 (and accordingly it does not have the accompanying documents such as the criminal conviction declaration form and the conflict of interest declaration).

I have been able to electronically trace your applications for positions in 2008 and 2011, but not the accompanying documents. I am told application documents would normally appear on a Ministry personnel file.

The curriculum vitae provided in 2008 is quite clear you had previously worked in New Zealand. This is different from the curriculum vitae with your successful application in 2011. Your earlier curriculum vitae states you worked for the Far North District Council from June 2007 – October 2008. Internet searches confirmed you worked for the Far North District Council.


I am concerned that you misrepresented your New Zealand employment and/or contractor work history to your employer. [REDACTED]

You said in your curriculum vitae you had temporary work visas over 2006-2007. This appears to be obfuscation. Having work visas is one thing, but you do not go on to complete the picture by saying whether you secured work and most importantly how it ended. You appear to present only part of the picture.

Information required

I require the following from you:

1. an explanation about the remainder of your personnel file, including the hard copies of your applications for positions and curriculum vitae for each application;
2. correspondence with us relating to your applications in 2008 and 2011;
3. the other forms you were required to complete in relation to your applications including the criminal conviction declaration form and conflict of interest declaration; and
4. a full statement of your employment and/or contract work history in New Zealand including:
 - a. the institutions you worked for as an employee or contractor;
 - b. the period of time you worked for them;
 - c. the nature of the work you did;
 - d. whether there was any disciplinary action against you; and
 - e. the circumstances leading to that employment or engagement ending.



I am also concerned that you had family members associated with Sharp-Design but failed to declare this. If this is the case, it would appear to be in conflict with your comments to me on 26 August 2016 that you learned of Sharp-Design through personal referrals from other users/staff members.

Relevant employment obligations

There are a number of employment obligations contained in your employment agreement and policy that I believe are relevant to the above concerns. I have summarised these in the appendix.

Allegations

Accordingly, it is alleged that you may have seriously damaged or destroyed trust and confidence because of one or more of the following allegations:

1. that you deliberately and/or negligently failed to comply with your obligations in respect of procurement of services and/or management of contractual relationships;
2. in relation to whether genuine work has been provided, that in recent times and indeed generally, you failed to properly monitor work provided in that there appears to be little, if any, work particularised or indeed provided, for invoices of not insignificant amounts of money;
3. that you misled your employer (and representatives of your employer) when questioned in respect of non-compliance by making claims such as:
 - a. you did not know what had to be done with respect to work sent out (email of 30 October 2013);
 - b. work from Sharp-Design and [redacted] would no longer be required (email of 30 October 2013); Withheld under section 9(2)(b)(ii)
 - c. you would keep relevant persons informed and organise contracts with future providers (email of 30 October 2013);
 - d. you made a mistake based on genuine misunderstandings around contracting policy and any related party disclosures (email of 25 August 2014);

- e. you would make sure [REDACTED] would (email of 25 August 2014):
 - i. oversee the contracting process;
 - ii. countersign invoices; and
 - iii. keep a running total of all costs;
 - f. you signed a contract with Elizabeth Williams of Mazarine Associates in July [2014] (memorandum to Andrew Jackson 12 November 2014);
 - g. in relation to contracts that you were learning something new about this every day (email of 22 October 2014);
4. that you disobeyed reasonable and lawful instructions in respect of:
- a. providing draft contracts to Legal for finalisation (email of 22 October 2014);
 - b. providing final copies of contracts to Legal (22 October 2014);
 - c. ensuring every effort is made in the future for contracts to be in place following competitive procedures (9 October 2014);
5. that you misrepresented your New Zealand employment and/or contractor work history when applying in 2011 for the position of Manager Change, People and Development;
6. that you deliberately and/or negligently removed part of your personnel file;



8. in relation to Sharp-Design, that you: Withheld under section 6(c)
- a. abused your position by contracting with Sharp-Design; and/or
 - b. failed to disclose a conflict of interest; and/or
 - c. misled me as to how you learned of Sharp-Design.

It is alleged further that as a result of one or more of the above allegations trust and confidence between myself as your employer and you has been seriously damaged and/or destroyed.

If any of these allegations are substantiated, it may lead to findings against you of misconduct and/or serious misconduct.

The position of GMOD is a crucial one in the organisation. You are a direct report to me and I look to you to provide me with insight and advice on staff within the Ministry, their trustworthiness, ability and suitability for promotion. As such I repose a high level of trust of confidence in you.

Independent investigator

I have arranged Peter Churchman QC to investigate to determine whether the allegations are substantiated. Mr Churchman will meet with you and others, establish

the facts and provide me with a report on this. You are instructed to make yourself available to meet with him and to answer his questions when he meets with you.

You will be provided with terms of reference for the investigation and copies of the relevant information.

I instruct you to assist Mr Churchman by meeting with him and answering his questions.

Possible outcome following independent investigation

Once I have considered Mr Churchman's report I will make a tentative decision as to whether or not any action is needed in the context of your employment. Because of the nature of the concerns, this may include disciplinary action from a warning up to summary dismissal (provided for under clause 28.4 of your employment agreement). However, I will not form a view on any tentative decision until such time that I have been able to consider Mr Churchman's report.

You will also have the opportunity to meet with me and provide feedback as well as anything else you think should be taken into account before I arrive at a final decision.

Proposed suspension/special leave

On 22 April 2016 I offered special leave. You said in your email of 25 April 2016 you would appreciate that offer once you are signed off on sick leave. However, since the time of writing on 22 April 2016 further information has come to light which has deepened the gravity of the concerns that I have and heightened the need to protect the integrity of the investigation.

Withheld under section 6(c)

In particular I am concerned that Ms Williams has not contacted the Ministry about non-receipt of funds she would have otherwise been paid for the last month and that she has not responded to our efforts to contact her.



More generally the allegations against you relate to compliance with financial delegation and procurement policy, the location of critical documents and information and whether you have misled your employer. I am also concerned about the genuineness of the services invoiced, and the level to which you were aware of this.

I have decided that a separate forensic investigation is necessary and I have arranged Deloitte to carry this out. I require you to meet with the forensic investigator if requested and assist that investigation.

Given the nature and seriousness of the concerns that I have outlined in this letter, I am concerned that the employment relationship between us cannot function effectively while the above allegations are being investigated and that special leave would be inadequate in addressing this. For that reason I am proposing to suspend you.

The right to suspend, with or without pay, where serious misconduct or negligence is being investigated is confirmed under clause 33 of your employment agreement.

While I have not yet formed a view about these matters, I consider the allegations to be serious and am proposing to suspend you on pay, subject to review, for the duration of the investigation.

As part of the conditions of suspension I would propose maintaining the withdrawal of your access to the building, and the computer system and that your filing cabinet would continue to be restricted. This would include continuing to require you not to contact any employee of the Ministry of Transport, whether directly or indirectly. This includes contact in respect of your work with other people and organisations you have been dealing with in your capacity as a Ministry employee. This would also restrict you from making contact with any supplier.



I would like to hear from you on my proposal to suspend you and on the proposed conditions of that suspension. Please provide any comments on these issues by 4pm Thursday 28 April 2016. You may do so by responding in writing to me.

Confidentiality

The issues raised in this letter are serious and must be treated as strictly confidential.

I instruct you not to contact any employee of the Ministry of Transport or contractor, whether directly or indirectly, in respect of these matters. If you are of the view that you do need to contact someone in relation to the investigation, please advise me and I will endeavour to facilitate this if appropriate.

Failure to follow these instructions may result in disciplinary action.

Support and representation

You have the option of access the support of the Employee Assistance Programme (EAP). I also remind you of your right to representation throughout the investigation.



Yours sincerely

Withheld under section 9(2)(a)

Martin Matthews
Chief Executive and Secretary for Transport Ministry of Transport - Te Manatu Waka

APPENDIX – RELEVANT EMPLOYMENT OBLIGATIONS

Individual employment agreement:

- Clause 2.3:
 - Comply with all reasonable directions and policies of the Employer in place from time to time.
 - Comply with the Ministry's Code of Conduct and the State Sector Standards of Integrity and Conduct.
- Clause 27.1 requiring you to comply with the Ministry's Code of Conduct and the State Sector Standards of Integrity and Conduct.
- Clause 27.3:
 - A breach of either the Ministry's Code of Conduct or the State Sector Standards of Integrity and Conduct may result in disciplinary action up to, and including, summary dismissal.
- Clause 37.4 relating to notification of an conflict of interest.
- Clause 42.1 relating to your employer's reliance upon representations made by you during the recruitment process.

State Services Commission Standards of Integrity and Conduct:

- Requiring you to be trustworthy and honest.
- Requiring you to be responsible and act lawfully and objectively; and use resources carefully and only for intended purposes..

Procurement Policy and Procedures Manual

- Full and fair opportunity (page 10).
- Establishing contracts (page 10 and 11) and the need to set out:
 - precise specification of the services or goods that are to be supplied;
 - the duration of the contract; and
 - the price to be paid.
- The requirement for staff to comply with procurement policies and procedures (page 11) including:
 - where the procurement value is \$100,000 or more the Chief Executive must approve the departure prior to the departure taking place (this cannot be due to lack of planning);
 - obtaining at least three written quotations for procurements with total potential values between \$50,000 and \$99,999; and
 - posting all procurements with total potential value of \$100,000 or more on GETS.
- Determining value of contracts (page 12).
- Business ethics (page 13), the Ministry's business ethics and personal interests and relationships (page 14), conflicts of interest (page 15)
- Accountability and keeping records (page 16).
- Obtaining advice on procurement (page 31) – requiring legal checks on proposed procurements.

- Documenting the procurement (page 37 and 53).
- Tender plan (page 39 and 40).
- Open tendering requirement (page 57).
- Arranging for a contract to be drafted (page 61).
- Supplier contract provided to Legal for examination (page 62).
- Filing of signed contract (page 62).
- Responsibilities for contract management (page 63).
- Contract review (page 64).

Financial delegations policy

- 1.1 Background:
 - Staff provided with financial delegations are not permitted to break down purchases into components to keep expenditure within the rules.
- 1.3 One-Up Principal.
- 2.1 Multi year contracts.
- 2.2 The value of a contract.
- 5 Expenditure limits.

29 April 2016

[REDACTED]

[REDACTED]

The Ministry's records show that since 9 November 2015 you are supposed to have worked every Monday as a Writer in the Organisational Development Group. Prior to that, from July 2015, you were contracted to work 37 hours a week [REDACTED]

You never report to the office and there is no evidence of you doing any work for us.

Please contact me urgently, and certainly within 48 hours, with a full explanation as to what work you have done, what you are currently doing, and what you have done with the money you have been paid.

I put you on notice that in the absence of an adequate explanation I reserve the right to terminate your engagement and to take action against you, including recovery of the money you have been paid. In the meantime, in the absence of any evidence of performance of work, all payments to you will cease.

I have engaged Mr Churchman to carry out an employment investigation on our behalf and I require you to co-operate with him.

Yours sincerely



Martin Matthews
Chief Executive and Secretary for Transport



4 May 2016

Joanne Harrison
General Manager Organisational Development
Ministry of Transport

By email [REDACTED]

Dear Joanne

Background to proposal to suspend

In my letter of 27 April 2016 I proposed to suspend you from employment while the investigation is ongoing. In doing so I was mindful of the nature and seriousness of the concerns that I have as well as doubts as to whether the employment relationship between us could effectively function while the allegations are being investigated.

I also proposed conditions of suspension.

You were invited to respond to these proposals by 4pm 28 April 2016. It is now 4 May 2016 and I have not received a response.

Decision on suspension

In the absence of a response from you I have considered the issues and information before me, which is as follows:

- Ms Williams has attempted contact with the Ministry, however in her message, she has not raised concerns about non-receipt of funds she would have otherwise been paid and I am no closer to understanding the exact nature of the work she does.
- [REDACTED]
- [REDACTED]
- The allegations against you relate to:
 - compliance with financial delegation and procurement policy;
 - the location of critical documents and information;
 - the genuineness of the services invoiced, and the level to which you were aware of this; and
 - whether you have misled your employer.
- Both the forensic investigation by Deloitte and the employment investigation require maintaining the integrity of documentary and electronic evidence, as well as evidence from potential witnesses, without the potential for interference.

- Surveillance footage from 25 April 2016 shows [REDACTED] attempting to enter your office, albeit unsuccessfully. I understand [REDACTED] is known to you. [REDACTED] was on site on a public holiday during non working hours (in respect of the work [REDACTED] does).

Considering these matters, I am not persuaded that anything short of suspension would sufficiently address the serious concerns that I have and the imperative to protect of the information and enquiries at the heart of the investigation.

Decision on conditions of suspension

For the same reasons as stated above, I am not persuaded that the conditions proposed on 27 April 2016 should change. The conditions are as follows:

- Your access to the building, the computer system and filing cabinet continues to be restricted.
- You may not be in contact with any employee of the Ministry of Transport, whether directly or indirectly. This includes contact in respect of your work with other people and organisations you have been dealing with in your capacity as a Ministry employee.
- You may not be in contact with any supplier of goods or services to the Ministry.
- Your suspension is on full pay.

I believe the above conditions are necessary to address both the gravity of my concerns and the need to conduct a thorough investigation without risk of interference. These conditions are subject to review.

Further allegation in respect of [REDACTED] Withheld under section 6(c), 9(2)(a) and 9(2)(j)


It is further alleged you instructed Finance to add [REDACTED] to our payroll without the necessary approval/letter of offer being signed by me, in breach of your obligation to me as your employer to do so. It is alleged this action is inconsistent with your obligation of trust and confidence. If substantiated, it may lead to a finding against you of misconduct and/or serious misconduct. A possible outcome of this is summary dismissal from employment.

Contact

I am concerned that I have not heard from you since 25 April 2016. I appreciate that you [REDACTED] but you have an obligation to be responsive and communicate. I require your urgent confirmation that you have received this letter.

I also instruct you to contact Peter Churchman QC urgently to assist him with the employment investigation.

Yours sincerely



Martin Matthews

Chief Executive and Secretary for Transport Ministry of Transport - Te Manatu Waka



Nathan Bourke
Barrister

PO Box 5748
Wellington 6145
027 469 9378
nathan@bourkelaw.co.nz

Martin Matthews
Chief Executive and Secretary for Transport
Ministry of Transport

By email: m.matthews@transport.govt.nz

4 May 2016

Dear Martin

Joanne Harrison – Employment Investigation

I have been instructed by Ms Joanne Harrison in relation to an employment investigation which I understand has been commenced.

Could you please provide me with a copy of Ms Harrison's personal file and all documents relevant to the employment investigation pursuant to the provisions of the Privacy Act 1993.

As you will appreciate, I will need to obtain and review these documents, then meet further with Ms Harrison prior to her being interviewed or providing any formal written response.



I understand that Mr Peter Churchman QC has been instructed by the Ministry to interview Ms Harrison. I will write to him directly to advise that I am instructed and to arrange a suitable interview time [redacted]

Suspension

I understand that Ms Harrison has now been suspended on full pay. I have discussed this matter with her and I can advise that no issue is taken with the suspension provided it remains on full pay.

Kind regards

A handwritten signature in black ink, appearing to read 'Nathan Bourke', written in a cursive style.

Nathan Bourke
Barrister
027 469 9378



5 May 2016

Nathan Bourke
Barrister

By email only: nathan@bourkelaw.co.nz

Dear Mr Bourke

Joanne Harrison and the Ministry of Transport

Thank you for your recent letter to the Chief Executive of the Ministry of Transport. We act for the Ministry. Please direct all future correspondence to us.

[REDACTED]

The Ministry has provided documents to Ms Harrison relevant to the employment investigation and she will no doubt have provided these to you. Further relevant information has been obtained recently and it is possible there are some additional documents relevant to the investigation and if so the Ministry will provide these tomorrow. We will respond separately to the Privacy Act request.

The Ministry is extremely concerned about the passing of time. It requires Ms Harrison meet with Mr Peter Churchman QC urgently. He has been engaged by the Ministry to carry out an employment investigation and has written to Ms Harrison requesting she contact him. As an employee of the Ministry she has been directed to make herself available to assist Mr Churchman with his investigation. It is important that she comply with the direction immediately.

We have information that your client encouraged a contractor to enter the premises and attempt to get into her office over the Anzac weekend. She arranged for the contractor to leave a misleading letter on the premises. Two clandestine rendezvous with the contractor were arranged, one at night. We have no doubt that she is more than able to take part in an investigation forthwith.

Accordingly the Ministry requires her to meet with Mr Churchman at 1pm on 9 May 2016 at Level 7, Legal House, 101 Lambton Quay.

Yours faithfully
Cullen – The Employment Law Firm

Peter Cullen
Partner

LAWYERS

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Fred Hills

From: Martin Matthews [REDACTED]
Sent: Friday, 6 May 2016 6:24 p.m.
To: Joanne H
Subject: Employment Issues
Attachments: Letter to Joanne Harrison 6 May 2016.pdf

Categories: IDM-P, IDM

Dear Jo

The letter I sent at 5pm today had a timeframe for me to hear back from you by 10am Monday 9 May 2016. It should have read 10am Tuesday 10 May 2016. Please see attached a revised letter recognising this change.

Please note it still expected that you will meet with Peter Churchman on Monday 9 May at 1pm.

Yours sincerely

Martin

Martin Matthews
Chief Executive
Secretary for Transport
Ministry of Transport – Te Manatū Waka

[REDACTED]

Ensuring Our Transport System Helps New Zealand Thrive

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6 May 2016

Joanne Harrison
General Manager Organisational Development
Ministry of Transport

By email: [REDACTED]

Dear Joanne

Review of conditions of suspension

In my letter of 4 May 2016 I suspended you on full pay and subject to conditions.

Since that time it has come to my attention that you encouraged a contractor [REDACTED] to enter the premises and attempt to enter your office over the Anzac weekend. You arranged for the contractor to leave an envelope in the payroll office. Two clandestine rendezvous with the contractor were arranged, one at night. This was after you were instructed not to make contact with others. I also instructed you to contact me should you need to contact someone.

In considering this information, in addition to the information already set out in the letter of 4 May 2016, I am concerned that suspension on pay is no longer appropriate. You appear to be deliberately interfering with documents in the workplace at a time when your access has been restricted and when there is an employment investigation into whether you have misled your employer. Accordingly, I am proposing your suspension continue without pay with all other conditions remaining.

I would like to hear from you on this. Please provide any comments on my proposal by 10am Tuesday 10 May 2016.

Further allegations

In light of the new information that has come to light I allege the following:

1. that you breached my instructions of 22 April 2016 and 27 April 2016 in respect of refraining from contacting others;
2. that you improperly asked a contractor to enter the office on Anzac Day to remove material from the office;
3. that you improperly asked a contractor to leave an envelope in the payroll office.

It is alleged further that as a result of one or more of the above allegations trust and confidence between myself as your employer and you has been seriously damaged and/or destroyed.

If any of these allegations are substantiated, it may lead to findings against you of misconduct and/or serious misconduct. A possible outcome of this is summary dismissal from employment.

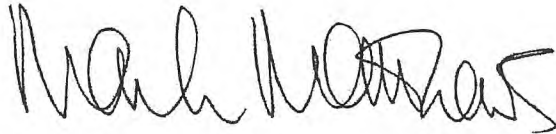
www.transport.govt.nz

HEAD OFFICE: PO Box 3175, Wellington 6140, New Zealand. TEL: +64 4 439 9000, FAX: +64 4 439 9001

AUCKLAND OFFICE: The New Zealand Government - Auckland Policy Office, PO Box 106 238, Auckland City 1143, New Zealand. TEL: +64 9 985 4827, FAX: +64 9 985 4849

I confirm you are required to meet with Peter Churchman at 1pm on Monday 9 May 2016
at level 7, Legal House, 101 Lambton Quay.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Martin Matthews'. The signature is written in a cursive, somewhat stylized font.

Martin Matthews
Chief Executive and Secretary for Transport Ministry of Transport - Te Manatu Waka

Fred Hills

From: Nathan Bourke - Barrister <nathan@bourkelaw.co.nz>
Sent: Monday, 9 May 2016 1:22 p.m.
To: Peter Cullen
Subject: Joanne Harrison

Categories: IDM

Good afternoon Peter

I have received the letter dated 6 May 2016 addressed to Ms Harrison, however I am yet to obtain instructions on the matters raised.

I can advise that Ms Harrison will not be attending the meeting with Mr Churchman today.

Kind Regards

Nathan Bourke
Barrister
Email: nathan@bourkelaw.co.nz
Phone: 027 469 9378
PO Box 5748, Wellington 6145

10 May 2016

Joanne Harrison
General Manager Organisational Development
Ministry of Transport

By email: [REDACTED]

Dear Joanne

Review of conditions of suspension

I wrote to you on 6 May 2016 proposing to suspend you without pay. I considered it necessary to review the conditions of suspension having heard unsettling reports of your attempts to disobey my instruction not to contact others as well as your attempts to apparently interfere with the investigation.

These attempts involved efforts to encourage a contractor to enter your office after [REDACTED] work hours to remove documents and a separate occasion where you arranged the same [REDACTED] to deposit an envelope in the payroll office. All of this appears to have been done clandestinely and contrary to the conditions for your suspension on pay.

On 9 May 2016 your lawyer acknowledged receipt of my letter to you with the proposal to suspend without pay. The timeframe for submissions on this proposal has passed. You have not responded.

In the absence of any comment from you I have decided to suspend you without pay in accordance with clause 33.1(a) of your employment agreement. All other conditions of suspension remain in place for the duration of the employment investigation, subject to review.

Should you wish me to review the conditions of your suspension you are welcome to provide submissions and I will do so.

Yours sincerely



Martin Matthews
Chief Executive and Secretary for Transport Ministry of Transport - Te Manatu Waka

Withheld under section 9(2)(a)

Martin Matthews
Chief Executive and Secretary for Transport
Ministry of Transport

By email: [REDACTED]

11 May 2016

Dear Martin

I would like to inform you that I am resigning from my position as General Manager for the Ministry of Transport effective immediately. Withheld under section 9(2)(a)

[REDACTED]

I cannot see a path to my returning to work and consider it unfair to remain employed by the Ministry of Transport.

Withheld under sections 6(c), 9(2)(a) and 9(2)(j)

Please could you note that the letter I asked the contractor to deliver to HR was a [REDACTED] it had been in my mailbox some time whilst I was overseas, and was overdue processing. The personal items I asked to be returned from the office were birthday presents for my mum, I had requested them be returned by email earlier, could I please ask that these be destroyed now.

Withheld under section 9(2)(a)

[REDACTED] overseas and will not be able to be contacted. I do not intend to return to New Zealand, I have no family, property, or potential work opportunities left in the country. Accordingly, I ask that all correspondence from this time on be directed to my lawyer, Nathan Bourke.

I wish you and the Ministry all the best for the future.

Yours sincerely

Joanne Harrison

Peter Cullen

From: Peter Cullen
Sent: Wednesday, 11 May 2016 5:42 p.m.
To: 'Nathan Bourke'
Subject: RE: Joanne Harrison

Importance: High

Categories: IDM

Dear Mr Burke,

The current employment investigation relating to Joanne Harrison will continue until its completion. Joanne Harrison is expected to cooperate with it.

If she fails to do so she cannot complain of inferences are drawn against her.

Yours faithfully,

PETER CULLEN | Partner

+64 4 471 3471
+64 4 499 5534
peter@cullenlaw.co.nz
www.cullenlaw.co.nz

THE EMPLOYMENT LAW FIRM

Level 8 Kirkcaldies North Tower, 45 Johnston Street, Wellington 6011
PO Box 10891, The Terrace, Wellington 6143

From: Nathan Bourke [<mailto:nathan@bourkelaw.co.nz>]
Sent: Wednesday, 11 May 2016 4:44 p.m.
To: Peter Cullen
Subject: Joanne Harrison

Dear Peter

Ms Harrison has provided me with the following letter which she asks to be passed on to the Ministry.

Kind Regards

Nathan Bourke
Barrister
Phone: 027 469 9378
Email: nathan@bourkelaw.co.nz
PO Box 5748, Wellington 6145

13 May 2016

Joanne Harrison
General Manager Organisational Development
Ministry of Transport

By email only:
cc:



Dear Joanne

Rejection of resignation without notice

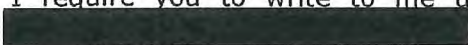
I was very disappointed to read your letter of 11 May 2016 and to learn of your departure from New Zealand without discussing this with me. Quite apart from being a senior employee you are also subject to an investigation into serious misconduct and you have an obligation to provide me with three months notice of termination of employment. Of all people you should be aware of the obligation to provide three months' notice.

It is also disappointing that you did not have the courtesy to write to me directly.


I am not prepared to relieve you of your obligation to provide three months' notice. I reject your assertion you can leave immediately by sending an email through your lawyer.

Accordingly, you are still an employee of the Ministry of Transport until the notice period has lapsed.


The conditions pertaining to your suspension without pay remain. Your co-operation with the Churchman investigation need not be hindered in light of your whereabouts, which you have failed to confirm. Any interviews with Mr Churchman may be conducted remotely via a suitable platform such as Skype.

I require you to write to me urgently to confirm your precise whereabouts and  A separate letter is being sent to your lawyer also in respect of this.

Yours sincerely




Martin Matthews
Chief Executive and Secretary for Transport
Ministry of Transport



Out of scope

From: Martin Matthews
Sent: Friday, 13 May 2016 4:58 p.m.
To: David Bowden
Subject: FW: Please note this email address is no longer in use Re: Employment Issue

From: Joanne H 
Sent: Friday, 13 May 2016 4:55 p.m.
To: Martin Matthews
Subject: Please note this email address is no longer in use Re: Employment Issue

Withheld under section 9(2)(a)

Please redirect your email to the person concerned.

MINISTRY OF TRANSPORT

Wellington (Head Office) | 89 The Terrace | PO Box 3175 | Wellington 6140 | NEW ZEALAND | Tel: +64 4 439 9000
| Fax: +64 4 439 9001
Auckland | NZ Government Auckland Policy Office | 45 Queen Street | PO Box 106238 | Auckland City | Auckland
1143 | NEW ZEALAND | Tel: +64 9 9854827 | Fax: +64 9 9854849

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13 May 2016

Nathan Bourke
Barrister

By email: nathan@bourkelaw.co.nz

Dear Mr Bourke

Joanne Harrison – rejection of resignation without notice

The Ministry of Transport does not accept Ms Harrison's resignation without notice where that would result in a breach of the employment agreement. Accordingly, your client remains an employee and is bound by all employment obligations, including the obligation to cooperate with the Churchman investigation.

If Ms Harrison fails to do so she runs the risk of further allegations being raised, including disobeying a lawful instruction. As indicated by email to you on 11 May 2016, she also runs the risk of adverse inferences being drawn should she fail to cooperate.

Please urgently confirm the following information:

- Ms Harrison's whereabouts;
- all current residential addresses and other contact details for Ms Harrison, including all phone numbers and all email addresses;



Information request

We will comply with your Privacy Act request and provide Ms Harrison's personal file. All documents relevant to the disciplinary investigation are released to Mr Churchman and to you from time to time as they are discovered. That is a continuing process and disclosure of those documents will continue to be made as they are identified. The Ministry reserves its right to rely on the grounds for objection to disclosure if it considers they apply.

Yours faithfully
Cullen – The Employment Law Firm

Fred Hills
Senior Lawyer

LAWYERS

Level 8 Kirkcaldies North Tower
45 Johnston Street
PO Box 10891, Wellington, 6143

Telephone: +64 4 499 5534
Fax: +64 4 499 7443

Email: enquiries@cullenlaw.co.nz
Website: www.cullenlaw.co.nz

Any problem can be resolved

Fred Hills

From: Nathan Bourke - Barrister <nathan@bourkelaw.co.nz>
Sent: Tuesday, 17 May 2016 2:44 p.m.
To: Fred Hills
Subject: RE: Joanne Harrison

Categories: IDM

Good afternoon Fred

I acknowledge receipt of your letter of 13 May 2016.


The information you have requested is covered by clause 8.1 of the Lawyers and Conveyancers Act (Lawyers: Conduct and Client Care) Rules 2008 and I am not in a position to provide it.

Kind Regards

 Nathan Bourke
Barrister
Email: nathan@bourkelaw.co.nz
Phone: 027 469 9378
PO Box 5748, Wellington 6145

From: Fred Hills [<mailto:fred@cullenlaw.co.nz>]
Sent: Friday, 13 May 2016 5:22 PM
To: 'nathan@bourkelaw.co.nz' (nathan@bourkelaw.co.nz) <nathan@bourkelaw.co.nz>
Cc: Peter Cullen <peter@cullenlaw.co.nz>
Subject: Joanne Harrison

Good afternoon Nathan,

 Please see attached two letters, one addressed to you and the other from the Ministry to your client.

The email to Ms Harrison was sent moments ago. Shortly thereafter our client received a response from her email address as follows:

Please redirect your email to the person concerned.

When an email fails to send an independent router typically brings this to the attention of the sender. It is highly unusual, and scarcely credible, that the recipient email address itself would respond with the words: Please redirect your email to the person concerned.

Given this development, the demands contained within our letter to you are all the more pressing.

We await urgent response.

Kind regards

FRED HILLS | Senior Lawyer

Fred Hills

From: Fred Hills
Sent: Monday, 23 May 2016 12:09 p.m.
To: 'Nathan Bourke - Barrister'
Cc: Peter Cullen
Subject: RE: Joanne Harrison

Categories: IDM

Good afternoon Nathan

We respond to your email of 17 May.

Your client remains an employee of the Ministry. On 13 May 2016 the Ministry instructed her to confirm her precise whereabouts [REDACTED]. This has nothing to do with the duty of confidentiality, it is a lawful and reasonable instruction and your client must comply.

Kind regards

FRED HILLS | Senior Lawyer



+64 4 471 3479
+64 4 499 5534
fred@cullenlaw.co.nz
www.cullenlaw.co.nz



Level 8 Resimac House, 45 Johnston Street, Wellington 6011
PO Box 10891, The Terrace, Wellington 6143

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From: Nathan Bourke - Barrister [mailto:nathan@bourkelaw.co.nz]
Sent: Tuesday, 17 May 2016 2:44 p.m.
To: Fred Hills
Subject: RE: Joanne Harrison

Good afternoon Fred

I acknowledge receipt of your letter of 13 May 2016.
The information you have requested is covered by clause 8.1 of the Lawyers and Conveyancers Act (Lawyers: Conduct and Client Care) Rules 2008 and I am not in a position to provide it.

Kind Regards

Nathan Bourke
Barrister
Email: nathan@bourkelaw.co.nz



26 October 2016

The Sentencing Judge
District Court
MANUKAU

CR12016-404-206 Crown v Joanne HARRISON – Victim Impact Statement

I am the Chief Executive of the Ministry of Transport, which is the government's principal transport adviser.

The Ministry employs over 130 people and has a budget of approximately \$33 million per year. Vote Transport, the government's funding for the transport sector channelled through the Ministry, is over \$4 billion per year. We provide advice to deliver a high performing transport system for New Zealand. We monitor the performance of transport crown entities such as the NZ Transport Agency, the Civil Aviation Authority, Maritime NZ and the Transport Accident Investigation Commission. We strive to achieve value for money from the \$4 billion annual investment in the transport system.

Under the umbrella of these responsibilities, the Ministry works on challenging and significant pieces of public policy that have tangible impacts on the lives of New Zealanders; for example, Auckland's transport congestion, the regulatory environment for transport innovators, aviation security and the reduction of road fatalities.

The public are entitled to have confidence in a government Ministry to do its job well and to hold itself to the highest professional standards. They will not support a Ministry that they do not believe is organisationally sound and secure from fraud.

The offending has had a significant impact on the Ministry's staff and stakeholders and indirectly on all public servants who are accountable for the use of public funds.

In terms of section 17 of the Victims Rights Act 2002, I would respectfully draw the Court's attention to the following matters:

1. Nature of the offending

Harrison's offending was sophisticated, highly manipulative and planned over a five year period.

Between November 2012 and July 2014, Harrison authorised payment of invoices totalling \$227,126.76 to Sharp Design, an entity associated with Harrison. She lied about work that had been provided by this entity.

Between August 2014 and March 2016, Harrison authorised payment of invoices totalling \$499,223.31 to Mazarine Associates and EJW Consultants. These entities were also associated with Harrison and she received the majority of the money paid under these invoices.

¹ www.transport.govt.nz

Harrison was appointed into a trusted senior management role at the Ministry in 2013 knowing she was abusing, and intending to further abuse, the Ministry. In this role she had oversight of significant funding and she budgeted for the money she stole and approved the invoices across numerous accounts to avoid any one of them standing out. The fraud was calculated and carefully planned.

Harrison was regarded by her peers as highly competent in her senior management role. She leveraged that status to abuse Ministry controls and systems and to manipulate staff to avoid discovery.

From June 2013 Harrison held the position of General Manager, Organisational Development. At the time she was defrauding her employer, she was also driving positive change in the Ministry. Her management approach and successful innovations were positively endorsed by staff and management. Harrison's outward passion and commitment to the Ministry made it appear inconceivable to her colleagues she could be defrauding them.

Harrison's senior status, coupled with her sophisticated and plausible explanations for her breaches of Ministry policies, made it easier to avoid detection of the fraud. There were incidences of some staff raising concerns about Harrison's breaches of procedure. However, judgements were made at the time that her explanations were reasonable for a seemingly fast-paced, hard working, high-performing senior manager.

2. Loss of Property

Harrison stole \$726,386.07 from the Ministry of Transport between 2012 and 2016.

Through the calculated abuse of procurement practices at the Ministry, Harrison awarded contracts to entities that were created for her benefit.

Restraining orders were granted by the High Court on 21 July 2016 pursuant to the Proceeds of Crime Act. These orders related to a house owned by Harrison and her husband (purchased in 2007 for \$537,500) and a bank account [REDACTED]

The Ministry remains committed to recovering all the money and assets associated with this offending.

3. Emotional harm

Like many crimes, corporate fraud leaves behind victims. The Ministry of Transport is an agency made up of professional colleagues who rely on an environment of trust to collaborate and organise their business. No one in the Ministry has been immune from Harrison's fraudulent actions.

Harrison's fraud has undermined the past three years of significant organisational change at the Ministry. As a Tier 2 leader, with responsibility for Organisational Development, Harrison drove much of that cultural change. Given what staff now know to be Harrison's true motivation, some are questioning the value of the development that has occurred. Some are left wondering whether the advances Harrison claimed for the organisation were, in fact, real.

Harrison created a web of deception by bestowing gifts to chosen staff members and work favours to some senior management peers. This behaviour was interpreted as the actions of a caring, supportive senior manager. In a highly calculating manner, Harrison created relationship capital she would later call on to deflect attention from her fraud.

Harrison deliberately undermined senior leadership relationships. She played some leaders off against each other, seeking to sever the bonds of trust amongst her peers, that contributed to conditions of advantage for her fraud.

Harrison has left behind a deep sense of betrayal amongst staff and management at the Ministry of Transport. Staff now recall lies and sophisticated explanations Harrison used to cover up her fraudulent actions. She has left some staff with feelings of shame and humiliation, and for others, self-doubt about their competencies and judgement. Since the discovery of the fraud at least one staff member has left the Ministry citing it as the main reason for departure. Some people who worked closely with her have been in tears on several occasions and feel extremely angry at Harrison.

Ministry staff, especially those who worked closely with Harrison, have faced questions from professional colleagues, both in and outside the Ministry, about what they knew of her fraudulent actions. Staff knew nothing of her fraud but still some have been left feeling "guilty by association", creating a sense of isolation and misplaced shame.

The discovery of Harrison's fraud left staff members in shock. The shock contributed to some relationship break-downs as staff withdrew from one another and reflected on how this could happen in an organisation of high performing people of integrity.

4. Damage to the Ministry's reputation

Harrison's offending has discredited the recent work done by the Ministry to build stronger stakeholder relationships and build the Ministry's reputation as a higher performing ministry.

The Ministry's moral authority, in its governance role with transport crown entities, has been undermined.

New Zealand generally has a "clean" image when it comes to fraud. New Zealand consistently ranks highly in surveys that measure trust in government and effectiveness of systems and processes that deal with fraud. Harrison's offending has dented this clean image and in the process has tarnished the reputation of an important Ministry. Harrison's offending is a violation of a strong code of ethics in New Zealand's public sector. By association, other public servants may have suffered reputational damage.

5. Financial cost

In addition to the actual amount stolen by Harrison, a considerable amount of time and cost has been incurred by the Ministry in relation to this offending. This relates to:

- a) lost staff time while staff investigated the case and assisted the Serious Fraud Office with the prosecution
- b) the ongoing work of recovering the stolen funds
- c) work to review existing systems and processes and make changes to help protect against this type of fraud happening again.

A redirection of effort was required by many Ministry staff, particularly the senior executive team, to manage the aftermath of Harrison's fraud. This was a costly distraction away from other organisational priorities and challenging transport issues.

The Ministry had to engage expert forensic accounting and legal assistance in investigating and uncovering the extent of the fraud. Other external suppliers have been engaged to help manage the aftermath of the fraud as well as to review systems and processes.

Conclusion

Joanne Harrison was a well-paid, trusted senior manager, with loyal staff, peers who respected her and significant public budgets to manage. She used her position of influence and knowledge of the Ministry's systems to deliberately, in a determined and sophisticated manner, defraud her employer over a five-year period.

Right from the beginning of her employment, Harrison knowingly misled the Ministry of Transport. Her numerous acts of deception have led to a situation where nothing that Harrison has done over the past five years can now be taken at face value. In its wake, Harrison's offending has left an organisation in shock and in doubt about its past achievements.

Staff at the Ministry of Transport are motivated to serve the needs of New Zealanders. Like all public servants accountable for public money, they cannot do this in an environment where there is no trust. Harrison's fraudulent actions strained the bonds of trust and collegiality for staff at the Ministry of Transport and they have threatened the integrity of the public service. Harrison didn't just steal from the Ministry of Transport, she stole from all New Zealanders. This was not a victimless crime, nor is it a crime that should be tolerated in the New Zealand public service.

I would be pleased to provide any further information about the impact of this offending on the Ministry and its staff as the Court sees fit.

Yours faithfully

A handwritten signature in black ink, appearing to read 'P. Mersi', with a small dot at the end.

Peter Mersi
Chief Executive