

REPORT ON PROCEEDINGS BEFORE

PUBLIC ACCOUNTABILITY COMMITTEE

**INTEGRITY, EFFICACY AND VALUE FOR MONEY OF NSW
GOVERNMENT GRANT PROGRAMS**

CORRECTED

Virtual hearing via videoconference on Thursday 30 September 2021

The Committee met at 11:15.

PRESENT

Mr David Shoebridge (Chair)

The Hon. Robert Borsak (Deputy Chair)

The Hon. Scott Farlow

The Hon. John Graham

The Hon. Courtney Houssos

The Hon. Trevor Khan

The Hon. Peter Poulos

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The CHAIR: Welcome to this further hearing of the Public Accountability Committee's inquiry into the integrity, efficacy and value for money of New South Wales Government grant programs. Before I commence I would like to acknowledge the Gadigal people, who are the traditional custodians of the land on which this Parliament sits. I would also like to pay respects to those Elders past, present and emerging and all First Nations peoples who are either in the meeting or following on the webcast.

This hearing is to be conducted virtually, which enables the work of the Committee to continue, notwithstanding the COVID epidemic. It does not compromise the health and safety of members, witnesses or the secretariat who assist us. I do ask for everyone's patience if there are any technical difficulties. Of course, if anybody loses connection, please just rejoin with the link that was provided to you initially by the secretariat. At today's hearing we will be receiving evidence from New South Wales government agencies. We will be considering the manner in which New South Wales government grants programs have been delivered. Of course, this is not only a matter of historical interest in relation to bushfire grants but also a matter of continuing interest, given the size and the number of grants programs that are now being administered by the New South Wales Government, not the least of which relate to the grants assistance in relation to the COVID pandemic. In that context there has been a detailed Auditor-General's report, which sets out certain essential measures that need to be met to ensure the integrity of New South Wales Government grants programs.

I would just like to make a few brief comments about today's procedures. All witnesses have a right to procedural fairness. It is a matter this Committee believes to be essential, and it is a resolution of the House. There may be some questions that a witness could take only on notice, in which case you are entitled to take it on notice and we would seek an answer within 21 days. It is perfectly acceptable to provide an answer in less than 21 days. Today's proceedings are being streamed live, and a transcript, of course, will be provided from Hansard as soon as possible.

I will make a few notes on virtual hearing etiquette. Could I ask people to speak clearly into the microphone and to identify, if you are asking a question, which witness you would like to take the question and, if you are answering a question, to commence with providing your name so that Hansard can clearly record it. Could I ask everyone to please mute their microphones when they are not speaking and, of course, remember to turn your microphones on just before you commence to speak. It is a matter I will try to remember myself. Members and witnesses could please also avoid speaking over each other so we can all be heard clearly. Again I do request members not to speak over each other and to allow one person to speak at a time.

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STEPHEN BRADY, Chief Operating Officer, Department of Customer Service, sworn and examined

DAMON REES, Chief Executive Officer, Service NSW, affirmed and examined

SAM TOOHEY, Director of Policy and Ministerial Coordination, Resilience NSW, affirmed and examined

LYNDAL PUNCH, Executive Director of Finance and Investment Delivery, Resilience NSW, sworn and examined

The CHAIR: Thank you all for your attendance today. There is an opportunity, if you wish to avail yourselves of it, to make a brief opening statement. Do any of the witnesses wish to provide a brief opening statement?

Ms PUNCH: Mr Shoebridge, I would like to open with an opening statement.

The CHAIR: Thanks, Ms Punch. We will go to you.

Ms PUNCH: Thank you. As I mentioned, my name is Lyndal Punch—the Executive Director of Finance and Investment Delivery at Resilience NSW. Mr Toohey, who has joined us today, has been with Resilience NSW and the former Office of Emergency Management for over 10 years. I, however, have been with the organisation for only 3½ months and was not with the organisation when the bushfire grants programs were designed and implemented. I was actually in the role of chief financial officer at another agency in the sector at the time. My role at Resilience NSW is to lead and manage the Government's disaster expenditure arrangements, policy, governance and investments to mitigate risk and improve community resilience to disasters. My portfolio assists with the coordination of New South Wales government grant programs designed for New South Wales community recipients for disaster response, recovery, as well as preparedness activities.

At Resilience NSW we work with our key partners across the New South Wales Government, including local councils, NGOs, local communities and the Commonwealth, to develop targeted programs to help those impacted by a disaster. The consultation and approval process of disaster funded programs is often extensive and may include administering agencies, the Commonwealth, New South Wales Treasury, subcommittees to the State Recovery Committee, the State Recovery Committee, as well as responsible Ministers. I note that the small business bushfire grant guidelines were led by the Commonwealth in consultation with not only the New South Wales Government but also other jurisdictions, to help respond and meet the recovery needs at the time.

The 2019-2020 bushfire season lasted eight months, with a total of 11,774 fire incidents throughout the season and more than 2,400 homes lost. As noted on many occasions, the season was unprecedented in its intensity and scale. To respond to the immense need for assistance, the disaster recovery grant programs were designed to appropriately balance the need to deliver urgent assistance to impacted communities quickly whilst ensuring the responsible expenditure of public moneys. I note that, with all disaster recovery grant programs, monitoring and evaluation activities are very important to ensure the outcomes of the programs are met and any risks and issues are readily identified and addressed. The lessons learned are then reflected and incorporated into our future programs, to help minimise risk and strengthen the finance governance and controls framework. Lastly, programs that are eligible under the Commonwealth disaster recovery funding arrangements also have an extensive audit and assurance program. At Resilience NSW we manage the disaster assistance under the disaster relief fund and under the shared disaster recovery fund arrangements with the Commonwealth. Thank you, Mr Shoebridge.

The CHAIR: Thank you very much, Ms Punch. Does any other witness wish to make a brief opening statement?

Mr REES: Mr Shoebridge, I will make an opening statement. Thanks.

The CHAIR: Thanks, Mr Rees.

Mr REES: Damon Rees. Good morning, everyone. Thank you for the opportunity to appear before the Committee today. Service NSW has been tasked by the New South Wales Government to deliver financial relief to communities impacted by bushfires, floods and COVID, beginning with the summer 2019-2020 bushfires. We have been paying grants and vouchers to our customers for approximately two years. In that time we have supported the New South Wales community through paying out approximately \$7 billion in partnership with New South Wales Treasury, Resilience NSW and Regional NSW. We are proud of the support that we delivered to get individuals, businesses and communities back up and running after these crises. We will continue to support our customers through the next phase of the New South Wales Government's response to the pandemic.

We have worked hard to build our out-paying systems so that it is responsible to our customers, partner agencies, leverages automation, data and technology and, importantly, upholds the integrity of publicly funded

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programs with strong fraud control. We have learned a lot and continually strengthen our systems since the 2019-2020 bushfires. One of the challenges we have grappled with is how to deliver financial support to communities in crisis to ensure they receive much-needed funds quickly, safely and efficiently while still preventing unreasonably high levels of fraud.

To meet community expectations and deliver the economic impact required, it was critical that relief was delivered efficiently and quickly. Starting with bushfire support, we knew that we needed to deliver these payments in a streamlined and empathetic way. Our customers had suffered significantly through these fires. We needed to find a way to deliver these programs that did not require in-person visits to service centres at the expense of customer safety while recognising that many individuals had lost essential paperwork as part of the fires that would impact their ability to prove eligibility.

We also acknowledge that, when programs are delivered in a time of crisis and when business cannot afford to wait for support, there will be some elements of delivery that could always have been done better. Whilst we do not shy away from this, the bushfire grants were among the first of this scale and intensity that Service NSW has delivered. As soon as fraud was identified with the grants, we mobilised a task force to identify and address vulnerabilities in our inputting processes. We have since enhanced our fraud controls. We have introduced a sophisticated triage process, which is supported by various technology initiatives, automation and [inaudible], including new data analytics and fraud detection solutions. We have worked with other State and Federal agencies to improve access to data and intelligence sources. We also have a dedicated internal team for managing suspected cases of fraud, who work with external law enforcement agencies to investigate [inaudible] fraud. There have been 74 arrests to date as a consequence. We value the independent review carried out by the Audit Office. We are prioritising the work needed to address their recommendations. We are nearing the closure of recommendations that sit with Service NSW and are on track to deliver by the end of 2021 as per the commitment.

We do acknowledge, however, that fraud cannot be fully eliminated from these programs. The Association of Certified Fraud Examiners in its 2020 *Report to the Nations* revealed that the median percentage loss of annual revenue for fraud each year is 5 per cent, while the United Kingdom Government's Counter Fraud Centre of Expertise estimates public sector fraud and error loss at between 0.5 per cent to 5 per cent of government spending. We know that governments, financial institutions and insurance companies across the globe all grapple with these same issues.

I believe we have delivered important outcomes for people, businesses and communities across New South Wales through these difficult times. Our suspected fraud rate on average stands today at 0.23 per cent of moneys paid across all programs and sits well within those international standards. We will continue to apply our energy to looking forward and fine-tuning our processes and systems, knowing that fraud is a constant and inherent risk associated with all these programs. Before closing I would like to acknowledge the contribution and the commitment of all members of our team and the partner agencies to deliver these programs under extraordinarily challenging circumstances. Thanks for the opportunity to address the Committee. I look forward to answering your questions.

The CHAIR: Thank you very much, Mr Rees. Does that complete the opening statements from the agencies? On the assumption it does, I will hand over to the Opposition now to commence questioning.

The Hon. COURTNEY HOUSSOS: Thank you very much, Mr Chair. Can I begin with a question to Mr Brady. Mr Brady—

Mr REES: I am sorry. I cannot hear the speaker.

The CHAIR: Courtney, you are coming through quite quietly. So either speak up or move closer to the microphone.

The Hon. COURTNEY HOUSSOS: Is that better? Is that too quiet still?

The CHAIR: You are still unnaturally quiet, Courtney, but you are coming through relatively clearly.

The Hon. COURTNEY HOUSSOS: Try my hardest [inaudible]. My apologies. Is that one better?

Mr BRADY: That is better.

The CHAIR: Yes, that is better.

The Hon. COURTNEY HOUSSOS: Yes? Great. I will go with that. Thank you very much for your time, to all the witnesses. Can you hear me? Yes? Great. Excellent. Mr Brady, can you explain why a staff member used their Service NSW email address to apply for a grant under the bushfire program 55 times, which was valued at over \$700,000?

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Mr BRADY: Ms Houssos, I might need to refer that to Mr Rees, who is the chief executive of Service NSW and would have had oversight of responding to that issue.

Mr REES: Thank you. I am happy to answer the question. To the best of my knowledge, we have had three examples of suspected [audio malfunction] where a question around internal fraud has been raised. I think the example you are giving is one of those three. Two of them have been fully investigated and found to not have any basis. The third one is ongoing. If I am not mistaken, the example you are referring to relates to one of our customer service staff who was actually assisting customers with their applications. It is an example of one of our team members not following the process correctly—

The Hon. COURTNEY HOUSSOS: I am sorry, Mr Rees. Can you just speak up a little bit, please?

Mr REES: Let me just try headphones and see if that is better for everyone. Can you hear me now?

The Hon. COURTNEY HOUSSOS: Yes.

Mr REES: I might just quickly start again if that is okay. To my knowledge, we have had three examples where questions have been raised around potential matters of internal fraud across these programs. I believe the example that you are referring to is one of those three examples. Two of those three have been fully investigated and found to have no basis for fraud. The third one—the investigation is ongoing. If you are referring to the example I believe you are, that example was found to be a customer service team member who was attempting to help customers with their applications, incorrectly and inappropriately used their own email address in an effort to assist customers who were struggling to put these applications through themselves. It was an example of procedures not being followed, but it was not an example of any internal fraud attempted or committed.

The Hon. COURTNEY HOUSSOS: That was the one that was determined to be an unsanctioned process rather than fraudulent conduct? Is that correct?

Mr REES: To the best of my knowledge, yes.

The Hon. COURTNEY HOUSSOS: Can you just provide some more information about the ongoing investigation? How many applications were lodged with that [inaudible] that particular investigation?

Mr REES: I do not have that detail to hand. I would need to take that question on notice.

The Hon. COURTNEY HOUSSOS: Can you tell me how many applications and what was the total value of those applications?

Mr REES: Relating to that case that is currently under investigation?

The Hon. COURTNEY HOUSSOS: That is correct.

Mr REES: I do not have that information available. I will take that question on notice.

The Hon. COURTNEY HOUSSOS: Can you provide us with any further information? The Service NSW employee completed the applications; is that correct? Can you just provide us with some more information on that investigation and that case?

Mr REES: I do not have information available to me on the case that is currently under investigation. Are you seeking extra information there or on the example that you referred to in your first question?

The Hon. COURTNEY HOUSSOS: No. I am asking you about the case that is still under investigation. There was a total of three Service NSW employees who were under investigation. Is that correct?

Mr REES: Two of those investigations have completed. That is right. The third is currently being investigated.

The Hon. COURTNEY HOUSSOS: If you could, provide us with some more details, on notice, of what was the reason that the investigation was initiated and whether that was as a result of identification by Service NSW or by an external agency.

Mr REES: I am happy to take that on notice. Thank you.

The Hon. COURTNEY HOUSSOS: Can you also tell us how long that has been under investigation for?

Mr REES: Of course.

The Hon. COURTNEY HOUSSOS: Excellent. I will pass to my colleague Mr Graham.

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The Hon. JOHN GRAHAM: I might continue questions to Mr Rees. I will refer firstly to the letter you wrote on behalf of Service NSW to the Committee via the Chair earlier in the year. I believe it came to us around 1 or 2 June. Firstly, thank you for that correspondence. I thought it was actually quite a helpful example of a government agency interacting with these committees: not just providing, for example, papers in response to a call for papers but providing some information to the Committee. So thank you for that. In that correspondence you indicate that as at 28 April 2021 there was a current projected fraud exposure of \$11.16 million across the full list of grants and outward payment programs, although you observe that this number has not remained static. What is that number as of today?

Mr REES: Thank you for the question, Mr Graham. Thank you for the feedback on the letter. The equivalent of that number has grown. It is currently 16.23 million. Just to confirm, that is the total value of the applications that we suspect have fraud associated with them that have in fact been paid. We have an additional level of fraud that we have suspected and prevented prior to payment that is not reflected in that number.

The Hon. JOHN GRAHAM: Understood. Thank you for that update. I might also ask you to—

Mr REES: Sorry, Mr Graham. If I could add one more point of clarification—

The Hon. JOHN GRAHAM: Yes. Certainly.

Mr REES: That 16.23 million is across the full suite of programs that Service NSW is currently administering, which would have grown since the letter that you referred to. The 16.23 actually covers 16 programs in total.

The Hon. JOHN GRAHAM: Sixteen programs. Great. Thank you. At the time you wrote to the Committee, the total full-time equivalent [FTE] staff for the fraud response team, comprising the fraud triage and the law enforcement liaison teams, was 10.5 FTE. What is that number today?

Mr REES: At the moment we have about 374 people working on grants assessment and fraud. But if I maybe narrow that down because the majority of that effort goes into the assessment of in-flight programs—we have a number of teams in this space. We have a fraud assessment and intelligence team, which has seven FTE. We have a fraud response team, which includes the team that prepares the briefs and liaises with law enforcement. We have 25 FTE working there. We have a team that is looking at the end-to-end outward payments, processes, policies, risk management systems et cetera for continuous improvement. We have seven people dedicated to that. We have three people continuing to work on the fraud control framework or the outward payment control framework, which is one of the items in the Audit Office recommendations. And we have two people working in the policy space across this area.

The Hon. JOHN GRAHAM: Thank you. Could you also update us on the number of inbound and outbound referrals? For example, the total inbound referrals referred from New South Wales police to 28 April was 67. What is that number now?

Mr REES: If you just bear with me for a second—

The Hon. JOHN GRAHAM: Yes.

Mr REES: The total number of cases that we have now referred to police is 143.

The Hon. JOHN GRAHAM: That is referred to police, yes?

Mr REES: That is correct.

The Hon. JOHN GRAHAM: What is the total inbound referrals received from police?

Mr REES: I will give you a part answer if that is helpful, Mr Graham. There is a lot of data in this space, as you would appreciate.

The Hon. JOHN GRAHAM: Sure.

Mr REES: For the period of 1 February to 28 April there was 67 inbound.

The Hon. JOHN GRAHAM: Correct.

Mr REES: But let me keep working to find what the current level of total inbound is. Let me try and get that for you this session. Otherwise, I will take that on notice [disorder].

The Hon. JOHN GRAHAM: Essentially, what I would like to know is—you gave us in that letter an indication of 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.

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Mr REES: That is correct.

The Hon. JOHN GRAHAM: I wanted up-to-date figures for those.

Mr REES: That is correct. Okay. Let me get that breakdown for you.

The Hon. JOHN GRAHAM: Finally, in relation to this letter you gave us a number and a dollar value for paid level 3 applications in relation to fraud exposure. That number at the time was 1,195—a total of just more than \$11 million. What is that number today?

Mr REES: Can you just quickly repeat that last data point, Mr Graham?

The Hon. JOHN GRAHAM: It was the 1,195 applications. This was the number and then also the value of the paid level 3 applications—that is, ones where there was fraud exposure.

Mr REES: I believe that is the 16.23 million figure I gave you. That is the amount paid where we suspect there is fraud.

The Hon. JOHN GRAHAM: What is the number?

Mr REES: But all of that has not yet gone through the courts. Of that number, the value of that is 16.23 million. That represents 2,347 separate applications.

The Hon. JOHN GRAHAM: Great. You also gave us the number and the value of applications where a fraud conviction had been recorded. What is that number today? It was previously 46.

Mr REES: 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.

The Hon. JOHN GRAHAM: You told us that that had previously been where a fraud conviction has been recorded, 46 in total, a number of applications where a fraud conviction has been recorded.

Mr REES: If that refers to applications, that number is now 212.

The Hon. JOHN GRAHAM: Two hundred and twelve applications now where fraud has been recorded. What is the dollar value?

Mr REES: It is 2.61 million.

The Hon. JOHN GRAHAM: Good. Thank you for working through that. That is useful.

The Hon. COURTNEY HOUSSOS: Can I just ask one follow-up to that. Of that \$2.61 million, how much has been recouped, Mr Rees?

Mr REES: We have recovered \$2.3 million of funds in total. That represents 402 applications. There will be a partial overlap between that and the amount that relates to convictions for fraud. There is a number of reasons where we will recoup funds. Some is where customers will seek to voluntarily return that. Some is where we are following up on an aspect of compliance and eligibility. Then, where there is convictions, we seek court orders to ensure that the Government is compensated and recovered those funds. Of the \$2.61 million worth of convictions, we have requested \$981,000 worth of compensation orders. The courts have issued \$257,900 worth of compensation orders so far.

The Hon. COURTNEY HOUSSOS: Are you able to provide us, 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. Are you able to provide us with a breakdown of that \$2.61 million?

Mr REES: Let me take that on notice so I do not inadvertently give you the wrong figure. But, yes, happy to provide that.

The Hon. COURTNEY HOUSSOS: Thanks. I will pass back to my colleague.

The Hon. JOHN GRAHAM: Thank you. One of the concerns when this contract was moved from Core Integrity and brought into Service NSW for the fraud management team was that the model that was adopted—the model that was recommended—would investigate inbound police inquiries only. Looking at those figures, in fact, you have also ended up referring some applications for fraud outbound to police. Is that correct?

Mr REES: Yes, that is correct, Mr Graham. We have referred 143 cases in total, and 34 of those were referred prior to the transition of those responsibilities from Core Integrity to the internal team. The remaining 109 have been after that transition. Of that 109 there is a significant number and a significant increase in the number and percentage of outbound referrals compared to the inbound referrals.

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The Hon. JOHN GRAHAM: One of the concerns here at the time—this is coming from documents that were produced to the Parliament—was that the model that you were adopting might really see inbound police inquiries only dealt with. The advantage was it would be much cheaper; it would be a lean team, very inexpensive to service. But the risks identified included that applications prioritised as P3 and P4 will not be actioned, meaning that investigation and potential criminal action will not be taken against these suspected fraudulent payments and, secondly, that inaction on these cases could result in negative public and partner agency perceptions. Those numbers you have given us, Mr Rees, are still very low for the number of outbound referrals. You are getting a lot of inquiries from police but very few, relatively, I would have thought, outbound referrals. Is that still a risk here, that we are relying more on waiting for the police to call than proactively referring these cases to police?

Mr REES: Yes, I can understand the question. We have in fact increased our rate of outbound referrals to police. To the best of my knowledge, at the time we contracted Core Integrity for this function, the vast majority of cases referred to police were as a response to inbound requests from police. I believe there may have been one of those 34 that was actually an outbound request that had been initiated through the work of Core Integrity. My understanding is now, since transition, there has been a further 50 outbound referrals. It does represent a significant increase in that outbound referral rate. I think, to your observation on the numbers, there is a long lead time here. There is a significant amount of work that goes into both the analytics—there is a process we need to go through with our customers to ensure fair process and that we are not misinterpreting or taking [disorder].

The Hon. JOHN GRAHAM: Accepting that, what you are telling us, though, is outbound referrals have dropped from the time that Core Integrity was dealing with this program. They are lower now—143 then, 109 now—if I have understood what you have said.

Mr REES: No, the other way round. In total we have referred 143 cases—

The Hon. JOHN GRAHAM: Right. Of those, 109 have been since that period.

Mr REES: A hundred and forty-three cases, 34 of which were when Core Integrity were here, 109 since then. Of the 109, I believe, 50 of those were outbound referrals.

The Hon. JOHN GRAHAM: That still seems very low. Do you have a view on that?

Mr REES: There is a long lead time to get to the point where we make that referral to police. There is a significant amount of work that goes into getting to that conclusion and preparing the evidence packs that support that. So that work will continue.

The Hon. JOHN GRAHAM: I might hand to my colleague after this question. 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 time line of your choosing? Where is that heading? Fifty now. Where will you be at, say, by the end of the year?

Mr REES: I would need to take that question on notice, Mr Graham.

The Hon. JOHN GRAHAM: Thank you.

The Hon. COURTNEY HOUSSOS: 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?

Mr REES: I do not appear to have that data point with me. Apologies. I will take that question on notice.

The Hon. COURTNEY HOUSSOS: Can I just ask one final question. The [inaudible] folder note that was provided to the Parliament said that the total maximum forecast of grant exposure was \$26.69 million. You have revised that down now to \$16.23 million. Is that correct?

Mr REES: The 16.23 million is our current view of suspected fraud that has been successful. Moneys have been paid. Separate to that, there is a different level of attempted fraud. We believe that currently sits at approximately \$40 million. This is where we believe there have been attempts to defraud but those attempts have been blocked before payment has been made. We do have a further \$15 million of attempted fraud that we are currently triaging to either confirm it as suspected attempted fraud or to move forward where payments are legitimate.

The Hon. COURTNEY HOUSSOS: Sorry. So—

The CHAIR: Thanks, Courtney.

The Hon. COURTNEY HOUSSOS: Sorry.

The CHAIR: We can come back to this. Mr Rees, it actually might be useful to get some further clarification about that. You say that there is \$40 million of prevented fraud. Is that your best estimate at the moment?

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Mr REES: Suspected prevented fraud. That is correct.

The CHAIR: So where there has been a suspicion of fraud in the application, and the payment has not been made because of the suspicion of fraud. Is that right?

Mr REES: That is correct.

The CHAIR: On top of that is the \$16.23 million of at least internally confirmed fraud where money has been paid.

Mr REES: That is correct.

The CHAIR: In total, some \$2.3 million has been recovered. Is that right?

Mr REES: We have recovered 2.93 million, but we need to be careful. That will sit across a range of different cases. Some of those will sit within our suspected fraud of 16.23 million. Some of that will sit without. So I do not want to directly align those.

The CHAIR: You have recovered money where you do not suspect fraud?

Mr REES: That is right. Where we have compliance-related follow-ups with customers, confirming various aspects of eligibility and compliance with terms and conditions, we also see funds returned through that process.

The CHAIR: That would be in circumstances where there may have been an error in the application or a misunderstanding but not an intent to commit fraud. Is that right?

Mr REES: That is correct.

The CHAIR: What is the value of that class of payments made in error or made but later found to not have been an entitlement but not fraud?

Mr REES: We have a range of different audits underway, looking at different aspects of compliance and eligibility for the program. We currently have approximately \$4 million worth of applications where we have a view that customers were potentially not eligible, and we will be seeking to reclaim those funds. Then there is a range of applications where that analysis is ongoing.

The CHAIR: In terms of fraud, either prevented or identified fraud, you have got roughly round about \$56 million worth of applications that fall in that bucket. Is that right?

Mr REES: Yes, 16.23 paid, the remaining 40 prevented. That is correct.

The CHAIR: How many applications does that represent? Do you know?

Mr REES: The 16.23 million represents 2,347 applications. The 40 million of prevented fraud represents 4,175 applications. I think I may have mentioned earlier there is another \$15 million worth of applications that we are currently working through to either confirm and move them into suspected fraud or to move them through to payment. There is 4,669 applications in that category as well.

The CHAIR: There is 6½ thousand identified applications involving fraud and another 4½ thousand where you have suspicions and you are working through. Is that right?

Mr REES: There are—apologies if I am being too detailed here—2,347 where we suspect fraud has occurred. There are 4,175 where we suspect that attempted fraud has occurred but that was not successful and did not get paid. And then there is—

The CHAIR: I have added those together, Mr Rees, and I come to a bit over 6½ thousand cases where you have identified actual fraud or you have identified an attempt at fraud and prevented payment—about 6½ thousand applications.

Mr REES: That is correct.

The CHAIR: Then there is another 4½ thousand that are in a bucket, that you have suspicions about and you are undertaking investigations on. Is that right?

Mr REES: That is correct.

The CHAIR: Around about 11,000 applications in total.

Mr REES: Correct.

The CHAIR: How many applications have you referred to police, outbound?

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Mr REES: 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.

The CHAIR: But you were giving numbers to Mr Graham about outbound referrals. Can you refresh my memory of what the numbers you know about outbound referrals are? They are ones coming from Service NSW.

Mr REES: That was referring to the number of cases. Of that 143, since responsibility for that analysis transitioned from Core Integrity to the internal team, I believe, 50 of that 143 or 50 of the 109 that have been processed since that point of transition are outbound cases. But a case can relate to multiple applications and multiple individuals, of course.

The CHAIR: You see, Mr Rees, assuming that in total 1,500 applications have been referred to police, we have got 6½ thousand applications where you have identified actual or attempted fraud. That seem to me the bulk of people are going to get away with it. Is that right?

Mr REES: No, I do not believe that is right. As I flagged before, there is a long lead time for working through this process and preparing the briefs and making those referrals to police. We are continuing to undertake that work in parallel with the other things that we are doing.

The CHAIR: 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?

Mr REES: 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.

The CHAIR: I thank you for that, Mr Rees. Can you identify, if you can, the number of individuals associated with the \$40 million of prevented fraud?

Mr REES: 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.

The CHAIR: Mr Rees, there is no criticism of you. You have come armed with a variety of useful information. I accept that some things will be taken on notice. This is quite a labour-intensive process, is it, to identify fraud?

Mr REES: It is.

The CHAIR: Would it be true that the key to the successful identification of potential fraudulent grant applications is the ability to identify all associated grant applications tied to the fraudulent one? That is critical, is it not?

Mr REES: If your question is "Is the relationship between applications part of the analysis that goes into detecting fraud?" the answer is yes.

The CHAIR: That would be looking at other applications that share common characteristics: names, addresses, email addresses, phone numbers, bank account details. Is that right?

Mr REES: That is correct.

The CHAIR: How is that currently being undertaken by Service NSW?

Mr REES: This is all managed as part of our fraud control framework, which is really a combination of our policies, our processes, our data and our systems and the teams that underpin that. Specifically to that analysis, we have a range of technologies involved. Some of the controls and the analytics is built into our digital product set. We have a data warehouse that underpins a lot of the analysis. We have a tool that we are introducing, called Contexa, which is a purpose-built risk analytics tool that particularly focuses on relationship management between different data sources and different entities.

The CHAIR: Did you say you were building this tool called Contexa?

Mr REES: No. Contexa is a third-party product. We are in the process of running that in parallel with our existing analytics processes whilst we build confidence in it and ensure that we are getting accurate response. Then it will play an ongoing role in that analytical capability.

The CHAIR: So it is not in place yet.

Mr REES: It is in place. It is being used in parallel rather than in place of our current processes.

CORRECTED

The CHAIR: When was it put in place?

Mr REES: It was first introduced, I think, within the last one to two months.

The CHAIR: How many additional fraudulent applications has it identified?

Mr REES: We are continuing to maintain our current systems and our processes. We are using this tool in parallel with those to get confidence on the recommendations that it gives us before we move completely to it. I do not think it would be accurate to say that that tool is the result of our recommendations at this point. It is an additional tool that we use to give us greater confidence around our processes and our recommendations.

The CHAIR: What are you using at the moment to identify fraud? What program are you using?

Mr REES: We have a—

The CHAIR: [Disorder] data-matching program?

Mr REES: We have a range of technologies. The data itself is all brought together in an underlying data warehouse. Then we have a range of analytical tools that we use over the top of that to assist in the analysis that we undertake.

The CHAIR: What are those tools?

Mr REES: The principal tool that we use is a tool called Tableau.

The CHAIR: When was that put in place to be undertaking this role of analysing the data?

Mr REES: 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.

The CHAIR: Was that in place when the initial \$10,000 bushfire grants, the ones which have the largest degree of fraud associated with them—was that in place at that time?

Mr REES: 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.

The CHAIR: When was it first used to do the data analysis on the \$10,000 bushfire grants, the ones with the largest degree of fraud?

Mr REES: I would need to take the date on notice, Mr Shoebridge.

The CHAIR: What about for the volunteer firefighter fund? When was it first used on that?

Mr REES: In terms of the date, I would need to take that on notice.

The CHAIR: You see, Mr Rees, when those schemes were first set up, there was really no systemic fraud control, was there? You had none, really.

Mr REES: At the time that the first programs were mobilised, we had significant fraud controls across the organisation, but certainly outbound payments of that nature and that scale was a new area of focus and activity for Service NSW. So we did need to build those controls and mature those controls in parallel with the delivery of those programs.

The CHAIR: Mr Rees, there were regular reports being made to Service NSW, both before and after the establishment of the strategic investigation unit, which identified people making northward of 200 individual applications under these grant programs, weren't there?

Mr REES: That is correct.

The CHAIR: 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? How on earth did that happen?

Mr REES: 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—

CORRECTED

The CHAIR: [Disorder] two cases of successful fraud. How many unsuccessful attempts at fraud were there?

Mr REES: Significantly less than originally thought. I do not have the number to hand. I am happy to take that on notice.

The CHAIR: What about the person of interest whose name begins with P? Again, 87 applications with an associated value of \$863,000, generated from 12 different user IDs—how did that happen?

Mr REES: I am not familiar with that particular case, but I am happy to take that question on notice.

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

Mr REES: 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.

The CHAIR: Let us be clear: There was no data matching at all in place, was there, when these programs were set up—the \$10,000 bushfire grants? There was no systemic data matching in place at all, was there?

Mr REES: That is not correct. Firstly, to start with, the programs have a range of controls that range from the deterrents that are in place—the front-end controls of the applications that prevent certain applications being submitted in the first place—and we then have a range of steps applications go through. We run analytics over those applications to identify potential markers for fraud. There is a security inspection that is then done on those applications. There is a business verification done on those applications. Applications that are still deemed likely to be fraud are then moved back to our fraud analytics team and those confirmed of suspected fraud are ultimately briefed up and passed to police. All of those controls—and then post the program, the post-program compliance controls—all play a role in managing risk.

When we deliver the volunteer firefighter funds, absolutely, those controls in many areas were new. They have continued to mature over the delivery of all of our programs and each program picks up on the controls before. Where we find new areas of exposure or risk, we can reapply that analytics back to previous programs. For the programs referred to in terms of the bushfire programs, there was a level of analytics that was in place at that time. It was not of the scale and industrialisation that we have today or that we will get going forward through the new tool that we have put in place, but there was a level of analytics at the time.

The CHAIR: Mr Rees, the level of analytics at the time was a poor bloke called Richard King, who had a spreadsheet where he extracted data from your Salesforce database and tried to do the best he could with an Excel spreadsheet. That is the truth of it, isn't it? Poor old Mr King with a spreadsheet trying to cover thousands and thousands of applications.

Mr REES: That is part of it, yes.

The CHAIR: That was it. Some poor bloke with an Excel spreadsheet trying to pull together data from the Salesforce thing and trying to make connections using an Excel spreadsheet. That was it. Was it not?

Mr REES: There was a period of time at the mobilisation of these programs where the analytics needed to be undertaken largely manually. We did not have a sophisticated toolset at the time. That is the work that has been taking place over the last 18 months: to build that out in parallel with the delivery of the grants. The grants programs ultimately show that we were able to maintain a very low level of paid fraudulent applications in spite of the need to mature those processes and those capabilities in parallel with the delivery of that support.

The CHAIR: Mr Rees, was the primary fraud identification measure that was in place when these \$100 million grant programs were being rolled out one employee with an Excel spreadsheet trying to do the best he can identifying connections? Was that the primary [disorder]?

Mr REES: No, I do not believe that is an accurate statement, Mr Shoebridge.

The CHAIR: Well, you engaged an external expert to assist you with this in the form of Core Integrity, didn't you?

Mr REES: We did. We also had other internal teams that played a role in this. Mr King, as you referred to, certainly did play a role, particularly towards the early stages of these programs. But we rapidly brought in a range of support measures and continue to improve those controls and to industrialise those controls.

The CHAIR: Mr King played a heroic role as basically the thin blue line protecting public money from fraudulent applications, didn't he? Apart from Mr King, when these programs were set up, what were the other fraud prevention measures you had in place?

CORRECTED

Mr REES: Mr King did play an important role, but he was one of a number of people working in this space.

The CHAIR: Apart from Mr King's spreadsheet, what were the other fraud prevention controls you had in place when they were rolled out?

Mr REES: When each of the programs were delivered there were controls that were part of the front end application process that complimented the back-end checks that Mr King was doing at the time.

The CHAIR: We might come back to this, Mr Rees. Unfortunately, my time has expired. I will hand it back to the Opposition.

The Hon. JOHN GRAHAM: Thank you, Chair. Mr Rees, thank you for all the data you have given us. I might just have one more attempt at summarising those totals there. You have told us that that total of 11,000 applications are in question—that is, suspected fraud, attempted and prevented fraud, or further investigation. I believe the total number you have given us—that is, the total value—is just over \$60 million. That is slightly over \$16 million for suspected, \$40 million for attempted and prevented, and \$15 million for further investigation, leading to just over \$60 million. Is that correct?

Mr REES: When I add those numbers, I get a slightly higher figure than you are referring to, Mr Graham.

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

Mr REES: Yes. That is 50 cases, not 50 applications.

The Hon. JOHN GRAHAM: Outbound.

Mr REES: Yes.

The Hon. JOHN GRAHAM: 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?

Mr REES: That is correct.

The Hon. JOHN GRAHAM: Thank you. I will hand to my colleague.

The Hon. COURTNEY HOUSSOS: 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 Service NSW?

Mr REES: 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.

The Hon. COURTNEY HOUSSOS: Is that investigation in relation to fraudulent activity?

Mr REES: I believe we are running that investigation into response to concerns that were raised.

The Hon. COURTNEY HOUSSOS: Who raised those concerns?

Mr REES: I would need to take that on notice.

The Hon. COURTNEY HOUSSOS: Can you then provide an outline of what the investigation is in relation to?

Mr REES: I will take that on notice.

The Hon. COURTNEY HOUSSOS: 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?

Mr REES: I will take that on notice.

The Hon. COURTNEY HOUSSOS: Thanks very much. We talked about the amount of money that has been recouped. We have got a figure of \$2.3 million in total that has been recouped. Is that correct?

Mr REES: It is \$2.93 million.

The Hon. COURTNEY HOUSSOS: Some of that, though, was incorrectly—not fraudulently applied for. Is that correct?

CORRECTED

Mr REES: There are principally three categories of applications that will make up that \$2.93 million. Some of them are incorrect payments that are being returned, some of them are voluntary returns from customers and some of them relate to fraudulent payments.

The Hon. COURTNEY HOUSSOS: Do you have a breakdown of those with you?

Mr REES: I believe the funds recovered relating to fraudulent payments is \$40,350, recognising that a number of those court cases have only recently concluded and the associated compensation orders.

The Hon. COURTNEY HOUSSOS: Sorry, so your evidence is now that actually the amount of money from fraudulent applications that has been recovered is \$40,000. Is that correct?

Mr REES: To the best of my knowledge, the funds recovered from fraudulent payments are \$40,350.

The Hon. COURTNEY HOUSSOS: How much from incorrect payments?

Mr REES: I do not have that split. I will take that on notice.

The Hon. COURTNEY HOUSSOS: How many voluntary returns?

Mr REES: Similar.

The Hon. COURTNEY HOUSSOS: Of that \$40,000, that is out of a total of—we have talked about a total figure of \$56.23 million, with \$16.23 million being the total value of the applications that have been found to have been fraudulently applied and \$40 million of additional amounts. Is that right? Out of that total of \$56.23 million of fraudulently paid out or attempted paid out moneys, it is the \$16 million, yes?

Mr REES: Maybe if I can try and assist—there are \$16.23 million where we suspect fraud has taken place and been paid. Of that \$16.23 million, we have made referrals to the police for \$5 million worth of total value—\$5 million of the \$16.23 million. The funds that have been recovered relating to fraud currently sits at \$40,350.

The Hon. COURTNEY HOUSSOS: So it is \$40,000 of the \$16.23 million, then.

Mr REES: That is correct.

The Hon. COURTNEY HOUSSOS: That is not very much, Mr Rees.

Mr REES: Unfortunately, it is a very slow process. As I did flag, we do seek compensation orders wherever a conviction has been made. The value of those compensation orders sits at just under \$1 million requested and \$657,000 granted. We will continue to make those referrals and we will continue to seek those compensation orders. We have certainly evolved the way that we approach the delivery of grants. The more recent grants are delivered as act of grace payments and Revenue NSW performs the compliance and funds recovery role there. By making those act of grace payments it gives government additional options to use the powers of Revenue NSW for recovery of funds. We will continue to use a range of mechanisms to ensure that funds are returned where appropriate.

The Hon. COURTNEY HOUSSOS: Just to clarify, Mr Rees—this is my last question before I hand back to my colleague—you are saying Revenue NSW is now able to recoup that money because they were not able to previously. That is correct, isn't it?

Mr REES: Yes. Because recent grants have been mobilised as act of grace payments, that provides additional ability to leverage the powers of Revenue NSW. There are mechanisms—

The Hon. COURTNEY HOUSSOS: Sorry, Mr Rees, we are running out of time. I am just going to ask, of the \$16.23 million, that money is not able to be recovered by the State debt recovery office. Is that correct?

Mr REES: A portion of that would not have been delivered as act of grace payments and, therefore, cannot leverage those powers. But there are other mechanisms to seek the recoup of those funds.

The Hon. COURTNEY HOUSSOS: I understand. Thank you, Mr Rees. I am going to pass back to my colleague.

The Hon. JOHN GRAHAM: 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 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

CORRECTED

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?

Mr REES: Personally, no, I do not. I am not familiar with the document you are looking at, Mr Graham. But personally, no, I do not.

The Hon. JOHN GRAHAM: 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?

Mr REES: 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]—

The Hon. JOHN GRAHAM: 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?

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

The Hon. JOHN GRAHAM: Well, that was the criteria you were prioritising it on 11 September. Are you telling us that is now no longer the case?

Mr REES: 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.

The Hon. JOHN GRAHAM: 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?

Mr REES: Not that I am aware.

The Hon. JOHN GRAHAM: 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?

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.

The Hon. JOHN GRAHAM: 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.

Mr REES: Of course.

The CHAIR: Mr Rees, if you have recovered slightly over \$40,000 of the \$16.23 million of identified fraud payments—that is right, isn't it?

Mr REES: I believe so, Mr Shoebridge.

The CHAIR: That is less than a quarter of 1 per cent of the payments having been recovered. Do you agree with that?

Mr REES: I have not done that maths, but I will trust yours.

The CHAIR: Well, I just did. That has taken a bit over a year to get to this point. Is that right?

Mr REES: That is correct.

The CHAIR: So you should be sorted in about—I make it—400 years. You should actually have this sorted in 400 years' time if you continue at this rate. Would that be right?

Mr REES: I do not—there is a lead time to this process, so I do not think it would be appropriate to just—

The CHAIR: That is a hell of a lead time.

CORRECTED

Mr REES: It is material, but you need to remember that time allows also for these cases to be seen by the courts and determined by the courts.

The CHAIR: Mr Rees, 400 years allows a lot of time for the courts to look at this. I think you would agree that is an unacceptable amount of time.

Mr REES: I would agree 400 years is a long and unacceptable amount of time, Mr Shoebridge.

The CHAIR: 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 REES: Mr Shoebridge, I am not sure I 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.

The CHAIR: I will take you through the logic. Forty thousand dollars of \$16.2-odd million is less than a quarter of 1 per cent. It has taken you a year to recover less than a quarter of 1 per cent. If you continue at that rate, it will take you 400 years to recover the money. That is the basic logic, Mr Rees. So if it is not 2421, which is your deadline, what is the deadline for the recovery of this money?

Mr REES: I think that logic assumes that there is a linear extrapolation to this. What we have seen is that there is an acceleration to the rate of referrals to police and the volume of applications and dollars associated with that. There is a lead time to the preparation of these briefs. A simple linear extrapolation, whilst I can appreciate it, I do not think represents the progress that is being made or will be made in that space.

The CHAIR: If it has been a non-linear progression to get to \$40,000, you are still in a world of trouble, aren't you, Mr Rees? That would be true? If you are engaging on some sort of curve here, it is not a very attractive outcome, is it?

Mr REES: I would like to see an acceleration of those funds recovered, Mr Shoebridge.

The CHAIR: You see, Mr Rees, it creates a major moral hazard if you have thousands and thousands of people who have fraudulently either sought to obtain or obtained public money and less than a quarter of 1 per cent of those are going to be prosecuted against. You have a major moral hazard here, don't you? It is an invitation to fraud, isn't it?

Mr REES: I can only speak to the elements that I can control. What we are seeing is a significant deterrent in these applications. We are seeing a significant improvement in the management of risk. We are seeing a commitment and an acceleration to the consequence management of applications that are deemed fraudulent. I can fully appreciate what you are saying, but the elements that I can control do not include the elements that relate to the court system. What we are committed to doing is continuing to improve those risk controls, continuing to investigate cases of suspected fraud and continuing to make those referrals to police.

The CHAIR: Mr Rees, going back to what systems were in place last year, I will read to you an extract from a document—it is a long document in the form of a table—which was produced by Core Integrity. They said:

Core Integrity identified early in their engagement that SNSW's ability to undertake this type of analysis—

that is the data matching analysis—

—was limited if not non-existent.

That was the advice you got from Core Integrity, wasn't it, that you had a limited, if not non-existent, capacity to do data analysis?

Mr REES: If that is what Core Integrity put in their report, that is their perspective. It does not mean we share that perspective. Service NSW has a data insights and analytics team and capability. There is a maturity to that capability. The department more broadly holds the data analytics centre and a range of other capabilities. I believe Core Integrity have drawn that perspective and opinion from a narrow viewpoint.

The CHAIR: They went on and said:

Some attempts have been made in a rudimentary way to perform this type of analysis by Richard King in spreadsheets using data extracts from Salesforce.

That is what was in place, isn't it? That is what your own external expert is telling you—poor old Mr King.

CORRECTED

Mr REES: As I said, at the introduction of these programs, a number of these capabilities were new; they needed further maturing. We have continued to mature those capabilities and industrialise those capabilities over the life of those programs.

The CHAIR: Core Integrity came to you with a solution, which you rejected, didn't they? They came with a product that they said would be the best way of identifying fraud and Service NSW rejected it, didn't they?

Mr REES: I think you are referring to the network analytics visualisation tool that Core Integrity use to deliver the services that we commission them for. I think there are a couple of things. It is important to realise that actually Core Integrity's engagement was about bolstering our capability in this space. The network analysis tool that they are referring to is a network analysis tool that is not unique to Core Integrity. It is not unique to the product that they were particularly familiar with. What we have found in practice is those network analysis tools, whilst they are nice from a visualisation standpoint, practically become very limited in their use and benefit at scale for the investigations function. We have those capabilities, but we do not find value in them operationally to progress the risk analysis and the case referrals.

The CHAIR: Core Integrity were the data or the fraud experts that you brought in, weren't they? They were the external experts who have a track record of assisting organisations to identify fraud. That is why you brought them in, isn't it?

Mr REES: We did engage them for their expertise in this space. That is correct.

The CHAIR: I will read to you what they said:

Core Integrity developed their own network association tool using PowerBi which they offered to provide to SNSW to use to assist with case referrals. SNSW rejected the offer to use PowerBi as it was felt that it could not be supported internally and additional licenses would be required.

That is why it was rejected, isn't it, not because it did not work, but because you did not think your systems could stack it up and you did not want to pay for the licences?

Mr REES: PowerBi is just another reporting tool. It is a Microsoft product. It is the equivalent of Tableau. Both of those products have an ability to deliver visualisations like those that Core Integrity are referring to. The bigger challenge here, Mr Shoebridge, is the analysis that that was throwing up actually was ultimately proven to be inaccurate. The bigger focus here is on the underlying data integrity and the relationships between that data. The visualisation tool is not an important part and not a useful part at scale of analysing that risk and of making those cases and referrals to police. What we have seen since that analysis moved from Core Integrity to Service NSW, the volume of both in total and, more importantly, of outbound referrals has increased, not decreased, and we continue to build up our toolset and data assets to further that exercise.

The CHAIR: Is this using Tableau—is that right?—as the primary response?

Mr REES: Tableau is a data analytics and visualisation tool in the same way that Microsoft PowerBi is. That is correct.

The CHAIR: Is that your data analytics tool that Service NSW is using?

Mr REES: We use Tableau as our default instead of the Microsoft tool. That is where our skill set lies.

The CHAIR: Is it true, as Core Integrity says, that the reason you did not get PowerBi was because Service NSW did not want to pay for the licences and that it would not be supported with your system?

Mr REES: 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.

The CHAIR: Mr Rees, Core Integrity said in February and I will again quote from them:

However, multiple assurances were made that a network association tool would be built in Tableau (preferred data visualisation tool of SNSW) prior to SNSW embarking on the Fraud Control Framework initiative. To this date, the Tableau version has never been built and funding was not approved.

Even in February this year you had not got Tableau up and running; you had not got the systems in place. That is right, isn't it?

Mr REES: No, it is not right. Tableau is used—the specific visualisation that they are referring to is around network analysis, as I have said to you. The teams that undertake the analysis found that those network analysis tools were not helpful once we got to a certain scale of analysis. We have that ability to apply those tools and the team choose not to use them because they do not see value in them and they do not assist in the task.

CORRECTED

The CHAIR: So what are you using to crunch this large amount of data to draw the associations together to link emails, bank accounts and user IDs, if not Tableau or PowerBi? What is the tool you are using?

Mr REES: The data itself and the relationships are all underpinned by our data warehouse. That is the important asset here, not the visualisation tool that you put over the top of it. We happen to use Tableau as our data visualisation tool, but it is not the important part of this. The important part of this is the underlying data assets. As I said to you, we are bringing in place a tool—

The CHAIR: Sorry, we are running out of time. It is not what is in the warehouse that counts; it is how you analyse what is in the warehouse and draw the links together. I will put this proposition to you that having not adopted Core Integrity's measure and having been so slow in stacking up Tableau and not having another tool to hand, there is a large amount of fraud that has simply not been identified. There are no effective systems in place to identify the scale of fraud, is there?

Mr REES: That is not correct.

The CHAIR: Again, what is the program that you are using to draw together to make that data matching? I am not interested in what is in the warehouse; I am interested in how you get it out of the warehouse and make it useful.

Mr REES: As I have said to you, the tool that we use as our primary tool for data analytics is a tool called Tableau.

The CHAIR: But you told me that kind of data visualisation was not useful.

Mr REES: Network analysis is simply one way of visualising data. Many tools can do it. We do not find that that way of visualising data assists the operational tasks that we need to do.

The CHAIR: Mr Rees, I am still utterly at a loss as to what tool you are using to analyse the data. I will put this proposition to you that not having a tool to analyse the data means that the State Government can say, "We have modest degrees of fraud," because you are basically not looking. You are not identifying it and you have not put the resources or the systems in to identify it, so you minimise the level of fraud. Is that what is going on here?

Mr REES: No, it is not.

The CHAIR: Unfortunately, we have run out of time. I know that the Government has an opportunity if there are any matters that they wish to clarify. I will give them that opportunity.

The Hon. TREVOR KHAN: No. I think it has all been entirely clarified, David. I do not require any time for questions.

The CHAIR: Mr Poulos?

The Hon. PETER POULOS: No.

The CHAIR: I thank all of the witnesses for their attendance today. I know sometimes the questioning can be a little pointed; we have a limited amount of time. I do want to indicate that I appreciate the frankness, Mr Rees, with your responses today.

Mr REES: Thank you, Mr Shoebridge.

The CHAIR: There is no criticism directed to you. I want to be very clear about this. You have come in here to give the best evidence you can and we respect your role in this process, and that is to all the witnesses that we have here today. There are a number of questions that have been taken on notice. Answers should please be provided within 21 days. That concludes this hearing in relation to the grants inquiry.

(The witnesses withdrew.)

The Committee adjourned at 12:35.