Senator the Honourable Chris Ellison  
Minister for Justice and Customs  
Parliament House  
CANBERRA ACT 2600

Dear Minister,

In accordance with section 40B of the \textit{Financial Transaction Reports Act 1988} and section 63 of the \textit{Public Service Act 1999}, I am pleased to submit the Annual Report on operations of the Australian Transaction Reports and Analysis Centre for the year ended 30 June 2004.

Yours faithfully,

Neil Jensen PSM  
Director

OFFICE OF THE DIRECTOR  
AUSTRA\textsc{C} • PO Box 5516 • West Chatswood NSW 1515 • Sydney Australia  
Telephone 61 - 2 - 9950 0055 • Facsimile 61 - 2 - 9950 0073
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Director’s perspective

The 2003-04 financial year saw many challenges and achievements for AUSTRAC. Our regulatory work in the constantly changing financial and gaming sectors as well as our efforts to assist Australia’s law enforcement, revenue and national security programs have required AUSTRAC to frequently adapt to new priorities and operations. Moreover, in addition to our increasing support for neighbouring countries, over the last three years AUSTRAC’s focus has shifted significantly to participation in the global response to the threat of terrorism.

AUSTRAC has expanded its involvement in Australian government programs by signing agreements for using our financial transaction data with Centrelink and the Child Support Agency. This aspect of the Government's welfare policies will greatly benefit from the availability of AUSTRAC data and it is anticipated that early results will help reduce welfare fraud and related criminal conduct.

Over the last few years, the workload of our partner agencies has increased and often changed focus. As a result, we have been required to restructure and rethink our strategies. This year we redefined the roles of our executive and senior management staff and our internal audit procedures to improve AUSTRAC’s strategic management. Business and long-term strategic planning procedures have been given priority and are expected to result in a better focus for our work and performance measurement.

After the terrorist attacks in the United States on 11 September 2001 and the Bali bombings on 12 October 2002, identifying relevant financial networks were seen as the best way to stop the funding of terrorist activities. AUSTRAC and other overseas financial intelligence units (FIUs) have responded to this threat through sharing financial intelligence which has allowed FIUs to trace money trails across international borders. This process makes it more difficult for those engaging in money laundering and the financing of terrorism to use complex international money transfer networks to hide the laundering of criminal funds or to siphon legitimate funds for use in terrorist acts.

The signing of 21 international exchange agreements this year will position AUSTRAC and its domestic and international partners to benefit greatly from these developing relationships.

The work of international fora has also gained in momentum recently. In June 2003, the Financial Action Task Force on Money Laundering released a set of revised recommendations to be adopted by all countries to aid in the fight against money laundering and the financing of terrorism. This has necessitated an extensive review of Australia’s anti-money laundering program to which AUSTRAC is contributing, and which will continue into the next reporting period.
AUSTRAC’s work in a range of committees and working groups in the international Egmont Group of Financial Intelligence Units and with the Asia/Pacific Group on Money Laundering has become a larger part of our international activities this year. Our reputation as a leading anti-money laundering regulator and FIU has enabled AUSTRAC to play a vital role in coordinating efforts in this region, through the assistance of AusAID this year, and budget funding for coming years. This year AUSTRAC was able to, and will continue to, provide training and other technical assistance to developing FIUs in this region. It is in the international community’s interest to ensure that these developing FIUs receive the assistance they require to play an important role in the global effort to make it difficult for money launderers and terrorists to operate. To date, our efforts in this area have been focused on offering assistance to Indonesia and, to a more limited degree, other countries in the Asia-Pacific region.

Australia’s participation and membership on these fora has allowed us to become more effective in the global fight against money laundering and terrorist financing. Recognition of AUSTRAC’s work domestically and in the international arena has provided us with the opportunity to lead the way in establishing an effective anti-money laundering and counter terrorist financing presence among developed and developing FIUs in the Asia-Pacific region.

The future

As a result of the major changes in the international anti-money laundering environment resulting from the changes to these global standards, Australia is undertaking a review of our anti-money laundering regime. In reviewing the legislation underpinning Australia’s anti-money laundering and counter terrorist financing program, it will necessarily include a re-evaluation of AUSTRAC’s role, functions and structure. AUSTRAC is continuing to work closely with the Attorney-General’s Department, representatives of the Department of Treasury, and industry bodies from the financial and gaming sectors, to find the most practical model to meet the new international requirements.

The scope of AUSTRAC’s future work is dependent on the outcome of this review of Australia’s anti-money laundering program.

Regardless of the outcome of the review, a number of challenges lie ahead for AUSTRAC. These challenges include encouraging better cooperation with the financial and gaming sectors to ensure that financial transaction reports from cash dealers continue to be timely, complete and of the highest quality. This will most likely be achieved through improved education, liaison and compliance inspections.
We will also be required to review the way we handle our information and knowledge. As a financial intelligence unit it is important that we not only manage our financial transaction report information well; but that our supporting corporate information and employee knowledge is captured and maintained for future use. The effective use of information technology is important to AUSTRAC due to the large amount of data we receive and store, and the complex searches we carry out on this data. We will need to ensure that we remain at the forefront of technological developments to ensure that the best use of our systems can be achieved. Providing timely intelligence to our partners also will be a vital role for AUSTRAC in the future. Internationally, additions to our budget over the next four years will allow AUSTRAC to work more closely with our counterparts in South-East Asia to provide assistance concerning technological solutions, establishing effective procedures, and creating effective reporting structures and relationships with financial organisations.

Conclusion
This year AUSTRAC has celebrated 15 years of operation. In this time we have changed significantly from an agency with approximately 25 staff whose primary focus was to establish reporting structures for financial transactions and procedures for identifying customers, to an internationally recognised financial intelligence unit with highly acclaimed and successful analytical capabilities. We have responded to change exceptionally well over the years and have dramatically altered our operations to meet all new challenges. Innovative solutions have been, and will continue to be, a major focus of our progression. Our achievements over the last 15 years have resulted from the continuing hard work and commitment of our staff. This effort will continue in the future.
Introduction

Highlights of the year 2003-04

15 years of AUSTRAC’s operation

AUSTRAC was established in 1989 as the Cash Transaction Reports Agency under the Cash Transaction Reports Act 1988 which in 1991 became the Financial Transaction Reports Act 1988. In 2004, we celebrated 15 years of AUSTRAC’s work to combat money laundering, tax evasion and other major crime. AUSTRAC has made significant achievements throughout the past 15 years. Our work has evolved over the years to respond to changes in the financial and gaming sectors and to meet the needs of our growing number of partner agencies both domestically and internationally.

AUSTRAC funding and expansion

For 2003-04, AUSTRAC’s budget increased by $8.2 million. This additional funding includes $3.4 million to undertake project work as part of the National Illicit Drug Strategy. As a result of this funding, we expanded our work in the international arena, restructured our reporting and inspection programs to assess and improve the reporting obligations of our cash dealers, enhanced our analysis and assessment methods and provided our partner agencies with increased support and financial transaction information. In order for this work to be undertaken effectively, AUSTRAC staff numbers increased by 51% this year. We also undertook a major expansion and fitouts in our Sydney and Melbourne premises to ensure that our office environment could accommodate staff growth during the year and in the future.

Data mining

AUSTRAC continued to have its data mining project funded under the National Illicit Drug Strategy this year. We made substantial progress from the pilot project which investigated the benefits of implementing commercial data mining tools. This year, we evaluated a range of state-of-the-art analytical tools as part of AUSTRAC’s continuing effort to exploit developments in data mining. A full implementation of three analytical software tools was conducted for a small team of specialist analysts following intensive training provided by each of the software vendors. Through the use of these software tools we were able to greatly improve the quality of our analysis; undertake complex and intricate queries of AUSTRAC data on an ad-hoc basis; and study financial networks and cells. This work has vastly improved the value that AUSTRAC can add to our financial transaction report data which in turn, has assisted our partner agencies in their investigations.
New partner agencies

This year we had a further increase in the number of partner agencies to which we provide financial transaction report information; with the formalisation of agreements with the Corruption and Crime Commission (Western Australia), Centrelink and the Child Support Agency. This brought the total number of partner agencies who access AUSTRAC data to 28. The agencies of the Australian Government, States and Territories to which we disseminate our intelligence are involved in law enforcement, revenue, national security and social justice programs. The expansion into the social justice arena has allowed AUSTRAC to expand its fight against financially motivated crime.

Crackdown on well-resourced welfare cheats

Joint Media Release
Senator the Hon Christopher Ellison
Minister for Justice and Customs
Senator for Western Australia

The Hon Larry Anthony MP
Minister for Children and Youth Affairs

24 March 2004

The Australian Government has more clout in the battle against high-end welfare cheats following the signing of an agreement between Centrelink and the national financial intelligence agency AUSTRAC, the Minister for Justice and Customs, Senator Chris Ellison, and the Minister for Children and Youth Affairs, Larry Anthony, said today.

Under the agreement, Centrelink will have access to AUSTRAC data that will help identify customers involved in serious welfare fraud who might not be currently detected as well as counter cash economy and identity fraud.

The agreement will build on Centrelink's strong record in detecting and preventing welfare fraud and the assistance provided by AUSTRAC to other Government agencies including the Tax Office.

It will allow 46 specialist Centrelink investigators online access to the AUSTRAC database. AUSTRAC data indicates that around five per cent of Suspect Transaction Reports each year - or about 400 cases - are related to suspected social security fraud.

The agreement will also help Centrelink officers crack down on fraud that is perpetrated by people able to camouflage their criminality behind complex financial structures.

The agreement will help ensure that those with financial resources are not able to hide large sums of money or receive funds illegally, such as through the cash economy, in order to obtain welfare payments.

The information available to Centrelink Officers will relate specifically to:

• Significant cash transaction reports;
• International currency transfer reports;
• Suspect transaction reports, and
• International funds transfer instructions.

This access will help Centrelink to identify customers involved in activities involving large sums of cash or those which are reported by bank tellers or casino staff (for example) as suspicious. It will also allow Centrelink to identify international transactions in which its customers may be involved.

Strict protocols apply to Centrelink's access to AUSTRAC data.

This whole-of-government approach to checking customers' entitlements ensures that only those who are entitled to social security payments receive them.

Australia has a fair and generous welfare system to give help to those who really need it. The Government has a duty to Australian taxpayers to ensure that Centrelink payments are directed only to those who are eligible and at the right rate. It is important that people get their correct entitlement - not more and not less.
Cost of Identity Fraud project

On 12 November 2003, the Minister for Justice and Customs, Senator Chris Ellison, launched the report: *Identity Fraud in Australia: An Evaluation of its Nature, Cost and Extent*. The report, commissioned by the AUSTRAC Proof of Identity Steering Committee comprising representatives of government agencies and the private sector, measures the cost and extent of identity fraud in Australia using established methodologies from the accounting, management and finance disciplines. The report was the result of 12 months research by the Securities Industry Research Centre of Asia-Pacific, a research organisation established by 25 collaborating universities in partnership with various industry and government associations. This study, along with planned research work into this area, will contribute to a better understanding of identity fraud, its methodologies and ways to prevent and detect that type of fraud.

E-learning Application

To further assist AUSTRAC’s ongoing industry education program, we developed an Internet based anti-money laundering electronic learning (AML E-learning) application to assist those in the private sector, government agencies and the public, domestically and internationally, to understand the broader issues within Australia’s anti-money laundering environment. The AML E-learning application provides education on a variety of issues including the process of money laundering, terrorist financing and the role of AUSTRAC. This comprehensive application is currently being market tested with industry and the formal launch of the application will occur early in the new financial year.

Anti-Money Laundering review

As a result of the announcement of new international anti-money laundering (AML) and counter terrorist financing standards in June 2003, the Australian Government authorised the review of Australia’s anti-money laundering regime to update Australia’s legislative requirements to meet the new standards. The Attorney-General's Department commenced the review process this financial year and sought input from a range of stakeholders on the future of Australia’s AML regime. AUSTRAC is contributing to this process. AUSTRAC seconded a technical adviser to work with the Attorney-General's Department, to help formulate the new AML policy and legislation during the financial year. Our work in this area has also focused on researching different international models to identify new directions that Australia can adopt in our anti-money laundering regime.
Psychostimulant project

As a part of the Government’s National Illicit Drugs Strategy, AUSTRAC was funded this year to initiate a project to examine domestic and international money trails associated with trafficking in psychostimulant drugs and precursor chemicals. A major goal of this project was to develop an understanding of the methods used by organised crime groups to move funds generated by importations of psychostimulant drugs and precursor chemicals or equipment used in the manufacture of these types drugs. A further goal was to identify cash dealers or industry sectors through which the money trail was facilitated and to implement education and compliance action. The project has also involved research and information gathering from AUSTRAC’s international counterparts. This work was assisted by the inclusion of the psychostimulant project as the pilot project for the newly implemented Operational Working Group of the international Egmont Group of Financial Intelligence Units. Analysis of the information gathered domestically and internationally through this project has highlighted previously unidentified activities and regions which are now of interest to the law enforcement agencies.

AUSTRAC milestones

As AUSTRAC’s work expands, so too do the statistics associated with the collection and dissemination of financial transaction reports. Those that note special mention include:

- More than 10 million financial transaction reports were received by AUSTRAC, an increase of 13% from the previous year
- The number of suspect transaction reports received this year increased by 42%
- Access to the TES database increased by 17%
- 1,021 assessments were disseminated to our partner agencies for use in their work, an increase of 57% from last year.

Information exchange agreements

During the 2002-03 financial year, we expanded our work in the international arena to establish exchange instruments which foster information and intelligence sharing between AUSTRAC and overseas financial intelligence units (FIUs). This year we signed 21 exchange instruments. AUSTRAC now has exchange instruments in place with counterpart FIUs in 35 jurisdictions. It is through these instruments that we are able to create an effective global effort to curb the crimes of money laundering, tax evasion and the financing of terrorism.
Technical assistance

Since early 2003, AUSTRAC has provided a long term technical assistance project, under AusAID funding, to Indonesia's FIU (PPATK) to develop their capabilities. In this financial year the project has expanded with two AUSTRAC officers being stationed in Indonesia to assist PPATK on a full-time basis. Our technical assistance program was further expanded this year to include the provision of desktop computers to a number of FIUs in the Pacific region: a lack of information technology (IT) resources is recognised as a serious limitation to the development of FIUs. AUSTRAC’s contribution of IT equipment provides a significant benefit to the capacity of these FIUs to participate in the international fight against money laundering and terrorist financing, assisting in the process to make our region safer and more economically stable.

Egmont Group of Financial Intelligence Units - 11th annual plenary meetings in Sydney

In July 2003, Australia hosted the 11th annual plenary meetings of the Egmont Group of Financial Intelligence Units (Egmont Group), which was the first meeting of the Egmont Group in the Asia/Pacific region. The Egmont Group now comprises 94 FIUs from around the world. It facilitates the collaboration between international organisations to take part in the global fight against money laundering, financing of terrorism and other serious crime. The aim of the plenary meetings is to strengthen those international efforts through sharing financial information and intelligence. The agenda focused on a range of issues common to FIUs, including information exchange, technical assistance to nations developing anti-money laundering and counter terrorism frameworks, and the implications of the Financial Action Task Force on Money Laundering’s revised 40 Recommendations and Eight Special Recommendations on Terrorist Financing. Sessions run by AUSTRAC, showcasing Australia’s anti-money laundering regime, and the Australian Federal Police, outlining law enforcement developments in anti-money laundering and counter terrorism, were also highlights of the meetings. The success of these meetings was highlighted by the induction of 15 new FIUs into the Egmont Group. AUSTRAC’s Director was Chairman of the plenary meeting. The participation and presentations by Senator Ian Campbell and Senator Helen Coonan conveyed the high esteem in which the work of the Egmont Group is held in Australia and the region.
Overview and reader's guide

This annual report seeks to inform Parliament, our stakeholders and the public about the performance of the Australian Transaction Reports and Analysis Centre (AUSTRAC) in delivering our outcome to make a valued contribution towards a financial environment hostile to money laundering, major crime and tax evasion.

In preparing this year's annual report, AUSTRAC has been particularly mindful of the different groups of readers who may refer to the annual report. The report is structured as follows:

**Introduction**

*Director's perspective*

The Director examines the significant achievements of 2003-04 and outlines the future plans for the agency.

*Highlights of the year*

Outlines the major achievements and events that occurred for AUSTRAC throughout the year.

*Overview and reader's guide*

Outlines the structure of the annual report.

**Agency overview**

*Chapter 1*

Provides a corporate overview of AUSTRAC including the organisational and management structure.

*Chapter 2*

Provides an overview of the responsibilities of AUSTRAC's Money Laundering Deterrence branch.

*Chapter 3*

Provides an overview of the responsibilities of AUSTRAC's Money Laundering Targeting branch.

**Performance reporting**

*Chapter 4*

Details the work undertaken in our regulatory role to progress towards Primary Output Group 1 - Deterring money laundering, serious crime and tax evasion.

*Chapter 5*

Outlines the work AUSTRAC undertakes to provide value added financial intelligence to our Australian law enforcement, revenue, national security and social justice agencies. This work contributes to our achievement of Primary Output Group 2 - Targeting money laundering, serious crime and tax evasion.

*Chapter 6*

Reviews AUSTRAC's progress against Primary Output Group 3 - Advice on the effectiveness of the FTR Act which includes liaison with industry and government bodies and the review of Australia's anti-money laundering program.

*Chapter 7*

Examines AUSTRAC's progress against Primary Output Group 4 - Contribution to international efforts directed at the suppression of money laundering, serious crime and tax evasion.
Chapter 8

Looks at AUSTRAC’s work in contributing to Primary Output Group 5 - Privacy and security which is focused on our efforts to protect the security and privacy of our staff, information resources and premises.

Chapter 9

Outlines the work undertaken by AUSTRAC’s Information Technology branch to support the achievement of our primary outputs.

Chapter 10

Reports on the work undertaken to provide corporate support to the achievement of our primary outputs. It also includes information regarding arrangements for external scrutiny.

Financial statements

Appendices

The appendices to the annual report contain additional information including staffing statistics, committees and organisations in which AUSTRAC participates, service charter information, freedom of information statistics, and lists of publications produced during the financial year.

Compliance index

To assist readers to access the report, additional features have been incorporated into the indexes. As well as the alphabetical index and a glossary, there is a compliance index. The compliance index shows the location in the report of the mandatory information specified by the Requirements for Annual Reports for Departments, Executive Agencies and FMA Act Bodies released by the Department of Prime Minister and Cabinet in June 2004.
Overview of AUSTRAC

The organisation
Overview of AUSTRAC

The Australian Transaction Reports and Analysis Centre (AUSTRAC) was established within the Attorney-General’s portfolio in 1989 to make a valued contribution towards a financial environment hostile to money laundering, major crime and tax evasion. In 2004, we celebrate 15 years of AUSTRAC’s operations.

AUSTRAC has a dual role: as Australia’s specialist Financial Intelligence Unit (FIU); and as Australia’s anti-money laundering (AML) regulator. We operate under the provisions of the Financial Transaction Reports Act 1988 (FTR Act).
AUSTRAC’s operations as an FIU allow us to collect financial transaction information received from the wider financial services and gaming sectors, as well as solicitors and members of the public. We then analyse and disseminate the data, in the form of financial intelligence, to our partner agencies comprising Australian Government law enforcement, revenue, national security and social justice agencies and State and Territory law enforcement and revenue agencies, as well as our international counterparts. The information we collate and disseminate is used to:

- clamp down on tax evasion;
- enhance law enforcement efforts, such as closing narcotics and people smuggling operations;
- restrict the laundering of money through Australia’s financial and gaming sectors and assist in the international efforts to prevent money laundering; and
- tighten national security measures, such as tracking and preventing terrorist financing.

As the AML regulator of Australia’s wider financial and gaming sectors, we work to ensure that these industries and other specified groups (our ‘cash dealers’) provide reports of certain financial transactions and identify their customers in order to combat money laundering and other major crime. This is crucial to Australia’s law enforcement, revenue, national security and social justice programs, as the education and guidance we deliver enables cash dealers to provide intelligence about suspected crimes. The FTR Act assigns AUSTRAC its regulatory role and requires cash dealers to report certain transactions to us. These transactions include:

- suspect transactions - any transaction that arouses suspicions with the cash dealer due to either the monies or entities involved in the transaction;
- significant cash transactions - any transaction involving a cash component of $10,000 or more, or the equivalent in foreign currency;
- international funds transfer instructions - any instruction transmitted electronically either into or out of Australia, for the transfer of funds; and
- international currency transfers - a report of physical currency (cash) of $10,000 or more, or the foreign equivalent, leaving or entering Australia by carriage, mailing or shipping.
AUSTRAC’s international work has significantly increased over our 15 years of operation. Crimes such as money laundering, financing of terrorism and tax evasion increasingly have become a global issue. Therefore, international cooperation and financial intelligence exchange with international counterpart FIUs have been important functions of AUSTRAC. AUSTRAC works both bilaterally and multilaterally to facilitate the exchange of financial information and provide technical assistance to develop a global environment that is hostile to financial crime, organised crime and the sponsorship of terrorism.

**Our structure**

AUSTRAC has its head office in Sydney as well as offices in Melbourne, Adelaide, Brisbane, Perth and Canberra. During the year, a review of AUSTRAC’s structure and corporate governance practices was conducted. Although some change resulted, much of AUSTRAC’s organisational structure and practices did not require change.

AUSTRAC has three main branches - Money Laundering Deterrence, Money Laundering Targeting and Information Technology - which work towards achieving our mission and outputs.

The efforts of the Money Laundering Deterrence branch are focused on liaising with those in the financial and gaming sectors to educate cash dealers, solicitors and the public on the financial transaction reporting provisions contained in the FTR Act and evaluating reporting systems. The branch also works on enhancing the integrity of data we receive, to ensure that the most accurate information is available to our partner agencies. Another area where the branch focuses its efforts is in liaison with various government departments and agencies to ensure that Australia’s anti-money laundering regime, AUSTRAC and related legislation continue to be relevant, effective and meet world standards. The branch also undertakes corporate support for AUSTRAC.

The Money Laundering Targeting branch has three main roles which include the analysis and dissemination of financial transaction reports information to the 28 law enforcement, revenue, national security, and social justice agencies and the 35 overseas FIUs with which we have established agreements. The International section also falls within this branch and provides assistance in the international exchange of financial intelligence and technical assistance to counterpart FIUs.

The Information Technology branch develops and maintains the systems supporting AUSTRAC’s outputs, using the latest technology to enhance AUSTRAC’s various functions.

More information about the work of these branches can be found in Chapters 2 and 3.
AUSTRAC: The organisation

AUSTRAC’s organisational chart as at 30 June 2004
AUSTRAC Management

AUSTRAC’s management structure comprises the Director and three Deputy Directors who each head one of our three branches. They are the members of the AUSTRAC Management Board which provides advice on a range of AUSTRAC issues to the Director. This year the Board refocused its work on strategic issues including corporate planning for AUSTRAC. The AUSTRAC Management Team comprises senior managers from each section. The work of the Management Team is to manage AUSTRAC operational issues and to ensure that work undertaken will assist us to achieve our outputs. A list of AUSTRAC’s outcome and outputs can be found on page 15.

The Deputy Director, Money Laundering Deterrence, Liz Atkins, participates in a number of industry and government bodies which forge a strong relationship between AUSTRAC and industry groups and enhance the effective running of AUSTRAC.

The Deputy Director, Money Laundering Targeting, Ric Power, builds and maintains strong relationships with our partner agencies to ensure that we are providing them with the intelligence they need. This Deputy Director also participates in a number of law enforcement committees and international conferences. A complete list of the committees in which AUSTRAC participates can be found in Appendix D. In August 2003, Ric Power, took on the role in the Money Laundering Targeting Branch following his return from working with the United Nations Office of Drugs and Crime in the development of FIUs in the Caribbean. Ric is one of AUSTRAC’s founding members, having commenced with the agency in March 1989.

The Deputy Director, Information Technology, Martin French, oversees the development and smooth running of our information technology systems and procedures. He also participates in inter-agency and international working groups on information technology issues.
Money Laundering Deterrence overview

The work of the Money Laundering Deterrence (MLD) branch covers the collection of financial transaction reports, industry compliance with the *Financial Transaction Reports Act 1988 (FTR Act)* and our corporate services. This broad scope involves advice on the effectiveness of the FTR Act, coordination of our relationships with the Minister and his office, with the Attorney-General's Department, other government departments and with cash dealers and industry bodies. Education and awareness raising about FTR Act obligations and compliance, including inspections of cash dealer compliance are also the branch's responsibility. Financial management and budgetary issues, human resources, property management, privacy and security and knowledge management round out the branch's functions.

The branch supports the following outputs:

<table>
<thead>
<tr>
<th>Output</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>primary output 1</td>
<td>deterring money laundering, serious crime and tax evasion;</td>
</tr>
<tr>
<td>primary output 3</td>
<td>advice on the effectiveness of the FTR Act;</td>
</tr>
<tr>
<td>primary output 5</td>
<td>privacy and security; and</td>
</tr>
<tr>
<td>enabling output 1</td>
<td>corporate services.</td>
</tr>
</tbody>
</table>

The MLD branch comprises four sections:

1. The Reporting and Compliance section is largely responsible for primary output 1. In this role, AUSTRAC oversees compliance with the FTR Act. This involves working closely with organisations in the financial and gaming sectors to ensure that they understand and comply with their obligations to report certain transactions to AUSTRAC and to identify their customers.
2. The Privacy and Security section facilitates the security and privacy of our personnel and information as well as the physical security of our premises. The section is responsible for primary output 5.
3. The Strategic Coordination section liaises with all areas, including industry, government and the public, to enhance the effectiveness of the FTR Act. These efforts are focused on primary output 3.
4. The Corporate Services section provides corporate support for the agency in administration, finance, property, human resources and information management.
A major component of the focus this year of the Corporate Services section has been on corporate governance issues, including AUSTRAC's budgetary position, and the changing regulatory environment. The increased funding that AUSTRAC received in the 2003-04 budget meant that there was a greater focus by the Corporate Resources section on human resourcing issues to ensure we have the right people with the necessary skills to do their jobs. The section was also responsible for ensuring that our premises were appropriate for our staffing numbers and position requirements, resulting in expansion and fitout of both our Sydney and Melbourne offices and a major upgrade of our security system.

The increased staff numbers meant it was important that our Privacy and Security section continued its work to raise awareness of the importance of personnel and information security and to ensure our compliance with the provisions of the Commonwealth Protective Security Manual.

Our governance structures were reviewed during the financial year. We changed the way the AUSTRAC Management Board and the AUSTRAC Management Team work to more readily and effectively take a strategic approach to our work. We also revamped our Audit Committee, revising its terms of reference and welcoming an independent chairperson. A protective security risk review was carried out, in addition to risk plans being included in our business planning processes, which were also reviewed during the year. Our knowledge management requirements continued to be a focus for the section, with ongoing review of our Internet and Intranet sites to best meet the needs of our internal and external stakeholders.

Much work has been done this year to ensure that we effectively contribute to the reform of Australia's anti-money laundering program. The Strategic Coordination section coordinated contributions from all areas of AUSTRAC for referral to the Attorney-General's Department for inclusion in the development of Australia's future anti-money laundering legislation. The section also coordinated our relationships with other departments to ensure AUSTRAC input into relevant issues.

The Reporting and Compliance section continued to work with industry to increase understanding of their reporting and other obligations under the FTR Act, as well as volume and quality of reporting. Again this year, we experienced a further decrease in the number of paper financial transaction reports received by AUSTRAC, and a commensurate increase in electronic reporting. Our work focusing on remittance dealers has paid off well, with a significant increase in reporting volumes. With a greater focus on education and awareness raising, as well as on data quality, we hope to assist government and industry to deal effectively with any implications of the reforms to the anti-money laundering program.
Our role in educating cash dealers and the public has led us to develop an anti-money laundering electronic learning (E-learning) application. We conducted a pilot program, in which access was provided to a range of domestic and international organisations. Response to the E-learning application has been overwhelming in indicating support for, and success of, the application. The E-learning application will be publicly available on our Internet site early in the new financial year.
Money Laundering Targeting overview

The Money Laundering Targeting (MLT) branch has three business units that contribute to AUSTRAC’s primary outputs, particularly Primary Output 2 - targeting money laundering, serious crime and tax evasion; and Primary Output 4 - contribution to international efforts directed at the suppression of money laundering, serious crime and tax evasion.

These business units are:

1. The Partner Liaison and Support section, which works to effectively integrate AUSTRAC’s financial intelligence and financial transaction report (FTR) information into partner agencies. This is achieved through training, analysis and support activities, and includes the outplacement of experienced officers into relevant partner agencies.

2. The Monitoring and Analysis section, which develops financial intelligence assessments and other products that identify entities engaged in serious criminal activity: which is disseminated to domestic and overseas partner agencies.

3. The International section, which contributes to the establishment of a global network of financial intelligence units. This section also provides the benefit of its international work to domestic activities to suppress money laundering and terrorist financing.

These business units work closely with domestic law enforcement, revenue, national security and social justice agencies as well as AUSTRAC’s overseas counterpart agencies. We assist these agencies to identify and investigate money laundering, people smuggling, drug trafficking, terrorist financing, major fraud and other major crime as well as serious tax evasion.

We provide FTR information to 28 Australian Government, State and Territory agencies. They are:

- Australian Crime Commission
- Australian Customs Service
- Australian Federal Police
- Australian Securities and Investments Commission
- Australian Security Intelligence Organisation
- Australian Taxation Office
- Centrelink
- Child Support Agency
- Crime and Misconduct Commission (Queensland)
- Corruption and Crime Commission (Western Australia)
- Independent Commission Against Corruption (New South Wales)
- New South Wales Crime Commission
- Police Integrity Commission (New South Wales)
- State and Territory Police Services (7)
- State and Territory Revenue Authorities (8)
An important tool in establishing effective relationships with our domestic partner agencies is the establishment of Memoranda of Understanding (MOU) with each agency. These agreements provide the framework within which the Director of AUSTRAC will grant agencies access to FTR information and financial intelligence developed from that information. During the year, as a result of amendments to the Financial Transaction Reports Act 1988 (FTR Act), we entered into MOUs for access to FTR information with Centrelink, the Child Support Agency and the Corruption and Crime Commission in Western Australia.

The threat of terrorism remains ever present and the challenge for AUSTRAC continues to be the identification of indicators of terrorist financing and financiers. To assist us to meet this challenge the MLT branch has developed a closer working relationship with key areas of the Australian Federal Police and Australian Security Intelligence Organisation to ensure that matters of interest are directed to the relevant operational areas and not delayed in any way. We are committed to continuous improvement in our financial intelligence role. We will continue to review our processes and monitoring capabilities to identify suspicious activity and to disseminate intelligence reports in a timely way.

To assist our partner agencies to fight major crime, AUSTRAC provides them with assessments based on unusual financial activity. Our Monitoring and Analysis section comprises skilled analysts who use AUSTRAC’s automated monitoring system (TargIT) to identify unusual financial activity. Assessments based on these findings are prepared and provided to our partner agencies to assist them in their investigations. AUSTRAC also participates in the Financial Intelligence Assessment Team which is coordinated by the Australian Crime Commission. That Team comprises representatives from the Australian Customs Service, the Australian Federal Police, the Australian Securities and Investments Commission and the Australian Taxation Office. It is through this forum that valuable resource and information sharing can be facilitated to curb serious crime.

More information can be found in Chapter 5.
The International section works bilaterally and multilaterally with overseas Financial Intelligence Units (FIUs) to share knowledge and help establish effective procedures for countering money laundering and terrorist financing. Our participation in fora such as the Egmont Group of FIUs and the Asia/Pacific Group on Money Laundering is an important component of this information sharing and relationship building. We also work to develop exchange instruments with our international counterparts to share intelligence. We now have agreements in place to share intelligence and information with FIUs in 35 overseas jurisdictions. More information can be found in Chapter 7.

During 2003-04 several important objectives were achieved by the MLT branch.

- We concluded our pilot project of evaluating several ‘off-the-shelf’ data mining tools and incorporated a number of them into our analytical routines.
- We examined a range of data sources that could be made available to us, identifying several additional sources that may enhance AUSTRAC’s analytical capability.
- We evaluated the feedback mechanisms we have had in place for a number of years to obtain information from domestic partner agencies about the results achieved through their use of our financial intelligence assessments and online delivery of FTR information.
- We strengthened our position in the global network of financial intelligence units, resulting in an increased number of instruments for the exchange of financial intelligence and a continuation of meaningful exchange of intelligence.
- We delivered technical assistance to, and improved the capabilities of, a number of counterpart financial intelligence units.

The coming year will pose numerous challenges for AUSTRAC including the implementation and delivery of the South East Asia Counter Terrorism Technical Assistance Program which was funded in the 2004-05 Budget; finalisation of our project on extrinsic data sources; further enhancements to ensure feedback from domestic and overseas partner agencies as to the benefits of AUSTRAC’s financial intelligence, and the training and development of our analytical and support staff who are critical in the delivery of financial intelligence to our partners.
Outcome
A financial environment hostile to money laundering, major crime and tax evasion.

Outputs and their components

Chapter 4 Output 1
Deterring money laundering, serious crime and tax evasion
- collection of FTR information
- promotion of FTR Act compliance
- individual cash dealer compliance improvement

Chapter 5 Output 2
Targeting money laundering, serious crime and tax evasion
- dissemination of FTR information
- provision of value added FTR information through analysis
- promotion of effective use of FTR information

Chapter 6 Output 3
Advice on the effectiveness of the FTR Act

Chapter 7 Output 4
Contribution to international efforts directed at the suppression of money laundering, serious crime and tax evasion

Chapter 8 Output 5
Privacy and Security

Chapter 9 Enabling Output
Information Technology

Chapter 10 Enabling Output
Corporate Services
Primary Output Group 1

Deterring money laundering, serious crime and tax evasion
Introduction

AUSTRAC's Reporting and Compliance (R&C) section makes a significant contribution to achieving AUSTRAC's mission. The section is responsible for AUSTRAC's regulatory compliance program, ensuring cash dealers, solicitors and the public meet their obligations under the *Financial Transaction Reports Act 1988* (FTR Act). R&C works with cash dealers and others to ensure that all required FTR information is reported to AUSTRAC and is available for analysis and dissemination to, or access by, our partner agencies. The value of the FTR Act's regulatory framework is that it not only ensures the flow of financial intelligence to AUSTRAC's partner agencies, but also acts as a deterrent to criminal activity through its 'know your customer' obligations.

AUSTRAC's regulatory strategy to ensure compliance with the requirements of the FTR Act, and the subsequent flow of financial intelligence, is based upon the following four themes:

1. Identification of cash dealers and products potentially vulnerable to money laundering.
2. Education of cash dealers to ensure they are aware of their obligations under the FTR Act.
3. Monitoring of cash dealer reporting to ensure compliance with the requirements of the FTR Act.
4. Motivation of cash dealers to rectify non-compliance with the requirements of the FTR Act.

Our regulatory strategy is achieved through a number of AUSTRAC activities including cash dealer and industry education; monitoring of data quality, timeliness and volume of all financial information reported to AUSTRAC; cash dealer inspections; and development and maintenance of relationships with entities in the financial and gaming sectors.

The 2003-04 financial year saw significant change to AUSTRAC's regulatory compliance program. This change was needed to reallocate resources within AUSTRAC's regulatory program. The major changes included:

1. Restructuring the internal teams within the R&C section to establish priorities for data quality issues and ensure better allocation of resources.
2. Re-focusing the broader inspection program to expand the number of educational visits; with less emphasis on detailed audits which are more resource intensive for the cash dealer and AUSTRAC.
3. Continuing development of information technology systems to improve internal efficiencies and reduce the cost of compliance for industry.
4. Automating the AUSTRAC Help Desk enabling cash dealers, solicitors and the public access to our information and services 24 hours a day. This initiative has minimised the resources required to support the AUSTRAC Help Desk.

The term 'cash dealer' is defined within section 3 of the FTR Act, and includes entities in the wider financial and gaming sectors as well as entities offering bureau de change and remittance services. These are entities regulated by the FTR Act and subject to its reporting and 'know your customer' regimes.
The FTR Act requires cash dealers to submit a range of financial transaction reports (FTR) to AUSTRAC. The reportable transactions are:

- **Suspect transactions** - any transaction, or attempted transaction, where the cash dealer has concerns about the entities, monies, or circumstances of the transaction.

- **Significant cash transactions** - any transaction with a cash component of A$10,000 or more, or its equivalent in foreign currency;

- **International funds transfer instructions** - any instruction for the transfer of funds that is transmitted electronically either into, or out of, Australia.

Solicitors are required to report only significant cash transactions.

Members of the public and cash dealers are also required to report international currency transfers, the mailing or carrying of A$10,000 cash, or its equivalent in foreign currency, either into, or out of, Australia.

The quality of the FTR information reported to AUSTRAC is of enormous importance to the process of turning the information into valuable intelligence. The value of output from our analytical process is directly linked to the quality of the information reported. AUSTRAC works with cash dealers to ensure that the FTR information is consistent, within the requirements of the legislation, and of value to our partner agencies. Monitoring of data quality occurs on three levels: the data within individual reports, the timing of reports submitted to AUSTRAC, and the volume of reports submitted compared to the number or reports expected from individual cash dealers.

Cash dealers are encouraged to submit all FTR report types to AUSTRAC by means of electronic transmission through AUSTRAC’s EDDSWeb system. During the 2003-04 financial year, AUSTRAC received a total of 10,779,523 reports from cash dealers, solicitors and members of the general public. On average AUSTRAC receives approximately 42,000 FTR reports per day. Although there is still some reporting on paper forms, over 99.9% of the reports were submitted electronically. Electronic reporting reduces the cost of compliance to industry and also facilitates the return of problematic reports to cash dealers for timely rectification of data quality issues.
FTR statistics

Suspect transaction reports (SUSTRs)

A suspect transaction is a transaction, an attempted transaction or series of transactions, in which the monies, entities or circumstances of the transaction(s) generate suspicions about the transaction(s). Cash dealers are obliged to report SUSTRs to AUSTRAC as soon as practicable after forming the suspicion.

During the 2003-04 financial year, AUSTRAC received 11,484 SUSTRs from cash dealers. This represents a 42.5% increase on the number of SUSTRs reported to AUSTRAC last financial year and reflects the work of the regulatory program to raise SUSTR awareness. Timely reporting has also resulted from AUSTRAC’s encouragement on the electronic reporting of SUSTRs.

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<tbody>
<tr>
<td>Total no. of SUSTRs</td>
<td>7,068</td>
<td>7,247</td>
<td>7,809</td>
<td>8,054</td>
<td>11,484</td>
</tr>
<tr>
<td>Change from previous year</td>
<td>8.1%</td>
<td>2.5%</td>
<td>7.8%</td>
<td>3.1%</td>
<td>42.5%</td>
</tr>
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Significant cash transaction reports (SCTR)

A significant cash transaction is any transaction with a cash component of A$10,000 or more, or an equivalent amount in a foreign currency. Cash dealers are obliged to report all significant cash transactions to AUSTRAC within prescribed timeframes.

There was a 42.5% increase on the number of SUSTRs reported to AUSTRAC last financial year.
During the 2003-04 financial year, AUSTRAC received 2,056,617 SCTR from the broader cash dealer community. This represents a 3.9% increase on the number of SCTR\textsuperscript{s} reported to AUSTRAC last financial year.

<table>
<thead>
<tr>
<th>Year</th>
<th>SCTR Reporting Volumes</th>
<th>IFTI Reporting Volumes</th>
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</thead>
<tbody>
<tr>
<td>1999-00</td>
<td>1,492,935</td>
<td>5,538,043</td>
</tr>
<tr>
<td>2000-01</td>
<td>1,681,024</td>
<td>6,107,534</td>
</tr>
<tr>
<td>2001-02</td>
<td>1,850,804</td>
<td>7,057,084</td>
</tr>
<tr>
<td>2002-03</td>
<td>1,979,446</td>
<td>7,493,765</td>
</tr>
<tr>
<td>2003-04</td>
<td>2,056,617</td>
<td>8,685,843</td>
</tr>
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</table>

There was a 3.9\% increase on the number of SCTR\textsuperscript{s} reported to AUSTRAC last financial year.

**International funds transfer instructions (IFTIs)**

An international funds transfer instruction is an instruction, transmitted electronically into, or out of, Australia for the transfer of funds. Cash dealers are obliged to report all IFTIs to AUSTRAC within prescribed timeframes.

During the 2003-04 financial year, AUSTRAC received reports of 8,685,843 IFTIs from cash dealers. This represents a 15.9\% increase on the number of IFTIs reported to AUSTRAC last financial year. Our intensive program to identify and educate remittance dealers has contributed to the increase in IFTIs this year.
International currency transfer reports (ICTRs)

An international currency transfer occurs when A$10,000 or more (or an equivalent sum in a foreign currency) is carried, mailed or shipped into, or out of, Australia. The individual or entity responsible for the currency is obliged to make the report. The vast majority of ICTRs received by AUSTRAC are declared to the Australian Customs Service by individuals entering and departing Australia.

During the 2003-04 financial year, AUSTRAC received 25,579 ICTRs. This represents a 9.5% decrease on the number of ICTRs reported to AUSTRAC last financial year.

<table>
<thead>
<tr>
<th>ITR reporting volumes</th>
<th>1999-00</th>
<th>2000-01</th>
<th>2001-02</th>
<th>2002-03</th>
<th>2003-04</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total no. of ICTRs</td>
<td>21,212</td>
<td>26,858</td>
<td>29,538</td>
<td>28,274</td>
<td>25,579</td>
</tr>
<tr>
<td>Change from previous year</td>
<td>-9.9%</td>
<td>29.3%</td>
<td>10.0%</td>
<td>-4.3%</td>
<td>-9.5%</td>
</tr>
</tbody>
</table>

There was a 9.5% decrease on the number of ICTRs reported to AUSTRAC last financial year.
Promotion of FTR compliance

AUSTRAC's success is based on both the volume and quality of the FTR information we receive. Accordingly, AUSTRAC devoted considerable resources to the effective promotion of FTR compliance, particularly through the identification and education of cash dealers and the subsequent monitoring of the FTR information reported to AUSTRAC. AUSTRAC's cash dealer education program is supported by industry meetings, a help desk facility, information circulars and guidelines, newsletters, and a high level consultation program with individual cash dealers.

Industry consultation also occurs through Provider Advisory Group meetings (PAG) which include representatives from major cash dealers, industry bodies, AUSTRAC and our partner agencies. PAG meetings are generally held six monthly, but the second PAG meeting for 2003-04 has been delayed until after the release of the draft Exposure Bill as part of the current review of the Australian anti-money laundering environment.

In addition to the ongoing daily interaction with cash dealers to maintain the quality of reports of FTR information, our education program also focused on a number of high risk sectors to raise awareness of, and compliance with, the requirements of the FTR Act. These sectors include remittance, bureaux de change, bullion and solicitors.

The dominant focus of the education program for the financial year was the remittance sector (that is, businesses that offer services to remit funds internationally). These businesses usually operate within ethnic communities offering the transfer of funds between Australia and their former countries.

Three campaigns involving ethnic newspapers were conducted during the financial year to promote compliance with the requirements of the FTR Act. These campaigns were in the languages of the major ethnic groups linked to the remittance sector:

- Arabic
- Chinese
- Croatian
- Indian
- Filipino
- Farsi (Persian)
- Serbian
- Ukrainian
- Vietnamese
**Inspection program**

To increase AUSTRAC’s contact with cash dealers, the regulatory compliance inspection program was refocused during the year as part of AUSTRAC’s broader restructure of its R&G section. The focus of the program was changed from a resource intensive compliance audit approach to a less formal education program, with greater emphasis on ensuring cash dealers understand their FTR obligations, and monitoring subsequent compliance through our data quality program. This has ensured a higher AUSTRAC presence with cash dealers but has not neglected appropriate contact with cash dealers with systemic patterns of non-compliance with the FTR Act.

The benefits of this approach are stronger long-term relationships between AUSTRAC and individual cash dealers, more efficient use of resources, informed cash dealers, and reduced cost of compliance for the cash dealers.

We conducted 147 educational visits and compliance inspections during the financial year, with 67 of the visits to businesses offering remittance services. The following graph highlights the increase in the volume of financial data reported by the remittance sector over the year.

AUSTRAC also conducted an industry education campaign for the casino sector during the year. The campaign included a series of presentations aimed at educating casino staff on Australia’s anti-money laundering strategies and the work AUSTRAC undertakes towards achieving this strategy. Every casino in Australia has participated in this education program.
We also conducted a number of industry analyses relating to the sports gaming and bullion sectors in preparation for industry education campaigns planned for the next financial year.

To further assist AUSTRAC’s ongoing industry education program, an Internet based anti-money laundering electronic learning (AML E-learning) application has been developed to assist industry to increase their understanding of the broader issues within the AML environment. It is hoped that by providing a basic training facility for the broad spectrum of cash dealers, individual cash dealers can then develop their own proprietary training to mesh with the general training material provided by AUSTRAC. The AML E-learning application contains 15 modules addressing a variety of issues. The modules include: the process of money laundering; terrorist financing; and the role of AUSTRAC. The application, located on our Internet site, is currently being tested by a range of cash dealers and other organisations, both domestic and international. From the comments received, the application is being amended, and it will be accessible to the public early in the new financial year.

Individual cash dealer compliance improvement

Although AUSTRAC refocused its inspection program towards educational visits, we did conduct a number of more formal compliance inspections (including audits and joint studies). These inspections involved the following cash dealer sectors:

- banking;
- building societies;
- bureaux de change;
- cash carriers;
- casinos;
- credit unions;
- finance corporations;
- merchant banks;
- remittance dealers; and
- sports bookmakers.
These compliance inspections ranged from half day visits to establish a relationship and educate the cash dealer about its obligations, to major audits or joint studies with large financial institutions such as banks. Major compliance inspections can involve up to a fortnight on site with the individual cash dealer examining reporting systems, staff understanding and training of their FTR obligations, audit testing of reported transactions against daily ledgers, account opening and document retention procedures.

The data quality team within R&G was also responsible for processing 103 test files to assist cash dealers moving to new, or updating existing, methods of electronic reporting of FTR information.

The increasing volume of FTR information reported to AUSTRAC is indicative of the effectiveness of our work with cash dealers.

Future priorities
AUSTRAC remains committed to improving the efficiency of our internal systems and enhancing our regulatory program to provide more meaningful information to cash dealers. Major projects for the 2004-05 financial year will include:

- the implementation of AUSTRAC’s Regulatory Risk Analysis System (ARRAS) to measure the risk of individual cash dealers or industries and allocate resources accordingly;
- use of data mining capabilities within AUSTRAC to assist our data quality and industry analysis programs; and
- the release of our Internet based anti-money laundering E-learning application to assist industry understanding of the broader issues connected to combating money laundering.

In the 2004-05 financial year we will pursue consultations with existing cash dealers, and other entities likely to have responsibilities as a result of the AML review program commenced this year. The program will be essential in assisting cash dealers and other entities in understanding their obligations and ensuring compliance with AUSTRAC’s requirements.
Performance summary

Primary Output 1
Deterring money laundering, serious crime and tax evasion

This output refers to the regulatory role of AUSTRAC in creating a climate of compliance using the reporting and other provisions of the *Financial Transaction Reports Act 1988* (FTR Act). AUSTRAC has employed two main strategies to support our outcome to make a valued contribution towards a financial environment hostile to money laundering, major crime and tax evasion. These include:

- the detection and education of new and non-reporting entities with the focus on assisting them to meet their reporting obligations under the FTR Act, and
- ongoing monitoring of reports submitted with the objective of maximising the quality of data accessible by our analysts and partner agencies.

The price of achieving Primary Output 1 was $5.33 million.

Performance highlights

- The Internet based Anti-Money Laundering Electronic Learning Application, created during the year, will be a useful and effective tool in educating cash dealers and the public of the requirements and benefits associated with the obligations to identify customers and provide high quality financial transaction reports to AUSTRAC.

- AUSTRAC conducted an industry education campaign for the casino sector during the year. The campaign included a series of presentations aimed at educating casino staff on Australia’s anti-money laundering strategies and the work AUSTRAC undertakes towards achieving this strategy. Every casino in Australia participated in this education program.

Achievement of 2002-03 listed future priorities

In the 2002-03 Annual Report several future priorities were outlined. Listed below are the priorities and AUSTRAC's progress towards achieving them. More information on these activities can be found in this chapter.

*The continued development of AUSTRAC's Regulatory Risk Assessment System (ARRAS).*

Work on achieving this priority is continuing with individual segments of this system being based upon models from our data mining work. Input has also been sought from other domestic regulators and our international counterparts to determine the best way to calculate risk. The implementation of this system is a priority for the new financial year.
Continued expansion of EDDSWeb functionality to allow further automation of the compliance requirements for cash dealers and to provide AUSTRAC with a mechanism for providing regulatory information back to cash dealers via a secure system.

This year, EDDSWeb was improved to allow electronic reporting of cash dealers annual compliance reports.

The use of data mining applications to improve both the quality of FTR information submitted to AUSTRAC and our ability to detect patterns of non-compliance and other information.

AUSTRAC has made significant advances in achieving this priority. Data mining applications have enabled the identification of a number of non-compliant cash dealers. This has also assisted in determining which dealers and industries have issues with data quality. This work continues to be a priority for AUSTRAC.

The development of targeted industry-specific educational campaigns.

This was achieved through this year's four industry-specific education campaigns. AUSTRAC is planning further campaigns in the new financial year.

An increased audit presence within the cash dealer community.

During the year AUSTRAC refocused its inspection program and directed more resources to concentrate on education rather than audits. There were 147 educational visits/inspections conducted.

Making full use of the increased resources allocated to AUSTRAC’s regulatory program in the 2003-04 financial year.

All new staff were trained and able to contribute to AUSTRAC’s outputs in a short amount of time.

The continued training and development of staff to ensure AUSTRAC is able to meet future regulatory challenges.

This is a continuing priority for AUSTRAC. Our staff have been involved in many training sessions throughout the year, including the provision of training and attendance at internal and external seminars, presentations and training sessions designed to improve their knowledge in various areas of regulatory work and the review of the operating procedures of other regulators.
Primary Output 1.1 Collection of FTR information

This output refers to the collection and capture of reports and transactions or instructions as required by the FTR Act.

**Quantity Performance Measure - Volume of FTR reports**

- AUSTRAC received 10,779,523 FTR reports - a 14% increase from the previous year.

**Quality Performance Measure - Integrity of FTR reports**

- AUSTRAC focused on data quality issues with the FTR information submitted by cash dealers.
- Electronic reporting of 99.9% of FTR reports from cash dealers.

**Contribution to outcome**

The work undertaken to support Primary Output 1.1 contributes to the achievement of AUSTRAC's outcome by allowing AUSTRAC to conduct more timely dissemination of intelligence to our partners and immediately identifying data quality and completeness issues.

Primary Output 1.2 Promotion of FTR Act compliance

This output refers to the provision of advice and guidance to cash dealers and the public.

**Quantity Performance Measure - Number of support functions provided**

- During the financial year 24,464 calls were received through the automated Help Desk, with the majority satisfied through the automated system. 4,699 callers required staff response.
- AUSTRAC released the following circulars during the reporting year:
  - Information Circular No 36 - Financial Action Task Force (FATF) on Money Laundering News Release: Counter-Measures Imposed on Myanmar; and
- Presentations on financial transaction reporting and anti-money laundering were provided to cash dealers in the following sectors: banks, building societies, casinos, credit unions, financial institutions, industry associations/conferences, remittance dealers and securities dealers.
Quality Performance Measure - Feedback from cash dealers

- Feedback from education campaigns and presentations was positive.
- Help Desk queries were addressed immediately. No complaints were received from cash dealers.

Contribution to outcome

The work undertaken to support Primary Output 1.2 contributes to the achievement of AUSTRAC's outcome through improved awareness of obligations under the FTR Act.

Primary Output 1.3 Individual cash dealer compliance

This refers to the range of activities from cooperative compliance inspections with cash dealers, to enforcement action.

Quantity Performance Measure - Number of evaluations and compliance issues identified

Regulatory staff conducted 147 educational visits and compliance inspections during the financial year. These inspections ranged from major institutions to individual owner operated outlets and focused on educating cash dealers about their obligations with less emphasis on detailed audits.

Quality Performance Measure - Effectiveness of compliance improvement program

AUSTRAC continued to work closely with individual cash dealers to improve any problematic areas detected through inspection. The vast majority of recommendations arising from the inspection process were implemented by the respective cash dealers, thereby strengthening their internal processes.

Contribution to outcome

The work undertaken to support Primary Output 1.3 contributes to the achievement of AUSTRAC's outcome through improved reporting quality and volume, thus contributing to the provision of enhanced intelligence to partner agencies.
Targeting money laundering, serious crime and tax evasion
Introduction

AUSTRAC, through its financial intelligence role, has demonstrated its strong commitment to the suppression of money laundering, people smuggling, drug trafficking, major fraud, terrorist financing, tax evasion and other serious crime. In the 2003-04 financial year, we continued to develop cost effective technological solutions for the analysis of large quantities of financial information and to refine the financial intelligence products we deliver to our law enforcement, national security, revenue and social justice partner agencies. A list of our partner agencies can be found on page 12. This year we also identified a number of external data sets that have the potential to further enhance the financial intelligence we produce for our partner agencies. These extrinsic data sources will serve us well as we aim for continuous improvement in the development of our financial intelligence capabilities. This improved effectiveness will benefit AUSTRAC’s partner agencies and ultimately, through the effective use of the financial intelligence in their investigations.

Our partnership with Australia’s law enforcement, revenue, national security and social justice agencies

Our support for and assistance in partner agency achievements further increased during the year. Several new agencies were granted access to and use of financial transaction report (FTR) information following amendments to the FTR Act during the financial year. The newly established Western Australian Corruption and Crime Commission was one such agency; two agencies in the Family and Community Services portfolio, the Child Support Agency (CSA) and Centrelink, also were granted access.

In the case of CSA, access to, and use of, FTR information had previously been available when the CSA was part of the Australian Taxation Office (ATO). This change was effectively a reinstatement of earlier arrangements. In the case of Centrelink, this represented a noteworthy and important expansion in AUSTRAC’s charter. The Financial Transaction Reports Act 1988 (FTR Act) is now seen as an important enabler to assist the government’s social justice role. Access to FTR information for CSA and Centrelink assists the administration of social security laws, with particular emphasis on attacking fraud against government entitlements and payment schemes.

Another important development during the year was the establishment of a secure link to the Australian Security Intelligence Organisation (ASIO), to allow a small number of ASIO officers online access to FTR information. Amendments in 2003 to the Memorandum of Understanding (MOU) outlining access and use of AUSTRAC’s FTR information by ASIO paved the way for this development.
Dissemination of FTR information

International exchanges
In addition to providing online access to 2,423 partner agency officers during the year, AUSTRAC disseminated information to the growing number of our international counterpart FIUs with which we have exchange instruments. In total, AUSTRAC Partner Liaison and Support (PLS) staff disseminated 652 reports based on our FTR data. This is a significant increase from the previous year and demonstrated the growing recognition of the value of our data in the work of our domestic and international partners.

Access to and use of AUSTRAC's enquiry system
AUSTRAC’s data is stored in our Transaction Reports Analysis and Query (TRAQ) database and accessed through the TRAQ Enquiry System (TES). Specialist staff in our partner agencies access and search this data. Details of access to TES over the last five years is as follows:

As the above indicates, there is a 16.8% overall increase in authorised online users of our data.

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<tbody>
<tr>
<td>Australian Taxation Office (ATO)</td>
<td>479</td>
<td>540</td>
<td>723</td>
<td>1,005</td>
<td>1,194</td>
</tr>
<tr>
<td>Australian Government includes social justice agencies</td>
<td>692</td>
<td>740</td>
<td>725</td>
<td>757</td>
<td>870</td>
</tr>
<tr>
<td>State Law Enforcement Agencies (LEA)</td>
<td>138</td>
<td>193</td>
<td>246</td>
<td>241</td>
<td>254</td>
</tr>
<tr>
<td>State Revenue</td>
<td>10</td>
<td>7</td>
<td>10</td>
<td>3</td>
<td>6</td>
</tr>
<tr>
<td>AUSTRAC</td>
<td>57</td>
<td>67</td>
<td>66</td>
<td>68</td>
<td>99</td>
</tr>
<tr>
<td>TOTAL</td>
<td>1,376</td>
<td>1,547</td>
<td>1,770</td>
<td>2,074</td>
<td>2,423</td>
</tr>
</tbody>
</table>

As the above indicates, there is a 16.8% overall increase in authorised online users of our data.

<table>
<thead>
<tr>
<th>Agency</th>
<th>Logon</th>
<th>TES total searches</th>
<th>TES name searches</th>
<th>TES other searches</th>
<th>SMRs *</th>
<th>Active Alerts at 30 June</th>
<th>Data warehouse searches</th>
</tr>
</thead>
<tbody>
<tr>
<td>AUSTRAC</td>
<td>31,244</td>
<td>367,666</td>
<td>51,231</td>
<td>316,435</td>
<td>2,588</td>
<td>245</td>
<td>13,907</td>
</tr>
<tr>
<td>ATO</td>
<td>47,496</td>
<td>296,059</td>
<td>105,880</td>
<td>190,179</td>
<td>1,190</td>
<td>30</td>
<td>4,516</td>
</tr>
<tr>
<td>Australian Government</td>
<td>61,795</td>
<td>467,433</td>
<td>179,295</td>
<td>288,138</td>
<td>1,444</td>
<td>-</td>
<td>530</td>
</tr>
<tr>
<td>State LEA</td>
<td>11,864</td>
<td>93,853</td>
<td>35,648</td>
<td>58,205</td>
<td>20</td>
<td>-</td>
<td>107</td>
</tr>
<tr>
<td>State Revenue</td>
<td>51</td>
<td>377</td>
<td>145</td>
<td>232</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>TOTAL</td>
<td>152,450</td>
<td>1,225,388</td>
<td>372,199</td>
<td>853,189</td>
<td>5,242</td>
<td>275</td>
<td>19,060</td>
</tr>
</tbody>
</table>

*SMR - Summary Management Report

Substantial increases have occurred across all areas of AUSTRAC’s online system this year. The following trends were evident:

- Logons to TES have increased by 43%;
- Total TES searches have increased by 40%;
• SMR searches have increased by 32%
• Active alerts have increased by 27%;
• Data warehouse searches have increased by 49%; and
• All agencies have increased TES activity for all search types

The above demonstrates an increasing reliance on intelligence derived from financial transaction reports by all of our partner agencies. It also points to the ongoing and ever improving effectiveness of our financial analytical training, support, awareness and assistance programs.

Increasing International Funds Transfer Instruction (IFTI) analysis

As the global threat of terrorism continues, the need for greater awareness and vigilance of the financing of terrorism is clearly necessary. Anecdotally, the financing of terrorism is not readily identifiable. A particular indicator of such activity that differs from established criminal financing is that lower value transactions are known to be used in the financing of terrorism. With this in mind, we continued to work closely with the Australian Security Intelligence Organisation (ASIO) and the Australian Federal Police in seeking to extract FTR information that lends itself to identifying terrorist financing. A primary focus of this work is on low value international funds transfers.

The Australian Taxation Office (ATO) continued to monitor international money flows, with particular attention on tax havens. We continue to work with the ATO in the analysis of these trends. A major source of intelligence for this work is our IFTI reports. In February 2004 the ATO released a publication *Tax havens and tax administration*. The publication explains the ATO’s role in compliance in respect of tax havens. In the publication, the Commissioner of Taxation states:

Data from the Australian Transaction Reports and Analysis Centre (AUSTRAC) and tax return data are our primary sources of information on Australian taxpayers who may be engaged in tax minimisation schemes and tax evasion. (page iii)

The publication further states that:

We use the information in these reports [of FTR information] to identify participants and promoters of tax minimisation schemes and tax evasion. In addition, we use AUSTRAC data to:

• monitor money movements into and out of Australia
• profile individuals, industries, occupations and geographical areas
• identify potential high-risk transactions
• identify and quantify compliance risks and develop compliance strategies, and
• select cases for further investigation. (page 11)
The ATO’s work on tax havens has highlighted the importance of low-value IFTIs to its work, and potentially to other agencies. Consequently, we have allowed access to IFTIs of all values to a wider number of partner agency officers from 1 July 2003. This access is further assisting the government’s important counter terrorism and international tax avoidance strategies.

Provision of value added FTR information

The analysis of FTR information is one of AUSeTRAC’s core functions and is the basis for the production of financial intelligence reports for dissemination to our partner agencies. The focus of AUSeTRAC’s Monitoring and Analysis unit this year has been to increase the quality of its financial analysis work. We were able to expand our team of financial analysts and complete a number of related projects with funding received under the government’s National Illicit Drugs Strategy. These projects have included the implementation of various data mining analytical software tools and access to a limited number of extrinsic information sources used to enhance our intelligence functions. More information on data mining can be found on page 41.

AUSeTRAC also plays a vital role in the provision of assessments and other financial intelligence to our partner agencies to assist in investigations and taskforces. This financial year, as part of the Australian Crime Commission’s (ACC) MIDAS initiative, AUSeTRAC worked closely with the ACC, providing financial intelligence to support its fight against tax evasion, drug trafficking, and other forms of organised crime.

In addition to our domestic analytical work, our analysts collaborated with overseas financial intelligence units (FIUs), and attended several international meetings to keep informed of money laundering typologies. As a result of intelligence gathered from these meetings, AUSeTRAC began development on new customised algorithms designed to detect emerging patterns of suspicious financial activity. The work undertaken this year will lead to the enhancement of our automated monitoring system and assist our data mining program. These initiatives assisted in producing high quality financial assessments related to sophisticated efforts at money laundering, terrorist financing, organised crime, tax evasion methods and financial trends. During the year we produced 1,130 financial intelligence assessments and disseminated 1,021 to our partner agencies. Some of these disseminations related to assessments prepared in the previous financial year.
The following graph displays the distribution of these disseminations to our partner agencies and to our Reporting and Compliance section. Disseminations to the latter occurred where it was believed that the activity related to remittance dealer activity.

Australian Transaction Reports and Analysis Centre (AUSTRAC)
AUSTRAC Reporting and Compliance section
Australian Crime Commission (ACC)
Australian Crime Commission Financial Intelligence Assessment Team (ACC FIAT)
Australian Customs Service (ACS)
Australian Federal Police (AFP)
Australian Securities and Investments Commission (ASIC)
Australian Security Intelligence Organisation (ASIO)
Australian Taxation Office (ATO)
Crime and Misconduct Commission (QLD) (CMC-QLD)
Centrelink (CNTLINK)
NSW Crime Commission (NSWCC)
NSW Police Service (NSWPOL)
Queensland Police Service (QLD POL)
South Australia Police Service (SA POL)
State Revenue Authority NSW (SRANSW)
Tasmania Police Service (TASPOL)
Western Australia Police Service (WAPOL)
Victoria Police Service (VICPOL)
This year, we received 11,484 suspect transaction reports (SUSTRs) from cash dealers. The number of SUSTRs received has increased by 42.5% over the previous year and it is possible that this trend will continue in the future. The SUSTRs are a valuable component of our monitoring systems and are vital to our partner agencies in their investigations.

The following table outlines the number of SUSTRs disseminated to our partner agencies. Some reports may have been disseminated to more than one agency.

<table>
<thead>
<tr>
<th>Agency</th>
<th>Number of disseminations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anti-Corruption Commission</td>
<td>119</td>
</tr>
<tr>
<td>Australian Crime Commission</td>
<td>299</td>
</tr>
<tr>
<td>Australian Crime Commission Financial Intelligence Assessment Team (ACC FIAT)</td>
<td>348</td>
</tr>
<tr>
<td>Australian Customs Service</td>
<td>1,051</td>
</tr>
<tr>
<td>Australian Federal Police</td>
<td>2,399</td>
</tr>
<tr>
<td>Australian Securities and Investments Commission</td>
<td>277</td>
</tr>
<tr>
<td>Australian Taxation Office</td>
<td>10,241</td>
</tr>
<tr>
<td>Centrelink</td>
<td>84</td>
</tr>
<tr>
<td>Crime and Misconduct Commission (QLD)</td>
<td>28</td>
</tr>
<tr>
<td>Independent Commission Against Corruption</td>
<td>8</td>
</tr>
<tr>
<td>Northern Territory Police Service</td>
<td>23</td>
</tr>
<tr>
<td>NSW Crime Commission</td>
<td>491</td>
</tr>
<tr>
<td>NSW Police Service</td>
<td>448</td>
</tr>
<tr>
<td>Police Integrity Commission</td>
<td>2</td>
</tr>
<tr>
<td>Queensland Police Service</td>
<td>114</td>
</tr>
<tr>
<td>South Australia Police Service</td>
<td>202</td>
</tr>
<tr>
<td>State Revenue Authority NSW</td>
<td>22</td>
</tr>
<tr>
<td>State Revenue Authority Queensland</td>
<td>4</td>
</tr>
<tr>
<td>State Revenue Authority South Australia</td>
<td>1</td>
</tr>
<tr>
<td>State Revenue Authority Tasmania</td>
<td>1</td>
</tr>
<tr>
<td>State Revenue Authority Victoria</td>
<td>11</td>
</tr>
<tr>
<td>State Revenue Authority Western Australia</td>
<td>3</td>
</tr>
<tr>
<td>Tasmania Police Service</td>
<td>25</td>
</tr>
<tr>
<td>Victoria Police Service</td>
<td>250</td>
</tr>
<tr>
<td>Western Australia Police Service</td>
<td>186</td>
</tr>
</tbody>
</table>
Suspect report activity type statistics and trends

The charts below compare the classifications of activity types identified by our analysts from SUSTRs reported to AUSTRAC over the past two years.

There were increases in many of the categories of suspected activity types with significant increases in the identification of transactions related to interesting countries, money laundering and fraud.
The effects of the increase in the number of suspect reports and various activity categories are seen in the following chart which compares the number of suspect report disseminations to Australian Government partner agencies (excluding the Australian Taxation Office, which receives almost all suspect transaction reports) and State police services over the last two years. Figures for the Australian Bureau of Criminal Intelligence (ABCI) have been included only for the 2002-03 year as the ABCI was merged into the Australian Crime Commission in January 2003. The figures for the former NCA’s Agio task force and its replacement, the Australian Crime Commission’s FIAT initiative have been consolidated to reflect the ongoing nature of the work which has continued through the transition of the National Crime Authority to the Australian Crime Commission.

Transnational Crime Coordination Centre
The Transnational Crime Coordination Centre (TCCC) is a significant focal point within the AFP for coordinating intelligence in the fight against terrorism, drug trafficking, people smuggling and other transnational crime. An AUSTRAC analyst continued to work within the TCCC in Canberra. Communication and integration of FTR information into key policing programs is of the utmost importance in countering transnational organised crime and is a primary focus of this position. The high level analysis of financial intelligence is becoming an increasingly valuable tool to aid in the detection of terrorist financing and other transnational crime. We have provided tactical and strategic financial intelligence support to many of the crime teams within the TCCC. Comprehensive analysis of FTR information has been particularly useful in the areas of terrorist financing and people trafficking.
Psychostimulant project

With funding from the National Illicit Drugs Strategy (NIDS), AUSTRAC initiated a project to examine domestic and international money trails associated with trafficking in psychostimulant drugs and precursor chemicals. A major goal of the project was to develop an understanding of methodologies used by organised crime groups to move funds generated by importations of psychostimulant drugs and precursor chemicals or equipment used in the manufacture of these types of drugs.

AUSTRAC’s involvement in the Egmont Group of Financial Intelligence Units (Egmont Group), specifically the Operational Working Group, allowed us to obtain a more global perspective on the psychostimulant drug problem. We were able to use our psychostimulant project as the pilot project for the new Operational Working Group which commenced in July 2003. This provided an opportunity for us to bring together the world wide resources of the Egmont Group members to assist in identifying input for this project. It involved AUSTRAC sending a questionnaire to all Egmont Group members seeking information on the nature and extent of psychostimulant activity and associated money laundering within their jurisdictions and other jurisdictions, and to inform all Egmont Group members on the responses to the questionnaire. The responses identified several key indicators to assist with future monitoring of the methods used by organised crime groups in their drug trafficking activities. The responses confirmed common themes experienced in Australia and identified emerging trends which warrant future monitoring. This monitoring will be undertaken by AUSTRAC employing a number of methods combining AUSTRAC’s established tools and processes with the NIDS funded technologies and resources. Some preliminary results of these processes have already proven to be of interest to our domestic partner agencies. This work has also advanced investigations by Australian agencies by tracing money trails associated with psychostimulant drug trafficking once the funds have arrived at overseas destinations. There were several instances where feedback from FIUs led to further avenues of inquiries by our domestic partner agencies. The information and intelligence exchange instruments that we have with countries in Europe, and the Middle East have been of significant value.

In April 2004, we also participated in a workshop on psychostimulant drug activity hosted by the Dutch Financial Intelligence Unit. The workshop focused on a number of themes in common to all jurisdictions including organised crime group involvement and the spread of production areas in Europe. This workshop led to the identification of several issues which AUSTRAC is progressing; and strengthened the cooperation and close working relationship between AUSTRAC and other FIUs.
Data mining

Substantial progress was made during the financial year on the evaluation of a range of analytical tools as part of AUS TRAC's continuing effort to exploit developments in data mining, also known as 'knowledge discovery' or 'predictive analytics'. A full implementation of three analytical software tools was conducted for a small team of AUS TRAC's specialist analysts following intensive training provided by each of the software vendors.

The implementation of these tools has allowed AUS TRAC to expand its work in the following areas:

- Development of algorithms for classification and clustering models; association and sequence detection and conventional statistical analysis.
- The ability to ask complex and intricate questions of AUS TRAC data on an ad-hoc basis without specialist information technology or programming skills.
- The study of financial networks and cells.

A major achievement of the data mining project was the development of two models that reveal hidden financial transaction patterns in suspect transaction reports and with entities being monitored as a result of prior assessments or investigations. The aim is to implement the models within our systems as suspect activity indicators. These developments are an important breakthrough for AUS TRAC as they represent the first suspect activity models to have been generated using a purely scientific approach, rather than models traditionally derived from anecdotal evidence.

Promotion of effective use of FTR information

Committees and taskforces

The Australian Crime Commission's (ACC) Financial Intelligence Assessment Team (FIAT) was established during the year with the purpose of building upon the earlier successes of the former National Crime Authority’s Agio Task Force. FIAT comprises representatives from the ACC, AFP, ATO, ASIC and AUS TRAC. This process facilitates the enhanced development of intelligence for consideration by partner agencies in undertaking major money laundering and tax evasion investigations. AUS TRAC's financial intelligence assessments form the centerpiece of this team's work. During the year the FIAT team received 121 disseminations from AUS TRAC, comprising assessments resulting from the output from our TargIT monitoring application and individual SUSTRs. The ACC disseminated 33 value added intelligence reports to other agencies that were prepared by the FIAT team.
Other important law enforcement related committees, inter-governmental fora and task forces in which AUSTRAC has participated during the financial year included:

- Heads of Commonwealth Operational Law Enforcement Agencies
- The ACC's Australian Identity Protection Register
- The Attorney-General’s Department Strategic Plan for Commonwealth Law Enforcement
- The Commonwealth Reference Group on Identity Fraud
- The Department of Foreign Affairs and Trade Terrorist Assets Freezing Working Group

In addition, we have provided commentary to the ACC on a range of ACC National Threat Assessments in respect of current and emerging crime types.

**Outposting arrangements**

This financial year, we continued to work closely with our partner agencies in promoting their use of FTR information. We also increased our on-site presence in partner agencies through the addition of two outposted partner liaison and support (PLS) managers in Adelaide and Canberra. The Adelaide PLS Manager, located with the AFP, is responsible for the conduct of training and analytical support for several of our South Australian partner agencies. Our Canberra based PLS Manager, located within the ACS, provides training and analytical support for ACT based partner agencies including branches of the ACS, AFP, ACC, and ASIC. These complement our outposting arrangements in:

- AFP Brisbane;
- AFP Canberra;
- AFP and ACC Melbourne;
- ACS, AFP, ACC, NSW Crime Commission and NSW Police Sydney;
- AFP Perth

In most cases, our outposted staff also provided assistance and support to other agencies in their regions.

As in previous years, the success of our collaboration with partner agencies was also evident through their on-site presence at AUSTRAC. Senior officers from the AFP, ACC and ATO worked closely with our officers in AUSTRAC’s Sydney premises throughout the year on joint law enforcement and revenue matters of interest.
Training, awareness and support

Our training, awareness and support efforts for the year have been directed more towards advanced use of FTR information, with particular attention being paid to increasing the analytical expertise of the more experienced users. Internally, we had a greater focus on the deployment of a range of analytical tools and data mining software products that are designed to meet the analytical needs of our partner agencies.

The placement of AUSTRAC staff in our partner agencies has proven to be an effective tool in ensuring that the greatest value is obtained from our data. Our training programs ensure that users of AUSTRAC's database are informed on the developing search techniques and methods of displaying data.

Feedback

In acknowledgement of the fact that feedback is of vital importance to AUSTRAC, we engaged the services of a consultant with expertise in law enforcement, fraud investigations and anti-money laundering. The consultant examined and evaluated the effectiveness of our partner agencies feedback systems in respect of FTR information flows. The project will be finalised early in the new financial year.

Significant results

Feedback from partner agencies has demonstrated that AUSTRAC's FTR information and financial intelligence has proved to be of significant value in 2003-04. FTR information was used in 1,743 investigations during the year. Of these, 362 matters were reported as significant investigations. In addition, FTR information contributed to ATO Assessments of more than $75 million during 2003-04. Examples of some of these cases are outlined below.

**Former Directors of unregistered company imprisoned**

An Australian law enforcement agency investigation commenced after information was received through various sources regarding an unregistered managed investment scheme. FTR information was valuable in the initial stages of the investigation in that it identified the targeted entities. A trust and its trustee company as well as various other entities and their addresses were identified in South Australia. It was apparent from the FTR information that the targeted entities had been transferring significant funds to New Zealand. As a result of the positive results found on the relevant entities, an AUSTRAC alert was placed on the trust and other entities for the duration of the investigation. The AUSTRAC alert was used to identify any additional funds being raised by previously unidentified entities and sent offshore to the unregistered managed investment scheme.
As the investigation continued, investigators found that the trust had received money from 94 investors in Australia and New Zealand and placed the money into unregistered projects in New Zealand and the United States of America. FTR data assisted in identifying that approximately $5.8 million of the funds had been lost in these unregistered operations. The investors were mainly retirees and operators of self-managed superannuation funds.

Two people each pleaded guilty to a charge of operating an unregistered managed investment scheme under the Corporations Act 2001. Person A was sentenced in October 2003 to 20 months imprisonment with a non-parole period of six months and then to be released under the supervision of a Corrections Officer for 12 months. Person B was sentenced to 14 months imprisonment, to be released immediately upon entering into a bond and being supervised in the same terms as Person A.

**FTR information assists the US Internal Revenue Service**

One of the monitoring tools used by AUSTRAC is Aggcells. The reports generated by this tool highlight monthly variations in the flow of funds between Australia and other countries. The Aggcells monthly report is provided to an ATO analyst who examines it with a view to identifying unusual transactions or trends. These unusual transactions or trends normally involve tax haven countries.

Early this year an ATO analyst noted a sizeable increase in funds being sent to Australia from a small tax haven country during a particular month. Further investigation identified that a particular individual had been receiving a large amount of these funds and had received around $18 million over the past five years.

Checks on various databases showed that the person had not lodged tax returns for a number of years and the case was referred to an auditor in the ATO's Serious Non Compliance business line.

The task of this auditor was to ascertain if the person was an Australian resident, and also to establish if the $18 million, which had been remitted to his Australian bank account, was assessable income for Australian taxation purposes. Interviews with the person established that he was a professional gambler who had developed a program to select winning horses for a business that operated from an offshore tax haven. Immigration checks on his international movements confirmed that the person was not an Australian resident for income tax purposes.

Following discussions with various other branches of the ATO, it was decided that information obtained during the course of the audit should be provided to the Internal Revenue Service in the United States of America. Information from the ATO's enquiries was then disseminated under the Exchange of Information provisions of the Australia/United States of America Double Tax agreement.
On receipt of the information the Internal Revenue Service conducted their own enquiries, raising assessments against the individual and collecting US$5 million in unpaid taxes.

Laundering of drug proceeds through debit card facilities

Following the dissemination of financial transaction reports (FTR) information by AUSTRAC to a law enforcement agency, an AUSTRAC alert was raised on a suspect and his associate. The FTR information related to a student who on a number of occasions loaded structured amounts of $9,900, to avoid the reporting requirements of the FTR Act, onto debit cards in his own name and that of his associate. The suspect had previously come to the notice of law enforcement agencies in relation to a cocaine seizure at Sydney Airport in 2001 which he was alleged to have organised. Following further research and intelligence gathering, a joint operation commenced, involving two law enforcement agencies.

A further 15 FTRs were recorded on the AUSTRAC database, showing both the suspect and his associate conducting deposits of structured amounts onto debit cards. Within two months they loaded a total of over $100,000 onto two debit cards. AUSTRAC’s automated monitoring system also detected a further series of financial transactions linked to both targets. An assessment of FTR information was disseminated to the law enforcement agencies and assisted the investigation, resulting in the arrest of both targets.

In late 2003 the associate departed Brisbane for South America and returned to Brisbane from another South American destination 12 days later with approximately 5.8 kilograms of cocaine in his baggage. He later admitted that he had previously brought drugs into Australia on two occasions for a payment of $28,000 each time. He was arrested and charged with importing and possessing a prohibited import. The suspect was also charged a couple of months later with alleged conspiracy to bring into Australia approximately 5.8 kilograms of cocaine with an additional charge of structuring cash transactions and laundering almost $400,000. He was found guilty and sentenced to seven years imprisonment.

Defendants convicted of structuring transactions forfeit $1.17 million

In December 2003 an Australian law enforcement agency arrested two people and charged them with two counts each of structuring transactions contrary to section 31(1) of the FTR Act. Investigations revealed that in December 2003 both defendants structured 19 separate cash withdrawals each under $10,000 from their bank account. Within eight days both defendants structured a further 125 cash deposits each under $10,000, into a joint account at a different bank.

AUSTRAC disseminated the intelligence to a law enforcement agency for further investigation. The intelligence showed clear structuring that allowed law enforcement to initiate their investigation and charge both people under the FTR Act.
At the time of the arrests, investigators executed search warrants at the homes of the defendants and worked with the Commonwealth Director of Public Prosecutions (DPP) to restrain the sum of approximately $1.17 million pursuant to section 17 of the Proceeds of Crime Act. These funds were restrained on the grounds that they were the instrument of the structuring offences.

In April 2004 both defendants pleaded guilty to the structuring offences and appeared before the County Court two months later for sentencing. Both defendants agreed to forfeit approximately $1.17 million and were released on a $5,000 good behaviour bond for three years.

**NAB manager guilty of ruse, not insider trading, court told**

by Adam Morton

AAP

24 June 2004

MELBOURNE, June 24 AAP - A former National Australia Bank manager investigated for insider trading after making $9.8 million on AMP shares was guilty only of an unsophisticated ruse, a court heard today.

Michael Fares and his brother John were probed by the Australian Securities and Investments Commission (ASIC) after they sold derivatives based on AMP shares for $12.2 million on August 29 last year - the day after NAB declared it would vie for a stake in the insurer, the Victorian County Court was told.

The brothers bought the contracts-for-difference (CFDs) - a high-risk, high gain method of betting on the rise of the shares - for $2.4 million two weeks earlier.

ASIC dropped its investigation after two months but federal police charged the pair with laundering $1.17 million in December.

The Fares, aged 39 and 38 and both of Williamstown, today pleaded guilty to two counts of structuring transactions to avoid financial reporting requirements, on offence that carries a maximum penalty of five years jail or a $33,000 fine.

They have agreed to forfeit the laundered amount but will keep their $9.8 million profit, which was returned after the ASIC inquiry disbanded.

The charges relate to 144 cash transactions of less than $10,000 used by the brothers to transfer more than $1.1 million from a joint-held Westpac account into an NAB account between December 4 and 11.

The Financial Transaction Reporting Act requires all transactions of more than $10,000 to be reported to Austrac.

Michael Fares’ barrister Terry Forrest, QC, said the brothers were trying to camouflage the size of the deposits because they feared NAB management would freeze their accounts following the insider trading accusations.

Mr Forrest said the Fares, both accountants with long investment history, planned to use the capital to request a property development loan.

Judge Michael Strong summarised the "crazy" scheme: "So the plan was to sneak the money into the bank and then ask the bank for a loan and say ’look how much money we’ve got in your bank’.

Mr Forrest agreed it was "lunacy" but said it was the most likely explanation.

He said the Fares’ moral culpability was at the lower end for a charge devised to catch large-scale tax evaders and money launderers.

"No-one, least of all us, is trying to pretend this is some sophisticated ruse to avoid the National Bank’s investigating people. It is an unsophisticated ruse,” Mr. Forrest said.

Judge Strong said it "wouldn't take much to beat" the credibility of Mr. Forrester’s explanation.
300 kilograms of cocaine seized

AUSTRAC information was pivotal in initiating various operations which related to the importation of cocaine into Australia from South America.

This investigation started in 1998 when FTR information was reported on Mr Y, the alleged importer of cocaine. Subsequent research indicated that six structured funds transfers had occurred between February and April 1998. Further in-depth financial analysis using the AUSTRAC database showed significant international funds transfers to the Middle East and to various countries in Europe, believed to be payment for the cocaine. Mr X was identified as the overseas beneficiary of these international funds transfers. This particular investigation concluded in December 1998 without any charges being laid, but the intelligence collected was further developed by Australian law enforcement agencies.

Investigators later analysed the FTR information identified in the earlier investigation which led to further operational work. This resulted in the seizure of a package containing cocaine and led to the conviction of three people. A number of international funds transfers, believed to be payment for the cocaine were produced as evidence in this trial.

As a result of inquiries by law enforcement agencies the entities of interest in the previous two operations had again come to notice for the importation of sandstone blocks from South America. A joint operation consisting of three agencies commenced in April 2000 which led to the identification of Mr X for whom an outstanding arrest warrant on drug related charges existed. A search of his premises located almost $300,000 cash in plastic shopping bags. Further searches of the garage adjoining the premises located four plastic drums containing round blocks of white powder wrapped in plastic. Police seized in total over 300 kilograms of cocaine, making it the largest ever drug seizure in the state.

In March 2004 Mr X, an overseas based businessman, was found guilty of importing the drugs and following an unsuccessful appeal received a sentence of 20 years imprisonment with a non-parole period of 14 years.

It is evident from these cases, and many more reported to AUSTRAC by our partner agencies, that AUSTRAC’s financial intelligence continues to be vital in either initiating or assisting investigations of major criminal activity.
Future priorities

In the next financial year, particular attention will be made to the following matters:

- enhancing the value of financial intelligence in support of national security operations;

- training of AUSTRAC and partner agency personnel in the use of advanced FTR analytical tools;

- increasing the internal use of data mining technologies and other advanced FTR analytical tools;

- increasing our on site presence in partner agencies through further outposting of AUSTRAC personnel and the marketing of our FTR analytical assessments to key partner agency personnel;

- focusing on corporate fraud and our relationship with ASIC; and

- collaborating with our partner agencies in the development of their FTR information management systems.
Performance summary

Primary Output 2
Targeting money laundering, serious crime and tax evasion

This output group refers to the use of FTR information by our partner agencies and by AUSTRAC on behalf of our partner agencies, in identifying financial activities indicative of money laundering, serious crime or tax evasion. It includes the provision of information technology analytical tools and other information technology resources, which support the analysis of FTR information.

Through the activities associated with providing FTR information to our partner agencies, we are able to make a valuable contribution to their investigations into money laundering, tax evasion and other major crimes. These actions significantly contribute to our work towards achieving our outcome.

The price of achieving Primary Output 2 was $8.44 million.

Performance highlights

• Agreements were signed this year to include three new agencies who use our data, Centrelink, the Child Support Agency and the Corruption and Crime Commission (Western Australia).

• Participation on the Australian Crime Commission’s FIAT team has allowed AUSTRAC to provide valuable input into the investigations of our partner agencies.

• Implementation of data mining software to allow us to identify more complex financial networks and thus provide more valuable intelligence to our partner agencies.

Achievement of 2002-03 listed future priorities

In the 2002-03 Annual Report several future priorities were outlined. Listed below are the priorities and AUSTRAC’s progress towards achieving them. More information on these activities can be found in this chapter.

**Increased use of more sophisticated data mining technologies and analytical refinements.**
AUSTRAC has met this priority through the implementation of a range of new data extraction, analysis and modelling tools throughout the agency this financial year and the training of analytical staff in their use.

**Ensuring our partner agencies are better positioned to meet their changing demands in a more strategic manner.**
We have increased our assistance with online access to our data, as well as increasing the number of training and awareness sessions to partner agency personnel.
Increased diversification in the support our PLS managers are able to give to ATO operational, tactical and strategic demands.

We have expanded our PLS manager responsibilities to include a greater level of assistance to the ATO.

Increased onsite support for major law enforcement and security agency initiatives, particularly in relation to their efforts in countering the trafficking of illicit drugs and terrorist financing.

We have placed two onsite managers in Adelaide and Canberra.

Increased support for our partner agencies to improve their initiatives in combating corporate malfeasance.

This priority is yet to be achieved, although negotiations with ASIC are well advanced. Agreement in principle has been reached for the outposting of on-site managers into ASIC in Melbourne and Sydney.

The rapid development and integration of our new analysts and partner agency liaison offers into our work culture.

AUSTRAC has achieved this priority through intensive mentoring and training of new liaison officers and analysts.

**Primary Output 2.1 Dissemination of FTR information**

This refers to the availability of intelligence from FTR information to our partner agencies by means of our online enquiry system.

**Quantity Performance Measure - Number of access logons and disseminations**

- There were 121,206 access logons by our partner agencies this financial year.
- There were 857,722 TES searches conducted by our partner agencies this financial year.

**Quality Performance Measure - Level of system availability**

- TES had an availability of approximately 99.6% Monday to Friday (24 hours). It was available 95.9% (midnight Friday to midnight Sunday). Downtime was generally a result of maintenance or upgrades to systems.

**Contribution to outcome**

The work undertaken to support Primary Output 2.1 contributes to the achievement of AUSTRAC’s outcome by ensuring that AUSTRAC’s intelligence is readily available to initiate and assist with investigations conducted by our partner agencies.
Primary Output 2.2 Value added FTR information through analysis

This refers to the analysis, by AUSTRAC, of FTR information using purpose-built analysis tools and our specialist resources.

Quantity Performance Measure - Number of matters value added and the number of matters taken up by partner agencies.

• Our analysts prepared 509 assessments generated from information from our automated TargIT system that were associated with suspect transaction reports (SUSTRs) and were made available to our partner agencies. Our suspect report analysts also disseminated 1,676 SUSTRs that were considered to be matters of some urgency.
• In addition, 1,021 financial intelligence assessments were disseminated to partner agencies during the year.
• The ACC’s FIAT team examined 121 matters selected from AUSTRAC disseminations. Of these, the FIAT team disseminated financial and criminal intelligence in relation to 33 matters it concluded warranted further investigations.

Quality Performance Measure - Feedback from partner agencies

• Evaluation of feedback survey material from our partner agencies suggests that of all the assessments disseminated where we received feedback, 23% were used for investigations and 66% were used for intelligence purposes.

Contribution to outcome

The work undertaken to support Primary Output 2.2 contributes to the achievement of AUSTRAC’s outcome through the continual provision of vital intelligence to support current investigations and to initiate investigations of previously unknown criminals.

Primary Output 2.3 Promotion of effective use of FTR information

This refers to the promotion of effective use of FTR information by our partner agencies and relates to the use of both the online and value-added analysis.

Quantity Performance Measure - Increase in the number of accessions to the system and the number of support functions provided

• There was increase of 40% in the search activity.
• AUSTRA outposted nine staff in our partner agencies offices, ensuring the integration of FTR information into operations through analytical support, training and awareness sessions.

• 260 training sessions were provided to staff at our partner agencies. This is an increase of 12% from last year.

Quality Performance Measure - Feedback from partner agencies

• Feedback from partner agencies indicated that FTR information has been a vital intelligence source and formed an integral part of investigations. Partner agencies continually rely on FTR information, both to initiate investigations, and assist during those investigations.

• Feedback received from partner agency staff rated the outposting of our staff, all training sessions and presentations, as being of high value to their work.

• Feedback from partner agencies details the value of FTR information in 1,743 investigations.

• The ATO reported upon the direct and indirect benefits of the use of FTR information advising that FTR information contributed to ATO assessments valued at more than $75 million during 2003-04.

Contribution to outcome

The work undertaken to support Primary Output 2.3 contributes to the achievement of AUSTRA's outcome by ensuring that partner agencies obtain the maximum value from our FTR information to assist them in their investigations.
Performance reporting

6
Primary Output Group 3

Advice on the effectiveness of the FTR Act
Introduction

Identifying and adapting to change are a major focus for AUSTRAC. During the past year there was continuing change in the financial environment, both domestically and globally. Consequently, we continued to review our enabling legislation, the Financial Transaction Reports Act 1988 (FTR Act) to ensure that it remains relevant and is effective in Australia's work to deter money laundering, tax evasion, financing of terrorism and other serious crime.

This work involved consultative partnerships with other Australian Government, State and Territory agencies, as well as the financial and gaming sectors and international counterparts. This year, these partnerships have become even more important as a result of the Australian Government's initiatives in national security matters and its decision to review Australia's anti-money laundering (AML) regime in line with the revised standards set by the international Financial Action Task Force on Money Laundering (FATF).

Another vital component of AUSTRAC's work is to keep abreast of technological changes in the financial and gaming sectors. To achieve this, AUSTRAC participates in various committees which review issues such as proof of identity, counter terrorism and electronic commerce.

Reviewing Australia's anti-money laundering regime

As a result of the announcement of new international anti-money laundering (AML) and counter terrorist financing (CFT) standards by the FATF in June 2003, the Australian Government authorised the review of Australia's AML legislation to meet the new standards. The Attorney-General's Department commenced the review this financial year and sought input from a range of stakeholders including AUSTRAC, on the future of Australia's AML regime.

AUSTRAC consulted industry in past reviews of the FTR Act, but the current review has a much broader scope. Its objective is a substantial overhaul of Australia's AML regime to meet the new international standard. AUSTRAC seconded a technical adviser to the Attorney-General's Department to assist with the legislative review process. New AML legislation, is expected to be placed before the Parliament in the coming financial year. The technical adviser's secondment has allowed AUSTRAC to contribute to the development of the new AML regime.

AUSTRAC also participated in the Ministerial Advisory Group on the AML reform. This group provides a forum for a range of industry, government and other stakeholders to provide comment and advice directly to the Minister for Justice and Customs, Senator the Hon. Chris Ellison, on proposed reforms. AUSTRAC established an internal AML Review Implementation Team to examine many of the implementation issues raised as part of the proposed new legislative regime. Consultation with various domestic and international regulatory agencies was the purview of the AML Review Team this year and it is expected that this workload will become more extensive next financial year.
Amendments to the Financial Transaction Reports Act

In addition to our contribution to the review of Australia's anti-money laundering regime, we continued to work with the Attorney-General's Department to ensure that the FTR Act remained relevant. As a result of work undertaken during the previous financial year, several amendments were made to increase the effectiveness of the FTR Act.

These amendments occurred through several enactments including the *Telecommunications Interception and Other Legislation Amendment Act 2003* (Cwlth) and the *Family and Community Services and Veterans' Affairs Legislation Amendment (2003 Budget and Other Measures) Act 2003* (Cwlth) both of which came into effect during the financial year. These amendments focused on the provision of financial transaction report (FTR) information to a number of new partner agencies including the Corruption and Crime Commission of Western Australia, the Child Support Agency and Centrelink. More information on AUSTRAC's partner agencies can be found in Chapter 5.

Advising industry bodies

For AUSTRAC to operate effectively, it is vital that we continue to liaise with industry bodies. AUSTRAC chairs various consultative committees which meet regularly to discuss legislative, policy and procedural changes; as well as discussing the effects that changing financial and gaming environments will have on AUSTRAC's ability to achieve its mission and outcomes. These committees include:

- the Provider Advisory Group;
- the Gaming Provider Advisory Group; and
- the Proof of Identity Steering Committee

The Provider Advisory Group (PAG) comprises representatives of AUSTRAC, law enforcement agencies, the Australian Taxation Office and major financial industry organisations. One PAG meeting was held during the year. Discussions during this meeting concentrated on the inclusion of Centrelink and the Child Support Agency for access to FTR information and the AML review. Further meetings on the AML review will be held early in the next financial year.

The Gaming Provider Advisory Group (GPAG) comprises AUSTRAC, law enforcement agencies, the Australian Taxation Office and gaming sector organisations. Although members were briefed on the AML review and the inclusion of Centrelink and the Child Support Agency for access to FTR information, no meetings of the GPAG were necessary during the year.

Further consultation with GPAG on issues associated with the review of Australia's AML regime is planned for early in the new financial year.

A full list of representatives on the PAG and GPAG can be found in Appendix D.
The Proof of Identity Steering Committee (POISC), chaired by AUSTRAC, is a cooperative effort by government and the financial sector to address issues relating to proof of identity.

The POISC includes representatives of AUSTRAC, financial institutions and a range of State and Australian government agencies responsible for issuing documents used in the process of proving identity, or using such documents in that process.

Under its terms of reference, the POISC commissioned the Securities Industry Research Centre of Asia-Pacific (SIRCA) to conduct the first comprehensive study of the cost of identity fraud on the Australian community. In November 2003, the Minister for Justice and Customs, Senator Ellison, launched the SIRCA Report *Identity Fraud in Australia: An Evaluation of its Nature, Cost and Extent*. The report revealed that identity fraud in Australia cost the community $1 billion in 2001-02.

SIRCA was also commissioned by the POISC to undertake further research projects. The projects are being undertaken under the auspices of a linkage grant from the Australian Research Council and will cover the following issues:

- identity fraud profiling;
- identity fraud control systems and design;
- cost analysis for managing identity fraud; and
- crime control policy.

**Identity fraud ‘costs more than $1bn a year’**

*Sydney Morning Herald, 12 November 2003*

Rachel Lebihan, Joyce Moullakis and Miranda McLachlan

IDENTITY fraud is a growing threat that is costing Australia more than $1 billion a year, according to a federal government report.

Justice Minister Chris Ellison, who released the report today, said false and stolen identities were used for an increasing range of criminal and terrorist activity around the world.

The study, commissioned by Australia's financial intelligence agency AUSTRAC, found identity fraud cost Australia $1.1 billion in 2001-02.

"The use of false or stolen identities underpins fraudulent acts against governments, business and individuals and can also underpin terrorism, people smuggling rackets and illegal migration," Senator Ellison said.

"False identities lend anonymity to the perpetrators of crime, which makes tackling identity fraud a major ongoing challenge for governments and law enforcement agencies."

Senator Ellison said the Government had already announced measures to curb identity fraud. These included developing a common set of proof-of-identity documents of higher integrity and an online document verification centre.

Senator Ellison said the Australian Crime Commission had set up a special unit to battle identity fraud while the Australian Federal Police was working with overseas agencies like the FBI's Cyber Crimes Division to investigate computer-related crimes like fake websites. He said identity fraud was estimated to have cost the United States $US48 billion ($67 billion) last year.
The results of the research projects are expected to contribute to a better understanding of identity fraud, its methodologies and ways to prevent and detect identity fraud. The research is overseen by the POISC through a committee of which AUSTRAC is a member; and includes senior academics, the Australasian Centre for Policing Research and industry representatives. The research will be completed over a three-year period and is complemented by the participation of industry and law enforcement agencies in various working groups.

AUSTRAC contributed to the whole-of-government initiative, the Australian Government Reference Group on Proof of Identity, chaired by the Attorney-General's Department. That group will assist the Government's future decisions on combating identity crime and will contribute to the AML review. AUSTRAC's experience in regulating compliance with the identification requirements of the FTR Act enabled us to make a valuable contribution to the Group's work on a framework for identity documents. AUSTRAC also participated in the Australian Bankers' Association Fraud Task Force, a group comprising financial institutions, peak industry associations, law enforcement and AUSTRAC. The group meets to exchange information and complete collaborative projects aimed at educating the financial sector and the community and detecting and minimising the damage caused by identity fraud. AUSTRAC was able to use information and views gained from this Task Force to advise the Government on identity issues and the AML review.

**Monitoring technological changes in the financial and gaming sectors**

The Action Group into the Law Enforcement Implications of Electronic Commerce (AGEC) has continued to explore the results of e-commerce and technological developments on the Government's revenue, regulatory and criminal law enforcement programs. AGEC ensures law enforcement can operate effectively in an environment increasingly influenced by information and communications technology. The AGEC strategic direction supports Australia's e-security national agenda, the objective of which is to create a secure and trusted electronic operating environment.

AGEC is an initiative of the Heads of Commonwealth Operational Law Enforcement Agencies (HOCOLEA)\(^1\). It is chaired by AUSTRAC, and includes representatives from the Australian Crime Commission, Australian Competition and Consumer Commission, Australian Customs Service, Australian Federal Police/Australian High Tech Crime Centre, Australian Prudential Regulation Authority, Australian Securities and Investments Commission, Australian Taxation Office, Commonwealth Director of Public Prosecutions, and the Department of Immigration and Multicultural and Indigenous Affairs.

\(^{1}\)HOCOLEA is chaired by the Secretary of the Attorney General's Department and its members comprise the heads of Australian Government law enforcement agencies.
During the financial year, AGEC recruited a new Strategic Coordinator, and continued its work through its four focus groups.

**Financial Sector Focus Group** - This group has continued with the examination of new payments systems, and overseas issued debit and credit cards. It has commenced work on the implications for AGEC members of the AML reform process.

**Investigative Methodology Focus Group** - The group began work on an assessment of AGEC members training needs, the potential to establish and share best practice electronic investigation methods, and requirements for computer forensic training.

**Legal and Procedural Focus Group** - This group assessed legislative amendments that affected AGEC's operating environment, and will assess the extent of e-commerce regulatory coverage within Australia to determine if there are any gaps.

**Technological Developments Focus Group** - A range of technologies and their effects on members' operating environment were examined by this group. An assessment process was agreed to on those technologies that represent the greatest risk to agencies.

AGEC is important in identifying new and emerging issues relating to technology and payment systems which may affect AUSTRAC’s ability both to implement the regulatory regime established by the FTR Act, and to provide appropriate services to its partner agencies.
Future priorities

AUSTRAC’s contribution to the major AML reforms being developed by the Attorney-General’s Department will continue to be a focus in the new financial year. The future work in achieving this output, includes:

- planning to address the issues involved in implementing the new AML regime;
- expansion of AUSTRAC’s internal AML Review Implementation Team as the form of the new AML regime develops;
- provision of sound information and advice to the Attorney-General’s Department;
- continuing AGEC’s work on new and emerging technology to ensure that Australia’s AML legislation remains relevant and practical;
- provision of relevant advice to the Australian Government’s national security agenda, particularly on issues associated with the financing of terrorism; and
- involvement with proof of identity issues within government and industry. The FATF focus on customer due diligence means we must continue to ensure compliance with Australia’s customer identification program.
Performance summary

Primary Output 3 - Advice on the effectiveness of the FTR Act
This output refers to the work done to ensure that the anti-money laundering reporting regime remains effective in the face of rapid change in both the financial services sector and the wider information economy.

The price of achieving Primary Output 3 was $1.04 million.

Performance highlights

• AUSTRAC seconded a technical adviser to the Attorney-General's Department to assist with the review of Australia's anti-money laundering regime. The technical adviser provided input into the consultative process for the formulation of new AML legislation. This placement allowed AUSTRAC to contribute to the development of the new AML regime.

• The Proof of Identity Steering Committee, chaired by AUSTRAC, commissioned the first comprehensive study of the cost of identity fraud on the Australian community. In November 2003, the Minister for Justice and Customs, Senator Ellison, launched the Report: *Identity Fraud in Australia: An Evaluation of its Nature, Cost and Extent* which was produced by the Securities Industry Research Centre of Asia-Pacific.

Quantity Performance Measure - Number of issues identified and advised

• Amendments to two pieces of legislation were made during the year. These amendments focussed on access to FTR data by Centrelink and the Child Support Agency.

• One AUSTRAC staff member was seconded to the Attorney-General's Department to assist with the review of Australia's anti-money laundering regime.

Quality Performance Measure - Significance of issues and response to issues advised upon

• AUSTRAC was able to make an influential contribution to various issues relating to national security through a variety of whole-of-government fora and initiatives.

• The Australian Government review of Australia's anti-money laundering regime will allow us to comply with international anti-money laundering and counter terrorist financing standards.

Contribution to outcome

It is vital for AUSTRAC's enabling legislation to remain relevant to ensure that we are able to make progress towards achieving our outcomes. This is accomplished through periodic reviews of our legislation, the FTR Act, and participation on committees and liaison with industry bodies.
Performance reporting

7
Primary Output
Group 4

Contribution to international efforts directed at the suppression of money laundering, serious crime and tax evasion
Introduction

AUSTRAC participates in a range of international initiatives in support of its mission to make a valued contribution towards a financial environment hostile to money laundering, major crime and tax evasion. The most important contribution AUSTRAC makes to international efforts to achieve its mission is the fast and comprehensive exchange of financial intelligence. Through our work with our international counterparts, AUSTRAC can follow the international money trail. In addition, AUSTRAC is increasingly working with regional partners to build our collective capacity, ensuring the Asia-Pacific region has a strong and effective network of financial intelligence units (FIUs). With specific funding over the next four years for AUSTRAC to assist in addressing the needs of FIUs in the region, this area of AUSTRAC's activities will continue to develop.

International exchange of financial intelligence

AUSTRAC has continued to support and extend efforts directed towards the international exchange of financial intelligence, both spontaneously and upon request, through the establishment of exchange instruments with international counterpart FIUs.
<table>
<thead>
<tr>
<th>Jurisdiction</th>
<th>Financial Intelligence Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Argentina</td>
<td>Unidad de Información Financiera (UIF)</td>
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<tr>
<td>Belgium</td>
<td>Cellule de Traitement des Informations Financières - Cel voor Financiële Informatieverwerking (CTIF - CFI)</td>
</tr>
<tr>
<td>Canada</td>
<td>Financial Transactions and Reports Analysis Centre (FinTRAC)</td>
</tr>
<tr>
<td>Colombia</td>
<td>Unidad de Información y Análisis (UIAF)</td>
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<tr>
<td>Cook Islands</td>
<td>Cook Islands Financial Intelligence Unit (CIFIU)</td>
</tr>
<tr>
<td>Croatia</td>
<td>Anti Money Laundering Department (AMLD)</td>
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<tr>
<td>Cyprus</td>
<td>Unit for Combating Money Laundering (MOKAS)</td>
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<tr>
<td>Denmark</td>
<td>SØK / Hvidvasksekretariatet</td>
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<tr>
<td>Estonia</td>
<td>Rahapesu Andmeburoo (Estonian FIU)</td>
</tr>
<tr>
<td>France</td>
<td>Traitement du renseignement et action contre les circuits financiers clandestins (TRACFIN)</td>
</tr>
<tr>
<td>Guernsey</td>
<td>Financial Intelligence Service (FIS)</td>
</tr>
<tr>
<td>Indonesia</td>
<td>Indonesian Financial Transaction Reports and Analysis Centre (INTRAC)/PPATK</td>
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<tr>
<td>Ireland</td>
<td>The Money Laundering Investigation Unit of the Garda Bureau of Fraud Investigation (MLIU)</td>
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<tr>
<td>Isle of Man</td>
<td>Financial Crime Unit of the Isle of Man Constabulary</td>
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<tr>
<td>Israel</td>
<td>Israel Money Laundering Prohibition Authority (IMPA)</td>
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<tr>
<td>Italy</td>
<td>Ufficio Italiano dei Cambi (UIC [SAR])</td>
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<tr>
<td>Lebanon</td>
<td>Special Investigation Commission (SIC)</td>
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<tr>
<td>Malaysia</td>
<td>Bank Negara Malaysia</td>
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<tr>
<td>Mauritius</td>
<td>Financial Intelligence Unit (FIU), Mauritius</td>
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<tr>
<td>New Zealand</td>
<td>Financial Intelligence Unit of New Zealand Police</td>
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<tr>
<td>Poland</td>
<td>General Inspector of Financial Information (GIIF)</td>
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<td>Portugal</td>
<td>Unidade de Informação Financeira (UIF)</td>
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<tr>
<td>Republic of Korea</td>
<td>Korea Financial Intelligence Unit (KoFIU)</td>
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<tr>
<td>Singapore</td>
<td>Suspicious Transaction Reporting Office (STRO)</td>
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<tr>
<td>Slovakia</td>
<td>Financial Intelligence Unit (FIU), Bureau of Organized Crime of the Police Presidency (SJFP)</td>
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<tr>
<td>Slovenia</td>
<td>Office of Money Laundering Prevention (OMLP)</td>
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<tr>
<td>South Africa</td>
<td>Financial Intelligence Centre (FIC)</td>
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<tr>
<td>Spain</td>
<td>Executive Service of the Commission for the Prevention of Money Laundering and Monetary Infractions (SEPBLAC)</td>
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<tr>
<td>Thailand</td>
<td>The Anti-Money Laundering Office (AMLO)</td>
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<td>The Bahamas</td>
<td>Financial Intelligence Unit, The Bahamas</td>
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<td>The Netherlands</td>
<td>Office for the Disclosure of Unusual Transactions (MOT)</td>
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<tr>
<td>United Kingdom</td>
<td>National Criminal Intelligence Service (NCIS / ECU)</td>
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<tr>
<td>United States</td>
<td>Financial Crimes Enforcement Network (FinCEN)</td>
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<tr>
<td>Vanuatu</td>
<td>Financial Intelligence Unit - Vanuatu</td>
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<tr>
<td>Venezuela</td>
<td>Superintendencia de Bancos y Otras Instituciones Financieras (UNIF)</td>
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This financial year we established a further 21 instruments for the exchange of financial intelligence (usually in the form of Memoranda of Understanding). These exchange instruments were concluded with the FIUs of Argentina, The Bahamas, Colombia, Cook Islands, Croatia, Cyprus, Estonia, Guernsey, Indonesia, Ireland, Lebanon, Mauritius, The Netherlands, Poland, Portugal, Slovakia, Slovenia, Spain, South Africa, Thailand and Venezuela. This was a 68% increase on the number of instruments signed last year. As reported in last year's annual report, changes to the Financial Transaction Reports Act 1988 (FTR Act) in 2002 streamlined the procedures for establishing exchange instruments. That has enabled AUSTRAC to make significant progress in creating mutually beneficial information exchange procedures with overseas FIUs. To date, AUSTRAC has exchange instruments in place with counterpart FIUs in 35 jurisdictions:

The benefits associated with the ability to exchange financial information and intelligence between FIUs to assist in the detection and investigation of money laundering and other crime, has been internationally recognised. Under our exchange instruments, financial intelligence can be obtained to assist Australian law enforcement agencies to achieve important operational results. This year we made 33 requests for financial intelligence to overseas FIUs on behalf of our domestic partner agencies.

Similarly, AUSTRAC’s ability to communicate FTR information and intelligence to foreign FIUs has provided benefit to operations and investigations in their jurisdictions. Intelligence exchanges undertaken during the year are as follows:

<table>
<thead>
<tr>
<th>Intelligence exchanges 2002-2004</th>
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<tr>
<td>Requests to overseas FIUs</td>
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<tr>
<td>Requests from overseas FIUs</td>
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<tr>
<td>Outgoing spontaneous exchanges</td>
</tr>
<tr>
<td>Incoming spontaneous exchanges</td>
</tr>
</tbody>
</table>

2002-03

2003-04
The above figures represent an overall increase in all exchange types of 63% over the previous year. This increase is largely due to the number of new exchange instruments negotiated this year. Spontaneous exchanges and the provision of country profiles to overseas FIUs were initiatives for AUSTRAC in this financial year. We anticipate that the number of spontaneous exchanges and the provision of country profiles will continue to increase in the future as this information has been extremely useful for our international counterparts.

AUSTRAC’s international counterparts continued to provide feedback on the value of the exchanged information. Below is a sample of the feedback received from counterpart FIUs regarding FTR information exchange with AUSTRAC during the year:

- The report identifies new victims and related bank accounts.
- The information contained in the report was so valuable in that we were able to trace the movement of funds overseas.
- The report identified several entities not previously known and gave a better picture of the business activities of the entities being screened.
- The report was very well presented, easy to follow and complete.

**Stronger global links forged to choke the money trail of terrorism and organised crime**

**Media Release - Senator the Hon. Christopher Ellison**  
**3 November 2003**

Australia will swap financial intelligence with Croatia, Mauritius and Slovenia under new bilateral agreements to boost global cooperation in the fight against the financing of terrorism and money laundering, the Minister for Justice and Customs, Senator Chris Ellison, said today.

The Director of the Australian Transaction Reports and Analysis Centre (AUSTRAC), Mr Neil Jensen, has signed Memorandums of Understanding (MOUs) on Australia's behalf with the Heads of the Financial Intelligence Units in each of the three countries.

"Developing strong links with our international partners does much to extend and strengthen the international exchange network of financial intelligence," Senator Ellison said.

"The ability to share intelligence internationally is vital in the prevention and detection of financial crimes, money laundering, and other serious crimes. These agreements will enhance the work of AUSTRAC to prevent terrorism by targeting money laundering and other suspect transactions."

Australia has now signed agreements to exchange financial intelligence with 24 other countries, with ten MOUs signed since the beginning of 2003. Further agreements to exchange financial intelligence are likely to be settled by AUSTRAC in coming months.

Senator Ellison said the value of intelligence has been well documented in investigations by law enforcement and revenue agencies in Australia and overseas.

"Australia is at the leading edge of the international effort to combat money laundering and the financing of terrorism, and cooperation between countries to fight money laundering activities is a significant contributor to fighting transnational crime, including terrorism."

Mr Jensen said the formalisation of intelligence exchange relationships with Croatia, Mauritius and Slovenia occurred during a meeting of the Egmont Group, an international body of Financial Intelligence Units which met last week in Ottawa, Canada.

The ability to exchange financial intelligence with authorities in each of these jurisdictions will play an important role in AUSTRAC’s $2.3 million project on illicit drug trafficking, funded under the National Illicit Drug Strategy.
Expanding the global network in the fight against money laundering and the financing of terrorism

International visitors

AUSTRAC continues to share and enhance its comprehensive knowledge on methods to detect and counter money laundering and terrorist financing. One of the means to achieve this is by hosting visits from officers of overseas financial intelligence units and other organisations that cooperate in anti-money laundering and counter terrorist financing initiatives.

This year there was a 10% increase in the number of organisations visiting AUSTRAC. We hosted visits from counterpart FIUs, foreign regulatory agencies, central banks, law enforcement agencies and other international organisations. Many organisations took the opportunity to meet AUSTRAC representatives while they were in Australia participating in the 2003 Plenary Meetings of the Egmont Group of FIUs. More information on the Egmont Plenary Meetings can be found on page 70.

These visits offer AUSTRAC the chance to establish new relationships and further develop existing ones with people and organisations involved in anti-money laundering and counter terrorist financing efforts. Visits from well established FIUs and law enforcement and intelligence organisations allow AUSTRAC to gain a sound understanding of the leading developments in techniques to detect money laundering and terrorist financing and benchmark our performance with international best practice.

Through international visits AUSTRAC has also contributed to the development of anti-money laundering and countering terrorist financing systems internationally, and particularly within the Asia-Pacific region where many FIUs are new and developing.

One particular area of interest for many visitors this year has been AUSTRAC’s use of information technology systems to achieve FIU business functions.

A new dimension to the international visits this year was the initiation of a series of attachments to AUSTRAC by the officers of partner FIUs. These attachments were week-long programs designed to give the officers in depth knowledge and experience of AUSTRAC’s systems and processes, and the application of analytical skill and IT capabilities to identify and track money laundering, the financing of terrorism and other major crimes. Feedback received from participants has been very positive.
In the 2003-4 financial year AUSTRAC has received visits from the following countries:

- Argentina
- Canada
- China
- Germany
- Hong Kong
- Indonesia
- Israel
- Italy
- Lebanon
- Malaysia
- Mauritius
- Netherlands
- Papua New Guinea
- Philippines
- Poland
- Republic of Korea
- St Vincent and the Grenadines
- Singapore
- South Africa
- Sweden
- United Kingdom
- United States of America

Participation in international conferences, workshops and training

AUSTRAC staff are recognised, both domestically and internationally, as specialists in particular areas of anti-money laundering and countering of terrorist financing. As a result, AUSTRAC received increasing requests in the last financial year to participate and provide addresses at international conferences on anti-money laundering (AML) and countering financing of terrorism (CFT), and at other fora.

In the 2003-04 financial year, AUSTRAC officers presented papers at nine international AML/CFT conferences, workshops and training courses; an increase from six in the previous financial year. AUSTRAC continues to focus its efforts on the Asia-Pacific region.

The following is a list of conferences and workshops where AUSTRAC staff conducted presentations and training sessions:

- Korea Financial Intelligence Unit (KoFIU) 2nd Anniversary Conference, Korea, November 2003.
- UIF (Unidad de Informacion y Analisis Financiero) AML Conference, Colombia, February 2004.


• Wolfsberg Group Regulators’ Meeting, Hong Kong, March 2004.


• Seminar on the Procedures and Information System of SEPBLAC (the Servicio Ejecutivo de la Comisión de Prevención del Blanqueo de Capitales e Infracciones Monetarias), Spain, June 2004.

AUSTRAC’s Director also participated in the Bali Regional Ministerial Meeting on Counter Terrorism in February 2004, contributing to a range of outcomes.

The increase in the number of international events in which AUSTRAC staff has been involved can be attributed to AUSTRAC’s increasing international role and greater recognition of the effectiveness of our policies and procedures in combating money laundering and the financing of terrorism.

**Technical assistance and training**

**Australia-Indonesia Financial Intelligence Unit Cooperation Project**

Since early 2003, AUSTRAC has provided a long-term technical assistance project, under AusAID funding, to Indonesia’s FIU (PPATK) to develop their capabilities in receiving, analysing and disseminating financial transaction report information. In the 2003-04 financial year the project has expanded with two AUSTRAC officers being stationed in Jakarta, Indonesia to assist PPATK on a fulltime basis. PPATK has demonstrated its progress this financial year, implementing suspect transaction reporting and cash transaction reporting, disseminating over 100 suspected cases to enforcement agencies, and sharing financial intelligence with other FIUs.

The assistance provided by AUSTRAC has contributed to PPATK’s development and has led to a strong relationship between PPATK and AUSTRAC. This relationship was further enhanced by the signing of a Memorandum of Understanding by the Attorney-General, Philip Ruddock MP, between the two agencies in February 2004. AUSTRAC will continue to work with PPATK in the coming year to ensure that this strong partnership continues to work effectively to detect and action cases of terrorist financing, money laundering and other serious crime.
Assistance to other financial intelligence units

Through the Pacific Islands Forum Secretariat, this year AUSTRAC provided desktop computers to a number of FIUs in the Pacific region. A lack of information technology (IT) resources is recognised as a serious impediment to the development of FIUs within this region. AUSTRAC’s contribution of our surplus IT equipment makes a significant contribution to the capacity of these FIUs to participate in the international fight against money laundering and terrorist financing, making our region safer and more stable. The following countries benefited from these computers:

- Fiji
- Palau
- Vanuatu
- Samoa
- Tonga

AUSTRAC has also provided direct support to Vanuatu’s FIU. In March 2004 AUSTRAC’s Deputy Director, Money Laundering Targeting, visited Vanuatu to ascertain current AML and CFT capabilities and to examine what further assistance could be provided to the Vanuatu FIU. This project builds on the previous work undertaken by AUSTRAC in Vanuatu in 2002.

Participation in international bodies

The fight against money laundering, the financing of terrorism and other major crime has increasingly become an international issue. Consequently, the work of international fora which facilitate the sharing of information, expertise and experience in establishing effective procedures has become more important. The Egmont Group of Financial Intelligence Units (Egmont Group) and the Asia/Pacific Group on Money Laundering (APG) are the major multilateral fora in which AUSTRAC participates. They are key international bodies with an operational focus on AML and CFT approaches and procedures. During the year these fora have focused on increasing the global effectiveness of anti-money laundering and counter financing of terrorist programs. AUSTRAC’s focus within the Egmont Group and the APG is on improving mechanisms for the exchange of financial intelligence and developing the capacity of FIUs.

Egmont Group of Financial Intelligence Units

AUSTRAC is a member of the Egmont Group of Financial Intelligence Units, which comprises of 94 FIUs worldwide. The Egmont Group’s purpose is to facilitate cooperation in the exchange of financial intelligence by its members. During the financial year, AUSTRAC continued its strong and productive involvement in the Egmont Group. AUSTRAC’s Director is a co-vice Chair of the Egmont Committee, a sub-group of the heads of FIU, and was re-elected this year to that role and the role as head of the Oceania regional group, which currently comprises the five Oceania region members of the Egmont Group - Australia, Cook Islands, Marshall Islands, New Zealand and Vanuatu.
AUSTRAC also participates in the Egmont Group’s Outreach and Legal Working Groups and was a driving force in the implementation of the new Egmont Operational Working Group during the year, of which our Director is the Vice-Chair.

In addition to hosting the 11th annual meetings of the Egmont Group in July 2003 in Sydney, there were several Egmont meetings during the financial year, including the Egmont 12th annual plenary meeting in Guernsey in June 2004. At each of these meetings, AUSTRAC benefited from the increasing level of communication with member FIUs regarding intelligence exchange and operational best practice. It also enabled important interaction with representatives of international organisations, such as the International Monetary Fund, the World Bank, the United Nations Office of Drugs and Crime and Financial Action Task Force on Money Laundering (FATF) style regional bodies.

We also maintain links with members through the Egmont Group’s secure website, which provides a mechanism to make requests of member FIUs for financial information and intelligence. The use of this website is continually increasing and is a vital component in AUSTRAC’s communication with overseas FIUs.

AUSTRAC has continued to increase the involvement of Asia-Pacific countries in the Egmont Group. In July 2003, AUSTRAC successfully sponsored the Malaysian FIU’s application for membership, and similarly in June 2004, AUSTRAC sponsored the Indonesian FIU’s membership application to the Egmont Group. Both were successful in becoming members. Assistance was also provided by AUSTRAC in support of New Zealand’s successful sponsorship of the Cook Islands FIU’s membership application in June 2004.
Egmont Group annual meetings 2003

The 11th annual Egmont plenary meeting in Sydney was hosted by AUSTRAC with assistance from the Australian Federal Police, the Office of the Director of Public Prosecutions, the Attorney General's Department, the Australian Agency for International Development and a number of private sector organisations. It was the first meeting of the Egmont Group in the Asia-Pacific Region.

The meetings took place between 21-25 July 2003 and included meetings of the Egmont Committee, Heads of FIU, Egmont working groups and the plenary meeting, chaired by AUSTRAC’s Director. The meetings were attended by 160 delegates representing FIUs from 82 countries, as well as nine international organisations. Holding the meetings in Sydney enabled five non-member FIUs from the Asia-Pacific region to attend the plenary as observers. Fifteen FIUs became members of the Egmont Group, bringing Egmont Group membership to 84 FIUs. The participation and presentations by Senators Ian Campbell and Helen Coonan conveyed the high esteem in which the work of the Egmont Group is held in Australia.

Asia/Pacific Group on Money Laundering

The Asia/Pacific Group on Money Laundering (APG) is the body responsible for developing AML and CFT systems and for facilitating implementation and enforcement of global standards within the Asia-Pacific region. The APG is a Financial Action Task Force style regional body and works closely with the Financial Action Task Force on Money Laundering (FATF). One of the APG’s central roles is to assess compliance by its members of the global AML/CFT standards. It has 28 member countries, 11 observer countries and 15 observer organisations. The APG assists jurisdictions in the region to enact necessary laws; provides guidance in the creation of systems for reporting and investigating suspicious transactions; and assists in the establishment of new financial intelligence units.

1. Membership increased to 94 FIUs at June 2004 meeting in Guernsey.
The APG also undertakes a lead role in identifying technical assistance requirements and coordinating organisations and international bodies working on AML and CFT initiatives within the Asia-Pacific region. AUSTRAC works closely with the APG, contributing our expertise to other countries in the region and to international organisations, in order to meet identified priority needs.

AUSTRAC contributed to APG annual meetings and APG technical assistance and training meetings in September 2003 and June 2004. We also represented the Egmont Group at these APG meetings. The APG meetings also provide an opportunity for AUSTRAC to meet organisations such as the Pacific Islands Forum Secretariat, International Monetary Fund (IMF) and others to share ideas and developments relating to AML and CFT capacity in the Asia-Pacific region.

**Typologies development: APG, FATF and the Egmont Group**

AUSTRAC participated in the 2003 APG Typologies Workshop, which brought APG members together to identify and develop typologies on money laundering and terrorist financing methods and trends in the Asia-Pacific region. Similarly, AUSTRAC participated in the FATF money laundering and terrorist financing typologies exercise in November 2003 contributing to the FATF Report on Money Laundering and Terrorist Financing Typologies 2003-04. AUSTRAC also contributed to developing trends and typologies at a joint United Nations Global Program against Money Laundering (GPML) and Egmont Group strategic analysis workshop in May 2004. AUSTRAC expects to continue this strong participation in international typologies development next year. Through its involvement in the Egmont Group Operational Working Group, AUSTRAC further contributes to the development of typologies.

**Financial Sector Assessment Program**

In the 2002-03 Annual Report we reported on the new FATF and IMF/World Bank Financial Sector Assessment Program (FSAP) which had been developed as a global tool for analysing anti-money laundering and counter terrorist financing programs. Assessment teams conducted a number of intensive examinations of the program in a range of jurisdictions throughout the financial year.

AUSTRAC's Acting Deputy Director, Money Laundering Targeting, participated as the law enforcement expert member of the assessment team for the Singapore FSAP, in July 2003. Participation in the FSAP program has provided further insight into global practices, which will contribute to our efforts. An AUSTRAC staff member also participated as a trainee in the APG coordinated training workshop for evaluators for AML/CFT Financial Sector Assessments in December 2003.
**Contribution to domestic AML and CFT initiatives affecting the Asia-Pacific region**

Our growing international role has also resulted in an increased contribution to domestic initiatives, particularly those focused on combating the financing of terrorism in our region. This includes AUSTRAC’s involvement in a wider range of working groups that have examined possible counter terrorism and anti-money laundering initiatives with various countries. AUSTRAC has contributed to various Australian Government initiatives that have helped to provide advice, funding and technical assistance to our regional counterparts.

AUSTRAC participates in the Australian FATF/APG Coordination Group, which ensures that as Australia is represented at the FATF, APG and other fora, a considered and holistic approach is taken. Chaired by the Attorney-General’s Department, this group also comprises senior representatives from the ACC, ACS, AFP, ATO, Australian Prudential Regulation Authority, Australian Securities and Investments Commission, Department of Foreign Affairs and Trade, Reserve Bank of Australia, the Treasury and the Asia/Pacific Group Secretariat.

**Future priorities**

AUSTRAC will continue to work bilaterally and multilaterally with international counterparts, with a priority focus on the South East Asian and Pacific regions throughout 2004-05. This work will include:

- increasing the number of exchange instruments with international counterparts;

- responding to requests for information, hosting visits from international delegations and working within multilateral AML and CFT fora;

- establishing a technical and information technology assistance program directed at developing FIUs in South East Asia. The program will provide for development of AUSTRAC training programs, focusing on technical and analytical capabilities; and FIU mentoring exercises aimed at technical skill consolidation and broader development assistance for FIUs in the region. The IT needs of regional FIUs will also be assessed, and strategies and solutions will be established to meet identified needs.

AUSTRAC expertise and experience in analysing financial transaction reports information, and assisting law enforcement, security and revenue agencies to use derived intelligence in investigations, will be of value to regional counterparts in establishing fully operational FIUs. Together, AUSTRAC and its South East Asian counterparts will increase efforts to develop typologies of money laundering and terrorist financing activity, as experienced in the region.
AUSTRAC will also provide a dedicated officer to develop and deliver financial analysis training as part of the Jakarta Centre for Law Enforcement Cooperation, being coordinated by the Australian Federal Police and the Indonesian Police, in 2004-05.

In the next financial year, AUSTRAC experts from across the agency will continue to participate in the multilateral initiatives of the Egmont Group and the APG. Our approach to greater cooperative work within these fora will continue with a focus on operational and technical assistance and training issues.
Performance summary

Primary Output 4
Contribution to international efforts directed at the suppression of money laundering, serious crime and tax evasion

This output refers to the role AUSTRAC plays internationally to support government policy. It includes the fostering of bilateral and multilateral relationships between Australia and international financial intelligence units (FIUs) and other organisations to exchange ideas and intelligence. It also includes activities associated with the provision of technical assistance and training to counterpart organisations.

As crimes such as money laundering, terrorism and tax evasion are becoming increasingly transnational, it is important for AUSTRAC to contribute to international efforts to eliminate these crimes.

The price of achieving Primary Output 4 was $1.48 million.

Performance highlights

- Exchange Instruments signed with a further 21 FIUs allowing for increasing exchange of financial intelligence with overseas counterparts.
- Assistance continued to the Indonesian FIU to establish their procedures.
- Assistance was also provided to Pacific Island financial intelligence units through the supply of computer equipment.
- Australia hosted the 11th annual meetings of the Egmont Group of Financial Intelligence Units (the Egmont Group).

Achievement of 2002-03 listed future priorities

In the 2002-03 Annual Report several future priorities were outlined. Listed below are the priorities and AUSTRAC's progress towards achieving them. More information on these activities can be found in this chapter.

Greater cooperative work with international counterparts and greater interaction with international bodies

During the year we increased the volume of intelligence exchanged with overseas counterparts by 63% and implemented a number of technical assistance and training programs to assist financial intelligence units in the Asia Pacific region. In addition to participating in meetings of the APG and the Egmont Group, AUSTRAC hosted the 11th annual meetings of the Egmont Group in Sydney.
Increased exchange instruments
AUSTRAC signed 21 exchange instruments during the year, bringing the number of exchange instruments in place with international counterparts to 35. This is a 68% increase from the previous year.

Increased spontaneous dissemination of relevant financial information to overseas counterparts
We continue to strive towards achieving this priority. Sixteen spontaneous disseminations of information occurred during the financial year, two more than in the previous year. With our increased focus on promoting international cooperation and implementation of data mining tools, spontaneous exchanges are expected to increase in the next financial year.

Quantity Performance Measure - Number and extent of issues identified

- AUSTRAC actively participated in three rounds of meetings of the Egmont Committee and Egmont Working Groups and in the two Egmont Group Plenary meetings.
- AUSTRAC actively participated in two APG annual meetings, participated in and coordinated Australian input to an APG Typologies Workshop and participated in an APG-coordinated training program for mutual evaluators. AUSTRAC became a contributing member of the new APG Typologies Working Group and also participated in a FATF Typologies Workshop.
- AUSTRAC established 21 new Exchange Instruments with counterpart FIUs.
- Twenty-eight delegations visited AUSTRAC during the year, with visitors coming primarily from Asia and Europe, from a range of professions as well as FIUs. Issues covered included the Australian AML system, terrorist financing, IT systems, analysis of financial transaction reports and know your customer requirements.
- AUSTRAC received 45 requests for information from international FIUs, made 33 requests to other FIUs and commenced a spontaneous exchange program, disclosing financial intelligence on 16 occasions to 14 international counterparts. This represents a 63% increase in international exchanges of financial intelligence.
- AUSTRAC provided two technical advisors, based in Jakarta, to assist the Indonesian FIU and provided computer hardware to five Pacific Island FIUs.
Quality Performance Measure - Significance of issues and response to issues

- AUSTRAC was involved in the executive level leadership of the Egmont Group of FIUs, which compress members from 94 countries. We were also involved in a range of Working Groups. AUSTRAC's work assisted to strengthen the Egmont Group's sharing of financial intelligence on current priority money laundering methodologies.

- Intelligence exchange with international counterpart FIUs strengthens information sharing networks and assists in countering money laundering and terrorist financing. AUSTRAC is actively contributing to building an international network of FIUs working together on transnational crime and terrorism.

- AUSTRAC participated in the FATF and IMF/World Bank Financial Sector Assessment Program and the APG-coordinated training program for mutual evaluators, which has provided insight contributing to our efforts and processes in Australia to suppress money laundering and terrorist financing.

Contribution to outcome

The work undertaken to support Primary Output 4 makes an important contribution to the achievement of AUSTRAC's outcome by strengthening the global network of financial intelligence units through sharing financial intelligence and providing technical assistance and training; and through participating in international fora.
Primary Output Group 5

Privacy and security
Introduction

Due to the nature of AUSTRAC’s work, the protection and privacy of the information we collect, our assets, and personnel are of paramount importance. The strategic objectives put into place during the last financial year have ensured that our privacy and security programs are maintained at a high level. These objectives include:

- to protect official and personal information held at AUSTRAC;
- to ensure the personal safety of AUSTRAC employees, contractors and members of the public;
- to protect AUSTRAC premises and resources; and
- to protect AUSTRAC’s reputation and credibility.

AUSTRAC continues to be committed to achieving better practice in safeguarding our information, assets and resources. Our security programs are based on careful planning and sound risk management strategies in order to arrive at a balance between the likelihood and consequence of any threat to AUSTRAC.

Ensuring the security of AUSTRAC information

Maintaining a high standard of information security is crucial for ensuring the integrity of our data; and that the official information AUSTRAC holds is protected according to the requirements of the Privacy Act 1988 and the Commonwealth Protective Security Manual. AUSTRAC continues to maintain the integrity of its information by conducting regular audits and inspections of all classified information to ensure that it has not been accessed by unauthorised parties. Security audits ensure that current standards are maintained and that any improper use or disclosure of information is readily identified and dealt with appropriately. AUSTRAC’s Site Security Plan documents measures to reduce to an acceptable level the identified risks to AUSTRAC’s functions and resources at a designated site. It is an important tool in ensuring a focussed approach to ensuring AUSTRAC’s security. Regular audits of all storage containers, keys, clear desk policy, and highly classified information were conducted throughout the financial year in accordance with AUSTRAC’s Site Security Plan.

AUSTRAC employed several different strategies during the year to ensure that Protected and Highly Protected information was securely stored. These strategies included the purchase of B Class containers for new staff, the installation of new user-friendly combination locks to existing containers, and the construction of additional secure store rooms in our Sydney office.

No significant information breaches occurred during the financial year.
Ensuring the security of AUSTRAc resources

The major challenge facing the Security section this year was to create highly secure operating environments at AUSTRAc’s new Melbourne premises and expanded Sydney premises. Extensive planning and coordination was required to assess the security risks to staff and information and ensure that AUSTRAc’s physical security measures were strong enough to counter these risks. One main objective of the planning process was to ensure that new security technology to be installed would be adequate for AUSTRAc over the next four years.

The refurbishment of the Sydney office that occurred throughout the financial year, involved a major upgrade to AUSTRAc’s physical security system. The new system has greatly enhanced our capabilities to perform agency functions and to manage security. The system, which complies with both Australian Security Intelligence Organisation (ASIO) guidelines and ASIO approved Protective Security Specialist guidelines, has brought a range of benefits, including:

- increased user capabilities;
- the ability to carry out and cope with complex functions;
- the opportunity for further expansion; and
- alignment with the latest technologies approved by ASIO.

During the financial year we updated AUSTRAc’s standard operating procedures for physical, personnel and information security programs. The refurbishment of our Sydney and Melbourne offices required reviews and updates of existing physical security standard operating procedures to reflect the changes resulting from the refurbishment.

One of the major achievements of the Security section this year was the undertaking of a Protective Security Risk Review (PSRR) in May 2004 to identify the risks facing AUSTRAc. The PSRR also reviewed our procedures to ensure that AUSTRAc meets the security requirements specified by the Australian Government. The PSRR included an analysis of existing security strategies to ensure they are appropriate for the physical changes in our Sydney and Melbourne premises and our increase in staff.
One requirement of the PSRR was to obtain a National Threat Assessment from ASIO and a Criminal Threat Assessment from the Australian Crime Commission. These assessments provided information about potential national security threats and national criminal threats.

The PSRR concluded that AUSTRAC has adequate strategies and procedures in place and is well placed to counter potential risks. It was recommended that AUSTRAC continues to monitor its procedures to its existing high standards. Concurrently with the PSRR, our current Site Security Plan is being reviewed and revised to reflect changes in risk and threat identification and the refurbishment of our premises.

No serious physical security incidents were identified during the financial year.

Ensuring the security of AUSTRAC personnel

AUSTRAC continues to seek better practice in maintaining our personnel security program. The primary component of our personnel security program is training staff in our security procedures and ensuring that staff have appropriate security clearances for their position.

Security and privacy awareness training continued to be a high priority for AUSTRAC during this financial year. Not only is education and training a requirement of the Protective Security Manual, but is considered to be a fundamental tenet to ensure our staff understand and meet their security and privacy responsibilities. AUSTRAC has introduced procedures to measure the level of staff understanding of their security and privacy responsibilities through a security and privacy questionnaire which is completed by staff members after each security and privacy training course. The results of this questionnaire showed that the 39 new staff that attended the security training sessions during the year achieved an overall 94% level of understanding. This very positive result indicates that AUSTRAC's security culture will continue to meet best practice standards.

Additional resources were required to comply with our security clearance procedures this year due to the increase in staffing levels. This year 70 clearances were processed. These included 32 Protected, 36 Highly Protected and two Secret level clearances. Security clearances must be regularly reviewed to ensure that staff have appropriate levels of security clearance, consequently 25 periodic appraisals were completed.

No serious personnel security incidents were identified during the year.
Ensuring privacy

Protecting the privacy of our information, including personal information contained on financial transaction reports (FTRs), is of major importance to AUSTRAC.

In addition to striving to achieve best practice and complying with privacy legislation and guidelines, AUSTRAC chairs a Privacy Consultative Committee. This Committee comprises representatives from:

- AUSTRAC;
- Australian Consumers Association;
- Australian Crime Commission;
- Australian Federal Police
- Australian Taxation Office;
- Civil liberties groups;
- Office of the Federal Privacy Commissioner; and
- Privacy interest groups.

Two meetings of the AUSTRAC Privacy Consultative Committee were held during the year. The Committee continued its ongoing review of AUSTRAC’s Guidelines and Information Circulars and we are confident that this process ensures that privacy issues are well dealt with in our public documentation. The Committee also considered the proposal to amend legislation to add Centrelink and the Child Support Agency as partner agencies with access to FTR information.

Additionally, a number of privacy training sessions were conducted for our staff this year. Forty-one staff attended the privacy training sessions during the year.

An audit was conducted of AUSTRAC’s Internet site to ensure all of our Internet content meets web publishing privacy guidelines as outlined by the Office of the Federal Privacy Commissioner. In addition, the Privacy and Security section reviewed all of its forms this year to ensure that privacy statements were in place and correct.

No privacy breaches were detected and the Privacy Commissioner did not raise any specific cases relating to AUSTRAC during the financial year.
Data matching

During the year AUSTRAC assisted our partner agencies with autosearch data matching requests. This process enables the agencies to match their data holdings with FTR information from our database. All searches were conducted in accordance with the Privacy Commissioner's Guidelines on The Use of Data Matching in Commonwealth Administration (1998). Seventeen autosearches were conducted this year, being a 70% increase in the number of autosearches. The following autosearches were conducted:

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<thead>
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<th>Partner agency</th>
<th>No. of autosearches</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australian Taxation Office</td>
<td>11</td>
</tr>
<tr>
<td>Centrelink</td>
<td>3</td>
</tr>
<tr>
<td>Australian Customs Service</td>
<td>2</td>
</tr>
<tr>
<td>Australian Crime Commission</td>
<td>1</td>
</tr>
</tbody>
</table>

Future priorities

Our strategic objectives for the next financial year are:

• completion of the approved treatment options arising from the PSRR;
• ongoing security and privacy awareness training;
• revision of the existing security policy against the new Commonwealth Protective Security Manual;
• conducting privacy audits; and
• updating our Security Handbook.
Performance summary

Primary Output 5 - Privacy and security
This output refers to the central place of privacy and security in our information collection and dissemination role. It applies to both FTR information and AUSTRAC functions under the Financial Transaction Reports Act 1988.

The price of achieving Primary Output 5 was $1.52 million.

Performance highlights

- Completion of a Protective Security Risk Review to identify the security risks facing AUSTRAC.
- Upgrading of AUSTRAC’s physical security system, undertaken as part of the refurbishment of the Sydney and Melbourne offices, resulted in the enhanced ability to perform AUSTRAC functions and to manage security.

Achievement of 2002-03 listed future priorities
In the 2002-03 Annual Report several future priorities were listed. Below are updates on the achievement of those priorities. More information can be found within this chapter.

Security fitout of the new Melbourne premises.
This was achieved through the installation of new security technology designed to counter security risks and create a highly secure operating environment.

Security fitout of the expanded Sydney premises.
The Sydney premises’ physical security system underwent a major upgrade, which enhanced our security capabilities and allows for future expansion.

A protective security risk review.
This priority was met in May 2004 and was a major achievement for the Security section. AUSTRAC’s strategies and procedures were deemed adequate to counter potential risks and will continue to be monitored.

Review and/or revision of standard operating procedures and policies relating to our new premises.
This was achieved through the review and updating of existing procedures to reflect changes resulting from the refurbishment of the Sydney and Melbourne premises.

Conducting and maintaining the security clearances of additional staff.
This continues to be an ongoing priority. Security clearances were reviewed and training sessions conducted to ensure staff are aware of and meet their security responsibilities.
Quantity Performance Measure - Number of significant issues and incidents identified and addressed

- No serious security incidents were identified.
- No privacy breaches were detected.
- 39 new staff were trained in security awareness and 41 were trained in privacy awareness.

Quality Performance Measure - Significance of risks identified, effectiveness of security safeguards, level of compliance with government guidelines and extent to which AUSTRAC adopts a security culture

- All security risks were identified in the Protective Security Risk Review.
- The protective security program is compliant with the requirements of the Protective Security Manual.
- Questionnaires show that new staff achieved a good level of understanding of security and privacy requirements.
- An external review of our comprehensive physical, personnel and information security measures was conducted. The review found our security measures to be at the level of best practice.
- We are compliant with legislation and guidelines relevant to privacy.

Contribution to outcome
For AUSTRAC to be effective in achieving our outcome, we must operate under government security and privacy guidelines to ensure that the personal information we collect is securely managed and stored, and that personal privacy is ensured.
Enabling output

9

Information Technology
Introduction

Provision of information technology solutions and support to our internal and external stakeholders is vital for the effective and efficient achievement of our mission. The Information Technology (IT) section works with our staff and staff at our cash dealers, partner agencies and overseas financial intelligence units to ensure that we can deliver contemporary technological solutions to collect, analyse, store and disseminate financial transaction report data.

This work encompasses the following tasks:

• providing solutions to cash dealers for the electronic delivery of FTR data;
• creating, updating and maintaining internal systems which assist our staff in extracting and analysing data and managing information;
• ensuring continual availability of our TRAQ Enquiry System (TES) database, which stores our financial transaction report (FTR) information, for access by our staff and partner agencies; and
• safeguarding our data and ensuring high levels of IT security protect our information.

Maintaining system availability

The provision of FTR information to our law enforcement, revenue, national security and social justice partner agencies is one of the major roles of AUSTRAC. To this aim, IT staff upgrade and maintain the TES database so that our partner agencies can maximise its benefits. This year, the level of system availability was exceptionally high. TES had an availability of approximately 99.6% Monday to Friday (24 hours) and 95.9% for weekends (midnight Friday to midnight Sunday). Downtime was generally a result of maintenance or upgrades to systems.

Developing IT systems and solutions

Data delivery

The majority of financial transaction reports are transmitted to AUSTRAC electronically through our Electronic Data Delivery System Web version (EDDSWeb). This secure Internet system is available to cash dealers for reporting of FTR information. The system was further enhanced this year to provide easier means for cash dealers to correspond with AUSTRAC electronically. These improvements involved phasing out the previously paper-based system used to verify FTR information provided by cash dealers. It resulted in improved efficiencies in data processing and quicker resolution of verification requests. EDDSWeb was also further improved to allow electronic reporting of cash dealers annual compliance reports, again reducing paper reports.
Report scanning

Over 10 million financial transaction reports were reported to AUSTRAC during 2003-04 with 99.9% of those being received electronically. The IT Scanning Unit is responsible for the data entry and scanning of the relatively small number of paper reports received by AUSTRAC. Over the financial year this was reduced to approximately 10,000 paper reports to be scanned and entered into the TES database.

Data mining

As mentioned in Chapter 5, AUSTRAC embarked on a data mining project which analyses data stored in the TES database and includes extraction of previously hidden predictive information. Various data mining tools were evaluated through a pilot project with three chosen for use by AUSTRAC. The IT section was involved in the evaluation, customising and integration of the selected tools. Existing applications were improved to provide integration with the data mining tools, data transfer between various applications and replication of FTR information for use with specific data mining tools.

The introduction of data mining tools has produced immediate benefit by reducing staff dependence on IT resources to provide analytical solutions.

TES database

In response to feedback from the users of our TES database, we implemented a number of improved search capabilities. These included:

• improved text mining solutions and the integration of data mining tools;

• document linking capabilities to integrate and enhance case management functionality; and

• geo coding functionality to allow for searches to be based on geographical information found in addresses.
Maintaining IT facilities

With the significant rapid expansion of AUSTRAC staff this year, we had to ensure that our IT facilities were capable of meeting the growing demands of our business. We upgraded our core network infrastructure in our Sydney and Melbourne offices, allowing staff faster and more reliable access to our IT systems. The PABX and voicemail systems were also upgraded to provide a more cost effective solution.

Wide Area Network

AUSTRAC continued its relationship with BeTrusted (formally SecureNet) in the management of our wide area network. BeTrusted, a preferred Gateway supplier for Australian Government, ensures that our partner agencies have secure and efficient access to our computer systems. With nearly all FTR data now being collected via the Internet, maintaining the stability, security, and availability of the AUSTRAC Gateway is a high priority.

Ensuring the safety and integrity of our data

The confidentiality and integrity of AUSTRAC data and our IT facilities continues to be a primary concern for AUSTRAC. This year we also continued to focus on consolidating our infrastructure to maximise availability of AUSTRAC services.

This approach has enhanced our ability to centrally monitor and manage AUSTRAC systems, replace legacy equipment, and accommodate technical alternatives and contingencies into our IT network.

It is important that the introduction of new technology is managed with the need to balance the business benefit with any risk associated with the use of new technologies. AUSTRAC’s role based security model, ensuring authorised access to AUSTRAC systems, is important in this process. This is enhanced through real-time and off-line reporting systems, which include alerts to system owners and logging of system events.

All new projects, work requests, and system changes were evaluated to ensure security controls are consistent with our security policy and Australian Government security policy.
Critical to the operational success of our IT security in the past and similarly in the future is our ability to communicate change within the organisation. We recognise that the rapid growth of the agency will introduce a number of cultural challenges. We continued to inform staff of our IT security policy through our induction program and our training and awareness program. For staff to effectively perform their roles, they must be able to master new technologies, as well as possess the ability to recognise IT security concerns and respond appropriately.

**Future priorities**

As AUSTRAIC continues to ensure effective and efficient solutions for the collection, storage, analysis and dissemination of FTR information, short-term and long-term plans need to be created. Further improvements to EDDSWeb are planned for the next financial year, with the aim of incorporating functionality to allow cash dealers to receive volume statistics. We will also strive to increase the ability of our cash dealers to correspond with AUSTRAIC through the EDDSWeb system.

Improvements to the TES database are also anticipated in the near future. The extraction of geographical information, through geo coding functionality, will be further improved to use geographical coordination data for analysis and to improve the quality of FTR information reported to AUSTRAIC.

Changes to the Australian Government Information Technology Security Manual (ACSI33) and the Defence Signals Directorate (DSD) Gateway Certification Guide will result in a number of changes to our IT security policy. In addition, our updated framework will also allow for flexibility to include changes resulting from quarterly updates to ACSI33 and updates to the Commonwealth Protective Security Manual.
AUSTRAC’s Corporate Services section provides cost effective corporate support services to the primary output groups through human resource management, financial and property management, office services, and administration of knowledge management for the agency.

**Delivering effective human resource management**

Successfully facilitating the recruitment of a large number of additional employees was a major achievement for our small Human Resources unit this year. Other achievements and initiatives of the unit this year included the development of an Ethics and Conduct handbook, participative work practices, workplace diversity programs and on-going staff development.

**Ethics, conduct and values**

During the year we developed an Ethics and Conduct handbook which outlines directions and guidance on a range of issues specific to AUSTRAC that require ethical behaviour and decision making among all our employees. This is based on the Australian Public Service Code of Conduct and Values.

The handbook seeks to promote a culture within AUSTRAC that includes values and characteristics such as integrity, accountability and transparency, professionalism, honesty, innovation, respect, cooperation and fairness. These values form the basis for standards of conduct which will benefit AUSTRAC and our employees. By basing our work on these values, we provide high quality results that meet the expectations of the Australian Government and other stakeholders. The handbook is currently being considered by the AUSTRAC Consultative Group and will be released to staff early in the new financial year.

**Participative work practices**

Late in the financial year we undertook a staff opinion survey, facilitated by the Empower Group. This was the second employee opinion survey that AUSTRAC has conducted and follows from the success of the survey conducted in 2001. The aim of the survey was to gain a better understanding of the views of our employees and contractors in the areas of job satisfaction, morale, management and work practices. Results of the survey will be completed early in the new financial year. From these results, AUSTRAC will determine strategies and initiatives to improve our work practices.
Formal consultation between staff and management was conducted through the AUSTRAC Consultative Group (ACG), an advisory group that comprises representatives from across the agency. In addition to raising staff matters with management, ACG is also consulted on matters of policy and procedures affecting our staff. During the year the ACG considered various issues affecting our staff, including a new mentoring program, ethics, values and conduct, home based work policies, and the employee opinion survey.

Monthly staff meetings, at which the Director delivers agency-wide status reports, are an important tool in ensuring all staff are updated on AUSTRAC’s work. Opportunities for staff input are encouraged at these monthly meetings.

**Workplace diversity**

The Human Resources unit continued to administer the AUSTRAC Workplace Diversity Program. This program aims to remove any barriers to equal opportunity for all employees, to actively incorporate Equal Employment Opportunity (EEO) principles and measures into people management, and to modify workplace culture, attitudes and behaviour. A statistical breakdown of EEO information can be found in Appendix A.

During the financial year the ACG continued to act as the Workplace Diversity Committee to promote the benefits of diversity for AUSTRAC and our staff.

**Workforce planning and staff retention**

As reported earlier in this chapter, we undertook and completed a staff opinion survey during the financial year to gain a better understanding of staff morale and job satisfaction. Staff expectations on workplace and career development were also gauged in the survey and will assist management to improve our workplace planning strategies through the formulation and execution of various activities to be undertaken early in the new financial year. This initiative will greatly assist the strategy of retaining our valuable workforce and minimising our already low staff turnover.
Organisational review

During the financial year AUSTRAC commissioned an organisational review to ensure we remain operationally effective and efficient into the future. The review identified options for meeting a range of issues and challenges facing AUSTRAC. The challenges result from the fast growth in demand for our services, including the volume of work, extent of the analysis and intelligence dissemination required and the consequent large increase in staff numbers, with the likelihood that the demand trend will continue into the future.

The review was conducted by TFG International Pty Ltd and identified that AUSTRAC is in good organisational shape and that we perform an important role well. The report recommended that a strengthening in our strategic capacity and management structures and systems would be beneficial.

The report made a series of key recommendations, the most significant of which were to:

- Create a new position of Chief Financial Officer;
- include regular, formal review of strategic issues and organisational demands, capacity and performance in the management task of the Executive; and
- implement a more sustainable budget resourcing strategy.

AUSTRAC has implemented these and several other recommendations.

Occupational health and safety

During the year we finalised our Elimination of Harassment Policy. The aim of this policy is to ensure that our staff are able to work in an environment which is free from harassment and in which they are treated with dignity, courtesy and respect. AUSTRAC considers this as essential for maintaining a good work environment. AUSTRAC currently has three Workplace Harassment Contact Officers who effectively address any reported occurrence of harassment in accordance with the Elimination of Harassment Policy. These officers have developed an education program for all agency staff. No formal complaints or grievances were reported to the Harassment Contact Officers throughout the year.

AUSTRAC also continued to develop its Occupational Health and Safety Policy and Agreement. This policy and agreement aims to ensure that the health, safety and welfare of AUSTRAC staff are maintained by promoting a safe and healthy work environment.

The ACG continued to act as the Occupational Health and Safety (OH&S) Committee, directing the activities of one OH&S Officer, four First Aid officers and 13 Fire Wardens.

Ergonomic Health Services continued to provide regular assessments of our workstations to ensure that we have safe systems in the workplace.
As statistical results revealed a reduction from the previous financial year in leave attributed to influenza, AUSTRAC decided to continue our influenza vaccination program.

**Performance management**

In 2003, AUSTRAC implemented a new performance management procedure where staff performance was appraised on a quarterly basis. During the year we completed our first full-year performance management cycle. These revised performance management and appraisal policies and processes, indicated an overall improvement in the individual performance characteristics displayed by staff.

**AUSTRAC Certified Agreement and Australian Workplace Agreements**

The AUSTRAC Certified Agreement 2002 continued to assist both management and staff in attaining overall agency objectives, with emphasis on communication, flexible work practices and democracy. A highlight of the year was the approval and implementation of our Home based Work and Occasional Work Policies which was a requirement of our Certified Agreement. These polices achieve a balance between flexibility in work practices for our staff and security, occupational health and safety, and performance requirements.

Our current Certified Agreement expires on 30 June 2005. We aim to undertake to certify a new agreement in the Australian Industrial Relations Commission during the second half of the new financial year which will build on the positive working conditions and flexible work practices achieved in the current agreement.

AUSTRAC's Australian Workplace Agreements (AWAs) are designed to use the flexibilities contained within the terms and conditions of our Certified Agreement while allowing staff to individualise their agreement to meet their personal needs and AUSTRAC's needs. Nine non-SES employees and two SES employees were covered by AWAs during the financial year.

Certified Agreements and AWAs have provided AUSTRAC staff with a broad range of employment conditions which allow work responsibilities and individual needs to be better accommodated. The provision of flexible work practices in these agreements has heightened our commitment to a balance between work and personal life. A listing of some of the non-salary benefits provided to our staff can be found in Appendix A.

**Staff development**

In consultation with the ACG, our training and development program continued to provide staff with access to continuous learning services. This assists staff to achieve the agreed performance outcomes in their individual performance agreements.
Significant highlights during the year included the development of a Mentoring in the Workplace initiative, the introduction of a Parliamentary and Legislative Appreciation Program, in addition to the Sydney Institute of Management providing an analysis of the learning and development needs of senior managers at AUSTRAC.

The review of our induction program for new staff, completed late in the financial year, was a recommendation of this analysis. Further recommendations of this analysis are being considered by our management team.

During the year we also provided specialist in-house training for our staff on project planning, data mining software applications, and workshops on the recruitment process for applicants and interview panel members.

Our Senior Manager, Corporate Services, represented AUSTRAC on the organising committee for the February 2004 Government Business Conference which was conducted by the Forum of Commonwealth Agencies in New South Wales. The conference was attended by nearly 80 senior managers from the Australian and NSW Public Services in addition to two members of AUSTRAC's management team. The forum focused on corporate governance and workforce planning issues.

We will continue to develop our training strategies to ensure that all staff have access to a flexible and personalised learning environment. In addition to benefiting staff with skill and general development, this will ensure a continuing improvement on our business outcomes. AUSTRAC training statistics are provided in Appendix A.

**Job evaluation**

During the year we completed a review of our job evaluation scheme as prescribed under our Certified Agreement. The Job Evaluation Working Group, comprising representatives from various staff demographic groups throughout AUSTRAC, provided recommendations on how to better meet the needs of staff and managers through the scheme. The recommendations will be implemented during the new financial year.

**Productivity gains**

Towards the end of the year the Australian Government announced a continuation of the increase in AUSTRAC's budget for 2004-05 and three forward year budgets. This outcome will provide AUSTRAC with an overall budget appropriation of $20.8 million for 2004-05, including $2.5 million for capability development and information technology mentoring of South East Asian financial intelligence units.
This funding recognises the continuing increase in the level of AUSTRAC's work and the need to increase our resources to improve our regulatory strategies and systems, to expand our training and liaison functions to ensure maximum use of our intelligence, and to provide technical assistance and training for FIUs in the South East Asian region.

Commonwealth Disability Strategy

Since the introduction of the Commonwealth Disability Strategy, AUSTRAC has been addressing the issues associated with providing our services to people with disabilities. To meet our obligations under the *Disability Discrimination Act 1992*, AUSTRAC continued to undertake the roles of regulator, provider and employer.

**Regulator**

In our regulator role, we liaise with cash dealers to ensure compliance with the *Financial Transaction Reports Act 1988* (FTR Act).

AUSTRAC ensures that all information regarding reporting obligations under the FTR Act is publicly available either on our user-friendly website or in print formats. This information is not only easily available but is presented in a format which is readable and accessible to people with disabilities.

Members of the public who travel to and from Australia and are required to report all currency that is brought into and taken out of Australia. To assist members of the public to understand their obligations, signage in 14 languages has been placed strategically at Australia's international airports and shipping terminals which explains these reporting requirements.

**Provider**

In our service provider role, AUSTRAC delivers information and services to our stakeholders including cash dealers, our partner agencies and the public.

The majority of the information that AUSTRAC provides is through our website or Help Desk. AUSTRAC also welcomes feedback through enquiries and complaints. AUSTRAC provides a TTY phone for the hearing impaired, a toll-free number to assist people living in remote areas, and, when required, can arrange an interpreter service for people from a non-English speaking background.

Information pamphlets are produced in easily readable paper format, on the AUSTRAC website and in other formats upon request. Our website complies with the World Wide Web Consortium (W3C) standards so that people with disabilities are able to access website content. It is periodically tested to ensure compliance with these standards.

**Employer**

During the financial year, AUSTRAC’s workplace diversity program continued to ensure that our workplace procedures and practices support equitable working conditions for employees with disabilities. We also assessed these policies and procedures to ensure they complied with the *Disability Discrimination Act 1992*. 
Recruitment information is available through our website. Interested applicants may also seek information by telephone and e-mail.

Administering financial and property resources

During the year AUSTRAC continued to manage our financial and property resources in a transparent and accountable manner consistent with the Financial Management and Accountability Act 1997. We also received an unqualified audit report from the Australian National Audit Office with respect to the financial records and reporting for the 2003-04 financial year.

Overview of financial statements

Agency statements

Section 57 of the Financial Management and Accountability Act 1997 requires a copy of the audited financial statements and the Auditor-General’s report to be included in each agency’s annual report tabled in Parliament. AUSTRAC’s financial statements, commencing on page 105, have been prepared on an accrual basis in accordance with the Finance Minister’s Orders and Australian Accounting Standards.

The Agency Statement of Financial Performance shows the financial performance of AUSTRAC for items of revenue and expense where direct responsibility for administration and management rests with AUSTRAC.

In 2003-04, AUSTRAC achieved a net operating surplus of $0.2 million as compared to a net operating surplus of $0.5 million in 2002-03.

Total revenue for 2003-04 was $18 million ($12 million in 2002-03). This increase is primarily due to additional funding provided for ‘A Safer Australia’ and ‘National Illicit Drug Strategy’ initiatives. Employee expenses increased to $6.4 million ($4.2 million in 2002-03) mainly due to additional employee expenses arising from the funding initiatives noted above.

The Agency Statement of Financial Position represents the financial position of AUSTRAC as at 30 June 2004 and takes into account movements in assets, liabilities and equity. Total equity has increased to $4.2 million compared with $1.5 million in 2003. This increase is primarily due to a capital injection from the Government.

Events occurring after balance date

No significant events have occurred after balance date that would have an effect on the ongoing structure and financial activities of AUSTRAC.
Financial management and reporting

In line with the Government's Budget Estimates and Framework Review (BEFR) recommendations and implementation, we commenced monthly reporting of financial statements actuals to the Department of Finance and Administration (DoFA). Also in line with BEFR, we undertook planning late in the financial year to implement monthly budget reporting to DoFA which is set to commence early in the new financial year.

As an outcome of the 2003-04 Budget process, AUSTRAC was asked to review whether a cost recovery regime could appropriately apply to its services and to provide cost recovery options for consideration in the 2004-05 Budget process. The Government is not pursuing cost recovery arrangements for AUSTRAC.

Property management

During the financial year we entered into new lease agreements for additional office space for both our Sydney and Melbourne premises to accommodate an increase in our staff numbers. In the process we also took up long-term occupancy at Customs House in Melbourne premises under a Memorandum of Understanding with the Australian Customs Service.

Extensive work was undertaken throughout the financial year which ensured timely completion of fitout works and the upgrade of workstations to meet occupational health and safety guidelines and standards.

Asset management

AUSTRAC's physical assets are presented in our financial records at 'fair value' in line with the Finance Minister's Orders made under section 63 of the Financial Management and Accountability Act 1997. During the year we upgraded our information technology development server and we purchased an additional server to cater for our new data mining software capabilities.

In this financial year we capitalised the fitout works conducted in our additional premises in Sydney and Melbourne. This included an upgrade of our security equipment and associated infrastructure and the acquisition of additional office machines. More information on security can be found in Chapter 8.
Procurement and competitive tendering and contracting

AUSTRAC adheres closely to the procurement policies and principles set out in the Commonwealth Procurement Guidelines issued by the Minister for Finance and Administration. We continued to apply procurement arrangements based on value for money, efficiency and effectiveness, ethics, accountability and transparency, and industry development, as well as support for other Australian Government policies.

During the year we tendered for the provision of the fitout works in our Sydney and Melbourne offices; with Ryder Office Fitting being the successful tenderer. In addition, our cluster arrangement with other APS agencies and departments for the provision of air travel services provided by Qantas was renewed for another two years. This decision will deliver us continued significant savings in air travel. Annual reports must include a statement in relation to competitive tendering and contracting (CTC) undertaken during the reporting period that has resulted in a contract being let. The Requirements for Annual Reports defines CTC activity in this context as the contracting out of the delivery of government activities, previously performed by an Australian Government agency, to another organisation. It may be undertaken for the provision of either goods or services. During the reporting period, AUSTRAC did not undertake competitive tendering and contracting activities.

During 2003-04, the number of consultancy services contracts let by AUSTRAC was nine and the total expenditure on consultancy services during the year was $332,048. This expenditure relates to continuing consultancies as well as new consultancy contracts let during the year. No contracts were exempt from reporting in the Purchasing and Disposals Gazette. Further information in relation to consultancy services appears at Appendix A.

Ecologically sustainability development

AUSTRAC is committed to the Government's program to operate in an environmentally conscious manner. We have endeavoured to use energy saving methods in our operations and make the best use of environmentally friendly resources. Our decision-making processes integrate both long-term and short-term economic, environmental, social and equitable considerations as required under the Environment Protection and Biodiversity Act 1999. Data on our energy consumption is collected and reported annually to the Australian Greenhouse Office.

In line with our office environment where we encourage environmental protection, waste paper continued to be disposed of in a manner that facilitated recycling. Many of our publications are being distributed electronically and we receive 99.9% of financial transaction reports in electronic format. This has significantly reduced the amount of paper used by AUSTRAC. In accordance with the objective of minimising electricity consumption, we educated and encouraged staff to limit their use of electricity.

AUSTRAC adheres to the Green Office Guide, a joint initiative of Australian Government, State and Territory agencies.
Preference in purchasing is given to environmentally sound products, such as those with power save features and good energy star ratings.

The nature of AUSTRAC’s business, outcomes and activities are such that our work does not affect the principles of ecologically sustainable development nor do we administer legislation with ecologically sustainable development implications. Our major consumption is of energy and water in our leased office premises and fuel in a small number of leased vehicles.

**Internal audit**

This year we reviewed the composition and work of our Audit Committee. We have recently appointed an independent Chair, and AUSTRAC members now comprise our Deputy Director, Money Laundering Targeting, and National Manager, Partner Liaison and Support. The Audit Committee’s terms of reference were also revised. The Committee met twice during the year to consider our financial statements, fraud control planning, risk management and internal audit issues.

Mr Maurice Kennedy was appointed as the new chair of our Audit Committee. Mr Kennedy has a broad experience and expertise in audit committees. His experience and skills will greatly assist the Committee in ensuring that AUSTRAC is transparent and accountable in its use of Australian Government resources.

**Reports by the Auditor-General**

AUSTRAC has received an unqualified audit report from the ANAO with respect to our financial records and reporting for the 2003-04 financial year. AUSTRAC's financial statements are presented from page 105 of this report.

**Decisions of courts and tribunals**

A number of matters went before the courts this year involving offences under the *Financial Transaction Reports Act 1988* (FTR Act). These matters included entities failing to report international currency movements in excess of the reporting threshold in accordance with section 15 of the FTR Act. Other matters involved the structuring of transactions to avoid reporting significant cash transactions (under section 31 of the FTR Act).

**Managing fraud control**

We continue to monitor our fraud prevention strategies to ensure the potential for fraud is minimised. Fraud control remains a standing item for AUSTRAC's Audit Committee. The fraud prevention module in our security awareness training program is another tool we use to effectively manage fraud control. We have begun planning for the fraud risk assessment which will be undertaken in 2004-05 financial year.

No cases of fraud were identified during the financial year.
Administering knowledge management

The Knowledge Management team has continued to deliver a wide range of services to AUSTRAC business units. This year, efforts were concentrated on improving the capture, maintenance and distribution of information for use within AUSTRAC. Key to this effort was the audit of recordkeeping practices across the whole agency, with a particular focus on our interstate offices. Audits were conducted in Perth, Brisbane and Melbourne offices to determine the suitability of recordkeeping practices for those offices. Various issues were identified, and rectified, to ensure that information was properly captured and to promote the sharing of information and knowledge throughout AUSTRAC.

Knowledge Management Project

In our on-going knowledge management project this year we implemented the automated Factiva news service in conjunction with our data mining project. The provision of this service has allowed AUSTRAC to incorporate a range of information into our daily business activities and to keep informed on issues concerning AUSTRAC.

Consultation with our Information Technology section and various reviews across the agency identified key elements of the knowledge management project that will need to be pursued in the coming financial year. These include systems for sharing of information within AUSTRAC, AUSTRAC's records management policy, the need for further work to identify future information storage needs and options available to meet those storage needs.

Internet and Intranet

AUSTRAC's commitment to provide online information and services continued this year. Our Internet site is used as a means for distributing advice and information, including details of the FTR Act, publications, policy advice and guidelines and circulars for our cash dealers and partner agencies. Statistics obtained during the financial year continued to show large numbers of people accessing our Internet site. Over the year, there were 160,000 visits to our website, an increase of 9% from the previous year. With the increased access to our website, focus has also been given to the redevelopment of this site. This project aims to improve the ease of use and accessibility of information with improved online services being a priority. Our Intranet site has been used as an internal information resource for all staff. This is a vital tool in promoting a uniform corporate image, through the use of standard templates, and facilitating knowledge and information sharing. Modification of the Intranet to improve access to information for staff continued throughout the year, with further work planned for the new financial year.
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INDEPENDENT AUDIT REPORT

To the Minister for Justice and Customs

Scope

The financial statements comprise:

- Statement by the Acting Director and Chief Finance Officer;
- Statements of Financial Performance, Financial Position and Cash Flows;
- Schedules of Commitments and Contingencies; and
- Notes to and forming part of the Financial Statements

of the Australian Transaction Reports and Analysis Centre for the year ended 30 June 2004.

The Acting Director is responsible for the preparation and true and fair presentation of the financial statements in accordance with the Finance Minister’s Orders. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial statements.

I have conducted an independent audit of the financial statements in order to express an opinion on them to you. My audit has been conducted in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing and Assurance Standards, in order to provide reasonable assurance as to whether the financial statements are free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive, rather than conclusive, evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

While the effectiveness of management’s internal controls over financial reporting was considered when determining the nature and extent of audit procedures, the audit was not designed to provide assurance on internal controls.

I performed procedures to assess whether, in all material respects, the financial statements present fairly, in accordance with the Finance Minister’s Orders made under the Financial Management and Accountability Act 1997, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with my understanding of the Australian Transaction Reports and Analysis Centre’s financial position, and of its performance as represented by the statements of financial performance and cash flows.
The audit opinion is formed on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial statements; and
- assessing the appropriateness of the accounting policies and disclosures used, and the reasonableness of significant accounting estimates made by the Acting Director.

Independence

In conducting the audit, I have followed the independence requirements of the Australian National Audit Office, which incorporate Australian professional ethical pronouncements.

Audit Opinion

In my opinion, the financial statements:

- have been prepared in accordance with the Finance Minister's Orders made under the Financial Management and Accountability Act 1997 and applicable Accounting Standards; and
- give a true and fair view, of the matters required by applicable Accounting Standards and other mandatory professional reporting requirements in Australia, and the Finance Minister's Orders, of the financial position of the Australian Transaction Reports and Analysis Centre as at 30 June 2004, and of its performance and cash flows for the year then ended.

Australian National Audit Office

P Hinchey  
Senior Director  
Delegate of the Auditor-General  
Sydney  
14 September 2004
In our opinion the attached financial statements for the year ended 30 June 2004 are based on properly maintained financial records and give a true and fair view of the matters required by the Finance Minister’s Orders made under the Financial Management and Accountability Act 1997.

Liz Atkins
Acting Director

Alf Mazzitelli
Chief Finance Officer

14 September 2004  14 September 2004
AUSTRAC
STATEMENT OF FINANCIAL PERFORMANCE
for the year ended 30 June 2004

<table>
<thead>
<tr>
<th>Notes</th>
<th>2004</th>
<th>2003</th>
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</table>

**Revenues from ordinary activities**

- Revenues from Government 3A, 11
  - 2004: 17,600,000
  - 2003: 11,260,500
- Revenue from sale of assets 3B
  - 2004: 6,151
  - 2003: 22,506
- Interest
  - 2004: -
  - 2003: 25,169
- Other revenues 3C
  - 2004: 397,300
  - 2003: 706,242

**Revenues from ordinary activities**

- 2004: 18,003,451
- 2003: 12,014,417

**Expenses from ordinary activities**

- Employees 4A
  - 2004: 6,355,208
  - 2003: 4,209,989
- Suppliers 4B
  - 2004: 9,967,985
  - 2003: 7,344,212
- Depreciation and amortisation 4C
  - 2004: 1,486,095
  - 2003: 907,366
- Value of assets sold 3B
  - 2004: 3,258
  - 2003: 4,016

**Expenses from ordinary activities**

- 2004: 17,812,546
- 2003: 12,465,583

**Net surplus/(deficit) from ordinary activities**

- 2004: 190,905
- 2003: (451,166)

**Total changes in equity other than those resulting from transactions with the Australian Government as owner**

- 2004: 190,905
- 2003: (451,166)

The above statement should be read in conjunction with the accompanying notes.
# AUSTRAC

## STATEMENT OF FINANCIAL POSITION

as at 30 June 2004

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<tr>
<th>Notes</th>
<th>2004</th>
<th>2003</th>
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<tr>
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<tr>
<td><strong>ASSETS</strong></td>
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<td></td>
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<tr>
<td>Financial assets</td>
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<tr>
<td>Cash 5A</td>
<td>2,478,412</td>
<td>1,039,706</td>
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<tr>
<td>Receivables 5B</td>
<td>423,276</td>
<td>222,240</td>
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<tr>
<td>Prepayments 5C</td>
<td>570,660</td>
<td>309,627</td>
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<td><strong>Total financial assets</strong></td>
<td>3,472,348</td>
<td>1,571,573</td>
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<tr>
<td>Non-financial assets</td>
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<td></td>
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<tr>
<td>Infrastructure, plant and equipment 6A, 6B</td>
<td>3,171,061</td>
<td>1,458,368</td>
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<tr>
<td><strong>Total non-financial assets</strong></td>
<td>3,171,061</td>
<td>1,458,368</td>
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<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>6,643,409</td>
<td>3,029,941</td>
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<tr>
<td><strong>LIABILITIES</strong></td>
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<tr>
<td>Provisions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employees 7A</td>
<td>1,745,663</td>
<td>1,291,419</td>
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<tr>
<td>Other provisions 7B</td>
<td>249,630</td>
<td>121,589</td>
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<tr>
<td><strong>Total provisions</strong></td>
<td>1,995,293</td>
<td>1,413,008</td>
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<tr>
<td>Payables</td>
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<tr>
<td>Suppliers 8A</td>
<td>433,480</td>
<td>168,012</td>
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<tr>
<td>Other payables 8B</td>
<td>46,809</td>
<td>-</td>
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<tr>
<td><strong>Total payables</strong></td>
<td>480,289</td>
<td>168,012</td>
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<td><strong>TOTAL LIABILITIES</strong></td>
<td>2,475,582</td>
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<tr>
<td><strong>NET ASSETS</strong></td>
<td>4,167,827</td>
<td>1,448,921</td>
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<tr>
<td><strong>EQUITY</strong></td>
<td></td>
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<tr>
<td>Contributed equity 9</td>
<td>2,528,000</td>
<td>-</td>
</tr>
<tr>
<td>Reserves 9</td>
<td>40,549</td>
<td>40,549</td>
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<tr>
<td>Retained surpluses 9</td>
<td>1,599,278</td>
<td>1,408,372</td>
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<tr>
<td><strong>TOTAL EQUITY</strong></td>
<td>4,167,827</td>
<td>1,448,921</td>
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<tr>
<td>Current assets</td>
<td>3,472,348</td>
<td>1,571,573</td>
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<tr>
<td>Non-current assets</td>
<td>3,171,061</td>
<td>1,458,368</td>
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<tr>
<td>Current liabilities</td>
<td>1,742,876</td>
<td>962,474</td>
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<tr>
<td>Non-current liabilities</td>
<td>732,706</td>
<td>618,54</td>
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</tbody>
</table>

The above statement should be read in conjunction with the accompanying notes.
# AUSTRAC

## STATEMENT OF CASH FLOWS

for the year ended 30 June 2004

<table>
<thead>
<tr>
<th>Notes</th>
<th>2004</th>
<th>2003</th>
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<tr>
<td></td>
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</table>

### OPERATING ACTIVITIES

**Cash received**

- Appropriations: 17,582,000
- Net GST received from ATO: 1,145,195
- Interest: -
- Other: 927,237

**Total cash received**: 19,654,432

**Cash used**

- Employees: (5,797,938)
- Suppliers: (11,943,184)

**Total cash used**: (17,741,122)

**Net cash from operating activities**: 1,913,310

### INVESTING ACTIVITIES

**Cash received**

- Proceeds from sales of property, plant and equipment: 6,151

**Total cash received**: 6,151

**Cash used**

- Purchase of property, plant and equipment: (3,096,755)

**Total cash used**: (3,090,604)

**Net cash (used by) investing activities**: (3,090,604)

### FINANCING ACTIVITIES

**Cash received**

- Appropriations - contributed equity: 2,616,000

**Total cash received**: 2,616,000

**Cash used**

- Capital use charge paid: - (171,000)

**Total cash used**: - (171,000)

**Net cash from/(used by) financing activities**: 2,616,000

**Net increase in cash held**: 1,438,706

**Cash at the beginning of the reporting period**: 1,039,706

**Cash at the end of the reporting period**: 2,478,412

The above statement should be read in conjunction with the accompanying notes.
AUSTRAC
SCHEDULE OF COMMITMENTS
as at 30 June 2004

<table>
<thead>
<tr>
<th>Notes</th>
<th>2004</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

**BY TYPE**

Other commitments

Operating leases ¹ 2,218,303 2,873,329

Total other commitments 2,218,303 2,873,329

Net commitments 2,218,303 2,873,329

**BY MATURITY**

Operating lease commitments

One year or less 1,340,729 1,350,533
From one to five years 877,574 1,522,796
Over five years - -

Net commitments by maturity 2,218,303 2,873,329

N.B. All commitments are GST exclusive where relevant.

1 Operating leases included are effectively non-cancellable and comprise:
   • leases for office accommodation
   • agreements for the provision of motor vehicles to senior executive officers
   • leases for IT mainframe equipment

<table>
<thead>
<tr>
<th>Nature of lease</th>
<th>General description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leases for office accommodation</td>
<td>Lease payments are subject to an annual increase in accordance with upwards movements in lease market rental rates.</td>
</tr>
<tr>
<td>Agreements for the provision of motor vehicles to senior executive officers</td>
<td>No contingent liabilities exist. There are no renewal or purchase options available to the Agency.</td>
</tr>
</tbody>
</table>

The above schedule should be read in conjunction with the accompanying notes.
## AUSTRAC
**SCHEDULE OF CONTINGENCIES**
as at 30 June 2004

<table>
<thead>
<tr>
<th>Notes</th>
<th>2004</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contingent liabilities</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Contingent assets</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total contingencies</strong></td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Details of each class of contingent liabilities and assets, including those not included above because they cannot be quantified or are considered remote, are disclosed in Note 18: Contingent Liabilities and Assets

The above schedule should be read in conjunction with the accompanying notes.
## AUSTRAC
### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2004

<table>
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<tr>
<th>Note</th>
<th>Description</th>
</tr>
</thead>
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<td>1</td>
<td>Summary of Significant Accounting Policies</td>
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<td>Adoption of Australian equivalents to international financial reporting standards from 2005-2006</td>
</tr>
<tr>
<td>3</td>
<td>Operating Revenues</td>
</tr>
<tr>
<td>4</td>
<td>Operating Expenses</td>
</tr>
<tr>
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<td>Financial Assets</td>
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<tr>
<td>6</td>
<td>Non-Financial Assets</td>
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<tr>
<td>7</td>
<td>Provisions</td>
</tr>
<tr>
<td>8</td>
<td>Payables</td>
</tr>
<tr>
<td>9</td>
<td>Equity</td>
</tr>
<tr>
<td>10</td>
<td>Cash Flow Reconciliation</td>
</tr>
<tr>
<td>11</td>
<td>Appropriations</td>
</tr>
<tr>
<td>12</td>
<td>Executive Remuneration</td>
</tr>
<tr>
<td>13</td>
<td>Remuneration of Auditors</td>
</tr>
<tr>
<td>14</td>
<td>Act of Grace Payments and Waivers</td>
</tr>
<tr>
<td>15</td>
<td>Reporting of Outcome</td>
</tr>
<tr>
<td>16</td>
<td>Average Staffing Levels</td>
</tr>
<tr>
<td>17</td>
<td>Financial Instruments</td>
</tr>
<tr>
<td>18</td>
<td>Contingent Liabilities and Assets</td>
</tr>
<tr>
<td>19</td>
<td>Events Occuring after Reporting Date</td>
</tr>
</tbody>
</table>
NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.1 Agency objective

The mission of the Australian Transaction Reports and Analysis Centre (AUSTRAC) is to make a valued contribution towards a financial environment hostile to money laundering, major crime and tax evasion.

AUSTRAC was established under the Financial Transaction Reports Act 1988 (FTR Act). The FTR Act authorises the collection, analysis and dissemination of certain financial information to assist in the deterrence of activities such as money laundering, major crime and tax evasion.

AUSTRAC works with its law enforcement, revenue, national security and social justice agency partners to provide useful financial intelligence in relation to matters involving money laundering, major crime and tax evasion.

The continued existence of AUSTRAC in its present form, and with its present programs, is dependent on government policy and on continuing appropriations by Parliament for AUSTRAC’s administration and programs.

1.2 Basis of accounting

The financial statements are required by section 49 of the Financial Management and Accountability Act 1997 and are a general purpose financial report.

The statements have been prepared in accordance with:

- Finance Minister’s Orders (or FMOs, being the Financial Management and Accountability (Financial Statements for reporting periods ending on or after 30 June 2004) Orders);
- Australian Accounting Standards (AAS) and Accounting Interpretations issued by the Australian Accounting Standards Board (AASB); and
- Consensus Views of the Urgent Issues Group.

The statements have also been prepared having regard to the Explanatory Notes to Schedule 1 and Finance Briefs issued by the Department of Finance and Administration.

The Statements of Financial Performance and Financial Position have been prepared on an accrual basis and are in accordance with historical cost convention, except for certain assets which, as noted, are at valuation. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position.

Assets and liabilities are recognised in the Statement of Financial Position when and only when it is probable that future economic benefits will flow and the amounts of the assets or liabilities can be reliably measured. Assets and liabilities arising under agreements equally proportionately unperformed are however not recognised unless required by an Accounting Standard. Assets and liabilities which are unrecognised are reported in the Schedule of Commitments and the Schedule of Contingencies.

Revenues and expenses are recognised in the Agency Statement of Financial Performance when and only when the flow or consumption or loss of economic benefits has occurred and can be reliably measured.
1.3 Changes in accounting policy

The accounting policies used in the preparation of these financial statements are consistent with those used in 2002-03.

Property, plant and equipment assets are being revalued progressively as explained in Note 1.12. Revaluations up to 30 June 2002 were done on a ‘deprival’ basis; since that date, revaluations have been done on a fair basis. Revaluation increments and decrements in each year of transition to fair value that would have otherwise been accounted for as revenue or expenses are taken directly to accumulated results in accordance with transitional provisions of AASB 1041 Revaluation of Non-Current Assets.

1.4 Revenues

The revenues described in this note are revenues relating to the core operating activities of AUSTRAC.

Revenues from government

Amounts appropriated for Departmental outputs appropriations for the year (less any savings and reductions) are recognised as revenue.

Resources received free of charge

Services received free of charge are recognised as revenue when and only when a fair value can be reliably determined and the services would have been purchased if they had not been donated. Use of those resources is recognised as an expense.

Contributions of assets at no cost of acquisition or for nominal consideration are recognised at their fair value when the asset qualifies for recognition, unless received from another government agency as a consequence of a restructuring of administrative arrangements (refer to Note 1.5).

Other revenue

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Revenue from disposal of non-current assets is recognised when control of the asset has passed to the buyer.

Revenue from rendering of services is recognised by reference to the stage of completion of contracts or other agreements to provide services. The stage of completion is determined according to the proportion that costs incurred to date bear to the estimated total costs of the transaction.

Receivables for goods and services are recognised at the nominal amounts due less any provision for bad and doubtful debts. Collectability of debts is reviewed at balance date. Provisions are made when collectability of the debt is judged to be less rather than more likely.

1.5 Transactions by the Australian Government as Owner

Equity injections

Amounts appropriated which are designated as ‘equity injections’ for a year (less any savings offered up in Portfolio Additional Estimates Statements) are recognised directly in Contributed Equity in that year.
1.6 Employee benefits

Liabilities for services rendered by employees are recognised at the reporting date to the extent that they have not been settled.

Liabilities for wages and salaries (including non-monetary benefits) and annual leave are measured at their nominal amounts. Other employee benefits expected to be settled within 12 months of the reporting date are also measured at their nominal amounts.

The nominal amount is calculated with regard to the rates expected to be paid on settlement of the liability.

All other employee benefit liabilities are measured at the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date.

Leave

The liability for employee benefits includes provision for annual leave and long service leave. No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees of the Agency is estimated to be less than the annual entitlement for sick leave.

The leave liabilities are calculated on the basis of employees’ remuneration, including the Agency’s employer superannuation contribution rates to the extent that the leave is likely to be taken during service rather than paid out on termination.

The estimate of the present value of the liability for long service leave takes into account attrition rates and pay increases through promotion and inflation.

Superannuation

The staff of AUSTRAC are members of the Commonwealth Superannuation Scheme and/or the Public Sector Superannuation Scheme. The liability for their superannuation benefits is recognised in the financial statements of the Commonwealth and is settled by the Commonwealth in due course.

AUSTRAC makes employer contributions to the Commonwealth at rates determined by an actuary to be sufficient to meet the cost to the Commonwealth of the superannuation entitlements of the Agency’s employees.

The liability for superannuation recognised as at 30 June represents outstanding contributions for the final fortnight of the year.

1.7 Leases

Operating lease payments are charged to the Statement of Financial Performance on a basis which is representative of the pattern of benefits derived from the leased assets.

1.8 Financial instruments

Accounting policies for financial instruments are stated at Note 17.
1.9 Cash

Cash includes notes and coins held, deposits held at call with a bank or financial institution. Cash is recognised at its nominal amount.

1.10 Bad and doubtful debts

Debts are written off as bad when so identified. The write-off is to expense or, to the extent a provision for a doubtful debt already existed, as a reversal of the provision.

A provision is raised for any doubtful debts based on a review of all outstanding accounts at year end.

1.11 Acquisition of assets

Assets are recorded at cost on acquisition except as stated below. The cost of acquisition includes the fair value of assets transferred in exchange and liabilities undertaken.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and revenues at their fair value at the date of acquisition, unless acquired as a consequence of restructuring of administrative arrangements. In the latter case, assets are initially recognised as contributions by owners at the amounts at which they were recognised in the transferor agency's accounts immediately prior to the restructuring.

1.12 Property, Plant and Equipment

Asset Recognition Threshold

Purchases of plant and equipment are recognised initially at cost in the Statement of Financial Position, except for purchases costing less than $2,000 which are expended in the year of acquisition (other than when they form part of a group of similar items which are significant in total).

Revaluations

Basis

Plant and equipment are carried at valuation. Revaluations undertaken up to 30 June 2002 were done on a deprival basis; revaluations since that date are at fair value. This change in accounting policy is required by AASB 1041 Revaluation of Non-Current Assets. Valuations undertaken in any year are as at 30 June.

Fair and deprival values for each class of asset are determined as shown below.

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Fair value measured at:</th>
<th>Deprival value measured at:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leasehold improvements</td>
<td>Depreciated replacement cost</td>
<td>Depreciated replacement cost</td>
</tr>
<tr>
<td>Plant and equipment</td>
<td>Market selling price</td>
<td>Depreciated replacement cost</td>
</tr>
</tbody>
</table>

Under both deprival and fair value, assets which are surplus to requirements are measured at their net realisable value.
Frequency

Plant and equipment are revalued progressively in successive three-year cycles. All current cycles commenced on 1 July 2002 and will finish on 30 June 2005.

Leasehold improvements are each revalued progressively on a geographical basis.

Plant and equipment assets are being revalued by type of asset. In 2001-02, furniture and fittings, information technology assets (not under operating leases) and non computing equipment were revalued.

Assets in each class acquired after the commencement of a progressive revaluation cycle are not captured by the progressive revaluation then in progress.

Conduct

Leasehold improvements valuations are conducted by an independent qualified valuer. The revaluations of computer and non-computer plant and equipment are conducted in-house.

Depreciation

Depreciable plant and equipment assets are written-off to their estimated residual values over their estimated useful lives to AUSTRAC using, in all cases, the straight-line method of depreciation. Leasehold improvements are depreciated on a straight-line basis over the lesser of the estimated useful life of the improvements or the unexpired period of the lease.

Depreciation rates (useful lives) and methods are reviewed at each reporting date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate. Residual values are re-estimated for a change in prices only when assets are revalued.

Depreciation rates applying to each class of depreciable asset are based on the following useful lives:

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leasehold improvements</td>
<td>Lease term</td>
<td>Lease term</td>
</tr>
<tr>
<td>Plant and equipment</td>
<td>3 to 8 years</td>
<td>3 to 8 years</td>
</tr>
</tbody>
</table>

The aggregate amount of depreciation allocated for each class of asset during the reporting period is disclosed in Note 4C.

1.13 Impairment of non-current assets

Non-current assets carried at up-to-date fair value at the reporting date are not subject to impairment testing.

Non-current assets carried at cost or deprival value and held to generate net cash inflows have been tested for their recoverable amounts at the reporting date. The test compared the carrying amounts against the net present value of future net cash inflows. No write-down to recoverable amount was required.

The non-current assets carried at cost or deprival value, which are not held to generate net cash inflows, have been assessed for indications of impairment. Where indications of impairment exist, the carrying amount of the asset is compared to the higher of its selling price and the depreciated replacement cost and is written down to that value if greater.
1.14 Intangibles

Software development costs are expended as incurred, except where future service potential, beyond any reasonable doubt, exceeds those costs. Where software development costs are deferred, such costs are amortised over future periods on a basis related to future service potential. Amortisation commences once a software project becomes fully operational. AUSTRAC's intangibles comprise internally developed software for internal use. These assets are carried at cost.

All software assets were assessed for impairment as at 30 June 2004. None were found to be impaired.

Software is amortised on a straight-line basis over its anticipated useful life.

The useful lives of AUSTRAC software is three years (2003: 3 years).

1.15 Taxation

AUSTRAC is exempt from all forms of taxation except fringe benefits tax and the goods and services tax (GST).

Revenues, expenses and assets are recognised net of GST:

• except where the amount of GST incurred is not recoverable from the Australian Taxation Office;
  and
• except for receivables and payables.

1.16 Insurance

AUSTRAC has insured for risks through the Australian Government’s insurable risk managed fund, called ‘Comcover’. Workers compensation is insured through the Australian Government’s Comcare Australia.

1.17 Comparative figures

Where necessary, comparative figures have been adjusted to conform with changes in presentation in these financial statements.

1.18 Rounding

Amounts have been rounded to the nearest dollar with the exception of Note 15 where amounts have been rounded to the nearest $1,000.
NOTE 2 - ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS FROM 2005-2006.

The Australian Accounting Standards Board has issued replacement Australian Accounting Standards to apply from 2005-06. The new standards are the Australian Equivalents to International Financial Reporting Standards (IFRSs) which are issued by the International Accounting Standards Board. The new standards cannot be adopted early. The standards being replaced are to be withdrawn with effect from 2005-06, but continue to apply in the meantime.

The purpose of issuing Australian Equivalents to IFRS is to enable Australian entities reporting under the Corporations Act 2001 to be able to more readily access overseas capital markets by preparing their financial reports according to accounting standards more widely used overseas.

For-profit entities complying fully with the Australian Equivalents will be able to make an explicit and unreserved statement of compliance with IFRSs and well as with the Australian Equivalents.

It is expected that the Finance Minister will continue to require compliance with the Accounting Standards issued by the AASB, including the Australian Equivalents to the IFRSs, in his orders for the Preparation of Agency financial statements for 2005-06 and beyond.

The Australian Equivalents contain certain additional provisions which will apply to not-for-profit entities, including Australian Government agencies. Some of these provisions are in conflict with the IFRSs and therefore AUSTRAC will only be able to assert compliance with the Australian Equivalents to the IFRSs.

Existing AASB standards that have no IFRS equivalent will continue to apply, including in particular AAS 29 Financial Reporting by Government Departments.

Accounting Standard AASB 1047 Disclosing the impact of Adopting Australian Equivalents to IFRSs requires that the financial statements for 2003-04 disclose:

- an explanation of how the transition to the Australian Equivalents is to be managed, and
- a narrative explanation of the key differences in accounting policies arising from the transition.

The purpose of this Note is to make these disclosures.

Management of the transition to Australian Equivalents to IFRSs

AUSTRAC has taken the following steps for the preparation towards the implementation of Australian equivalents:

- AUSTRAC's Audit Committee is tasked with oversight of the transition to and implementation of the Australian Equivalents to IFRSs. The Chief Financial Officer is formally responsible for the project and will report regularly to the Audit Committee on progress against the formal plan approved by the Committee.
- The plan requires the following key steps to be undertaken and sets deadlines for their achievement:
  - identification of all major accounting policy differences between current AASB standards and the Australian Equivalents to IFRSs progressively to 30 June 2004.
  - identification of system changes necessary to be able to report under the Australian Equivalents, including those necessary to enable capture of data under both sets of rules for 2004-05, and the testing and implementation of those changes.
- preparation of a Australian Equivalent balance sheet at the same time as the 30 June 2005 statements are prepared.
- meeting reporting deadlines set by the Department of Finance and Administration for 2005-06 balance sheet under Australian equivalent Standards.
• The plan will also address the risks to successful achievement of the above objectives and include strategies to keep implementation on track to meet deadlines.
• To date, all major accounting and disclosure differences and system changes have been tested successfully. The changes are expected to be implemented by 30 September 2004.
• Consultants will be engaged where necessary to assist with each of the above steps.

Major changes in accounting policy

Changes in accounting policies under Australian Equivalents are applied retrospectively i.e. as if the new policy had always applied. This rule means that a balance sheet prepared under the Australian Equivalents must be made as at 1 July 2004, except as permitted in particular circumstances by AASB 1 First Time Adoption of Australian Equivalents to International Financial Reporting Standards. This will enable the 2005-06 financial statements to report comparatives under the Australian Equivalents also.

Changes to major accounting policies are discussed in the following paragraphs.

Property, plant and equipment

It is expected that the Finance Minister's Orders will require plant and equipment assets carried at valuation in 2003-04 to be measured at up-to-date fair value from 2005-06. This differs from the accounting policies currently in place for these assets which, up to and including 2003-04, have been revalued progressively over a three year cycle and which currently include assets at cost (for purchases since the commencement of a cycle) and at deprival value (which will differ from their fair value to the extent that they have been measured at depreciated replacement cost when a relevant market selling price is available).

However, it is important to note that the Finance Minister requires these assets to be measured at up-to-date fair values as at 30 June 2005. Further, the transitional provisions in AASB 1 will mean that the values at which assets are carried as at 30 June 2004 under existing standards will stand in the transitional balance sheet as at 1 July 2004.

Intangible assets

AUSTRAC currently recognises internally-developed software assets on the cost basis. The Australian Equivalent on Intangibles does not permit intangibles to be measured at valuation unless there is an active market for the intangible. AUSTRAC's internally-developed software is specific to the needs of the Agency and is not traded.

Employee benefits

The provision for long service leave is measured at the present value of estimated future cash outflows using market yields as at the reporting date on national government bonds. Under the new Australian Standard, the same discount rate will be used unless there is a deep market in high quality corporate bonds, in which case the market yield on such bonds must be used.
### NOTE 3 - OPERATING REVENUES

#### Note 3A - Revenues from Government

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appropriations for outputs</td>
<td>17,582,000</td>
<td>11,246,000</td>
</tr>
<tr>
<td>Resources received free of charge</td>
<td>18,000</td>
<td>14,500</td>
</tr>
<tr>
<td><strong>Total revenues from government</strong></td>
<td>17,600,000</td>
<td>11,260,500</td>
</tr>
</tbody>
</table>

#### Note 3B - Net gains from sale of assets

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proceeds from disposal</td>
<td>6,151</td>
<td>22,506</td>
</tr>
<tr>
<td>Net book value of assets disposed</td>
<td>(3,258)</td>
<td>(4,016)</td>
</tr>
<tr>
<td><strong>Total net gain from disposal of assets</strong></td>
<td>2,893</td>
<td>18,490</td>
</tr>
</tbody>
</table>

#### Note 3C - Other revenue

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>AusAID Technical Assistance Project</td>
<td>259,795</td>
<td>129,897</td>
</tr>
<tr>
<td>Data Mining Pilot Project</td>
<td>-</td>
<td>304,231</td>
</tr>
<tr>
<td>Sponsorship for Egmont Conference</td>
<td>9,500</td>
<td>219,772</td>
</tr>
<tr>
<td>AFP TCCC Project</td>
<td>90,309</td>
<td>26,756</td>
</tr>
<tr>
<td>Other*</td>
<td>37,696</td>
<td>25,586</td>
</tr>
<tr>
<td><strong>Total other revenue</strong></td>
<td>397,300</td>
<td>706,242</td>
</tr>
</tbody>
</table>

*Figure primarily comprises payments for sundry tenants revenue.
### NOTE 4 - OPERATING EXPENSES

<table>
<thead>
<tr>
<th>Note 4A - Employee expenses</th>
<th>2004</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wages and salary</td>
<td>$5,557,965</td>
<td>$3,736,645</td>
</tr>
<tr>
<td>Superannuation</td>
<td>$741,268</td>
<td>$447,708</td>
</tr>
<tr>
<td>Separation and redundancy</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other employee expenses</td>
<td>$55,975</td>
<td>$25,636</td>
</tr>
<tr>
<td><strong>Total employee expenses</strong></td>
<td>$6,355,208</td>
<td>$4,209,989</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Note 4B - Suppliers expenses</th>
<th>2004</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supply of goods and services from related entities</td>
<td>$564,821</td>
<td>$719,750</td>
</tr>
<tr>
<td>Supply of goods and services from external entities</td>
<td>$8,141,144</td>
<td>$5,469,041</td>
</tr>
<tr>
<td>Operating lease rentals</td>
<td>$1,262,020</td>
<td>$1,155,421</td>
</tr>
<tr>
<td><strong>Total suppliers expenses</strong></td>
<td>$9,967,985</td>
<td>$7,344,212</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Note 4C - Depreciation and amortisation</th>
<th>2004</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Depreciation - of plant and equipment</td>
<td>$997,687</td>
<td>$329,220</td>
</tr>
<tr>
<td>Amortisation - of capitalised software</td>
<td>$488,408</td>
<td>$578,146</td>
</tr>
<tr>
<td><strong>Total depreciation and amortisation</strong></td>
<td>$1,486,095</td>
<td>$907,366</td>
</tr>
</tbody>
</table>
### NOTE 5 - FINANCIAL ASSETS

#### Note 5A - Cash

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Departmental*</td>
<td>2,478,412</td>
<td>1,039,706</td>
</tr>
<tr>
<td><strong>Total cash</strong></td>
<td>2,478,412</td>
<td>1,039,706</td>
</tr>
</tbody>
</table>

#### Note 5B - Receivables

<table>
<thead>
<tr>
<th>Receivable Type</th>
<th>2004</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goods and services</td>
<td>258,227</td>
<td>46,932</td>
</tr>
<tr>
<td>GST receivable from the ATO</td>
<td>165,049</td>
<td>87,308</td>
</tr>
<tr>
<td>Appropriations receivable</td>
<td>-</td>
<td>88,000</td>
</tr>
<tr>
<td><strong>Total receivables</strong></td>
<td>423,276</td>
<td>222,240</td>
</tr>
</tbody>
</table>

Receivables are represented by:

- **Current**
  - 423,276
  - 222,240

- **Non-current**
  - -
  - -

**Total receivables**

- 423,276
- 222,240

Receivables are represented by:

- **Not overdue**
  - 299,432
  - 208,632

- **Overdue by**
  - Less than 30 days
    - 111,094
    - 13,608
  - 30 to 60 days
    - -
    - -
  - 60 to 90 days
    - -
    - -
  - More than 90 days
    - 12,750
    - -

**Total receivables**

- 423,276
- 222,240

#### Note 5C - Prepayments

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prepayments</td>
<td>570,660</td>
<td>309,627</td>
</tr>
<tr>
<td><strong>Total other</strong></td>
<td>570,660</td>
<td>309,627</td>
</tr>
</tbody>
</table>

*Under banking arrangements in place up to 1 July 2003, monies in AUSTRAC's bank accounts were swept into the Official Public Account nightly and earned interest on the daily balance at rates based on money market call rates. Since 1 July 2003, no interest is earned on AUSTRAC's bank balances.*
## NOTE 6 - NON-FINANCIAL ASSETS

**Note 6A - Infrastructure, plant and equipment**

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Computer plant and equipment</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Computer plant and equipment - at cost</td>
<td>1,813,472</td>
<td>397,292</td>
</tr>
<tr>
<td>Less: Accumulated depreciation</td>
<td>(503,488)</td>
<td>(77,952)</td>
</tr>
<tr>
<td><strong>Computer plant and equipment - at June 02 valuation (deprival)</strong></td>
<td>1,051,710</td>
<td>1,161,232</td>
</tr>
<tr>
<td>Less: Accumulated depreciation</td>
<td>(992,365)</td>
<td>(1,060,723)</td>
</tr>
<tr>
<td><strong>Total computer plant and equipment</strong></td>
<td>1,369,329</td>
<td>419,849</td>
</tr>
</tbody>
</table>

| **Non-computer plant and equipment** |        |        |
| Non-computer plant and equipment - at cost | 446,096  | 6,549  |
| Less: Accumulated depreciation     | (77,828)  | (809)  |
| **Non-computer plant and equipment - at June 02 valuation (deprival)** | 364,162  | 487,858 |
| Less: Accumulated depreciation     | (266,330) | (340,316) |
| **Total non-computer plant and equipment** | 466,100  | 153,282 |

| **Furniture and leasehold improvements** |        |        |
| Furniture and leasehold improvements - at cost | 1,342,327 | -      |
| Less: Accumulated depreciation     | (326,806) | -      |
| **Furniture and Leasehold improvements - at June 02 valuation (deprival)** | 526,554  | 526,554 |
| Less: Accumulated depreciation     | (373,109) | (296,390) |
| **Total furniture and leasehold improvements** | 1,168,966 | 230,164 |
NOTE 6 - NON-FINANCIAL ASSETS (Cont.)

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internally developed computer software - at cost</td>
<td>$2,958,426</td>
<td>$2,958,426</td>
</tr>
<tr>
<td>Less: Accumulated amortisation</td>
<td>(2,791,760)</td>
<td>(2,303,353)</td>
</tr>
<tr>
<td></td>
<td>166,666</td>
<td>655,073</td>
</tr>
<tr>
<td><strong>Total internally developed computer software</strong></td>
<td>166,666</td>
<td>655,073</td>
</tr>
<tr>
<td><strong>Total infrastructure, plant and equipment</strong></td>
<td>3,171,061</td>
<td>1,458,368</td>
</tr>
</tbody>
</table>

All revaluations were as at 30 June 2002 in accordance with the progressive revaluations policy stated in Note 1. The valuation of furniture and leasehold improvements was completed by independent valuer Miers Consulting Pty Ltd. The revaluation of computer and non-computer plant and equipment was completed in-house by information technology contractors.

Note 6B - Analysis of plant, equipment and intangibles

**TABLE A - Reconciliation of the opening and closing balances of plant and equipment and intangibles**

<table>
<thead>
<tr>
<th>ITEM</th>
<th>Plant and equipment $</th>
<th>Capitalised software $</th>
<th>Total $</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>As at 1 July 2003</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross book value</td>
<td>$2,299,872</td>
<td>$2,958,426</td>
<td>$5,258,298</td>
</tr>
<tr>
<td>Accumulated depreciation/amortisation</td>
<td>(1,496,577)</td>
<td>(2,303,353)</td>
<td>(3,799,930)</td>
</tr>
<tr>
<td>Net book value</td>
<td>803,295</td>
<td>655,073</td>
<td>1,458,368</td>
</tr>
<tr>
<td><strong>Additions</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>By purchase</td>
<td>$3,202,045</td>
<td>-</td>
<td>$3,202,045</td>
</tr>
<tr>
<td>From acquisition of operations</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Depreciation/amortisation expense</strong></td>
<td>(997,687)</td>
<td>(488,407)</td>
<td>(1,486,094)</td>
</tr>
<tr>
<td><strong>Disposals</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>From disposals of operations</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other disposals</td>
<td>(3,258)</td>
<td>-</td>
<td>(3,258)</td>
</tr>
<tr>
<td><strong>As at 30 June 2004</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross book value</td>
<td>$5,264,709</td>
<td>$2,958,426</td>
<td>$8,223,135</td>
</tr>
<tr>
<td>Accumulated depreciation/amortisation</td>
<td>(2,260,314)</td>
<td>(2,791,760)</td>
<td>(5,052,074)</td>
</tr>
<tr>
<td><strong>Net book value</strong></td>
<td>$3,004,395</td>
<td>166,666</td>
<td>$3,171,061</td>
</tr>
</tbody>
</table>
### TABLE B - Assets at valuation

<table>
<thead>
<tr>
<th>ITEM</th>
<th>Plant and equipment $</th>
<th>Capitalised software $</th>
<th>Total $</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>As at 30 June 2004</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross value</td>
<td>1,942,426</td>
<td>-</td>
<td>1,942,426</td>
</tr>
<tr>
<td>Accumulated depreciation/amortisation</td>
<td>(1,631,804)</td>
<td>-</td>
<td>(1,631,804)</td>
</tr>
<tr>
<td>Net book value</td>
<td>310,622</td>
<td>-</td>
<td>310,622</td>
</tr>
<tr>
<td><strong>As at 30 June 2003</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross value</td>
<td>2,175,644</td>
<td>-</td>
<td>2,175,644</td>
</tr>
<tr>
<td>Accumulated depreciation/amortisation</td>
<td>(1,697,429)</td>
<td>-</td>
<td>(1,697,429)</td>
</tr>
</tbody>
</table>

### NOTE 7 - PROVISIONS

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Note 7A - Employee provisions</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wages and salary</td>
<td>240,758</td>
<td>133,019</td>
</tr>
<tr>
<td>Leave</td>
<td>1,413,096</td>
<td>1,109,238</td>
</tr>
<tr>
<td>Superannuation</td>
<td>91,809</td>
<td>49,162</td>
</tr>
<tr>
<td><strong>Aggregate employee benefit liability</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current</td>
<td>1,745,663</td>
<td>1,291,419</td>
</tr>
<tr>
<td>Non-current</td>
<td>1,012,957</td>
<td>672,873</td>
</tr>
<tr>
<td>Non-current</td>
<td>732,706</td>
<td>618,546</td>
</tr>
<tr>
<td><strong>Note 7B - Other liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AGEC project account - current liabilities</td>
<td>184,948</td>
<td>110,124</td>
</tr>
<tr>
<td>POI Study project account - current liabilities</td>
<td>40,174</td>
<td>11,465</td>
</tr>
<tr>
<td>Money Laundering Research project account - current liabilities</td>
<td>24,508</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total other liabilities</strong></td>
<td>249,630</td>
<td>121,589</td>
</tr>
</tbody>
</table>

*AUSTRAC is a major participant in these projects. The Agency manages and controls the funds and expenditures of these project accounts.*
NOTE 8 - PAYABLES

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Note 8A - Suppliers payable</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accrued expenses</td>
<td>433,480</td>
<td>168,012</td>
</tr>
<tr>
<td><strong>Total suppliers payable</strong></td>
<td>433,480</td>
<td>168,012</td>
</tr>
</tbody>
</table>

Suppliers payable are represented by:

- Current: 433,480, 168,012
- Non-current: -

**Total suppliers payable**: 433,480, 168,012

**Note 8B - Other payables**

Prepayments received: 46,809, -

**Total other payables**: 46,809, -

NOTE 9 - EQUITY

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Accumulated Results</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Opening balance as at 1 July</td>
<td>1,408,373</td>
<td>1,859,539</td>
</tr>
<tr>
<td>Net surplus/deficit</td>
<td>190,905</td>
<td>(451,166)</td>
</tr>
<tr>
<td><strong>Transactions with owner:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions by owner:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Appropriations (equity injections)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Closing balance as at</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>30 June</td>
<td>1,599,278</td>
<td>1,408,373</td>
</tr>
</tbody>
</table>
NOTE 10 - CASH FLOW RECONCILIATION

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reconciliation of cash per Statement of Financial Position to Statement of Cash Flows</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash at year end per Statement of Cash Flows</td>
<td>2,478,412</td>
<td>1,039,706</td>
</tr>
<tr>
<td>Reconciliation of net surplus to net cash from operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating surplus (deficit)</td>
<td>190,905</td>
<td>(451,166)</td>
</tr>
<tr>
<td>Depreciation/amortisation</td>
<td>1,486,094</td>
<td>907,366</td>
</tr>
<tr>
<td>Net profit on disposal of non-financial assets</td>
<td>(2,893)</td>
<td>(18,490)</td>
</tr>
<tr>
<td>Changes in assets and liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase / (decrease) in employee provisions</td>
<td>454,244</td>
<td>278,861</td>
</tr>
<tr>
<td>Increase / (decrease) in other liabilities</td>
<td>174,850</td>
<td>(49,397)</td>
</tr>
<tr>
<td>Decrease / (increase) in receivables</td>
<td>(289,036)</td>
<td>127,424</td>
</tr>
<tr>
<td>Decrease / (increase) in other assets</td>
<td>(261,033)</td>
<td>17,548</td>
</tr>
<tr>
<td>Increase / (decrease) in creditors</td>
<td>160,179</td>
<td>31,601</td>
</tr>
<tr>
<td>Net cash from operating activities</td>
<td>1,913,310</td>
<td>843,747</td>
</tr>
</tbody>
</table>
## NOTE 11A - APPROPRIATIONS

Note 11A - Acquittal of Authority to Draw Cash from the Consolidated Revenue Fund for Departmental outputs (Appropriations) from Acts 1 and 3

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance carried from previous year</td>
<td>918,117</td>
<td>689,416</td>
</tr>
<tr>
<td>Appropriation for reporting period (Act 1)</td>
<td>17,357,000</td>
<td>11,274,000</td>
</tr>
<tr>
<td>Appropriation for reporting period (Act 3)</td>
<td>225,000</td>
<td>(116,000)</td>
</tr>
<tr>
<td>Adjustments by the Finance Minister</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Amounts from Advance to the Finance Minister</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Refunds credited (FMA s30)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>GST credits (FMA s30A)</td>
<td>938,032</td>
<td>635,412</td>
</tr>
<tr>
<td>Annotations to 'net appropriations' (FMA s31)</td>
<td>-</td>
<td>25,169</td>
</tr>
<tr>
<td>Transfer to/from other agencies (FMA s32)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Available for payments</td>
<td>19,438,149</td>
<td>12,482,828</td>
</tr>
<tr>
<td>Payments made</td>
<td>17,024,953</td>
<td>11,564,711</td>
</tr>
<tr>
<td>Appropriations credited to Special Accounts</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Balance carried to the next year</strong></td>
<td><strong>2,413,196</strong></td>
<td><strong>918,117</strong></td>
</tr>
</tbody>
</table>

Represented by:

- **Cash**: 2,413,196
- **Appropriations receivable**: -
- **Receivables - Goods and Services - GST receivable from customers**: -
- **Return of contributed equity**: -
- **Other payables - Net GST payable to the ATO**: -
- **Payable - Suppliers - GST portion**: -
- **Savings in Portfolio Additional Estimates Statement**: -
- **Total**: -

**FMA** = Financial Management and Accountability Act 1997

**Act 1** = Appropriation Act (No. 1) 2003-2004

**Act 3** = Appropriation Act (No. 3) 2003-2004
### NOTE 11B - APPROPRIATIONS

**Note 11B - Acquittal of Authority to Draw Cash from the Consolidated Revenue Fund for Departmental outputs (Appropriations) from Acts 2 and 4**

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance carried from previous year</strong></td>
<td>88,000</td>
<td>-</td>
</tr>
<tr>
<td><strong>Appropriation for reporting period (Act 2)</strong></td>
<td>2,498,000</td>
<td>-</td>
</tr>
<tr>
<td><strong>Appropriation for reporting period (Act 4)</strong></td>
<td>30,000</td>
<td>-</td>
</tr>
<tr>
<td><strong>Adjustments by the Finance Minister</strong></td>
<td>-</td>
<td>88,000</td>
</tr>
<tr>
<td><strong>Amounts from Advance to the Finance Minister</strong></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Refunds credited (FMA s30)</strong></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>GST credits (FMA s30A)</strong></td>
<td>316,231</td>
<td>-</td>
</tr>
<tr>
<td><strong>Annotations to ‘net appropriations’ (FMA s31)</strong></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Transfer to/from other agencies (FMA s32)</strong></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Available for payments</strong></td>
<td>2,932,231</td>
<td>-</td>
</tr>
<tr>
<td><strong>Payments made</strong></td>
<td>2,932,231</td>
<td>-</td>
</tr>
<tr>
<td><strong>Appropriations credited to Special Accounts</strong></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Balance carried to the next year</strong></td>
<td>-</td>
<td>88,000</td>
</tr>
</tbody>
</table>

**Represented by:**

- Cash: -
- Appropriations receivable: - 88,000
- Receivables - Goods and Services - GST receivable from customers: -
- Return of contributed equity: -
- Other payables - Net GST payable to the ATO: -
- Payable - Suppliers - GST portion: -
- Savings in Portfolio Additional Estimates Statement: -
- Total: - 88,000

**FMA** = Financial Management and Accountability Act 1997

**Act 2** = Appropriation Act (No. 2) 2003-2004

**Act 4** = Appropriation Act (No. 4) 2003-2004
**Note 11C - Special Accounts**

AUSTRAC has an *Other Trust Monies Special Account* and a *Services for other Governments and Non-Agency Bodies Account*. For the years ended 30 June 2004 and 30 June 2003, both special accounts had nil balances and there were no transactions debited or credited to them.

**NOTE 12 - EXECUTIVE REMUNERATION**

The number of executives who received or were due to receive total remuneration of $100,000 or more:

<table>
<thead>
<tr>
<th>Remuneration Range</th>
<th>2004</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>$130,000 to $139,999</td>
<td>1</td>
<td>-</td>
</tr>
<tr>
<td>$160,000 to $169,999</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>$170,000 to $179,999</td>
<td>1</td>
<td>-</td>
</tr>
<tr>
<td>$190,000 to $199,999</td>
<td>1</td>
<td>-</td>
</tr>
<tr>
<td>$200,000 to $209,999</td>
<td>-</td>
<td>1</td>
</tr>
</tbody>
</table>

The aggregate amount of total remuneration of executives shown above:


The aggregate amount of separation and redundancy/termination benefit payments during the year to executives shown above:

Nil in both years.

**NOTE 13 - REMUNERATION OF AUDITORS**

Financial statement audit services are provided free of charge to AUSTRAC.

The fair value of the services provided was:

$18,000 in 2004 and $14,500 in 2003.

No other services were provided by the Auditor-General.

**NOTE 14 - ACT OF GRACE PAYMENTS AND WAIVERS**

No 'Act of Grace' payments were made during the reporting period, and there are no amounts owing as at year end.

No waivers of amounts owing to the Commonwealth were made pursuant to subsection 34(1) of the *Financial Management and Accountability Act 1997*.
NOTE 15 - REPORTING OF OUTCOME

Note 15A - Net Cost of Outcome Delivery

<table>
<thead>
<tr>
<th>Output Group</th>
<th>2004</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Departmental expenses</td>
<td>Departmental expenses</td>
</tr>
<tr>
<td></td>
<td>Total expenses</td>
<td>Total expenses</td>
</tr>
<tr>
<td></td>
<td>Other external revenues</td>
<td>Other external revenues</td>
</tr>
<tr>
<td></td>
<td>Departmental</td>
<td>Departmental</td>
</tr>
<tr>
<td></td>
<td>Interest on cash deposits</td>
<td>- 8 2 7 12</td>
</tr>
<tr>
<td></td>
<td>Revenue from disposal of assets</td>
<td>2 3 - - 1</td>
</tr>
<tr>
<td></td>
<td>Reversals of previous asset write-downs</td>
<td>- - - - -</td>
</tr>
<tr>
<td></td>
<td>Other</td>
<td>14 113 3 263 4</td>
</tr>
<tr>
<td></td>
<td>Total Departmental</td>
<td>16 116 3 263 5</td>
</tr>
<tr>
<td></td>
<td>Total other external revenues</td>
<td>16 116 3 263 5</td>
</tr>
<tr>
<td></td>
<td>Net cost of outcome</td>
<td>5,314 8,324 1,035 1,218 1,518 17,409</td>
</tr>
</tbody>
</table>

AUSTRAC allocates all expenditure across its five output groups. Direct costs including salary and operational specific expenditure such as travel are attributed to the relevant output group in the first instance. Overheads which cannot be allocated directly to an output group, including corporate and IT efforts to support the five output groups, other IT expenditure and property operating expenses, are allocated to the five outputs using standard cost accounting methods.
NOTE 15 - REPORTING OF OUTCOME

Note 15B - Major Classes of Revenues and Expenses by Output Group

<table>
<thead>
<tr>
<th>Output Group</th>
<th>2004</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>$17,812</td>
<td>$12,465</td>
</tr>
<tr>
<td>Revenues from government</td>
<td>17,600</td>
<td>11,261</td>
</tr>
<tr>
<td>Other non-taxation revenues</td>
<td>403</td>
<td>753</td>
</tr>
<tr>
<td>Total departmental revenues</td>
<td>$18,003</td>
<td>$12,014</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Output Group</th>
<th>2004</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>6,355</td>
<td>4,210</td>
</tr>
<tr>
<td>Revenues from government</td>
<td>5,355</td>
<td>3,255</td>
</tr>
<tr>
<td>Other non-taxation revenues</td>
<td>968</td>
<td>216</td>
</tr>
<tr>
<td>Total departmental expenses</td>
<td>$11,323</td>
<td>$5,066</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Output Group</th>
<th>2004</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>1,486</td>
<td>907</td>
</tr>
<tr>
<td>Revenues from government</td>
<td>1,486</td>
<td>698</td>
</tr>
<tr>
<td>Other non-taxation revenues</td>
<td>53</td>
<td>33</td>
</tr>
<tr>
<td>Total departmental revenues</td>
<td>$2,023</td>
<td>$731</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Output Group</th>
<th>2004</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>Revenues from government</td>
<td>3</td>
<td>27</td>
</tr>
<tr>
<td>Other non-taxation revenues</td>
<td>0</td>
<td>11</td>
</tr>
<tr>
<td>Total departmental revenues</td>
<td>$3</td>
<td>$11</td>
</tr>
</tbody>
</table>

NOTE 16 - AVERAGE STAFFING LEVELS

The average staffing levels for AUSTRAC during the year were:

2004: 89
2003: 59

The average staffing levels for AUSTRAC during the year were:

2004: 89
2003: 59
### NOTE 17 - FINANCIAL INSTRUMENTS

#### Note 17A - Terms, conditions and accounting policies

<table>
<thead>
<tr>
<th>Financial Instrument</th>
<th>Notes</th>
<th>Accounting policies and methods (including recognition criteria and measurement basis)</th>
<th>Nature of underlying instrument (including significant terms and conditions affecting the amount, timing and certainty of cash flows)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial assets</td>
<td></td>
<td>Financial assets are recognised when control over future economic benefits is established and the amount of the benefit can be reliably measured.</td>
<td></td>
</tr>
<tr>
<td>Cash/investments</td>
<td>5A, 5C</td>
<td>Cash is recognised at its nominal amounts.</td>
<td>Monies in AUSTRAC’s bank accounts are swept into the Official Public Account nightly. Interest is not earned by AUSTRAC.</td>
</tr>
<tr>
<td>Receivables/other</td>
<td>5B</td>
<td>These receivables are recognised at their nominal amounts.</td>
<td>All receivables are with entities external to the Commonwealth. Credit terms are net 30 days (2003: 30 days).</td>
</tr>
<tr>
<td>Appropriations receivable</td>
<td>5B</td>
<td>These receivables are recognised at their nominal amounts.</td>
<td>Amounts appropriated by the Parliament in the current or previous years which are available to be drawn down by the Agency.</td>
</tr>
<tr>
<td>Financial liabilities</td>
<td></td>
<td>Financial liabilities are recognised when a present obligation to another party is entered into and the amount of the liability can be readily measured.</td>
<td></td>
</tr>
<tr>
<td>Trade creditors</td>
<td>7B</td>
<td>Creditors and accruals are recognised at their nominal amounts, being the amounts at which the liabilities will be settled. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced).</td>
<td>All creditors are entities that are not part of the Commonwealth legal entity. Settlement is usually made net 30 days (2003: 30 days).</td>
</tr>
</tbody>
</table>
Note 17B - Interest rate risk
It is considered that there is no interest rate risk.

Note 17C - Net fair values of financial assets and liabilities
The net fair values of cash and non-interest bearing liabilities equate to their carrying amounts disclosed in the financial statements.

Note 17D - Credit risk exposures
AUSTRAC’s maximum exposures to credit risk at reporting date in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the Statement of Financial Position.

AUSTRAC has no significant exposures to any concentrations of credit risk.

All figures for credit risk referred to do not take into account the value of collateral or other security.

NOTE 18 - CONTINGENT LIABILITIES AND ASSETS

Quantifiable Contingencies
There are no quantifiable contingencies as at 30 June 2004 (2003: Nil).

Unquantifiable Contingencies
There are no unquantifiable contingencies as at 30 June 2004 (2003: Nil).

Remote Contingencies
There are no remote contingencies as at 30 June 2004 (2003: Nil).

NOTE 19 - EVENTS OCCURRING AFTER REPORTING DATE
AUSTRAC is not aware of any significant events that have occurred since reporting date which warrant disclosure in these statements.
Appendices

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Staffing overview

Appendix B
Resources for outcome

Appendix C
AUSTRAC’s service charter

Appendix D
Committees and reports

Appendix E
Publication 2003-04

Appendix F
AUSTRAC’s freedom of information statement

Appendix G
AUSTRAC’s locations
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  SES staff figures 2003-04
  Consultants - summary statement
  Advertising
  EEO in engagements
  Occupational health and safety
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Appendix A

Staffing overview

Historical profile from 1999 - 2004

Provided below are human resource statistics, showing operative staff, paid inoperative staff and unpaid inoperative staff as at 30 June from 1999-2004.

In relation to the method of recording:

- the tables relating to operative and paid inoperative staff report actual occupancy as at 30 June each year, so that when an officer was on paid leave as at 30 June and another acted in the position, two officers are recorded against one position

- the tables include staff employed under the Public Service Act 1999.

- non-ongoing, casual and part-time staff are included in the statistics; part-time staff are shown as full-time equivalents

- numbers have been rounded up, to whole numbers.

<table>
<thead>
<tr>
<th>Operative and paid inoperative staff</th>
<th>1999-00</th>
<th>2000-01</th>
<th>2001-02</th>
<th>2002-03</th>
<th>2003-04</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central office (NSW)</td>
<td>48</td>
<td>49</td>
<td>46</td>
<td>47</td>
<td>63</td>
</tr>
<tr>
<td>VIC regional office</td>
<td>9</td>
<td>9</td>
<td>10</td>
<td>12</td>
<td>19</td>
</tr>
<tr>
<td>ACT regional office</td>
<td>1</td>
<td>1</td>
<td>-</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>QLD regional office</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>WA regional office</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>SA regional office</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td>60</td>
<td>61</td>
<td>58</td>
<td>63</td>
<td>89</td>
</tr>
</tbody>
</table>

Table 1 - Financial year operative and paid inoperative staff

<table>
<thead>
<tr>
<th>Unpaid inoperative staff</th>
<th>2003-04</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central office (NSW)</td>
<td>2</td>
</tr>
<tr>
<td>VIC regional office</td>
<td>1</td>
</tr>
<tr>
<td>ACT regional office</td>
<td>-</td>
</tr>
<tr>
<td>QLD regional office</td>
<td>-</td>
</tr>
<tr>
<td>WA regional office</td>
<td>-</td>
</tr>
<tr>
<td>SA regional office</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>3</td>
</tr>
</tbody>
</table>

Table 2 - Unpaid inoperative staff 2003-04
Staff figures at 30 June 2004

Table 3 provides a summary by classification and shows staff employed under the Public Service Act 1999, reflecting full-time equivalent for part-time staff. It also includes non-ongoing and casual staff as well as paid inoperatives and those acting in a higher position at 30 June 2004. Numbers have been rounded to whole numbers.

<table>
<thead>
<tr>
<th>2004 staff figures</th>
<th>Public office holder</th>
<th>Senior Executive Service</th>
<th>AUSTRAC Broadband 3 (EL2)</th>
<th>AUSTRAC Broadband 2 (EL1 - APS Level 6)</th>
<th>AUSTRAC Broadband 1 (APS Levels 1 - 5)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>M F</td>
<td>M F</td>
<td>M F</td>
<td>M F</td>
<td>M F</td>
<td></td>
</tr>
<tr>
<td>Central office (NSW)</td>
<td>- -</td>
<td>1 1</td>
<td>3 3</td>
<td>7 13</td>
<td>10 25</td>
<td>63</td>
</tr>
<tr>
<td>VIC regional office</td>
<td>1 -</td>
<td>- -</td>
<td>1 -</td>
<td>9 1</td>
<td>4 3</td>
<td>19</td>
</tr>
<tr>
<td>ACT regional office</td>
<td>- -</td>
<td>- -</td>
<td>- -</td>
<td>1 1</td>
<td>- -</td>
<td>3</td>
</tr>
<tr>
<td>QLD regional office</td>
<td>- -</td>
<td>- -</td>
<td>- -</td>
<td>- -</td>
<td>1 -</td>
<td>1</td>
</tr>
<tr>
<td>WA regional office</td>
<td>- -</td>
<td>- -</td>
<td>- -</td>
<td>1 1</td>
<td>- -</td>
<td>2</td>
</tr>
<tr>
<td>SA regional office</td>
<td>- -</td>
<td>- -</td>
<td>- -</td>
<td>- -</td>
<td>- -</td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td>1 -</td>
<td>1 1</td>
<td>5 3</td>
<td>18 18</td>
<td>14 28</td>
<td>89</td>
</tr>
</tbody>
</table>

Table 3 - Staff figures at 30 June 2004

<table>
<thead>
<tr>
<th>Part-time and non-ongoing staff</th>
<th>Part-time staff</th>
<th>Non-ongoing staff</th>
</tr>
</thead>
<tbody>
<tr>
<td>State</td>
<td>Classification group</td>
<td>M F Total</td>
</tr>
<tr>
<td>Central office (NSW)</td>
<td>Senior Officer Grades and equivalent</td>
<td>- - -</td>
</tr>
<tr>
<td></td>
<td>APS 1-6 and equivalent</td>
<td>- 3 3</td>
</tr>
<tr>
<td>VIC regional office</td>
<td>Senior Officer Grades and equivalent</td>
<td>- - -</td>
</tr>
<tr>
<td></td>
<td>APS 1-6 and equivalent</td>
<td>- 1 1</td>
</tr>
<tr>
<td>ACT regional office</td>
<td>Senior Officer Grades and equivalent</td>
<td>- - -</td>
</tr>
<tr>
<td></td>
<td>APS 1-6 and equivalent</td>
<td>- - -</td>
</tr>
<tr>
<td>QLD regional office</td>
<td>Senior Officer Grades and equivalent</td>
<td>- - -</td>
</tr>
<tr>
<td></td>
<td>APS 1-6 and equivalent</td>
<td>- - -</td>
</tr>
<tr>
<td>WA regional office</td>
<td>Senior Officer Grades and equivalent</td>
<td>- - -</td>
</tr>
<tr>
<td></td>
<td>APS 1-6 and equivalent</td>
<td>- - -</td>
</tr>
<tr>
<td>SA regional office</td>
<td>Senior Officer Grades and equivalent</td>
<td>- - -</td>
</tr>
<tr>
<td></td>
<td>APS 1-6 and equivalent</td>
<td>- - -</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>4 4 16 16 32</td>
</tr>
</tbody>
</table>

Table 4 - Part-time and non-ongoing staff at 30 June 2004
SES staff figures 2003-04

Table 5 shows Senior Executive Service Officer numbers by gender and State at 30 June 2004.

<table>
<thead>
<tr>
<th>Band</th>
<th>NSW</th>
</tr>
</thead>
<tbody>
<tr>
<td>SES 3 Male</td>
<td>-</td>
</tr>
<tr>
<td>SES 3 Female</td>
<td>-</td>
</tr>
<tr>
<td>SES 2 Male</td>
<td>-</td>
</tr>
<tr>
<td>SES 2 Female</td>
<td>-</td>
</tr>
<tr>
<td>SES 1 Male</td>
<td>1</td>
</tr>
<tr>
<td>SES 1 Female</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2</strong></td>
</tr>
</tbody>
</table>

*Table 5 - Substantive SES officers at 30 June 2004*

There were no SES staff separations and one SES staff who returned from unpaid leave during the year.

Consultants - summary statement

AUSTRAC outsourced some of its specialist service needs during the financial year. Table 6 outlines the cost to AUSTRAC and numbers of consultancies over $10,000.

<table>
<thead>
<tr>
<th>Consultancies</th>
<th>No.</th>
<th>Expenditure Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Including: specialist security infrastructure advice, security risk assessments and reviews, legal advice, specialist financial sector, human resource management, corporate governance and financial management and reporting advice.</td>
<td>9</td>
<td>$332,048</td>
</tr>
</tbody>
</table>

*Table 6 - Consultancies 2003-04*

Advertising

During the financial year, AUSTRAC placed a number of classified advertisements to recruit staff for various roles. During the year, $64,245 was paid to HMA Blaze to provide this service.

An education campaign aimed at remittance dealers and other cash dealers to raise awareness of their obligations under the *Financial Transaction Reports Act 1988* was also conducted this year. Details of this campaign are in Chapter 4. The cost of this advertising campaign was $10,618.
### EEO in engagements

Table 7 is a summary of the representation of Equal Employment Opportunity groups within classifications and includes ongoing employees only. AUSTRAC currently holds EEO data for 98 per cent of ongoing staff.

<table>
<thead>
<tr>
<th>Classification or Equivalent</th>
<th>Total no. of staff</th>
<th>Women</th>
<th>ROEB</th>
<th>ATSI</th>
<th>PWD</th>
<th>Staff with EEO data</th>
</tr>
</thead>
<tbody>
<tr>
<td>APS1</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>APS2</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>APS3</td>
<td>6</td>
<td>5</td>
<td>4</td>
<td>-</td>
<td>-</td>
<td>6 100%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>83%</td>
<td>67%</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>APS4</td>
<td>6</td>
<td>5</td>
<td>2</td>
<td>1</td>
<td>-</td>
<td>6 100%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>83%</td>
<td>33%</td>
<td>17%</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>APS5</td>
<td>12</td>
<td>8</td>
<td>2</td>
<td>-</td>
<td>-</td>
<td>12 100%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>67%</td>
<td>17%</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>APS6</td>
<td>17</td>
<td>13</td>
<td>8</td>
<td>-</td>
<td>-</td>
<td>17 100%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>76%</td>
<td>47%</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>EL 1</td>
<td>11</td>
<td>4</td>
<td>2</td>
<td>-</td>
<td>-</td>
<td>11 100%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>36%</td>
<td>18%</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>EL 2</td>
<td>7</td>
<td>2</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>6 86%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>29%</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>SES and equivalent</td>
<td>3</td>
<td>1</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3 100%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>33%</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>62</td>
<td>38</td>
<td>18</td>
<td>1</td>
<td>-</td>
<td>61 98%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>61%</td>
<td>29%</td>
<td>2%</td>
<td>-</td>
<td></td>
</tr>
</tbody>
</table>

**Table 7 - EEO groups within classification levels at 30 June 2004**

**Note:**
- **ROEB** Race or ethnicity background
- **ATSI** Aboriginal or Torres Strait Islander
- **PWD** Person with a disability
- **APS** Australian Public Service Officer
- **EL** Executive Level
- **SES** Senior Executive Service
Occupational Health and Safety (OH&S)

This report is presented in accordance with the requirements of section 74 of the Occupational Health and Safety (Commonwealth Employment) Act 1991.

<table>
<thead>
<tr>
<th>Section 68 occurrences (Notification and reporting of accidents and dangerous occurrences)</th>
<th>There were two occurrences during the year that required giving notice to Comcare under section 68 of the Act.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investigations</td>
<td>No investigation was conducted.</td>
</tr>
<tr>
<td>Section 45 directions (Power to direct that workplace not be disturbed)</td>
<td>No direction was given to AUSTRAC under section 45 of the Act.</td>
</tr>
<tr>
<td>Section 30 notices (Duties of employers in relation to health and safety representatives)</td>
<td>No notice was issued under section 30 of the Act.</td>
</tr>
<tr>
<td>Section 46 notices (Power to issue prohibition notices)</td>
<td>No notice was issued under section 46 of the Act.</td>
</tr>
<tr>
<td>Section 47 notices (Power to issue improvement notices)</td>
<td>No notice was issued under section 47 of the Act.</td>
</tr>
</tbody>
</table>

Table 8 - Reporting requirements under the Act

AUSTRAC has acted in accordance with the Occupational Health and Safety (Commonwealth Employment) Act 1991.

Training and development programs - summary statement

Net eligible training expenditure by AUSTRAC in 2003-04 was $224,210. The total number of person-days spent by staff in training programs during the year was 419. A total of 95 officers attended training and development activities.

Industrial relations

There are 84 staff covered by the AUSTRAC Certified Agreement 2002 as at 30 June 2004. Two SES and eight non-SES staff were parties to respective Australian Workplace Agreements at 30 June 2004.

Table 9 provides a summary by classification structure of the salary ranges available for APS employees under AUSTRAC’s Certified Agreement.
Table 9 Classification and salary ranges at 30 June 2004

<table>
<thead>
<tr>
<th>Classification or equivalent</th>
<th>Salary range $</th>
</tr>
</thead>
<tbody>
<tr>
<td>APS 1</td>
<td>31,595 - 34,575</td>
</tr>
<tr>
<td>APS 2</td>
<td>35,171 - 39,345</td>
</tr>
<tr>
<td>APS 3</td>
<td>39,940 - 42,921</td>
</tr>
<tr>
<td>APS 4</td>
<td>43,517 - 48,286</td>
</tr>
<tr>
<td>APS 5</td>
<td>48,882 - 52,459</td>
</tr>
<tr>
<td>APS 6</td>
<td>53,054 - 61,905</td>
</tr>
<tr>
<td>EL 1</td>
<td>66,491 - 75,662</td>
</tr>
<tr>
<td>EL 2</td>
<td>78,012 - 91,711</td>
</tr>
</tbody>
</table>

Non-salary benefits provided to staff by AUSTRAC under the Certified Agreement include:

- 11 public holidays per year for all employees in each State;
- flexible working hours including working shorter hours by agreement;
- access to salary sacrifice arrangements;
- access to home based work arrangements;
- jobs are assessed annually to determine the correct work value level;
- access to developmental opportunities;
- 14 weeks paid maternity leave; and
- access to personal (sick) leave to undertake further education.

**Performance pay**

Performance pay is not available to AUSTRAC staff under our Certified Agreement. As a result, no AUSTRAC staff received performance pay during the financial year.
## Appendix B

### Summary table of resources

<table>
<thead>
<tr>
<th></th>
<th>(1) Budget 2003-04</th>
<th>(2) Actual Expenses 2003-04</th>
<th>Variation (2) - (1)</th>
<th>(3) Budget 2004-05</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$'000</td>
<td>$'000</td>
<td>$'000</td>
<td>$'000</td>
</tr>
</tbody>
</table>

### DEPARTMENTAL APPROPRIATIONS

| Output 1.1: Deterring money laundering | 5,090 | 5,371 | 281 | 5,803 |
| Output 1.2: Targeting money laundering | 8,515 | 8,416 | (99) | 8,475 |
| Output 1.3: Advice on effectiveness of FTR Act | 815 | 1,045 | 230 | 1,080 |
| Output 1.4: Contributions to international efforts | 1,540 | 1,233 | (307) | 3,800 |
| Output 1.5: Privacy and security | 1,397 | 1,535 | 138 | 1,647 |

**Total revenue from government (appropriations)**

contributing to price of outcome: 17,357 17,600 243 20,805

### REVENUE FROM OTHER SOURCES

| Output 1.1: Deterring money laundering | 9 | 16 | 7 | 10 |
| Output 1.2: Targeting money laundering | 15 | 116 | 101 | 113 |
| Output 1.3: Advice on effectiveness of FTR Act | 1 | 3 | 2 | 2 |
| Output 1.4: Contributions to international efforts | 2 | 263 | 261 | 361 |
| Output 1.5: Privacy and security | 3 | 5 | 2 | 2 |

**Total revenue from other sources**

30 403 373 488

**Total price of departmental outputs**

17,387 18,003 616 21,293

(Total revenue from government and other sources)

**Total estimated resourcing for outcome 1**

17,387 18,003 616 21,293

(Total administered expenses)

**Average Staffing Level**

<table>
<thead>
<tr>
<th></th>
<th>2003-04</th>
<th>2004-05</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>89</td>
<td>103</td>
</tr>
</tbody>
</table>
Appendix C

AUSTRAC's Service Charter

This charter sets out the standards of service which cash dealers and members of the public can expect from AUSTRAC in administering the Financial Transaction Reports Act 1988 (FTR Act). It includes the steps which may be taken if these standards are not met.

The FTR Act relates to the reporting of financial transaction reports (FTR) information by cash dealers and members of the public and account identification requirements. FTR information includes reports of:

- large cash transactions ($10,000 or more)
- transfer of currency into and out of Australia ($10,000 or more)
- all international funds transfer instructions
- suspect transactions.

AUSTRAC's mission is to make a valued contribution towards a financial environment hostile to money laundering, major crime and tax evasion.

Relationship with cash dealers and the public

- AUSTRAC will provide high quality service, equitably and with integrity.
- AUSTRAC will treat cash dealers and members of the public with courtesy and consideration.
- Response to enquiries and requests from cash dealers and members of the public will be timely and in language which is clear.
- AUSTRAC will act fairly and accurately in applying the provisions of the FTR Act, its regulations and policy.
- AUSTRAC is committed to the Government's objective of assisting cash dealers with the most efficient and effective methods for compliance.
- AUSTRAC will review any concerns with the FTR Act raised by cash dealers or members of the public. Where it is warranted, AUSTRAC will recommend appropriate amendment to the FTR Act.
Rights of cash dealers and the public

AUSTRAC will ensure that the rights of cash dealers and members of the public are maintained in accordance with all relevant Commonwealth, State and Territory laws.

Responsibilities of cash dealers and the public

The responsibilities of cash dealers and members of the public are contained in the FTR Act.

Privacy and confidentiality

AUSTRAC will respect individuals' rights to privacy and confidentiality.

AUSTRAC will ensure that confidentiality of personal information is maintained in accordance with the relevant laws and that individuals will be able to access information in accordance with the Commonwealth Freedom of Information Act 1982.

AUSTRAC will ensure that the FTR information is kept secure and that its use and disclosure is appropriate.

Service delivery standards

AUSTRAC will provide accurate and timely information and advice to cash dealers and members of the public.

AUSTRAC staff will be available during the hours of 8.30 am to 5.00 pm on weekdays. After hours calls can be made to the Enquiry Help Desk.

Interpreter services will be arranged where needed.

Consultation

Cash dealers and the public were generally consulted in the development of this charter through the AUSTRAC Provider Advisory Group and the AUSTRAC Privacy Consultative Committee.

The AUSTRAC Provider Advisory Group includes representatives of financial sector organisations and peak financial sector representative bodies.

The AUSTRAC Privacy Consultative Committee includes members who represent privacy, civil liberties and consumer interests.
Further information on these committees and contact details for the members can be obtained by contacting AUSTRAC at its offices in Sydney, Melbourne or Perth.

The addresses, telephone and facsimile numbers and Internet addresses of AUSTRAC’s offices are detailed in this charter.

**Monitoring and review**

AUSTRAC will undertake an annual review of the terms of this charter and its performance under the charter and will report its findings in its Annual Report.

The charter will be submitted for review to the AUSTRAC Provider Advisory Group and the AUSTRAC Privacy Consultative Committee at least every three years.

**Enquiries and complaints**

AUSTRAC is committed to continuous improvement.

AUSTRAC welcomes customer feedback through enquiries and complaints.

If you have an enquiry or complaint, you can contact AUSTRAC at its offices in Sydney, Melbourne or Perth.

AUSTRAC will return calls within 24 hours, or on the next working day, where telephone messages have been left at its offices.

Your enquiry or complaint will be addressed and an initial response will be provided within two working days.

Where appropriate, and upon request, AUSTRAC will provide a copy of the decision and reasons for the decision to the cash dealer or member of the public concerning their enquiry or complaint.

The *Administrative Decisions (Judicial Review) Act 1977* only applies to decisions under sub-section 17(B)(4) or sub-sections 19(2) or 19(3) of the FTR Act.

AUSTRAC staff can provide appropriate contacts for any customer who wishes to pursue a complaint through external disputes handling and appeals mechanisms or who needs to seek information from another government department or agency.

The addresses, telephone and facsimile numbers and Internet addresses are detailed in this charter.
Performance against Service Charter and complaints procedures

AUSTRAC’s regulatory program includes a Help Desk facility to ensure that industry and members of the public are aware of the obligations imposed by the reporting and ‘know your customer’ regimes within the Financial Transaction Reports Act 1988 (FTR Act). While generic information is pre-recorded and available through a phone message bank, all calls to staff on the AUSTRAC Help Desk are logged and the details recorded within the AUSTRAC database. Problematic calls which cannot be resolved by Help Desk staff are referred to management staff for resolution. AUSTRAC also maintains a separate help desk to support its partner agencies when they are having technical issues with accessing the AUSTRAC database.

AUSTRAC will begin a review of our Service Charter in the next financial year.

Complaints and feedback are received through help desk facilities. They are logged and referred to management for resolution.
Appendix D

Committees and reports

Inquiries by parliamentary and other committees

• Inquiry into Fraud and Electronic Commerce, Drugs and Crime Prevention Committee, Parliament of Victoria: Deputy Director, Money Laundering Deterrence, Liz Atkins appeared.

• Parliamentary Joint Committee on the Australian Crime Commission Inquiry into Cybercrime: Director, Neil Jensen and Deputy Director, Money Laundering Deterrence, Liz Atkins appeared.

• Senate Economics Committee Inquiry into the Structure and Distribution Effects of the Australian Taxation System: Acting Deputy Director, Money Laundering Targeting, Paul Ryan appeared.

• Senate Legal and Constitutional Legislation Committee Budget Estimates Hearings: Director, Neil Jensen and Senior Manager Corporate Resources, Alf Mazzitelli appeared.

Committees convened by AUSTRAC


• AUSTRAC Partner Liaison Groups comprising representatives of law enforcement, national security and revenue agencies in each State/Territory.


• AUSTRAC Provider Advisory Group, comprising representatives from the Australian Association of Permanent Building Societies, Australian Bankers' Association, Australian Crime Commission, Australian Federal Police, Australian Finance Conference, Australian Taxation Office, Credit Union Services Corporation (Australia) Ltd and individual cash dealer organisations.
• Gaming Provider Advisory Group, comprising representatives from the Australian Casino Association, Australian Crime Commission, Australian Federal Police, Australian Taxation Office, bookmakers, major casinos, TABs and other gaming industry bodies.

• Proof of Identity Steering Committee comprising representatives from the Attorney-General’s Department, Australian Bankers’ Association, Australasian Centre for Policing Research, Australian Crime Commission, Australian Federal Police, Australian Road Transportation Forum, Australian Taxation Office, Centrelink, Department of Family and Community Services, Department of Immigration and Multicultural and Indigenous Affairs, National Road Transport Commission, NSW Registry of Births Deaths and Marriages, South Australian Police, and representatives from the major banks.

Committees in which AUSTRAC has a substantial role

• Heads of Commonwealth Operational Law Enforcement Agencies (HOCOLEA) Group.

Other committees/working groups in which AUSTRAC participates

• Attorney-General’s Department Strategic Plan for Commonwealth Law Enforcement
• Australasian Police Ministers’ Council Taskforce on Identity Crime
• Australian Bankers’ Association Fraud Task Force
• Australian Crime Commission Firearms Reference Meeting (Western Australia)
• Australian Crime Commission National Criminal Intelligence (NCIC) Meeting
• Australian Federal Police Identity Crime Task Force
• Australian Prudential Regulation Authority Serious White Collar Crime Committee (Queensland)
• Australian Taxation Office Cash Economy Taskforce
• Commercial Crime Commission (Western Australia)
• Commonwealth Reference Group on Identity Fraud
• Financial Action Task Force (FATF)/Asia Pacific Group on Money Laundering (APG) Co-ordination Group
• Heads of Criminal Intelligence Agencies
• Inter-Departmental Australian Government Counter-Terrorism Policy Committee (AGCTPC)
• Inter-Departmental International Counter-Terrorism Coordination Group (ICTCG)
• Inter-Departmental Terrorist Asset Freezing Working Group
• Joint Analyst Group Meetings (Western Australia)
• Law Enforcement and National Security Clearing House Group
• Organising Committee for the 2004 Forum of Commonwealth Agencies in New South Wales
• Government Business Conference
• Rainbow Coast Intelligence Meetings (Western Australia)
• Senior Intelligence Officers Group (New South Wales)
• South-West Intelligence Meeting (Western Australia).
• Treasury/Industry Consultations on the Review of the FATF 40 Recommendations
• Various law enforcement agency committees

International groups in which AUSTRAC participates

• Asia/Pacific Group on Money Laundering (APG)
• Egmont Group of Financial Intelligence Units
• Financial Action Task Force on Money Laundering (FATF)

Reports concerning AUSTRAC

Reports involving or mentioning AUSTRAC, including reports tabled by parliamentary committees, royal commissions and the Auditor-General, are:

• AUSTRAC's 2002-03 Annual Report, tabled in the House of Representatives and the Senate, October 2003.
• Report of the Royal Commission into whether there has been any corrupt or criminal conduct by Western Australian Police Officers, tabled in the Western Australian Parliament in February 2004.
Appendix E
Publications 2003-04

Current Reporting Forms

International Currency Transfer Report
(Carrying currency into or out of Australia)
Form 15 - January 2004

International Currency Transfer Report
(Mailing currency into or out of Australia)
Form 14 - January 2004

International Funds Transfer Instruction Report
Form 17 - January 2004

Significant Cash Transaction Report
Form 7 - January 2004

Significant Cash Transaction Report
(Bookmaker/Totalisator/TAB)
Form 6 - January 2004

Significant Cash Transaction Report
(Casino)
Form 5 - January 2004

Significant Cash Transaction Report
(Solicitor)
Form 15A - January 2004

Suspect Transaction Report
Form 16 - January 2004

Brochures and flyers

AUSTRAC booklet

TES fundamental search
techniques brochures

Guidelines for using
financial transaction reports
brochures

Working in partnership
brochures

Annual Report
2002-03 Annual Report

Information Circulars

AUSTRAC Information Circular No. 36
Financial Action Task Force (FATF) on Money Laundering
News Release: Counter-Measures Imposed on Myanmar

AUSTRAC Information Circular No. 37
Financial Action Task Force (FATF) on Money Laundering
Ukraine and Egypt Removed from Non-Cooperative Countries and Territories (NCCTs) List

Newsletters

July 2003
January 2004
Appendix F
AUSTRAC's Freedom of Information (FOI) statement

Statement in accordance with section 8 of the Freedom of Information Act (Cwlth) 1982.

Establishment

AUSTRAC was established under section 35 of the Financial Transaction Reports Act (Cwlth) 1988 (FTR Act). AUSTRAC collects financial transaction reports information from financial institutions and other cash dealers, solicitors, members of the public and other entities and makes that information available to law enforcement, revenue, national security and social justice agencies.

Organisation

AUSTRAC is headed by a Director appointed by the Attorney General under section 36 of the FTR Act. The Director is assisted by the staff of AUSTRAC, who are appointed or employed under the Public Service Act 1999 or on contract under section 40A of the FTR Act.

AUSTRAC is presently staffed by 89 people. AUSTRAC is located at: Sydney, New South Wales; Melbourne, Victoria; Canberra, Australian Capital Territory; Brisbane, Queensland; Adelaide, South Australia; and Perth, Western Australia.

Functions and powers

The functions of the Director are set out in section 38 of the FTR Act and include to:

1. collect, retain, compile, analyse and disseminate FTR information;
2. monitor entries made in financial institutions' exemption registers;
3. provide advice and assistance to the Commissioner of Taxation in relation to FTR information; and
4. issue guidelines to cash dealers about their obligations under the FTR Act and the regulations.
The Director is also required to:

(a) consult cash dealers, or the representatives of cash dealers, in relation to the performance of the Director's functions; and

(b) take into account any comments made in the course of consultations referred to in paragraph (a).

To further its functions, AUSTRAC liaises with its advisory committees, comprising representatives of cash dealers, law enforcement agencies, revenue raising bodies, privacy, civil liberties and consumer groups.

Categories of documents

AUSTRAC holds four classes of document submitted in accordance with the FTR Act:

(i) reports on cash transactions into and out of financial institutions and other cash dealers defined by the FTR Act, where the transactions are $10,000 or more. Under section 7 of the FTR Act, these reports are required to be submitted by cash dealers. Solicitors are also required to report cash transactions of $10,000 or more in accordance with section 15A of the FTR Act;

(ii) reports of currency transfers into and out of Australia where the amount transferred is $10,000 or more. Under section 15 of the FTR Act, these reports are required to be submitted by persons;

(iii) reports on suspect transactions, where the cash dealer suspects that the transaction may relate to tax evasion or a breach of law. Under section 16 of the FTR Act and complementary State and Territory legislation, these reports are required to be submitted by cash dealers; and

(iv) reports on international funds transfer instructions into and out of Australia. Under section 17B of the FTR Act, these reports are required to be submitted by cash dealers.

The great majority of reports under (i) and (iv) are submitted by electronic means and are contained within AUSTRAC's TRAQ database system. Reports under (ii) and most reports under (iii) are submitted on paper and are entered manually and made available through the TRAQ system.

AUSTRAC issued Information Circular No. 7, dated September 1997 (formerly CTRA Information Circular No. 5) in respect of FOI access to documents under (i) to (iv) above.
Other documents held by AUSTRAC which are required to be submitted in accordance with the FTR Act are:

(v) details of accounts that have not satisfied the account verification requirements in Part III of the FTR Act and which have been blocked from withdrawals for more than 12 months; and

(vi) details of the aforementioned accounts when they are unblocked after receipt of adequate identification means.

All these records are submitted by the relevant cash dealers on paper forms. The content of the paper forms is transferred onto a database within AUSTRAC.

AUSTRAC also holds:

(vii) details of accounts opened using secondary identification (see section 22 of the FTR Act);

(viii) correspondence and other incoming and outgoing documents and records, including letters and FOI requests;

(ix) staff and contractor records (including security assessments); and

(x) other records relating to the operation of its own office facilities, such as invoices and financial documents.

These documents are maintained in paper form.

AUSTRAC has a library and other research materials that it collects for its analytical functions. These are maintained in paper and electronic formats.

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<tr>
<th>AUSTRAC’s Freedom of Information statistics 2003 - 04</th>
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<td>Granted in full</td>
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<tr>
<td>Granted in part</td>
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<tr>
<td>Refused (includes cases where no relevant documents were found)</td>
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<td>Deferred</td>
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<td>Withdrawn or lapsed</td>
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<tr>
<td>Requests outstanding at the end of the period</td>
<td>-</td>
</tr>
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Appendix G

AUSTRAC's locations

Initial contact point

Enquiries concerning access to documents, matters relating to Freedom of Information or requests for additional information should be directed to the following initial contact officer:

Policy Officer
PO Box 5516
WEST CHATSWOOD  NSW  1515

Telephone: (02) 9950 0055
Facsimile:  (02) 9950 0054

Documents may also be viewed, or copies obtained from our website - www.austrac.gov.au or from the offices below.

Sydney
Level 10, Tower A, Zenith Centre
821 Pacific Highway
CHATSWOOD  NSW  2067

PO Box 5516
WEST CHATSWOOD  NSW  1515

Ph.  02 9950 0055
Fax.  02 9950 0054

Brisbane
203 Wharf Street
Spring Hill  QLD  4000

PO Box 451
SPRING HILL  QLD  4004

Ph.  07 3222 1433
Fax. 07 3222 1234

Melbourne
Customs House,
Level 4, 414 La Trobe Street
Melbourne  VIC  3000

P.O. Box 13173
Law Courts P.O.
MELBOURNE  VIC  8010

Ph.  03 8636 0500
Fax. 03 8636 0501

Adelaide
8th Floor East, 55 Currie Street
Adelaide  SA  5000

PO Box 200
Kent Town  SA  5071

Ph.  08 8416 2958
Fax.08 8416 2884

Canberra
Attorney-General's Department
Robert Garran Offices, National Circuit
BARTON  ACT  2600

Ph.  02 6250 6231
Fax. 02 6250 5966

Perth
National Law Enforcement House
Level 1, 619 Murray St
West Perth  WA  6005

PO Box 586
West Perth  WA  6872

Ph:  08 9320 3495
Fax. 08 9320 3518
## Glossary of terms

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<tr>
<th>Abbreviation</th>
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<tr>
<td>AAPSS</td>
<td>ASIO Approved Protective Security Specialist</td>
</tr>
<tr>
<td>ABCI</td>
<td>Australian Bureau of Criminal Intelligence (incorporated into ACC)</td>
</tr>
<tr>
<td>Aggcells</td>
<td>A monitoring tool used by AUSTRAC in which periodic reports are run that aggregate classes of FTR information to identify fluctuations in financial activity with particular reference to the flow of funds into and out of Australia or Industry Occupation SCTR activity</td>
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<tr>
<td>ACC</td>
<td>Australian Crime Commission</td>
</tr>
<tr>
<td>ACG</td>
<td>AUSTRAC Consultative Group</td>
</tr>
<tr>
<td>ACS</td>
<td>Australian Customs Service</td>
</tr>
<tr>
<td>ACT</td>
<td>Australian Capital Territory</td>
</tr>
<tr>
<td>AFP</td>
<td>Australian Federal Police</td>
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<tr>
<td>AGD</td>
<td>Attorney-General's Department</td>
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<tr>
<td>AGEC</td>
<td>Action Group into the Law Enforcement Implications of Electronic Commerce</td>
</tr>
<tr>
<td>AGIO</td>
<td>A multi agency task force of the former National Crime Authority that prepared operational intelligence arising from suspicious financial activity. Now replaced by the Australian Crime Commission Financial Intelligence Assessment Team (FIAT)</td>
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<tr>
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<td>AUSTRAC Management Board</td>
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<td>AML</td>
<td>Anti-money laundering</td>
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<tr>
<td>AMT</td>
<td>AUSTRAC Management Team</td>
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<td>ANAO</td>
<td>Australian National Audit Office</td>
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<tr>
<td>APG</td>
<td>Asia Pacific Group on Money Laundering</td>
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<td>APRA</td>
<td>Australian Prudential Regulation Authority</td>
</tr>
<tr>
<td>APS</td>
<td>Australian Public Service</td>
</tr>
<tr>
<td>ARRAS</td>
<td>AUSTRAC’s Regulatory Risk Analysis System</td>
</tr>
<tr>
<td>ASIC</td>
<td>Australian Securities and Investments Commission</td>
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<td>ASIO</td>
<td>Australian Security Intelligence Organisation</td>
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<tr>
<td>ATO</td>
<td>Australian Taxation Office</td>
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<tr>
<td>AusAID</td>
<td>Australian Agency for International Development</td>
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<tr>
<td>AUSTRAC</td>
<td>Australian Transaction Reports and Analysis Centre, an agency operating within the Attorney-General's portfolio, created to administer and oversee the provisions of the <em>Financial Transaction Reports Act 1988</em></td>
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<tr>
<td>AWA</td>
<td>Australian Workplace Agreement</td>
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<tr>
<td>BEFR</td>
<td>Budget Estimates and Framework Review</td>
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<td>Cash dealer</td>
<td>The term 'cash dealer' is defined in Section 3 of the FTR Act and refers to those individuals and bodies who have obligations under the FTR Act to report specified financial transactions and to identify certain customers</td>
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<tr>
<td>CMC</td>
<td>Crime and Misconduct Commission</td>
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<tr>
<td>CFT</td>
<td>Counter financing of terrorism</td>
</tr>
<tr>
<td>CSA</td>
<td>Child Support Agency</td>
</tr>
<tr>
<td>CTC</td>
<td>Competitive tendering and contracting</td>
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<tr>
<td>Abbreviation</td>
<td>Description</td>
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<td>--------------</td>
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<tr>
<td>DFAT</td>
<td>Department of Foreign Affairs and Trade</td>
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<tr>
<td>DoFA</td>
<td>Department of Finance and Administration</td>
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<tr>
<td>DPP</td>
<td>Director of Public Prosecutions</td>
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<tr>
<td>DSD</td>
<td>Defence Signals Directorate</td>
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<tr>
<td>E-commerce</td>
<td>Electronic Commerce</td>
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<tr>
<td>EDDSSWeb</td>
<td>Secure website used by cash dealers for submission of financial transaction reports over the internet</td>
</tr>
<tr>
<td>EEO</td>
<td>Equal Employment Opportunity</td>
</tr>
<tr>
<td>Egmont Group</td>
<td>The Egmont Group of Financial Intelligence Units facilitates cooperation in the exchange of financial intelligence by its members</td>
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<tr>
<td>EI</td>
<td>Exchange Instrument - a bilateral instrument with international counterparts outlining conditions of access to financial transaction reports information</td>
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<td>EL</td>
<td>Executive Level</td>
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<td>FATF</td>
<td>Financial Action Task Force on Money Laundering</td>
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<td>FIAT</td>
<td>Financial Intelligence Assessment Team</td>
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<td>FIU</td>
<td>Financial Intelligence Unit</td>
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<td>FOI</td>
<td>Freedom of Information</td>
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<td>FSAP</td>
<td>Financial Sector Assessment Program</td>
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<td>FTR</td>
<td>Financial Transaction Reports - a general reference to all reports required to be submitted to AUSTRAC under the FTR Act</td>
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<td>FTR Act</td>
<td>Financial Transaction Reports Act 1988</td>
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<td>GPAG</td>
<td>Gaming (Industry) Provider Advisory Group</td>
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<td>GPML</td>
<td>United Nations Global Program against Money Laundering</td>
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<tr>
<td>HOCOLEA</td>
<td>Heads of Commonwealth Operational Law Enforcement Agencies</td>
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<td>ICAC</td>
<td>Independent Commission Against Corruption</td>
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<td>ICTR</td>
<td>International Currency Transfer Report - a report of currency (coin or paper money) of A$10,000 or more (or the foreign equivalent) leaving or entering Australia</td>
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<td>IFTI</td>
<td>International Funds Transfer Instruction - an instruction for the transfer of funds into or out of Australia electronically or by telegraph, to be reported by cash dealers to AUSTRAC</td>
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<td>IMF</td>
<td>International Monetary Fund</td>
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<td>IT</td>
<td>Information Technology</td>
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<td>LEA</td>
<td>Law Enforcement Agency</td>
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<td>MLD</td>
<td>Money Laundering Deterrence branch</td>
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<td>MLT</td>
<td>Money Laundering Targeting branch</td>
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<tr>
<td>MOU</td>
<td>Memorandum of Understanding - a bilateral agreement AUSTRAC has with each of our partner agencies and some international counterparts, detailing, inter alia, conditions of access to FTR information</td>
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<td>NCA</td>
<td>National Crime Authority (incorporated into ACC)</td>
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<td>NCCT</td>
<td>Non-Cooperative Countries and Territories</td>
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<td>NIDS</td>
<td>National Illicit Drug Strategy</td>
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<td>NSW</td>
<td>New South Wales</td>
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<td>NSWCC</td>
<td>New South Wales Crime Commission</td>
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<td>NSWPol</td>
<td>New South Wales Police Service</td>
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<td>NT</td>
<td>Northern Territory</td>
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<tr>
<td>Abbreviation</td>
<td>Full Form</td>
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<tr>
<td>NTPol</td>
<td>Northern Territory Police Service</td>
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<td>OECD</td>
<td>Organisation for Economic Cooperation and Development</td>
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<td>OH&amp;S</td>
<td>Occupational Health and Safety</td>
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<tr>
<td>PAG</td>
<td>Provider Advisory Group</td>
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<tr>
<td>Partner Agency</td>
<td>The 28 law enforcement, revenue, national security and social justice agencies to which AUSTRAC provides FTR information</td>
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<tr>
<td>PIC</td>
<td>Police Integrity Commission</td>
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<td>Proof of Identity Steering Committee</td>
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<td>Indonesian Financial Intelligence Unit</td>
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<td>Protective Security Manual</td>
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<td>Protective Security Risk Review</td>
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<td>SAPol</td>
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<td>SCTR</td>
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<td>SMR</td>
<td>Summary Management Report - a system to extract financial transaction reports information in a summarised or aggregated form</td>
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<td>State Revenue Authority</td>
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<td>SUSTR</td>
<td>Suspect Transaction Report - a report by a cash dealer, sent to AUSTRAC when the cash dealer has reasonable grounds to suspect that information it has concerning a transaction may be relevant to investigation of an offence against a law of Australia</td>
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