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SERIOUS FRAUD OFFICE
TE TARI HARA TĀWARE

Counter Fraud Centre
TAUĀRAI HARA TĀWARE

CASE STUDY – JULY 2026

False invoicing and gifts conceal corrupt road maintenance scheme

The Counter Fraud Centre – Tauārai Hara Tāware is the prevention arm of the Serious Fraud Office, leading counter fraud efforts in New Zealand's public sector. Using actual cases prosecuted by the Serious Fraud Office, our case studies aim to help public organisations understand, identify and prevent the impact of fraud.

Why are case studies useful?

Use case studies to:

- **increase fraud awareness** by including them in online training modules or team discussions
- **identify fraud risks** by considering whether the circumstances in this scenario might happen at your organisation
- **prevent fraud** by considering the controls that could prevent this fraud from occurring and implementing similar measures in your organisation.

What is in this case study?

- Case information
- Prosecution outcome
- Impact of offending
- Fraudster personas
- Red flags
- Effective controls
- Strengthening counter fraud capability

Case information

Contract Manager and Maintenance Manager worked together to corruptly obtain money intended for public roading maintenance and development.

Background

In 2012, an infrastructure maintenance and services company, referred to in this case study as **B Limited**, was awarded an eight-year contract by Auckland Transport to maintain and upgrade public roading in the Auckland region (the "**AT maintenance contract**").

Key players

Two employees of B Limited played central roles in the offending:

- The **Contract Manager**, who was responsible for managing the subcontractors under the AT maintenance contract. The Contract Manager had full responsibility for contract budgets, and he approved both purchase orders and invoices.
- The **Maintenance Manager**, who was hired by the Contract Manager in 2016 and was supervised by him.

The Contract Manager was the architect of various corrupt schemes devised to obtain money otherwise intended for the maintenance and development of public roading. He involved the Maintenance Manager and several subcontractors, suppliers and clients of B Limited in these schemes, using false or inflated invoices to secure the funds.

The Contract Manager and Maintenance Manager also incorporated a company referred to in this case study as **JMCC Limited** as part of these schemes, with the apparent purpose of avoiding accusations of conflicts of interest and/or bribery and corruption. The company was used to issue false invoices for work that was not actually carried out, and to collect payments from some of B Limited's subcontractors, suppliers and clients, in return for them obtaining ongoing work under the AT maintenance contract.

The schemes involving various companies are broadly summarised as follows.

Scheme one: SE Limited

False invoices

SE Limited was contracted to provide electrical services to B Limited between 2015 and 2018. One of its directors developed a close working relationship with the Contract Manager.

Together, they submitted 36 false invoices to B Limited, totalling $631,460.

The process for submitting the invoices involved the director requesting a purchase order number from the Contract Manager for a certain amount. The Contract Manager would facilitate the process and send the purchase order number to the director. The director would then create an invoice for work that was never done. The invoice would be sent either directly to the Contract Manager or a B Limited email account used for processing invoices. B Limited subsequently made payments for these false invoices into the SE Limited bank account.

With the amount resulting from the false invoices, the director of SE Limited made several payments for the benefit of, or at the request of, the Contract Manager. These payments included:

- $13,500 across two payments to a travel company for flight upgrades for the Contract Manager and his wife.
- $59,425 across 11 payments to the Contract Manager's trust account, marked as "rebates".
- $49,172 across 33 payments for renovation work done at the Contract Manager's property, including installation of a security system, fireplace and deck.
- $492,643 across 131 payments predominately for renovation work done at another of the Contract Manager's properties.

In total, the director of SE Limited provided over $600,000 in personal benefits to the Contract Manager and his family. Of this, the Contract Manager repaid around $300,000 to fund part of the renovation work done on his property.

In return, SE Limited continued to receive work from B Limited.

Scheme two: CR Limited

Kickbacks

CR Limited was contracted by B Limited to provide road maintenance services. In 2017 this work included clearing a slip in Kaiaua by removing soil by the truckload and tipping it at a tipping site some distance away. CR Limited earned just over $5.4 million from B Limited during and after the offending period.

In March and April 2017, CR Limited charged B Limited $140 per truckload of soil and debris cleared from the slip and dumped at the tipping site. In April 2017, this fee, by agreement with the Contract Manager, was increased to $180. The tipping fees were charged directly to B Limited and paid to CR Limited.

The Contract Manager would receive between 35-39% of the tipping fee as a personal kickback from CR Limited. One method to obtain the kickback was for the Contract Manager (and at times the Maintenance Manager) to submit invoices to CR Limited from their company JMCC Limited. JMCC Limited never did any work for CR Limited.

Over the course of about a year, JMCC Limited invoiced CR Limited for nearly $235,000.

These payments were made in exchange for securing future work for CR Limited under the AT maintenance contract.

The money paid by CR Limited to JMCC Limited was used to benefit the Contract Manager and Maintenance Manager in the following ways:

- $74,770 was paid from the JMCC Limited account to the Contract Manager, this included a payment of $15,000 for a vehicle sold to JMCC Limited.
- $98,783 was paid from the JMCC Limited account to the Maintenance Manager. Of this money, $15,000 was used to purchase a personal vehicle. He also used the funds for other personal expenses, such as a laptop, phone, Mitre 10 purchases, fuel and a birthday party for the Contract Manager's child.

The money was also used by the pair for payments to their spouses as salaries or wages, despite the spouses not doing any work for JMCC Limited.

Further kickbacks

A further method used by the Contract Manager and Maintenance Manager to obtain kickbacks was to use a company referred to in this case study as **T Limited**.

The Maintenance Manager was friends with the directors of T Limited, which was a supplier to B Limited from 2017. Claiming that there was a problem with JMCC Limited's paperwork, he asked T Limited to invoice CR Limited for approximately $75,000 (despite not doing any work for them).

An invoice was submitted by T Limited and paid by CR Limited in three tranches; the funds then being remitted to JMCC Limited. JMCC Limited also invoiced T Limited for approximately $68,000 (despite not doing any work for them), and the funds were paid to JMCC Limited's account.

Other entities were also used by the Contract Manager to obtain kickbacks in excess of $200,000. This was achieved by either submitting false invoices to CR Limited for work that was never done, or by submitting an invoice to CR Limited for renovation work done on the Contract Manager's property.

Scheme three: EAS Limited

Gift payments

EAS Limited, which specialises in selling engineering supplies, began supplying goods to B Limited in or about 2015 or 2016. The Contract Manager continued to engage EAS Limited, and in return, payments were made to the Contract Manager and the Maintenance Manager. These payments were personal gifts to ensure EAS Limited continued to receive work from B Limited.

In 2018 the director of EAS Limited made payments totalling approximately $54,000 to JMCC Limited, in response to invoices submitted by the company. JMCC Limited had not performed any work for EAS Limited. The money paid to JMCC Limited was used for personal expenses and paid to the spouses of the Contract Manager and Maintenance Manager, despite the spouses not doing any work for JMCC Limited.

At the request of the Contract Manager, the director of EAS Limited made additional payments to both the Contract Manager and the Maintenance Manager in return for the company continuing to receive work from B Limited:

- $25,000 to the Contract Manager's personal bank accounts
- $13,512 towards the purchase of a motorcycle for the Contract Manager
- $12,000 of travel gift cards, which the Maintenance Manager used for a family trip to Hawaii
- $14,500 towards the purchase of a Harley Davidson motorcycle for the Maintenance Manager.

EAS Limited earned a total of $583,490 from B Limited during and after the offending period. B Limited was unaware that the Contract Manager and Maintenance Manager were receiving gifts in relation to work contracted to EAS Limited.

Scheme four: EW Limited

Further false invoices

In about August 2016, **EW Limited** was contracted by B Limited to provide cleaning services. The fee was $11,500 per month for water blasting the Waiuku and Pukekohe town centres.

In 2017, the Contract Manager started submitting false invoices that included the cleaning of four additional town centres, which had not been cleaned by EW Limited. Over a period of about 18 months, he submitted 18 inflated invoices on behalf of EW Limited to B Limited, totalling nearly $265,000.

Instead of charging $11,500 per month for the work that EW Limited did for B Limited, this was inflated to $16,008 per month purportedly for the cleaning of additional town centres. The falsely inflated part of the invoices totalled approximately $80,000.

The inflated invoices were paid by B Limited into EW Limited's bank account. The owner of EW Limited then withdrew approximately $5,000 per month and paid it to the Contract Manager as rent for the granny flat that he was renting on the Contract Manager's property. The rent was significantly more than market rate for that type of property.

Through this scheme, the Contract Manager obtained $76,500 in transfers and cash withdrawals.

+ For more information about this case see https://www.sfo.govt.nz/media-cases/media-releases/former-contract-manager-sentenced-in-road-maintenance-corruption-case.

Prosecution outcome

- The Contract Manager pleaded guilty to three charges of obtaining by deception and 14 charges of acceptance of gifts by an agent. He was sentenced to four years and five months' imprisonment.
- The Maintenance Manager pleaded guilty to four charges of acceptance of gifts by an agent. He was sentenced to 11 months' home detention and made a reparation payment of $90,000.
- The director of SE Limited pleaded guilty to one charge of obtaining by deception of approximately $631,000, and two charges of corruptly giving gifts to an agent amounting to approximately $615,000. He was sentenced to 12 months' home detention and ordered to pay reparation in the sum of $300,000.
- The director of CR Limited pleaded guilty to corruptly giving gifts to an agent totalling $582,000 to secure contracts. He was sentenced to 12 months' home detention.
- The director of EAS Limited pleaded guilty to three charges of corruptly giving gifts to an agent. He was sentenced to nine months' home detention and ordered to pay reparation in the sum of $25,000.

Impact of offending

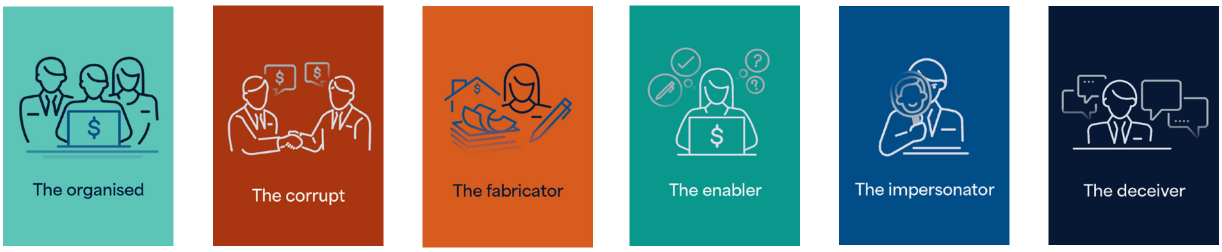
- The money obtained by the offending was public money set aside for roading maintenance.
- B Limited lost approximately $1.5 million.

Find out more about the impacts of public sector fraud at sfo.govt.nz/counter-fraud/guidance/impacts-of-public-sector-fraud.

Fraudster personas

In this case there were six main personas.

- **The organised** – the Contract Manager, Maintenance Manager and various subcontractors worked together to gain a benefit. The two managers did so for personal financial gain, while the subcontractors did so to ensure their businesses received ongoing work from B Limited.
- **The corrupt** – the Contract Manager misused his position of power to gain financial benefits for himself and the Maintenance Manager.
- **The fabricator** – the Contract Manager and subcontractors created false invoices that benefitted themselves and the Maintenance Manager.
- **The enabler** – the Maintenance Manager did not set up the schemes but was aware of what was happening and was complicit in allowing the fraudulent activity to progress.
- **The impersonator** – the Contract Manager submitted invoices purporting to come from a company he was not involved with.
- **The deceiver** – the Contract Manager deceived T Limited into submitting invoices and moving money under false pretences.



Find out more about fraudster personas at sfo.govt.nz/counter-fraud/guidance/fraudster-personas.

Red flags

While red flags do not necessarily indicate fraud, they can be a sign that something is out of the ordinary and may need to be looked into.

- **Living a lifestyle beyond their means** - extensive renovations were carried out at the Contract Manager's properties.
- **Repeated awards to the same supplier** - work was repeatedly awarded to the same supplier without open and fair tendering or justification.
- **Close personal relationships** - the contract and maintenance managers developed close working relationships or were friends with the suppliers.
- **Lack of segregation of duties** - the Contract Manager was responsible for contract budgets and approved both purchase orders and invoices.

Effective controls

These are examples of controls that could have been helpful in this instance.

- **Fraud awareness training** – train and support employees to identify red flags, so they know what to do and how to report any suspected fraud.
- **Ethical culture** – create an ethical culture that encourages supportive behaviours, while discouraging potentially fraudulent or corrupt activities.
- **Contractor rotation** – Rotate employees and contractors to reduce over-familiarity with systems and limit opportunities for malicious activity.
- **Compliance, performance and contract reviews** – Require clients, employees and third parties to have ongoing compliance, performance and contract reviews.
- **Internal audits or reviews** – conduct internal audits or reviews of contracting processes
- **Avenues for reporting fraud** – put in place processes for employees or external parties to lodge tip-offs or provide protected disclosures.
- **Integrity checks and suitability assessments** – undertake activities to assess and confirm the integrity and suitability of new employees, contractors or third parties.

Find out more about effective fraud countermeasures at sfo.govt.nz/counter-fraud/guidance/fraud-controls.

Strengthening counter fraud capability

- Does your organisation have transparency in its decision making and operations?
- Are your employees trained to detect red flag behaviour? Do they know that favouritism towards a supplier could be a red flag for corrupt behaviour?
- Does your organisation have clear separation of duties between those who select suppliers and those who approve payments?
- Does your organisation monitor for unusual patterns in supplier payments, such as repeated invoices just below approval thresholds?
- Are suppliers contractually obligated to adhere to your organisation's anti-corruption policies?
- Do staff know how to report concerns safely and confidentially?

Find out more about free online tools your organisation can use to strengthen its fraud and corruption controls at sfo.govt.nz/counter-fraud/tools.

Need help?

Wherever you are with your counter fraud efforts, we're here to help.

The Counter Fraud Centre offers a range of resources to help build capability across your organisation. If you are in the public sector and would like to contact us about the services we can provide, please email counterfraud@sfo.govt.nz or visit sfo.govt.nz/counter-fraud/counter-fraud-centre.

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