

CASE STUDY – FEBRUARY 2026

Bribery and corruption in lucrative council contracts

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?

- ▶ **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 countermeasures that could prevent this fraud from occurring and implementing similar controls in your organisation.

What is in this case study?



Case information



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Case information

A public official responsible for council procurement processes accepted bribes and did not disclose conflicts of interest to influence awarding of contracts.

A public official (**the official**) employed at Westland District Council (**the council**) was a trusted senior manager in charge of asset management. His duties included overseeing the procurement processes that applied to the council's assets, and his areas of responsibility covered about two-thirds of the council's total spending.

The case information is structured in line with the three distinct aspects of the case.

Bribery to ensure ongoing contracts awarded

An asset management consultant (**the contractor**) provided consultancy services to the council through their company, referred to in this case study as AG Limited (**AG**). The official managed the contractor relationship between AG and the council. In his role at the council, he awarded contracts to AG and approved their invoices.

The council's procurement policies required larger projects to be procured through a competitive tender process whereas smaller contracts could be directly appointed by the official. Between August 2015 and September 2016 there were 10 contracts entered into between the council and AG. Seven of these 10 were directly awarded by the official to AG.

Over a period of around 18 months, AG paid the official more than \$70,000 in bribes, attempting to disguise the payments by recording them in internal business records as "project management". The bribes were facilitated by the contractor making cash withdrawals and handing the cash directly to the official. AG paid the bribes with intent to influence the official in his role to ensure that the company was awarded contracts on an ongoing basis. The council's payments represented 36% (2016 financial year) and 45% (2017 financial year) of AG's total revenue.

One of the larger contracts had to go through a competitive process and a closed request for quotation tender process was carried out. Because the official could not award the contract directly in this case, he disclosed confidential details from another party's tender to AG through a series of messages. As a result of this conduct, AG was awarded the contract for \$100,500 and subsequently obtained a significantly greater level of payment through that contract.

Conflict of interest in wastewater treatment contract

The council wastewater treatment facilities at Franz Josef needed to be upgraded or replaced urgently. The work for this contract was to be procured on a closed tender basis.

The official facilitated the initial introduction of a prospective supplier for the work, referred to in this case study as Tech Services (**TS**) a water treatment company based in India. The India-based director of TS travelled to New Zealand to provide a possible solution to the Franz Josef wastewater treatment issues and report on his findings.

The official contributed to the drafting of the TS report. He omitted to disclose to the council this assistance or his conflict of interest when first introducing the company (or at any stage), which was that he had a close personal relationship with the director of TS.

When the council subsequently conducted a competitive tender process, the official was on the tender assessment panel. In clear conflict with this role and the competitive nature of the process, the official assisted TS during the tender process, which included drafting letters and creating and contributing to their proposal documents. The official also disclosed the methodology provided by another tenderer and used this to assist TS with its tender.

TS was selected for the project, which did not go ahead and was subsequently subject to an enquiry by the Auditor-General.

Deception in contract to upgrade wastewater treatment plants

The council also needed to upgrade two of its other water treatment plants. The work for this contract was to be procured on an open tender basis. The Panel Evaluation Team consisted of the official and two of his team members.

Once again, TS was one of the prospective suppliers for this work. The official set out to assist TS to obtain the contract for the upgrade and effectively facilitated the preparation of their tender submission.

For this contract, the official brought in the contractor and his company AG. Their involvement was to put together the tender documents, particularly the insurance content for TS (NZ), the New Zealand registered company.

TS (NZ) was formed with a view to obtaining the Franz Josef and upgrade contracts. The director of TS appointed his daughter (**the daughter**) as the sole shareholder and director of the New Zealand company. She operated a cake decorating business and had no relevant experience in engineering or water treatment plants.

The daughter had a close personal relationship with the official and was a regular guest of his family. Their conduct at the council indicated that they did not know each other, thereby concealing their pre-existing relationship.

To conceal his involvement in the open tender process, the official created a private email account that everyone involved in the TS tender had access to. He used this email to communicate about the tender submission documents and share draft documents. To create a false impression of distance between all the parties, he sent emails from this account to AG and signed them off in the name of the TS director.

TS was selected by the council as the preferred tenderer and awarded the contract. Following the commencement of the Serious Fraud Office's investigation, the upgrade contract work was not fulfilled by TS even though they had won the contract. The council later awarded the contract to another business, at greater cost.

- ➕ For more information about this case see sfo.govt.nz/media-cases/media-releases/former-council-executive-guilty-of-bribery-and-corruption.

Prosecution outcome

Three people were found guilty on the following charges.

The official was found guilty on:

- ▶ 14 charges of corruption and bribery of an official
- ▶ four charges of corrupt use of official information
- ▶ two charges of obtaining by deception.

He was sentenced to three years and eight months imprisonment.

The contractor was found guilty on:

- ▶ 14 charges of corruption and bribery of an official
- ▶ one charge of obtaining by deception
- ▶ nine charges of obstructing a Serious Fraud Office investigation by providing false or misleading information.

He was sentenced to three years and seven months imprisonment.

The daughter pleaded guilty to one charge of obtaining by deception and was sentenced to ten months' home detention.

Impact of offending

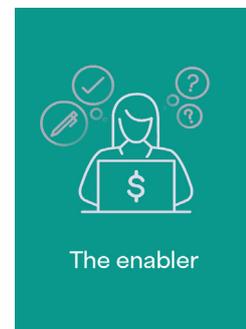
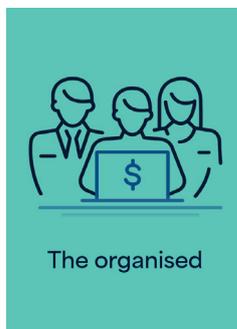
- ▶ Eroded trust that the community and contractors placed in the council.
- ▶ Lack of trust by the public in the council to manage their funds appropriately.
- ▶ Failed business relationships resulting from a lack of trust in the council's procurement processes.
- ▶ Time and resources spent on an investigation.
- ▶ Anxiety experienced by some council employees.
- ▶ Delay in completing projects led to increased costs or downsizing of other necessary projects.

 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 four main personas.

- ▶ **The organised** – the official worked with others to influence procurement processes and hide his involvement.
- ▶ **The corrupt** – the official abused his position of trust for financial gain.
- ▶ **The impersonator** – the official sent messages pretending that they were from the director of TS.
- ▶ **The enabler** – the contractor and TS (NZ) concealed the official's involvement in the tender processes.



 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.

- ▶ **Unusually high payments** – the value of council payments to AG was more than twice the next highest spend on a contractor by the council for the 2015/16 financial year.
- ▶ **Lack of segregation of duties** – the official was responsible for overseeing procurement processes applying to the council's assets and he also approved invoices in that process.
- ▶ **Recently formed company** – awarding a large contract to a newly formed New Zealand company with no track record in New Zealand.

Effective countermeasures

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

- ▶ **Activity reporting** – provide a summary of activities for managers to increase transparency. In the absence of transparency, employees can take advantage of obscurity to commit fraud.
- ▶ **Fraud awareness training** – employees should be trained and supported to identify red flags to help identify fraudulent behaviour and know what to do and how to report any suspected fraud.
- ▶ **Segregation of duties** – tasks for business processes should be distributed among multiple staff. This prevents an employee from being able to commit and hide a fraudulent transaction.

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



Strengthening counter fraud capability

- ▶ Does your organisation have transparency in its decision making and operations? For instance, could your organisation identify if a particular supplier spend is out of proportion to other suppliers?
 - ▶ Does your organisation have sufficient segregation of duties for high fraud-risk business processes?
 - ▶ Are your employees trained to detect red flag behaviour? Do they know that favouritism towards a supplier is a red flag for corrupt behaviour?
- +** Find out more about free online tools your organisation can use to strengthen its fraud and corruption countermeasures 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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