



18 December 2018

Mr Peter Hughes CNZM
State Services Commissioner
State Services Commission
PO Box 329
WELLINGTON 6140

Dear Peter

State Sector Inquiry into the Use of External Security Consultants

Thank you for your letter of 14 December 2018 regarding the inquiry carried out by Doug Martin and Simon Mount QC in relation to the State Sector inquiry into the use of external security consultants.

You have asked me, in my capacity as Functional Leader for Government Procurement, to review as a matter of utmost urgency Thompson and Clark Investigations Limited's (TCIL's) contract with the All of Government Protective Security Panel, and to assess whether it is appropriate for TCIL to remain on the panel. You note that the Inquiry concluded that TCIL engaged in inappropriate behaviour while contracted by government agencies.

We have considered the findings of the report and TCIL's position under its All-of-Government contract and as part of the protective security requirements sub-panel of our All-of-Government solution for consultancy services. The findings of the report identify conduct by TCIL occurring in the course of providing services to government agencies which gives rise to serious trust and confidence issues in maintaining our relationship with TCIL on behalf of the New Zealand Government. I have made the decision to give three months notice of termination of our relationship with TCIL under the All-of-Government contract.

The Inquiry found that the process for appointing providers to the All of Government panel for protective security services was robust. However, it found that there are opportunities for MBIE to strengthen its support to other agencies. In particular, given the Inquiry's broader findings relating to the engagement and oversight of external security consultants, the Inquiry encouraged greater use of the panel contract to ensure external providers are aware of the State Services Commission's (SSC's) Code of Conduct and to ensure they adhere to it.

A Supplier Code of Conduct, setting out the government's expectations on (among other things) ethical behaviour is under development by New Zealand Government Procurement and Property.



Before the Supplier Code of Conduct can be implemented, it requires Ministerial and Cabinet approval (anticipated for mid-2019), and would be issued alongside the 4th edition of the Government Rules of Sourcing (which will reference the Supplier Code of Conduct). Government agencies would have a transitional window of 3 to 4 months to implement the Supplier Code of Conduct in their procurement activities and relationships with suppliers.

However, in the interim we intend to advise current suppliers of our expectation that they have regard to the SSC's Code of Conduct. We will also be writing to all Chief Executives covered by the government procurement arrangements, encouraging them to incorporate reference to the SSC's Code of Conduct into any new contracts.

As Procurement Functional Lead, we will give effect to the Supplier Code of Conduct by introducing changes to all of our All-of-Government contracts as well as to the Government Model Templates used by government agencies.

You have also requested that MBIE work with the NZSIS's Protective Security Requirements Team to jointly reset the requirements for the All of Government panel in light of the *Model standards for information gathering associated with regulatory compliance, law enforcement and security functions* (the *Model standards*) that you have issued. MBIE will be taking this up with NZSIS as a priority in the new year.

Kind regards

Carolyn Tremain
Chief Executive