Questions on Notice - Service NSW

Hearing: Public Accountability Committee Inquiry into the Integrity Efficacy and Value for Money for NSW Gov. Grant Programs

Note: Figures are current as at 21 October 2021 (unless otherwise indicated)

No.	Question	Answer
1	**Actual question from transcript:** a) Can you just provide some more information about the ongoing investigation? b) How many applications were lodged with that [inaudible] that particular investigation? c) Can you tell me how many applications and what was the total value of those applications? d) If you could, provide us with some more details, on notice, of what was the reason that the investigation was initiated and e) whether that was as a result of identification by Service NSW or by an external agency. f) Can you also tell us how long that has been under investigation. **Separate, but related question from transcript:** g) I just wanted to come back briefly to this question of the ongoing investigation of a current employee of Service NSW. Does that person remain in the employ of	*[Evidence omitted by resolution of the committee [8 November 2021]]*

	Service NSW?	
	h) I believe so, Ms Houssos, but I would need to confirm. They certainly—that investigation is ongoing. If they are not part of Service NSW, it would certainly have nothing to do with that investigation.	
	Is that investigation in relation to fraudulent activity?	
	i) I believe we are running that investigation into response to concerns that were raised.	
	Who raised those concerns?	
	I would need to take that on notice.	
	j) Can you then provide an outline of what the investigation is in relation to?	
	I will take that on notice.	
	k) Are you able to then tell us if that person is still on full pay within Service NSW or whether they have been stood down from their duties?	
	I will take that on notice.	

2	**Actual question from transcript:**
	
	a) Essentially, what I would like to know is—you gave us in that letter an indication of
		a) to b) Total cases currently with police: 2163
		    Outbound referrals 1225
		    Inbound requests: 938

inbound referrals from police or inbound police requests in relation to persons of interest. There was also a number for applications received, went to the fraud triage team for New South Wales police referral— so inbound and what I understood to be outbound referrals.

I wanted up-to-date figures for those.

b) How many applications have you referred to police, outbound?

So 1,503 applications have currently been referred to police, but I do not have a split of that between those that resulted from an inbound request for police versus those that are associated with an outbound referral from Service NSW. I am happy to take that question on notice and provide that split.

Total Value (Paid and Unpaid) $21,637,364

	Paid		Unpaid	
	Apps	Amount	Apps	Amount
Police Inbound	357	$ 3,527,144	581	$ 6,652,771
Police Outbound	462	$ 3,390,433	763	$ 8,067,016
Total	819	$ 6,917,577	1344	$ 14,719,78

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| 3 | **Actual question from transcript:**

a) I presume 46 refers to the number of arrests. There have been 74 arrests. There have been convictions relating to 33 individuals, 212 applications, for a value of $2.61 million.
Are you able to provide us, | a) to b) As at 21 October, total of all funds recouped as a result of fraudulent convictions, or suspected fraudulent activity still under investigation, and via other means, can be broken down as follows: |

Recovered via voluntary return	Recovered as a result of conviction	Recovered via bank recalls	Total Recovered	Compensation orders awarded by courts, enabling the Revenue initiate debt recovery, noting

					this does not guarantee funds will be recovered.
2 applications **$20,000**	4 applications **$30,350**	205 applications **$1,758,875**	$1,809,225 (excl. unpaid compensation orders)	$667,946	

An additional $3.84M has been recovered as a result of non-fraud recoveries including from voluntary returns and compliance activity.

The total amount recovered (both from fraudulent and non-fraudulent activity) amounts to $5,649,225.

4	**Actual question from transcript:** a) You have a pipeline, then, of evidence packs in process. What do you anticipate that number to be, say, by the end of the year or a timeline of your choosing? b) Where is that heading? Fifty now. c) Where will you be at, say, by the end of the year? d) Well, if you continue at your current rate, it will be 400 years before you are recovering the $16.23 million. That is so far from acceptable in terms of the recovery of public money that I do not understand how anyone can defend it. Mr Shoebridge, I am not sure I	a) to d) We have just over 40 cases, involving approximately 6000 applications, in the pipeline, which will be referred to police by January 2022. The Service NSW Law Enforcement Liaison Team have been working hard to prepare reports and evidence packs for NSW Police. It is anticipated that a large proportion of the fraud will be reported within the next 4 months (approximately), subject to the number of investigative and triage matters and inbound requests for information received in the intervening period.

(Question text, referenced above in the first row): with the figure of the $2.61 million, how much of that has actually been recouped? I understand you are saying $2.3 million has been recouped across the board, of the $16.23 million that has been identified.
b) Are you able to provide us with a breakdown of that $2.61 million?

	accept your logic and your extrapolation there. But, certainly, to the previous question, I am happy to take on notice and revert with a projection of what that progress is going to look like by the end of the year, to Mr Graham's question earlier.	
5	**Actual question from transcript:** a) Just one more question before our time expires. You gave us the figure of 74 arrests and 33 individuals convicted of fraud. How many charges have been laid?	a) As at 21 October, total charges laid: 346 Of the total charges laid: Arrests: 75 Convictions: 44

6	**Actual question from transcript:** a) Can you identify how many individuals you think are associated with the $16.23 million of identified paid fraud and how many cases that is? I do not have the number of individuals that we believe that 2,347 applications relates to, but I can take that question on notice. I thank you for that, Mr Rees. b) Can you identify, if you can, the number of individuals associated with the $40 million of prevented fraud? Unfortunately, I have the number of applications but again not the number of individuals that relates to, but I am happy to take that on notice.	a) to b) In relation to the $16.23 million worth of paid fraud, we estimate there to be around 724 persons of interest involved. However, this figure is approximate only. Service NSW cannot definitively quantify the number of individuals involved in these matters. Investigation as to the individuals involved in fraud is undertaken by NSW police after referral.
7	**Actual question from transcript:** a) Tableau is a data visualisation and analytics tool. It is a tool that Service NSW has used extensively for a long time and predates the grants programs that we are speaking about. Was that in place when the initial $10,000 bushfire grants,	Various fraud controls exist in the front-end digital product. In May 2020 Python scripts were introduced to identify possible fraudulent applications, which were fed into the data warehouse. This script grouped applications together by their similarities/duplication and assigned a risk score. Tableau and Excel are used to view and perform analysis on the output. When introduced in May 2020, the above practice was adopted on the still active bushfire grants, including the Volunteer Firefighter grants.

	the ones which have the largest degree of fraud associated with them—was that in place at that time? The product itself was in use at Service NSW at that time. Its application to grants has changed over time. But certainly, when we need to perform data analytics, that is the tool that our team will use to perform that. b) When was it first used to do the data analysis on the $10,000 bushfire grants, the ones with the largest degree of fraud? I would need to take the date on notice, Mr Shoebridge. c) What about for the volunteer firefighter fund? When was it first used on that? In terms of the date, I would need to take that on notice.	a) Tableau was not in place during the start of the $10K Bushfire Grant but was introduced into the program in May 2020. b) In May 2020 Python scripts were introduced to identify possible fraudulent applications, which were fed into the data warehouse. This script grouped applications together by their similarities/ duplication and assigned a risk score. Tableau and Excel are used to view and perform analysis on the output. When introduced in May 2020 (during the $10K COVID Grant), the above practice was adopted on the still active bushfire grants, including the Volunteer Firefighter grants. c) When introduced in May 2020, the above practice was adopted on the still active bushfire grants, including the Volunteer Firefighter grants.
8	**Actual question from transcript:** a) One example was a person of interest whose surname begins with R, who made more than 200 applications with an associated value of more than $2 million, using 100 different user IDs. Can you explain how on earth the system allowed one person to generate 100 user IDs and make 200 applications to get $2 million?	a) The case file initially contained over 200 applications. However, a review of the matter identified 36 relevant applications directly related to the person in question via the SNSW MyAccount, bank account, userID and mobile telephone number. **Applications total paid value:** $20K (2 successful attempts at fraud) **Status:** referred to NSW Police b) Applications total unpaid value: $340K (34 unsuccessful attempts at fraud)

	How on earth did that happen? It is a great question. There may be two parts to the response. The first is the particular case you are referring to. It is a good example where you have got to be very careful of the false positives in this space as well. The end result of the analysis on that case ultimately showed that there were two cases of successful fraud relating to that, for $10,000 each. The risk in this space and certainly towards the start of these programs, when you are trying to understand risk—there is both that risk that things are missed but also the risk that false positives are included. I think that case is a prime example of that—	
	b) [Disorder] two cases of successful fraud. How many unsuccessful attempts at fraud were there? Significantly less than originally thought. I do not have the number to hand. I am happy to take that on notice.	
9	**Actual question from transcript** a) What about the person of interest whose name begins with P? Again, 87 applications with an associated value of	a) Review of the matter identified that the person of interest, who was an accountant, had submitted several applications on behalf of clients whilst not being registered. The client applications have been determined to be legitimate. Action was taken to follow up with the accountant firm to ensure they were aware that it is not possible for their staff to submit applications unless they are registered. **Status:** Case closed - no fraud identified

	$863,000, generated from 12 different user IDs—how did that happen? I am not familiar with that particular case, but I am happy to take that question on notice	

| 10 | **Actual question from transcript**

 a) Person of interest whose name begins with A—56 applications, to an associated value of $350,000, generated from 13 different user IDs.

 Again, all of those cases you are referring to are point-in-time analysis that has moved on significantly. I am happy to provide an update on those cases, but I would need to take that on notice. | **Service NSW requests confidentiality in relation to this answer given these details aren't published.**

 a) Case details:
 As a result of further investigation and information from other agencies, this case file has expanded as follows: |

		Cases	Total Applications	Total Amount	Paid		Unpaid	
					Applications	Amount	Applications	Amount
	Case File 0398 Strike Force Chronicle	1	625	$5,467,904	312	$2,586,466	313	$2,881,438

It is alleged that an organised crime group had been involved in fraudulent activity involving the ATO before they moved into grant fraud. Service NSW is supporting this police investigation for which a strike force has been set up.

Status: Service NSW is supporting a multi-agency Strike Force (Chronicle) that has been set up to investigate this fraud. The strike force involves NSW Police, AFP, ATO, and AUSTRAC.

11	**Actual question from transcript** a) A little bit higher. It is over $60 million. So 11,000 applications and $61 million. You are going to take on notice the number of applications that you have referred outbound and the	a) These are the figures current at 21 October 2021:

	Paid		Unpaid	
	Apps	Amount	Apps	Amount
Police Inbound	357	$ 3,527,144	581	$ 6,652,771

Police Outbound	462	$ 3,390,433	763	$ 8,067,016
Total	819	$ 6,917,577	1344	$ 14,719,78

- 2163 applications in total have been referred to Police totalling $21,637,364 worth of fraudulent payments made up of:
  - 819 paid applications valued at $6,917,577 and
  - 1344 unpaid applications (attempted fraud) valued at $14,719,787

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value, but the total number of cases you have referred outbound since 24 February this year—since Service NSW took this over—is 50.

Yes. That is 50 cases, not 50 applications.

Outbound.

Yes.

More applications, I accept that. But there are 11,000 applications potentially in the mix here and 50 outbound cases have been referred to police. You will come back to us with the number of applications. That is correct, isn't it?

That is correct.

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Actual question from transcript

a) Just continuing on the questioning, I wanted to ask about the way that these applications are prioritised. I am looking here at the strategic investigations unit priority matrix, which was worked up with Service NSW. I understand this was their process, but it was worked up with Service NSW. The version I am looking at is version 7, so it clearly has evolved somewhat. One of the criteria for deciding whether these are high priority or low priority cases is media exposure—that is, whether or not there is a

a) to c) The Priority Matrix described was developed by Core Integrity ahead of the function transferring to Service NSW. See **Annexure A** for a copy of this Priority Matrix as at 7 September 2020.

d) to f) Since the transition, Service NSW has been prioritising inbound police requests and using alternate criteria, included in the current document below. See **Annexure B** for this Priority Matrix.

		high potential or level of media interest, some media interest or perhaps the media is not interested in it at all, in which case Service NSW is not interested either. Do you believe it is appropriate, Mr Rees, that cases of fraud should be prioritised purely on whether they have hit the media or not?	
		Personally, no, I do not. I am not familiar with the document you are looking at, Mr Graham. But personally, no, I do not.	
	b)	This was provided to the Parliament. This particular version— version 7—was current on 11 September 2020. One of the other criteria is customer impact. One of the questions is if the customer is aware, it is a high risk matter and then it is a high priority; if the customer is not aware then it is a low priority. Does that seem appropriate as a way of prioritising these cases? Isn't that the absolute wrong way around? If a customer is not aware, doesn't that make it more dangerous here?	
		I must confess I am not quite sure how I would interpret what you have just said. Certainly, we do have some prioritisation. We prioritise cases where funds are paid. We place a higher priority on	

that than where we have successfully blocked fraud. We do look at the complexity of the case and our ability to prepare a brief that we believe will stand scrutiny and [disorder]—

c) Are you still regarding them as high priority on more high priority if there is a freedom of information request or a some ministerial correspondence about this? Does this make it more high risk from the Service NSW point of view?

Not from my perspective. I am not aware that that is a criteria on which we are prioritising our efforts.

d) Well, that was the criteria you were prioritising it on 11 September. Are you telling us that is now no longer the case?

I am not familiar with the document you are referring to. I would need to take that question on notice, Mr Graham. But to the best of my knowledge, that is not part of the criteria by which that team prioritises their work.

e) At the moment when you prioritise cases, is one of the criteria whether the victim or the person of interest is of note? That was the criteria on 11 September. Is it still the case that if you are a person of note, you are a high priority,

		but if you are not, Service NSW does not consider your case a priority?	
		Not that I am aware.	
		Isn't it an appalling criteria to be, for a government department that should treat every citizen equally, to be applying for whether your case is a high priority or not, Mr Rees?	
		I would support that view. I am not aware of that. I am not familiar with the document you are referring to and I have seen no indication that those criteria are used to prioritise the work that our team undertakes. But I am happy to look into that.	
	f)	These were all the criteria you were applying in version 7 of the priorities for how these applications were assessed last year. If you could take notice whether that is still the case and what the criteria are now for deciding what is a high priority and a low priority case, that would be appreciated.	
		Of course.	
13	**Actual question from transcript** a) Is it true, as Core Integrity says, that the reason you did not get PowerBi was because Service NSW did not want to	a) No. Service NSW did not adopt Power BI because of product limitations. By way of background: • In early 2020, Core Integrity implemented use of a Power BI software tool to assist investigators visually display duplicate applications where known customer identifiers were being reused – a commonly understood indicator of fraud.	

	pay for the licences and that it would not be supported with your system? Let me make a couple of statements. The department uses PowerBi. The question is around where our skill sets are in terms of the use of those tools. I would need to take on notice the question around whether licensing was part of the consideration on whether to adopt any of the IP that Core Integrity have.	• This work supported investigations into fraud involving the Small Business Bushfire Grant, the Emergency Bushfire Response Grant, the Voluntary Firefighters grant and all subsequent grants. • The Power BI mapping tool was subsequently recommended for SNSW internal use. While Power BI is capable of mapping and display connections between cases, it is not purpose built for fraud detection. Accordingly, SNSW assessed Power BI and other tools and decided to use Tableau instead, given it has the same mapping capability and was already in use in the business. • SNSW engaged a service provider to implement an add-on to Tableau, to enable display of identity connections between grant applications, in effect providing the same mapping capability that Core Integrity was using via Power BI, but on an existing program. • SNSW implemented the "add on" to enable Tableau to perform this function in consultation with Core Integrity before their contract ended. Subsequently, SNSW did not use the tool due to limitations on the data's usefulness exposed once live. For example, it identified and created links between too many false positives, such as, common addresses of businesses in a Westfield shopping centre. • SNSW is working with existing processes and tools, to identify and record matches in datasets. At the same time, SNSW is implementing a more sophisticated fraud detection and analytics tool, Quantexa, which is expected to further strengthen our ability to build a network of common identifier linkages and display this data.
14	What analytical tools are used to detect fraud?	• Quantexa is a highly configurable fraud detection and analysis toolset. It is currently being implemented in a phased approach to mature its capabilities and ingestion of extended data sources to improve its risk scoring processes. • Graph analytics via Python using Tableau – an existing fraud toolset to detect individuals and businesses applying for grants by exact or like matching of key data points. • Front end fraud controls – applications are assessed for certain customer/business attributes which if matched are referred for fraud review • Business validation – business related applications have certain attributes independently validated against external data sources to confirm applicant details are correct • MyAccount controls – determine if an applicant is creating multiple MyAccounts to apply for grants.

Strategic Investigations Unit Priority Matrix

Each referral/case will be assessed against this matrix **at the receipt by Strategic Investigations Unit (SIU)** and **reassessed** throughout the investigation. The priority matrix defines a case according to the following criteria and will be deemed as either **PRIORITY 1, 2, 3 or 4** or it will be flagged as **ON HOLD**. This matrix will be used to inform high level reporting requirements to Service NSW (SNSW) as well as operational decision-making within the SIU.

CRITERIA	DESCRIPTION	QUESTIONS	WEIGHTING				SCORE
			N/A	20	10	1	
Associated Dollar Value	Associated dollar value identified when the fraud is reported, and any further adjustments to this amount during the investigation stage.	What is the amount the fraud relates to?		• Greater than $151k	• Between $51k & $150k	• Between $0k & $50k	
Media Exposure	Potential for fraud to cause damage to SNSW brand and reputation.	Is there anything unique to this case which would spark media interest? (E.g. Financial Loss, the grant program itself, identity or circumstances of the victim involved...etc.) AND/OR Is anything in this referral/case which is currently in the public eye?		• Potential for high level of media interest with negative reporting. • Victim or POI is of note. • Extreme financial loss (>$500k).	• Some media interest but no reporting **OR** media interest with positive reporting.	• Little to no potential for media interest.	
Case Complexity	Case Complexity refers to how many Grant Programs have been exploited and number of UserIDs involved. NB: There are 5 Grant Programs (VFF $6k, Bushfire $10k, Bushfire $50k, COVID $10k, COVID $3k)	How many Grant Programs are reflected in the referral/case? AND/OR How many User ID's involved?		5 AND/OR 15+	4 AND/OR 5-14	1-3 AND/OR 1-5	
Customer Impact	Potential on-going risk to customer.	Have a legitimate customer's details been used?		Customer aware and it's a high-risk matter (E.g. GIPA, formal complaint, ministerial).	Customer aware but reasonable.	Customer not aware.	

Risk for Escalation	The risk to SNSW of unnecessary incident escalation or complaint if an unhappy customer is left uninformed.	Has the customer been in contact with SNSW 2 or more times since the case was transferred to Level 2 or 3 without acknowledgement or resolve?	*If Yes – Automatic Trigger to P2*.*			

Paid Value equal to or greater than $500k	Paid dollar value identified when the fraud is reported, and any further adjustments to this amount during the investigation stage.	Is the paid value equal to or greater than $500k?	**If Yes - Automatic Trigger to P1. Initiate relevant escalation protocol.**			
Concerning Anomaly	An unusual case of substantial proportions relating to financial loss, case complexity or other concerning detail.	Is there an unusually high financial loss or application count relating to a case? AND/OR Has any other concerning anomaly or detail been identified?	**If Yes - Automatic Trigger to P1. Initiate relevant escalation protocol.**			
SNSW Business Priority Identified	SNSW business priority refers to a case which is designated as a priority by Senior Management at the point it is reported to the SIU. Current Priorities include: • SNSW Staff member involved in fraud. • Mailbox Breach • Anything otherwise directed by the Governance Risk and Performance. Scenarios that would require further discussion to determine whether or not a Priority 1 would be triggered include:	Is a SNSW staff member suspected of being involved in the potential fraud? Have any of the referral details flagged in the Mailbox Breach data set? Has there been a direction by Dept Customer Service - Governance Risk and Performance to prioritise? Is this case related to a GIPA? If yes, notify team leader. Is the case related to a Ministerial?	**If Yes - Automatic Trigger to P1. Initiate relevant escalation protocol.**			

	• Ministerial involved • GIPA	If yes, notify team leader.					
Time Sensitivity	Time sensitivity refers to the continuance of fraud in real time by a known entity.	Is a known entity continuing to submit fraudulent applications?	**If Yes - Automatic Trigger to P1.** **Initiate relevant escalation protocol.**				
Police action has occurred and/or is on-going.	Current, on-going or intended Police action on any case should not be disclosed to SNSW in order to maintain NSWPF's operational security unless by exception.	Are the police involved?	Yes and they require information as a priority. **If Yes - Automatic Trigger to P1 but only distribute to SNSW as per escalation protocols.**	Yes but it is an on-going investigation (not urgent). E.g. require info for fresh charges on someone on remand. **If Yes – Automatic Trigger to P2*.**			
On Hold	Investigations may be placed on hold pending directions from SNSW, NSWPF and/or the SIU **OR** if the investigation hits a roadblock for the following reasons: • Enquiries outstanding despite multiple follow-ups. • Current lines of enquiry have been exhausted but it's probable more will present in the future. • Advice outstanding regarding the direction of the investigation.	Has there been a direction to place the investigation on hold? Are enquiries outstanding and investigators have made reasonable attempts to exhaust them? Have all current lines of enquiry been exhausted but it's probable more will present in the future?	**If Yes – Automatic Trigger to ON HOLD.**				

		Is there advice outstanding required the future direction of the investigation?					
:							**TOTAL:**

PRIORITY RESULT: DATE:

PRIORITY	SCORE RANG
1	Only assigned when trigger identified.
2*	42 and above
3	22 to 41
4	4 to 13
ON HOLD	Only assigned when trigger identified.

* P2's associated with Police involvement have the potential to turn into a P1 by virtue of time. As such these carry additional weighting and should be considered on a case by case basis and above other P2s.

Priority Matrix for Service NSW

Each casefile will be assessed against this matrix upon receipt by the **Law Enforcement Liaison Team** and **reassessed** throughout the investigation if the assessment criteria changes. The priority matrix defines a case according to the following criteria and will be deemed as either **PRIORITY 1, 2, 3 , 4** or **5,** with the highest scoring cases being prioritised for police reporting.

CRITERIA	DESCRIPTION	QUESTIONS	SCORE			
			20	**10**	**1**	
Associated Dollar Value	Associated dollar value	What is the paid dollar amount the fraud relates to? Does the case involve organised crime? Are other agencies involved?	Paid amount greater than $151k Unpaid amount greater than $500K *Paid amount greater than $250K triggers P1	Paid amount between $51k & $150k Unpaid greater than $200K Other agencies or organised crime involvement.	Paid amount between $0k & $50k	
Customer Impact	Risk to customer	Have a legitimate customer's details been used. Is identity theft involved? Is there an ongoing risk to the customer?	Yes- Identity Theft- Triggers P1		Yes- ABN Hi-Jack	
Ongoing Risk	Risk of continuing fraud	Does the accused have the ability or demonstrated intent to continue to engage in fraudulent activity?	Yes- Triggers P1			
Active police investigation requiring information	Police request information to support active investigation	Are the police involved? Is the matter urgent?	Yes- Triggers P1 if the request is urgent	Yes, not urgent.		

Attempted Fraud	Cases involving only attempted fraud will be reported to Police in a schedule, on a periodical basis to the following NSW Police State Crime Units: • Intelligence CC • Digital Crime • Fraud	Further information or evidence packs will be prepared only upon request from NSW Police.				

PRIORITY	SCORE RANGE
1	Specified P1 Triggers
2	42 and above
3	22 to 41
4	4 to 13
5	Attempted Fraud