



30 March 2017

Mr Peter Mersi
Secretary of Transport
Ministry of Transport
PO Box 3175
Wellington 6140

Dear Peter

I wanted to follow up on our meeting on Tuesday, 21 March, at which you provided an update on matters relating to the fraud committed by former Ministry of Transport (the Ministry) employee Joanne Harrison.

Over recent weeks Ms Harrison's conviction and sentencing for fraud has been the subject of significant media attention, and a number of additional allegations relating to Ms Harrison's conduct and its impact on staff have been made at Select Committee.

We discussed the approach you intend to take to addressing any allegations which may emerge from former employees of the Ministry who feel Ms Harrison's actions towards them were inappropriate and had a negative impact on their employment. I support the approach you have decided to take.

The recent reviews of Human Resources and financial controls have addressed a number of aspects of the Ministry's operations. I understand the organisational review that you recently launched is intended to address aspects of the Ministry's operating model, including the priorities we discussed in September last year (strengthening the collective leadership role of the SLT; building and maintaining the quality of advice to Ministers; broadening the Ministry's economic perspective and sector stewardship contribution).

However, some of the facts surrounding Ms Harrison's fraud, and the recent allegations about other aspects of her behaviour and their possible impact on staff, potentially raise wider issues about the Ministry's culture and operating environment.

Given this, I would appreciate receiving your assessment of the Ministry's current state, the key issues as you see them, and what you have underway to address the issues.

Yours sincerely


Peter Hughes
State Services Commissioner



4 May 2017

Peter Hughes
State Services Commissioner
Level 10, RBNZ Building
2 The Terrace
PO Box 329
Wellington 6140

Dear Peter

Thank you for your letter of 30 March 2017 following on from our meeting regarding matters relating to the fraud committed by former Ministry of Transport employee Joanne Harrison. This letter is my response to your request for an assessment of the Ministry's current state, the key issues as I see them, and what I have underway at the Ministry to address these issues. The current state reflections are informed not only by my own observations, but also those of two independent reviews conducted after the fraud was identified, by Lisa Barrett (who is on secondment as Acting General Manager Organisational Development), and 'sounding sessions' conducted with staff.

The Current State

The Ministry has a culture that is reflective of its size – at 130 people. There are strong personal relationships that you would expect of an organisation of this size. Internally individuals form cohesive relationships and friendships, and are willing to collaborate and assist when asked. Participation and engagement seems positive, although turnover is high.

Staff have shown themselves to be highly resilient following a series of significantly stressful events: the fraud exposed in July; the failure of Statistics House as a consequence of the Kaikoura earthquake; and the unexpected death of a member of staff in mid April. Despite these events, there is a high degree of commitment, and staff are actively engaging in conversations about the future.

The current 'professional services' operating model means decisions are highly centralised and elevated to senior levels on occasions where decentralised decision-making might be expected. Responsibility and accountability around issues such as output delivery, budgeting, and staffing is often ambiguous and not always at the appropriate level. Departmental policies and processes reflect this, are highly prescriptive, and many have not been updated for some time.

Finally, governance structures within the Ministry need to be updated, with a more engaged and active senior management team, and a stronger role for the independent Risk and Assurance Committee (previously called a Performance Committee).

Key Issues and Actions

As you note, following the discovery of Joanne Harrison's fraud, independent reviews were commissioned on our financial control and recruitment practices. I have accepted all of the recommendations in these reports, and most of them have already been implemented.

In February, I announced a review of the Ministry's operating model and structure. Lisa Barrett, a Senior Manager on secondment from the Ministry of Business Innovation and Employment, is leading this review. As a result of 'sounding sessions' conducted with staff (where they were able to say what they did and did not like about the culture and operating model of the Ministry), the review was expanded to include revisiting the Ministry's Purpose, Vision and Values. As well as engaging with staff, the review has obtained valuable insights from a number of our key external stakeholders.

Good progress is being made on the review, with a new Purpose, Vision and Values already shared with staff, and a document proposing a new operating model and structure for the Ministry released to staff for consultation on 3 May.

The new arrangements will improve governance and accountability, increase transparency of decision-making and ensure decisions are taken at the right levels within the organisation, further strengthen the finance function, and put a stronger focus on risk, assurance and audit.

Whatever the final model and structure, it is clear that these represent a significant shift in expectations for the Ministry. I am seeking to establish the Ministry as a place of regulatory excellence, high quality policy advice, and providing stronger strategic leadership within the transport system. This means not only working differently with the transport Crown Entities, but also helping the system bridge the gap between the quality long term work the Ministry does (e.g., futures thinking, Regulation 2025, Public Transport 2045) and the more immediate issues.

I am proposing to support the changes with management and leadership development programmes, a significant re-write of the Ministry's policies (this is already underway), and a stronger focus on performance management and accountability. The new senior leadership team will be expected to provide strong collective ownership of the Ministry, alongside building internal capability, and establishing a culture that has a high degree of personal responsibility, transparency, and commitment.

While the review of the operating model and structure was driven by a need to ensure the Ministry is optimally placed to deliver high quality advice in the future, and the direct financial control issues raised by the independent reviews into Joanne Harrison have already been implemented, the review does present an opportunity to enhance governance in a manner that will lessen the risk of a similar fraud occurring in the future.

Joanne Harrison

Finally, I thought it useful to summarise some key aspects of the Joanne Harrison case.

First, with respect to the fraud committed by Joanne, she has pleaded guilty and is currently serving a custodial sentence. The Police are actively pursuing her, her husband, and at least one other party with a view to recovering money that was fraudulently obtained.

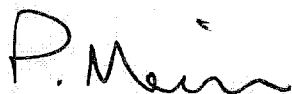
Secondly, an employment investigation completed in July 2016 concluded that Joanne Harrison had undertaken numerous actions that amounted to serious misconduct. This included not disclosing conflicts of interest such as using her position to find her husband (Patrick Sharp) employment. Joanne Harrison was dismissed as a result of the employment investigation.

In addition, in her role as General Manager Organisational Development, Joanne was involved in a number of HR issues. A question highlighted during the Parliamentary Select Committee hearing into the Annual Report for the Ministry is whether Joanne used her position to remove individuals who raised questions about her activities. Given this, I have established an arrangement with an independent party to consider any allegations of this nature and provide me with an assessment of whether there is any substance to them.

Finally, as you are aware, I proactively released a set of information in relation to Joanne Harrison's fraud following her conviction and sentencing earlier this year. However, a range of information was not released due to constraints, including the information being legally privileged, the Privacy Act, and on-going court action to recover the money. I am currently considering a number of Official Information Act requests which, due to the fact that I am able to consider the public interest under the Act, will see a much more comprehensive set of information relating to Joanne Harrison being in the public arena. While all of this information was available both to the Serious Fraud Office at the time it was considering its prosecution of Joanne Harrison, and to the lawyer who undertook the employment investigation into Joanne Harrison, it will nevertheless provide additional useful context on matters that have not been able to be visible to the public before.

I am happy to discuss any of this with you.

Yours sincerely



Peter Mersi
Chief Executive and Secretary for Transport



5 May 2016

Mr Peter Mersi
Secretary for Transport
Ministry of Transport
PO Box 3175
Wellington 6140

Dear Peter

Thank you for your letter dated 4 May, which responds to my letter of 30 March in which I requested that you provide me with your assessment of the Ministry of Transport's current state, the key issues as you see them for the Ministry, and what you have underway to address those issues.

You have advised me that you have undertaken a review of the Ministry's governance and management structures, with a result that a transition to a new operating and structure model is now underway, in order to implement your increased expectations. You have advised that, while the new operating model and structure was needed to deliver this lift in performance, you also expect it to enhance governance in a manner that will reduce the risk of similar fraud in the future. I support the approach that you are taking, as you work through that process with your staff.

I also note that you are currently preparing to release a substantial amount of information as a result of a set of OIA requests that you have received. I also note that you are proposing to be as open and transparent as possible in that information release to ensure full public disclosure of all of the issues that have arisen in this matter. I endorse that approach, as it is critical to ensure that full public transparency and accountability is maintained.

Kind regards


Peter Hughes
State Services Commissioner

