

REPORT ON PROCEEDINGS BEFORE

PUBLIC ACCOUNTABILITY COMMITTEE

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

CORRECTED

At Macquarie Room, Parliament House, Sydney, on Thursday 9 December 2021

The Committee met at 10:15.

PRESENT

Mr David Shoebridge (Chair)

The Hon. Scott Farlow

The Hon. John Graham

The Hon. Trevor Khan

The Hon. Peter Poulos

PRESENT VIA VIDEOCONFERENCE

The Hon. Courtney Houssos

* Please note:

[inaudible] is used when audio words cannot be deciphered.

[audio malfunction] is used when words are lost due to a technical malfunction.

[disorder] is used when members or witnesses speak over one another.

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The CHAIR: Welcome to the final 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 upon which the Parliament sits, and pay our collective respects to Elders past, present and emerging. Today we will be hearing from Mr Darren Murphy, the chief executive officer of Core Integrity, and Mr Dylan Bohnen, a senior manager from Core Integrity.

Before I commence, I would like to make some brief comments about the procedures for today's hearing. Today's hearing is being broadcast live via the Parliament's website. A transcript of today's hearing will be placed on the Committee's website as soon as it becomes available. In accordance with the broadcasting guidelines, I remind media representatives that they must take responsibility for what they publish about today. I remind witnesses that parliamentary privilege applies to what is said in the hearing today but not what is said outside. Committee hearings are not intended to be a forum for people to make adverse reflections about others under the protection of parliamentary privilege. In that regard, we appreciate if people would stick to the issues rather than the personalities.

All witnesses have a right to procedural fairness in accordance with the resolution of the House adopted in 2018. If either witness is unable to answer a question immediately and would want more time to respond or to refer to other documents, you are entitled to take a question on notice, in which case you have 21 days to provide that answer. If witnesses wish to hand up documents, please do so through the Committee staff. In terms of audibility for today's hearing, I remind witnesses to pull the microphones close and speak directly into them. Finally, I ask everybody to ensure their mobile phones are on silent for the duration of the hearing.

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DARREN MURPHY, Founder and Chief Executive Officer, Core Integrity, affirmed and examined

DYLAN BOHNEN, Senior Manager, Core Integrity, sworn and examined

The CHAIR: I welcome our two witnesses. Core Integrity, of course, was a key part of the Government's response to concerns about fraud in a series of grant programs that commenced immediately after the bushfires and continued through the pandemic. Core Integrity was brought on because of its recognised expertise by the State Government, and we are grateful for your attendance today and for your assistance with the Committee's deliberations. I remind you that you are both appearing under summons. I draw your attention to paragraph 12 (b) of the procedural fairness resolution of the House, which states, "Witnesses appearing under summons may be required to answer questions if the Committee so decides, and failure to do so may constitute a contempt of Parliament punishable under section 11 of the Parliamentary Evidence Act 1901."

The Hon. TREVOR KHAN: That was the end of your nice bit, was it?

The Hon. SCOTT FARLOW: The welcome was the end of the nice bit.

The CHAIR: It is here in writing and so it is entirely appropriate that we get that out of the way.

The Hon. TREVOR KHAN: It is all down hill from here I think.

The CHAIR: Thank you both for your attendance today. Did either or both of you wish to make a brief opening statement?

Mr MURPHY: I have got a brief one, Mr Chair. Good morning, everybody. As we have covered, my name is Darren Murphy. I am the CEO of Core Integrity, and joining me today is Dylan Bohnen, a senior manager employed by Core Integrity. May I first start by reiterating that Mr Bohnen and I have both been summonsed to appear here today in our capacity as representatives of Core Integrity, and I would like to take this opportunity to thank the Committee for extending the invitation to both Mr Bohnen and I for the ability to assist this inquiry. In terms of Core Integrity, we are an advisory firm, and, as you have outlined, Mr Chair, we work with a range of clients across both corporate and government sectors. In May 2020 we were engaged by the Department of Customer Service to provide support to both DCS and Service NSW in respect of the grant administration task force. We continued providing that support via DCS through until February 2021 when that contract ended. Thank you.

Mr BOHNEN: I do not wish to make an opening statement.

The CHAIR: Either of you, feel free to take questions as is best suited to your expertise. When were you first contacted by the New South Wales Government in order to provide the services you provide?

Mr MURPHY: It was around early May 2020.

The CHAIR: Do you remember, was that a contact from Service NSW or was that a contact from another entity?

Mr MURPHY: No, it was from DCS.

The CHAIR: What was the nature of that initial request or contact?

Mr MURPHY: Due to our existing relationship, they reached out and basically asked if we could come and provide some fraud subject matter expertise and some investigation support in relation to what they had established at the time, which I know to be the grant administration task force.

The CHAIR: You said a grant administration task force?

Mr MURPHY: That is correct.

The CHAIR: Where was that task force located?

Mr MURPHY: That was located inside Service NSW.

The CHAIR: What was the initial scope of your contract?

Mr MURPHY: We had a five-day initial term. The initial premise was to come in and help the department—and I will use that term collectively, including Service NSW—to size and scope the potential fraud exposure in the grant programs and to provide some expertise around how they might stand up some investigation response to those.

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The CHAIR: Do you remember what your first day of work with the department was under that contract?

Mr MURPHY: It was a bit of a slow start, to be honest. As you would appreciate, the first couple of days is things like contracting, onboarding, getting connected and attending meetings. It was quite frenetic—the first few days—in terms of attending meetings and understanding what was happening, but we were a little bit slow out of the gates, if that is what you are asking, in terms of trying to strike a blow through those logistical aspects.

The CHAIR: Your first five-day contract—when was it that you were first sort of sat down and were able to sort of scope out the scale of the problems?

Mr MURPHY: Our dates were—and let me just refer here—12 May to the nineteenth. By around the thirteenth or the fourteenth we were being connected with people internally at Service NSW and working with the data analytics team in there to be able to get access to data to help them profile.

The CHAIR: There is a document that has been tendered earlier in these proceedings. Can you identify that document?

Mr MURPHY: The chronology?

The CHAIR: Yes.

Mr MURPHY: Yes.

The CHAIR: Who was the author of that document?

Mr MURPHY: I believe it was initially created by Anthony Lane from the Department of Customer Service.

The CHAIR: What if any role did you have in relation to that document?

Mr MURPHY: I had zero role.

The CHAIR: Did anyone from Core Integrity have a role in that document?

Mr MURPHY: Not to my knowledge. Mr Bohnen?

Mr BOHNEN: No, I did not have any involvement in that document.

The CHAIR: Do you recall receiving it though at some point?

Mr MURPHY: I think I have received it, but my understanding and recollection is that this was created towards I think January or February of this year due to the fact that Mr Lane was leaving the department.

The CHAIR: It was more capturing, as you understand it, that officer's understanding of the chronology of events. Is that right?

Mr MURPHY: I believe so.

The CHAIR: If it assists at any point, feel free to refer to it for time frames.

Mr MURPHY: Thank you. Sure.

The CHAIR: The initial five-day contract, the first two days of which are largely sort of getting in position—once you did, what did you discover in terms of the capacity within the Government to identify fraud and the fraud prevention systems that were in place?

Mr MURPHY: That is a broad question. I will maybe give you some initial observations. As has been shared in previous hearings, and it is an acknowledged fact, we were brought in at a time when I think Service NSW had realised that they had potential fraud in the various grant programs that were running at the time. We were contracted by the Department of Customer Service via their audit and governance risk area to provide some extra capability, if you like. In our initial couple of days we assessed obviously that this was an organisation that had stood up a strike force or a task force to respond and obviously they were under considerable duress internally, if you like, in terms of mobilising a response.

Our specific engagement—to your point and in relation to the first five days and it was then subsequently extended another 10—was really focused around two key things. It was working with their internal teams to understand the data sources that relate to the applications so we could then provide some fraud and analytical reporting on that to size and scope it up.

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The CHAIR: In terms of the systems that were in place being used by the department to identify fraud, what systems did they have in place at that point?

Mr MURPHY: I am not aware of what intimate systems they had at the time.

The CHAIR: Did you speak to a Mr King at any point?

Mr MURPHY: Our team did deal with Mr King, and I obviously had conversations with Mr King, yes.

The CHAIR: Did you speak to him in that initial engagement period?

Mr MURPHY: Yes, we did.

The CHAIR: What was his role?

Mr MURPHY: My understanding is he was providing what we now call a level two manual assessment check of applications.

The CHAIR: Can you describe what a level two manual assessment check is?

Mr MURPHY: I will use terminology based on how the program has evolved during the time we were there. But, essentially, a member of the public would make an application via Service NSW. It would have a range of controls and assessments that would apply onto that application. Things that were identified as potentially fraudulent or suspicious would then go to a security review team, which I believe consisted of Mr King, and they would then review those applications and look for anomalies.

The CHAIR: What tools was he using to look for anomalies?

Mr MURPHY: The only tool I am aware of that he was using at the time was an Excel spreadsheet to manually review and look for anomalies.

The CHAIR: How was he performing that task with an Excel spreadsheet? It seems a fairly rudimentary way of identifying anomalies.

Mr MURPHY: I could not comment on what he was doing day to day. But, I agree, it is a rudimentary way to do that.

The CHAIR: How would an Excel spreadsheet be useful in terms of finding anomalies in thousands of applications?

Mr MURPHY: I am not an Excel expert, but from my limited knowledge it is around looking for duplicate data and correlated application data that might be suspicious—for example, seeing an applicant that might have multiple applications or common email addresses and other identifiable information.

The CHAIR: How were those potential applicants, potential fraudulent applications, identified and added into Mr King's spreadsheet?

Mr MURPHY: I do not have visibility of that. I am unable to answer that question.

The CHAIR: You said before that matters had been referred to and escalated up to Mr King.

Mr MURPHY: Yes.

The CHAIR: Your job was to understand the systems that were in place at the time. I am asking you what systems were in place at the time to escalate things up to Mr King to put on his spreadsheet.

Mr MURPHY: No, our initial job was not to look at the systems. Our initial job was to look at the data and try and profile the potential fraud exposure.

The CHAIR: What data were you looking at?

Mr MURPHY: Application data.

The CHAIR: Was that Mr King's spreadsheet?

Mr MURPHY: It was a combination. Our initial engagement—as I said, it was the first five days and then it was 15 days in total—was to get access to application data that resided in Service NSW so that we could profile that data and run fraud typologies across it. As a part of that, we were aware of Mr King's spreadsheet and the team would work with him. In terms of the processes that he employed internally, I do not have any visibility of that.

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The CHAIR: Would it be an unfair description to describe a level two manual assessment check using an Excel spreadsheet as a rudimentary fraud control measure?

Mr MURPHY: That would not be an unfair statement.

The CHAIR: Would you have a description of it, a level two manual assessment check?

Mr MURPHY: I think it depends on where an organisation is at in its journey at the time. I think that is important from a contextual perspective. If you are asking me is it suitable for a large financial institution to run fraud detection and look at things in a spreadsheet—absolutely not.

The CHAIR: Is it suitable for a State Government handing out tens of millions of dollars of grants?

Mr MURPHY: As a long-term solution, no it is not.

The CHAIR: Is it suitable as a medium-term solution? Is it fit for purpose?

Mr MURPHY: It is not fit for purpose, but at the time in question they were early in their journey—as we have heard from Mr Rees previously in his evidence—of initiating payments as a paying organisation. By their own acknowledgement, they did not have any of the systems and processes in place at that early stage. But I agree with your assessment that an Excel spreadsheet is not fit for purpose for that kind of function.

The CHAIR: Was it part of your remit to try to work out what a superior method would be, what a better solution would be?

Mr MURPHY: It was not initially. As I mentioned, our initial focus was to try and give the Government some advice on the potential scale and size of the fraud. We worked hard for a good 15 days to try and connect data sources, get access to that data and provide advice back into their business around profiling that. That was the initial scope.

The CHAIR: Do you want to take us through what those 15 days showed and what you did in order to fulfil that task?

Mr MURPHY: Yes, sure, at a higher level, and I can defer to Mr Bohnen if he needs to add further context. We were connected with the data insights and analytics team that resides within Service NSW. Our team worked closely with them to try and ask questions around what data exists related to applicants. Then through that process we were building out some dashboards, if you like—visualised dashboards—where we were using our fraud experience to slice and dice the data and look for fraud typologies and anomalies that might indicate either actual or suspected fraud.

The CHAIR: Do you remember which grants programs you were reviewing at the time?

Mr MURPHY: Not off the top of my head. I might defer to Mr Bohnen.

Mr BOHNEN: We looked at two initially, which were the bushfire 10K, I believe, and the COVID-19 10K. We also looked at the voluntary firefighter grants.

The CHAIR: And that was in the initial 15 days, Mr Bohnen?

Mr BOHNEN: Yes. I think towards the end we also looked at the bushfire 50K, but I cannot remember the exact time line.

The CHAIR: What were the tools that you were using to analyse the potential fraud exposure? I am assuming it was more than a level two manual assessment check.

Mr MURPHY: Yes. We had a data analyst in our team. My understanding was that he was using Power BI.

Mr BOHNEN: Yes, that is correct—Power BI.

The CHAIR: What did that show in that initial contract period?

Mr MURPHY: I might defer to Mr Bohnen.

Mr BOHNEN: Yes, no problem. Initially we had a view to try and understand—obviously, as Mr Murphy has mentioned—the level of exposure and also rate that exposure by risk just for some initial indicators. We used Power BI to run the data through that we had been provided by Service NSW to identify where fraud may exist in terms of high, medium or low risk.

The CHAIR: What did that show during your initial 15-day contract?

Mr BOHNEN: In terms of the possible exposure?

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The CHAIR: Correct.

Mr BOHNEN: I would have to have a look at one of the documents. I believe in terms of a dashboard that we presented initially, it showed that there were fraud indicators for the bushfire 10K which equalled \$64,260,000. Our initial assessment was that \$51 million of that had been unpaid and \$120,900,000 had been paid. Within the COVID 10K grant, \$106,843,795 worth of applications had fraud indicators present. Of that, \$113,452,646 was unpaid and \$238,396,787 was paid.

The CHAIR: So very significant fraud indicators. For the bushfire grant it was showing applications with fraud indications in the order of \$64 million and on the COVID grant, initial applications something in the order of \$106 million with fraud indicators. Is that right?

Mr BOHNEN: Yes. In our rudimentary first view of it, where we try to rate it by high, medium or low risk, at that stage that is what we found in the data.

The CHAIR: What does "fraud indicators" mean? Obviously it is not proof of fraud. What does it actually mean?

Mr BOHNEN: It is when there are things like duplicate data—so a duplicate bank account or a duplicate user ID or mobile number, things like that.

The CHAIR: Once you had done that initial analysis, who did you hand it to? What happened to your analysis?

Mr MURPHY: I will take that. This was an iterative process as well, so I think it is worthwhile to mention that in the early stages those numbers are large. The model continued to be refined as we learned more about the business. But, eventually—to answer your question—we transitioned that capability and that responsibility back into the Service NSW team.

The CHAIR: Did that happen in the first 15-day contract?

Mr MURPHY: It happened by the end of May/early June—around that time. By that stage we were also getting pulled into other things around leveraging our investigation capabilities and experience, and that was the transitional period.

The CHAIR: At the end of the 15-day contract, was your contract extended or renewed? What happened?

Mr MURPHY: Yes, it was extended. We had, after the first five days, another 10 days. During the end of May/early June, we backed out of doing the data analytics in terms of profiling the fraud and handed back that capability. When we started, Service NSW did not have the ability to profile that data, but we handed it back to them by, say, May or early June. During that period we started transitioning into other investigative tasks, providing law enforcement engagement, investigation duties and helping resolve other things that were coming up from inbound inquiries. Then we were extended further into a request for quotation.

The CHAIR: Because your company has experience in fraud control and identifying a chain of evidence necessary to lead to a conviction, for example, in fraud control.

Mr MURPHY: That is correct.

The CHAIR: Is that right?

Mr MURPHY: Yes.

The CHAIR: Do you want to explain what your experience is in that regard?

Mr MURPHY: I am an ex-New South Wales detective from the police. I have also worked in investigations for the better part of my 25-year career. We have done a number of large engagements for government agencies before, not necessarily around fraud but coming in and looking at historical case loads, investigation practices, the way that data is managed and the way you profile an investigation function. We are called upon in those scenarios to stand up that process. A key part to your question around understanding evidence is understanding the data that is available and the processes and systems so you can get access to that and pull it together in an evidentiary pack.

The CHAIR: So it is putting in place systems to identify fraud. It is knowing what data to pull out and then it is assisting a department and/or the police in pulling together a brief of evidence to be able to prove the fraud. Would they be the three key elements that you do?

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Mr MURPHY: They are, with one slight nuance change. Early in our engagement when we started transitioning into that sort of response bucket, if you like, of providing investigation and support, we were not involved in any fraud control framework and advisory piece around systems. We definitely were not involved in enhancing their front-end controls or their fraud control framework and the like. We very much were at the end of the pipeline in terms of setting up response protocols.

The CHAIR: But that front-end work became more a feature of your work as the contract developed. Is that right?

Mr MURPHY: No. Can you explain what you mean by the front-end work?

The CHAIR: Putting in place fraud controls, putting in place those protections, or was that never part of your remit?

Mr MURPHY: No, that was not part of our role.

The CHAIR: You were doing the data analysis, identifying the scale—

Mr MURPHY: That is right.

The CHAIR: —working out how to find it and then capturing the information and handing it over to prosecuting agencies.

Mr MURPHY: Yes, correct. That is right.

The CHAIR: Having initially found indicators of fraud of \$106 million in the COVID response, \$64 million in the bushfire response, how did your work progress after that?

Mr MURPHY: When we transitioned from May into June and handed off the analytics and profiling of the fraud back into the service business, our work was predominantly focused on two key things. One was providing investigation support in relation to inbound police and financial institution inquiries. I can come back to that. The second one, we were starting at ground zero, from a Department of Customer Service and a Service NSW perspective, around building an investigation function. So a very large chunk of time and effort was spent by our team trying to understand and map all the various data sources that might be associated with a member of the public's application process, getting access to that data so we could then analyse it from an investigation point of view, draw some insights and eventually go through that chain to the investigation preparation.

The CHAIR: If we can turn our mind to the bushfire response grants and the COVID response grants, no doubt you were advised that there was a very reasonable rush to get the money out to deal with an emergency situation. That was the context in which the grant systems had been set up. Is that right?

Mr MURPHY: I am aware of that, yes.

The CHAIR: But having established a rapid delivery of grants, there was not any mature system in place to deal with fraud or to assess potentially fraudulent applications?

Mr MURPHY: Which time period are you talking about?

The CHAIR: Particularly May.

Mr MURPHY: I think it is fair to say that when we came into the engagement it was quite rudimentary and there was not a level of maturity that would exist right now.

The CHAIR: In terms of the investigation function, you said it was ground zero; you were at a standing start in terms of investigating fraud. Is that right?

Mr MURPHY: That is correct. Service NSW did not have what I call a protracted or complex investigation capability and was not able to understand, I guess, the complexities involved in how you get access to those data and systems to do an investigation.

The CHAIR: Given your experience with other large and sophisticated clients, was it unusual in your experience to see hundreds of millions of dollars going out the door and having those very rudimentary fraud control measures in place?

Mr MURPHY: If you are asking me based on my advice and in my narrow lane, yes, it is less than ideal that you would launch programs without the requisite controls, of course.

The CHAIR: What I am asking you is was it unusual in your experience? Obviously, it is less than ideal, but was it unusual in your experience that hundreds of millions of dollars were being allocated out through

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grant applications or some other delivery mechanism without having more than very rudimentary fraud controls? Was that unusual?

Mr MURPHY: I found it unusual, yes.

The CHAIR: In your experience, have you seen anything like it in other parts of your work?

Mr MURPHY: No, but to be fair, I think this is the first time I have been engaged by an organisation that has probably changed in its operating model from being—and this is my assessment—someone who receives money from members of the public to now someone who initiates payments. So I think it is fair to say they were going through a transition. This is not to defend them; it is just contextually relevant. Whereas my previous experience—and I have worked in large financial institutions—very different business model, very complicated and a lot more maturity.

The CHAIR: Large corporates, insurance firms and the like—they are not handing out hundreds of millions of dollars unless they know it is going to the right place.

Mr MURPHY: Well, they do their best to make sure that it goes to the right place, yes.

The CHAIR: But those kinds of controls were not in place for the public money that was being delivered by Service NSW, at least at the commencement of your contract. Is that fair to say?

Mr MURPHY: That is my understanding, yes.

The CHAIR: When you identified the level of concern, what was the response from Service NSW?

Mr MURPHY: Can you be more specific in terms of their response? They had daily stand-up meetings and a full task force assigned to us.

The CHAIR: When you came to them and said, "There are applications that have fraud indicators in the sum of \$106 million on the COVID response", and you put that data in front of them, what was their initial response?

Mr MURPHY: They were concerned. They had acknowledged that there was a concern here, and I think they took proactive steps to establish the grant task force back in early May, prior to our engagement. Definitely by the time we arrived, they were in full swing and having daily stand-up meetings and many, many people involved in trying to get what I call "a lasso" around this issue. So, yes, they were concerned.

The CHAIR: But there was still money going out the door, was there not, at this time?

Mr MURPHY: Yes, grants were still being funded. There was a period of time I am aware of—I cannot give you the dates—where certain grant payments were put on hold whilst they tried to bolster controls. Part of that predates our engagement.

The CHAIR: But by the time you were there, money is still going out the door and there were not the fraud controls in place.

Mr MURPHY: I might defer to Mr Bohnen because he was tactically involved in that.

Mr BOHNEN: I cannot speak to the detail of how much payments were going out. I know that there were daily discussions, though, in terms of whether or not payments should be made, and there were reviews of certain applications being done by employees of Service NSW before payments were made.

The CHAIR: There were thousands and thousands of payments being made, though, Mr Bohnen, so how was Service NSW identifying the applications to review?

Mr BOHNEN: I cannot speak to that. I do not have any knowledge of that.

The CHAIR: Do you know if they had any software in place that would have assisted them to identify the applications to review?

Mr BOHNEN: I am not sure. I know there was a process by which applications were flagged if certain criteria were met, and then that went through to what is now called the SRT, Security Review Team. I do not know how those controls worked or how they were implemented.

The CHAIR: But part of your job was to work out what kind of measures and controls should be in place to identify fraud. That was part of your contract work, was it not?

Mr BOHNEN: My role in terms of this was to look at the data, obtain the data and then do some initial fraud indicators about it. I was not involved in looking at controls.

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The CHAIR: Was that part of your work, Mr Murphy, to look at the controls?

Mr MURPHY: No. As I mentioned, when we had our first briefing in terms of our engagement, it might be listed on one of the bullet points, but very quickly the focus of our work was working on understanding where the data was, helping the Service NSW team profile that data and present it back in house, and then we shifted into investigation. There were other parties involved in fraud control framework and those kinds of things.

The CHAIR: But the primary tool that you were using to map the scale of fraud, was that the Power BI?

Mr MURPHY: Initially, yes. That is correct.

The CHAIR: Do you want to talk us through how Power BI was being—is it pronounced "power by" or "power B-I"?

Mr MURPHY: Power B-I.

The CHAIR: Tell us what Power BI is and tell us how you used it.

Mr MURPHY: It is a data visualisation tool, very similar to Tableau. I am not a data analyst, but you ingest data and you present it in a visualised form. For example, if I take a fraud and investigation view, you would look at pie charts, bar graphs, present data and try to correlate data and draw insights.

The CHAIR: In terms of drawing insights, what insights do you draw?

Mr MURPHY: That first engagement that we did, as Mr Bohnen outlined, was trying to say: In this particular grants stream, these are applications that we identify as suspicious or not suspicious—that kind of insight.

The CHAIR: Mr Bohnen, you were the one who was using Power BI. Is that right?

Mr BOHNEN: No, it was our data analyst. I just worked with him. I am not a data analyst either.

The CHAIR: But he was feeding you the outcomes.

Mr BOHNEN: Yes, he was feeding myself and Mr Murphy the outcomes.

The CHAIR: What did they show, apart from the \$106 million and the \$64 million?

Mr BOHNEN: Our initial view was to get an understanding of the potential exposure and then risk rate that. That was the extent of that initial work being done.

The CHAIR: You then said you wanted to hand the data identification work back in house to Service NSW. Is that right?

Mr MURPHY: They wanted to take it back in house.

The CHAIR: How did that work?

Mr MURPHY: It was matter of working up the dashboards that we had in Power BI to a requisite level. There were a number of milestones throughout that sort of May/early June period, and then I think it was around 30 May we had a meeting where the Service NSW team said they were now equipped with access to the data and understanding how we slice and dice the data and they could take it from there.

The CHAIR: So you—"you" being Core Integrity—basically set up the Power BI analytical tools, got the system in place and then handed the keys over to Service NSW to run it. Is that right?

Mr MURPHY: That is correct. Just a couple of distinctions which are important. The data sits inside Service NSW. It is housed in the data analytics warehouse, or team.

The CHAIR: Yes.

Mr MURPHY: They use Tableau for a range of purposes. We simply use Power BI on our side to do our own profiling of that data. My understanding when we handed it over to them is they decided to use Tableau going forward because that is their in-house solution. So they replicated our dashboards, if you like, in a Tableau environment.

The CHAIR: Can I ask when did you cease your work with Service NSW? When did Core Integrity's contract end?

Mr MURPHY: That was February 2021.

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The CHAIR: February of this year?

Mr MURPHY: Yes.

The CHAIR: In the lead-up to February, what was your exit plan? How did your relationship with Service NSW come to an end?

Mr MURPHY: If I go through the time line, we have talked about the May/June transition of the visualised reporting back into the business. We started working on the investigation response protocols. We were reporting into DCS and that governance, risk and performance area for that—so outside of Service NSW. We established the Strategic Investigations Unit [SIU], comprised of seven resources from our team. We dealt with inbound police referrals and financial institution referrals in the initial stages. That was a huge focus of our work, based on the volume and the lack of resources.

In addition to that, and in parallel, we had to map out the data sources and the systems to be able to support that investigation process. In around November, our team was scaled back in terms of resourcing, and I believe that was due to funding. Our initial contract was due to end on 31 December. They extended it through to the end of February to support a transition plan, which I believe is linked back to that briefing paper, and then we exited.

The CHAIR: All right. This chronology document has on for July of 2020—unfortunately, it is not page numbered, but can you see July of 2020? It has got, "Network analysis and identify a resolution software." Do you see that?

Mr MURPHY: I have got it, yes.

The CHAIR: In July 2020 the Service NSW chronology says, "Key to the successful identification of potential fraudulent grant applications is the ability to identify all associated grant application ties to a fraudulent one; that is, other applications that share common characteristics—names, addresses, email addresses, phone numbers, bank account details et cetera." Just stopping there, is that a fair summary of how you identify fraud?

Mr MURPHY: Yes. Well, it is one mechanism to support your investigation process.

The CHAIR: If you have got a data-heavy program, they are sort of the key things you look to in a data-heavy program—is that right?

Mr MURPHY: You look to use other tools that can expedite a manual process and eliminate human error, yes.

The CHAIR: There were some notorious examples from the \$10K bushfire fund—one was the series of applications from the same bikie outfit in Newcastle where they all shared a common address, which was a large bikie compound, and they all used common images, I think, of the same burnt shed that they had scraped from Google. Would that be a classic example, with a common address and a common image?

Mr MURPHY: Yes, they are common examples of where people attempting fraud use common addresses, email addresses, bank accounts, IDs.

The CHAIR: Do you recall the concerns being raised about organised crime seeking to access these grants?

Mr MURPHY: Yes, there were police inbound referrals to that extent.

The CHAIR: Can you give any details about how your work helped identify or evidence that kind of organised crime attack?

Mr MURPHY: Let's take a broader view. When we were moving into that investigation phase and established the SIU, the Strategic Investigations Unit, we had a level one team within Service NSW that was doing application checking; a level two team that was known as the security review team—they were doing the more enhanced assessments, and they would refer suspicious applications to our team for an ongoing investigation. As part of that process, we used that network analysis tool that we have referred to in this chronology—Power BI is the tool that we use—and that was one of the methods that enhanced our ability to review, assess and prioritise cases.

The CHAIR: All right. Can you remember identifying those tags for that Newcastle organised crime syndicate?

Mr MURPHY: I might defer to Mr Bohnen.

CORRECTED

Mr BOHNEN: I believe that was off the back of an inbound police inquiry that was made to Service NSW. Those came through to us and SIU.

The CHAIR: What did the SIU team and yourself do once you got that inquiry?

Mr BOHNEN: As a general response, we worked with the police to get some of the information they had and then ran it through the data that we had available to us, in terms of application data, to see if there were any applications that have been submitted and if there were any other linked applications.

The CHAIR: Did you find additional linked applications, Mr Bohnen?

Mr BOHNEN: That is correct, yes.

The CHAIR: Talk us through that—what did you actually find and what were the common data points that assisted you in finding that?

Mr BOHNEN: There were a number of data points that would be used. It depended, obviously, on the individual case, but we would use Power BI as our data analysis tool to identify applications which had common links to other applications. For example, a name appearing on multiple applications—we could then use that to see that those applications were linked or a bank account number was used for multiple applications. From that, we would get that data and do an analysis of it.

The CHAIR: But in relation to this particular organised crime syndicate, who clearly were targeting the grants application, can you remember the scale of it or what the indicators were?

Mr BOHNEN: I would have to take that question on notice.

The CHAIR: But you would also use a mapping tool to identify individuals who had made multiple applications—is that right? That was one of the things?

Mr BOHNEN: That is correct, yes.

The CHAIR: Can you give us an indication of what the scale of that problem was? Were there individuals making two applications or five applications or a hundred applications? What were you finding?

Mr BOHNEN: Once again, just to take a step back, we got referrals from inside Service NSW, from the SIU team, as well as inbound police referrals. For the inbound police referrals, there were some instances where there were multiple applications being made—10, 12, sometimes 15 applications. For SIU team referrals, they came through to us and they ranged from maybe one or two applications through to—I think there were a couple where there might have even, on initial review, been 200 applications, if I am not mistaken.

The CHAIR: And those were either identified by an external agency like police or were being picked up through data analytics. Is that right?

Mr BOHNEN: Yes, either police were coming to us with information and we would then run it through, or through the fraud controls and systems that Service NSW had in place. It would be flagged by the SIU team, and they would refer that to us.

The CHAIR: It seems incredible that a system would allow the same person to make 200 applications. That must have struck you as—well, I will say odd, but I will ask you: How would you describe your response when you saw that the system allowed someone to make upwards of 200 applications for the same grant?

Mr BOHNEN: I think it does seem odd, yes, that is correct. It seems unusual that a system would allow that. I do know that—I cannot speak to the extent of it, but controls were put in place to prevent that happening. I am just not sure of when those controls were put in place.

The CHAIR: I will hand over to Ms Houssos.

The Hon. COURTNEY HOUSSOS: Thank you very much to the witnesses for your time this morning. I just want to go back a step. When did you first understand the initial scale of the fraud? You have given us some figures and there was \$64 million that you initially saw in the bushfire grants and \$106 million [inaudible] in the COVID \$10,000 grants. When did you first start to understand the scale of the problem?

Mr MURPHY: I am happy to answer that. I think it was an acknowledged fact on the first day of our arrival the reason why DCS reached out to us in the first place is that they had already established that grant administration task force. Mr King was using his spreadsheet and already identifying duplicate applications. So the day we arrived, it was already a known fact that there were issues. When we spent that, say, first 15 days profiling the data, that is when people started to get a better sense of the scale.

CORRECTED

The Hon. COURTNEY HOUSSOS: At the end of 15 days did you have a sense of how much there was? When did you actually arrive on these figures?

Mr MURPHY: As I outlined before, we transitioned that back into the service team. Their job was to keep looking at the data, keep updating those dashboards and then obviously move on to reporting those figures to elsewhere, like Treasury. Unfortunately, I cannot give you the answer; we backed out of it around 30 May.

The Hon. COURTNEY HOUSSOS: Right, I understand. You said earlier that you referred to this was obviously the first time you had been engaged in something like this from this perspective, but it is certainly not the first time that the New South Wales Government has ever given an emergency grant. Did any of the Service NSW staff or any of the Department of Customer Service staff ever refer to previous protocols that they had in place to prevent fraud? Did they ever refer to their previous experience?

Mr MURPHY: I cannot answer that question—as in, I was not around so I do not know what they did or did not do.

The CHAIR: I think the question was, while you were engaged with them, did they say, "Hey, here is our prior experience with fraud and here is our fraud team"?

Mr MURPHY: No.

The CHAIR: They did not appear to have any of that experience in place?

Mr MURPHY: No, they did not.

The Hon. COURTNEY HOUSSOS: That is very helpful, thank you. I want to come to the point you made about the involvement of organised crime. Just to be clear, does that mean it was only identified after police referred it to you? Is that correct? It was not actually ever identified through Service NSW or the Department of Customer Service.

Mr MURPHY: No, that is not correct. There was probably both methods of detection. As Mr Bohnen outlined, you had the Service NSW teams doing manual and business verification checks around eligibility, and escalating suspicious applications to their level two team before it would then reach our Strategic Investigations Unit. Simultaneously, we had financial institutions from around the place and law enforcement making inbound referrals where they had arrested an individual or had intelligence that people were perpetrating fraud.

The Hon. COURTNEY HOUSSOS: Okay, right. So it was actually working together, rather than them notifying you and that prompting you to start the investigation.

Mr MURPHY: They run in parallel. It could be Darren Murphy commits fraud over here and it is identified internally versus the police arrest Darren Murphy and then ring in and say, "Can you give us information?"

The Hon. COURTNEY HOUSSOS: I understand the inbound information from police and financial institutions, but how easy was it for you to then provide that externally to say to the police, "This is the information we have received and now we would like to pass it on to you"?

Mr MURPHY: Sorry, what was the question? How easy was it?

The Hon. COURTNEY HOUSSOS: Yes, was that an easy process for you to do?

Mr MURPHY: No, it was a complicated process and it was quite protracted. I think it took us a good five months or so of heavy lifting internally to get the business—being Service NSW—to understand the importance of identifying data sources that are related to applications and different platforms and software, and collating that data in a usable format, not only for the investigation process but, particularly, to build an evidence pack and then refer it out to police. That was a very arduous task. It took five or six months.

The CHAIR: You spoke earlier about starting from ground zero on that.

Mr MURPHY: Correct.

The CHAIR: There was literally no capacity there initially.

Mr MURPHY: Well, yes—no capacity but also no capability. To my earlier point, I do not think they had been in a position where they had had to do that work before.

The Hon. TREVOR KHAN: Essentially, it is a question of the police liking the material presented in a particular way so that they can move forward quickly. If you do not present it in that way, it essentially gets chucked in a bottom drawer and might never see the light of day again.

CORRECTED

Mr MURPHY: Without speaking disparagingly of the police, because they are very helpful, they do like it given to them in a usable format—that is 100 per cent. Particularly from a criminal prosecution perspective, you need to present a proper brief of evidence. If I can use an example to illustrate my point, things such as confirming that when the applicant makes the application he or she is the person in question—so there are things around proof of identity then my account ID. Other data also exists in Amazon web services around systems data—so IP address information. Trying to map that process was a big task, as was trying to get the business to understand that those are the kinds of data fields and data sources you need to prove the provenance or otherwise of an application and then collating it for criminal prosecution.

The Hon. TREVOR KHAN: That is why banks, for instance, have special units to present the data to the cops in a particular way. Because if they go with a set of bank statements to the cops, again, the cops will say, "This is all too hard; we are not experienced in this stuff." Again, it gets thrown in the bottom drawer.

Mr MURPHY: In my experience, you are correct in your summation. I used to run a large investigation team at a large bank and we had staff dedicated purely to law enforcement liaison and criminal prosecution briefs.

The CHAIR: Plus you need to present the evidence in an admissible form. You have to be able to prove where the data comes from and prove the links between the data and an individual. That is quite a task.

Mr MURPHY: Yes, that is right. The thing with investigations, as you guys probably know, is that everybody wants them done quickly, as long as it does not compromise quality. But in today's world, particularly with online applications and everything being electronic, it is quite an arduous task. It is a task in itself, never mind building the capability from ground zero in the first place.

The CHAIR: Even with a mature system it is resource intensive.

Mr MURPHY: Yes. From a financial institution perspective, they have large teams doing hundreds of investigations every single year and are fully utilised to their capacity. They are mature organisations.

The Hon. COURTNEY HOUSSOS: I just want to ask one final question. You said there was a general lack of resources for the scale of what you were trying to do. Can you explain a little bit more about that?

Mr MURPHY: When I said "lack of resources" I was mainly referring to our initial team—our Strategic Investigations Unit—which only comprised seven individuals. Mr Bohnen was the investigation manager and had two investigators working with him, including what we call the triage and assessment analyst. The other roles were a team leader, a law enforcement liaison person and a data analyst—so seven in total. Back to my previous experience, responses like this require more investigation capacity, which was called out repeatedly. But, yes, we were limited in our resourcing and we had competing priorities, such as the inbound police referrals and the quantum of referrals internally.

The Hon. COURTNEY HOUSSOS: You have just talked about how you previously worked as a detective and in a similar kind of role in a bank collating this kind of information and passing it along to police. In your experience, how many people do you think would have been required to do the investigations properly?

Mr MURPHY: That is a difficult question to answer precisely. I am very much data focused in terms of building dashboards that look at things such as case cycle times, the number of investigations per investigators and all those kinds of things. You actually need that intel to be able to answer your question accurately. But, if I can use a non-identifiable example, a bank may have 30 dedicated investigators in a team crunching out 300 or 400 investigations a year of complex internal fraud, bribery and corruption. We had seven people initially and we were calling out initially that we needed more resourcing, but funding was an issue. Our team was scaled back in November, so we had some serious challenges around resourcing.

The Hon. COURTNEY HOUSSOS: Sorry, you said 30 investigators would be doing how many cases a year?

Mr MURPHY: This is just average data.

The Hon. COURTNEY HOUSSOS: Yes, I understand.

Mr MURPHY: They would be getting 300 to 400 cases out the door per annum, depending on the maturity of the business.

The Hon. COURTNEY HOUSSOS: How many cases was your team of seven responsible for?

Mr MURPHY: I might defer to Mr Bohnen, who has some of those details.

CORRECTED

Mr BOHNEN: We dealt with 31 cases. Of those cases, 30 were inbound police referrals and one was an outbound referral. Those were the ones that we were working on. I believe at the time that we ended our engagement we had in total 346 cases that had been referred to SIU.

The CHAIR: That was out of thousands of potential fraud cases—they were just the ones you were resourced or had been directly referred to. That was just a subset, was it not?

Mr BOHNEN: Yes. I should say that cases involve multiple applications.

The CHAIR: Indeed. The limited resources was part of the reason why there was a limited number of cases in your inbox.

Mr MURPHY: Through the value chain there was pressure on resourcing across the Service NSW business, which they recognised and they continue to invest in—that is, the front-end manual assessment and the SRT, which has a different name now and they continue to add resourcing. It was the same with our team until its conclusion. Resourcing was a constant challenge.

The CHAIR: Throughout that process more and more files were being identified as potentially fraudulent but your resources were being wound down. That is a very peculiar way of dealing with fraud, is it not?

Mr MURPHY: It is not ideal; that is right. We did call out that we needed more resourcing. Absolutely.

The CHAIR: What did Service NSW say?

Mr MURPHY: To be fair, our conversations were with DCS, who was the contracting party and who managed us. It was up to them to have internal conversations; I am not privy to those. Suffice to say, no additional resourcing or funding was forthcoming.

The CHAIR: Mr Graham?

The Hon. JOHN GRAHAM: Thank you, Chair. I just want to return to that point you were making about a comparable situation, those bank teams that are dealing with them and perhaps 30 people in a team like that. The other difference with those teams, though, would be the experience or the specific capacity of those teams. Would that be a fair comment? Often they would have, but perhaps with your experience—perhaps investigatory, perhaps ex-police in those teams—is that one of the differences that you saw as you went into this organisation or were starting to deal with this challenge?

Mr MURPHY: Yeah. That is very fair statement. If you have got the experience of those people, they can make your ability to be more efficient there as well. I think also if we—

The Hon. TREVOR KHAN: But these banks have been building this teams up for decades.

The Hon. JOHN GRAHAM: True.

Mr MURPHY: Correct, and I was going to say that if you look at the value chain at a bank, they have enterprise-wide fraud detection systems running analytics automatically over millions and trillions of dollars of data. You have got other assessment teams in the hundreds if not thousands of people that are doing alerts on a daily basis across anti-money laundering sanctions, counterterrorism financing, internal fraud before it gets to the protracted investigations team that I would lead.

The Hon. JOHN GRAHAM: Correct.

Mr MURPHY: So very mature businesses, huge investments in technology and then when you get to the pointy end, which is the protracted investigations, you have got a team of suitably experienced people with the right systems and tools to do the job.

The Hon. JOHN GRAHAM: And I thought you were making the strong point that, look, really this organisation was coping for the first time with handing out money on this scale but none of those systems, none of those teams, were really in place when you first turned up to assess this that you would comparably see in those financial institutions.

Mr MURPHY: Yeah, that is right. That is correct, but I think it is also an acknowledged fact by Service NSW. I mean, they had a lot of people working very hard to try to build these things.

The Hon. TREVOR KHAN: If you look at the bank example, you can see examples time and time again of, say, employees who are committing fraud. Would those frauds have been going on for months, if not years? That is right, isn't it?

Mr MURPHY: That is correct.

CORRECTED

The Hon. TREVOR KHAN: Certainly in my experience.

Mr MURPHY: The global average is normally around two years, depending on the maturity of the business.

The Hon. TREVOR KHAN: So even with their level of sophistication and their level of maturity, tellers get away with lengthy periods of criminality.

Mr MURPHY: Absolutely, yeah. When it comes to risk management—not to give a lesson on it; you know—we undertake a business. We recognise there is risk in that process. We assess that risk. We then determine the effectiveness of controls, of deployed controls, and maybe accept some residual risk. In that scenario—

The Hon. TREVOR KHAN: Not "maybe"; it is accept—

Mr MURPHY: That is right.

The Hon. TREVOR KHAN: —that it is a balance of actually operating a business—

Mr MURPHY: Yes.

The Hon. TREVOR KHAN: —as against adopting a risk profile involved.

Mr MURPHY: Yes, and the example I normally use with clients, if we are doing this kind of work, is you've got to determine how tight you wind that dial.

The Hon. TREVOR KHAN: Yes.

Mr MURPHY: Do you turn it so tight that you eliminate everything but you also grind the business to a halt, or do you turn it the other way where it's very loose and it's a free-for-all?

The Hon. TREVOR KHAN: Yes.

The Hon. JOHN GRAHAM: I just want to some of the organisations you are dealing with because you are dealing with a range of different parts of Government and externally. Can you give us some sense of—you are dealing with the Department of Customer Service, also Service NSW—how concerned were they, relatively, as the scale of this fraud became clear?

Mr MURPHY: They were very concerned. They were taking it seriously.

The Hon. JOHN GRAHAM: Yes, and in your view, you were comfortable both of those—the department and Service NSW—were taking it seriously at that point.

Mr MURPHY: Yes, that is correct.

The Hon. JOHN GRAHAM: Did you encounter any resistance from either of those organisations as you sought to raise these issues?

Mr MURPHY: So, no resistance, but I think it is fair to say that when you are an external company coming in to do work, there will always be pockets of resistance from the rank and file. That is natural. We are outsiders; we are coming in to tell them how to do things, So apart from just general operational friction that might exist in a high-pressure environment, there was no pushback from a leadership or an ownership perspective around not taking this issue seriously.

The Hon. JOHN GRAHAM: You were also dealing with the NSW Police Force. How concerned were they about the scale of this fraud as it became clear that it was mounting?

Mr MURPHY: Well, interesting. They were very concerned out in the regions, less so initially at the State Crime Command. But, yes, they were concerned. They were arresting people and coming across people in the streets that they had evidence of that were defrauding the Government, the grant programs, and they were concerned at the, I guess, lack of capability of the Government in dispensing the funds initially.

The Hon. JOHN GRAHAM: You have talked about the fact that changing that culture, particularly the focus on data, was quite arduous—that was your word—over the course of five months. Why was it arduous? What made it hard? What challenge were you dealing with in the organisation?

Mr MURPHY: My assessment of that is a number of things: First and foremost is you have got people working in a high-pressure environment in a time of crisis; second of all, to your earlier point, potentially not the right levels of capability where needed in certain parts of the business and then that complete and utter sort of absence of capability and knowledge around, "This is the kind of data you need. This is how you need to access it and these are the processes involved", and they are very laborious to be able to mount a successful referral to the police and a successful prosecution. There was a lot of understatement around that.

CORRECTED

The Hon. JOHN GRAHAM: Understood. You have talked about both inbound referrals from police and the outbound referrals from Service NSW. Do you recall that towards the end of your tenure, at the end of your contract as it finally concluded, a discussion about only dealing with inbound police inquiries—that is, not really dealing with, or triaging out in some way, any of the outbound referrals?

Mr MURPHY: So if you are referring to the options paper that they put together, for example, which then landed on the model they went with, we were not consulted or engaged in the development of that. We were asked our views on what they should do moving forward and, without sounding self-serving, my advice was, "You need to throw more money and more resources at this problem. You don't have enough."

The Hon. JOHN GRAHAM: Given what you had seen—

Mr MURPHY: Yes.

The Hon. JOHN GRAHAM: —would you have been concerned, were you concerned, about one of those options being really only dealing with inbound police referrals?

Mr MURPHY: So I am a bit of a purist on this and maybe others will not agree with me but, yes, there are two aspects to this that I do not think have had enough coverage as well. You might have inbound referrals and what they call the P1s and P2s. You have also got the P3s and P4s, but there is also a large subsection of applications where people have attempted fraud, and that is still a criminal offence and requires investigation.

The CHAIR: But the basic triaging was that unsuccessful attempts at fraud were not being investigated.

Mr MURPHY: That is correct. That is my understanding, unless you have a different view.

Mr BOHNEN: Unless they came as part of police inbound referrals, I do not believe that they were.

Mr MURPHY: Yes, correct.

The CHAIR: So there were potentially thousands of people who tried to cheat the system who have not been successful but have walked off scot-free. That is the situation, is it not?

Mr MURPHY: That would be a reasonable statement.

The Hon. JOHN GRAHAM: Can I ask the same question in a more open way? What were the risks of really just responding to police inbound inquiries? Given the work you saw, what were the risks of taking just that very limited view and really saying, "We're not interested in seeing potential other risks elsewhere"?

Mr MURPHY: It is a good question with a complicated answer. So the risk is that you have got people that have defrauded the Government that might potentially get away with that. You are waiting on police to identify it. That is not their role. I mean, sure they have a role to play but, as a government entity, you own the risk; you are issuing the payment so you have an obligation to take action in relation to that.

The Hon. JOHN GRAHAM: In your experience, that would be quite an unusual way for an organisation to deal with this? Is that a fair statement?

Mr MURPHY: Yeah. In my experience, it is unusual.

The Hon. JOHN GRAHAM: Do you want to jump in?

The CHAIR: Just on that point.

The Hon. JOHN GRAHAM: I have just got two to then conclude. But, yes, you jump in.

The CHAIR: One of the problems with not tracking down attempted fraud and seeking to prosecute attempted fraud is that there is no deterrence factor, is there?

Mr MURPHY: Yeah. It gives rise to the perception that there are either no controls or no appetite.

The CHAIR: That is an environment which almost encourages fraudulent applications, if people see that there is minimal risk in making a fraudulent application.

Mr MURPHY: Yes. You need a balanced approach in all of this when it comes to risk and obviously investigating crime. But, yes, strong action on investigating both confirmed fraud and suspected fraud is a good deterrent.

The Hon. TREVOR KHAN: Every bankcard, for instance, or every ATM rip-off that goes on by the banks does not end up in a referral to the cops, does it?

Mr MURPHY: Not necessarily, but that does not mean they do not look into it.

CORRECTED

The Hon. TREVOR KHAN: Well, let me put it this way: If I report that my card has been skimmed, as it has, the bank within 24 hours will stick the money back in the account. You are not suggesting that that has been referred off to the cops, are you?

Mr MURPHY: I would not have a view on what they are doing in those teams. But, no, I am not suggesting that either.

The CHAIR: This might be a useful time for me to just show you this document, which is the document provided from the Government and answers to questions on notice about their strategic investigations unit's priority matrix.

Mr MURPHY: Yes.

The CHAIR: I do not know if this table is familiar to you, Mr Murphy?

Mr MURPHY: It is.

The CHAIR: Basically, it says as I read it that you have got weightings of either 20, 10 or 1, with 20 obviously being the significantly higher rating and then going down to a very low rating. Is that what this table shows?

Mr MURPHY: It is a weighting, as to the answer of the question—a relative weighting.

The CHAIR: Basically, it says that if the amount of fraud is greater than \$151,000 and there is the potential for a high level of media interest with negative reporting or the victim or person of interest is of note and there is extreme financial loss, then it gets a high rating and it is investigated. But if it is between \$0 and \$50,000 and there is little or no potential media interest, it gets a very low rating and it is not investigated.

Mr MURPHY: I would call that a distinction. When we developed this, it does not mean that there is no action. What it is—and I appreciate the opportunity to talk about this because I am aware of the questions that have come up previously in relation to this. I think hopefully this gives a bit of extra flavour as to the intent and efficacy of the prioritisation matrix. It is common practice in investigation circles and running teams to build a priority matrix. The intent of the matrix is to assign the resources to the higher risk cases because we all acknowledge that you have got a finite number of resources.

It is intended to protect customers, stakeholders and the Government. It is not designed to minimise or get rid of things. For example, let us say you have got a fraudulent application by someone who is using some bogus details. In that scenario, they may not be impacting a real customer of New South Wales. Therefore, it might have a lower rating because Darren Murphy, the real customer, has not been impacted. That does not mean we do not investigate it, but we have many competing priorities and many hundreds of cases to look at. You have to assign your finite resources on the areas that matter the most.

The CHAIR: Is it usual to include the level of media interest as one of the criteria for fraud investigation?

Mr MURPHY: Yes.

The CHAIR: That is almost reputational protection, rather than financial protection.

Mr MURPHY: If you take a negative lens, sure. But it is also around doing the right thing as well and giving attention to things that need it. For example, we experience customers that might have been impacted in the volunteer firefighter payments—legitimate firefighters that have had their identity copied or taken and then had a fraudulent application made. They have gone to the press and they are a real customer that is impacted. The expectation in that scenario is that you are going to assign the resources and the priority to that to help that customer out and to resolve that issue. That is the intent of the prioritisation matrix.

The Hon. TREVOR KHAN: Just as a bank. If it had a pensioner who appeared on one of the programs at 7.00 p.m. or 7.30 p.m., that would become a high priority in terms of the bank pursuing it because it is newsworthy.

Mr MURPHY: That is right.

The CHAIR: But in terms of protecting the public finances of New South Wales, how does media interest reflect the need for resourcing? That does not reflect the scale of the fraud.

Mr MURPHY: Firstly, there are a number of inputs on the prioritisation matrix that when taken together assign the rating. Not one is more dominant than the other. They are taken together. The person doing the assessment would answer all these questions and it would assign a weighting and then we would agree on the P rating, so it is not just one. Back to your question around media interest, if you have got Dan Proudman making

CORRECTED

inquiries and stirring up noise and he is also talking to the police and the police are targeting people, those factors together mean that you have got a high-risk case that you need to assign resources to to get to the bottom of.

The CHAIR: But one of the high-risk matters identified at the bottom of the first column is when there has been an application made under the Government Information (Public Access) Act [GIPAA] or a formal complaint or a ministerial.

Mr MURPHY: Yes.

The CHAIR: That is not about risk, other than reputational risk.

Mr MURPHY: It is about resourcing as well, Mr Shoebridge. We have finite resources and if we get a GIPAA request come in and there are deadlines around that—I go back to taking a holistic view. You are trying to deploy your resources in the most efficient manner on the highest risk cases. If there is an inbound GIPAA request and we have only got two investigators with capacity and we have got a deadline, where do we put the resources?

The CHAIR: It all comes back to the under-resourcing of the investigation unit, does it not?

Mr MURPHY: Not necessarily. Any investigation team of any note and any scale should be running some kind of version of a prioritisation matrix.

The CHAIR: With two actual fraud investigators in the team, you have a pretty brutal triage.

Mr MURPHY: I would not call it brutal; it was realistic. The problem is that the cases back up.

The Hon. JOHN GRAHAM: I might return to those examples. The other thing I wanted to do was return to those couple of examples that we talked through and follow up on some detail there, if this is a good time to do that.

The CHAIR: It is.

The Hon. JOHN GRAHAM: Firstly, in relation to the outlaw motorcycle gang incident, it was largely in Lake Macquarie. We are referring to the same incident?

Mr MURPHY: I think there were a number of different groups that were targeting these schemes across the Hunter and upper North Coast.

The Hon. JOHN GRAHAM: What other areas were involved? The initial police referrals were from Lake Macquarie. Is that correct?

Mr MURPHY: Lake Macquarie and the Hunter Valley, and a little bit further up north.

The Hon. JOHN GRAHAM: When you say the North Coast, where are you referring to?

Mr MURPHY: Do you have the details on that, Mr Bohnen?

Mr BOHNEN: No, I would have to take that on notice.

The Hon. JOHN GRAHAM: In those instances, one of the things that triggered concern was the same address or addresses being used—in one instance it was a clubhouse—or the same images being used on a number of occasions. Do you recall how many times the same image was used or how many times the same address was used?

Mr MURPHY: I do not have that detail.

Mr BOHNEN: I do not have that detail either.

The Hon. JOHN GRAHAM: Perhaps you could take that on notice.

Mr MURPHY: It is probably better directed at Service NSW, who would have that data. The reason I say that is—

The Hon. JOHN GRAHAM: I will happily direct that to Service NSW, given that—

Mr MURPHY: When we completed our engagement, we lost access to all those records.

The Hon. JOHN GRAHAM: Understood. That is good guidance to the Committee. In relation to the instance you talked about, which was not an inbound police referral but came out of the Service NSW team, where there were 200 applications from the one individual—if I heard you correctly—that was an extreme example. Some controls were put in place. What was the nature of those controls that were put in place?

CORRECTED

Mr BOHNEN: I cannot speak to that detail. I am not sure on that. That was something done in house by Service NSW.

The Hon. JOHN GRAHAM: It obviously would have made a sensible intervention to stop 200 applications from one person, but did it still stop multiple applications? Are you able to tell us that?

Mr BOHNEN: I cannot speak to that detail, sorry.

The Hon. SCOTT FARLOW: If I could just ask a couple of questions, Chair. You were talking about turning the dial before. We have got to put this in context in terms of what the programs were intended to help. As you were talking about, there were bushfire victims, fireys who were volunteer firefighters and those programs supporting them, and businesses that were being closed down to COVID restrictions that were in place at the time. There was an imperative for this to all go out the door relatively quickly to be able to support people. In terms of those options—and I think there were questions from the Chair earlier about the pausing of payments. I take it that this sort of need was taken into account as well and that task force was meeting every day to determine whether payments were paused or not. Is that correct?

Mr MURPHY: That is absolutely correct. There was a lot of focus in those daily stand-ups around the people being impacted by those payments being held up, absolutely.

The Hon. SCOTT FARLOW: You were talking as well about how this was a—I think you used the term "turn the dial". Effectively, you could go to a position where you put every fraud control in place as possible, but that meant that money did not go out the door to the people who needed it, or you could have a looser arrangement. Were there other initiatives that were taken in terms of turning the dial to increase fraud protection and also to continue to allow money to go out the door to the people who needed it?

Mr MURPHY: In relation to the grant programs?

The Hon. SCOTT FARLOW: Yes.

Mr MURPHY: My perspective on that from our involvement from May onwards was that there was a dedicated focus on the control environment at that point. They recognised prior to that when they established a program that it was a low control environment, and money went out the door for those reasons. There was a huge focus by Service NSW to be looking at controls. Every single day there were different conversations around deploying new controls and the latest update of an application process or a back-end system. There was a huge focus on the deployment of controls and the impact to customers.

The Hon. SCOTT FARLOW: Were there other controls that were put in place during that period?

Mr MURPHY: There would have been, just do not ask me the detail.

The Hon. SCOTT FARLOW: That was not in your remit at the time.

Mr MURPHY: No.

The Hon. SCOTT FARLOW: I also just wanted to ask a question in terms of the transition. You said originally that this was effectively an organisation in Service NSW that was used to being the receiver of funds and, due to this period, it was stood up as the transmitter of funds and getting those grants out. What sort of experience did they have in the past? Did they share with you at all in terms of actually distributing grants previously? Was there any experience there?

Mr MURPHY: I am not aware of it.

The Hon. SCOTT FARLOW: It was just your observation, in a sense, as to what the organisation was doing and the new remit of the organisation because of, effectively, the circumstances it found itself in?

Mr MURPHY: It was my observation, but also I think it was an acknowledged fact that they were in that transition phase from the old customer service of dealing with customers coming in and paying for things versus "We are now a remitter of money on behalf of the Government."

The Hon. SCOTT FARLOW: In terms of the money that you identified—both the \$64 million in terms of the bushfires and the \$106 million with COVID originally—do you know what the final figures ended up being in terms of how much fraud was actually prevented in the end?

Mr MURPHY: No, I do not.

The Hon. SCOTT FARLOW: Thank you.

The CHAIR: This might be a useful time to go back to that table, Mr Murphy and Mr Bohnen.

CORRECTED

Mr MURPHY: Which one? The chronology?

The CHAIR: The colourful chronology. Going back to that same entry, it reads on:

Core Integrity identified early in their engagement that SNSW's ability to undertake this type of analysis was limited if not non-existent.

That is the data analysis.

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

That is an accurate description, isn't it, of what was going on?

Mr MURPHY: Yes.

The CHAIR: Poor old Mr King was sitting there with an Excel spreadsheet, trying to draw correlations.

Mr MURPHY: That is an accurate reflection.

The CHAIR: In some ways Mr King is the hero of the hour, isn't he? He was the one person in Service NSW defending public finances.

Mr MURPHY: I do not know if I would categorise him as the hero of the hour. I appreciate the sentiment. There were a lot of people working on this that probably equally deserve credit for their efforts. I think the better point is that they were relying on a spreadsheet. That is the salient point.

The CHAIR: Yes, and it was Mr King's spreadsheet—one officer.

Mr MURPHY: I believe so. I do not know who else might have been using that spreadsheet.

The CHAIR: It is hard to imagine a less suitable fraud control measure, if you have hundreds and hundreds of millions going out the door, than Mr King with his spreadsheet, as capable and competent as Mr King no doubt was, isn't it?

Mr MURPHY: Yes, it should be better than that.

The CHAIR: Well, it's almost hard to imagine a worse one, isn't it?

Mr MURPHY: None would be worse. But, yes, it is not ideal.

The CHAIR: Yes. The report then says:

Core Integrity developed their own network association tool using Power BI which they offered to provide SNSW to use to assist with case referrals.

That is accurate, isn't it? That is the system you set up.

Mr MURPHY: Yes. Just for a bit of clarity on that so we are all on the same page, we were using Power BI. That was accessing data out of Tableau that was housed in Service NSW, and we were using it with a plug-in to look at correlated IDs.

The CHAIR: Yes, and the data was being extracted from Salesforce.

Mr MURPHY: I believe so.

Mr BOHNEN: I believe that it was extracted from a number of systems—I cannot speak to the systems in detail—and then it would be housed in the Service NSW data warehouse.

The CHAIR: This report goes on:

SNSW rejected the offer to use Power BI as it was felt that it could not be supported internally and additional licenses would be required.

Is that a fair summary of your understanding about why your offer for Power BI was rejected?

Mr MURPHY: It is a high exec summary of the situation. It is a little bit more nuanced and complicated than that.

The CHAIR: Feel free to tell, Mr Murphy.

Mr MURPHY: Sure. Our team was using Power BI with a certain application plugged in that enabled the team to look at those correlated datasets. For example, an application made out of a Liverpool strip mall—there might be 12 addresses all saying the same address true of applications. Mr Bohnen and the team would receive referrals internally from Service NSW. They might get five applications, run it through Power BI and then find another 20 that were correlated, so there was definitely utility in that application. We made it known to DCS

CORRECTED

and they did a lot of heavy work to try and get it into Service NSW, but ultimately they did not adopt it. I have seen Mr Rees' previous statements in relation to not wanting to accept the recommendation, but there was considerable back and forth by Service NSW for a period of many months to work with Mr Bohnen and the team to try and establish their own network analysis tool.

The CHAIR: Just to finish through with the Service NSW chronology, it says:

However, multiple assurances were made that a network association tool would be built in Tableau (preferred data visualization tool of SNSW) prior to SNSW embarking on the Fraud Control Framework Initiative. To this date—

this is as at February—

... the Tableau version has never been built and funding was not approved.

Mr MURPHY: That's correct.

The CHAIR: At the time you exited in February, that is an accurate summary?

Mr MURPHY: That is an accurate summary.

The CHAIR: So Service NSW did not take on board your data analytics tool and did not have their own stacked up, ready to go. Was that what happened in February?

Mr MURPHY: That is correct.

The CHAIR: So then, when you left, who was there? What was the ability to do fraud visualisation when you left in February?

Mr MURPHY: Look, it is a good question. I cannot answer it because I am not there, obviously. But on this particular point, just to be really clear, my assessment and advice—there should have been no reason, to be honest, why they could not have adopted something like this. The internal teams saw the value. I am led to believe it was a funding issue. It is not an expensive product.

The CHAIR: To be clear, at the time you left in February—you take your Power BI tool because it has not been adopted by Service NSW. They do not have the Tableau system stacked up. There is literally no competent or capable data visualisation ability in Service NSW in February of this year, more than seven months after you first identified the scale of the problem.

Mr MURPHY: To my knowledge, that is correct.

The CHAIR: Can you recall leaving an organisation after identifying the scale of such a problem and leaving an organisation where they have not addressed this kind of fraud issue before?

Mr MURPHY: Look, it does not matter what I have seen elsewhere. The reality is that, for this situation, this was a frustrating point. My view is that they should have adopted something to enhance—let's be really clear. They have a data warehouse. They use Tableau as their system. This was an additional capability to leverage Tableau that they should have put in place.

The CHAIR: And without having that additional ability, all the data is sitting there but you cannot analyse it for fraud. You cannot extract the fraudulent applications out. It is like having a supermarket but you cannot buy anything.

Mr MURPHY: We need to separate a couple of things. There is the process of reviewing applications and assessing them versus what I would call an enterprise fraud statistical analysis system model that might be doing it automatically. Let's separate those two things. We are talking about the manual—if you like, human—assessment using a tool like the network analysis tool. They are very different, just for clarity, but there is no reason why they should not have been looking at enhancing the assessment process by individuals using a tool like that.

The CHAIR: In answers to questions on notice Service NSW has responded by saying they have more data visualisation in Tableau and they are using that, together with Excel spreadsheets, as their fraud identification measures. It seems like we are back to the starting point in terms of identifying fraud within Service NSW, if that is the case—still using Excel spreadsheets.

Mr MURPHY: I do not have any visibility of what they are doing day to day now.

The CHAIR: If they were still using Excel spreadsheets as one of their principal fraud identification measures, despite all of the advice that they have had from you and despite the experience, how would you describe that as a fraud identification system?

CORRECTED

Mr MURPHY: To be clear, there is nothing to say that you could not use Excel in some shape or form. I think the point of this discussion is: What was the reason they did not decide to enhance their assessment process with something like this? I cannot answer why they did not. The only knowledge I have from emails and other things is that it went on for many months, backwards and forwards, around a particular funding. There was frustration, to be fair, on the DCS side about this not being adopted.

The CHAIR: From your observation, it was basically a funding decision. They were not willing to put the funds in to identify the fraud.

Mr MURPHY: From the email trails that I was privy to, yes. That is correct.

The CHAIR: And so, the end result is that we really do not know the scale of fraud of these systems unless you put these kinds of investments in.

Mr MURPHY: I think it is fair to say that retrospectively, if you went and looked at the data, you may find more correlated IDs.

The CHAIR: So the Government has made a series of announcements about the scale of the fraud suggesting it is 4 per cent of this scheme and 10 per cent of this scheme and 2 per cent of this scheme. If that is done on the basis of the fraud identification measures that were in place when you left, would you have any comfort that that has identified the real scale of fraud?

Mr MURPHY: I do not think I can answer that question. We have been out of that business for nine months now, so I could not comment as to what they are doing day to day and the efficacy of it.

The CHAIR: But when you took Power BI with you, did they have the systems in place in February to identify the scale of fraud in these grants programs?

Mr MURPHY: All I can comment on is that they did not have a network analysis tool to supplement their other processes.

The CHAIR: Mr Rees in his evidence has criticised Power BI and said that it is a visualisation tool that in practice was not assisting them in identifying individual cases of fraud. Do you have any response to that?

Mr MURPHY: I think it is important to note that we use Power BI because that was a system that our data analysts felt comfortable with. I have seen previous evidence that that Power BI or Tableau—they are both data visualisation tools. It is worth noting that Service NSW did engage an external company after we showed them the goods of what we were using with the intended purpose of building something into Tableau. It just did not get anywhere.

The CHAIR: By that stage it is seven or eight months into your contract and they still have not stacked up Tableau to do the work.

Mr MURPHY: Correct.

The CHAIR: That must have been very frustrating for you, Mr Murphy.

Mr MURPHY: Yes. It was frustrating, but our job is to go out and help people and they are not easy tasks. That is why we do what we do. You just have to do your best efforts when you can and, sure, there are always frustrating things. That is part of being a professional though—you just deal with it.

The CHAIR: You can lead a horse to water but you cannot make it identify the fraud.

Mr MURPHY: Any of us who have children, I am sure, would know the same thing. You can do your best efforts but you cannot control everything.

The CHAIR: But normally you would not compare a large State government organisation with children and refusing to take advice—

Mr MURPHY: I was not making that comparison.

The Hon. TREVOR KHAN: You could actually use party members as another example.

The CHAIR: Or truculent Committee members.

Mr MURPHY: Just to be clear for the record, I was not comparing Service NSW to children.

The Hon. JOHN GRAHAM: I think that was understood.

CORRECTED

The CHAIR: I accept it was a broad analogy, and I was not comparing them to a horse either. But I suppose it comes back to this point: Would it be fair to say that there was not the investment that you thought was needed when you left in February to identify the scale of fraud?

Mr MURPHY: I would rather answer the question in relation to the topic we are talking about, which is the network analysis tool, because I do not think that statement would be fair.

The CHAIR: Alright. In terms of your expertise, which is network analysis and crunching the data to identify the scale of fraud using that data mining, was there not the investment in place and the resources in place when you left in February to do that job properly?

Mr MURPHY: That statement is not true. They were continuing to invest in the internal team. They were continuing to add resources and hire people and hire capability. So that is not a true statement. I think my view back on this topic around the network tool is—all I can say is they did not adopt our recommendation. They did not have it live at all and, when we left in February, it did not exist. In my professional opinion, I did not see a good reason why it could not.

The CHAIR: Mr Murphy and Mr Bohnen, I think you took perhaps one or two questions on notice. The secretariat will assist you with identifying those questions and providing a time frame for response. I note that we have said 21 days, which takes us to—when?

The Hon. SCOTT FARLOW: Pretty much New Year's Day.

Mr MURPHY: Merry Christmas.

The CHAIR: Yes, I am just thinking—we may well separately resolve to have a date somewhere in mid-January and we will give you clarification of that. I think it is unfair to plonk it down on 1 January.

Mr MURPHY: That is appreciated, thank you.

The CHAIR: My assumption is we will have a discussion after you leave and we will find a date sometime in mid-January at least to provide those answers. Thank you for your assistance to the people of New South Wales in your initial five-day contract, which became lengthier and more interesting, and for your assistance today. We have really appreciated it.

Mr BOHNEN: Thank you for having us.

(The witnesses withdrew.)

The Committee adjourned at 11:38.