AUSTRAC Annual Report 2007–08
29 September 2008

The Honourable Bob Debus MP
Minister for Home Affairs
Parliament House
CANBERRA ACT 2600

Dear Minister

In accordance with section 40B of the Financial Transaction Reports Act 1988, section 226 of the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 and section 63 of the 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 2008.

Yours faithfully

Neil J Jensen PSM
Chief Executive Officer
AUSTRAC
Dear reader

The Australian Transaction Reports and Analysis Centre (AUSTRAC) plays a central role in the Australian Government’s efforts to combat money laundering and the financing of terrorism. As Australia’s financial intelligence unit, AUSTRAC makes a valuable contribution to the investigative and law enforcement work of its domestic partner agencies and overseas counterparts. Since the commencement of the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (AML/CTF Act), AUSTRAC has additional responsibilities; overseeing an expanded regulatory program that ensures Australia meets international AML/CTF standards as set by the Financial Action Task Force.

This year, AUSTRAC has worked closely with the Attorney-General’s Department, a wide range of industry bodies and other stakeholders to continue implementing the AML/CTF reforms which commenced in December 2006. AUSTRAC has also made extensive efforts to raise industry awareness and understanding of the new AML/CTF obligations resulting from the reforms. One of my first official duties as Minister for Home Affairs was to launch in December 2007 an impressive raft of AUSTRAC educational tools to inform industry about AML/CTF obligations and issues. These products underline AUSTRAC’s commitment to supporting the wide range of businesses affected by the AML/CTF reforms, assisting them to comply with their obligations.

AUSTRAC also continued to play an important role combating money laundering and the financing of terrorism globally. This year, AUSTRAC’s Chief Executive Officer, Neil Jensen PSM was appointed Chair of the Egmont Committee for a period of 12 months. The Egmont Committee oversees the Egmont Group, a body of 108 financial intelligence units formed to improve international cooperation in the fight against money laundering and terrorism financing. This appointment recognises Mr Jensen’s strong leadership in the international AML/CTF community and also AUSTRAC’s stature as a world-recognised financial intelligence unit.

AUSTRAC continued to expand the network of financial intelligence units with which it has international exchange instruments – AUSTRAC now has agreements in place with 53 counterpart agencies around the world. This year, AUSTRAC also continued to offer technical support to developing financial intelligence units in South East Asia and the Pacific, assisting them as they work towards meeting global AML/CTF standards.

The protection of Australia’s national security and financial system from potential harm requires a united effort. It is in the interests of all Australians to support AUSTRAC’s work. I commend AUSTRAC’s Chief Executive Officer and his staff for their efforts this year to develop our capacity to suppress money laundering and the financing of terrorism.

THE HON. BOB DEBUS MP
Minister for Home Affairs
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Future priorities

Performance summary

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Chief Executive Officer’s review

The Australian Transaction Reports and Analysis Centre (AUSTRAC) is now in its 20th year of operation. Our success as Australia’s financial intelligence unit (FIU) is world renowned and our growing role as Australia’s anti-money laundering and counter-terrorism financing regulator is recognised as developing well in pursuit of similar success.

In 2007–08, we can point to many accomplishments and the successful achievement of some major milestones under the first tranche of the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (AML/CTF Act).

By the end of 2008, all of the obligations under the first tranche of the AML/CTF Act will be in place. Two significant AML/CTF reforms were implemented during this reporting year. Effective from 12 December 2007, a reporting entity is required to have in place an AML/CTF program documenting how it has identified, mitigated and managed the risk that the services it provides may be misused for money laundering or terrorism financing. Also, by 31 March 2008 a reporting entity was required to lodge an AML/CTF compliance report with AUSTRAC indicating its level of preparedness and compliance with the AML/CTF Act and Rules. These changes provided AUSTRAC with opportunities to ensure that the agency’s views on various aspects of the legislation were known and understood by industry.

An important priority for the agency is getting to know and understand our expanded regulated population. Under the Financial Transaction Reports Act 1988 (FTR Act), AUSTRAC’s responsibilities were related to specific industries and fewer than 4,000 cash dealers. Under the AML/CTF Act we deal with a wide range of new entities which offer ‘designated services’. During the year we gave high priority to our outreach efforts to ensure that all those entities potentially affected by the new regime were aware of the changes in the AML/CTF Act. We have identified over 15,000 entities with obligations under the new law – a much broader family of regulated entities than under the FTR Act.

As AUSTRAC is, to most regulated entities, a new regulator, we recognise the importance of becoming better known in the community, and the need to maintain transparency as we perform our regulatory role. We have also worked with other industry regulators to minimise the cost and the regulatory impact on entities where we can.

AUSTRAC’s regulatory approach at this time is focused on achieving voluntary compliance by industry in line with the risk-based framework underpinning the AML/CTF legislation. For industry and AUSTRAC, a risk-based system to prevent money laundering and terrorism financing is a relatively new concept.

While each individual reporting entity is best placed to determine their own level of money laundering or terrorism financing risk, a challenge for AUSTRAC has been to provide entities with as much assistance as we can within the parameters of the AML/CTF Act.

Throughout the year, AUSTRAC employed a variety of means to work with industry associations, groups and individual entities to assist them to understand and implement the AML/CTF reforms. As part of our extensive outreach effort we provided electronic learning products, an expanded telephone help line, a seminar program, various education tools and advisory visits to regulated entities. We also launched a new information portal for regulated entities, AUSTRAC Online. This secure internet-based system aims to help entities more readily provide, and receive, information to assist them in complying with their regulatory and reporting obligations under the FTR Act and AML/CTF Act.

The success of Australia’s AML/CTF program is highly dependent on a successful partnership between AUSTRAC, the private sector and government agencies. AUSTRAC recognises the importance of the efforts of the private sector, and will continue to provide feedback to industry in the form of money laundering typologies and case studies to assist in the implementation of effective AML/CTF programs.
Another priority for AUSTRAC is building the organisational capability for us to fulfil our expanded responsibilities. A necessary component of regulatory supervision is on-site assessment of reporting entities’ compliance with their statutory obligations. In 2007–08 we developed with expert assistance, a new on-site assessment strategy and commenced its implementation. We conducted over 130 on-site assessments of reporting entities to assess their compliance with FTR Act and AML/CTF Act obligations.

We also recognise that new approaches to attracting and retaining a high-calibre workforce are crucial to our continued success. In 2007–08 we focused heavily on attracting new recruits with an appropriate mix of skills and experiences to build our industry supervision capability, in accordance with our expanded regulatory role.

AUSTRAC’s revised business priorities, outlined in this report, reflect our growth over the past 12 months and the agency’s increasing reputation and mandate as both a regulator and FIU. Essentially, AUSTRAC’s strategic approach seeks to capitalise on the agency’s reputation as a recognised expert in financial intelligence while building trust and confidence internally and externally in our role as regulator; a goal that can be achieved only through the best efforts of our people, supported by effective corporate governance and support systems.

In 2007–08, AUSTRAC information contributed to a significant and growing number of partner agency investigations both domestically and internationally. These included high-profile matters such as Operation Wickenby and Taskforce Gordian. In this reporting period, total intelligence products provided to domestic agencies increased 10 per cent compared with last year, and exchanges of information with overseas FIUs increased 44 per cent.

AUSTRAC continued to play a key role in a range of international initiatives to assist in building a global environment hostile to money laundering, major crime and the financing of terrorism. Our international efforts included the exchange of information with our international partner FIUs and provision of assistance to other jurisdictions (especially in the Asia-Pacific region) in the form of technical assistance and training. These efforts support countries in their development of strong AML/CTF programs.

AUSTRAC also actively contributed to a range of international organisations and forums with other FIUs and regulators. In May 2008, I was honoured to be appointed Chair of the Egmont Committee for 12 months. This committee oversees the Egmont Group of FIUs, a forum to further international cooperation in the global fight against money laundering and terrorism financing.

AUSTRAC has changed enormously over the past few years. With a much expanded regulatory mandate and growing demand for our financial intelligence capabilities our continued success can only be assured through the support of our staff.

We are fortunate to have a dedicated and talented team at AUSTRAC. At a time of tremendous change and opportunity, our personnel have clearly demonstrated their belief in the importance of the agency’s work. Our progress in administering Australia’s AML/CTF regime is a tribute to them.

NEIL J JENSEN PSM
Chief Executive Officer
Note on terminology

With the commencement of the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (AML/CTF Act) in December 2006, some terms with which readers may have been familiar under the *Financial Transaction Reports Act 1988* (FTR Act) have changed. The following are examples of the new terminology.

In the past the term ‘FTR information’ has been used when discussing data collected from the various financial transaction reports submitted to AUSTRAC under the FTR Act. The term ‘AUSTRAC information’, which is defined in the AML/CTF Act, is a broader term but specifically includes FTR information among the types of information collected by AUSTRAC.

The entities that have obligations under the FTR Act and the AML/CTF Act are known by different terms in each Act. Under the FTR Act these entities are ‘cash dealers’ (as defined in section 3 of that Act). Under the AML/CTF Act they are ‘reporting entities’ (defined in section 5 of that Act) who provide ‘designated services’ (as listed in section 6 of that Act). While both Acts are in operation, many entities may be both cash dealers and reporting entities with obligations under each Act. The term ‘regulated entities’ has been adopted to refer to both cash dealers and reporting entities collectively.

The law enforcement, national security, revenue, regulatory and social justice agencies to which AUSTRAC provides information and financial intelligence have been known as ‘partner agencies’. The AML/CTF Act definition of ‘designated agency’ now covers these agencies.
Reader’s guide

The AUSTRAC annual report 2007–08 informs the Australian Parliament, stakeholders and the public about AUSTRAC’s performance as measured against our business priorities and outcome–output reporting structure. It also reports on AUSTRAC’s progress in assisting Australia to meet its anti-money laundering and counter-terrorism financing obligations as set by the Financial Action Task Force.

The structure of this annual report is as follows:

Introduction

The introduction contains the Chief Executive Officer’s review and this reader’s guide. The Chief Executive Officer’s review summarises AUSTRAC’s achievements and challenges during 2007–08 and discusses the agency’s outlook and priorities for the next year. This reader’s guide provides an outline of the structure and content of the annual report.

Overview

The overview provides information regarding AUSTRAC’s role and functions, our organisational structure, senior executives and the outcome–output structure.

It also discusses the major highlights for AUSTRAC during 2007–08.

Performance reporting – output groups

This section is divided into two parts, reflecting AUSTRAC’s two Primary Output Groups. These Primary Output Groups are divided into chapters which correspond to AUSTRAC’s six output groups, providing information on AUSTRAC’s performance during 2007–08. The agency’s achievements are measured against each output group’s objectives for the year.

Performance reporting – enabling outputs

The performance and achievements for 2007–08 of AUSTRAC’s enabling outputs of corporate and security, information technology, and executive services are reported in this section.

Management and accountability

This chapter provides details of AUSTRAC’s corporate governance processes, including strategic management and internal audit. It also covers external scrutiny, Freedom of Information, Commonwealth Disability Strategy, ecologically sustainable development and environmental performance, and AUSTRAC’s service charter.

Financial statements

The financial statements and report of AUSTRAC’s 2007–08 financial performance are included as required under the Financial Management and Accountability Act 1997 (FMA Act).

Appendices

The appendices provide information about AUSTRAC staffing, resources, committees, partner agencies and consultants.

Other features

A glossary of terms, including acronyms, has been included to assist the reader.

The report also includes a compliance index which shows the location of mandatory information specified by the ‘Requirements for Annual Reports for Departments, Executive Agencies and FMA Act Bodies’ issued by the Department of the Prime Minister and Cabinet.

A list of AUSTRAC office locations and contact details is included at the end of this report.
Overview

AUSTRAC’S role

Performance reporting summary
AUSTRAC’s role

Role and functions

AUSTRAC is Australia's anti-money laundering and counter-terrorism financing (AML/CTF) regulator and specialist financial intelligence unit (FIU).

AUSTRAC was established in 1989 under the Financial Transaction Reports Act 1988 (FTR Act) as a statutory authority within the Attorney-General's portfolio and is continued in existence by section 209 of the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (AML/CTF Act). The AUSTRAC Chief Executive Officer (CEO) reports to the Minister for Home Affairs on the operations of the agency, which support the administration of the FTR Act and AML/CTF Act.

AUSTRAC’s vision and purpose

AUSTRAC’s vision is to have an Australian community that is hostile to money laundering and the financing of terrorism.

AUSTRAC’s purpose is to protect the integrity of Australia’s financial system and contribute to the administration of justice through its expertise in countering money laundering and the financing of terrorism. This purpose is achieved through the exercise of two interdependent functions – as a regulator and as Australia’s FIU.

In its regulatory role, AUSTRAC oversees compliance with the requirements of the AML/CTF Act and FTR Act by a wide range of financial services providers, bullion sellers, designated remittance service providers, the gambling industry and other specified reporting entities, and ‘cash dealers’ (as defined under the FTR Act).

In its intelligence role, AUSTRAC collects, analyses and disseminates financial intelligence obtained through financial transaction reports to Australian Government law enforcement, national security, revenue, regulatory and social justice agencies, as well as state and territory law enforcement and revenue agencies and international counterparts.

Strategic framework

AUSTRAC’s strategic framework includes the following key business strategies for 2007–2010:

- Implement the reform of Australia’s AML/CTF program in partnership with industry, partner agencies, government and others.
- Build the trust of the community, industry and government in AUSTRAC as Australia’s AML/CTF regulator.
- Maintain AUSTRAC’s reputation as a global leader in collecting, analysing and disseminating financial intelligence.
- Comprehensively build the capacity and capability of AUSTRAC’s workforce.
- Demonstrate best practice in corporate governance, privacy, security, and information management.

Business priorities for 2007–2010

In order to support its strategic framework, AUSTRAC has determined a number of business priorities in the AUSTRAC 2007–2010 business strategy. In addition to the agency’s ongoing business activities, AUSTRAC’s business priorities are:

- implementing AML/CTF reform
- building community trust
- improving industry compliance with AML/CTF obligations
- enhancing AUSTRAC’s intelligence capability
- delivering external education and training
- improving ourselves (agency personnel)
- improving corporate governance, security, privacy, and information management.
Outcome–output structure

AUSTRAC’s work in achieving a financial environment hostile to money laundering, the financing of terrorism, major crime and tax evasion is based on our two Primary Output Groups. AUSTRAC’s Primary Output Groups were revised for 2007–08 from five to two, and now directly reflect AUSTRAC’s dual role as Australia’s AML/CTF regulator (Primary Output Group 1), and financial intelligence unit (Primary Output Group 2). In previous AUSTRAC annual reports, privacy and security have been included in a separate Primary Output Group; however the revision of AUSTRAC’s Primary Output Groups means these two functions are now reported as Enabling Outputs, in the ‘Corporate and security’ chapter of this report. Each of AUSTRAC’s two Primary Output Groups is divided into three further outputs, as detailed below.

Primary Output Group 1
Australia’s anti-money laundering and counter-terrorism financing regulator

Output 1.1 – Promotion of FTR Act and AML/CTF Act obligations

This output relates to AUSTRAC’s education, training and promotion efforts, and how they develop regulated entities’ understanding of, and compliance with, the FTR Act and AML/CTF Act. It also relates to AUSTRAC’s report collection and registration programs, and the support systems in place to assist entities to comply with their obligations.

Output 1.2 – Regulatory compliance and enforcement program

The focus of this output is to ensure that regulated entities comply with their AML/CTF obligations under the FTR Act and AML/CTF Act. AUSTRAC’s compliance and enforcement program monitors compliance with these obligations and uses audit/inspection and enforcement powers to address non-compliance where necessary.

Output 1.3 – Regulatory policy development and implementation

This output relates to the development and implementation of AML/CTF policies and AML/CTF Rules to increase the value of AUSTRAC’s program in fostering an environment hostile to money laundering and the financing of terrorism. It covers AUSTRAC’s involvement in the AML/CTF reform process, including our work with the Attorney-General’s Department, industry and other stakeholders in providing advice and contributing to the further development of Australia’s AML/CTF legislation.

Primary Output Group 2
Australia’s financial intelligence unit

Output 2.1 – Promotion of effective use of AUSTRAC information and intelligence

The focus of this output is on AUSTRAC’s efforts to counter money laundering and the financing of terrorism through the extraction and analysis of financial intelligence, and its efficient dissemination to our partner agencies. It also involves AUSTRAC’s work in providing education, training and support to our partner agencies.

Output 2.2 – Research, analysis and intelligence

This output relates to AUSTRAC’s detailed research and analysis on money laundering and terrorism financing threats to Australia’s financial system. AUSTRAC provides the results of this research to internal and external stakeholders, including partner agencies and regulated entities, in the form of strategic research, and current and emerging typology and case study information.

Output 2.3 – Contribution to international efforts directed at anti-money laundering and counter-terrorism financing

AUSTRAC contributes to a range of international initiatives to aid the exchange of financial information and build a global environment hostile to money laundering, other major crime and the financing of terrorism. This output involves AUSTRAC’s cooperation with overseas FIUs and the assistance it offers other jurisdictions (especially in the Asia-Pacific region) through technical assistance and training. AUSTRAC also participates in international organisations and forums along with other international FIUs and regulators.
Management and organisational structure

AUSTRAC’s Executive Committee (ExCom) is responsible for setting strategic direction and providing executive oversight for delivery of AUSTRAC’s mandate. ExCom, which meets monthly, monitors the agency’s performance against key performance indicators and provides an advisory forum for the AUSTRAC CEO on key organisational and management matters.

In 2007–08, ExCom comprised the AUSTRAC CEO, Neil Jensen; the Executive General Manager; the five general managers; the Chief Information Officer; the Director of the Reform Program Office; and the General Counsel.

In 2006–07, AUSTRAC formed the AML/CTF Reform Steering Committee to oversee all projects associated with the AML/CTF reform program. In 2007–08 AUSTRAC formed three new internal committees to support corporate governance and the continuation of the reform program: the Intelligence Oversight Committee, the Enforcement Committee and the Supervisory Oversight Committee. For more information on these and AUSTRAC’s other corporate governance measures, refer to the ‘Management and accountability’ chapter of this report.

Executive Committee roles

• AUSTRAC Chief Executive Officer (CEO), Neil Jensen

• Executive General Manager, Thomas Story – principal adviser and deputy to the AUSTRAC CEO and provides leadership to the Executive branch covering the Internal Audit, Corporate Communications and Government Relations functions, and cross-agency reform initiatives

• General Manager Regulatory Policy, Liz Atkins – responsible for regulatory policy and the development of AML/CTF Rules and guidance

• Director Reform Program Office, Graham Jordi – responsible for AUSTRAC’s AML/CTF reform program implementation and governance. Michele Foster was appointed to the position General Manager Reform Program Office in June 2008, and this new position replaces the role of Director Reform Program Office for 2008–09.

• General Manager Compliance and Enforcement, Darryl Roberts – responsible for AUSTRAC’s management of compliance obligations, on-site assessments and enforcement.

• General Manager Corporate, Alf Mazzitelli – provides leadership in protective security and information technology security policy, human resources, finance, procurement and property services

• General Manager Domestic and International Relations, Peter Clark – provides leadership in dealings with regulated entities, partner agencies, international counterparts and other stakeholders, and assurance on the quality of data reported to AUSTRAC

• General Manager Intelligence, John Visser – responsible for AUSTRAC’s intelligence, data monitoring and research functions

• Chief Information Officer, Martin French – provides leadership in information technology systems, operations, information management and research and development, and information technology security implementation

• General Counsel, Russell Wilson – chief adviser on all legal matters

Above from left: Back – Peter Clark, Graham Jordi, Russell Wilson, Darryl Roberts, John Visser, Alf Mazzitelli, Martin French. Front – Neil Jensen, Thomas Story, Liz Atkins
Organisational structure as at 30 June 2008
Performance reporting summary

Introduction

AUSTRAC’s work during 2007–08 continued the implementation of the AML/CTF Act as well as maintaining its focus on those who attempt to use the financial and gambling sectors for the purposes of money laundering, the financing of terrorism and other major crime. This important work was made possible by close partnerships with law enforcement and other partner agencies, and with those who report financial transactions to AUSTRAC.

Highlights

AUSTRAC’s outcome-related achievements during 2007–08 are detailed in the performance reporting chapters under the Primary Output Groups and Enabling Output chapters of this report. However, some of the major highlights during the year are shown below.

Agency growth

AUSTRAC continued to grow in 2007–08 in response to its increased responsibilities as Australia’s AML/CTF regulator. Staff numbers increased by over 30 per cent to 315 full-time and 20 part-time employees, and 73 contractors (as at 30 June 2008). Also, a number of new teams covering regulatory policy technical advice and guidance and industry-based supervision were created in response to the expanded mandate of the agency. AUSTRAC officially opened a new office in Brisbane, moved to new premises in Canberra and acquired additional floor space at its Melbourne premises.

AML/CTF Rules, guidance and support to compliance

As new AML/CTF obligations came into effect in 2007–08, AUSTRAC continued its efforts to provide more information on the provisions of the Act and to guide industry throughout the implementation period. AUSTRAC developed and registered 11 sets of AML/CTF Rules and published six sets of draft AML/CTF Rules. This was in accordance with undertakings to industry to release AML/CTF Rules a full 12 months ahead of their date of effect. We also developed and published nine guidance notes and three draft guidance notes.

In December 2007, we published the first chapters of the AUSTRAC Regulatory Guide, which is intended to become a key reference for industry, as well as the AUSTRAC Typologies and Case Studies Report 2007. This report is to enhance industry understanding of potential money laundering and terrorism financing risks by identifying some key methodologies and indicators within the Australian and international financial environment. We also published information circulars and our reporting policy on the AUSTRAC website, and launched the AUSTRAC Public Legal Interpretation series.
External education
As well as providing a host of new resources and awareness campaigns, AUSTRAC personnel conducted more than 400 presentations to regulated entities with AML/CTF obligations and to relevant industry bodies. Overall, these sessions attracted over 6,500 attendees from the entire range of entities with reporting obligations, including the banking and superannuation industries, providers of designated remittance services (money transfer businesses), and owners and representatives of hotels, clubs, casinos and bookmakers. In addition, we launched a comprehensive e-learning program for staff of reporting entities and the general public. This program has enjoyed significant usage over the previous AML eLearning application. Since its launch in December 2007, the updated e-learning course has averaged more than double the number of monthly website hits received by the previous application between June and November 2007.

AML/CTF compliance reports
A substantial undertaking for AUSTRAC in 2007–08 was to inform reporting entities of the requirement to submit AML/CTF compliance reports by the 31 March 2008 deadline, assist them to do so, and put the systems in place to facilitate this.

The AML/CTF compliance report obligations apply to any person or entity that provides designated services, rather than specific cash dealers to which the similar provisions related under the FTR Act. Consequently, AUSTRAC needed to conduct extensive research to identify potential reporting entities, and sent 19,700 letters to entities which it considered may be required to submit an AML/CTF compliance report under the AML/CTF Act. We then followed up with letters, emails and phone calls to many of these entities. AUSTRAC’s Help Desk was a vital source of assistance for reporting entities, and Help Desk staff handled a much increased workload in the lead-up to the 31 March 2008 deadline due to the increased number of calls and email queries.

To facilitate the submission of AML/CTF compliance reports, AUSTRAC encouraged reporting entities to enrol with the agency via AUSTRAC Online, an internet-based information portal for regulated entities launched in December 2007. AUSTRAC Online streamlines the enrolment process for new entities and provides a simple and efficient means for entities to submit their compliance reports.

By the end of the reporting year, more than 10,000 entities had enrolled via AUSTRAC Online and approximately 7,500 AML/CTF compliance reports had been submitted.

Reviewing AML/CTF Act and FTR Act compliance
In 2007–08, there was a significant expansion in AUSTRAC’s efforts to assess entities’ compliance with the FTR Act and AML/CTF Act obligations. To prepare for its expanded supervisory role, AUSTRAC increased the number of personnel in its compliance and enforcement branches, and supported this growth with a comprehensive training and development program to build on the skills and expertise of its supervisory personnel.

AUSTRAC also developed new supervision and compliance assessment tools to support its expanded schedule of on-site assessments. In 2007–08, AUSTRAC conducted 139 on-site assessments of regulated entities across a range of industries, which marks a 121 per cent increase on the number of assessments completed the previous year. Following these on-site assessments, AUSTRAC personnel issued 798 requirements or recommendations to regulated entities to ensure that they rectified any identified weaknesses in their AML/CTF program.

Increased reporting to AUSTRAC
As in previous years, 2007–08 saw an increase in the number of financial transaction reports (FTRs) submitted to AUSTRAC by regulated entities: AUSTRAC received almost 18 million FTRs from regulated entities. This equates to approximately 69,000 reports per day, and is a 14.13 per cent increase on the number of FTRs received in 2006–07.

Importantly, this growth in FTRs submitted to AUSTRAC included a 19 per cent increase in the number of suspicious transaction reports (SUSTRs) submitted. Regulated entities submit SUSTRs when they believe a particular transaction may be connected with tax evasion, money laundering or terrorism financing, and these reports are of crucial importance in combating financial crime. AUSTRAC analyses SUSTRs and disseminates these reports to our partner agencies to assist in their investigations. AUSTRAC disseminated 36,511 SUSTRs to partner agencies in 2007–08, compared to 31,029 the previous year.
AUSTRAC intelligence in action

AUSTRAC information continued to play an important role in partner agency investigations into major crime. Feedback from partner agencies indicated that AUSTRAC information was used in 2,698 operational matters during 2007–08. Recognition of AUSTRAC’s contributions included being awarded an Australian Federal Police ‘certificate of appreciation’ for its significant contribution to Operation Girra, which resulted in the seizure of 250 kilograms of cocaine, the freezing of AUD1.2 million and the arrest of offenders in both Australia and China.

In addition, AUSTRAC information contributed to Australian Taxation Office assessments of more than $76.7 million and more than $8.5 million of annualised savings for Centrelink in 2007–08.

International collaboration

In 2007–08, AUSTRAC entered into four new exchange instruments with FIUs from Germany, Czech Republic, Mexico, and Saint Kitts and Nevis, bringing the total number of international exchange instruments to 53. The agency also hosted 13 international delegation visit programs and two attachment programs, and co-hosted the 2007 Asia/Pacific Group Annual Meeting in Perth, in July 2007. AUSTRAC also continued to mentor and support other FIUs in the Asia-Pacific region. AUSTRAC’s CEO was appointed Chair of the Egmont Committee in 2008, ensuring that the agency will continue to play a key role in ensuring international cooperation across the community of FIUs, worldwide.

CASE STUDY

Case study: Student arrested carrying $88,000 cash

A Chinese student was stopped while entering Australia from a flight originating in China. Law enforcement officers found that the student was carrying approximately USD75,000 (equivalent to about AUD88,000) of undeclared currency. The student had previously come to the notice of AUSTRAC due to suspicions about a cash deposit which was possibly also linked to undeclared currency coming into Australia. The man was charged under section 53 of the AML/CTF Act with one count of failing to report movement of more than AUD10,000 in Australian currency into Australia.
Primary Output Group 1
Australia’s anti-money laundering and counter-terrorism financing regulator

Output 1.1
Promotion of FTR Act and AML/CTF Act obligations
Output 1.1
Promotion of FTR Act and AML/CTF Act obligations

Purpose
To develop and strengthen regulated entities’ understanding of and compliance with the FTR Act and AML/CTF Act through effective education and training, relationship management and media and communications strategies.

Introduction
In 2007–08 there were several significant milestones in the implementation of the AML/CTF Act. These included the introduction of important requirements for regulated entities such as developing AML/CTF programs, and submitting compliance reports to the AUSTRAC CEO (by 31 March 2008).

AUSTRAC embarked on a comprehensive training, education and awareness-raising campaign to inform regulated entities of their existing obligations under the FTR Act and new obligations under the AML/CTF Act, as well as to assist them in complying with these obligations. We worked with regulated entities to improve the quality of the financial transaction reports submitted to AUSTRAC and also worked closely with both regulated entities and industry associations to promote voluntary compliance with current and future AML/CTF requirements.

Objective:
Provide a quality and comprehensive external AML/CTF education and training program to new and existing regulated entities and other relevant stakeholders, to ensure they understand their obligations under the FTR Act and AML/CTF Act.

In 2007–08, AUSTRAC continued an extensive awareness and education campaign to inform businesses of their obligations under the AML/CTF Act. The campaign included on-site education visits and presentations to industry bodies, additions to the AUSTRAC website, updated and new e-learning courses, information circulars and a series of brochures and other communications materials.

External education
AUSTRAC conducted 403 presentations to regulated entities throughout the reporting period, including introductory, intermediate and tailored sessions. This is a marked increase from the 78 education engagements conducted in 2006–07. These presentations were designed to raise awareness of the AML/CTF Act, the risk-based approach to AML/CTF programs (which allows entities to develop their own AML/CTF programs according to the specific risks facing their business) and other AML/CTF obligations. These sessions attracted an estimated 6,500 attendees.

Sessions included 212 industry-specific presentations, 28 meetings with various industry associations, 110 one-on-one sessions with individual entities and a telephone campaign which focused on 33 clubs and hotels in remote areas. The presentations covered the banking and superannuation industries; financial services; owners and representatives of hotels, clubs, casinos and bookmakers; and providers of designated remittance services.

In addition, AUSTRAC senior executives delivered presentations at 42 events during the year, including national and international AML forums and conferences.
AUSTRAC e-learning

The AUSTRAC e-learning course was revamped in 2007–08 to reflect the requirements of the AML/CTF Act. The 'Introduction to AML/CTF' e-learning course was released in November 2007 and officially launched by the Minister for Home Affairs on 11 December 2007. This facility assists regulated entities, industry associations and the public to understand anti-money laundering, counter-terrorism financing, and the FTR Act and AML/CTF Act. It is an updated, expanded and improved version of the previously available AML eLearning application, and features modules on topics such as money laundering techniques, registration for providers of designated remittance services and reporting obligations for regulated entities.

The new e-learning course has experienced a significant increase in usage over the previous AML eLearning application. Since its launch in December 2007, the updated e-learning course has averaged more than double the number of monthly website hits received by the previous application between June and November 2007. A second e-learning course covering AML/CTF programs was released in June 2008, focusing on compliance for small-to-medium sized businesses. AUSTRAC has received very positive feedback on the effectiveness and useability of the updated e-learning course. Regulated entities and industry bodies have welcomed the design and content of the course and acknowledged its importance in AUSTRAC’s overall education and training program.

AUSTRAC also developed dedicated external education webpages for inclusion on the AUSTRAC website. These educational webpages continue to be expanded and enhanced with PowerPoint presentations, e-learning modules, fact sheets, scenarios and tools, all specifically developed to help regulated entities understand their obligations.

Designated remittance services

Providers of designated remittance services (money transfer businesses) have continued to be a specific focus of AUSTRAC’s education and communication efforts. Since December 2006, designated remittance service providers have been required to register with AUSTRAC. In 2007–08, a number of resources were published on the AUSTRAC website to explain to remitters their obligations under the AML/CTF Act. These resources included a guidance note, a Public Legal Interpretation, PowerPoint presentations aimed at both principal remitters and remitters' agents, as well as a dedicated AUSTRAC e-learning module. The website also features information for remitters who previously registered with AUSTRAC. AUSTRAC also conducted 81 training and awareness sessions specifically aimed at remitters.

As of 30 June 2007, there were 1,887 designated remittance service providers either registered with AUSTRAC or awaiting verification of registration. As of 30 June 2008, this number had increased to a total of 2,590 remitters, all of which were officially registered with AUSTRAC.

AML/CTF compliance reports

Another important regulatory milestone in 2007–08 was the requirement that, by 31 March 2008, reporting entities under the AML/CTF Act submit AML/CTF compliance reports to AUSTRAC. These reports allow AUSTRAC to gauge entities’ progress in implementing their obligations under the AML/CTF Act and AML/CTF Rules.

In December 2007, AUSTRAC sent 19,700 letters to reporting entities which the agency considered may have reporting obligations under the AML/CTF Act. These letters were designed to encourage businesses which provided ‘designated services’ under the Act to enrol via AUSTRAC Online, and included an explanatory brochure. AUSTRAC followed up with letters, emails and phone calls to entities, reminding them of their obligation to submit an AML/CTF compliance report by the 31 March 2008 deadline.
The AUSTRAC Help Desk commenced conducting outbound calls in February 2008, mainly focusing on entities that had enrolled via AUSTRAC Online, but had yet to complete their compliance reports. The AUSTRAC Help Desk conducted just over 4,000 outbound calls as part of these outreach efforts.

Brochures explaining AML/CTF compliance reports and AML/CTF programs were included in a mail-out to 17,604 potential reporting entities in March 2008. This mail-out was aimed at remittance service providers, financial services, gaming venue operators and other reporting entities (including bullion services and cash carriers). Also that month, AUSTRAC launched a series of reminder advertisements in national and metropolitan newspapers in all capital cities, as well as key business and financial magazines. Advertisements in a number of community languages were also placed in a broad range of ethnic newspapers. The AUSTRAC CEO also conducted a media awareness campaign through interviews and a media release. In addition, information about lodging AML/CTF compliance reports was included on the AUSTRAC website. On 12 May 2008, AUSTRAC commenced a further letter campaign to remind entities of their outstanding obligation to submit an AML/CTF compliance report.

After detailed analysis of responses to AUSTRAC mail-outs and other outreach efforts, it was estimated that AUSTRAC’s regulated population numbered around 15,000 entities at 30 June 2008. By the end of the reporting year, more than 10,000 entities had enrolled via AUSTRAC Online and approximately 7,500 AML/CTF compliance reports had been submitted. Two key groups of reporting entities were not required to submit an AML/CTF compliance report in 2007–08: Australian financial services licence holders who make arrangements for a person to receive a designated service; and businesses which issued an interest in a managed investment scheme (prior to 31 January 2008). AUSTRAC estimates that there are approximately 2,000 entities who provide these particular designated services.

AUSTRAC is investigating additional strategies to ensure reporting entities with outstanding obligations understand and meet their obligations. These strategies include industry-specific outreach efforts and enhancements to AUSTRAC Online to assist reporting entities with enrolling and submitting their AML/CTF compliance reports.

**CASE STUDY**

**Australians fall prey to online dating fraud**

A woman using a web based email address to contact males through an online dating service came to the attention of law enforcement officers. The woman described herself as the 32-year-old daughter of an oil tycoon, and claimed to have conducted a business deal which now required the sending of AUD650,000 in proceeds to Australia. In return for accepting the funds, the recipient of the email was to receive a commission of 29 per cent of the total proceeds.

AUSTRAC received a series of suspicious transaction reports (SUSTRs) in relation to the activities of the woman and a second person of interest. AUSTRAC analysis determined specific patterns in financial activity, with funds being sent to common recipients in Nigeria, Spain, the United States and the United Kingdom. Over a six-month period the two individuals transferred funds totalling AUD139,000; transactions which were out of character with their usual financial activity. In several instances the individuals used variations when spelling names, addresses and other details, further adding to suspicion.
Other communications activities

During the reporting year, AUSTRAC engaged in targeted communications activities to raise awareness of new reporting obligations for international travellers. The AML/CTF Act requires that international travellers report the cross-border movement of funds (both physical currency and if requested, bearer negotiable instruments). The communications campaign used various channels to inform travellers of these reporting requirements and involved key aviation, maritime, tourism, travel and government stakeholders, as well as the media. In June 2008, following consultation with the Australian Customs Service, temporary banners communicating the new requirements were installed at restricted use international airports and international cruise ship seaports. Customs has agreed to include AUSTRAC in its digital electronic signage project, involving the installation of digital screens with scrolling messages at major international airports in Australia. The electronic signage is expected to be installed at the eight major international airports in 2008–09.

AUSTRAC also produced a series of brochures explaining major obligations which came into effect during the reporting year: AML/CTF programs, customer identification procedures, AML/CTF compliance reports and a ready reckoner outlining identification and verification requirements for low-risk customers. Further brochures were planned for the following financial year to support reporting entities with the ongoing customer due diligence and reporting obligations which take effect in December 2008.

AUSTRAC information circulars

AUSTRAC information circulars provide information to regulated entities about domestic and international issues that may affect their business. These include lists of financial sanctions against certain jurisdictions and updates to lists of known terrorist groups. AUSTRAC released eight new circulars:

- AUSTRAC Information Circular No. 50: Attorney-General’s Department Media Release – Terrorist Organisation Re-listed
- AUSTRAC Information Circular No. 51: Reserve Bank of Australia Media Release – Update to Sanctions Against Zimbabwe
- AUSTRAC Information Circular No. 52: Attorney-General’s Department Media Release – Three Terrorist Organisations Re-listed
- AUSTRAC Information Circular No. 53: Reserve Bank of Australia Media Release – Update to Sanctions Against (the former) Yugoslavia
- AUSTRAC Information Circular No. 54: Financial Action Task Force (FATF) Statement on Iran
- AUSTRAC Information Circular No. 55: Reserve Bank of Australia Media Release – Sanctions Against Burma
- AUSTRAC Information Circular No. 56: Financial Action Task Force (FATF) statement on Uzbekistan, Iran, Pakistan, Turkmenistan, Sao Tome & Principe and the northern part of Cyprus

These circulars are available on the AUSTRAC website, and copies can also be obtained by email or in hard copy from the AUSTRAC Help Desk. Information about other AUSTRAC regulatory publications such as AUSTRAC guidance notes and the AUSTRAC Regulatory Guide can be found in the Output 1.3 chapter of this report.
Objective:
**Provide support to new and existing regulated entities to enrol and voluntarily comply with their AML/CTF obligations.**

The AUSTRAC Help Desk continued to assist regulated entities and members of the public by providing general advice and assistance on the FTR Act and AML/CTF Act. Information continued to be provided via an automated telephone system giving callers quick access to general information, while Help Desk officers provided advice on more complex matters and directed callers to other sources of information.

In 2007–08, the Help Desk was an especially important means of support for regulated entities as new obligations came into place; particularly the AML/CTF programs obligation in December 2007 and the 31 March 2008 deadline for the submission of AML/CTF compliance reports.

In 2007–08, the automated telephone system received 38,164 calls (which includes queries directed to Help Desk officers). This was consistent with planned call volumes arising from the expanded regulatory catchment and marks a 339 per cent increase on the 11,255 calls the Help Desk received in 2006–07. In addition, Help Desk staff received and responded to 4,636 email enquiries, representing a more than threefold increase on the 2006–07 figure. To cater for the planned increase in enquiries, AUSTRAC increased its number of Help Desk operators during the reporting period. A new Help Desk facility commenced operating in AUSTRAC’s Brisbane office in November 2007.

On 11 December 2007, AUSTRAC launched its new information portal, AUSTRAC Online, which provides a facility for businesses to access the latest AML/CTF information and keep their own business information up to date. AUSTRAC Online streamlines and automates the enrolment process for new reporting entities and facilitates the submission of AML/CTF compliance reports. As of 30 June 2008 more than 10,000 entities had enrolled via AUSTRAC Online.

Due to the exceptionally high number of telephone calls and website traffic in the lead-up to the 31 March 2008 deadline for AML/CTF compliance reports, some entities experienced difficulties with the enrolment process. This high demand also occurred in response to the targeted mail-outs to entities. These issues were quickly identified and solutions were put in place, including a new telephone system to accommodate future demand and improvements to AUSTRAC Online.

**CASE STUDY**

**AUSTRAC information helps crack drug network**

Analysis of AUSTRAC information by a law enforcement agency identified a number of related transactions suspected to involve criminal activity. A series of structured wire transfers were being sent to the same individuals within the United Kingdom. These transfers were being sent by Australian residents and visitors to Australia. The transfers, totalling in excess of $120,000, were sent via remittance dealers in Australia.

AUSTRAC also received a suspect transaction report (SUSTR), which helped to identify additional associates. AUSTRAC assistance provided law enforcement officers with an insight into the ongoing nature of the activity and the movement of the syndicate’s operation across state borders. The resulting law enforcement action led to the interception of 2.5 kilograms of ecstasy and a small quantity of cocaine.

Objective:
**Continue to enhance the integrity of information reported to AUSTRAC, particularly the quality, timing and volume of financial transaction reports.**

AUSTRAC collects, analyses and disseminates financial transaction information reported by regulated entities and members of the public under the FTR Act and AML/CTF Act. This information assists both domestic partner agencies and international counterparts to counter major crime and the financing of terrorism. AUSTRAC receives reports of the following types of transactions:

- suspect transactions – where a cash dealer has reasonable grounds to suspect the transaction may be relevant to the investigation of an offence against an Australian law, including tax evasion and the financing of terrorism
significant cash transactions – where the cash component of a transaction is $10,000 or more, or the foreign currency equivalent (‘cash’ and ‘currency’ both mean physical notes and/or coins)

international funds transfer instructions – where an instruction is electronically transmitted into or out of Australia, regarding a transfer of funds

cross-border movement of physical currency – where a traveller is required, under the AML/CTF Act, to report cash of AUD10,000 or more, or the foreign currency equivalent, when carried, mailed or shipped into or out of Australia

cross-border movement of bearer negotiable instruments – where requested by a Customs or police officer, bearer negotiable instruments (such as traveller’s cheques) must be reported by persons entering or leaving Australia.

Most reports submitted to AUSTTRAC by ‘cash dealers’ (as defined in the FTR Act) are submitted via AUSTTRAC’s secure internet-based Electronic Data Delivery System Web version (EDDSWeb).

This system allows cash dealers to efficiently submit their reports and meet their reporting obligations and allows our partner agencies quick access to valuable financial information. In 2007–08, AUSTTRAC received a total of 17,965,373 financial transaction reports (FTRs); a 14.13 per cent increase from the previous year. This amounts to approximately 69,000 transaction reports received per day for 2007–08.

In the 2006–07 annual report, it was noted that AUSTTRAC had developed an enhancement to EDDSWeb allowing regulated entities to monitor their own transaction reporting performance. Following comprehensive trialling of this function, regulated entities can be granted access to view how many reports they have submitted on a particular day or month to assist in monitoring their own reporting performance.

AUSTTRAC continually monitors the integrity of the data it receives from regulated entities, to ensure its relevance and usefulness for law enforcement and other partner agencies. We also monitor the timing and volume of the transaction reports we receive and liaise with regulated entities to resolve reporting problems. In 2007–08, AUSTTRAC visited entities across a range of industries throughout Australia, including credit unions, banks, remittance service providers, building societies, foreign exchange businesses and gambling entities. These visits were well received, resulting in some entities moving from paper-based reporting to more efficient electronic methods, as well as resolving a range of identified issues including poor data quality, submission of reports outside the prescribed timeframe and anomalies in the volume of reports submitted by the entities.

In 2006–07, AUSTTRAC’s Regulatory Risk Assessment System (ARRAS) underwent an independent review. The result of the review was that AUSTTRAC continues to maintain and develop ARRAS to perform its current role of risk-rating entities according to their transaction reporting obligations. In 2007–08, AUSTTRAC also developed a tool which enables us to risk-rate entities according to overall compliance with their wider AML/CTF obligations. This new tool, known as the CREST system, is explained in more detail in the Output 1.2 chapter of this report.

Financial transaction report statistics for 2007–08

In aggregate, across all report types, the number of FTRs submitted in 2007–08 continued the trends of previous years towards greater reporting volumes. This can be attributed to an increase in the number of regulated entities that have started reporting to AUSTTRAC, increased awareness of reporting obligations among regulated entities, especially suspect transaction reporting, and increased financial activity within the economy. Note that the statistics below refer to financial transaction reports submitted to AUSTTRAC by cash dealers under the FTR Act, as well as cross-border movement of physical currency (CBM-PC) reports and cross-border movement of bearer negotiable instruments (CBM-BNI) reports, which are submitted to AUSTTRAC under the AML/CTF Act.
Suspect transactions

AUSTRAC received 29,089 suspect transaction reports (SUSTRs) in 2007–08, which was an increase of 19 per cent from the previous year. This represents a more than 350 per cent increase in the number of suspect transactions reported to AUSTRAC since 2002–03.

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<tr>
<td>Total number of SUSTRs</td>
<td>11,484</td>
<td>17,212</td>
<td>24,801</td>
<td>24,440</td>
<td>29,089</td>
</tr>
<tr>
<td>Change from previous year</td>
<td>42.5%</td>
<td>49.9%</td>
<td>44.09%</td>
<td>-1.5%</td>
<td>19.02%</td>
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**Significant cash transactions**

A total of 2,934,955 significant cash transaction reports (SCTRs) were reported to AUSTRAC by cash dealers and solicitors in 2007–08. This was an increase of 9.72 per cent from last year.

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**SCTR reporting volumes | 2003–04 to 2007–08**

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<tr>
<td>Total number of SCTRs</td>
<td>2,056,617</td>
<td>2,288,373</td>
<td>2,416,427</td>
<td>2,675,050</td>
<td>2,934,955</td>
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<tr>
<td>Change from previous year</td>
<td>3.9%</td>
<td>11.3%</td>
<td>5.59%</td>
<td>10.7%</td>
<td>9.72%</td>
</tr>
</tbody>
</table>
International funds transfer instructions

International funds transfer instructions (IFTIs) continued to provide the largest volume of reports received by AUSTRAC. A total of 14,963,719 IFTI reports were submitted in 2007–08: a 15 per cent increase from the previous year.

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<tr>
<td>Total number of IFTIs</td>
<td>8,685,843</td>
<td>10,243,774</td>
<td>11,411,961</td>
<td>13,017,467</td>
<td>14,963,719</td>
</tr>
<tr>
<td>Change from previous year</td>
<td>15.9%</td>
<td>17.9%</td>
<td>11.4%</td>
<td>14%</td>
<td>15%</td>
</tr>
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Cross-border movement of physical currency

Cross-border movement of physical currency (CBM-PC) reports are primarily forwarded to AUSTRAC by Customs when declared by people entering or leaving Australia. The CBM-PC reports were introduced in December 2006 under the AML/CTF Act and replaced the FTR Act’s international currency transfer reports (ICTRs). In 2007–08, AUSTRAC received 36,131 CBM-PC reports, a more than 50 per cent increase on the combined number of ICTRs and CBM-PC reports received in 2006–07. This increase in reports comes after AUSTRAC and Customs implemented extensive public awareness campaigns during 2007–08 to inform travellers of their obligations for declaring physical currency, along with movements of bearer negotiable instruments (refer below).

Cross-border movement of bearer negotiable instruments

AUSTRAC received 1,479 cross-border movement of bearer negotiable instrument (CBM-BNI) reports in 2007–08. During the previous reporting period, AUSTRAC received 436 such reports from December 2006 (when the reports were introduced) to 30 June 2007.

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<tbody>
<tr>
<td>Total number of reports*</td>
<td>25,579</td>
<td>26,172</td>
<td>27,755</td>
<td>23,351</td>
<td>36,131</td>
</tr>
<tr>
<td>Change from previous year</td>
<td>-9.5%</td>
<td>2.3%</td>
<td>6.0%</td>
<td>-15.87%</td>
<td>54.73%</td>
</tr>
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</table>

*Note: The numbers of reports for 2003–04 to 2005–06 include only international currency transfer reports (ICTRs), which were replaced by CBM-PC reports in December 2006. The figure for 2006–07 includes both ICTRs and CBM-PC reports. The figure for 2007–08 onwards includes CBM-PC reports only.
Objective:

Continue to adopt a collaborative approach to working with regulated entities and industry associations to promote voluntary compliance with AML/CTF legislation.

In addition to educating regulated entities on their current and upcoming obligations under the AML/CTF Act, AUSTRAC’s awareness and education programs gave entities and industry bodies an opportunity to discuss specific AML/CTF implementation issues. These issues were documented and shared with appropriate areas of the agency to help with the broader consultation process and assist AUSTRAC in developing policy and legal positions.

Liaison with major regulated entities and industry associations continues to be an important element in AUSTRAC’s outreach activities. In 2006–07, two new industry consultative forums were established: the Finance Industry Consultative Forum, which brings together representatives of the financial sector; and the Gambling Industry Consultative Forum, which brings together representatives of the gambling industry. These forums are held twice yearly and provide a high-level round-table opportunity for industry representatives to be appraised of recent and future developments in AUSTRAC’s activities. The forums also allow representatives to discuss and consult on AML/CTF issues, such as regulatory policy, legal, compliance and enforcement issues.

Future priorities

In 2008–09, AUSTRAC’s priorities in promoting FTR Act and AML/CTF Act obligations will include:

- delivering an education program to raise awareness of the AML/CTF ongoing customer due diligence and financial transaction reporting requirements which come into effect in December 2008. The program will assist industry associations, peak bodies and regulated entities through awareness sessions, online support including e-learning modules, seminars focusing on money laundering and terrorism financing scenarios (based on typologies) and various communication materials.

- continuing to liaise with regulated entities to facilitate their enrolment via AUSTRAC Online and working with entities to streamline their reporting processes, including automated transaction reporting.

CASE STUDY

Money remitter used to launder drug money

AUSTRAC referred a matter to a law enforcement agency for investigation, which subsequently led to the discovery of a drug lab and the seizure of over 100,000 ecstasy pills linked to an organised crime syndicate.

During the investigation it was identified that money launderers working for the syndicate had originally used their contacts to provide a remittance service to Eastern European residents in Australia. This was at a time when alternative remittance was the only option to send money to families in the region. As official banking channels were established, their remittance activity continued, albeit primarily for criminal associates.

The individuals in question concealed the remittance activity by holding clandestine meetings to exchange and collect funds, and using third-party individuals and accounts to send funds. Other parties were also employed by the remitters to send funds overseas by purchasing and then mailing or couriersing bank drafts.
Performance summary

Output 1.1 refers to the extent to which AUSTRAC’s education, training and promotion, report collection and registration programs can be demonstrated to improve stakeholder awareness and compliance levels to foster an environment hostile to money laundering and the financing of terrorism.

Output 1.1 is included in Primary Output Group 1 (Australia’s anti-money laundering and counter-terrorism financing regulator). The total price of achieving Primary Output Group 1 in 2007–08 was $29.61 million.

Performance highlights

Performance highlights of the reporting year included:

• the identification of 153,408 transaction reports from regulated entities that required correction to improve data integrity or to amend identified compliance issues, with some entities embarking upon system enhancements to ensure the correction of systemic issues

• the successful handling of a very large increase in demand for Help Desk services – especially during peak periods, the enrolment of more than 10,000 regulated entities via AUSTRAC Online and the receipt of more than 7,500 AML/CTF compliance reports

• delivery of 403 AML/CTF presentations to a wide range of regulated entities and industry bodies throughout the reporting period, attracting an estimated 6,500 attendees.

Achievement of 2006–07 priorities

In AUSTRAC’s 2006–07 annual report, several future priorities for the agency were listed. The future priority for this output is shown below, with a brief summary of its progress:

• continued enhancement of the education program to assist industry’s awareness of obligations under the FTR Act and AML/CTF Act and upcoming changes to the Australian AML/CTF program

AUSTRAC’s education program for industry included a greatly expanded program of education visits to regulated entities and industry bodies and the launch of a new e-learning program. This education program was supported by awareness-raising activities including mail-outs to regulated entities, national print advertising and a media awareness campaign.

Quantity performance measures

Number of support functions provided

• The AUSTRAC Help Desk received 38,164 calls, a 339 per cent increase on the number received in 2006–07. Help Desk officers received and responded to 4,636 emails in 2007–08, an increase of more than 300 per cent on the total for 2006–07.

• Eight new AUSTRAC information circulars were released.

• AUSTRAC’s new e-learning program features 10 modules for educating regulated entities, industry associations and the public about anti-money laundering, counter-terrorism financing, and the FTR Act and AML/CTF Act. Since its launch in 2007, the updated e-learning course has averaged more than double the number of monthly website hits received by the previous AML eLearning application between June and November 2007.

Volume of reports received

• This year AUSTRAC received 17,965,373 FTRs: a 14.13 per cent increase from the previous year. This equates to approximately 69,000 transaction reports received per day.
Number of providers of designated remittance services* registered

- A total of 2,590 providers of designated remittance services were registered with AUSTRAC as of 30 June 2008.

* Note: AUSTRAC’s 2007–08 Portfolio Budget Statement lists ‘Number of alternative remittance dealers registered’ as a Quantity Performance Measure for Output 1.1. Alternative remittance dealers are a sub-set of ‘providers of designated remittance services’ and are included in the above figure.

Number of education engagements completed

- AUSTRAC conducted 403 presentations to regulated entities throughout the reporting period.

Quality performance measures

Feedback from regulated entities and the public

- AUSTRAC received highly positive feedback following the launch of its new e-learning education module and other education and communications materials.

- Feedback from regulated entities and industry groups indicated that a majority of attendees were highly satisfied with the AML/CTF external education sessions presented by AUSTRAC.

Quality of promotion

- In 2007–08, AUSTRAC’s promotion of FTR Act and AML/CTF Act obligations consisted of on-site education visits and presentations to industry bodies, mail-outs, phone calls and email reminders, new AUSTRAC website content and an updated e-learning course. We also produced information circulars and a series of brochures for industry and the public. Advertisements were placed in a broad range of national, financial and ethnic newspapers and awareness campaigns were conducted by AUSTRAC and Customs to inform travellers of their obligations to declare physical currency and report bearer negotiable instruments.

Integrity of the reports

- Electronic reporting via EDDSWeb continued to be the main method of FTR submission to AUSTRAC. In 2007–08, 99.7 per cent of transaction reports were submitted electronically. Electronic reporting continues to ensure higher quality reports and more efficient data collection. It also allows fast and accurate correction of data quality issues, as reports may be returned electronically to cash dealers for adjustment.

Timeliness of reports

- The electronic reporting of FTRs via EDDSWeb continued to ensure timely reporting from entities. Where AUSTRAC had concerns about the timeliness of transaction reports, we worked with entities to resolve the issue. In 2007–08, 280 such timing issues were resolved.
Primary Output Group 1
Australia’s anti-money laundering and counter-terrorism financing regulator

Output 1.2
Regulatory compliance and enforcement program
Output 1.2
Regulatory compliance and enforcement program

Purpose
To protect the integrity of Australia’s financial system by improving compliance with Australia’s AML/CTF and FTR legislation, and undertaking enforcement action where required.

Introduction
The commencement of the AML/CTF Act in December 2006 gave AUSTRAC primary responsibility as Australia’s AML/CTF regulator to implement the reform of Australia’s AML/CTF program, to ensure it meets the global standards set by the Financial Action Task Force’s (FATF’s) ‘40 Recommendations’ and ‘9 Special Recommendations on Terrorist Financing’. AUSTRAC has put in place systems and programs to monitor, assess and, if necessary, enforce, entities’ compliance with their AML/CTF obligations under the Act.

At the FATF meeting in Paris in October 2007, as part of Australia’s response to the 2005 FATF mutual evaluation report on Australia’s AML/CTF program, AUSTRAC presented a report of our extensive progress. The response detailed actions taken by Australia to enhance its supervisory and enforcement program to rectify matters raised in the 2005 FATF report, and AUSTRAC’s major role in these actions.

This output refers to AUSTRAC’s efforts to further develop its regulatory and compliance program to ensure that regulated entities comply with their FTR Act reporting obligations, and their registration, reporting and AML/CTF program obligations under the AML/CTF Act. In doing so, AUSTRAC will continue to assist Australia to meet its AML/CTF obligations as set by the FATF.

Objective:
Further development and implementation of a comprehensive compliance assessment program to ensure entity compliance with FTR Act and AML/CTF Act obligations.

In 2006–07, AUSTRAC commenced the strengthening of its regulatory functions in preparation for the full implementation of the AML/CTF Act. In 2007–08, AUSTRAC continued to build its supervisory capability and infrastructure.

A major capacity building project was undertaken in 2007–08 to enable AUSTRAC to better supervise reporting entities’ risk management efforts and compliance with AML/CTF requirements. The Compliance Risk Exposure Scoring Tool (CREST) is a modelling tool developed by the agency’s industry supervision teams to rank groups of reporting entities according to their level of money laundering or terrorism financing risk. CREST allows AUSTRAC to efficiently direct its supervisory resources towards those groups of entities judged to be at greatest risk of being misused for money laundering or terrorism financing.

AUSTRAC also developed a comprehensive strategy for its on-site assessment of reporting entities. The strategy includes governance arrangements, a target for the number of annual inspections to be conducted, inspection selection criteria and an interim strategy for the capacity-building period ahead. On-site assessments are an important – but not the only – technique for monitoring the soundness of industry risk management and compliance under the AML/CTF regime. The compliance team is also developing a strategy for conducting ‘desk reviews’ of entities based on available data from statutory AML/CTF compliance reports and informal liaison.

AUSTRAC employs special techniques for supervising those entities deemed to be at higher risk of being misused for money laundering or terrorism financing. These techniques include high frequency face-to-face contact with the entity, meetings on specific risk issues and annual assessments of specific components of a reporting entity’s AML/CTF regime.
In 2007–08 AUSTRAC recruited specialist personnel across offices in three states to strengthen its compliance function: as at June 2008 the branch had 46 staff members. These recruitment efforts continue, with plans to increase personnel numbers to approximately 60 by September 2008.

AUSTRAC compliance officers are assigned to specialised teams arranged by industry or sector. In 2007–08 each team conducted on-site assessments of reporting entities within their industry or sector to assess their compliance with the requirements of the AML/CTF Act.

During the year, AUSTRAC initiated a comprehensive training program for frontline compliance personnel. The program consisted of professional development activities and skills training, and included a five-day residential banking course to enhance staff knowledge of the banking industry. Other training activities increased the compliance team’s skills in risk assessment, surveillance techniques, policies and procedures and on-site assessment. These training efforts will continue in 2008–09, and will include a series of seminars covering providers and products within Australia’s financial services industry and markets.

**Objective:**

**Strengthen AUSTRAC’s capability to enforce compliance with FTR Act and AML/CTF Act obligations.**

The AML/CTF Act provides AUSTRAC with a broad range of enforcement powers to be used in cases of serious or consistent non-compliance with the Act. The actions available to AUSTRAC include the seeking of the imposition of penalties of up to $11 million for companies, remedial directions, enforceable undertakings, risk assessments, external audits and compliance monitoring. Actions available under the FTR Act include criminal prosecution and injunctive relief, actions which are also available under the AML/CTF Act.

In addition, AUSTRAC has powers to require the production of documents and information by entities, and can apply for warrants to enter a reporting entity’s business premises to exercise monitoring powers under the AML/CTF Act.

AUSTRAC’s use of its various enforcement powers is governed by the Policy (Civil Penalty Orders) Principles 2006, made under the AML/CTF Act on 31 January 2007 by the then Minister for Justice and Customs, Senator Chris Ellison. The Principles specify that in the first 15 months from each of the staggered commencement dates of the AML/CTF Act obligations, AUSTRAC will initiate civil penalty action only when a reporting entity has failed to take reasonable steps towards compliance. The Principles, however, do not prevent AUSTRAC from taking enforcement action where consistent or serious breaches of the FTR Act or AML/CTF Act occur. AUSTRAC has documented its approach with regard to what constitutes ‘reasonable steps’ in its guidance note Application of the Policy (Civil Penalty Orders) Principles 2006.

Throughout 2007–08, AUSTRAC developed its enforcement strategy by implementing numerous policies and procedures designed to provide guidance in the conduct of enforcement action. AUSTRAC published its Enforcement Manual, which sets out the enforcement powers available to AUSTRAC and how the agency intends to use those powers. The manual and AUSTRAC’s Enforcement Policy were published on the AUSTRAC website to inform regulated entities and the general public of their obligations under the FTR Act and AML/CTF Act, while demonstrating AUSTRAC’s commitment to the open and transparent use of its enforcement powers.
In addition, AUSTRAC established its Enforcement Committee to oversee and govern decision-making for enforcement action. The committee was established to provide discipline, objectivity, accountability and transparency to the enforcement decision-making process. It has overseen the development of enforcement strategies which are scheduled to be implemented in 2008–09.

AUSTRAC furthered its liaison with law enforcement and prosecuting agencies to facilitate the future conduct of enforcement action, including evaluating opportunities to enter into formal arrangements, such as memoranda of understanding (MOUs).

AUSTRAC has developed a close working relationship with the Australian Prudential Regulation Authority (APRA), and executive members from both agencies established the APRA/AUSTRAC Coordination Committee, which meets on a bi-annual basis to ensure appropriate arrangements are in place for matters such as coordinating information sharing, referral of matters, enforcement action and major supervisory intervention.

AUSTRAC is also negotiating a new MOU with the Australian Securities and Investments Commission (ASIC), to reflect changes in the regulatory environment brought about by the AML/CTF Act. To further strengthen the relationship between the two, AUSTRAC personnel are located on-site in ASIC’s Sydney and Melbourne offices.

AUSTRAC’s liaison with other agencies included meetings with the Office of the Commonwealth Director of Public Prosecutions. AUSTRAC also worked towards building cooperative relationships with state gambling regulatory authorities.

AUSTRAC’s compliance supervision approach continues to emphasise efforts to resolve issues of non-compliance in a cooperative manner through negotiation and guidance. However, AUSTRAC will take measured but firm enforcement action where serious or persistent non-compliance with the FTR Act and/or AML/CTF Act occurs.

As well as obligations for businesses, the AML/CTF Act has resulted in new obligations for travellers leaving or coming into Australia. International traveller’s are required to report any bearer negotiable instruments (such as cheques, travellers cheques and promissory notes) they are carrying if asked by a police or Customs officer. This is in addition to the requirement that they report any currency they are carrying of AUD10,000 or more, or the foreign currency equivalent.

Supporting the enforcement of these obligations is the Infringement Notice Scheme (INS), which was implemented after close collaboration between AUSTRAC and law enforcement partner agencies. Customs or police officers may issue an Infringement Notice, resulting in an administrative fine, if travellers fail to comply with their reporting obligations.

AUSTRAC consulted with Customs and the Australian Federal Police in developing the Infringement Notice forms and the implementation of the INS to ensure that the scheme met their requirements. The INS was rolled out nationally on 1 February 2008, and by 30 June 2008, a total of 89 Infringement Notices had been issued, imposing fines totalling $20,240.

Future priorities

In 2008–09, AUSTRAC’s regulatory compliance and enforcement priorities will include:

- further developing and implementing a comprehensive assessment strategy, including increasing the number of on-site assessments and introducing a program of desk reviews
- continuing to identify strategies to obtain maximum coverage of the regulated population
- attracting and recruiting appropriately skilled and experienced personnel to ensure effective monitoring of compliance
- continuing to develop the technical expertise of compliance personnel in industry sectors and risk assessment practices and procedures

CASE STUDY

Tax evaders caught

Since 1995, a couple had sent more than $3 million to Asia in structured transfers. The cash for the transfers was generated from their business. It was further revealed through investigations that approximately $4.8 million in taxable income was unaccounted for.

AUSTRAC information not only revealed the transfers leaving Australia, but also the existence of large transfers back into Australia. After being receipted back into Australia, the funds from the tax evasion were invested in Victorian real estate and therefore successfully laundered and integrated into the Australian economy. A proceeds of crime investigation conducted in conjunction with the initial investigation restrained $16 million of real estate.
• continuing to strengthen and develop AUSTRAC’s enforcement capability
• taking appropriate and measured enforcement action in cases of non-compliance with the AML/CTF Act obligations
• developing strategies to encourage industry to adopt best practice methodologies for identifying, managing and mitigating money laundering and terrorism financing risk
• continuing to establish effective working relationships with other regulatory agencies
• developing and implementing strategies designed to target specific areas of non-compliance with existing obligations under the AML/CTF Act.

• the implementation of a methodology to ensure AML/CTF assessments are undertaken in a disciplined, structured and coordinated manner. AUSTRAC developed comprehensive supervision and compliance assessment tools, including a strategy for the on-site assessment of entities, and the CREST risk assessment system which identifies higher risk entities and industry sectors for closer compliance attention. AUSTRAC also developed, implemented and completed a significantly expanded on-site compliance assessment schedule in 2007–08.
• the development of a comprehensive enforcement strategy to deal with non-compliant entities, and the development of policies and procedures, including the Enforcement Manual and AUSTRAC’s Enforcement Policy.
• the establishment of closer relationships with other Australian regulatory bodies, including APRA, ASIC and various state gambling regulators.

Performance summary
Output 1.2 refers to the extent to which AUSTRAC’s compliance and enforcement program can be demonstrated to identify and remove gaps in compliance which improve the effectiveness of the overall AML/CTF program.

Output 1.2 is included in Primary Output Group 1 (Australia’s anti-money laundering and counter-terrorism financing regulator). The total price of achieving Primary Output Group 1 in 2007–08 was $29.61 million.

Performance highlights
Performance highlights of the reporting year included:
• an increase in the number of personnel across offices in three states to strengthen AUSTRAC’s compliance and enforcement capabilities. This growth was supported by a comprehensive training and development effort to increase the skills and industry expertise of supervisory personnel, including a five-day residential program to increase personnel knowledge of the banking and finance industry.

Performance highlights of the reporting year included:

Achievement of 2006–07 priorities
In AUSTRAC’s 2006–07 annual report, future priorities were listed. These are shown below, with a brief summary of their progress:

• further development and implementation of a more comprehensive compliance assessment program
During the year, AUSTRAC developed and successfully implemented an on-site compliance assessment strategy for its continued supervision of regulated entities and their compliance with the requirements of the FTR Act and AML/CTF Act. This assessment strategy will continue to be developed and enhanced in the future. We also developed a risk-based prioritisation approach, to ensure we concentrate our supervisory efforts on those entities at most risk of being misused for money laundering or terrorism financing.

• increased training initiatives designed to strengthen AUSTRAC’s industry-specific supervision and audit capacity
AUSTRAC initiated a comprehensive training and development program for its compliance personnel in 2007–08, including its first residential program delivered to compliance personnel in the banking and finance sector. AUSTRAC’s skills audit of its compliance personnel is also well advanced, and will assist the agency in identifying future training needs.
• continued development of a risk system to assist the identification of non-compliant reporting entities and industries vulnerable to money laundering and the financing of terrorism

AUSTRAC developed a new risk assessment approach, the Compliance Risk Exposure Scoring Tool (CREST), to assist AUSTRAC in its risk-based approach to supervising entities. CREST allows AUSTRAC to concentrate its supervisory resources on those entities at most risk of money laundering or terrorism financing.

• enhancing working relationships with other regulators such as APRA to minimise any burden on industry

AUSTRAC has established closer relationships with other Australian regulatory bodies, including APRA, ASIC and various state gambling regulators, and by adopting a consistent approach to regulation and the sharing of information, has minimised the regulatory burden for affected entities.

• further strengthening and developing AUSTRAC’s enforcement capability

This year AUSTRAC enhanced its enforcement capability through the recruitment of experienced personnel to the enforcement team, and the ongoing development and implementation of guiding policies and procedures. AUSTRAC also further strengthened its ties with law enforcement and prosecuting agencies.

• enforcing compliance with FTR Act and AML/CTF Act obligations

During the reporting year, the Policy (Civil Penalty Orders) Principles 2006 applied, meaning AUSTRAC could initiate civil penalties against reporting entities only when the entities had failed to take reasonable steps to comply with their obligations. While no cases warranting enforcement action arose during 2007–08, AUSTRAC is well placed, as a result of strengthening its enforcement capability, to take action when non-compliance is identified in the future.

In 2007–08, AUSTRAC exercised its information-gathering powers under section 202 of the AML/CTF Act, issuing 69 notices to entities to obtain details of the designated services provided by these entities.

Quantity performance measures

Number of desk and field inspections conducted

• AUSTRAC completed 139 on-site assessments of regulated entities to assess compliance with the FTR Act and AML/CTF Act. The assessments were carried out across a range of entities, and represent a 121 per cent increase in the number of assessments undertaken in the previous year. Following each assessment AUSTRAC provided a report to the reporting entity outlining the findings of the assessment and, where appropriate, requirements to address identified areas of non-compliance and/or recommendations to reduce the possibility of non-compliance in the future.

Number of compliance issues identified

• Following on-site assessments of regulated entities, AUSTRAC made a total of 798 requirements/recommendations. This represents a 56 per cent increase in requirements/recommendations made during the previous year.

Number of remedial actions taken by regulated entities

• Importantly, of the 798 requirements/recommendations issued throughout 2007–08, 99.75 per cent were accepted by the regulated entities involved.

Quality performance measures

Effectiveness of the compliance and enforcement program

• AUSTRAC’s compliance personnel conducted 139 on-site assessments across a range of entities with AML/CTF obligations, and issued 798 requirements or recommendations to these entities where required. AUSTRAC issued 69 notices to entities under section 202 of the AML/CTF Act in order to obtain details of the designated services provided by these entities.

Timeliness and effectiveness of remedial actions taken by regulated entities

• As noted above, 99.75 per cent of the requirements/recommendations made to regulated entities were accepted by the entities involved. As of 30 June 2008, the majority of requirements issued by AUSTRAC were still within the agreed timeframes for resolution, and monitoring of compliance with these requirements will continue in 2008–09.
Primary Output Group 1
Australia’s anti-money laundering and counter-terrorism financing regulator

Output 1.3
Regulatory policy development and implementation
Output 1.3
Regulatory policy development and implementation

Purpose
To formulate policy, rules and guidance to assist industry and the community to understand their obligations relating to Australia’s anti-money laundering and counter-terrorism financing (AML/CTF) laws.

Introduction
The passing of the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (AML/CTF Act) in December 2006 expanded AUSTRAC’s community of reporting entities, imposed a broader range of AML/CTF obligations on those entities and gave AUSTRAC more powers to ensure that reporting entities meet their obligations.

AML/CTF reforms relating to financial and gambling service providers, bullion dealers and other businesses when they provide certain designated services are being implemented in four stages. The implementation process began in December 2006 and three stages have been implemented so far, with the final stage to be implemented in December 2008. Throughout this implementation process, AUSTRAC has released AML/CTF Rules, instruments, policies, guidance notes, Public Legal Interpretations (PLIs) and other materials to educate industry and the community about the AML/CTF laws, and their obligations.

The Australian Government is also working on a proposal for a second tranche of reforms that will encompass industry sectors not currently subject to the AML/CTF Act, such as the real estate sector, jewellers and specified non-financial services provided by the legal and accounting sectors. This second tranche of AML/CTF reforms will focus on addressing two of the recommendations made in Australia’s 2005 Financial Action Task Force (FATF) mutual evaluation report, which evaluated and identified deficiencies in Australia’s AML/CTF regime. As it did during the development of the first tranche of AML/CTF reforms, AUSTRAC continues to work closely with the Attorney-General’s Department and other government agencies in developing the second tranche of reforms.

Objective:
Manage AUSTRAC’s participation in the AML/CTF reform process to ensure that major reform milestones under the Australian AML/CTF legislation are implemented successfully.

In 2006–07, AUSTRAC established an AML/CTF Reform Project Office to manage the implementation of projects relating to the AML/CTF Act. AUSTRAC also established a Reform Steering Committee and appointed a Director, Reform Program, to oversee the implementation of these projects.

In 2007–08, reform projects were again vital to the successful implementation of various AML/CTF reforms. Throughout 2007–08, AUSTRAC completed a number of reform initiatives including:

- the registration of five AML/CTF Rules relating to AML/CTF provisions that come into effect on 12 December 2008. These Rules were all registered in December 2007
- the publication of the AUSTRAC Regulatory Guide to assist industry to understand and meet its AML/CTF obligations. The guide covers matters such as AML/CTF programs, compliance reporting and correspondent banking
- the implementation of an Infringement Notice Scheme to support the enforcement of certain reporting obligations for international travellers
- the development and implementation of AUSTRAC Online, a new internet-based portal to support reporting entities
- the publication of AML/CTF guidance notes covering some of the AML/CTF obligations that came into effect in December 2007 and some that are coming into effect in December 2008
- the completion of a comprehensive review of AUSTRAC’s intelligence function to determine how best to meet the future needs of partner agencies
- the commencement of the AUSTRAC PLI series to inform industry about AUSTRAC’s interpretation of AML/CTF legislation.
Other reform projects included continuing external education and awareness campaigns and continued enhancements and/or updates to AUSTRAC’s practices, systems, policies and procedures.

Reform initiatives will continue in 2008–09, including:

- the development of a comprehensive methodology for AUSTRAC’s on-site assessment of entities to monitor their compliance with AML/CTF Act obligations
- the publication of additional chapters for the AUSTRAC Regulatory Guide, covering ongoing customer due diligence, reporting obligations, electronic funds transfer instructions and designated services
- the assessment and implementation of any changes required to AUSTRAC’s systems, processes and documentation brought about by the new financial transaction reporting obligations that will come into effect in December 2008 under the AML/CTF Act. This includes providing new file specifications to enable reporting entities to electronically submit the new reports required under the AML/CTF Act, and paper-based forms and educational materials for suspicious matter reports, international funds transfer instruction reports and threshold transaction reports
- the development of the Compliance Risk Exposure Scoring Tool (CREST), an information technology modelling tool to risk-assess reporting entities and industry groups according to their level of money laundering or terrorism financing risk.

Other continuing projects include the delivery of internal training on the AML/CTF legislation, providing information for international travellers about their reporting obligations, and activities relating to the submission of compliance reports and their subsequent analysis.

Objective:

Contribute to the development of the AML/CTF Act and regulations and make AML/CTF Rules, with the aim of fostering an environment hostile to financial crime, money laundering and the financing of terrorism.

Under the AML/CTF Act, the AUSTRAC Chief Executive Officer (CEO) may make AML/CTF Rules which contain further details relating to the obligations of reporting entities under that Act, or which exempt certain services from the provisions of the Act. Work on the AML/CTF Rules has generally taken place in four phases, reflecting the four commencement dates of the AML/CTF Act: 13 December 2006, 12 June 2007, 12 December 2007 and 12 December 2008. Rules continue to be developed outside these key dates.

Developing AML/CTF Rules involves extensive consultation with the Attorney-General’s Department, industry, partner agencies and other areas of government and interested groups, including public interest groups dealing with issues such as privacy. All current AML/CTF Rules were publicly released in draft form for comment before being registered. Where comments were provided, they were taken into consideration in the final drafting of the Rules.

In 2007–08, eleven AML/CTF Rules were registered, covering:

- electronic funds transfer instructions involving use of a credit card
- the definition of ‘approved third-party bill payment system’
- monetary thresholds for certain types of designated services
- ongoing customer due diligence
- international funds transfer instruction reportable details (relating to items 1 and 2 in section 46 of the AML/CTF Act)
- international funds transfer instruction reportable details (relating to items 3 and 4 in section 46 of the AML/CTF Act)
- suspicious matter reportable details
- threshold transaction reportable details
- record-keeping obligations
- issuing or selling a security or derivative
- over-the-counter derivatives market – exemption of certain transaction types.
In addition, during 2007–08, six further draft AML/CTF Rules were published on the AUSTRAC website for public consultation, covering:

- disclosure certificates relevant to customer identification procedures
- the definition of ‘loan’
- special circumstances relating to customer identification procedures
- customer identification procedures relating to takeovers, schemes of arrangement, business disposals and business assignments
- electronic funds transfer instructions
- designated remittance arrangements.

AUSTRAC also participated in the development of the first regulations made under the Act, which ensured that from 31 January 2008, the issuing of an interest in a managed investment scheme is a designated service. This was to address an unforeseen consequence in the existing legislation. As a result, the AUSTRAC CEO also issued an instrument modifying the AML/CTF Act to allow those customers who acquired an interest in a managed investment scheme after 12 December 2007 but before 31 January 2008 to be treated in the same way as those customers who existed before the commencement of the AML/CTF Act and who are exempt from customer identification.

In 2007–08, AUSTRAC continued its input into the Australian Government’s consideration of a second tranche of AML/CTF reforms, which will cover industry sectors such as real estate agents, jewellers and non-financial services provided by the legal and accounting sectors. In partnership with the Attorney-General’s Department, AUSTRAC held meetings with second-tranche stakeholders, including representatives of the legal and accounting professions, the real estate industry and jewellers. AUSTRAC has also conducted research into specific areas proposed for inclusion in the reforms, and contributed the results of this research (including typology reports and case studies) as part of its input into the proposed second tranche of reforms.

**Objective:**

*Provide guidance to industry, partner agencies and the public through the development and communication of regulatory policies and guidance notes.*

AUSTRAC launched its Public Legal Interpretation (PLI) series on 8 April 2008, with the publication of the list of topics to be covered in 2008 and PLI No. 1 – The Establishment of the AUSTRAC Public Legal Interpretations (which introduced the series and outlined its purpose and legal authority).

The PLI series will help reporting entities better understand their obligations by providing AUSTRAC’s view of more complex legal issues within the FTR Act and AML/CTF Act. The series complements other AUSTRAC resources including online learning materials, guidance notes and responses to frequently asked questions (FAQs).

AUSTRAC released two further PLIs during the reporting period:

- PLI No. 2, published on 15 May 2008, which provides information about the obligations of Australian financial services licence holders
- PLI No. 3, published on 23 May 2008, which covers the requirement under the AML/CTF Act for providers of registrable designated remittance services to register with AUSTRAC.

In addition, PLI No. 4, to be published in early July 2008, will define what constitutes a reporting entity.

These PLIs and the list of 2008 topics and future release dates are available on the AUSTRAC website. AUSTRAC will consult with external stakeholders through industry forums when developing the topics for the 2009 PLI series.

AUSTRAC issued guidance notes to provide information and assistance to reporting entities regarding their obligations under the AML/CTF Act and AML/CTF Rules. Nine guidance notes were published:

- Correspondent banking
- Exemptions and modifications under the AML/CTF Act
- Risk management and AML/CTF programs
- Application of the Policy (Civil Penalty Orders) Principles 2006
• Designated business groups
• Opening an account
• AML/CTF Compliance Officers
• No-action letters
• Register of Providers of Designated Remittance Services.

Three further draft guidance notes were also released for public comment, covering:
• ongoing customer due diligence
• gambling services
• record-keeping requirements.

Draft and finalised guidance notes are published on the AUSTRAC website.

**CASE STUDY**

**Stock market fraud**

An investigation into an individual trading through a contracts for difference (CFD) account, via a brokerage firm, resulted in proceeds of crime restraining orders being placed on the individual’s assets. The individual in question had used false identification documents, including a false citizenship certificate and driver licence, to open the trading account.

The profits from the account were debited to a major Australian bank. A suspect transaction report (SUSTER) was submitted to AUSTRAC detailing the structuring of cash deposits into a bank account, sometimes at different branches on the same day. The SUSTER also highlighted the fact that all of the funds were deposited during a period of just over a week.

The investigation identified that the trading account had increased in value to in excess of $750,000, which was subsequently restrained through a proceeds of crime restraining order. AUSTRAC information was of assistance in identifying the matter and bringing it to the attention of investigators.

AUSTRAC released the AUSTRAC Regulatory Guide on 11 December 2007. The guide is designed to be a practical document to assist reporting entities in understanding and meeting their obligations under the law. AUSTRAC has received positive feedback from industry about the guide, and plans to publish additional chapters in the second half of 2008. The additional chapters will cover ongoing customer due diligence, reporting obligations, electronic funds transfer instructions and designated services, and will help industry meet its future AML/CTF obligations.

In 2006–07, AUSTRAC published the AUSTRAC Self Assessment Questionnaire to assist reporting entities to understand their obligations under the AML/CTF Act and to enable them to self-assess and monitor their progress towards compliance with the Act. The questionnaire has been well received by industry and remains a useful tool to assist reporting entities in meeting their regulatory obligations under the AML/CTF Act.

In early 2008, AUSTRAC created a Technical Advice and Guidance (TAG) unit, primarily to provide a central clearing house within AUSTRAC for the coordination and development of responses to requests from industry involving:

• clarification on the application of the AML/CTF Act and Rules
• the development of standard responses to FAQs
• no-action letters.

Upon its formation, the TAG unit also became responsible for processing applications for relief from reporting entities under sections 247 and 248 of the AML/CTF Act. During the reporting year, AUSTRAC received 115 applications for relief. Of these, the AUSTRAC CEO granted 36 exemptions. A further 18 applications for relief were being processed as at 30 June 2008. The remaining applications were either not granted, not valid or withdrawn.

The work of the TAG unit will help ensure that AUSTRAC continues to provide clear and consistent responses to a variety of requests and queries from industry and the public.

AUSTRAC continues to develop and publish its policies to assist regulated entities to understand AUSTRAC’s approach to its regulatory task. AUSTRAC released its Reporting Policy in November 2007. The Reporting Policy sets out AUSTRAC’s approved method of reporting for ‘cash dealers’, as defined by the FTR Act, and ‘reporting entities’, as defined by the AML/CTF Act.
Objective:

**Positively influence the development of the future legislative and regulatory environment and plan for its implementation.**

AUSTRAC has established two forums for the exchange of information on AML/CTF issues with key industry stakeholders, the AUSTRAC Finance Industry Consultative Forum and the AUSTRAC Gambling Consultative Forum. Other meetings are held with industry representatives on an ad hoc basis. In 2007–08, AUSTRAC held a number of meetings which focused on regulatory policy issues, with attendees including the Australian Bankers’ Association, the Australian Financial Markets Association, the Investment and Financial Services Association and various individual reporting entities.

During 2007–08, AUSTRAC and the Attorney-General’s Department liaised with the Treasury on major policy developments in the Treasury portfolio that were likely to involve AML/CTF obligations.

AUSTRAC also continued to provide input to the AML/CTF Council. The Council comprises industry associations (or other industry representatives) and government. The Council is chaired by the Minister for Home Affairs, and the Attorney-General’s Department acts as secretariat. The AML/CTF Council held two meetings on 20 May 2008, the first including stakeholders involved in the first tranche of AML/CTF reforms, the second meeting including stakeholders in the proposed second tranche of reforms.

AUSTRAC also participated in three Privacy Consultative Committee (PCC) meetings during 2007–08, which included discussion of the privacy implications of draft AML/CTF Rules and guidance notes. The PCC comprises representatives of privacy, civil liberties and consumer groups as well as representatives from AUSTRAC, and our partner agencies and the Office of the Privacy Commissioner.

In addition, AUSTRAC took part in the following:

- the Australian Taxation Office’s Financial Services Industry Partnership (FSIP), involving delivering brief updates on developments in AML/CTF issues and answering questions from FSIP members
- the Commonwealth Reference Group on Identity Security. This group is convened by the Attorney-General’s Department, and met in August 2007 and again in March 2008
- the United Nations Sanctions Interdepartmental Committee (coordinated by the Department of Foreign Affairs and Trade)

**Future priorities**

AUSTRAC will continue to play a major role in the development and implementation of Australia’s AML/CTF legislative framework. Our future priorities include:

- continuing extensive consultation with government agencies, industry and public interest groups in the development of new AML/CTF Rules and guidance notes
- continuing to provide guidance to industry, partner agencies and the public, including the publication of guidance notes on the AUSTRAC website and further chapters of the **AUSTRAC Regulatory Guide**
- ongoing development of AML/CTF Rules and guidance notes relating to provisions in the AML/CTF Act as required
- working with the Attorney-General’s Department to ensure the effectiveness of the AML/CTF Act
- providing ongoing assistance to the Attorney-General’s Department relating to further development of the second tranche of reforms, including detailed research, further consultation with stakeholders and participation in the development of a detailed consultation document
- developing and publishing AUSTRAC’s English Language Translation Policy, and the Access to AUSTRAC Information Policy.

**CASE STUDY**

**Cigarette smugglers caught**

A law enforcement agency became aware of a container located in New Zealand which was destined for Australia, containing illicit tobacco products. The container originated in the Middle East and following its arrival in New Zealand, the shipping agents received instructions to forward the container on to Australia.

AUSTRAC information identified transactions from Australia to the New Zealand shipping agent which provided valuable intelligence as to the identity of the receiver of the illicit cargo. Due to the low initial cost of illicit tobacco products in the Middle East the importers attempted to disguise payment for the illicit product within their normal business activities.
### Performance summary

Output 1.3 refers to the extent to which AUSTRAC’s contribution to policy development and implementation can be demonstrated to maintain and increase the value of the overall program in fostering an environment hostile to money laundering and the financing of terrorism.

Output 1.3 is included in Primary Output Group 1 (Australia’s anti-money laundering and counter-terrorism financing regulator). The total price of achieving Primary Output Group 1 in 2007–08 was $29.61 million.

### Performance highlights

Performance highlights for the reporting year included:

- the development and registration of 11 sets of AML/CTF Rules, and the publication of six sets of draft AML/CTF Rules
- the issuing of an instrument modifying the AML/CTF Act
- the development and publication of nine guidance notes and three draft guidance notes
- the publication of the first release of the AUSTRAC Regulatory Guide
- the creation of the Technical Advice and Guidance unit to provide advice to internal business units on the application of the AML/CTF Act, and to assess applications for exemption and no-action letters
- productive stakeholder consultation in relation to development of the second tranche of AML/CTF reforms, in conjunction with the Attorney-General’s Department
- regular convening of the Privacy Consultative Committee.

### Achievement of 2006–07 priorities

In AUSTRAC’s 2006–07 Annual Report, several future priorities were listed for this output. These are shown below with a brief summary of their progress:

- **planning for the second tranche of proposed AML/CTF reforms**

  AUSTRAC held meetings with stakeholders affected by the second tranche of reforms, participated in an AML/CTF Council meeting, and conducted research into areas proposed for inclusion in the second tranche of reforms.

- **continuing extensive consultation with government agencies, industry and public interest groups in the development of new AML/CTF Rules**

  Consultation continued to be an important part of the development of the AML/CTF Rules and guidance notes. In 2007–08, AUSTRAC consulted widely with industry, government agencies, partner agencies and public interest groups on a range of issues, including privacy.

- **continuing to provide guidance to industry, partner agencies and the public, including the publication of guidance notes and policy documents to be made available on AUSTRAC’s website**

  AUSTRAC published nine guidance notes on AUSTRAC’s website during 2007–08, while an additional three draft guidance notes were posted on the website for public consultation. AUSTRAC also published its Reporting Policy on the website.

- **development of AML/CTF Rules and guidance notes relating to provisions in the AML/CTF Act, which begins on 12 December 2008**

  Five AML/CTF Rules, all of which relate to provisions in the AML/CTF Act commencing on 12 December 2008, were registered in December 2007 and a draft guidance note on ongoing customer due diligence was published.

- **ongoing development and publication of the AUSTRAC Regulatory Guide**

  The AUSTRAC Regulatory Guide was released on 11 December 2007. The guide, which includes chapters on AML/CTF programs, customer identification, compliance reporting and correspondent banking, was well received by industry.
Quantity performance measure

Number of issues identified and advised

- Eleven AML/CTF Rules were registered, and six draft AML/CTF Rules were published on the AUSTRAC website for public consultation.
- An instrument modifying the AML/CTF Act was issued.
- Nine guidance notes and three draft guidance notes were developed and published.
- AUSTRAC received 115 applications for relief from provisions of the AML/CTF Act. Of these, 36 exemptions were granted, 18 applications were being processed as at 30 June 2008 and the remaining applications were either not granted, not valid or withdrawn.
- The AUSTRAC PLI series was launched, and three PLIs were released in the first half of 2008.
- AUSTRAC held two AUSTRAC Finance Industry Consultative Forums and two AUSTRAC Gambling Industry Consultative Forums during 2007–08.
- AUSTRAC provided effective input into the AML/CTF Council, and was involved in three Privacy Consultative Committee meetings.

Quality performance measure

Significance of issues

- AUSTRAC continued to make and register AML/CTF Rules, all of which were developed in consultation with the Attorney-General’s Department, industry, partner agencies and other interested groups. Matters covered by these Rules included international funds transfer instructions, suspicious matter and threshold transaction reportable details, and record-keeping obligations for reporting entities.
- AUSTRAC provided further input into the development of the second tranche of AML/CTF reforms and, in conjunction with the Attorney-General’s Department, held meetings with second-tranche industry stakeholders, including representatives of the real estate industry, jewellers and members of the legal and accounting professions.
- AUSTRAC launched its PLI series in 2008, which provides AUSTRAC’s interpretation of AML/CTF issues such as the obligations on Australian financial services licence holders and the registering of designated remittance service providers.
- AUSTRAC released nine guidance notes in 2007–08 covering a variety of issues, including exemptions and modifications under the AML/CTF Act, the provision of no-action letters by AUSTRAC, risk management and AML/CTF programs.
- AUSTRAC continued to contribute to a range of external committees and working groups throughout 2007–08, as listed in Appendix B of this report.

Feedback from internal and external stakeholders

- The AUSTRAC Regulatory Guide was launched in December 2007 and has been well received by stakeholders. Anecdotal evidence indicates that reporting entities find the guide a useful tool when they are implementing their approach to meeting the requirements of the AML/CTF Act as it clarifies AUSTRAC’s views and expectations on various obligations.

CASE STUDY

Joint investigation intercepts cocaine importation

Law enforcement officers intercepted the importation of cocaine arriving from the United States, allegedly imported by an Eastern European crime syndicate. The syndicate’s financial activity had come to the attention of AUSTRAC after syndicate members were found to have sent wire transfers to Eastern Europe and the United States.

AUSTRAC analysis established the frequency of the transfers being sent by the syndicate to Eastern Europe, and the aggregate total of the transfers, which ranged from between $200,000 to $550,000 a month.

The proceeds generated from the importation of the cocaine are suspected to have been integrated back into the financial system through the purchase of significant assets including motor vehicles, residences and properties under development. A joint law enforcement operation resulted in the arrest of two individuals for conspiracy to import cocaine.
Primary Output Group 2
Australia’s financial intelligence unit

Output 2.1
Promotion of effective use of AUSTRAC information and intelligence
Output 2.1
Promotion of effective use of AUSTRAC information and intelligence

Purpose
To counter money laundering and the financing of terrorism through the extraction and analysis of financial intelligence and its dissemination to AUSTRAC partner agencies, as well as the provision of education, training and support to partner agencies.

Introduction
This output refers to AUSTRAC’s role of providing intelligence information to our domestic partner agencies to assist their operational activities. AUSTRAC’s domestic partner agencies are Australian Government law enforcement, national security, revenue, regulatory and social justice agencies, and state and territory law enforcement and revenue agencies.

AUSTRAC provides support to its partner agencies in a number of ways, primarily through:

• providing appropriate partner agency personnel with online access to AUSTRAC information through the Transaction Reports Analysis and Query (TRAQ) Enquiry System (TES), with strict access, privacy and security safeguards
• providing financial intelligence assessments to partner agencies
• evaluating and disseminating suspect transaction reports (SUSTRs)
• providing on-site support to partner agencies and conducting training to ensure partner agency personnel receive full value from the information provided by AUSTRAC.

Objective:
Contribute to partner agency operations, investigations and case selection through the dissemination of financial intelligence and research material related to serious criminal activity, including money laundering, national security issues and revenue evasion.

Providing access to the information we collect is an important part of AUSTRAC’s role as a financial intelligence unit (FIU): contributing to the fight against money laundering, the financing of terrorism, tax evasion and other major crime. AUSTRAC’s partner agencies include the Australian Taxation Office (ATO), as well as other ‘designated agencies’ (as defined in section 5 of the AML/CTF Act). A complete list of AUSTRAC’s partner agencies appears in Appendix A of this report.

During the year AUSTRAC completed a comprehensive review of its intelligence function to identify opportunities to enhance AUSTRAC’s partner agency arrangements and analytical capabilities.

The review engaged key partner agencies to identify areas and capabilities where AUSTRAC’s service could be developed. AUSTRAC also consulted with international counterpart FIUs in the United States, Canada, United Kingdom, Italy, Hong Kong, Singapore and Malaysia. The agency compared its intelligence activities with those of overseas agencies, allowing it to identify and adopt innovative solutions where necessary. The review also involved research into changes in the intelligence environment as a result of the introduction of the AML/CTF Act, as well as changes in the global environment. Further research was conducted into ways to enhance the analysis of AUSTRAC information, and the development of intelligence analysis tools.
A key finding of the review was that AUSTRAC needs to more closely align its analysis priorities with the priorities of key partner agencies, and recommended that AUSTRAC meet annually with those agencies to facilitate this. Other key recommendations included the future enhancement of the agency’s intelligence capabilities through research and investment in people and systems. AUSTRAC established an Intelligence Oversight Committee to oversee the future implementation of the review’s recommendations.

Memoranda of understanding with partner agencies

An important component of the process of allowing partner agencies access to AUSTRAC information is the negotiation of a memorandum of understanding (MOU) with each partner agency. These MOUs set out a cooperative framework for the exchange of the information. During 2007–08, AUSTRAC signed MOUs with the following agencies which became designated partner agencies under the AML/CTF Act:

- Australian Commission for Law Enforcement Integrity
- Australian Secret Intelligence Service
- Department of Immigration and Citizenship (DIAC).

In addition to signing MOUs with newly designated partner agencies, it was also necessary to update all existing MOUs with our partner agencies to ensure that their MOUs reflected relevant provisions within the AML/CTF Act. In 2007–08 AUSTRAC updated and signed an additional six MOUs with the following agencies:

- Inspector-General of Intelligence and Security
- Child Support Agency
- South Australia Police
- Tasmania Police
- Crime and Misconduct Commission (Queensland)
- Western Australia Police.

In December 2008, expanded suspicious matter reporting (SMR) requirements will commence under the AML/CTF Act. As a result, AUSTRAC anticipates a significant increase in suspect matter reporting and we commenced the Suspect Report Review Project in the reporting period to plan and prepare for this change. As part of this project, AUSTRAC is developing new systems and processes to systematically filter suspicious reports in order to identify the most valuable, and to increase efficiencies in the dissemination of relevant reports to our partner agencies.
**AUSTRAC information access statistics**

Partner agencies access AUSTRAC information in accordance with the terms set out in their MOU with AUSTRAC. The MOUs govern the number of users from each agency that are granted access, and the level of access granted to each user.

The TES database stores the AUSTRAC information submitted by regulated entities under the FTR Act and AML/CTF Act. TES is available online to nominated partner agency personnel.

In 2007–08, there was an increase of 9.2 per cent in the number of registered external users with access to TES, and a 19.8 per cent increase in the number of internal AUSTRAC users.

During the 2007–08 reporting period, all categories of TES usage increased, an expected result given the number of users added to the system, along with the training and support provided by AUSTRAC’s Training and Liaison Officers (TLOs).

In 2007–08, there were in excess of 2.5 million searches of AUSTRAC data, an increase of 7.7 per cent on the previous year’s total. There was an increase in the number of searches across all agency groupings, with Customs, Centrelink, South Australia Police, Tasmania Police, the Crime and Misconduct Commission and the Police Integrity Commission having the most significant increases in the number of searches conducted in 2007–08.

This reporting period also saw a 180 per cent increase in the number of Summary Management Reports produced. These reports present financial transaction report information in a summarised or aggregated form. There was also an increase in the number of active alerts, and a 12 per cent increase in the number of data warehouse searches conducted by partner agencies. These increases indicate that AUSTRAC information continues to be highly valued by our partner agencies, and also reflect the value of the training and awareness campaigns undertaken by AUSTRAC personnel.

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### Number of users with online access to FTR information as at 30 June 2008

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Australian Taxation Office</td>
<td>1,245</td>
<td>1,331</td>
<td>1,317</td>
<td>1,442</td>
</tr>
<tr>
<td>Australian government agencies</td>
<td>847</td>
<td>848</td>
<td>969</td>
<td>1,024</td>
</tr>
<tr>
<td>Australian social justice agencies*</td>
<td>88</td>
<td>91</td>
<td>100</td>
<td>129</td>
</tr>
<tr>
<td>State and territory law enforcement agencies</td>
<td>251</td>
<td>315</td>
<td>314</td>
<td>353</td>
</tr>
<tr>
<td>State and territory revenue agencies</td>
<td>5</td>
<td>2</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>AUSTRAC**</td>
<td>127</td>
<td>113</td>
<td>180</td>
<td>214</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,563</strong></td>
<td><strong>2,700</strong></td>
<td><strong>2,882</strong></td>
<td><strong>3,164</strong></td>
</tr>
</tbody>
</table>

* Includes Centrelink, the Child Support Agency and DIAC

** Denotes AUSTRAC personnel accessing TES for intelligence and regulatory purposes
TES availability

AUSTRAC’s partner agencies require access to our information, via the TES system, 24 hours a day, seven days a week. Maintaining the availability of TES is vital for ensuring that AUSTRAC information can always be accessed for operational purposes. AUSTRAC attempts to minimise TES downtime, which is usually due to system maintenance or upgrades. During the year TES availability was maintained at 97.9 per cent availability from Monday to Friday, and 95.9 per cent availability during weekends. This availability is slightly less than for the previous reporting period, primarily due to ongoing systems upgrades and maintenance work.

Total logons and TES searching activity 1 July 2007 – 30 June 2008

<table>
<thead>
<tr>
<th>Agency</th>
<th>Logons</th>
<th>TES total searches</th>
<th>TES name searches</th>
<th>TES other searches</th>
<th>Summary Management Reports</th>
<th>Active alerts as at 30 June 2008</th>
<th>Data warehouse searches</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australian Taxation Office</td>
<td>51,867</td>
<td>424,584</td>
<td>129,667</td>
<td>294,917</td>
<td>905</td>
<td>66</td>
<td>3,657</td>
</tr>
<tr>
<td>Australian Government agencies</td>
<td>73,639</td>
<td>907,123</td>
<td>312,819</td>
<td>594,304</td>
<td>2,864</td>
<td>4</td>
<td>768</td>
</tr>
<tr>
<td>Australian social justice agencies</td>
<td>13,280</td>
<td>187,858</td>
<td>56,094</td>
<td>131,764</td>
<td>354</td>
<td>0</td>
<td>162</td>
</tr>
<tr>
<td>State and territory law enforcement agencies</td>
<td>12,431</td>
<td>130,890</td>
<td>41,077</td>
<td>89,813</td>
<td>16</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>State and territory revenue agencies</td>
<td>231</td>
<td>5,176</td>
<td>2,119</td>
<td>3,057</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>AUSTRAC</td>
<td>41,014</td>
<td>873,128</td>
<td>78,191</td>
<td>794,937</td>
<td>3,188</td>
<td>521</td>
<td>10,617</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>192,462</td>
<td>2,528,759</td>
<td>619,967</td>
<td>1,908,792</td>
<td>7,327*</td>
<td>592</td>
<td>15,204</td>
</tr>
</tbody>
</table>

* Note: In the equivalent table in AUSTRAC’s 2006–07 annual report, the total figure given for number of Summary Management Reports produced (4,468) was incorrect due to a typographical error. The correct figure was 3,468.
Financial intelligence assessment dissemination

As in previous years, AUSTRA C continued to provide comprehensive analytical support to our partner agencies through the dissemination of financial intelligence assessments (FIAs). AUSTRA C’s Intelligence Branch maintained a steady increase in the number of FIAs produced and disseminated to domestic partner agencies in 2007–08.

AUSTRA C produced 893 FIAs in 2007–08. Of these, 66 per cent originated from detections by AUSTRA C’s TargIT automated monitoring system; the remainder originated from requests by other agencies (including requests made under section 129(1) of the AML/CTF Act) or were generated by other analytical activities, including analysis of media reports and information from overseas FIUs and the public. During 2007–08, AUSTRA C disseminated FIAs from AUSTRA C’s intelligence holdings to partner agencies on a total of 1,125 occasions.

The number of FIAs disseminated exceeds the number produced by AUSTRA C in 2007–08, as the number disseminated includes multiple disseminations where more than one partner agency received a particular FIA. This number also includes FIAs produced in previous years, but disseminated in 2007–08.

Section 129(1) of the AML/CTF Act provides for requests from officials from non-designated

### Disseminations of financial intelligence assessments to domestic partner agencies – 2007–08

<table>
<thead>
<tr>
<th>Agency</th>
<th>Disseminations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australian Federal Police</td>
<td></td>
</tr>
<tr>
<td>Australian Customs Service</td>
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<tr>
<td>Australian Taxation Office</td>
<td></td>
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<tr>
<td>NSW Police</td>
<td></td>
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<tr>
<td>VIC Police</td>
<td></td>
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<tr>
<td>Australian Crime Commission</td>
<td></td>
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<tr>
<td>ASIC</td>
<td></td>
</tr>
<tr>
<td>QLD Police</td>
<td></td>
</tr>
<tr>
<td>DIAC</td>
<td></td>
</tr>
<tr>
<td>ACC FIAT</td>
<td></td>
</tr>
<tr>
<td>WA Police</td>
<td></td>
</tr>
<tr>
<td>SA Police</td>
<td></td>
</tr>
<tr>
<td>NSW Crime Commission</td>
<td></td>
</tr>
<tr>
<td>Centrelink</td>
<td></td>
</tr>
<tr>
<td>ACCC</td>
<td></td>
</tr>
<tr>
<td>NT Police</td>
<td></td>
</tr>
<tr>
<td>NSW Office of State Revenue</td>
<td></td>
</tr>
<tr>
<td>CMC</td>
<td></td>
</tr>
<tr>
<td>State Revenue Office VIC</td>
<td></td>
</tr>
<tr>
<td>ICAC</td>
<td></td>
</tr>
<tr>
<td>Child Support Agency</td>
<td></td>
</tr>
<tr>
<td>TAS Police</td>
<td></td>
</tr>
<tr>
<td>Police Integrity Commission (NSW)</td>
<td></td>
</tr>
<tr>
<td>APRA</td>
<td></td>
</tr>
</tbody>
</table>

Note: Refer to the Glossary for meaning of acronyms.
Commonwealth agencies seeking access to AUSTRAC information. This section allows Commonwealth officials to apply to the AUSTRAC Chief Executive Officer (CEO) for information to assist with a specific investigation, or a proposed investigation, of a breach of a law of the Commonwealth. In 2007–08, AUSTRAC received and approved three such requests from Commonwealth agencies, including the Australian Fisheries Management Authority and the Insolvency and Trustee Service Australia.

**Suspect transaction reports dissemination**

Suspect transaction reports (SUSTRs) are a critical source of information in combating money laundering and terrorism financing as they enable the reporting of transactions or activity not otherwise captured under legislation. Under the FTR Act, cash dealers are obliged to submit reports of suspicious activity to AUSTRAC when they believe the information may assist in the investigation of a breach of Commonwealth, state or territory law.

In 2007–08, AUSTRAC received 29,089 SUSTRs, an increase of 19 per cent from the previous year. AUSTRAC uses external intelligence sources to support its analysis of SUSTRs and disseminates these SUSTRs to our partner agencies. AUSTRAC’s approach

<table>
<thead>
<tr>
<th>SUSTR disseminations to domestic partner agencies – 2007–08</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australian Taxation Office</td>
</tr>
<tr>
<td>Australian Federal Police</td>
</tr>
<tr>
<td>Australian Customs Service</td>
</tr>
<tr>
<td>Victoria Police Service</td>
</tr>
<tr>
<td>NSW Police Force</td>
</tr>
<tr>
<td>Centrelink</td>
</tr>
<tr>
<td>Queensland Police Service</td>
</tr>
<tr>
<td>Australian Crime Commission</td>
</tr>
<tr>
<td>NSW Crime Commission</td>
</tr>
<tr>
<td>Australian Securities and Investments Commission</td>
</tr>
<tr>
<td>Australian Crime Commission Financial Intelligence Assessment Team (FIAT)</td>
</tr>
<tr>
<td>South Australia Police Service</td>
</tr>
<tr>
<td>Department of Immigration and Citizenship (DIAC)</td>
</tr>
<tr>
<td>Western Australia Police Service</td>
</tr>
<tr>
<td>Australian Competition and Consumer Commission</td>
</tr>
<tr>
<td>Northern Territory Police Service</td>
</tr>
<tr>
<td>Child Support Agency</td>
</tr>
<tr>
<td>Office of State Revenue, NSW Treasury</td>
</tr>
<tr>
<td>Tasmania Police Service</td>
</tr>
<tr>
<td>Crime and Misconduct Commission (QLD)</td>
</tr>
<tr>
<td>Corruption and Crime Commission (WA)</td>
</tr>
<tr>
<td>Independent Commission Against Corruption</td>
</tr>
<tr>
<td>Australian Prudential Regulation Authority</td>
</tr>
<tr>
<td>Police Integrity Commission</td>
</tr>
<tr>
<td>State Revenue Office, Victoria</td>
</tr>
<tr>
<td>Territory Revenue Office, Northern Territory</td>
</tr>
</tbody>
</table>
is to have all SUSTRs risk-assessed and prioritised, ensuring that partner agencies are alerted to time-critical matters in a prompt manner. The table below shows disseminations of SUSTRs to partner agencies in 2007–08, including SUSTRs received in previous years but disseminated in 2007–08. Reports may be disseminated to more than one agency.

AUSTRAC disseminated 36,511 SUSTRs in 2007–08 (including both online requests and proactive disseminations), compared to 31,029 for the previous year. This figure exceeds the number of SUSTRs received in 2007–08, as it includes SUSTRs received in the previous year but distributed this year. The increase in disseminations is in line with the significant increase in the number of SUSTRs received during the reporting period. The number of disseminations is likely to increase in future years with the introduction of new suspicious matter reporting (SMR) obligations which come into effect in December 2008.

The most notable changes in SUSTR disseminations to individual partner agencies from 2006–07 were the

### SUSTR disseminations to domestic partner agencies – 2007–08

<table>
<thead>
<tr>
<th>Partner Agency</th>
<th>2007–08</th>
<th>2006–07</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australian Federal Police</td>
<td></td>
<td></td>
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<tr>
<td>Australian Customs Service</td>
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<tr>
<td>VIC Police</td>
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<td>NSW Police</td>
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<tr>
<td>Centrelink</td>
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<tr>
<td>QLD Police</td>
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<tr>
<td>ACC</td>
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<tr>
<td>NSW Crime Commission</td>
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<tr>
<td>ACC FIAT</td>
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<td>SA Police</td>
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<td>DIAC</td>
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<tr>
<td>WA Police</td>
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<tr>
<td>ACCC</td>
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<tr>
<td>NT Police</td>
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<tr>
<td>CSA</td>
<td></td>
<td></td>
</tr>
<tr>
<td>NSW Office State Revenue</td>
<td></td>
<td></td>
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<tr>
<td>TAS Police</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CMC</td>
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<tr>
<td>CCC</td>
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<tr>
<td>ICAC</td>
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<tr>
<td>APRA</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Police Integrity Commission (NSW)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>State Revenue Office VIC</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Territory Revenue Office NT</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note that the chart above does not include SUSTR disseminations to the ATO.
increases in SUSTER disseminations to the Australian Federal Police (AFP), Customs, South Australian Police, the Australian Crime Commission Financial Intelligence Assessment Team, and the Australian Competition and Consumer Commission. These increases can be attributed to proactive analytical work by AUSTRAC staff combined with greater awareness of the value of AUSTRAC information in partner agency investigations.

The Australian Prudential Regulation Authority (APRA) and DIAC were provided with access to AUSTRAC information in 2007-08, which included some SUSTER disseminations under the FTR Act.

CASE STUDY

AUSTRAC information helps massive cocaine bust

AUSTRAC information initiated a joint law enforcement investigation into drug importation and money laundering. Within a short timeframe, a number of transactions involving approximately AUD2.5 million worth of foreign currency were detected by AUSTRAC, including approximately AUD1.7 million transferred out of Australia to China.

The proceeding investigation resulted in the fourth largest cocaine seizure in Australian history with an estimated street value of AUD87.5 million. In total, 250 kilograms of cocaine in one kilogram packages were discovered concealed within a shipping container filled with furniture.

As a result of the investigation, three people have been charged with importing and attempting to possess a commercial quantity of cocaine. One of the three also faces money laundering charges under section 400.3 of the Criminal Code Act 1995, for dealing with proceeds of crime worth AUD1 million or more.

Picture courtesy Australian Customs
Suspect activity classifications

Upon receipt, SUSTRs are analysed and categorised by AUSTRAC intelligence analysts. AUSTRAC reviews the activity classifications (see the tables below) on a regular basis to ensure that they are reflective of current trends and money laundering typologies.

In 2007–08, three new classifications were introduced: ‘intellectual property crime’, ‘objectionable goods’, and ‘superannuation-related issues’. ‘Intellectual property crime’ includes counterfeit goods and copyright infringements, ‘objectionable goods’ includes goods that are offensive to any reasonable adult, such as censorship restricted material, while the category ‘superannuation-related issue’ was introduced to reflect an increase in potentially fraudulent matters involving superannuation funds.

### Suspect activity types

<table>
<thead>
<tr>
<th>Suspect activity types</th>
<th>Occurrences – SUSTRs received 2007–08</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interesting country</td>
<td>7,000</td>
</tr>
<tr>
<td>Unusually large cash transaction</td>
<td>5,000</td>
</tr>
<tr>
<td>Unusual account activity</td>
<td>4,000</td>
</tr>
<tr>
<td>Structured transfers – international</td>
<td>3,000</td>
</tr>
<tr>
<td>Structured deposits/withdrawals</td>
<td>2,000</td>
</tr>
<tr>
<td>Unusually large transfer</td>
<td>1,000</td>
</tr>
<tr>
<td>Not determined</td>
<td></td>
</tr>
<tr>
<td>Other avoiding of reporting</td>
<td></td>
</tr>
<tr>
<td>Structuring – other</td>
<td></td>
</tr>
<tr>
<td>Customer behaviour – suspicious</td>
<td></td>
</tr>
<tr>
<td>Unusual gambling activity</td>
<td></td>
</tr>
<tr>
<td>Inconsistent with customer profile</td>
<td></td>
</tr>
<tr>
<td>Fraud – credit/loan</td>
<td></td>
</tr>
<tr>
<td>Tax evasion</td>
<td></td>
</tr>
<tr>
<td>Unusual use/storage/exchange of cash</td>
<td></td>
</tr>
<tr>
<td>Fraud – cheque</td>
<td></td>
</tr>
<tr>
<td>False identity/name</td>
<td></td>
</tr>
<tr>
<td>Fraud – internet banking</td>
<td></td>
</tr>
<tr>
<td>Unusually large FX transaction</td>
<td></td>
</tr>
<tr>
<td>Interesting industry/occupation</td>
<td></td>
</tr>
</tbody>
</table>

[Graph showing occurrences for 2007–08 and 2006–07]
There was an increase in reporting relating to most activity types, most notably in relation to unusually large cash transactions, activities which appear inconsistent with a customer profile, advanced fee fraud and transactions involving a common beneficiary or account. This increased reporting is likely to be the result of enhanced customer due diligence and know-your-customer programs by reporting entities, combined with the implementation of effective monitoring programs by entities.

<table>
<thead>
<tr>
<th>Suspect activity types</th>
<th>Occurrences – SUSTRs received 2007–08</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social security issue</td>
<td></td>
</tr>
<tr>
<td>Fraud – advanced fee</td>
<td></td>
</tr>
<tr>
<td>Fraud – other</td>
<td></td>
</tr>
<tr>
<td>Refusal to show ID/complete SCTR</td>
<td></td>
</tr>
<tr>
<td>Common beneficiary/account</td>
<td></td>
</tr>
<tr>
<td>Watch list hit</td>
<td></td>
</tr>
<tr>
<td>Unauthorised account transactions</td>
<td></td>
</tr>
<tr>
<td>Unusual financial instrument</td>
<td></td>
</tr>
<tr>
<td>Adverse credit history</td>
<td></td>
</tr>
<tr>
<td>Customer suspected/known criminal</td>
<td></td>
</tr>
<tr>
<td>Intellectual property crime*</td>
<td></td>
</tr>
<tr>
<td>Immigration related issue</td>
<td></td>
</tr>
<tr>
<td>Undeclared currency</td>
<td></td>
</tr>
<tr>
<td>Other offence</td>
<td></td>
</tr>
<tr>
<td>Watch list – DFAT</td>
<td></td>
</tr>
<tr>
<td>Counterfeit Currency</td>
<td></td>
</tr>
<tr>
<td>Corporate crime/investment fraud</td>
<td></td>
</tr>
<tr>
<td>Cheque laundering</td>
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<tr>
<td>Objectionable goods*</td>
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<td>Superannuation related issue*</td>
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</tbody>
</table>

* Note: new suspect activity types for 2007–08
The analytical support provided by SILOS includes, but is not limited to:

- responding to requests for assistance and interpretation of AUSTRAC information on any intelligence-related matters
- identifying, promoting and referring matters that may be of interest to partner agencies
- creating AUSTRAC Alerts for ongoing matters
- preparing and distributing detailed information reports for relevant operations and investigations
- facilitating communication between AUSTRAC and partner agencies on intelligence-related matters.

The following table shows a breakdown of the agencies and states for which AUSTRAC has outposted SILOS. Many of the outposting arrangements are on a part-time basis with SILOS splitting their time between a number of agencies.

The bottom table shows the breakdown of total SILOS by state.

### AUSTRAC representation in partner agencies

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<tr>
<th>Agency</th>
<th>VIC</th>
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<th>ACT</th>
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<td>Australian Customs Service</td>
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<td>Australian Crime Commission</td>
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<td>Australian Securities and Investments Commission</td>
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<tr>
<td>Australian Security Intelligence Organisation</td>
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<td>State police forces</td>
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<tr>
<td>Centrelink</td>
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<table>
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<td>4</td>
<td>3</td>
<td>2</td>
<td>1</td>
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</tr>
</tbody>
</table>
Committees and taskforces

AUSTRAC recognises the importance of being aware of the key priorities and operational needs of our partner agencies. During the year AUSTRAC personnel attended operational, strategic and joint agency meetings throughout Australia, and were involved in various committees and task forces.

In 2007–08, AUSTRAC personnel participated in the NSW Senior Intelligence Officers Group (SIOG), a committee which includes representatives of the Australian Crime Commission, Customs, the ATO, the AFP, the Department of Immigration and Citizenship, the NSW Crime Commission and the NSW Police.

AUSTRAC continued to support and be actively involved in Project Wickenby during the year. In addition to the analysis and dissemination of financial intelligence to support the project, AUSTRAC also facilitated numerous international exchanges of financial intelligence. AUSTRAC is also represented on the Project Wickenby Cross-Agency Advisory Committee and attends the Project Wickenby CEO forums. During the year, AUSTRAC lodged a submission to the Cross-Agency Advisory Committee in respect of the Project Wickenby Mid-Term Review.

An AUSTRAC analyst was seconded to join the Australian Crime Commission’s Financial Intelligence Assessment Team (FIAT) in Canberra, and AUSTRAC is a member of the FIAT management group that meets bi-monthly. AUSTRAC also participates and supports a number of other law enforcement initiatives and committees established to provide a whole-of-government approach to combating organised crime and national security threats. A list of committees in which AUSTRAC was involved during 2007–08 can be found in Appendix B of this report.

AUSTRAC continued to meet with the ATO on a six-monthly basis for the AUSTRAC/ATO Executive Meetings, held to discuss joint initiatives and future collaborations. In accordance with its MOU with APRA, senior representatives of both agencies continued to hold coordination committee meetings to aid close cooperation between the two agencies.

Feedback from partner agencies

AUSTRAC continued to work closely with its domestic partner agencies to improve the quality, content and timeliness of feedback on significant investigations. This feedback was analysed to identify indicators and typologies for use by other AUSTRAC business units to assist them in their work.

The increased volume and quality of intelligence held by AUSTRAC has led to a significant increase in requests from both domestic partner agencies and foreign FIUs. In 2007–08, total intelligence assessments and reports provided to domestic agencies increased 10 per cent from 2006–07, and exchanges of information with FIUs increased 44 per cent. It is envisaged that there will be a continued increase in requests for AUSTRAC intelligence in the future as the agency continues to build its intelligence database.

Feedback from partner agencies indicates that AUSTRAC information was used in 2,698 operational matters during 2007–08. AUSTRAC information also contributed to ATO assessments of more than $76.7 million and led to more than $8.5 million of annualised savings for Centrelink.

Feedback included:

‘Once again AUSTRAC has been the source of a major operation.’

‘The format and clarity of output are remarkable. The findings will be used for fraud detection as well as furthering the joint research project. The data mining work is extremely useful in maximising efficiencies in analysing AUSTRAC data.’

‘AUSTRAC’s responsiveness to requests for assistance and advice and the quality of training provided are widely recognised and are important to operational work.’

‘A very comprehensive, quality report from AUSTRAC which will be extremely useful for furthering our money laundering investigation.’

‘The AUSTRAC analysis significantly enhanced our investigation by identifying other potential victims, new accounts and direction of money flows.’
Objective:
Provide support to partner agencies through education and training.

AUSTRAC provides extensive support to its partner agencies to promote the effective use of AUSTRAC financial intelligence in investigations. This support is primarily through training sessions to partner agency personnel to use the online enquiry system, TES. This training is administered by a team of Training and Liaison Officers (TLOs).

During the year AUSTRAC TLOs conducted 354 training sessions for 1,237 TES users from partner agencies, compared with 207 training sessions in 2006–07. AUSTRAC has officers located in Melbourne, Sydney, Brisbane, and Canberra, as well as officers in Perth and Adelaide who work onsite with the AFP. Training was conducted in all major capital cities and in many regional centres including the Gold Coast, Rockhampton, Townsville, Cairns, Kalgoorlie, Broome, Albany, Fremantle and Alice Springs. AUSTRAC also presented a workshop to AFP Intelligence Support Officers on how to use TES data to extract the maximum amount of intelligence. Feedback from the training sessions indicated that the training was well received by participants and that participants considered the knowledge gained would be of ongoing value to their work.

In addition to TES training, AUSTRAC gave 119 presentations to both partner agency and non-partner agency personnel. These presentations covered a variety of topics, with many focusing on raising awareness of the AML/CTF Act. AUSTRAC provided information sessions to partner agencies on secrecy and access provisions, as these have changed with the implementation of the AML/CTF Act. Participants in these sessions included the AFP, Customs and South Australia Police, and further sessions are to be delivered in 2008–09. Presentations were also conducted in respect of other products and services offered by the Intelligence branch, including money laundering typologies.

AUSTRAC worked closely with Customs and the AFP to develop and deliver presentations about the AML/CTF Act cross-border movement reporting obligations for bearer negotiable instruments (BNI), physical currency and the Infringement Notice Scheme. AUSTRAC also issued a BNI reference guide to Customs to explain the new report type and to assist with its implementation.

AUSTRAC disseminated a number of suspect transaction reports (SUSTRs) to partner law enforcement agencies which sparked an investigation into money laundering. Financial activity indicated structured funds transfers via companies to South-East Asia and the Middle East, all to an individual who had previously come to the attention of law enforcement agencies.

The individual conducting the transfers in Australia made several transfers within a short space of time. On one occasion the person attempted a transfer using a false identity after having visited the same remittance dealer the day before. The person was arrested by police in possession of two drivers licenses with differing identities.

In total, the individual transferred, or had attempted to transfer, approximately $911,000 to accounts in the Middle East and South-East Asia. Law enforcement officers were able to restrain the funds prior to them being sent. The individual was arrested under section 29 (4)(b) of the FTR Act for making a false statement and causing a cash dealer to make a false report and sentenced to three years imprisonment.

The individual was also charged with dealing with the proceeds of crime pursuant to section 400.4 of the Commonwealth Criminal Code Act 1995 and was sentenced to a further nine months imprisonment.

During the year AUSTRAC presented at a number of partner agency courses including the Attorney-General’s Department’s Financial Intelligence course, Customs’ Financial Intelligence Analysis course and the AFP’s Money Laundering Investigators course. Topics included a general overview of AUSTRAC, alternative remittance service providers, and money laundering typologies. Monthly AUSTRAC information sessions were initiated with Customs in NSW. AUSTRAC also presented to NSW Police intelligence analysts during the year, and provided an information session at the national Revenue Intelligence conference held in Adelaide, to inform state revenue agencies on how AUSTRAC information can assist with their investigations.
AUSTRAC continued to disseminate quarterly newsletters to its partner agencies providing information on AUSTRAC’s current priorities and projects, and hints and tips about using TES.

AUSTRAC continued to host bi-annual Partner Liaison Meetings in most states, where partner agency representatives are invited to learn about AUSTRAC’s different business units and their current priorities. This forum also encourages agencies to exchange information about how their agency uses AUSTRAC information.

**Future priorities**

In 2008–09, AUSTRAC’s priorities will include:

- reviewing feedback from partner agencies on our training and education sessions and materials to improve the support we provide through education and training
- re-aligning the agency’s internal structure between our Intelligence and Domestic Relations–Partner Agency units to further improve the operational effectiveness of AUSTRAC as an FIU and the financial intelligence products and services offered to our partner agencies
- finalising MOUs with partner agencies to ensure they reflect the new AML/CTF regulatory environment
- enhancing existing systems and developing new processes in anticipation of an increase in the number of financial reports following the introduction of new reporting requirements under the AML/CTF Act. These system enhancements will allow AUSTRAC to extract higher-quality intelligence from financial reports in the future
- implementing the recommendations of AUSTRAC’s intelligence review, which include aligning AUSTRAC’s intelligence priorities and capabilities more closely with those of our partner agencies, and developing a marketing plan to better promote the range of intelligence products offered by AUSTRAC.

**Performance summary**

Output 2.1 refers to the extent to which AUSTRAC’s promotion of its information and intelligence can be demonstrated to increase the value of AUSTRAC information in identifying instances of money laundering and terrorism financing.

Output 2.1 is included in Primary Output Group 2 (Australia’s financial intelligence unit). The total price of achieving Primary Output Group 2 in 2007–08 was $23.99 million.

**Performance highlights**

Performance highlights for the reporting year were:

- AUSTRAC receiving a ‘certificate of appreciation’ from the AFP for its significant contribution to Operation Girra. This operation resulted in the seizure of 250 kilograms of cocaine, freezing of AUD1.2 million and the arrest of offenders in both Australia and China
- an AUSTRAC officer being awarded an AFP medal for ‘conspicuous conduct’ for her contribution to a successful AFP operation which resulted in the largest recorded seizure of amphetamines in Australia
- AUSTRAC providing information and assistance to a Queensland Police project targeting a Nigerian-based advance fee fraud operation, resulting in nationwide recognition of the activity. AUSTRAC also delivered two presentations at a Nigerian Fraud Symposium which was hosted by Queensland Police and attended by Australian and overseas government representatives
- information and intelligence from AUSTRAC’s database being used in 2,698 partner agency operational matters during the year, a 76 per cent increase on the number for 2006–07
- AUSTRAC information contributing to ATO assessments of more than $76.7 million and leading to more than $8.5 million of annualised savings for Centrelink
- AUSTRAC undertaking a review to assess its intelligence function and establish a plan to meet the future needs of partner agencies. The review identified a series of recommendations to be implemented in 2008–09
- the signing of MOUs with three new partner agencies
- AUSTRAC conducting 354 training sessions for 1,237 TES users from partner agencies in 2007–08. This is a 71 per cent increase on the number of training sessions held last year.
Achievement of 2006–07 priorities

In AUSTRAC’s 2006–07 annual report, several future priorities were listed. These are shown below, with a brief summary of their progress:

• developing and delivering more detailed and specific AML/CTF Act training to relevant partner agency personnel and implementing a new TES training model

During the year, AUSTRAC developed more detailed and specific AML/CTF Act training for partner agencies and is in the process of implementing a new TES training model. When implemented, the updated TES training model will reflect the new reporting requirements that come into effect in December 2008 under the AML/CTF Act.

• surveying AUSTRAC and partner agency users of TES regarding system functionality to assess the need for enhancements

AUSTRAC surveyed a range of Commonwealth, state and territory government agencies, not including the ATO, in an effort to understand their awareness of AUSTRAC’s products and services and the effectiveness of TES. Most responses were positive, with a majority of respondents saying they use TES at least once per day. The results indicated a high level of awareness of AUSTRAC products and services; however, feedback indicated that the marketing of our intelligence products and the user-friendliness of TES could be improved. In 2008–09, AUSTRAC plans to address the issues highlighted by the partner feedback.

• undertaking a strategic review of AUSTRAC’s intelligence functions and continuing research into ways to better identify and manage the development and referral of suspicious financial activity

AUSTRAC undertook a comprehensive strategic review of its intelligence function, and implementation of the recommendations of the review will commence in the next reporting period. The agency also continued research in the use of advanced technology to improve its processes for identifying suspicious matter reports, and disseminating these to partner agencies.

Quantity performance measure

Number of access logons

• 151,448 access logons by partner agencies.

Increase in access to AUSTRAC’s system

• There were 1,655,631 TES searches conducted by partner agency personnel, an increase of 9 per cent on 2006–07.

Number of support functions provided

• 354 training sessions were conducted for partner agencies.

Quality performance measure

Level of system availability

• TES had 97.9 per cent availability from Monday to Friday, and 95.9 per cent availability during weekends.

Feedback from partner agencies

• Feedback from partner agencies detailed that AUSTRAC information was used in 2,698 operational matters during the year.

• AUSTRAC information contributed to ATO assessments of more than $76.7 million during the year and led to $8.5 million of annualised savings for Centrelink.
Primary Output Group 2
Australia’s financial intelligence unit

Output 2.2
Research, Analysis and Intelligence
Output 2.2
Research, analysis and intelligence

Purpose

To undertake detailed research and analysis on money laundering and terrorism financing threats to Australia’s financial system and provide this research to internal and external stakeholders in the form of strategic research, current and emerging typology information and sophisticated data mining analysis.

Introduction

AUSTRAC’s work as a financial intelligence unit (FIU) involves undertaking detailed research and analysis on money laundering and terrorism financing threats to Australia’s financial system.

AUSTRAC conducts strategic research into the money laundering and terrorism financing vulnerabilities of specific industries and designated services, as well as specific criminal activities and how money launderers facilitate the movement of illicit funds.

We also use highly sophisticated data mining tools to analyse the vast amount of financial transaction data held by the agency. This analysis produces valuable intelligence which assists AUSTRAC and partner agencies to identify trends and potential new criminal networks.

AUSTRAC works closely with partner agencies to produce and maintain current and effective typologies and indicators of suspicious financial activity. These typologies and indicators are a valuable source of information for regulated entities and also for our partner agencies and international FIUs. The typologies aid in day-to-day efforts to identify and report on potential instances of money laundering, terrorism financing and other crimes.

Objective:

Provide detailed research information about trends and typologies of money laundering and terrorism financing in support of the priorities of AUSTRAC and external stakeholders.

The development of typologies and indicators and the provision of case studies are critical to AUSTRAC’s work as an FIU. In this reporting period, AUSTRAC directed increased resources to the effective development of typologies to assist reporting entities and partner agencies to recognise possible instances of financial crime.

AUSTRAC monitors domestic and global media to identify material relevant to the Australian financial environment. In 2007–08 this research and analysis work led to the development of a comprehensive database of over 800 indicators of financial activity that may assist in identifying unlawful financial activity. Many of these indicators have been released to reporting entities and partner agencies through AUSTRAC publications, educational materials and training sessions. AUSTRAC will continue to identify new indicators and make these readily available.

An important part of AUSTRAC’s efforts to educate reporting entities about money laundering and terrorism financing is the AUSTRAC Typologies and Case Studies Report 2007. Launched in December 2007, the report contains 51 cases from Australia and overseas involving money laundering and other serious crime and presents indicators and methodologies used to facilitate a wide range of criminal activity. The information is drawn from investigations conducted by our partner agencies using transactional information reported to AUSTRAC by regulated entities. These case studies illustrate the importance of the partnership created under the FTR Act and AML/CTF Act between regulated entities, AUSTRAC and our partner agencies. A second version of the report, featuring only Australian content and cases, is under development.
The ongoing commitment and involvement of reporting entities and partner agencies in AUSTRAC’s work is essential to furthering knowledge of money laundering methodologies. AUSTRAC is conscious that the agency’s efforts to raise awareness of current typologies and methods should not affect ongoing investigative actions, prosecutions and methodologies of law enforcement agencies. AUSTRAC met with partner agencies throughout 2007–08 to discuss improvements to the feedback processes. These meetings and further developments will continue in 2008–09.

This year, AUSTRAC also implemented a computerised system to store classified and publicly-sourced information relating to investigations within Australia and overseas. The system allows AUSTRAC to more efficiently retrieve and collate typologies and indicators from this stored information.

**Strategic capabilities**

AUSTRAC continued to expand its strategic research capacity by generating and updating research on a wide variety of present and future vulnerabilities to Australia’s AML/CTF system. In particular, AUSTRAC is undertaking a macro-analysis of transaction data to identify trends and anomalies to assist the operational and strategic priorities of partner agencies. AUSTRAC is also providing assistance to the Australian Institute of Criminology in its ongoing research into money laundering and terrorism financing.

In the reporting period, AUSTRAC held a regular series of technical forums in which local and international specialists passed on their expertise about topics such as organised crime, national security, taxation and financial products. Sessions were also presented by AUSTRAC personnel with expertise in money laundering vulnerabilities, typologies and supervisory developments. AUSTRAC contributed to multi-agency workshop groups and forums by providing presentations on AUSTRAC research capabilities and specific research efforts.

AUSTRAC, with the assistance of an overseas specialist in counter-terrorism, conducted research into global developments in terrorism and terrorism financing methods. The resulting two strategic intelligence reports are to be provided to AUSTRAC’s law enforcement and national security partners in 2008–09. This research has also generated strategies to further AUSTRAC’s strategic and data mining work in relation to terrorism financing.
Objective:

Improve the intelligence systems and effectiveness of AUSTRAC through the use of sophisticated data mining tools and enhanced access to external information sources.

In 2007–08, AUSTRAC continued to review the performance of its automated monitoring system, TargIT. Intelligence information was collected from law enforcement partner agencies and FIUs globally, and this was integrated into our analytical work to improve the effectiveness of our monitoring and detection systems.

This year AUSTRAC completed a comprehensive review of its intelligence function which identified a number of recommendations that will be explored in the 2008–09 reporting period. A key recommendation was to implement a comprehensive case management system to track our processes, beginning with initial requests for intelligence from partner agencies, to the receipt of feedback from these agencies as to the usefulness of AUSTRAC information to their operations.

AUSTRAC also conducted research in the use of advanced text mining for analysing suspect transaction reports. This research revealed trends and patterns in suspect transaction reporting that will assist in prioritising high-value suspect transaction reports for dissemination to partner agencies. This research has also provided a resource for the effective education of regulated entities, and to assist in the monitoring of their compliance with AML/CTF obligations.

AUSTRAC continued to expand its access to external data sources, which include restricted information held by partner law enforcement agencies, and publicly-available information such as media reports and business name registration information. AUSTRAC will continue to seek broader access to external data sources which can validate and enhance the quality of our financial intelligence.

CASE STUDY

Director of offshore company embroiled in large-scale money laundering

A law enforcement agency commenced an investigation into an individual involved in money laundering activities. The total value of all the activities identified exceeded $58 million.

Inquiries identified the individual as the director of an offshore company who operated accounts in Australia using legitimate personal and business details. AUSTRAC analysis identified extensive money movements in and out of Australia with some transactions being conducted under a false name. Financial institutions in Australia were being exploited for this international money laundering activity.

Law enforcement officers identified a number of offences contravening section 24 of the FTR Act, including opening a bank account using a false name. Officers also enacted restraining orders under section 18 of the Proceeds of Crime Act 2002 to restrain funds in company accounts totalling $6.7 million, with $3.37 million finally being forfeited.
Collaborative analysis

AUSTRAC continued to work closely with the Australian Taxation Office (ATO) to investigate the financial arrangements of high-wealth individuals. To combat the movement of money offshore for tax-evasion purposes, a senior AUSTRAC data mining analyst worked on modelling projects to match AUSTRAC financial transaction records with ATO information. This resulted in improvements in matching rates, providing the ATO with more viable investigative and assessment options. This ongoing work involving AUSTRAC and ATO data resulted in the identification of $36 million in previously undisclosed income through the ATO's offshore voluntary disclosure initiative.

AUSTRAC conducted its data matching exercises with partner agencies in accordance with AUSTRAC’s ‘Autosearch Generic Program Protocol’. The ‘Management and accountability’ chapter of this report contains further information on AUSTRAC’s data matching exercises in relation to privacy.

AUSTRAC has commenced work on several predictive models to aid in the monitoring of transactions involving offshore tax havens. Models generated in 2006–07 have been revised and continue to undergo refinement to enable more effective application for the ATO. In 2008–09, the use of matched AUSTRAC data will be explored within other programs and initiatives of the ATO and with other partner agencies.

Future priorities

In 2008–09, AUSTRAC’s priorities in intelligence research and analysis will include:

- continuing the delivery of methodologies, indicators and guidance to support regulated entities in complying with their AML/CTF Act obligations to develop risk-based AML/CTF programs and report suspicious matters. This will include the provision of material for future typologies and case studies reports
- working with partner agencies to increase the level of detail in case study material they supply to AUSTRAC
- marketing, development and dissemination of macro-analysis and strategic research products that better inform the operational and strategic priorities of AUSTRAC’s key partner agencies
- continuing collaborative data mining efforts with the ATO to maximise the efficiency of data matching with AUSTRAC information
- developing AUSTRAC’s intelligence systems to enhance the agency’s ability to accurately verify and link entities
- developing a comprehensive training program to ensure AUSTRAC personnel have the necessary skills to meet the requirements of working in the evolving intelligence and AML/CTF environment.

Performance summary

Output 2.2 refers to the extent to which AUSTRAC’s intelligence research and analysis program can be demonstrated to identify financial activity related to money laundering and the financing of terrorism, as well as money laundering and terrorism financing risks within regulated entities.

Output 2.2 is included in Primary Output Group 2 (Australia’s financial intelligence unit). The total price of achieving Primary Output Group 2 in 2007–08 was $23.99 million.
Performance highlights

Performance highlights of the reporting year included:

- the release of the AUSTRAC Typologies and Case Studies Report 2007 to inform regulated entities and partner agencies of money laundering and terrorism financing methodologies and indicators
- collaboration between AUSTRAC and the ATO that enabled the identification of $36 million in previously undisclosed income as a part of the ATO’s offshore voluntary disclosure initiative
- working with specialists to develop research and knowledge on counter terrorism and terrorism financing to incorporate into educational material for regulated entities and partner agencies.

Achievement of 2006–07 priorities

In AUSTRAC’s 2006–07 annual report, future priorities were listed for the agency’s research and analysis function. These are shown below, with a brief summary of their progress:

- substantially increasing the educational material for reporting entities on money laundering and terrorism financing typologies, trends and indicators to assist their knowledge and improve the focus and quality of suspect transaction reporting

AUSTRAC has developed robust processes and a dedicated team responsible for the collection and analysis of feedback and the subsequent development of quality case studies, typologies and indicators. This work culminated in the inaugural release of the AUSTRAC Typologies and Case Studies Report 2007, which educates reporting entities on methodologies and indicators of financial crime to assist them in their suspect transaction reporting. The report has also generated significant interest within partner agencies and is a precursor for enhanced guidance and additional typology reports to be released in 2008–09.

- increasing the reporting back to partner agencies on international and domestic trends and indicators of money laundering and terrorism financing to assist in the identification of techniques and schemes in operation in Australia

Research and analysis work in 2007–08 led to the development of a comprehensive database of over 800 indicators of suspicious financial activity. Many of these indicators were released to partner agencies through official AUSTRAC documents, educational material and training sessions, and will continue to be released in the future.

Quantity performance measures

Number of matters value added and number of intelligence disseminations

- A total of 893 financial intelligence assessments (FIAs) were produced by AUSTRAC in 2007–08, of which 831 were disseminated to partner agencies for use in their operations and investigations.

Number of matters taken up by partner agencies

- AUSTRAC initiated 576 disseminations of AUSTRAC intelligence data to partner agencies who advised that 253 were of use for intelligence purposes, 48 for investigative purposes and 10 were of no interest. Feedback was not provided on the remainder of these disseminations.

Quality performance measure

Feedback from partner agencies

- AUSTRAC responded to 681 requests for AUSTRAC information from partner agencies who advised that 204 were used for intelligence purposes, 171 related to current investigations and 15 were used to initiate investigations. Feedback was not provided on the remainder of these disseminations.
Primary Output Group 2
Australia’s financial intelligence unit

Output 2.3
Contribution to international efforts directed at anti-money laundering and counter-terrorism financing
Objective:

Contribute to a global network of FIUs and AML regulators.

Exchange of intelligence and information

AUSTRAC shares financial transaction information and intelligence with a number of foreign FIUs. This benefits not only the operational work of FIUs but also law enforcement agencies in tracking the international movements of the proceeds of crime. Prior to exchanging information, AUSTRAC carefully negotiates an exchange instrument with the foreign FIU, usually in the form of a memorandum of understanding (MOU). Each exchange instrument outlines the specific terms of exchange with the particular jurisdiction. Once an exchange instrument is in place AUSTRAC can provide financial intelligence to other FIUs. AUSTRAC also receives financial transaction information and intelligence from foreign jurisdictions, many of which do not require an exchange instrument to be in place to provide information to AUSTRAC.

In 2007–08, AUSTRAC entered into four new exchange instruments with FIUs from Germany, Czech Republic, Mexico, and Saint Kitts and Nevis, bringing the total number of international exchange instruments to 53.

MOU signing with German FIU, May 2008: (left to right) Dr Michael Dewald, Head of FIU Germany, and Neil Jensen, AUSTRAC Chief Executive Officer

Purpose

To advance international efforts to support a financial environment increasingly hostile to money laundering and the financing of terrorism.

Introduction

AUSTRAC contributes to a range of international initiatives to aid the exchange of financial information and build a global environment hostile to money laundering, major crime and the financing of terrorism, for the benefit of Australia. AUSTRAC exchanges information with other financial intelligence units (FIUs) and assists other jurisdictions (especially in the Asia-Pacific region) by providing technical assistance and training. These efforts support countries in their development of strong anti-money laundering and counter-terrorism financing (AML/CTF) programs. AUSTRAC also actively participates in a range of international organisations and forums along with other international FIUs and regulators.
As of 30 June 2008, AUSTRAC had signed exchange instruments with FIUs from the following countries:

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<td>Guernsey</td>
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In addition to expanding its network of international FIUs, AUSTRAC is currently in the process of extending its international information-sharing network by establishing regulatory exchange instruments and increasing its engagement with foreign AML/CTF regulators. AUSTRAC continued to develop pilot MOUs for the exchange of compliance information with other jurisdictions.
The year 2007–08 saw a marked increase in the number of intelligence exchanges between AUSTRAC and overseas FIUs. The numbers of exchanges are shown below:

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<td>Incoming spontaneous exchanges</td>
<td>11</td>
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<td>20</td>
<td>32</td>
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AUSTRAC continues to maintain and strengthen collaborative partnerships with overseas FIUs. These FIUs provide feedback on the content, quality and value of information we provide. The FIUs surveyed confirmed that the information provided by AUSTRAC continued to be of a high standard.

**International visitors**

To establish and further enhance our international relationships, AUSTRAC hosts delegations from international counterparts, regulators, relevant agencies and private-sector entities. From time to time AUSTRAC co-hosts or involves our partner agencies in our visitor program. The delegations benefit from the information and knowledge provided about AUSTRAC’s role, operations and policies and procedures. In turn, we benefit from the knowledge we gain about the AML/CTF frameworks in foreign jurisdictions and the role and operations of other agencies.

In 2007–08, AUSTRAC hosted delegations from the following countries: Cambodia, Chile, China, Fiji, Hong Kong, Indonesia, Iraq, Lebanon, South Korea, Thailand, United Kingdom and the United States of America.

AUSTRAC also hosts attachment programs: officers from our international counterparts are attached to the agency for a specific purpose, such as training or knowledge sharing, giving them the opportunity to learn from particular aspects of our operations or procedures.

In 2007–08, AUSTRAC hosted a year-long attachment program, focusing on intelligence matters, for a senior officer of the Japan Financial Intelligence Centre. In addition, a high-level officer of the Namibian Financial Intelligence Unit joined a program on reporting and financial intelligence.
**Objective:**

*Influence the international agenda on AML and CTF through participation in international organisations.*

A number of international organisations have been formed to support the international standards of AML/CTF, examining the extent to which these standards have been adopted around the world.

AUSTRAC is actively engaged with a number of international AML/CTF groups and organisations, including the Financial Action Task Force (FATF), the Asia/Pacific Group on Money Laundering (APG) and the Egmont Group of FIUs. Through AUSTRAC’s involvement with these three organisations, we ensure that Australia’s position on money laundering and terrorism financing is represented.

**Financial Action Task Force**

The FATF is an international intergovernmental body which develops and promotes policies to combat money laundering and terrorism financing around the world. FATF established the ‘40 Recommendations’ relating to money laundering and ‘9 Special Recommendations on Terrorist Financing’. These 40+9 Recommendations are widely accepted as the global AML/CTF standards.

FATF members are assessed against these recommendations through a mutual evaluation process, with Australia’s most recent mutual evaluation report tabled at the October 2005 FATF Plenary. In accordance with FATF procedures, Australia presented its first follow-up report to the FATF Plenary in October 2007, to report on its progress on the recommendations contained within the evaluation report. Australia will report to FATF again at the October 2008 Plenary meeting.

In 2007–08, AUSTRAC continued to work closely with other Australian Government agencies, including the Attorney-General’s Department, to contribute to effective policy outcomes within the FATF forum. AUSTRAC attended FATF Plenary meetings in Paris in October 2007 and February 2008, and London in June 2008. In November 2007, AUSTRAC staff members participated in the joint FATF–APG Typologies Workshop in Bangkok, and completed FATF mutual evaluation assessor training in Bonn.

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**CASE STUDY**

**Funds heading to terrorists**

Law enforcement officers commenced an investigation into alleged fundraising and procurement activities by Australian-based individuals on behalf of an identified terrorist organisation. Officers examined the activities of the organisation in accordance with Australia’s obligations under United Nations Security Council Resolution 1373 (2001).

Investigations established that Australian-based individuals were sending a number of large international funds transfers to businesses in another country. These businesses were believed to be front organisations used to launder funds for a terrorist organisation. The individuals were sending multiple wire transfers to South-East Asia.

Funds originated from several sources, including cash raised under the guise of charitable activities, funds transferred via direct debit, and through third parties rolling funds into one account. AUSTRAC information identified numerous wire transfers valued at just under $10,000 leaving Australia. One individual transferred in excess of $300,000 in this manner.

The majority of the transactions were in the suspects’ own names, but third parties were used to create the main bank account. Other parties were also used to send wire transfers and make purchases using funds withdrawn from the main bank account.

As a result of the investigation, Australian authorities arrested several individuals who have been charged with being members of a terrorist organisation, providing support or resources to a terrorist organisation, and making funds available to a terrorist organisation.

**Asia/Pacific Group on Money Laundering**

The APG is an independent regional body consisting of 38 member jurisdictions and a number of international and regional observers committed to the effective implementation and enforcement of the FATF 40+9 Recommendations. AUSTRAC leads the Australian Government’s delegation to the APG.

In this reporting period, AUSTRAC played an active role to support the hosting of the APG Annual Meeting in Perth, in July 2007, and participated in the joint FATF–APG Typologies Workshop in Bangkok in November 2007.

AUSTRAC also contributed to the APG’s Implementation Issues Working Group to assist APG members to implement the recommendations of their FATF mutual evaluation reports. AUSTRAC participated in a pilot workshop in Kuala Lumpur in March–April 2008, involving APG members Vanuatu, Nepal, Cambodia, Mongolia and Bangladesh, and experts from the APG Secretariat, the World Bank, the FATF, Malaysia and Canada.

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**Egmont Group of FIUs**

The Egmont Group is a key international body which works to improve international cooperation in the exchange of information, training and sharing of expertise. It is made up of an international network of 108 FIUs.

In May 2008, the AUSTRAC Chief Executive Officer (CEO) was appointed as Chair of the Egmont Committee. This appointment is in addition to his role as Chair of the Training Working Group, and ensures that AUSTRAC will continue to play a leading role in support of international cooperation across the Egmont network.

AUSTRAC participated in the Egmont Group Plenary and Working Group meetings in Seoul, in May 2008. AUSTRAC was also represented at the Egmont Working Group meetings in Kiev, in October 2007 and Santiago, Chile, in March 2008, where AUSTRAC officers participated in the Outreach, Information Technology and Training Working Groups and the Committee meetings.
International Monetary Fund

In December 2007, AUSTRAC and the International Monetary Fund (IMF) jointly delivered a regional workshop for FIUs focusing on AML/CTF education and guidance for casinos. This ‘AML/CTF for Casinos’ workshop was held in Macau, and was attended by 35 representatives from 12 countries, including representatives from South-East Asia. AUSTRAC coordinated the workshop and provided expert speakers. The IMF also provided speakers and sponsored the attendance of FIU officials from Vanuatu, Sri Lanka and Korea.

United Nations Office of Drugs and Crime – Global Program against Money Laundering

The United Nations Office on Drugs and Crime (UNODC) implements the Global Program against Money Laundering (GPML) with the broad objective of assisting member states to implement AML/CTF measures. AUSTRAC works with the UNODC-GPML in Laos, Vietnam and Cambodia to provide relevant and appropriate technical assistance.

In May and November 2007, AUSTRAC partnered with UNODC to conduct two awareness-raising workshops with officials from Laos. The workshops were aimed at FIU staff and financial institutions, and focused on customer identification and new AML/CTF legislation.

In November and December 2007, AUSTRAC also worked with UNODC and the World Bank to conduct two workshops with the National Bank of Cambodia. The workshops were attended by various reporting entities and were aimed at raising awareness of reporting obligations. The workshops provided valuable feedback to the bank on the proposed draft regulations and reporting requirements.

Wolfsberg Forum

The Wolfsberg Group, a group of international banks, meets once a year in Switzerland to discuss AML/CTF issues with banks and regulators from around the world. AUSTRAC was represented at the Wolfsberg Forum in Switzerland in May 2008.
**Objective:**

*Harness the benefit of international work to domestic activities to suppress money laundering and the financing of terrorism.*

As well as assisting international counterparts, ASTRAC’s international work also supports domestic efforts to counter money laundering and the financing of terrorism. ASTRAC provides advice and information on international issues to domestic partner agencies, regulators and regulated entities. We also work with other Australian agencies to assist international efforts in AML/CTF.

**Communication management**

AUSCRAC uses the Department of Foreign Affairs and Trade (DFAT) Secure Australia Telecommunications and Information Network for communication with Australian Government agencies involved in international initiatives and diplomatic missions overseas. In 2007–08, there was an increase in the number and nature of communications received and sent over the network as a result of AUSCRAC’s increased participation in international AML/CTF programs and initiatives, including regional projects and activities conducted in South-East Asia and the Pacific.

**Domestic liaison and contribution**

AUSCRAC formally gathers feedback from partner agencies on future priority exchange instrument jurisdictions. In June 2008, AUSCRAC consulted with its partner agencies to ensure that international information exchanges continued to benefit domestic law enforcement and other partner agencies.

Extensive background evaluation is conducted before we enter into an MOU with an overseas FIU, to ensure our compliance with the requirements of the AML/CTF Act before exchanging AUSCRAC information. In 2007–08, AUSCRAC received eight requests to enter into exchange instruments with overseas counterparts, and negotiations were ongoing for a further six MOUs. Accordingly, in 2007–08, AUSCRAC streamlined the prioritisation process for undertaking exchange instrument negotiations while ensuring a continued alignment of AUSCRAC’s internal considerations with those of its partner agencies and the broader strategic priorities of the Australian Government.

AUSCRAC continued to engage with DFAT and other agencies on international counter-terrorism initiatives. AUSCRAC contributed to the development of a regional counter-terrorism strategy and individual country strategies, and participated in bilateral counter-terrorism consultations with Indonesia and the Philippines. We also participated with other agencies in the development and implementation of regional workshops focusing on cash courier activities, conducted under the auspices of the Trilateral Counter-Terrorism Consultations with the United States and Japan.

**Objective:**

*Contribute to improving the capacity of FIUs in South-East Asia and the Pacific to detect and act on possible cases of terrorism financing and money laundering.*

AUSCRAC has a major role in the development of a regional network of FIUs. As an established FIU, we contribute our knowledge and experience to countries in South-East Asia and the Pacific as they develop their own FIUs and work towards meeting global AML/CTF standards.

As part of this effort to build a regional network of FIUs, AUSCRAC works through the Egmont Group to assist jurisdictions in developing effective AML/CTF frameworks. AUSCRAC is currently working with our Malaysian counterparts to sponsor the Egmont membership application of the Sri Lankan FIU.

**Working with South-East Asian FIUs**

Since 2004, AUSCRAC’s South East Asian Counter Terrorism (SEACT) Program has been providing assistance to FIUs in South-East Asia to develop capacity in detecting and dealing with terrorism financing and money laundering. The ten nations involved in the SEACT program are Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam. The SEACT program has improved the capacity of regional FIUs to perform important functions such as the collection of financial reports, analysis and dissemination of reported information, and the development of suspicious-transaction reporting programs. This program will continue until 2009–10.
Australasianaw held a Domestic Coordination workshop in Melbourne on 20 July 2007, involving officials from the FIUs of SEACT program nations. The workshop focused on the principles of effective domestic coordination and presented different models for the coordination and dissemination of financial intelligence.

Australasianaw, Customs and the Australian Federal Police (AFP) worked closely with agencies from the United States and Japan, to hold the South-East Asian Regional Bulk Cash Smuggling Workshop at the Jakarta Centre for Law Enforcement Cooperation (JCLEC) in Semarang, Indonesia in April 2008. Participants from border agencies, law enforcement and FIUs from Indonesia, Malaysia and the Philippines took part in the workshop. Observers from Singapore and Thailand also attended.

The workshop was the second of two workshops aimed at combating the illegal movement of cash across borders by terrorist and other organisations using cash couriers (individuals) and bulk cash smuggling (cargo). The workshop focused on the importance of sharing financial, law enforcement, customs and immigration intelligence both domestically and internationally, particularly by those working at air and sea ports and land borders.

Australasianaw participated in the Australian delegation, led by DFAT, to the second round of bilateral counter-terrorism consultations with the Philippines, in Manila in May 2008. We also participated in the inaugural bilateral counter-terrorism consultations with Indonesia, in Jakarta, also in May 2008. The consultations were highly successful, highlighting the strength and depth of counter-terrorism cooperation between Australia and the Philippines and Indonesia. Australasianaw led the discussions on terrorism financing for the Australian delegation.

Delivery of technical assistance and training

In 2007–08, Australasianaw continued to aid FIUs in the Asia-Pacific region by delivering high-quality technological solutions and training.

Australasianaw provided one officer to the regional training activities of JCLEC led by the AFP and Indonesian National Police. The Australasianaw officer provided training in financial analysis for law enforcement officials from a range of South-East Asian jurisdictions. Australasianaw’s work with JCLEC commenced in 2004 and will continue until 2008–09.

Australasianaw assisted the Indonesian FIU, Pusat Pelaporan dan Analisis Transaksi Keuangan (PPATK), in developing a program for the receipt and analysis of suspicious transaction reports and the improvement of data quality and information processing. An Australasianaw IT project manager provided support to PPATK’s IT development team in Jakarta, and an Australasianaw technical advisor provided support to strengthen FIU business processes. This assistance took place as part of the SEACT Program and, since February 2008, under AusAID’s Asia Public Sector Linkages Program (PSLP).

In July 2007, Australasianaw coordinated the second of two Asia-Pacific Economic Cooperation (APEC) Counter-Terrorism Financing workshops. This workshop focused on developing strategies to protect non-profit organisations and alternative remittance services against the risk of being involved in terrorism financing. The workshop was attended by senior officers from the FIUs of 17 APEC nations, and hosted speakers from a number of international bodies including FATF, the World Bank, the APG, and the UK and NZ Charities Commissions. These workshops were successful in increasing the capacity for information and intelligence sharing between participating FIUs.

Australasianaw continues to coordinate AML/CTF capacity-building activities with the Attorney-General’s Department Anti-Money Laundering Assistance Team (AMLAT) through participation in the APG Donors and Providers Group, and AMLAT’s own Strategic Priorities Reference Group. Australasianaw and AMLAT representatives met during the reporting period to discuss technical assistance and training in the Pacific region. Australasianaw also provided our staff as expert speakers for workshops run jointly by Australasianaw and AMLAT, including a speaker on compliance issues for the annual FIU workshop held in Brisbane in June 2008.
AUSTRAC and AMLAT worked together to complete an IT Needs Assessment of the Nauru FIU as part of AUSTRAC’s FIU-in-a-Box Database Application Support Project. The ‘FIU-in-a-Box’ system is an application designed to assist developing FIUs in the collection, storage, analysis and dissemination of financial intelligence. In 2007–08, AUSTRAC also conducted an IT Needs Assessment for the Papua New Guinean FIU.

In November 2007, AUSTRAC and AMLAT collaborated to help resolve a backlog of transaction reports awaiting entry into the Cook Islands’ database. While AUSTRAC developed and installed an FIU-in-a-Box database, AMLAT provided funding to input report information. By May 2008, 7,000 reports had been entered in the database.

During June 2008, AUSTRAC conducted reviews of the six jurisdictions that received installation of the FIU-in-a-Box database in previous years. Reviews were completed for the Cook Islands, Samoa, Solomon Islands, Tonga and Vanuatu. A review of Palau was conducted remotely.

The Fiji FIU Financial Information Management System Online project commenced in 2006 and involved the development and implementation of an online reporting solution for the Fiji FIU. In January 2008, AUSTRAC provided further assistance to finalise the system implementation.

**Future priorities**

In 2008–09, AUSTRAC’s priorities will include:

- entry into the first compliance-related information exchange instrument between AUSTRAC and a foreign AML/CTF regulator, and furthering our research and analysis on foreign AML/CTF regulation
- further developing the capacity of South-East Asian and Pacific FIUs to detect and deter instances of terrorism financing and money laundering thus contributing to regional security
- increasing the number of AUSTRAC staff trained in the FATF mutual evaluation assessment methodology
- supporting the admission of regional jurisdictions into the Egmont Group, including progression of the Sri Lankan FIU’s membership application
- continuing to contribute to and coordinate key international forums and meetings and enhancing international relationships by hosting visits to AUSTRAC by foreign delegations
- improving the quality and quantity of information exchange between AUSTRAC and overseas FIUs.

**Performance summary**

Output 2.3 refers to the extent to which AUSTRAC’s international program furthers AUSTRAC’s overall efforts to foster an environment hostile to money laundering and the financing of terrorism. This includes AUSTRAC’s participation in international forums, its work with counterpart FIUs and its technical assistance program for FIUs in the Asia-Pacific region.

Output 2.3 is included in Primary Output Group 2 (Australia’s financial intelligence unit). The total price of achieving Primary Output Group 2 in 2007–08 was $23.99 million.

**Performance highlights**

Performance highlights of the reporting year included:

- signing four new MOUs with counterpart FIUs
- streamlining the MOU prioritisation process for undertaking exchange-instrument negotiations to ensure a better alignment of AUSTRAC’s internal priorities, with those of its partner agencies, and the broader strategic priorities of the Australian Government
- working closely with international counterparts to coordinate the development and delivery of successful regional workshops including the APEC workshop on Counter-Terrorism Financing in July 2007 and the Macau Casinos workshop in December 2007
- collaborating with Customs, the AFP and US counterpart agencies to deliver a coordinated training program to regional border agencies, law enforcement agencies and FIUs on bulk cash smuggling and cash couriers in Indonesia in April 2007
• hosting 13 international delegation visit programs and two attachment programs
• reviewing the FIU-in-a-Box database in six Pacific jurisdictions and developing a proposed program of technical assistance and training for the Pacific region for 2008–09
• working with the APG to develop a planning framework to assist jurisdictions to implement their FATF mutual evaluation report recommendations
• the appointment of the AUSTRAC CEO as Chair of the Egmont Committee
• sponsoring the Egmont membership application of the Sri Lankan FIU
• playing a key role in the establishment of FIUs in Laos, Brunei and Cambodia
• working closely with the FIUs of Malaysia, Singapore and Thailand to deliver joint workshops.

Achievement of 2006–07 priorities

In AUSTRAC’s 2006–07 annual report, several future priorities for the agency were listed. These are shown below, with a brief summary of their progress:

• benefit Australia’s AML/CTF program by building the capacity of counterpart FIUs in South-East Asia and the Pacific and developing a regional network of FIUs to detect and deter money laundering and terrorism financing

AUSTRAC assisted regional FIUs to increase their operational capacity to detect money laundering and terrorism financing, thus contributing to the AML/CTF capacity of the region as a whole. Information exchanges between Australia and the South-East Asian countries have increased, demonstrating an increasing compliance with international AML/CTF standards. AUSTRAC continues to foster communication and effective relationships in the region through participation in a wide variety of technical assistance and training activities which directly benefit Australia’s AML/CTF program.

• extend and expand AUSTRAC’s international capacity-building program to benefit international partners, AUSTRAC partner agencies and other Australian Government agencies

AUSTRAC was involved in AML/CTF workshops held jointly with international partners such as the International Monetary Fund, the United Nations Office on Drugs and Crime and the United Nations Counter-Terrorism Executive Directorate, and worked with domestic partners such as the AFP and Customs to strengthen international efforts to counter financial crime.

We also conducted extensive research and consultation with key stakeholders prior to developing a proposed program of future technical assistance and capacity-building in the Pacific.

• coordinate and contribute to key international forums and meetings, responding to information requests from international bodies and managing visits to AUSTRAC by foreign delegations

AUSTRAC continued to provide advice and information to international counterpart FIUs on AML/CTF, legislation and regulatory issues in a timely and efficient manner. AUSTRAC also hosted 13 visit programs and two attachment programs.

• identify international priority jurisdictions and negotiate appropriate exchange instruments

AUSTRAC signed four international exchange instruments with counterpart FIUs and continued to work with a foreign AML/CTF regulator in developing a pilot MOU for the exchange of compliance-related information.

AUSTRAC streamlined its MOU prioritisation process to reflect a better alignment of AUSTRAC’s internal priorities with those of its partner agencies and the broader strategic priorities of the Australian Government. AUSTRAC also consulted with partner agencies when prioritising the delivery of technical assistance and training to overseas jurisdictions.
Quantity performance measures

Number and extent of issues identified

- AUSTRAC participated in three meetings of the Egmont Group, three meetings of the FATF and one meeting of the APG.
- Four new exchange instruments were signed with counterpart FIUs.
- AUSTRAC hosted 13 international delegation visit programs and two attachment programs.

Number of international financial intelligence exchanges

- AUSTRAC received 190 requests for information from international FIUs. This is a 53 per cent increase from 2006–07. AUSTRAC made 80 requests for information to other FIUs, which is a 57 per cent increase. Thirty-one spontaneous disseminations of information were made by AUSTRAC to other FIUs (a 63 per cent increase) and 20 spontaneous disclosures of financial intelligence were received by AUSTRAC from other FIUs (a 60 per cent increase).

Quality performance measures

Significance of issues

- AUSTRAC continued its major contribution to the Egmont Group, and in May 2008 the AUSTRAC CEO was appointed as Chair of the Egmont Committee. AUSTRAC also continued to take part in the Information Technology, Outreach and Training Working Groups. AUSTRAC also continued its high-level representation in the FATF and the APG.
- AUSTRAC coordinated the AML/CTF for Casinos workshop in Macau, held in conjunction with the IMF, and an APEC Counter-Terrorism Financing workshop focused on developing strategies to protect non-profit organisations and alternative remittance service providers against the risk of terrorism financing.

Feedback from counterpart FIUs and other relevant stakeholders

- AUSTRAC surveyed counterpart overseas FIUs, who confirmed that the intelligence information provided by AUSTRAC continued to be of a high standard.
- Feedback received from participants in regional technical assistance and training workshops emphasised the value and relevance of these activities.

Quality of responses to information requests

- The continued growth in the number of requests for AUSTRAC financial information from overseas FIUs indicates their increased confidence in the quality of AUSTRAC’s responses to such requests.
Enabling Outputs

Corporate and security

Security and privacy
Human resource management
Financial management
Enabling output
Corporate and security

Introduction
This enabling output focuses on the delivery of efficient and effective human resource, training and development, workforce planning and financial management services to AUSTRAC, as well as property and facilities services for the agency. It also includes the provision of protective security services to effectively protect AUSTRAC personnel, and the information we collect, analyse and disseminate. Maintaining a high level of security is an important element in supporting AUSTRAC’s continuing reputation as a leading financial intelligence unit and regulator.

Security and privacy

Protective security
Having an effective protective security framework is crucial in facilitating AUSTRAC’s work and reputation. All AUSTRAC personnel must undertake a security clearance process, which allows them access to the level of classified information required for their particular role. All security clearances are regularly reviewed and updated, meeting the requirements of the Australian Government’s Protective Security Manual – 2007. In this way, all personnel have the appropriate levels of access to AUSTRAC information and resources.

All AUSTRAC officers undertake initial security training and annual refresher courses, as well as additional training if their security responsibilities change. In 2007–08, there was a significant increase in the number of new AUSTRAC personnel recruited to implement the AML/CTF Act. Consequently, 160 new staff were provided with security induction and initial security training, a marked increase on the 122 personnel trained in 2006–07. In addition, 202 staff underwent refresher security training in 2007–08. Importantly, 96 per cent of staff who underwent security training rated it as either good or excellent.

In 2007–08, there was also an increase in the number of staff security clearances, with 176 clearances completed and a further 57 pending as at 30 June 2008. In addition, 14 re-evaluations were granted and 54 periodic appraisals (re-validations of existing clearances) were conducted.

The expansion of AUSTRAC’s physical premises during 2007–08 also presented a challenge for AUSTRAC’s protective security function, as the fit-out of all new premises were required to meet minimum security requirements, including the installation of appropriate security and monitoring systems. AUSTRAC’s Canberra site became fully functional in November 2007, and a Protective Security officer was engaged to ensure
appropriate security oversight was maintained. In addition, new floor space for AUSTRAC’s Melbourne office was secured in September 2007, while the security fit-out for the new Brisbane office was completed in July 2007.

AUSTRAC began installing new access control technology at its Sydney premises in May 2008, which is expected to be completed in August 2008. When fully operational this new technology, coupled with AUSTRAC’s security alarm system, will enable AUSTRAC to set up a centralised security response centre covering all of its premises – with accompanying improvements in the efficiency and effectiveness of its security monitoring and control arrangements, including during outside of normal business hours.

AUSTRAC’s continued emphasis on security training, monitoring of compliance with security procedures and other security measures resulted in no significant security incidents being recorded during the year.

Privacy

The financial transaction reports which are the basis of AUSTRAC’s information collection contain personal details of members of the public, which are protected under the Privacy Act 1988 (Privacy Act). It is essential for AUSTRAC to ensure protection of this data when collecting the information from regulated entities and the public and disseminating any information to partner agencies. AUSTRAC holds confidential information about its personnel and is committed to protecting this information in the context of its Privacy Act obligations. AUSTRAC ensures that all of its personnel are aware of the Privacy Act obligations, and that this awareness is reinforced through training.

In 2007–08, AUSTRAC trained 99 new personnel on privacy issues, and the agency recently revised its privacy training for 2008–09 to ensure that it meets its obligations under the Privacy Act. There was also an audit of the AUSTRAC website to ensure it was compliant with privacy obligations, and the AUSTRAC Privacy Statement is accessible from every page of the website.

As in previous years, AUSTRAC continued to focus on identifying and resolving privacy issues which may arise as a result of the implementation of AML/CTF legislation. These privacy issues are discussed further in the ‘Management and accountability’ chapter of this report.

There were no significant incidents relating to privacy or complaints against AUSTRAC during the year.

Human resource management

In accordance with its expanded role under the AML/CTF Act, AUSTRAC continued its extensive recruitment efforts in 2007–08, and an additional 123 Australian Public Service (APS) personnel started work at AUSTRAC.

Certified Agreement and Australian Workplace Agreements

A certified agreement covers the conditions of employment for the majority of AUSTRAC’s non-Senior Executive Service (SES) APS personnel. The current certified agreement expired in April 2008, but remains in existence until it is replaced by a new collective agreement. The Community and Public Sector Union (CPSU), AUSTRAC staff and management negotiated a new collective agreement which has been put to employees for consideration. It is envisaged that this collective agreement will take effect in August 2008, providing it is agreed to by a majority of employees and the Workplace Authority declares that the agreement has passed the ‘no disadvantage’ test.

The productivity-based salary increases in the current certified agreement help AUSTRAC to attract and retain personnel, and these will continue in the proposed 2008–2011 agreement. The proposed new agreement includes competitive pay increases, a comprehensive new leave package and an enhanced studies assistance scheme, further increasing AUSTRAC’s attractiveness as an employer.

The current certified agreement covered 312 personnel in 2007–08. Thirty-five AUSTRAC personnel operated under Australian Workplace Agreements (AWAs). Of these, seven were SES personnel and 28 were non-SES personnel. As a result of the phasing out of AWAs, one SES employee has now been employed on a section 24(1) determination made under the Public Service Act 1999. These determinations will progressively replace AWAs, and all AWAs will be replaced early in 2008–09.
Productivity gains

AUSTRAC personnel undertake numerous activities to fund the salary increases within the current certified agreement and future collective agreements. These include:

• induction, training, development, coaching and mentoring of employees
• implementing new information technology systems and processes as required
• implementing workforce planning strategies
• committing to change-management and the development and delivery of an enhanced AML/CTF framework.

Ethics and conduct

AUSTRAC’s certified agreement and AWAs reinforce the requirement for AUSTRAC personnel to adhere to the APS Code of Conduct and Values. Personnel are given copies of the code, as well as the Public Service Act 1999 to ensure they are aware of their obligations. The AUSTRAC Welcome Program includes a formal training session on APS Code of Conduct and Values. In 2007–08, refresher training was conducted for all staff in Brisbane and Melbourne; other states are to follow. APS Code of Conduct and Values bookmarks and APS handbooks are also available to all staff for continued reference.

The AUSTRAC Values Statement is promoted to all new staff at the Welcome Program. Information sessions introduce the AUSTRAC Values to new personnel and explain how these values of professionalism, integrity, openness, fairness, innovation, respect, cooperation and trust are integrated into the AUSTRAC workplace.

Workforce planning

AUSTRAC has implemented a three-phase workforce planning initiative. The first phase involved a supply, demand and gap analysis of skills within the agency. The second phase involved the development and implementation of strategies which address the skills gaps identified in that analysis. The third phase will provide long-term strategies to ensure an effective skills base for AUSTRAC in the future.

In 2007–08, AUSTRAC implemented a number of strategies to address identified skills gaps, including a comprehensive range of training courses and other development opportunities. These are covered in more detail in the training and development section below.

AUSTRAC’s remodelled recruitment process continued in 2007–08 to attract appropriate personnel to the agency as we expand and evolve. A successful component of this recruitment program is our commitment to seeking the best people for each position, regardless of their location in Australia. AUSTRAC developed customised recruitment campaigns for different business units and successfully used online recruitment advertising to attract new candidates.

In 2007–08, the agency also developed a Wellbeing and Work/Life Balance campaign to support its current personnel and to highlight to potential candidates the flexible and supportive working environment AUSTRAC offers. This campaign will be launched in 2008–09.

To ensure an effective skills base for AUSTRAC as it expands and evolves, AUSTRAC representatives attended university careers fairs, and held the first Recruitment and Development Program, which saw eight new graduates join AUSTRAC in 2008. Candidates provided favourable feedback on the program, which will continue in 2008–09 with an expected intake of up to 10 graduates.

As a further innovation to enhance the skills and knowledge of our workforce, AUSTRAC sought formal expressions of interest from external providers for the delivery of an AML/CTF tertiary course. AUSTRAC continued to implement a number of strategies to increase personnel retention in a competitive job market including exploring the reasons why personnel decided to leave the agency. We also conducted a comprehensive staff survey which, among other benefits, assisted in the identification of opportunities for improved development and career progression within the agency.
AUSTRAC recognises the importance of developing a culture of enthusiasm and commitment in personnel. This is critical to the success of both the agency and the individual employee. In 2007–08, Australia Day Awards were inaugurated to recognise sustained and exceptional performance. We also developed a strategy paper on employee wellbeing, and redesigned the format of all-staff meetings led by the AUSTRAC CEO.

In 2007–08, 42 personnel departed the agency, a separation rate of 12.8 per cent, and 123 additional personnel were recruited. Six staff members received long-service awards for five years of continual service, six received awards for 10 years of service and two for 15 years of service, an achievement given the agency is only in its twentieth year.

**Occupational health and safety**

AUSTRAC continued to secure the health, safety and welfare of all personnel in accordance with the Occupational Health and Safety (Commonwealth Employment) Act 1991 (OH&S Act).

In 2007–08, the following initiatives contributed to AUSTRAC’s occupational health and safety (OH&S) program:

- providing adequate facilities, including a first aid service, with 13 trained first aid officers
- ensuring a safe workplace with appropriate means of access and egress. AUSTRAC has 33 trained fire wardens
- developing occupational health and safety policies in consultation with the AUSTRAC Consultative Group, which features representatives of the CEO and Workforce Planning, as well as the AUSTRAC CPSU representative and up to five elected employee representatives. An Occupational Health and Safety Coordinator was appointed during the year
- continuing to make influenza vaccinations available to all personnel.

More information regarding AUSTRAC’s compliance with the OH&S Act can be found in Appendix C.

**Performance management and job evaluation**

All APS personnel at AUSTRAC enter into a performance agreement which links the individual’s tasks and learning requirements with AUSTRAC’s strategic objectives. During 2007–08, AUSTRAC personnel continued to undergo regular performance appraisals during the year, measured against individual key performance indicators. These appraisals give personnel constructive feedback as well as the opportunity to discuss identified training and development needs with their supervisor.

AUSTRAC’s certified agreement provides for flexibility for both managers and employees to seek a job evaluation of all APS non-SES roles in the agency. Job evaluation is a method of assessing the work value of roles and provides a systematic and transparent approach for grading roles to determine their work value level.
Training and development

We continued to focus our training efforts on familiarising personnel with the AML/CTF Act through an updated version of the mandatory AML/CTF Act training, and external conferences and courses. We also delivered a contracts training course, an in-house strategic thinking course and other successful initiatives such as the Welcome Program. Other training initiatives covered an introduction to the intelligence function, cross-cultural awareness, legal awareness, money laundering and terrorism financing risks and vulnerabilities, and effective communication skills.

General training of staff in the use of IT packages, presentation skills and financial updates continued as in past years.

AUSTRAC conducted regular technical forums in all states and these were well-attended throughout the year. The forums covered topics such as organised crime, national security, terrorism financing, money laundering and the gambling industry, and received positive feedback from staff.

The AUSTRAC Welcome Program continued to incorporate a buddy system, induction sessions and mandatory training sessions. Sessions were revised and updated throughout the year in response to feedback from participants and changing roles at AUSTRAC. Inductions took place every two months and continued to attract positive feedback from new personnel.

Financial management

AUSTRAC has a range of obligations under the Financial Management and Accountability Act 1997 (FMA Act), including managing our financial and property resources in an effective, efficient, transparent and accountable manner. AUSTRAC received an unqualified audit report from the Australian National Audit Office regarding financial records and reporting for the 2007–08 financial year.

Analysis of financial performance

Under section 57 of the FMA Act, we must include a copy of our audited financial statements and the Auditor-General’s report each year in our annual report. These statements have been prepared on an accrual basis in accordance with the Finance Minister’s Orders and Australian Accounting Standards and are located in the ‘Financial statements’ section of this report. As in previous reports, the Agency Income Statement relates to items of revenue and expense where AUSTRAC is directly responsible for their administration and management.

In 2007–08, AUSTRAC produced a net operating result of $0.39 million deficit, as compared with a surplus of $0.38 million in 2006–07. The 2007–08 total revenue was $53.2 million: a $17.7 million increase over the previous year. This result includes the adoption of the efficiency dividend of $0.24 million which was imposed by the Australian Government, together with property leases adjustments amounting to $0.41 million.
This year, employee expenses increased to $26.6 million as compared with $16.1 million last year. This result was mainly due to the recruitment of additional personnel required to implement the AML/CTF reform program.

The financial position of AUSTRAC at 30 June 2008 is shown in the Agency Balance Sheet. This takes into account movements in assets, liabilities and equity. Total equity has increased to $13.26 million in 2007–08, compared with $6.83 million in 2006–07. This result was mainly due to a one-off equity injection of $7.04 million.

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.

Consultants, competitive tendering and contracting

Where there is a need for specialist advice or expertise from external parties, AUSTRAC outsources the provision of various services under a range of contract and consultancy services arrangements. These typically include information and communication technology, financial, education, security and specific operational support services. During 2007–08, seven new consultancy contracts were entered into involving total actual expenditure of $562,029 including GST. In addition, four ongoing consultancy contracts were active during the 2007–08 year, involving total actual expenditure of $535,288. All contracts were reported in AusTender.

Further information regarding consultancy services engaged by AUSTRAC can be found in Appendix D of this report. Information on expenditure on contracts and consultancies is also available on the AusTender website (www.tenders.gov.au).

Annual reports are required to include details of contracts undertaken during the reporting period which resulted in a contract of $100,000 or more being let (inclusive of GST) that do not provide for the Auditor General to have access to the contractor’s premises. This year AUSTRAC did not undertake any such activities.

Under the AML/CTF Act, AUSTRAC has a significantly expanded role as the national AML/CTF regulator with supervisory, monitoring and enforcement functions over a diverse range of industry sectors. AUSTRAC advertised an AML/CTF Reform Multi-Use List on AusTender seeking applications from organisations and individuals who could provide expertise as we progress the AML/CTF reforms. AUSTRAC procures consulting and other services through the Reform Multi-Use List, where appropriate.

Purchasing

As a government agency, AUSTRAC abides by Commonwealth policies and guidelines (such as the Commonwealth Procurement Guidelines) in relation to the acquisition (procurement) of all goods and services. To assist AUSTRAC to meet these obligations, a Procurement and Contracts unit (P&C unit) was established and a manager was appointed in late 2007.

The new unit is developing AUSTRAC’s procurement policy and procedural framework by reviewing and redrafting the Chief Executive Instructions and the companion Procedures Manual. These activities will ensure that AUSTRAC’s procurement arrangements continue to be based on value for money, efficiency and effectiveness, ethics, accountability and transparency, and industry development, and will encourage competition.
Asset and property management

While the agency continued to expand throughout 2007–08, ASTRAC appropriately managed both its assets and premises. An asset stocktake was conducted, ensuring that asset registers were up to date and accurate. All assets, with the exception of internally developed software, are reported in the agency’s financial statements at fair value.

In 2006–07, ASTRAC commissioned a new Brisbane office in the Brisbane Club Tower at 241 Adelaide Street. The Brisbane office commenced operations on 6 July 2007, and was officially opened on 6 September 2007 by the then Minister for Justice and Customs, Senator David Johnston. The opening of the Brisbane office allows ASTRAC to provide increased support to our Queensland-based reporting entities and partner agencies.

To accommodate an increase in personnel, ASTRAC moved to a new office in Canberra at 20 Allara Street, Civic, which commenced operations on 5 November 2007.

ASTRAC also expanded its presence in Melbourne by acquiring additional floor space at its premises at 140 William Street. The expansion was completed in August 2007.

Advertising and market research

In 2007–08, ASTRAC paid HMA Blaze $265,751 to place print advertisements for AML/CTF programs and compliance reports. HMA Blaze also received $99,958 to extend the billboard advertising campaign in international airports.

ASTRAC paid Open Mind Research Group $97,514 to undertake tracking/evaluation research and $35,367 for concept testing associated with the cross-border movement communications project.

ASTRAC also placed a number of recruitment advertisements in 2007–08. As in the previous year, HMA Blaze provided this service and was paid $288,888.

All figures include GST.
Enabling Outputs

Information technology
AUSTRAC systems projects
IT security
Maintaining IT operations
Information management
Enabling outputs
Information technology

Introduction

This enabling output focuses on the provision of strategic, efficient and cost-effective information technology (IT) solutions to AUSTRAC.

AUSTRAC’s information technology team continues to focus on building the systems and infrastructure required to support AUSTRAC operations. Activities during the year focused on the development of new functionality within existing core systems as well as the development of new systems. The operations team continued to focus on the capacity, reliability, and availability of our systems. During 2007–08, the IT security system continued to ensure that our systems and operations complied with the highest standards of information assurance. To ensure AUSTRAC continues to have the necessary resources and systems to support its expanded operations, a new specialist Head of Architecture and Change Management role was introduced to the IT management team.

AUSTRAC systems projects

AUSTRAC has continued to build on its core technology to ensure that its systems are able to meet the new reporting requirements covered under the AML/CTF legislation.

During the 2007–08 reporting period a significant project was the development and ongoing maintenance of AUSTRAC Online, an information portal for reporting entities with obligations under the AML/CTF Act. This is covered in more detail in the Output 1.1 chapter of this report.

AUSTRAC Enquiry is an application that allows AUSTRAC internal users to view AUSTRAC Online data or undertake further detailed reporting and analysis. The available data include the business type, business profile, contact details, designated services and remittance registration information. Complete compliance report information is also available once an entity has lodged its compliance report with AUSTRAC.

In 2007–08, AUSTRAC developed a new risk assessment system, the Compliance Risk Exposure Scoring Tool (CREST). CREST is in the final stages of development, and will assist AUSTRAC’s compliance team in risk-assessing industry sectors and reporting entities according to their risk of money laundering and terrorism financing. This risk assessment process helps AUSTRAC personnel determine which entities require closer supervision and attention.

Other projects delivered in 2007–08 include a new Help Desk system and new e-learning applications to support AUSTRAC reporting entities.
**IT security**

AUSTRAC continued to focus on ensuring the maintenance of IT security standards during a period of rapid development and growth. During 2007–08, various parts of AUSTRAC’s IT systems were subject to an audit program. Internal and external audits covered areas such as system application penetration testing, disaster recovery, business continuity, fraud, risk management and other general controls audits. The audits have confirmed that the security program continues to comply with all applicable government policies, as well as the risk standards established by AUSTRAC.

**Maintaining IT operations**

In 2007–08, AUSTRAC continued to upgrade its technology and expand its capacity to cater for its expanding role, especially as personnel numbers continued to grow. Activities during the year included the replacement of a core server, increasing storage capacity and enhancing communications, generators and power systems. There was also further expansion to AUSTRAC floor space with the opening of a new office in Canberra, and expansion of the Sydney and Melbourne offices.

With the rapid development of information and communications technology, AUSTRAC must ensure that its systems continue to meet standards for the capture, analysis and dissemination of its data. AUSTRAC has initiated a review of its IT systems to ensure that they continue to have the capability to provide AUSTRAC and our partner agencies with targeted and timely financial intelligence.
Information management

AUSTRAC completed the deployment of the Enterprise Document and Records Management System, which is now available to all staff. This system has led to improvements in document capture, retention and sharing. Plans are in place to utilise additional features of the software for the consolidation of physical and electronic file structures within the one application.

Adoption and adherence to AUSTRAC’s internal document and records-keeping policy and best practice guidelines have resulted in a reduction in the number of physical files.

A new library management role was created this year, and a new library software program was installed. As at 30 June 2008, over 480 items were catalogued and library services available to AUSTRAC personnel now include daily intranet newsfeeds, access to electronic and hardcopy journals, monographs and reference materials, lending services including inter-library loans, and guidelines and assistance on research strategies and media monitoring.
Enabling Outputs

Executive services

Legal services

Corporate communications

Government relations
Legal services

AUSTRAC’s in-house legal team provides legal advice on many issues as requested by AUSTRAC’s business units and the Executive team. This unit assists other parts of the organisation to perform their functions by providing advice on issues such as the FTR Act and the AML/CTF Act; public sector legislation, including Freedom of Information requests and reviews; subpoenas; legislative reviews; issues related to memoranda of understanding; real property; workplace relations and advising staff on evidentiary matters and legal briefs; intellectual property; procurement and litigation.

All lawyers in the legal unit are members of their respective solicitors’ legal professional association and also members of the Australian Corporate Lawyers Association. The legal unit represents AUSTRAC on the Heads of Commonwealth Law Enforcement Agency Criminal Law Working Group, the Counter-Terrorism Legal Working group, and the Office of Legal Service Coordination Legal Services Discussion Group.

AUSTRAC launched its Public Legal Interpretation (PLI) series in April 2008 with the publication of the list of topics to be covered in 2008 and the Establishment of the AUSTRAC Public Legal Interpretations (PLI No. 1), which introduced the publication series and outlined its purpose and legal authority.

The purpose of the PLI series is to help reporting entities better understand their obligations relating to AML/CTF legislation. The PLI series is covered in more detail in the Output 1.3 chapter of this report.

The legal unit is responsible for managing internal and external legal resources. AUSTRAC continues to use the Attorney-General’s Department legal panel arrangements for the purchase of external legal services.

Legal expenditure

The total expenditure on external legal services for the financial year ended 30 June 2008 was $88,559. This figure represents the total external legal expenditure, inclusive of GST. This statement of legal services expenditure is published in compliance with paragraph 11.1(ba) of the Legal Services Directions 2005.
Corporate communications

The Corporate Communications unit is responsible for informing the media and regulated entities of important programs undertaken by the agency. The unit undertakes communication activities that support AUSTRAC’s role as Australia’s AML/CTF regulator and specialist financial intelligence unit.

AUSTRAC’s key communications activities in 2007–08 included:

- the continued implementation of a communications strategy commenced in the previous reporting year to support industry compliance with obligations under the FTR Act and AML/CTF Act
- promoting voluntary compliance by industry under the AML/CTF Act and communicating information about AUSTRAC’s regulatory program, including policies and practices for securing compliance and enforcement
- publicising AUSTRAC’s role and functions and further raising the agency’s profile amongst industry, partner agencies and international bodies
- increasing media exposure of the role and functions of the agency and the AML/CTF reform program
- further developing the AUSTRAC website
- supporting various education and outreach programs through a range of communication avenues such as advertising, marketing and event coordination
- developing strong branding and visual standards for the agency.

The Corporate Communications unit also continued to work with the Attorney-General’s Department, which developed a range of materials to assist businesses to communicate AML/CTF reform changes to their customers.
Government relations

AUSTRAC’s Government Relations unit is the primary point of contact between AUSTRAC and the Minister for Home Affairs and the Parliament. The unit manages ministerial and parliamentary workflow, and coordinates all parliamentary documents, Senate estimates briefings, possible parliamentary questions and possible media questions, answers to questions on notice, ministerial correspondence and ministerial submissions.

Government Relations personnel also represent AUSTRAC on interdepartmental committees, including the United Nations Sanctions Interdepartmental Committee, the Department of Immigration and Citizenship’s Passenger Card Steering Committee and the Attorney-General’s portfolio parliamentary liaison network.
Management and accountability

Corporate governance
External scrutiny
Freedom of Information
Commonwealth Disability Strategy
Workplace diversity
Management and accountability

Introduction

This chapter outlines AUSTRAC’s main corporate governance structures and processes, developments in external scrutiny of the agency and information regarding AUSTRAC’s practices in relation to freedom of information, privacy, the Commonwealth Disability Strategy, ecologically sustainable development and the agency’s service charter. Information regarding the management of human resources, assets, purchasing, tendering and consultants can be found in the ‘Corporate and security’ chapter of this report.

Corporate governance

AUSTRAC’s corporate governance framework includes a range of organisational structures and cross-agency mechanisms to support the effective management of the agency. AUSTRAC has several committees which advise the Chief Executive Officer (CEO) on AUSTRAC’s functions and operations, and assist the CEO in decision making. AUSTRAC has developed an integrated planning framework to ensure that efforts and resources are directed towards priorities defined under the AUSTRAC Business Strategy.

Executive Committee

AUSTRAC’s central management body is the Executive Committee (ExCom), which in 2007–08 comprised the CEO, Executive General Manager, General Managers, the General Counsel and the Director, Reform Program. ExCom convenes monthly to discuss major policy and strategic management issues. The AUSTRAC Leadership Group, comprising ExCom representatives and Senior Managers, meets around twice a year to discuss strategic matters of importance to the agency. In addition, Senior Managers report quarterly to ExCom on progress against business plans.

AML/CTF Reform Steering Committee

The Reform Steering Committee provides executive leadership to the agency’s reform management process. The committees approves, monitors and oversees AML/CTF reform projects.

Supervisory Oversight Committee

The Supervisory Oversight Committee oversees AUSTRAC’s supervisory activities and decision making, and provides guidance on referrals for enforcement to the Enforcement Committee.
Enforcement Committee
The Enforcement Committee provides executive-level oversight of enforcement matters.

Intelligence Oversight Committee
The Intelligence Oversight Committee develops, reviews and monitors strategies and policies supporting AUSTRAC’s financial intelligence functions. One of the roles of the committee in 2007–08 was to consider the review of AUSTRAC’s intelligence function.

Audit Committee
In 2007–08, AUSTRAC’s Audit Committee comprised four members: Ms Glenys Roper (Independent Chairperson), John Visser (General Manager, Intelligence), Russell Wilson (General Counsel, Legal) and Mathew Bastianon (Senior Manager, Enforcement). With the exception of the independent Chair role, positions in the Audit Committee operate on a rotational basis. The Audit Committee’s role is to enhance the effectiveness and integrity of AUSTRAC’s risk management and internal control frameworks, ensure AUSTRAC is complying with relevant legislation and obligations, and maintain and improve the objectivity and reliability of AUSTRAC’s financial reporting process and financial statements.

The Audit Committee met four times during 2007–08 to consider AUSTRAC’s financial statements, Certificate of Compliance (which certifies AUSTRAC’s compliance with the Financial Management and Accountability Act 1997), internal audit program, corruption and fraud control plan, risk management and internal control frameworks, and corporate governance.

Internal audit
AUSTRAC’s internal auditor, with the assistance of Deloitte Touche Tohmatsu, provides independent assurance that AUSTRAC’s systems and processes are managed efficiently and effectively.

AUSTRAC’s 2007–08 internal audit program was developed to address potential risks identified within individual business units, and key strategic risks. The audits conducted during the year assessed a combination of auditable areas including performance, compliance, financial management and information technology.

Fraud control
The AUSTRAC CEO is required to certify that AUSTRAC has prepared a fraud risk assessment and a fraud and corruption control plan; that AUSTRAC has in place appropriate fraud and corruption prevention, detection, investigation and reporting procedures; and that these procedures comply with the Commonwealth Fraud Control Guidelines.
In 2007–08, AUSTRAC conducted a fraud risk assessment and reviewed its Fraud Control Plan based on the results of this assessment. Overall, it was found that AUSTRAC’s corruption and fraud risk assessment framework was adequate and AUSTRAC does not have a high level of corruption and fraud risk after taking into account the effectiveness of the controls that are currently in place. In line with AUSTRAC’s continuous improvement approach, the recommendations resulting from the risk assessment have been incorporated into the internal audit program.

Corruption and fraud awareness was included in AUSTRAC’s security refresher training sessions. There were no significant incidents of fraud or corruption detected or reported during the year.

**Business continuity planning**

AUSTRAC’s Strategic Business Continuity Plan sets out the high-level strategies and policies needed to ensure that the agency is able to continue to carry out its functions in the event of any unplanned business interruptions.

AUSTRAC’s business continuity program includes all the actions required to ensure that AUSTRAC’s operations are maintained. This includes all the resources and processes required to respond to and recover from abnormal events or business interruptions. As part of this continuity plan, AUSTRAC developed an emergency response plan for its new Brisbane office. During 2007–08, there were no significant business interruptions.

**Risk management**

AUSTRAC is committed to a proactive approach to managing risk by establishing a strong risk management framework. The identification of strategic and operational risks and their treatments are integrated into annual business planning, quarterly performance reporting and the initiation of all new projects.

During the year AUSTRAC participated in Comcover’s Benchmarking Risk Management Program. AUSTRAC achieved an overall score of 7.5 out of 10 and as such was considered to have an advanced level of risk management capabilities. As a result, Comcover granted AUSTRAC a 7.5 per cent discount on its insurance premium for the 2008–09 financial year.

AUSTRAC also participated in Comcover’s Risk Management Assessment Service which provided an independent review of the risk management framework, capability and culture of the agency. The assessment provided key findings and recommendations for improvement of the agency’s risk management framework. AUSTRAC will work to address these recommendations during 2008–09.
External scrutiny

Internal and external scrutiny ensures AUCSTRAC’s accountability and transparency in government. Senate Estimates is usually the main process of external scrutiny. AUCSTRAC provided timely responses to questions on notice from both Houses of Parliament and parliamentary committees. AUCSTRAC’s Government Relations team coordinated this work.

Additional external scrutiny of AUCSTRAC during the year included the following:

- An audit of AUCSTRAC’s financial statements for the 2007–08 financial year was conducted by the Australian National Audit Office (ANAO). The agency received an unqualified audit report for that period.

- A number of reports by parliamentary committees and Australian Government committees of inquiry examined AUCSTRAC’s legislative framework, operations and role within government. A list of these reports can be found in Appendix B of this report.

- The ANAO began a preliminary study of AUCSTRAC in preparation for a performance audit. The ANAO has put this performance audit on hold due to other priorities in its audit program.

During 2007–08, no reports by the Commonwealth Ombudsman directly related to AUCSTRAC’s operations and no reports tabled in Parliament by the Auditor-General had AUCSTRAC as the primary subject.

AUCSTRAC provided a number of submissions and briefings, as well as advice on a variety of policy, legislative and operational matters. AUCSTRAC officers appeared before the Senate Standing Committee on Legal and Constitutional Affairs during estimates hearings in February 2008 and May 2008.

Freedom of Information

Subsections 8(1) and 8(3) of the Freedom of Information Act 1982 require Australian Government agencies to include the following information and particulars in their annual report.

Organisation, functions and decision-making powers

Information regarding AUCSTRAC’s functions and organisational structure is in the ‘AUCSTRAC overview’ chapter of this report. AUCSTRAC’s decision-making powers are described in broad terms under the ‘Role and functions’ section, also in the ‘AUCSTRAC overview’ chapter.

External participation arrangements

The Australian Government Attorney-General’s Department is responsible for the formulation of AML/CTF policy and legislation in which AUCSTRAC participates. To assist this process, AUCSTRAC provides forums for non-government organisations and industry representatives.

AUCSTRAC has established two industry consultative forums to consult and facilitate across industry on AML/CTF issues: the Finance Industry Consultative Forum and the Gambling Industry Consultative Forum. More information about these groups is provided in the Output 1.1 chapter of this report.

AUCSTRAC continued to consult with the Office of the Privacy Commissioner on a regular basis during the implementation of the AML/CTF Act. In particular, we collaborated on education campaigns, and promoted the privacy obligations of reporting entities.

The Office of Privacy Commissioner is also directly consulted on draft AML/CTF Rules and/or guidance notes that have privacy implications. During the year, AUCSTRAC and the Attorney-General’s Department participated in discussions with the Office of the Privacy Commissioner on issues related to the introduction of the second tranche of AML/CTF reforms.
AUSTRAC convened meetings of the Privacy Consultative Committee (PCC) on 7 August 2007, 15 October 2007 and 29 April 2008. The PCC is convened by AUSTRAC and comprises representatives of privacy, civil liberties and consumer groups. The membership also includes representatives from AUSTRAC’s partner agencies and the Office of the Privacy Commissioner. Officers from the Attorney-General’s Department attend as observers. A list of the current membership of the PCC is available in Appendix B of this report.

The PCC’s role in this period has focused primarily on the following issues:

- identifying and resolving privacy issues that have arisen from the drafting of AML/CTF Rules and/or guidance notes
- considering and reviewing emerging issues of privacy as they relate to the AML/CTF Act and the transition from the FTR Act to the AML/CTF Act
- providing advice on privacy issues relating to AUSTRAC instruments such as AUSTRAC’s pro forma international Memorandum of Understanding
- promoting awareness of and contributing to a broader understanding of the interaction of privacy and AUSTRAC’s functions under the AML/CTF Act.

### Data matching

In the past AUSTRAC has acted as the ‘matching agency’ in any data matching exercise involving the ultimate use of financial transaction reports (FTR) information by another agency. The term ‘matching agency’ is defined in the Privacy Commissioner’s ‘The use of data matching in Commonwealth Administration – Guidelines’ (the Guidelines).

AUSTRAC continued to assist partner agencies with data matching exercises throughout the course of 2007–08.

In accordance with the Guidelines, AUSTRAC uses a generic program protocol which describes the generic aspects of data matching exercises involving the matching of FTR information against other agencies’ data. The program protocol describes the security safeguards in place to protect data in the AUSTRAC database and time limits for the retention and use of AUSTRAC data to ensure AUSTRAC complies with the Privacy Guidelines. The protocol is available on the AUSTRAC website at www.austrac.gov.au/files/autosearch_protocol.pdf.

AUSTRAC’s analytical functions have evolved in recent years due to new technology and increased access to sources of extrinsic data, and AUSTRAC now has the capability to conduct bulk analysis and data matching of AUSTRAC information against publicly available and secured data sources. We aim to detect and monitor financial activity that may indicate illegitimate behaviour, and send out reports as appropriate. We are currently developing an additional generic program protocol to describe AUSTRAC’s role in initiating data matching exercises.

AUSTRAC continued to work closely with the Australian Taxation Office (ATO) on their data matching project. Support was provided through an AUSTRAC analyst being seconded to the ATO. This arrangement has been productive and is ongoing.

AUSTRAC conducted matching exercises with a number of other partner agencies during the reporting period. These data matching activities with partner agencies were conducted in accordance with our program protocol.

In summary, AUSTRAC data matching was conducted with the following agencies during 2007–08:

<table>
<thead>
<tr>
<th>Agency</th>
<th>Total number of data matching exercises</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australian Taxation Office</td>
<td>6</td>
</tr>
<tr>
<td>Australian Crime Commission</td>
<td>7</td>
</tr>
<tr>
<td>Australian Federal Police</td>
<td>1</td>
</tr>
<tr>
<td>Centrelink</td>
<td>2</td>
</tr>
<tr>
<td>New South Wales Crime Commission</td>
<td>1</td>
</tr>
<tr>
<td>New South Wales Office of State Revenue</td>
<td>1</td>
</tr>
<tr>
<td>Corruption and Crime Commission (WA)</td>
<td>3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>21</strong></td>
</tr>
</tbody>
</table>
Categories of documents

AUSTRAC is responsible for retaining the following categories of documents:

- financial transaction reports
- briefing papers, meeting minutes and correspondence
- internal administration documents such as financial documents and personnel records
- working papers, drafts and final versions of legislative instruments such as the AML/CTF Rules
- information and advice to clients including policies, guidelines, information circulars and guidance notes
- AUSTRAC publications including annual reports and newsletters.

Accessing documents

Applications for access to documents not available on the AUSTRAC website can be made under the Freedom of Information Act 1982 (FOI Act). A valid request must be made in writing to the AUSTRAC CEO, stating an address in Australia to which notices under the FOI Act can be sent and providing such information concerning the document(s) as is reasonably necessary to identify the document(s). An application form to make a request under the FOI Act and further instructions on how to apply are on the AUSTRAC website at: www.austrac.gov.au/freedom_of_information.html.

Enquiries regarding FOI can be directed to:

Freedom of Information Officer
AUSTRAC
PO Box 5085
Kingston ACT 2604
Phone 02 6120 2631
Email INFO_ACCESS@austrac.gov.au

The following table provides AUSTRAC’s FOI statistics for 2007–08:

<table>
<thead>
<tr>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Requests on hand 1 July 2007*</td>
</tr>
<tr>
<td>Requests received</td>
</tr>
<tr>
<td>Granted in full</td>
</tr>
<tr>
<td>Granted in part</td>
</tr>
<tr>
<td>Refused (includes cases where no relevant documents were found)</td>
</tr>
<tr>
<td>Deferred</td>
</tr>
<tr>
<td>Transferred</td>
</tr>
<tr>
<td>Withdrawn or lapsed</td>
</tr>
<tr>
<td>Requests outstanding at 30 June 2008</td>
</tr>
</tbody>
</table>

* Note: The figure reported in the equivalent table in AUSTRAC’s 2006–07 annual report for the number of requests outstanding at 30 June 2007 (12) was incorrect. The correct figure was 14, and this is reflected in the above table.

Commonwealth Disability Strategy

Under the Commonwealth Disability Strategy, AUSTRAC established procedures to ensure that people with a disability are able to access our services and employment opportunities. We ensure that we comply with the Commonwealth Disability Strategy and the Disability Discrimination Act 1992.

All available information held by AUSTRAC is accessible to people with a disability. Any callers who are deaf or have a hearing or speech impairment can contact the agency through the National Relay Service. Users with a telephone typewriter or a computer with modem can call 133 677 and then ask for 1300 021 037. Callers who are using a speech to speech relay system (speak and listen) can phone 1300 555 727 and then ask for 1300 021 037.
Workplace diversity

AUSTRAC’s workplace diversity program eliminates practices which could discriminate against equal employment opportunity due to gender, race or ethnicity, physical or mental disabilities or Aboriginal and Torres Strait Islanders background. By ensuring that AUSTRAC’s policies, principles and programs are free from discrimination, we increase our effectiveness and productivity through recruiting, developing and retaining high-quality personnel. AUSTRAC assesses workplace procedures and policies to support equitable working conditions. We also maintain an elimination of harassment program. This information is given to all AUSTRAC personnel. In September 2007, AUSTRAC released the AUSTRAC Workplace Diversity Plan 2007, a revised plan to further strengthen AUSTRAC’s commitment to workplace diversity.

Ecologically sustainable development

AUSTRAC includes long-term and short-term environmental considerations in its decision-making processes, meeting the requirements of the Environmental Protection and Biodiversity Conservation Act 1999. AUSTRAC’s office administration is conducted in an environmentally friendly manner and policies are implemented, where possible, to reduce damage to the environment.

In 2007–08, 99.7 per cent of FTRs submitted to AUSTRAC were transmitted electronically, minimising the paper received by the agency from cash dealers.

AUSTRAC continued to encourage recycling of non-classified waste paper, printer cartridges and mobile phones during the year and undertook an extensive trial of the use of 100 per cent recycled photocopy paper across the agency. The results of that trial are presently being considered and it is expected that the agency will, consistent with ecologically sustainable development principles, introduce recycled photocopy paper in all of its offices during 2008–09.

The agency continued to give preference to purchasing environmentally sound office supplies, including ‘Energy Star’ rated office machines and equipment, as well as machines with power save features. Increasingly, preference was given to purchasing liquid crystal display computer monitors instead of cathode ray tube models, which are less energy efficient.

AUSTRAC is also in the process of liaising with the building managers of its Sydney premises to implement a full recycling program in 2008–09. AUSTRAC has committed to purchase a portion of ‘green’ energy from suppliers in the current contract.

Service Charter

AUSTRAC’s Service Charter sets out the standards of service that regulated entities and the public can expect from AUSTRAC in performing our responsibilities under the FTR Act and AML/CTF Act. A comprehensive review of the Service Charter involving extensive consultation with industry is planned for 2008–09. A copy of the Service Charter is available on AUSTRAC’s website.

The AUSTRAC Help Desk provides information and advice regarding obligations under the FTR Act and the AML/CTF Act, and also serves as a conduit for complaints. The Service Charter notes that telephone enquiries will be responded to within 24 hours, or the next working day. Email enquiries will be responded to within 48 hours, including holding responses where necessary.

In 2007–08, the agency received a significant increase in call and email volumes during peak times prior to the commencement of AML/CTF obligations. This increase in calls affected the ability of the agency to meet its Service Charter. The Help Desk also received complaints from industry, particularly from regulated entities who now have responsibilities to report to AUSTRAC, and individuals experiencing difficulties in navigating the online enrolment process. In immediate response to these issues, AUSTRAC upgraded its telephone system to cater for increased call volumes, and made various modifications to its online enrolment process. More information regarding the AUSTRAC Help Desk can be found in the Output 1.1 chapter of this report.
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INDEPENDENT AUDITOR’S REPORT

To the Minister for Home Affairs

Scope

We have audited the accompanying financial statements of the Australian Transaction Reports and Analysis Centre (AUSTRAc) for the year ended 30 June 2008, which comprise: a Statement by Chief Executive Officer and Chief Finance Officer; Income Statement; Balance Sheet; Statement of Changes in Equity; Cash Flow Statement; Schedules of Commitments, Contingencies and Administered Items; and Notes to and forming part of the Financial Statements.

The Responsibility of the Chief Executive Officer for the Financial Statements

AUSTRAc’s Chief Executive Officer is responsible for the preparation and fair presentation of the financial statements in accordance with Finance Minister’s Orders made under the Financial Management and Accountability Act 1997, and Australian Accounting Standards including Australian Accounting Interpretations. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor’s Responsibility

My responsibility is to express an opinion on the financial statements based on our audit. Our audit has been conducted in accordance with the Australian National Audit Office Auditing Standards, which incorporate Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to AUSTRAc’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of AUSTRAc’s internal control. An audit also includes evaluating the appropriateness of
accounting policies used and the reasonableness of accounting estimates made by the Chief Executive Officer, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for my audit opinion.

**Independence**

In conducting the audit, we have followed the independence requirements of the Australian National Audit Office, which incorporate the requirements of the Australian accounting profession.

**Auditor’s Opinion**

In my opinion, the financial statements of the Australian Transaction Reports and Analysis Centre:

(a) have been prepared in accordance with Finance Minister’s Orders made under the *Financial Management and Accountability Act 1997*, and Australian Accounting Standards; and

(b) give a true and fair view of the matters required by the Finance Minister’s Orders including the Australian Transaction Reports and Analysis Centre’s financial position as at 30 June 2008 and its financial performance and cash flows for the year then ended.

Australian National Audit Office

\[signature\]

P Hinchey  
Senior Director  
Delegate of the Auditor-General

Sydney  
5 September 2008
Statement by the Chief Executive Officer and Chief Finance Officer

In our opinion, the attached financial statements for the year ended 30 June 2008 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, as amended.

Signed............................................

Thomas M Story
Acting Chief Executive Officer

Signed............................................

Alf Mazzitelli
Chief Finance Officer

5 September 2008

5 September 2008
### AUSTRAC Income Statement

for the period ended 30 June 2008

<table>
<thead>
<tr>
<th>Notes</th>
<th>2008 $’000</th>
<th>2007 $’000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>INCOME</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue from Government</td>
<td>3A</td>
<td>52,093</td>
</tr>
<tr>
<td>Other revenue</td>
<td>3B</td>
<td>1,058</td>
</tr>
<tr>
<td><strong>Total revenue</strong></td>
<td></td>
<td>53,151</td>
</tr>
<tr>
<td><strong>Gains</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sale of assets</td>
<td>3C</td>
<td>20</td>
</tr>
<tr>
<td>Other gains</td>
<td>3D</td>
<td>30</td>
</tr>
<tr>
<td><strong>Total gains</strong></td>
<td></td>
<td>50</td>
</tr>
<tr>
<td><strong>Total Income</strong></td>
<td></td>
<td>53,201</td>
</tr>
<tr>
<td><strong>EXPENSES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee benefits</td>
<td>4A</td>
<td>26,574</td>
</tr>
<tr>
<td>Suppliers</td>
<td>4B</td>
<td>23,972</td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>4C</td>
<td>3,038</td>
</tr>
<tr>
<td>Losses from asset sales</td>
<td>4D</td>
<td>8</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td></td>
<td>53,592</td>
</tr>
<tr>
<td><strong>Surplus (Deficit) attributable to the Australian Government</strong></td>
<td></td>
<td>(391)</td>
</tr>
</tbody>
</table>

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

as at 30 June 2008

<table>
<thead>
<tr>
<th>Notes</th>
<th>2008 $’000</th>
<th>2007 $’000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Financial Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>5A</td>
<td>1,121</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>5B</td>
<td>6,820</td>
</tr>
<tr>
<td>Other financial assets</td>
<td>5C</td>
<td>1,386</td>
</tr>
<tr>
<td><strong>Total financial assets</strong></td>
<td></td>
<td>9,327</td>
</tr>
<tr>
<td><strong>Non-Financial Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Infrastructure, plant and equipment</td>
<td>6A, C</td>
<td>9,275</td>
</tr>
<tr>
<td>Intangibles</td>
<td>6B, C</td>
<td>2,192</td>
</tr>
<tr>
<td><strong>Total non-financial assets</strong></td>
<td></td>
<td>11,467</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td></td>
<td>20,794</td>
</tr>
<tr>
<td><strong>LIABILITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payables</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Suppliers</td>
<td>7A</td>
<td>282</td>
</tr>
<tr>
<td>Other payables</td>
<td>7B</td>
<td>1,747</td>
</tr>
<tr>
<td><strong>Total payables</strong></td>
<td></td>
<td>2,029</td>
</tr>
<tr>
<td>Provisions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee provisions</td>
<td>8A</td>
<td>5,492</td>
</tr>
<tr>
<td>Other provisions</td>
<td>8B</td>
<td>9</td>
</tr>
<tr>
<td><strong>Total provisions</strong></td>
<td></td>
<td>5,501</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td></td>
<td>7,530</td>
</tr>
<tr>
<td><strong>Net Assets</strong></td>
<td></td>
<td>13,264</td>
</tr>
<tr>
<td><strong>EQUITY</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Parent Entity Interest</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributed equity</td>
<td></td>
<td>12,007</td>
</tr>
<tr>
<td>Reserves</td>
<td></td>
<td>698</td>
</tr>
<tr>
<td>Retained surplus</td>
<td></td>
<td>559</td>
</tr>
<tr>
<td><strong>Total Equity</strong></td>
<td></td>
<td>13,264</td>
</tr>
<tr>
<td><strong>Current Assets</strong></td>
<td></td>
<td>9,327</td>
</tr>
<tr>
<td><strong>Non-Current Assets</strong></td>
<td></td>
<td>11,467</td>
</tr>
<tr>
<td><strong>Current Liabilities</strong></td>
<td></td>
<td>5,583</td>
</tr>
<tr>
<td><strong>Non-Current Liabilities</strong></td>
<td></td>
<td>1,947</td>
</tr>
</tbody>
</table>

The above statement should be read in conjunction with the accompanying notes.
# AUSTRAC Statement of Changes in Equity

for the period ended 30 June 2008

<table>
<thead>
<tr>
<th>Retained Earnings</th>
<th>Asset Revaluation Reserves</th>
<th>Other Reserves</th>
<th>Contributed Equity/Capital</th>
<th>Total Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008 $'000</td>
<td>2007 $'000</td>
<td>2008 $'000</td>
<td>2007 $'000</td>
<td>2008 $'000</td>
</tr>
<tr>
<td>2008 $'000</td>
<td>2007 $'000</td>
<td>2008 $'000</td>
<td>2007 $'000</td>
<td>2008 $'000</td>
</tr>
<tr>
<td>2008 $'000</td>
<td>2007 $'000</td>
<td>2008 $'000</td>
<td>2007 $'000</td>
<td>2008 $'000</td>
</tr>
<tr>
<td>2008 $'000</td>
<td>2007 $'000</td>
<td>2008 $'000</td>
<td>2007 $'000</td>
<td>2008 $'000</td>
</tr>
</tbody>
</table>

| Balance carried forward from previous period | 1,159 | 771 | 698 | 698 | – | – | 4,971 | 2,528 | 6,828 | 3,997 |
| Adjustments for errors | (209) | – | – | – | – | – | – | (209) | – |
| Adjusted opening balance | 950 | 771 | 698 | 698 | – | – | 4,971 | 2,528 | 6,619 | 3,997 |
| Surplus (Deficit) for the period | (391) | 388 | – | – | – | – | – | (391) | 388 |
| Total income and expenses | 559 | 1,159 | 698 | 698 | – | – | 4,971 | 2,528 | 6,228 | 4,385 |
| Transactions with owners | – | – | – | – | – | – | – | 7,036 | 2,443 | 7,036 | 2,443 |
| Appropriation (equity injection) | – | – | – | – | – | – | – | 7,036 | 2,443 | 7,036 | 2,443 |

| Closing balance attributable to the Australian Government | 559 | 1,159 | 698 | 698 | – | – | 12,007 | 4,971 | 13,264 | 6,828 |

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

for the period ended 30 June 2008

<table>
<thead>
<tr>
<th>Notes</th>
<th>2008 $’000</th>
<th>2007 $’000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>OPERATING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash received</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Appropriations</td>
<td>49,937</td>
<td>32,679</td>
</tr>
<tr>
<td>Net GST received</td>
<td>3,569</td>
<td>1,577</td>
</tr>
<tr>
<td>Other cash received</td>
<td>1,757</td>
<td>2,165</td>
</tr>
<tr>
<td><strong>Total cash received</strong></td>
<td>55,263</td>
<td>36,421</td>
</tr>
<tr>
<td>Cash used</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employees</td>
<td>(24,913)</td>
<td>(14,753)</td>
</tr>
<tr>
<td>Suppliers</td>
<td>(29,004)</td>
<td>(19,086)</td>
</tr>
<tr>
<td><strong>Total cash used</strong></td>
<td>(53,917)</td>
<td>(33,839)</td>
</tr>
<tr>
<td>Net cash flows from or (used by) operating activities</td>
<td>9</td>
<td>1,346</td>
</tr>
<tr>
<td><strong>INVESTING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash received</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total cash received</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash used</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase of property, plant and equipment</td>
<td>(6,748)</td>
<td>(3,173)</td>
</tr>
<tr>
<td>Investment in internally developed computer software</td>
<td>(2,114)</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total cash used</strong></td>
<td>(8,862)</td>
<td>(3,173)</td>
</tr>
<tr>
<td>Net cash flows from or (used by) investing activities</td>
<td>(8,862)</td>
<td>(3,173)</td>
</tr>
<tr>
<td><strong>FINANCING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash received</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Appropriations – contributed equity</td>
<td>6,818</td>
<td>1,763</td>
</tr>
<tr>
<td><strong>Total cash received</strong></td>
<td>6,818</td>
<td>1,763</td>
</tr>
<tr>
<td>Cash used</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total cash used</strong></td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Net cash flows from or (used by) financing activities</td>
<td>6,818</td>
<td>1,763</td>
</tr>
<tr>
<td>Net increase or (decrease) in cash held</td>
<td>(698)</td>
<td>1,172</td>
</tr>
<tr>
<td>Cash at the beginning of the reporting period</td>
<td>1,819</td>
<td>647</td>
</tr>
<tr>
<td><strong>Cash at the end of the reporting period</strong></td>
<td>5A</td>
<td>1,121</td>
</tr>
</tbody>
</table>

The above statement should be read in conjunction with the accompanying notes.
AUSTRAC Schedule of Commitments
as at 30 June 2008

<table>
<thead>
<tr>
<th>Notes</th>
<th>2008 $'000</th>
<th>2007 $'000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>BY TYPE</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Commitments Receivable</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GST recoverable on commitments</td>
<td>1,497</td>
<td>1,611</td>
</tr>
<tr>
<td><strong>Total commitments receivable</strong></td>
<td>1,497</td>
<td>1,611</td>
</tr>
<tr>
<td><strong>Other commitments</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating leases ¹</td>
<td>16,471</td>
<td>17,724</td>
</tr>
<tr>
<td><strong>Total other commitments</strong></td>
<td>16,471</td>
<td>17,724</td>
</tr>
<tr>
<td><strong>Net commitments by type</strong></td>
<td>14,974</td>
<td>16,113</td>
</tr>
<tr>
<td><strong>BY MATURITY</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Operating lease commitments</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>One year or less</td>
<td>3,442</td>
<td>2,712</td>
</tr>
<tr>
<td>From one to five years</td>
<td>11,197</td>
<td>11,825</td>
</tr>
<tr>
<td>Over five years</td>
<td>335</td>
<td>1,576</td>
</tr>
<tr>
<td><strong>Total operating lease commitments</strong></td>
<td>14,974</td>
<td>16,113</td>
</tr>
<tr>
<td><strong>Net commitments by maturity</strong></td>
<td>14,974</td>
<td>16,113</td>
</tr>
</tbody>
</table>

NB: All commitments are GST inclusive where relevant.

¹Operating leases included are effectively non-cancelable and comprise:

- leases for office accommodation
- leases for motor vehicles

<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 annual or biannual increases in accordance with upwards movements in lease market rental rates.</td>
</tr>
<tr>
<td>Leases for motor vehicles</td>
<td>No contingent rentals exist. There are no renewal or purchase options available to AUSTRAC.</td>
</tr>
</tbody>
</table>

The above schedule should be read in conjunction with the accompanying notes.
### AUSTRAC Schedule of Administered Items

#### Income administered on behalf of Government for the period ended 30 June 2008

<table>
<thead>
<tr>
<th>Notes</th>
<th>2008 $’000</th>
<th>2007 $’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-taxation revenue</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fees and fines</td>
<td>14A</td>
<td>25</td>
</tr>
</tbody>
</table>

**Total non-taxation revenue**

25

**Total revenues administered on behalf of Government**

25

#### Expenses administered on behalf of Government for the period ended 30 June 2008

<table>
<thead>
<tr>
<th>Notes</th>
<th>2008 $’000</th>
<th>2007 $’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Suppliers</td>
<td>14B</td>
<td>752</td>
</tr>
</tbody>
</table>

**Total expenses administered on behalf of Government**

752

This schedule should be read in conjunction with the accompanying notes.

#### Assets administered on behalf of Government as at 30 June 2008

<table>
<thead>
<tr>
<th>Notes</th>
<th>2008 $’000</th>
<th>2007 $’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>15A</td>
<td>20</td>
</tr>
<tr>
<td>Receivables</td>
<td>15C</td>
<td>5</td>
</tr>
</tbody>
</table>

**Total financial assets**

25

**Non-financial assets**

| 15B | – | 752 |

**Total non-financial assets**

–

**Total assets administered on behalf of Government**

25

763

This schedule should be read in conjunction with the accompanying notes.
AUSTRAC Schedule of Administered Items  (continued)

<table>
<thead>
<tr>
<th>Notes</th>
<th>2008 $’000</th>
<th>2007 $’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administered Cash Flows for the period ended 30 June 2008</td>
<td></td>
<td></td>
</tr>
<tr>
<td>OPERATING ACTIVITIES</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash Received</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fines</td>
<td>15A</td>
<td>20</td>
</tr>
<tr>
<td>Other</td>
<td>–</td>
<td>1,495</td>
</tr>
<tr>
<td>Total cash received</td>
<td></td>
<td>20</td>
</tr>
<tr>
<td>Cash used</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Suppliers</td>
<td>–</td>
<td>1,484</td>
</tr>
<tr>
<td>Total cash used</td>
<td>–</td>
<td>1,484</td>
</tr>
<tr>
<td>Net cash flows from or (used by) operating activities</td>
<td></td>
<td>20</td>
</tr>
<tr>
<td>INVESTING ACTIVITIES</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash received</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total cash received</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Cash used</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total cash used</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Net cash flows from or (used by) investing activities</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>FINANCING ACTIVITIES</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash received</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total cash received</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Cash used</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net repayment of borrowings</td>
<td>11</td>
<td>–</td>
</tr>
<tr>
<td>Other</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Total cash used</td>
<td>11</td>
<td>–</td>
</tr>
<tr>
<td>Net cash flows from or (used by) financing activities</td>
<td>(11)</td>
<td>–</td>
</tr>
<tr>
<td>Net Increase (Decrease) in Cash Held</td>
<td>9</td>
<td>11</td>
</tr>
<tr>
<td>Cash at the beginning of the reporting period</td>
<td>11</td>
<td>–</td>
</tr>
<tr>
<td>Cash at the end of the reporting period</td>
<td>20</td>
<td>11</td>
</tr>
</tbody>
</table>

This 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 2008

<table>
<thead>
<tr>
<th>Note</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Summary of Significant Accounting Policies</td>
<td>121</td>
</tr>
<tr>
<td>2</td>
<td>Events after the Balance Sheet Date</td>
<td>126</td>
</tr>
<tr>
<td>3</td>
<td>Income</td>
<td>126</td>
</tr>
<tr>
<td>4</td>
<td>Expenses</td>
<td>127</td>
</tr>
<tr>
<td>5</td>
<td>Financial Assets</td>
<td>128</td>
</tr>
<tr>
<td>6</td>
<td>Non-Financial Assets</td>
<td>129</td>
</tr>
<tr>
<td>7</td>
<td>Payables</td>
<td>131</td>
</tr>
<tr>
<td>8</td>
<td>Provisions</td>
<td>132</td>
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<td>9</td>
<td>Cash Flow Reconciliation</td>
<td>133</td>
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<td>10</td>
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<td>Senior Executive Remuneration</td>
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<td>134</td>
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<td>13</td>
<td>Financial Instruments</td>
<td>135</td>
</tr>
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<td>14</td>
<td>Income and Expenses Administered on Behalf of Government</td>
<td>138</td>
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<td>15</td>
<td>Assets Administered on Behalf of Government</td>
<td>138</td>
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<td>Administered Reconciliation Table</td>
<td>139</td>
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<tr>
<td>17</td>
<td>Administered Financial Instruments</td>
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<td>18</td>
<td>Appropriations</td>
<td>142</td>
</tr>
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<td>19</td>
<td>Special Accounts</td>
<td>144</td>
</tr>
<tr>
<td>20</td>
<td>Reporting of Outcome</td>
<td>145</td>
</tr>
</tbody>
</table>
Note 1  
Summary of Significant Accounting Policies

1.1 Objectives of AUSTRAC

The Australian Transaction Reports and Analysis Centre (AUSTRAC) is an Australian Government Agency. The purpose of AUSTRAC is to make a valued contribution towards a financial environment hostile to money laundering, the financing of terrorism, other major crime and tax evasion.

AUSTRAC was established under the Financial Transaction Reports Act 1988 (FTR Act) and continues in existence under the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (AML/CTF Act) which authorises the collection, analysis and dissemination of certain financial information as a deterrence to money laundering, terrorism financing, other 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, terrorism financing, other major crime and tax evasion.

AUSTRAC activities contributing toward these outcomes are classified as either departmental or administered. Departmental activities involve the use of assets, liabilities, revenues and expenses controlled or incurred by AUSTRAC in its own right. Administered activities involve the management or oversight by AUSTRAC, on behalf of the Government, of items controlled or incurred by the Government.

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 Preparation of the Financial Statements

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

The financial statements and notes have been prepared in accordance with:

- Finance Minister’s Orders (or FMOs, being the Financial Management and Accountability Orders (Financial Statements for reporting periods ending on or after 1 July 2007));
- Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board that apply for the reporting.

The financial report has been prepared on an accrual basis and is in accordance with historical cost convention, except for certain assets at fair value. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position.

The financial report is presented in Australian dollars and values are rounded to the nearest thousand dollars unless otherwise specified.

Unless an alternative treatment is specifically required by an Accounting Standard or the FMOs, assets and liabilities are recognised in the Balance Sheet when and only when it is probable that future economic benefits will flow to the Entity and the amounts of the assets or liabilities can be reliably measured. However, assets and liabilities arising under agreements equally proportionately unperformed are not recognised unless required by an Accounting Standard. Liabilities and assets that are unrealised are reported in the Schedule of Commitments and the Schedule of Contingencies (other than unquantifiable or remote contingencies, which are reported at Note 10).

Unless alternative treatment is specifically required by an accounting standard, revenues and expenses are recognised in the Income Statement when and only when the flow or consumption or loss of economic benefits has occurred and can be reliably measured.

Administered revenues, expenses, assets and liabilities and cash flows reported in the Schedule of Administered Items and related notes are accounted for on the same basis and using the same policies as for departmental items.
1.3 Statement of Compliance

Adoption of new Australian Accounting Standard requirements

No accounting standard has been adopted earlier than the application date as stated in the standard. The following new standard are applicable to the current reporting period:

Financial instrument disclosure

AASB 7 Financial Instruments: Disclosures is effective for reporting periods beginning on or after 1 January 2007 (the 2007-08 financial year) and amends the disclosure requirements for financial instruments. In general, AASB 7 requires greater disclosure than that previously required. Associated with the introduction of AASB 7, a number of accounting standards were amended to reference the new standard or remove the present disclosure requirements through 2005-10 Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038]. These changes have no financial impact but will affect the disclosure presented in future financial reports.

The following new standards, amendments to standards or interpretations for the current financial year have no material financial impact on or do not apply to the operations of AUSTRAC.

- 2007-4 Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments and Erratum: Proportionate Consolidation
- 2007-7 Amendments to Australian Accounting Standards
- UIG Interpretation 11 AASB 2 – Group and Treasury Share Transactions and 2007-1 Amendments to Australian Accounting Standards arising from AASB Interpretation 11

Future Australian Accounting Standard requirements

The following new standards, amendments to standards or interpretations have been issued by the Australian Accounting Standards Board but are effective for future reporting periods. It is estimated that the impact of adopting these pronouncements when effective will have no material financial impact on future reporting periods.

- AASB Interpretation 12 Service Concession Arrangements and 2007-2 Amendments to Australian Accounting Standards arising from AASB Interpretation 12
- AASB 8 Operating Segments and 2007-3 Amendments to Australian Accounting Standards arising from AASB 8
- 2007-6 Amendments to Australian Accounting Standards arising from AASB 123
- AASB Interpretation 13 Customer Loyalty Programmes
- AASB Interpretation 14 AASB 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

Other

The following standards and interpretations have been issued but are not applicable to the operations of AUSTRAC.

AASB 1049 Whole of Government and General Government Sector Financial Reporting

AASB 1049 specifies the reporting requirements for the General Government Sector. The FMOs do not apply to this reporting or the consolidated financial statements of the Australian Government.
1.4 Revenue

Revenues from Government

Amounts appropriated for Departmental outputs appropriations for the year (adjusted for any formal additions and reductions) are recognised as revenue, except for certain amounts that relate to activities that are reciprocal in nature, in which case revenue is recognised only when it has been earned.

Appropriations receivable are recognised at their nominal amounts.

Other Types of Revenue

Revenue from rendering of services is recognised by reference to the stage of completion of contracts at the reporting date. The revenue is recognised when:

- The amount of revenue, stage of completion and transaction costs incurred can be reliably measured; and
- The probable economic benefits with the transaction will flow to the Entity.

The stage of completion of contracts at the reporting date is determined by reference to the proportion that costs incurred to date bear to the estimated total costs of the transaction.

Receivables for goods and services, which have 30 day terms, 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 no longer probable.

1.5 Gains

Other Resources Received Free of Charge

Resources received free of charge are recognised as gains 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.

Sale of Assets

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

1.6 Transactions with the Government as Owner

Equity injections

Amounts appropriated which are designated as ‘equity injections’ for a year (less any formal reductions) are recognised directly in Contributed Equity in that year.

1.7 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 ‘short-term employee benefits’ (as defined in AASB 119) and termination benefits due within twelve months of balance date are 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 as 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.

The leave liabilities are calculated on the basis of employees’ remuneration, including AUSTRAC’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 liability for long service leave is the present value of employee entitlements based on the Australian Government shorthand method as per the FMOs.

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

Superannuation

Staff of AUSTRAC are members of the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS) or the PSS accumulation plan (PSSap).
The CSS and PSS are defined benefit schemes for the Commonwealth. The PSSap is a defined contribution scheme.

The liability for defined benefits is recognised in the financial statements of the Australian Government and is settled by the Australian Government in due course.

AUSTRAC makes employer contributions to the Australian Government at rates determined by an actuary to be sufficient to meet the cost to the Government of the superannuation entitlements of AUSTRAC’s employees. AUSTRAC accounts for the contributions as if they were contributions to defined contribution plans.

From 1 July 2005, new employees are eligible to join the PSSap scheme.

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

1.8 Leases

Operating lease payments are expensed on a straight line basis which is representative of the pattern of benefits derived from the leased assets.

1.9 Cash

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

1.10 Financial assets

AUSTRAC classifies its financial assets in the following categories

- Cash
- Trade and other receivables

Receivables for goods and services, which have 30 day terms, 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 no longer probable.

1.11 Financial Liabilities

Supplier and other payables are recognised at their nominal amounts. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced).

1.12 Contingent Liabilities and Contingent Assets

Contingent Liabilities and Contingent Assets are not recognised in the Balance Sheet but are reported in the relevant schedules and notes. They may arise from uncertainty as to the existence of a liability or asset, or represent an existing liability or asset in respect of which settlement is not probable or the amount cannot be reliably measured. Contingent assets are reported when settlement is probable, and contingent liabilities are recognised when settlement is greater than remote.

1.13 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. Financial assets are initially measured at their fair value plus transaction costs where appropriate.

1.14 Infrastructure, Plant and Equipment (PP&E)

Asset Recognition Threshold

Purchases of Infrastructure, plant and equipment are recognised initially at cost in the Balance Sheet, except for purchases costing less than $2,000, which are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total).

Revaluations

Fair values for each class of asset are determined as shown below:

<table>
<thead>
<tr>
<th>Asset class</th>
<th>Fair value measured at:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leasehold improvements</td>
<td>Depreciated replacement cost</td>
</tr>
<tr>
<td>Plant and equipment</td>
<td>Market Selling Price</td>
</tr>
</tbody>
</table>
Plant and equipment are carried at fair value, being revalued with sufficient frequency such that the carrying amount of each asset is not materially different, at reporting date, from its fair value. Valuations undertaken in any year are as at 30 June.

Following initial recognition at cost, valuations are conducted with sufficient frequency to ensure that the carrying amounts of assets do not materially differ with the assets’ fair values as at the reporting date. The regularity of independent valuations depends upon the volatility of movements in market values for the relevant assets.

Revaluation adjustments are made on a class basis. Any revaluation increment is credited to equity under the heading of asset revaluation reserve except to the extent that it reverses a previous revaluation decrement of the same asset class that was previously recognised through profit and loss. Revaluation decrements for a class of assets are recognised directly through profit and loss except to the extent that they reverse a previous revaluation increment for that class.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the asset restated to the revalued amount.

Depreciation

Depreciable infrastructure 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), residual values and methods are reviewed at each reporting date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate.

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

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</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 15 years</td>
<td>3 to 15 years</td>
</tr>
</tbody>
</table>

Impairment

All assets were assessed for impairment at 30 June 2008. Where indications of impairment exist, the asset’s recoverable amount is estimated and an impairment adjustment made if the asset’s recoverable amount is less than its carrying amount.

No indicators of impairment were found for assets at fair value.

1.15 Intangibles

AUSTRAC’s intangibles comprise internally developed software for internal use. These assets are carried at cost.

Software is amortised on a straight-line basis over its anticipated useful life. The useful life of AUSTRAC’s software is 3 to 5 years (2006-07: 3 years).

All software assets were assessed for indications of impairment as at 30 June 2008.

1.16 Reporting of Administered Activities

Administered revenues, expenses, assets, liabilities and cash flows are disclosed in the Schedule of Administered Items and related Notes. Except where otherwise stated below, administered items are accounted for on the same basis and using the same policies as for Departmental items, including the application of Australian Accounting Standards.

Cash is drawn from the OPA to make payments under Parliamentary appropriation on behalf of Government. These transfers from the OPA are adjustments to the administered cash held by AUSTRAC on behalf of the Government and reported as such in the Statement of Cash Flows in the Schedule of Administered Items and in the Administered Reconciliation Table in Note 18. The Schedule of Administered Items largely reflects the Government’s transactions, through AUSTRAC, with parties outside the Government.
Note 2
Events after the Balance Sheet Date

AUSTRAC is not aware of any significant events that have occurred since reporting date which warrant disclosure in these statements.

Note 3
Income

<table>
<thead>
<tr>
<th>Note 3A: Revenue from Government</th>
<th>2008 $'000</th>
<th>2007 $'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appropriations:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Departmental outputs</td>
<td>52,093</td>
<td>34,250</td>
</tr>
<tr>
<td><strong>Total revenue from Government</strong></td>
<td>52,093</td>
<td>34,250</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Note 3B: Sale of goods and rendering of services</th>
<th>2008 $'000</th>
<th>2007 $'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rendering of services – related entities</td>
<td>1,054</td>
<td>1,250</td>
</tr>
<tr>
<td>Rendering of services – external parties</td>
<td>4</td>
<td>52</td>
</tr>
<tr>
<td><strong>Total sale of goods and rendering of services</strong></td>
<td>1,058</td>
<td>1,302</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Note 3C: Sale of assets</th>
<th>2008 $'000</th>
<th>2007 $'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proceeds from sale</td>
<td>30</td>
<td>–</td>
</tr>
<tr>
<td>Carrying value of assets sold</td>
<td>10</td>
<td>1</td>
</tr>
<tr>
<td><strong>Net gain (loss) from sale of assets</strong></td>
<td>20</td>
<td>(1)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Note 3D: Other gains</th>
<th>2008 $'000</th>
<th>2007 $'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resources received free of charge</td>
<td>30</td>
<td>26</td>
</tr>
<tr>
<td>Other</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total other gains</strong></td>
<td>30</td>
<td>26</td>
</tr>
</tbody>
</table>
## Note 4
### Expenses

<table>
<thead>
<tr>
<th>Note 4A: Employee benefits</th>
<th>2008 $'000</th>
<th>2007 $'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wages and salaries</td>
<td>23,042</td>
<td>13,904</td>
</tr>
<tr>
<td>Superannuation:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Defined contribution plans</td>
<td>1,221</td>
<td>457</td>
</tr>
<tr>
<td>Defined benefit plans</td>
<td>2,161</td>
<td>1,605</td>
</tr>
<tr>
<td>Leave and other entitlements</td>
<td>150</td>
<td>132</td>
</tr>
<tr>
<td><strong>Total employee benefits</strong></td>
<td>26,574</td>
<td>16,098</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Note 4B: Suppliers</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Rendering of services – related entities</td>
<td>763</td>
<td>1,368</td>
</tr>
<tr>
<td>Rendering of services – external parties</td>
<td>20,074</td>
<td>14,244</td>
</tr>
<tr>
<td>Operating lease rentals:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Minimum lease payments</td>
<td>3,012</td>
<td>1,895</td>
</tr>
<tr>
<td>Workers compensation premiums</td>
<td>123</td>
<td>104</td>
</tr>
<tr>
<td><strong>Total supplier expenses</strong></td>
<td>23,972</td>
<td>17,611</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Note 4C: Depreciation and amortisation</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Depreciation:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation – plant and equipment</td>
<td>2,737</td>
<td>1,271</td>
</tr>
<tr>
<td><strong>Total depreciation</strong></td>
<td>2,737</td>
<td>1,271</td>
</tr>
<tr>
<td>Amortisation:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amortisation – capitalised software</td>
<td>301</td>
<td>209</td>
</tr>
<tr>
<td><strong>Total amortisation</strong></td>
<td>301</td>
<td>209</td>
</tr>
<tr>
<td><strong>Total depreciation and amortisation</strong></td>
<td>3,038</td>
<td>1,480</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Note 4D: Losses from assets sales</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Proceeds from sale</td>
<td>4</td>
<td>–</td>
</tr>
<tr>
<td>Carrying value of assets sold</td>
<td>12</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total losses from assets sales</strong></td>
<td>8</td>
<td>–</td>
</tr>
</tbody>
</table>
## Note 5
### Financial Assets

<table>
<thead>
<tr>
<th>Note 5A: Cash</th>
<th>2008 $'000</th>
<th>2007 $'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash on hand or on deposit</td>
<td>1,121</td>
<td>1,819</td>
</tr>
<tr>
<td><strong>Total Cash</strong></td>
<td>1,121</td>
<td>1,819</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Note 5B: Trade and other receivables</th>
<th>2008 $'000</th>
<th>2007 $'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goods and services</td>
<td>61</td>
<td>273</td>
</tr>
<tr>
<td>Appropriations receivable:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>for existing outputs</td>
<td>6,366</td>
<td>3,992</td>
</tr>
<tr>
<td>for additional outputs</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total appropriations receivable</strong></td>
<td>6,427</td>
<td>4,265</td>
</tr>
<tr>
<td>GST receivable from the Australian Taxation Office</td>
<td>393</td>
<td>475</td>
</tr>
<tr>
<td><strong>Total trade and other receivables (gross)</strong></td>
<td>6,820</td>
<td>4,740</td>
</tr>
</tbody>
</table>

Receivables are represented by:

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current</td>
<td>6,820</td>
<td>4,740</td>
</tr>
<tr>
<td>Non-current</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total trade and other receivables (net)</strong></td>
<td>6,820</td>
<td>4,740</td>
</tr>
</tbody>
</table>

Receivables are aged as follows:

<table>
<thead>
<tr>
<th>Overdue by:</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not overdue</td>
<td>6,759</td>
<td>4,710</td>
</tr>
<tr>
<td>Less than 30 days</td>
<td>58</td>
<td>22</td>
</tr>
<tr>
<td>30 to 60 days</td>
<td>3</td>
<td>8</td>
</tr>
<tr>
<td>61 to 90 days</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>More than 90 days</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total receivables (gross)</strong></td>
<td>6,820</td>
<td>4,740</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Note 5C: Other financial assets</th>
<th>2008 $'000</th>
<th>2007 $'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prepayments</td>
<td>1,386</td>
<td>362</td>
</tr>
<tr>
<td><strong>Total other financial assets</strong></td>
<td>1,386</td>
<td>362</td>
</tr>
</tbody>
</table>

All financial assets are current.
Note 6
Non-financial Assets

Note 6A: Infrastructure, plant and equipment

<table>
<thead>
<tr>
<th></th>
<th>2008 $’000</th>
<th>2007 $’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Infrastructure, plant and equipment:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>– gross carrying value (at fair value)</td>
<td>13,925</td>
<td>7,305</td>
</tr>
<tr>
<td>– accumulated depreciation</td>
<td>(4,650)</td>
<td>(2,041)</td>
</tr>
<tr>
<td><strong>Total infrastructure, plant and equipment</strong></td>
<td>9,275</td>
<td>5,264</td>
</tr>
<tr>
<td><strong>Total infrastructure, plant and equipment (non-current)</strong></td>
<td>9,275</td>
<td>5,264</td>
</tr>
</tbody>
</table>

All revaluations are conducted in accordance with the revaluation policy stated at Note 1. No revaluations were conducted in 2007–08.

No indicators of impairment were found in infrastructure, plant and equipment.

Note 6B: Intangibles

<table>
<thead>
<tr>
<th></th>
<th>2008 $’000</th>
<th>2007 $’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Computer software at cost:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>internally developed – in use</td>
<td>5,700</td>
<td>3,586</td>
</tr>
<tr>
<td><strong>Total Computer Software</strong></td>
<td>5,700</td>
<td>3,586</td>
</tr>
<tr>
<td>Accumulated amortisation</td>
<td>(3,508)</td>
<td>(3,207)</td>
</tr>
<tr>
<td><strong>Total intangibles (non-current)</strong></td>
<td>2,192</td>
<td>379</td>
</tr>
</tbody>
</table>

No indicators of impairment were found for intangible assets.
Note 6C: Analysis of infrastructure, plant and equipment
Table A – Reconciliation of the opening and closing balances of plant and equipment and intangibles (2007–08)

<table>
<thead>
<tr>
<th>Item</th>
<th>Plant and equipment '000</th>
<th>Computer software internally developed '000</th>
<th>Total '000</th>
</tr>
</thead>
<tbody>
<tr>
<td>As at 1 July 2007</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross book value</td>
<td>7,305</td>
<td>3,586</td>
<td>10,891</td>
</tr>
<tr>
<td>Accumulated depreciation/amortisation and impairment</td>
<td>(2,041)</td>
<td>(3,207)</td>
<td>(5,248)</td>
</tr>
<tr>
<td><strong>Net book value 1 July 2007</strong></td>
<td><strong>5,264</strong></td>
<td>379</td>
<td><strong>5,643</strong></td>
</tr>
<tr>
<td>Additions:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>by purchase</td>
<td>6,769</td>
<td>2,114</td>
<td>8,884</td>
</tr>
<tr>
<td>Depreciation/amortisation expense</td>
<td>(2,737)</td>
<td>(301)</td>
<td>(3,038)</td>
</tr>
<tr>
<td>Other movements</td>
<td>127</td>
<td>–</td>
<td>127</td>
</tr>
<tr>
<td>Disposals:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other disposals</td>
<td>(149)</td>
<td>–</td>
<td>(149)</td>
</tr>
<tr>
<td><strong>Net book value 30 June 2008</strong></td>
<td><strong>9,275</strong></td>
<td>2,192</td>
<td><strong>11,467</strong></td>
</tr>
<tr>
<td><strong>Net book value as of 30 June 2008</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>represented by:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross book value</td>
<td>13,925</td>
<td>5,700</td>
<td>19,626</td>
</tr>
<tr>
<td>Accumulated depreciation/amortisation and impairment</td>
<td>(4,650)</td>
<td>(3,508)</td>
<td>(8,159)</td>
</tr>
<tr>
<td><strong>9,275</strong></td>
<td><strong>2,192</strong></td>
<td></td>
<td><strong>11,467</strong></td>
</tr>
</tbody>
</table>

Table B – Reconciliation of the opening and closing balances of plant and equipment and intangibles (2006-07)

<table>
<thead>
<tr>
<th>Item</th>
<th>Plant and equipment '000</th>
<th>Computer software internally developed '000</th>
<th>Total '000</th>
</tr>
</thead>
<tbody>
<tr>
<td>As at 1 July 2006</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross book value</td>
<td>4,074</td>
<td>3,586</td>
<td>7,660</td>
</tr>
<tr>
<td>Accumulated depreciation/amortisation and impairment</td>
<td>(792)</td>
<td>(2,998)</td>
<td>(3,790)</td>
</tr>
<tr>
<td><strong>Net book value 1 July 2006</strong></td>
<td><strong>3,282</strong></td>
<td>588</td>
<td><strong>3,870</strong></td>
</tr>
<tr>
<td>Additions:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>by purchase</td>
<td>3,253</td>
<td>–</td>
<td>3,253</td>
</tr>
<tr>
<td>by finance lease</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>from acquisition of entities or operations (including restructuring)</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Revaluations and impairments through equity</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Reclassification</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Depreciation/amortisation expense</td>
<td>(1,271)</td>
<td>(209)</td>
<td>(1,480)</td>
</tr>
<tr>
<td>Impairments recognised in the operating result</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Other movements</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Disposals:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>From disposal of entities or operations (including restructuring)</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Other disposals</td>
<td>(23)</td>
<td>–</td>
<td>(23)</td>
</tr>
<tr>
<td><strong>Net book value 30 June 2007</strong></td>
<td><strong>5,264</strong></td>
<td>379</td>
<td><strong>5,643</strong></td>
</tr>
<tr>
<td><strong>Net book value as of 30 June 2007</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>represented by:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross book value</td>
<td>7,305</td>
<td>3,586</td>
<td>10,891</td>
</tr>
<tr>
<td>Accumulated depreciation/amortisation and impairment</td>
<td>(2,041)</td>
<td>(3,207)</td>
<td>(5,248)</td>
</tr>
<tr>
<td><strong>5,264</strong></td>
<td><strong>379</strong></td>
<td></td>
<td><strong>5,643</strong></td>
</tr>
</tbody>
</table>
### Note 7
### Payables

<table>
<thead>
<tr>
<th>Note 7A: Suppliers</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$’000</td>
</tr>
<tr>
<td>Trade creditors</td>
<td>282</td>
</tr>
<tr>
<td>Operating lease rentals</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total supplier payables</strong></td>
<td><strong>282</strong></td>
</tr>
</tbody>
</table>

Supplier payables are represented by:

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current</td>
<td>282</td>
</tr>
<tr>
<td>Non-current</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total supplier payables</strong></td>
<td><strong>282</strong></td>
</tr>
</tbody>
</table>

Settlement is usually made net 30 days

<table>
<thead>
<tr>
<th>Note 7B: Other Payables</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accrued expenses</td>
<td>608</td>
<td>251</td>
</tr>
<tr>
<td>Prepayments received</td>
<td>–</td>
<td>314</td>
</tr>
<tr>
<td>Lease incentives</td>
<td>1,037</td>
<td>763</td>
</tr>
<tr>
<td>Advances Repayable</td>
<td>102</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total Other Payables</strong></td>
<td><strong>1,747</strong></td>
<td><strong>1,328</strong></td>
</tr>
</tbody>
</table>

Other payables are represented by:

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current</td>
<td>755</td>
<td>703</td>
</tr>
<tr>
<td>Non-current</td>
<td>992</td>
<td>625</td>
</tr>
<tr>
<td><strong>Total Other Payables</strong></td>
<td><strong>1,747</strong></td>
<td><strong>1,328</strong></td>
</tr>
</tbody>
</table>
## Note 8: Provisions

<table>
<thead>
<tr>
<th></th>
<th>2008 $'000</th>
<th>2007 $'000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Note 8A: Employee provisions</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries and wages</td>
<td>446</td>
<td>189</td>
</tr>
<tr>
<td>Leave</td>
<td>4,690</td>
<td>3,318</td>
</tr>
<tr>
<td>Superannuation</td>
<td>356</td>
<td>261</td>
</tr>
<tr>
<td><strong>Total employee provisions</strong></td>
<td>5,492</td>
<td>3,768</td>
</tr>
</tbody>
</table>

Employee provisions are represented by:

<table>
<thead>
<tr>
<th></th>
<th>2008 $'000</th>
<th>2007 $'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current</td>
<td>4,538</td>
<td>3,070</td>
</tr>
<tr>
<td>Non-current</td>
<td>954</td>
<td>698</td>
</tr>
<tr>
<td><strong>Total employee provisions</strong></td>
<td>5,492</td>
<td>3,768</td>
</tr>
</tbody>
</table>

The classification of current includes amounts for which there is not an unconditional right to defer settlement by one year, hence in the case of employee provisions the above classification does not represent the amount expected to be settled within one year of reporting date. Employee provisions expected to be settled in twelve months from the reporting date are $2.141M (2007: $1.412M), and in excess of one year $3.351M (2007: $2.356M).

<table>
<thead>
<tr>
<th></th>
<th>2008 $'000</th>
<th>2007 $'000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Note 8B: Other provisions</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proof of Identity study</td>
<td>9</td>
<td>9</td>
</tr>
<tr>
<td><strong>Total other provisions</strong></td>
<td>9</td>
<td>9</td>
</tr>
</tbody>
</table>

Other provisions are represented by:

<table>
<thead>
<tr>
<th></th>
<th>2008 $'000</th>
<th>2007 $'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current</td>
<td>9</td>
<td>9</td>
</tr>
<tr>
<td>Non-current</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total other provisions</strong></td>
<td>9</td>
<td>9</td>
</tr>
</tbody>
</table>
Note 9
Cash Flow Reconciliation

Reconciliation of Cash as per Balance Sheet to Cash Flow Statement

<table>
<thead>
<tr>
<th></th>
<th>2008 $'000</th>
<th>2007 $'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Report Cash as per:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash Flow Statement</td>
<td>1,121</td>
<td>1,819</td>
</tr>
<tr>
<td>Balance Sheet</td>
<td>1,121</td>
<td>1,819</td>
</tr>
<tr>
<td>Difference</td>
<td>–</td>
<td>–</td>
</tr>
</tbody>
</table>

Reconciliation of operating result to net cash from operating activities:

<table>
<thead>
<tr>
<th></th>
<th>2008 $'000</th>
<th>2007 $'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating surplus / (deficit)</td>
<td>(391)</td>
<td>388</td>
</tr>
<tr>
<td>Depreciation / amortisation</td>
<td>3,038</td>
<td>1,480</td>
</tr>
<tr>
<td>Loss on disposal of assets</td>
<td>8</td>
<td>1</td>
</tr>
<tr>
<td>(Increase) / decrease in net receivables</td>
<td>(2,079)</td>
<td>(1,912)</td>
</tr>
<tr>
<td>(Increase) / decrease in other assets</td>
<td>(1,025)</td>
<td>166</td>
</tr>
<tr>
<td>(Increase) / decrease in employee provisions</td>
<td>1,724</td>
<td>1,577</td>
</tr>
<tr>
<td>Increase / (decrease) in supplier payables</td>
<td>63</td>
<td>446</td>
</tr>
<tr>
<td>Increase / (decrease) in accrued expenses</td>
<td>8</td>
<td>436</td>
</tr>
<tr>
<td>Net cash from / (used by) operating activities</td>
<td>1,346</td>
<td>2,582</td>
</tr>
</tbody>
</table>

Note 10
Contingent Liabilities and Assets

Quantifiable contingencies
There are no quantifiable contingencies as at 30 June 2008 (2007: Nil).

Unquantifiable contingencies
There are no unquantifiable contingencies as at 30 June 2008 (2007: Nil).
**Note 11**

**Senior Executive Remuneration**

The number of senior executives who received or were due to receive total remuneration of $130,000 or more:

<table>
<thead>
<tr>
<th>Remuneration Range</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>$160,000 to $174,999</td>
<td>–</td>
<td>4</td>
</tr>
<tr>
<td>$190,000 to $204,999</td>
<td>1</td>
<td>–</td>
</tr>
<tr>
<td>$205,000 to $219,999</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>$220,000 to $234,999</td>
<td>1</td>
<td>–</td>
</tr>
<tr>
<td>$260,000 and over</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>8</td>
<td>7</td>
</tr>
</tbody>
</table>

The aggregate amount of total remuneration of senior executives shown above. 

$1,956,923

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

Nil

**Note 12**

**Remuneration of Auditors**

<table>
<thead>
<tr>
<th></th>
<th>2008 $’000</th>
<th>2007 $’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial statement audit services are provided by the ANAO free of charge to the agency.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>The fair value of the services provided was:</td>
<td>30</td>
<td>26</td>
</tr>
</tbody>
</table>

No other services were provided by the Auditor-General.
### Note 13

**Financial Instruments**

#### 13A: Categories of financial instruments

<table>
<thead>
<tr>
<th>Notes</th>
<th>2008 $'000</th>
<th>2007 $'000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Financial Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans and receivables financial assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receivables for goods and services</td>
<td>5B</td>
<td>61</td>
</tr>
<tr>
<td></td>
<td></td>
<td>61</td>
</tr>
<tr>
<td>Fair value through profit and loss (designated)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>5A</td>
<td>1,121</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1,121</td>
</tr>
<tr>
<td><strong>Carrying amount of financial assets</strong></td>
<td></td>
<td>1,182</td>
</tr>
<tr>
<td><strong>Financial Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At amortised cost</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade creditors</td>
<td>7A</td>
<td>282</td>
</tr>
<tr>
<td></td>
<td></td>
<td>282</td>
</tr>
<tr>
<td><strong>Carrying amount of financial liabilities</strong></td>
<td></td>
<td>282</td>
</tr>
</tbody>
</table>

#### Note 13B: Net fair value of financial assets and liabilities

<table>
<thead>
<tr>
<th>Notes</th>
<th>Carrying amount 2008 $'000</th>
<th>Carrying amount 2007 $'000</th>
<th>Fair value 2008 $'000</th>
<th>Fair value 2007 $'000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Financial Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>5A</td>
<td>1,121</td>
<td>1,819</td>
<td>1,121</td>
</tr>
<tr>
<td>Receivables for goods and services</td>
<td>5B</td>
<td>61</td>
<td>273</td>
<td>61</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>1,182</td>
<td>2,092</td>
<td>1,182</td>
</tr>
<tr>
<td><strong>Financial Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade creditors</td>
<td>7A</td>
<td>282</td>
<td>629</td>
<td>282</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>282</td>
<td>629</td>
<td>282</td>
</tr>
</tbody>
</table>
## Note 13C: Interest rate risk

<table>
<thead>
<tr>
<th>Financial Instrument</th>
<th>Non-Interest Bearing</th>
<th>Total</th>
<th>Effective Interest Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Notes $’000</td>
<td>$’000</td>
<td>$’000</td>
<td>$’000</td>
</tr>
<tr>
<td>Financial Assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents 5A</td>
<td>1,121</td>
<td>1,819</td>
<td>1,121</td>
</tr>
<tr>
<td>Receivables for goods and services 5B</td>
<td>61</td>
<td>273</td>
<td>61</td>
</tr>
<tr>
<td>Total</td>
<td>1,182</td>
<td>2,092</td>
<td>1,182</td>
</tr>
<tr>
<td>Total Assets</td>
<td>20,795</td>
<td>12,564</td>
<td>20,795</td>
</tr>
<tr>
<td>Financial Liabilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade creditors 7A</td>
<td>282</td>
<td>629</td>
<td>282</td>
</tr>
<tr>
<td>Total</td>
<td>282</td>
<td>629</td>
<td>282</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>282</td>
<td>629</td>
<td>282</td>
</tr>
</tbody>
</table>

## 13D: Credit risk

The following table illustrates AUSTRAC gross exposure to credit risk, excluding any collateral or credit enhancements.

<table>
<thead>
<tr>
<th>Financial Assets</th>
<th>2008 $’000</th>
<th>2007 $’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Receivables for goods and services</td>
<td>61</td>
<td>273</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Financial liabilities</th>
<th>2008 $’000</th>
<th>2007 $’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade creditors</td>
<td>282</td>
<td>629</td>
</tr>
</tbody>
</table>

Credit quality of financial instruments not past due or individually determined as impaired

<table>
<thead>
<tr>
<th>Not Past Due Nor Impaired</th>
<th>Past due or impaired</th>
<th>2008 $’000</th>
<th>2007 $’000</th>
<th>2008 $’000</th>
<th>2007 $’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Receivables for goods and services</td>
<td>58</td>
<td>243</td>
<td>3</td>
<td>30</td>
<td></td>
</tr>
<tr>
<td>Trade creditors</td>
<td>263</td>
<td>618</td>
<td>19</td>
<td>11</td>
<td></td>
</tr>
</tbody>
</table>

Ageing of financial assets that are past due but not impaired for 2008

<table>
<thead>
<tr>
<th>0 to 30 days</th>
<th>31 to 60 days</th>
<th>61 to 90 days</th>
<th>90+ days</th>
<th>Total $’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>$’000</td>
<td>$’000</td>
<td>$’000</td>
<td>$’000</td>
<td>$’000</td>
</tr>
<tr>
<td>Receivables for goods and services</td>
<td>–</td>
<td>3</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Total</td>
<td>–</td>
<td>3</td>
<td>–</td>
<td>–</td>
</tr>
</tbody>
</table>

Ageing of financial assets that are past due but not impaired for 2007

<table>
<thead>
<tr>
<th>0 to 30 days</th>
<th>31 to 60 days</th>
<th>61 to 90 days</th>
<th>90+ days</th>
<th>Total $’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>$’000</td>
<td>$’000</td>
<td>$’000</td>
<td>$’000</td>
<td>$’000</td>
</tr>
<tr>
<td>Receivables for goods and services</td>
<td>–</td>
<td>22</td>
<td>8</td>
<td>–</td>
</tr>
<tr>
<td>Total</td>
<td>–</td>
<td>22</td>
<td>8</td>
<td>–</td>
</tr>
</tbody>
</table>
13E: Liquidity risk

AUSTRAC’s financial liabilities are supplier payables. The exposure to liquidity risk is based on the notion that the agency will encounter difficulty in meeting its financial obligations. This is highly unlikely due to appropriation and other funding mechanisms which exist and internal policies and procedures (such as Chief Executive Instructions) which are put in place to ensure the effective stewardship of the agency’s resources.

The following tables illustrate the maturities for financial liabilities as at 30 June 2008 and 30 June 2007.

<table>
<thead>
<tr>
<th></th>
<th>On demand 2008 $’000</th>
<th>Within 1 year 2008 $’000</th>
<th>1 to 5 years 2008 $’000</th>
<th>&gt; 5 years 2008 $’000</th>
<th>Total 2008 $’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payables</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payables - Suppliers</td>
<td>–</td>
<td>282</td>
<td>–</td>
<td>–</td>
<td>282</td>
</tr>
<tr>
<td>Other payables</td>
<td>–</td>
<td>755</td>
<td>964</td>
<td>28</td>
<td>1,747</td>
</tr>
<tr>
<td>Total</td>
<td>–</td>
<td>1,037</td>
<td>964</td>
<td>28</td>
<td>2,029</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>On demand 2007 $’000</th>
<th>Within 1 year 2007 $’000</th>
<th>1 to 5 years 2007 $’000</th>
<th>&gt; 5 years 2007 $’000</th>
<th>Total 2007 $’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payables</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payables - Suppliers</td>
<td>–</td>
<td>630</td>
<td>–</td>
<td>–</td>
<td>630</td>
</tr>
<tr>
<td>Other payables</td>
<td>–</td>
<td>704</td>
<td>621</td>
<td>3</td>
<td>1,328</td>
</tr>
<tr>
<td>Total</td>
<td>–</td>
<td>1,334</td>
<td>621</td>
<td>3</td>
<td>1,958</td>
</tr>
</tbody>
</table>

13F: Market risk

AUSTRAC holds basic financial instruments which do not expose the agency to certain market risks. The agency is not exposed to ‘currency risk’ or ‘other price risk’.

The financial instruments have been assessed and are considered not to be impaired. Those reported under Note 13D are only ‘past due’ and therefore, an impairment loss does not need to be recognised.

13G: Interest rate risk

AUSTRAC is not exposed to interest rate risk.
Schedule of Administered Items

Note 14
Income and Expenses Administered on behalf of Government

<table>
<thead>
<tr>
<th></th>
<th>2008 $'000</th>
<th>2007 $'000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Income</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Note 14A: Fees and fines</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fines – Infringement Notice Scheme</td>
<td>25</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total fees and fines</strong></td>
<td>25</td>
<td>–</td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Note 14B: Suppliers</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provision of goods – external parties</td>
<td>752</td>
<td>732</td>
</tr>
<tr>
<td><strong>Total suppliers</strong></td>
<td>752</td>
<td>732</td>
</tr>
</tbody>
</table>

Note 15
Assets Administered on behalf of Government

<table>
<thead>
<tr>
<th></th>
<th>2008 $'000</th>
<th>2007 $'000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Financial Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Note 15A: Cash</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash on hand</td>
<td>20</td>
<td>11</td>
</tr>
<tr>
<td><strong>Total cash</strong></td>
<td>20</td>
<td>11</td>
</tr>
<tr>
<td><strong>Note 15B: Other non-financial assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prepayments paid</td>
<td>–</td>
<td>752</td>
</tr>
<tr>
<td><strong>Total other non-financial assets</strong></td>
<td>–</td>
<td>752</td>
</tr>
<tr>
<td><strong>Note 15C: Receivables</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other receivables:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fines</td>
<td>5</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total receivables</strong></td>
<td>5</td>
<td>–</td>
</tr>
</tbody>
</table>
Note 16
Administered Reconciliation Table

<table>
<thead>
<tr>
<th>Description</th>
<th>2008 $'000</th>
<th>2007 $'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening administered assets less administered liabilities as at 1 July</td>
<td>763</td>
<td>–</td>
</tr>
<tr>
<td>Adjusted opening administered assets less administered liabilities</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Plus: Administered income</td>
<td>25</td>
<td>–</td>
</tr>
<tr>
<td>Less: Administered expenses</td>
<td>(752)</td>
<td>–</td>
</tr>
<tr>
<td>Administered transfers to/from Australian Government</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Appropriation transfers from OPA:</td>
<td>–</td>
<td>11</td>
</tr>
<tr>
<td>Transfers to OPA</td>
<td>(11)</td>
<td>–</td>
</tr>
<tr>
<td>Prepayments</td>
<td>–</td>
<td>752</td>
</tr>
<tr>
<td>Closing administered assets less administered liabilities as at 30 June</td>
<td>25</td>
<td>763</td>
</tr>
</tbody>
</table>

Note 17
Financial Instruments

Note 17A: Categories of financial instruments

<table>
<thead>
<tr>
<th>Financial Assets</th>
<th>Notes</th>
<th>2008 $'000</th>
<th>2007 $'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans and receivables financial assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receivables for goods and services</td>
<td>15C</td>
<td>5</td>
<td>–</td>
</tr>
<tr>
<td>Fair value through profit and loss (designated)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>15A</td>
<td>20</td>
<td>11</td>
</tr>
<tr>
<td>Carrying amount of financial assets</td>
<td></td>
<td>25</td>
<td>11</td>
</tr>
</tbody>
</table>

Financial Liabilities

At amortised cost

| Trade creditors |       | –          | –          |
|                |       | –          | –          |

Carrying amount of financial liabilities

|       |       | –          | –          |
Note 17B: Net fair value of financial assets and liabilities

<table>
<thead>
<tr>
<th>Notes</th>
<th>Carrying Amount 2008 $’000</th>
<th>Fair Value 2008 $’000</th>
<th>Carrying amount 2007 $’000</th>
<th>Fair value 2007 $’000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial Assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash at bank</td>
<td>15A</td>
<td>20</td>
<td>20</td>
<td>11</td>
</tr>
<tr>
<td>Receivables</td>
<td>15C</td>
<td>5</td>
<td>5</td>
<td>–</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>25</td>
<td>25</td>
<td>11</td>
</tr>
<tr>
<td>Financial Liabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade creditors</td>
<td></td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
</tbody>
</table>

Note 17C: Interest rate risk

<table>
<thead>
<tr>
<th>Financial Instrument</th>
<th>Non-Interest Bearing 2008 $’000</th>
<th>2007 $’000</th>
<th>Total 2008 $’000</th>
<th>2007 $’000</th>
<th>Weighted Average Effective Interest Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Notes</td>
<td></td>
<td></td>
<td></td>
<td>2008</td>
</tr>
<tr>
<td>Financial Assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>%</td>
</tr>
<tr>
<td>Cash</td>
<td>15A</td>
<td>20</td>
<td>11</td>
<td>20</td>
<td>11</td>
</tr>
<tr>
<td>Receivables</td>
<td>15C</td>
<td>5</td>
<td>–</td>
<td>5</td>
<td>–</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>25</td>
<td>11</td>
<td>25</td>
<td>11</td>
</tr>
<tr>
<td>Total Assets</td>
<td></td>
<td>25</td>
<td>11</td>
<td>25</td>
<td>11</td>
</tr>
<tr>
<td>Financial Liabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade creditors</td>
<td></td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td></td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
</tbody>
</table>
17D: Credit risk

<table>
<thead>
<tr>
<th>Financial Assets</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Receivables</td>
<td>5</td>
<td>–</td>
</tr>
</tbody>
</table>

Credit quality of financial instruments not past due or individually determined as impaired

<table>
<thead>
<tr>
<th></th>
<th>2008 $’000</th>
<th>2007 $’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not Past Due Nor Impaired</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Recieivables</td>
<td>2</td>
<td>–</td>
</tr>
<tr>
<td>Past due or impaired</td>
<td>3</td>
<td>–</td>
</tr>
</tbody>
</table>

Ageing of financial assets that are past due but not impaired for 2008

<table>
<thead>
<tr>
<th></th>
<th>0 to 30 days $’000</th>
<th>31 to 60 days $’000</th>
<th>61 to 90 days $’000</th>
<th>90+ days $’000</th>
<th>Total $’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Receivables</td>
<td>–</td>
<td>–</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Total</td>
<td>–</td>
<td>–</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
</tbody>
</table>

Ageing of financial assets that are past due but not impaired for 2007

<table>
<thead>
<tr>
<th></th>
<th>0 to 30 days $’000</th>
<th>31 to 60 days $’000</th>
<th>61 to 90 days $’000</th>
<th>90+ days $’000</th>
<th>Total $’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Receivables</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Total</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
</tbody>
</table>

17E: Liquidity risk

The financial instruments which AUSTRAC manages on behalf of the Government are not exposed to liquidity risk.

17F: Market risk

AUSTRAC holds basic financial instruments on behalf of the Government. These instruments do not expose the agency or its principal, to certain market risks, ‘currency risk’ or ‘other price risk’.

The financial instruments have been assessed and are considered not to be impaired. An impairment loss does not need to be recognised.

17G: Interest rate risk

The financial instruments which AUSTRAC manages on behalf of the Government are not exposed to interest rate risk.
## Note 18
### Appropriations

**Table A: Acquittal of authority to draw cash from the consolidated revenue fund for ordinary annual services appropriations**

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Administered Expenses</th>
<th>Departmental Outputs</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2008 $’000</td>
<td>2007 $’000</td>
<td>2008 $’000</td>
</tr>
<tr>
<td>Balance brought forward from previous period</td>
<td>11</td>
<td>–</td>
<td>5,131</td>
</tr>
<tr>
<td>Appropriation Act:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Appropriation Act (No.1) 2007–08</td>
<td>–</td>
<td>1,495</td>
<td>52,093</td>
</tr>
<tr>
<td>Appropriation Act (No.3) 2007–08</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Appropriation Act (No.5) 2007–08</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Administered appropriation lapsed</td>
<td>(11)</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>FMA Act:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Refunds credited (FMA section 30)</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Appropriations to take account of recoverable GST (FMA section 30A)</td>
<td>–</td>
<td>–</td>
<td>3,569</td>
</tr>
<tr>
<td>Annotations to ‘net appropriations’ (FMA section 31)</td>
<td>–</td>
<td>–</td>
<td>1,759</td>
</tr>
<tr>
<td>Adjustment of appropriations on change of entity function (FMA section 32)</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Total appropriation available for payment</td>
<td>–</td>
<td>1,495</td>
<td>62,552</td>
</tr>
<tr>
<td>Cash payments made during the year (GST inclusive)</td>
<td>–</td>
<td>1,484</td>
<td>55,282</td>
</tr>
<tr>
<td>Appropriations credited to Special Accounts (excluding GST)</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Balance of Authority to Draw Cash from the Consolidated Revenue Fund for Ordinary Annual Services Appropriations</td>
<td>–</td>
<td>11</td>
<td>7,270</td>
</tr>
</tbody>
</table>

**Represented by**

| Cash at bank and on hand | – | 11 | 1,121 | 1,819 | 1,121 | 1,830 |
| Departmental appropriations receivable | – | – | 6,149 | 3,312 | 6,149 | 3,312 |
| Total | – | 11 | 7,270 | 5,131 | 7,270 | 5,142 |
Table B: Acquittal of authority to draw cash from the consolidated revenue fund for other than ordinary annual services appropriations

<table>
<thead>
<tr>
<th>Particulars</th>
<th>2008 $'000</th>
<th>2007 $'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance brought forward from previous period</td>
<td>680</td>
<td>–</td>
</tr>
<tr>
<td>Appropriation Act:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Appropriation Act (No.2) 2007–08</td>
<td>7,036</td>
<td>1,763</td>
</tr>
<tr>
<td>Appropriation Act (No.4) 2007–08</td>
<td>–</td>
<td>680</td>
</tr>
<tr>
<td>Appropriation Act (No.6) 2007–08</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Reductions of appropriations (Appropriation Act section 11)</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Administered appropriation lapsed (Appropriation Act sections 7 &amp; 8)</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Advance to the Finance Minister (Appropriation Act section 12)</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>FMA Act:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Refunds credited (FMA section 30)</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Appropriations to take account of recoverable GST (FMA section 30A)</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Adjustment of appropriations on change of entity function (FMA section 32)</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Total appropriations available for payment</td>
<td>7,716</td>
<td>2,443</td>
</tr>
<tr>
<td>Cash payments made during the year (GST inclusive)</td>
<td>7,498</td>
<td>1,763</td>
</tr>
<tr>
<td>Appropriations credited to Special Accounts (GST exclusive)</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Balance of authority to draw cash from the consolidated revenue fund for other than ordinary annual services appropriations</td>
<td>218</td>
<td>680</td>
</tr>
</tbody>
</table>

**Represented by**

| Cash at bank and on hand                                                  | –          | –          |
| Appropriation receivable                                                  | 218        | 680        |
| Undrawn, unlapsed administered appropriations                              | –          | –          |
| **Total**                                                                  | 218        | 680        |
### Note 19

**Special Accounts**

<table>
<thead>
<tr>
<th>Other Trust Monies Special Account (Departmental)</th>
<th>2008 $’000</th>
<th>2007 $’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal Authority: <em>Financial Management and Accountability Act 1997</em>, section 20</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purpose: for expenditure of monies temporarily held on trust or otherwise for the benefit of a person other than the Commonwealth.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance carried from previous period</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Appropriation for reporting period</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Costs recovered</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>GST credits (FMA Act section 30A)</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Realised investments</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Other receipts</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td><strong>Total credits</strong></td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Payments made</td>
<td>–</td>
<td>3</td>
</tr>
<tr>
<td>Repayments debited from the special account</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Investments debited from the special account (FMA Act section 39)</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total debits</strong></td>
<td>–</td>
<td>3</td>
</tr>
<tr>
<td><strong>Balance carried to next period and represented by:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash – transferred to the Official Public Account</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Cash – held by the Agency</td>
<td>1</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total balance carried to the next period</strong></td>
<td>1</td>
<td>–</td>
</tr>
</tbody>
</table>

The special accounts classified as departmental in 2007–08 have now been reclassified as administered for 2008–09.
Note 20
Reporting of Outcome

Note 20A: Net cost of outcome delivery

<table>
<thead>
<tr>
<th></th>
<th>Output Group 1</th>
<th>Output Group 2</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2008 $'000</td>
<td>2007 $'000</td>
<td>2008 $'000</td>
</tr>
<tr>
<td>Expenses</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Administered</td>
<td>415</td>
<td>404</td>
<td>337</td>
</tr>
<tr>
<td>Departmental</td>
<td>29,610</td>
<td>19,442</td>
<td>23,982</td>
</tr>
<tr>
<td>Total expenses</td>
<td>30,025</td>
<td>19,846</td>
<td>24,319</td>
</tr>
<tr>
<td>Other external revenues</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Administered</td>
<td>14</td>
<td>–</td>
<td>11</td>
</tr>
<tr>
<td>Departmental</td>
<td>74</td>
<td>88</td>
<td>1,034</td>
</tr>
<tr>
<td>Total other external revenues</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>88</td>
<td>88</td>
<td>1,045</td>
</tr>
<tr>
<td>Net cost/(contribution) of outcome</td>
<td>29,937</td>
<td>19,758</td>
<td>23,274</td>
</tr>
</tbody>
</table>

AUSTRAC allocates all expenditure across its two primary 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 two output groups, other IT expenditure and property operating expenses, are allocated to the two outputs using standard cost accounting methods.

Note 20B: Major classes of departmental revenues and expenses by output group

<table>
<thead>
<tr>
<th></th>
<th>Output Group 1</th>
<th>Output Group 2</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2008 $'000</td>
<td>2007 $'000</td>
<td>2008 $'000</td>
</tr>
<tr>
<td>Departmental expenses</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employees</td>
<td>14,682</td>
<td>8,894</td>
<td>11,892</td>
</tr>
<tr>
<td>Suppliers</td>
<td>13,245</td>
<td>9,730</td>
<td>10,727</td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>1,679</td>
<td>818</td>
<td>1,359</td>
</tr>
<tr>
<td>Losses from asset sales</td>
<td>4</td>
<td>–</td>
<td>4</td>
</tr>
<tr>
<td>Total departmental expenses</td>
<td>29,610</td>
<td>19,442</td>
<td>23,982</td>
</tr>
</tbody>
</table>

Funded by:

|                      | 2008 $'000     | 2007 $'000     | 2008 $'000 | 2007 $'000 |
|----------------------|----------------|----------------|-----------|
| Revenues from Government | 28,782         | 18,923         | 23,311    | 15,327    | 52,093    | 34,250    |
| Other Non Taxation Revenue | 74             | 88             | 1,034     | 1,214     | 1,108     | 1,302     |
| Total departmental revenues | 28,856       | 19,011         | 24,345    | 16,541    | 53,201    | 35,552    |
## Note 20C: Major classes of administered revenues and expenses by outcomes

<table>
<thead>
<tr>
<th></th>
<th>Outcome 1</th>
<th>Outcome 2</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2008</td>
<td>2007</td>
<td>2008</td>
</tr>
<tr>
<td>Administered Income</td>
<td>$'000</td>
<td>$'000</td>
<td>$'000</td>
</tr>
<tr>
<td>Fines</td>
<td>14</td>
<td>–</td>
<td>11</td>
</tr>
<tr>
<td>Total administered income</td>
<td>14</td>
<td>–</td>
<td>11</td>
</tr>
<tr>
<td>Administered Expenses</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Suppliers</td>
<td>415</td>
<td>404</td>
<td>337</td>
</tr>
<tr>
<td>Total administered Expenses</td>
<td>415</td>
<td>404</td>
<td>337</td>
</tr>
</tbody>
</table>

Outcomes 1 and 2 are described in Note1.1.
Appendix A

Partner agencies

Developing and maintaining effective relationships with domestic partner agencies is crucial to AUSTRAC’s efforts to combat money laundering and terrorism financing. In 2007–08, AUSTRAC’s partner agencies were:

**Australian Government agencies**

- Australian Commission for Law Enforcement Integrity
- Australian Competition and Consumer Commission
- Australian Crime Commission
- Australian Customs Service
- Australian Federal Police
- Australian Prudential Regulation Authority
- Australian Secret Intelligence Service
- Australian Securities and Investments Commission
- Australian Security Intelligence Organisation
- Australian Taxation Office
- Centrelink
- Child Support Agency
- Department of Immigration and Citizenship
- The Inspector-General of Intelligence and Security

**State and territory agencies**

- ACT Revenue Office
- Corruption and Crime Commission (WA)
- Crime and Misconduct Commission (Queensland)
- Independent Commission Against Corruption (NSW)
- New South Wales Crime Commission
- Northern Territory Police
- NSW Office of State Revenue
- NSW Police Force
- Office of State Revenue (Queensland)
- Office of State Revenue (WA)
- Police Integrity Commission (NSW)
- Queensland Police Service
- Revenue South Australia
- South Australia Police
- State Revenue Office (Tasmania)
- State Revenue Office Victoria
- Tasmania Police
- Territory Revenue Office (NT)
- Victoria Police
- Western Australia Police
Appendix B
Committees and reports

External committees convened by AUSTRAC

• APRA/AUSTRAC Coordination Committee
• AUSTRAC Finance Industry Consultative Forum, comprising AUSTRAC and representatives of the banking and financial services sector and government
• AUSTRAC Gambling Industry Consultative Forum, comprising AUSTRAC, peak industry bodies and government representatives
• AUSTRAC Partner Liaison and Support meetings and SUSTR Group meetings, comprising AUSTRAC and law enforcement, national security, revenue, regulatory and social justice agencies in each state/territory
• AUSTRAC Privacy Consultative Committee, comprising AUSTRAC, the Attorney-General’s Department, the Victorian Council of Civil Liberties, Office of the Privacy Commissioner, Australian Crime Commission, Australian Privacy Foundation, Australian Consumers’ Association, Australian Taxation Office and Australian Federal Police

Committees in which AUSTRAC has a substantial role

• AML/CTF Communications Working Group (convened by the Attorney-General’s Department)
• AML/CTF Council
• Australian Government Interdepartmental Committee on Second Tranche AML/CTF Reform
• Australian Government Interdepartmental Committee on United Nations Sanctions – coordinated by the Department of Foreign Affairs and Trade
• Commonwealth Reference Group on Identity Security
• Focus group comprising industry, government and AUSTRAC representatives, regarding draft AML/CTF Rules development
• Heads of Commonwealth Operational Law Enforcement Agencies (HOCOLEA) Group

Other committees/working groups in which AUSTRAC participates

• Australian Crime Commission Financial Intelligence Assessment Team
• Australian Crime Commission Gordian National Money Laundering Task Force
• Australian Crime Commission Joint Management Group
• Australian Government Interdepartmental Committee on the Organisation for Economic Co-operation and Development Bribery Convention
• Australian Government Interdepartmental Committee on the Weapons of Mass Destruction Proliferation Financing
• Australian Government International Counter-Terrorism Coordination Group
• Casino Law Enforcement Meeting (Queensland)
• Commercial Crime Committee (Western Australia)
• Commonwealth Counter-Terrorism Legal Working Group
• Criminal Assets Liaison Group (South Australia)
• Forum of Commonwealth Agencies in New South Wales Management Committee
• Geraldton Regional Intelligence Meeting (Western Australia)
• HOCOLEA Capability Project Joint Agency Management Group Steering Committee
• HOCOLEA Criminal Law Working Group
• ID Crime Forum (Queensland)
• Inter-Agency Counter-Terrorism Legal Working Group (Western Australia)
• Inter-Bank Fraud Meeting (Queensland)
• Joint Agency Group (Queensland)
• NSW Crime Commission Money Laundering Working Group
• Office of Legal Services Coordination Discussion Group
• Opal Group
• Passenger Card Steering Committee coordinated by the Department of Immigration and Citizenship
• Project Wickenby Cross-Agency Advisory Committee
• Senior Intelligence Officers Group (New South Wales)
• Serious White Collar Crime Committee (Queensland)
• South Australian Joint Agency Proceeds of Crime Group
• South Australian Joint Analyst Group

International groups in which AUSTRAC participates
• Asia/Pacific Group on Money Laundering
• Egmont Group of Financial Intelligence Units (Egmont Committee, Egmont Training, Information Technology and Outreach working groups)
• Financial Action Task Force

Inquiries by parliamentary and other committees
• Australian Law Reform Commission Review of Privacy
• Australian Law Reform Commission Review of Legal Professional Privilege and Federal Investigatory Bodies
• Parliamentary Joint Committee on the Australian Crime Commission inquiry into the future impact of serious and organised crime on Australian society
• Senate Standing Committee on Legal and Constitutional Affairs estimates hearings

Reports concerning AUSTRAC
Reports involving or mentioning AUSTRAC, including reports tabled by parliamentary committees and/or the Auditor-General, were:
• The Senate Order for Departmental and Agency Contracts (Calendar Year 2006 Compliance) by the Auditor-General – Audit Report No.7 2007–08 (Performance Audit), tabled in Parliament on 27 September 2007
• Tax Havens and Tax Administration, Australian Tax Office, November 2007
• The Australian Taxation Office’s Strategies to Address Tax Haven Compliance Risks by the Auditor General – Auditor-General Audit Report No.36 2007–08 (Performance Audit), tabled in Parliament on 29 May 2008
Appendix C  
Staffing statistics

Historical profile from 2003 to 2008

Provided below are AUSTRAC’s human resource statistics, showing operative and paid inoperative staff, and unpaid inoperative staff as at 30 June for each year from 2003 to 2008.

In relation to the method of recording:

• 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

• tables include staff employed under the Public Service Act 1999

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

• numbers have been rounded up to whole numbers.

Operative and paid inoperative staff 2003–08

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Central office (NSW)</td>
<td>63</td>
<td>100</td>
<td>104</td>
<td>160</td>
<td>196</td>
</tr>
<tr>
<td>Vic. office</td>
<td>19</td>
<td>26</td>
<td>26</td>
<td>66</td>
<td>91</td>
</tr>
<tr>
<td>ACT office</td>
<td>3</td>
<td>5</td>
<td>5</td>
<td>12</td>
<td>17</td>
</tr>
<tr>
<td>Qld office</td>
<td>1</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>19</td>
</tr>
<tr>
<td>WA office</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>SA office</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>89</strong></td>
<td><strong>135</strong></td>
<td><strong>139</strong></td>
<td><strong>244</strong></td>
<td><strong>327</strong></td>
</tr>
</tbody>
</table>
Unpaid inoperative staff 2007–08

<table>
<thead>
<tr>
<th></th>
<th>2007–08</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central office (NSW)</td>
<td>10</td>
</tr>
<tr>
<td>Vic. office</td>
<td>3</td>
</tr>
<tr>
<td>ACT office</td>
<td>–</td>
</tr>
<tr>
<td>Qld office</td>
<td>–</td>
</tr>
<tr>
<td>WA office</td>
<td>–</td>
</tr>
<tr>
<td>SA office</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>13</td>
</tr>
</tbody>
</table>

Staff figures at 30 June 2008

The table below provides a summary by classification and shows details of staff employed under the Public Service Act 1999. The table includes full-time and part-time staff, and includes non-ongoing and casual staff, as well as paid inoperative staff and those acting in a higher position at 30 June 2008. Part-time positions are included as a relevant proportion of a full-time position. Numbers have been rounded to whole numbers. The AUSCRA CEO is employed under the Remuneration and Allowances Act 1990 as a Principal Executive Officer, and is not included in the table below.

<table>
<thead>
<tr>
<th></th>
<th>Senior Executive Service</th>
<th>AUSCRA Band 2 (EL2)</th>
<th>AUSCRA Band 1 (EL1)</th>
<th>AUSCRA Broadband 2 (APS levels 5–6)</th>
<th>AUSCRA Broadband 1 (APS levels 1–4)</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>4 2</td>
<td>14 12</td>
<td>15 17</td>
<td>22 55</td>
<td>18 37</td>
<td>196</td>
</tr>
<tr>
<td>Vic. office</td>
<td>1 –</td>
<td>4 3</td>
<td>8 7</td>
<td>22 19</td>
<td>7 20</td>
<td>92</td>
</tr>
<tr>
<td>ACT office</td>
<td>1 –</td>
<td>2 1</td>
<td>3 2</td>
<td>1 4</td>
<td>1 2</td>
<td>17</td>
</tr>
<tr>
<td>Qld office</td>
<td>– –</td>
<td>1 –</td>
<td>2 2</td>
<td>2 6</td>
<td>2 4</td>
<td>19</td>
</tr>
<tr>
<td>WA office</td>
<td>– –</td>
<td>– –</td>
<td>– –</td>
<td>– 2</td>
<td>– –</td>
<td>2</td>
</tr>
<tr>
<td>SA office</td>
<td>– –</td>
<td>– –</td>
<td>– –</td>
<td>– 2</td>
<td>– –</td>
<td>2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>6 2</td>
<td>21 16</td>
<td>28 28</td>
<td>47 88</td>
<td>28 63</td>
<td>327</td>
</tr>
</tbody>
</table>

Note:  
APS Australian Public Service  
EL Executive Level
Part-time and non-ongoing staff at 30 June 2008

The table below provides a summary of part-time and non-ongoing staff by classification and state.

<table>
<thead>
<tr>
<th>State</th>
<th>Classification group</th>
<th>Part-time staff 2007–08</th>
<th>Non-ongoing staff 2007–08</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>M</td>
<td>F</td>
</tr>
<tr>
<td>Central office</td>
<td>Senior Officer Grades and equivalent</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>APS 1–6 and equivalent</td>
<td>–</td>
<td>11</td>
</tr>
<tr>
<td>Vic. office</td>
<td>Senior Officer Grades and equivalent</td>
<td>–</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>APS 1–6 and equivalent</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>ACT office</td>
<td>Senior Officer Grades and equivalent</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>APS 1–6 and equivalent</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Qld office</td>
<td>Senior Officer Grades and equivalent</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>APS 1–6 and equivalent</td>
<td>–</td>
<td>1</td>
</tr>
<tr>
<td>WA office</td>
<td>Senior Officer Grades and equivalent</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>APS 1–6 and equivalent</td>
<td>–</td>
<td>1</td>
</tr>
<tr>
<td>SA office</td>
<td>Senior Officer Grades and equivalent</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>APS 1–6 and equivalent</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>2</td>
<td>19</td>
</tr>
</tbody>
</table>

Note:
APS Australian Public Service

Substantive Senior Executive Service Officers at 30 June 2008

The table below shows Senior Executive Service (SES) Officer numbers by gender and state at 30 June 2008.

<table>
<thead>
<tr>
<th>Band</th>
<th>NSW</th>
<th>VIC</th>
<th>ACT</th>
</tr>
</thead>
<tbody>
<tr>
<td>SES 3 male</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>SES 3 female</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>SES 2 male</td>
<td>1</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>SES 2 female</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>SES 1 male</td>
<td>3</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>SES 1 female</td>
<td>2</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Total</td>
<td>6</td>
<td>1</td>
<td>1</td>
</tr>
</tbody>
</table>

There were no SES staff separations in 2007–08, and one ongoing SES staff commenced during the year.
Equal Employment Opportunities in engagements at 30 June 2008

The following table is a summary of the representation of Equal Employment Opportunity (EEO) groups within classifications. Note that the below table includes ongoing employees only. AUSTRAC currently holds EEO data for 97 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>9</td>
<td>6</td>
<td>3</td>
<td>–</td>
<td>–</td>
<td>9 100%</td>
</tr>
<tr>
<td>APS4</td>
<td>79</td>
<td>55</td>
<td>36</td>
<td>–</td>
<td>2</td>
<td>75 95%</td>
</tr>
<tr>
<td>APS5</td>
<td>41</td>
<td>26</td>
<td>12</td>
<td>–</td>
<td>–</td>
<td>38 93%</td>
</tr>
<tr>
<td>APS6</td>
<td>97</td>
<td>64</td>
<td>29</td>
<td>–</td>
<td>1</td>
<td>96 99%</td>
</tr>
<tr>
<td>EL1</td>
<td>56</td>
<td>28</td>
<td>16</td>
<td>–</td>
<td>–</td>
<td>55 99%</td>
</tr>
<tr>
<td>EL2</td>
<td>35</td>
<td>15</td>
<td>10</td>
<td>–</td>
<td>–</td>
<td>34 99%</td>
</tr>
<tr>
<td>SES and equivalent</td>
<td>8</td>
<td>2</td>
<td>2</td>
<td>–</td>
<td>–</td>
<td>8 100%</td>
</tr>
<tr>
<td>Total</td>
<td>325</td>
<td>196</td>
<td>108</td>
<td>–</td>
<td>3</td>
<td>315 97%</td>
</tr>
</tbody>
</table>

Note:
ROEB  Race or ethnicity background
ATSI  Aboriginal or Torres Strait Islander
PWD  Person with a disability
APS  Australian Public Service
EL  Executive Level
SES  Senior Executive Service

Contract personnel at AUSTRAC

In addition to the personnel mentioned above, AUSTRAC also employed 73 contractors at 30 June 2008.
### Occupational health and safety

This report is presented in accordance with the requirements of section 74 of the *Occupational Health and Safety Act 1991*. The table below shows AUSTRAC’s reporting requirements under the Act.

<table>
<thead>
<tr>
<th>Section 68 occurrences (Notification and reporting of accidents and dangerous occurrences)</th>
<th>There was one occurrence 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 investigations were conducted.</td>
</tr>
<tr>
<td>Section 29 notices (Power to issue improvement notices)</td>
<td>No notices issued under section 29 of the Act.</td>
</tr>
<tr>
<td>Section 45 directions (Power to direct that workplace not be disturbed)</td>
<td>No directions 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 notices issued under section 30 of the Act.</td>
</tr>
<tr>
<td>Section 46 notices (Power to issue prohibition notices)</td>
<td>No notices issued under section 46 of the Act.</td>
</tr>
<tr>
<td>Section 47 notices (Power to issue improvement notices)</td>
<td>No notices issued under section 47 of the Act.</td>
</tr>
</tbody>
</table>

AUSTRAC has acted in accordance with the *Occupational Health and Safety Act 1991*.

### Training and development programs – summary statement

Net eligible training expenditure by AUSTRAC in 2007–08 was $565,474. The total number of person-days spent by staff in training programs during the year was 1,871, and 100 per cent of AUSTRAC staff attended some form of training and development activities during the year.

### Industrial relations

At 30 June 2008 there were 312 staff covered by the AUSTRAC Certified Agreement 2005–08. A new collective agreement, the AUSTRAC Collective Agreement 2008–2011, is expected to take effect in August 2008. In addition, seven SES and 28 non-SES staff were party to an Australian Workplace Agreement at 30 June 2008. The table below provides a summary by classification structure of the salary ranges available for Australian Public Service (APS) employees at 30 June 2008 under AUSTRAC’s certified agreement.

<table>
<thead>
<tr>
<th>Classification or equivalent</th>
<th>Salary range</th>
</tr>
</thead>
<tbody>
<tr>
<td>APS1</td>
<td>$36,783–40,252</td>
</tr>
<tr>
<td>APS2</td>
<td>$40,945–45,804</td>
</tr>
<tr>
<td>APS3</td>
<td>$46,497–50,661</td>
</tr>
<tr>
<td>APS4</td>
<td>$50,661–56,908</td>
</tr>
<tr>
<td>APS5</td>
<td>$56,908–61,765</td>
</tr>
<tr>
<td>APS6</td>
<td>$61,765–73,527</td>
</tr>
<tr>
<td>EL1</td>
<td>$78,875–89,792</td>
</tr>
<tr>
<td>EL2</td>
<td>$91,935–108,620</td>
</tr>
</tbody>
</table>

Non-salary benefits provided to staff by AUSTRAC under the certified agreement include:

- studies assistance
- home-based work opportunities
- an effective individual performance management scheme
- broadbanding of APS classifications
- a supportive and flexible work environment.

### Performance pay

Performance pay is not available to staff under AUSTRAC’s certified agreement. As a result, no AUSTRAC staff received performance pay during 2007–08.
# Appendix D

## Consultancy contracts for 2007–08

Consultancy services let during 2007–08, of $10,000 or more

<table>
<thead>
<tr>
<th>Consultant Name</th>
<th>Description</th>
<th>Contract Price</th>
<th>Selection Process (1)</th>
<th>Justification (2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aub Chapman Consulting Services Pty Ltd</td>
<td>Specialist financial sector advice</td>
<td>$68,640</td>
<td>Direct Sourcing</td>
<td>A, B</td>
</tr>
<tr>
<td>Data Insight Technology</td>
<td>AML project management services</td>
<td>$136,400</td>
<td>Direct Sourcing</td>
<td>A, B</td>
</tr>
<tr>
<td>Ernst &amp; Young</td>
<td>Development of the Compliance Supervisory Framework</td>
<td>$175,377</td>
<td>Select Tender</td>
<td>A, B, C</td>
</tr>
<tr>
<td>Open Mind Research Group Pty Limited</td>
<td>Tracking and evaluation research for cross-border movement communication activities</td>
<td>$127,833</td>
<td>Select Tender^*</td>
<td>A, B, C</td>
</tr>
<tr>
<td>Open Mind Research Group Pty Limited</td>
<td>Concept testing for cross-border movement communication activities</td>
<td>$35,368</td>
<td>Select Tender^*</td>
<td>A, B, C</td>
</tr>
<tr>
<td>Quality Management Solutions Pty Limited</td>
<td>Specialist review of confidential management matter</td>
<td>$16,500</td>
<td>Direct Sourcing</td>
<td>A, B, C</td>
</tr>
<tr>
<td>SHL Australia</td>
<td>360-degree feedback questionnaire for all SES staff</td>
<td>$16,359</td>
<td>Direct Sourcing</td>
<td>A, B</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>$576,477</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

^ Note: The contract expenditure for Open Mind Research Group Pty Limited has also been included in the expenditure reported in the ‘Advertising and market research’ section of this report.

* Note: AUSTRAC maintained a Multi-Use List during the year for the purposes of procuring services related to the implementation of the AML/CTF Act. Select tender processes were conducted using this Multi-Use List.
Explanation of selection process terms drawn from the Commonwealth Procurement Guidelines (January 2005):

**Open Tender:** A procurement procedure in which a request for tender is published inviting all businesses that satisfy the conditions for participation to submit tenders. Public tenders are sought from the marketplace using national and major metropolitan newspaper advertising and the Australian Government AusTender internet site.

**Select Tender:** A procurement procedure in which the procuring agency selects which potential suppliers are invited to submit tenders. Tenders are invited from a short list of competent suppliers.

**Direct Sourcing:** A form of restricted tendering, available only under certain defined circumstances, with a single potential supplier or suppliers being invited to bid because of their unique expertise and/or their special ability to supply the goods and/or services sought.

**Panel:** An arrangement under which a number of suppliers, usually selected through a single procurement process, may each supply property or services to an agency as specified in the panel arrangements. Tenders are sought from suppliers that have pre-qualified on the agency panels to supply to the government. This category includes standing offers and supplier panels where the consultant offers to supply goods and services for a pre-determined length of time, usually at a prearranged price.

(2) Justification for decision to use consultancy:

A – skills currently unavailable within agency

B – need for specialised or professional skills

C – need for independent research or assessment

Information on expenditure on contracts and consultancies is also available on the AusTender website www.tenders.gov.au.

**Summary of AUSTRAC’s policy on the selection and engagement of consultants**

AUSTRAC policy requires that the delegate must ensure that the selections processes for consultants will promote open and effective competition to the extent practicable and achieve the best possible outcome in terms of value for money.

**Summary of AUSTRAC’s selection procedures**

Agency selection procedures are set out in its Chief Executive Instructions and refer to the Commonwealth Procurement Guidelines which outline core policies and principles for purchasing activities, including the engaging of consultants. All consultants were engaged by AUSTRAC in accordance with appropriate principles and practices.
## Appendix E

### Resources for outcome

Outcome – a financial environment hostile to money laundering, the financing of terrorism, major crime and tax evasion

<table>
<thead>
<tr>
<th></th>
<th>(1) Budget 2007–08</th>
<th>(2) Actual Expenses 2007–08</th>
<th>(2) – (1) Variation</th>
<th>Budget 2008–09</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$’000</td>
<td>$’000</td>
<td>$’000</td>
<td>$’000</td>
</tr>
<tr>
<td><strong>Administered Appropriations</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Primary Output Group 1 – Australia’s anti-money laundering and counter-terrorism financing regulator</td>
<td>0</td>
<td>415</td>
<td>415</td>
<td>0</td>
</tr>
<tr>
<td>Primary Output Group 2 – Australia’s financial intelligence unit</td>
<td>0</td>
<td>337</td>
<td>337</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total Administered Appropriations</strong></td>
<td>0</td>
<td>752</td>
<td>752</td>
<td>0</td>
</tr>
<tr>
<td><strong>Departmental Appropriations</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Primary Output Group 1 – Australia’s anti-money laundering and counter-terrorism financing regulator</td>
<td>27,609</td>
<td>28,782</td>
<td>1,173</td>
<td>28,670</td>
</tr>
<tr>
<td>Primary Output Group 2 – Australia’s financial intelligence unit</td>
<td>24,484</td>
<td>23,311</td>
<td>(1,173)</td>
<td>25,425</td>
</tr>
<tr>
<td><strong>Total revenue from government (appropriations) contributing to price of departmental outputs</strong></td>
<td>52,093</td>
<td>52,093</td>
<td>0</td>
<td>54,095</td>
</tr>
<tr>
<td><strong>Revenue from other sources</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Primary Output Group 1 – Australia’s anti-money laundering and counter-terrorism financing regulator</td>
<td>20</td>
<td>74</td>
<td>54</td>
<td>20</td>
</tr>
<tr>
<td>Primary Output Group 2 – Australia’s financial intelligence unit</td>
<td>942</td>
<td>1,034</td>
<td>92</td>
<td>277</td>
</tr>
<tr>
<td><strong>Total revenue from other sources</strong></td>
<td>962</td>
<td>1,108</td>
<td>146</td>
<td>297</td>
</tr>
<tr>
<td><strong>Total price of departmental outputs</strong></td>
<td>53,055</td>
<td>53,201</td>
<td>146</td>
<td>54,392</td>
</tr>
<tr>
<td>(Total revenue from government and other sources)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total estimated resourcing for outcome 1</strong></td>
<td>53,055</td>
<td>53,201</td>
<td>146</td>
<td>54,392</td>
</tr>
<tr>
<td>(Total price of outputs and administered appropriations)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Average staffing level</strong></td>
<td>285</td>
<td>272</td>
<td>13</td>
<td>325</td>
</tr>
</tbody>
</table>
## Glossary

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACC</td>
<td>Australian Crime Commission</td>
</tr>
<tr>
<td>ACCC</td>
<td>Australian Competition and Consumer Commission</td>
</tr>
<tr>
<td>ACLEI</td>
<td>Australian Commission for Law Enforcement Integrity</td>
</tr>
<tr>
<td>AFP</td>
<td>Australian Federal Police</td>
</tr>
<tr>
<td>AML</td>
<td>anti-money laundering</td>
</tr>
<tr>
<td>AMLAT</td>
<td>Anti-money Laundering Assistance Team (of the Attorney-General’s Department)</td>
</tr>
<tr>
<td>AML/CTF Act</td>
<td>Anti-Money Laundering and Counter-Terrorism Financing Act 2006</td>
</tr>
<tr>
<td>AML/CTF program</td>
<td>under the AML/CTF Act, reporting entities must have an AML/CTF program consisting of Part A (general, relating to money laundering and terrorism financing risk) and Part B (customer identification)</td>
</tr>
<tr>
<td>AML/CTF Rules</td>
<td>Anti-Money Laundering/Counter-Terrorism Financing Rules, which are legislative instruments made under section 229 of the AML/CTF Act</td>
</tr>
<tr>
<td>ANAO</td>
<td>Australian National Audit Office</td>
</tr>
<tr>
<td>APEC</td>
<td>Asia-Pacific Economic Cooperation</td>
</tr>
<tr>
<td>APG</td>
<td>Asia/Pacific Group on Money Laundering</td>
</tr>
<tr>
<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 Regulatory Risk Assessment System</td>
</tr>
<tr>
<td>ASIC</td>
<td>Australian Securities and Investments Commission</td>
</tr>
<tr>
<td>ASIO</td>
<td>Australian Security Intelligence Organisation</td>
</tr>
<tr>
<td>ASIS</td>
<td>Australian Secret Intelligence Service</td>
</tr>
<tr>
<td>ATO</td>
<td>Australian Taxation Office</td>
</tr>
<tr>
<td>AUD</td>
<td>the international standard currency code for Australian dollars</td>
</tr>
<tr>
<td>AusAID</td>
<td>the Australian Government’s overseas aid program</td>
</tr>
<tr>
<td>AUSTRAC</td>
<td>Australian Transaction Reports and Analysis Centre</td>
</tr>
<tr>
<td>AUSTRAC CEO</td>
<td>the Chief Executive Officer of AUSTRAC</td>
</tr>
<tr>
<td>AUSTRAC information</td>
<td>information collected by AUSTRAC under both the FTR Act and AML/CTF Act</td>
</tr>
<tr>
<td>AWA</td>
<td>Australian Workplace Agreement</td>
</tr>
<tr>
<td>BNI</td>
<td>bearer negotiable instrument (includes traveller’s cheques, promissory notes, cheques, bearer bonds)</td>
</tr>
<tr>
<td>cash dealer</td>
<td>entities as defined in section 3 of the FTR Act, who have obligations under that Act including financial transaction reporting and identifying signatories to accounts</td>
</tr>
<tr>
<td>CBM-BNI</td>
<td>cross-border movement – bearer negotiable instrument; under the AML/CTF Act, reported by persons entering or leaving Australia who are carrying any BNIs, if requested by a Customs or police officer</td>
</tr>
<tr>
<td>CBM-PC</td>
<td>cross-border movement – physical currency; under the AML/CTF Act, a report of currency (coin or paper money) of AUD10,000 or more (or the foreign equivalent) carried, mailed or shipped into or out of Australia</td>
</tr>
<tr>
<td>Term</td>
<td>Description</td>
</tr>
<tr>
<td>------</td>
<td>-------------</td>
</tr>
<tr>
<td>CEO</td>
<td>Chief Executive Officer</td>
</tr>
<tr>
<td>CMC</td>
<td>Crime and Misconduct Commission</td>
</tr>
<tr>
<td>Comcover</td>
<td>the Australian Government’s general insurance fund</td>
</tr>
<tr>
<td>CPSU</td>
<td>Community and Public Sector Union</td>
</tr>
<tr>
<td>CREST</td>
<td>Compliance Risk Exposure Scoring Tool</td>
</tr>
<tr>
<td>CTF</td>
<td>counter-terrorism financing</td>
</tr>
<tr>
<td>Customs</td>
<td>Australian Customs Service</td>
</tr>
<tr>
<td>designated agencies</td>
<td>the agencies who are permitted (with the AUSTRAC CEO’s approval) under the AML/CTF Act to access AUSTRAC information (includes ‘partner agencies’)</td>
</tr>
<tr>
<td>DFAT</td>
<td>Department of Foreign Affairs and Trade</td>
</tr>
<tr>
<td>DIAC</td>
<td>Department of Immigration and Citizenship</td>
</tr>
<tr>
<td>EDDSWeb</td>
<td>AUSTRAC’s electronic data delivery system web version, a secure internet-based system used by cash dealers to submit financial transaction reports</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</td>
</tr>
<tr>
<td>EL</td>
<td>Executive Level (a level of APS employment established by the Public Service Classification Rules 2000)</td>
</tr>
<tr>
<td>ExCom</td>
<td>AUSTRAC’s Executive Committee</td>
</tr>
<tr>
<td>FATF</td>
<td>Financial Action Task Force</td>
</tr>
<tr>
<td>FIA</td>
<td>financial intelligence assessment</td>
</tr>
<tr>
<td>FIAT</td>
<td>Financial Intelligence Assessment Team</td>
</tr>
<tr>
<td>FinCEN</td>
<td>Financial Crimes Enforcement Network (USA)</td>
</tr>
<tr>
<td>FIU</td>
<td>financial intelligence unit</td>
</tr>
<tr>
<td>FIU-in-a-Box</td>
<td>a computer system designed to assist developing FIUs in the collection, storage, analysis and dissemination of financial intelligence</td>
</tr>
<tr>
<td>FMA Act</td>
<td>Financial Management and Accountability Act 1997</td>
</tr>
<tr>
<td>FOI Act</td>
<td>Freedom of Information Act 1982</td>
</tr>
<tr>
<td>FTR</td>
<td>financial transaction report</td>
</tr>
<tr>
<td>FTR Act</td>
<td>Financial Transaction Reports Act 1988</td>
</tr>
<tr>
<td>GPML</td>
<td>Global Program against Money Laundering</td>
</tr>
<tr>
<td>HOCOLEA</td>
<td>Heads of Commonwealth Operational Law Enforcement Agencies</td>
</tr>
<tr>
<td>ICAC</td>
<td>Independent Commission Against Corruption (NSW)</td>
</tr>
<tr>
<td>ICTCG</td>
<td>International Counter-Terrorism Co-ordination Group (DFAT)</td>
</tr>
<tr>
<td>ICTR</td>
<td>international currency transfer report; under the FTR Act, a report of currency (coin or paper money) of AUD10,000 or more (or the foreign equivalent) carried, mailed or shipped into or out of Australia</td>
</tr>
<tr>
<td>IFTI</td>
<td>international funds transfer instruction; an instruction transmitted electronically into or out of Australia, for a transfer of funds; reported to AUSTRAC under the FTR Act</td>
</tr>
<tr>
<td>IMF</td>
<td>International Monetary Fund</td>
</tr>
<tr>
<td>INS</td>
<td>Infringement Notice Scheme</td>
</tr>
<tr>
<td><strong>IT</strong></td>
<td>information technology</td>
</tr>
<tr>
<td><strong>JCLEC</strong></td>
<td>Jakarta Centre for Law Enforcement Co-operation</td>
</tr>
<tr>
<td><strong>MOU</strong></td>
<td>memorandum of understanding; a bilateral agreement AUSTRAC has with each of its partner agencies and international counterparts, detailing conditions of access to information held by AUSTRAC</td>
</tr>
<tr>
<td><strong>NSWCC</strong></td>
<td>New South Wales Crime Commission</td>
</tr>
<tr>
<td><strong>partner agencies</strong></td>
<td>the law enforcement, national security, revenue, regulatory and social justice agencies to which AUSTRAC provides information and financial intelligence assessments</td>
</tr>
<tr>
<td><strong>PCC</strong></td>
<td>Privacy Consultative Committee</td>
</tr>
<tr>
<td><strong>PPATK</strong></td>
<td>Pusat Pelaporan dan Analisis Transaksi Keuangan, the Indonesian FIU, also known as the Indonesian Financial Transaction Reports and Analysis Center (INTRAC)</td>
</tr>
<tr>
<td><strong>PLI</strong></td>
<td>Public Legal Interpretation</td>
</tr>
<tr>
<td><strong>reporting entity</strong></td>
<td>entities as defined in section 5 of the AML/CTF Act, who have obligations under that Act due to providing 'designated services' (listed in section 6 of that Act)</td>
</tr>
<tr>
<td><strong>SEACT</strong></td>
<td>AUSTRAC’s South East Asian Counter Terrorism program</td>
</tr>
<tr>
<td><strong>SCTR</strong></td>
<td>significant cash transaction report; submitted to AUSTRAC under the FTR Act, in respect of a currency (coin or paper money) transaction involving AUD10,000 or more (or the foreign equivalent)</td>
</tr>
<tr>
<td><strong>SES</strong></td>
<td>Senior Executive Service (a level of APS employment established by the Public Service Classification Rules 2000)</td>
</tr>
<tr>
<td><strong>SILO</strong></td>
<td>Senior Intelligence and Liaison Officer</td>
</tr>
<tr>
<td><strong>SMR</strong></td>
<td>suspicious matter report; submitted to AUSTRAC under the AML/CTF Act (from 12 December 2008) when a reporting entity forms a suspicion that a matter that may be related to an offence against an Australian law, including money laundering, the financing of terrorism, proceeds of crime, or tax evasion.</td>
</tr>
<tr>
<td><strong>Summary Management Report</strong></td>
<td>system to extract financial transaction reports information in a summarised or aggregated form</td>
</tr>
<tr>
<td><strong>SUSTR</strong></td>
<td>suspect transaction report; submitted to AUSTRAC under the FTR Act when a cash dealer has reasonable grounds to suspect that a transaction may be relevant to investigation of an offence against an Australian law, including tax evasion and terrorism financing</td>
</tr>
<tr>
<td><strong>TAG</strong></td>
<td>Technical Advice and Guidance</td>
</tr>
<tr>
<td><strong>TES</strong></td>
<td>Transaction Reports Analysis and Query (TRAQ) Enquiry System</td>
</tr>
<tr>
<td><strong>TLOs</strong></td>
<td>Training and Liaison Officers</td>
</tr>
<tr>
<td><strong>TRAQ</strong></td>
<td>Transaction Reports Analysis and Query, the AUSTRAC system which captures and records information from reports provided under the FTR Act</td>
</tr>
<tr>
<td><strong>UNODC</strong></td>
<td>United Nations Office of Drugs and Crime</td>
</tr>
<tr>
<td><strong>UNODC-GPML</strong></td>
<td>United Nations Office of Drugs and Crime – Global Program against Money Laundering</td>
</tr>
</tbody>
</table>
Compliance index

This compliance index shows the location in this report of the mandatory information and some suggested information as specified by the Requirements for Annual Reports for Departments, Executive Agencies and FMA Act Bodies (“the Requirements”) as at June 2008.

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<th>Annual report requirement</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>Letter of transmittal</td>
<td>3</td>
</tr>
<tr>
<td>Aids to access</td>
<td></td>
</tr>
<tr>
<td>Table of contents</td>
<td>6–8</td>
</tr>
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<td>Glossary</td>
<td>159–161</td>
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<td>Index</td>
<td>164–175</td>
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<td>Contact officer(s)</td>
<td>176</td>
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<td>Internet home page address and internet address for report</td>
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<td>Review by Secretary</td>
<td>10-11</td>
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<tr>
<td>Departmental overview</td>
<td></td>
</tr>
<tr>
<td>Overview description of department</td>
<td>16</td>
</tr>
<tr>
<td>Role and functions</td>
<td>16</td>
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<tr>
<td>Organisational structure</td>
<td>19</td>
</tr>
<tr>
<td>Outcome and output structure</td>
<td>17</td>
</tr>
<tr>
<td>Where outcome and output structures differ from PBS format, details of variation and reasons for change</td>
<td>N/A</td>
</tr>
<tr>
<td>Report on performance</td>
<td></td>
</tr>
<tr>
<td>Performance of purchaser/provider arrangements</td>
<td>N/A</td>
</tr>
<tr>
<td>Where performance targets differ from the PBS, details of both former and new targets and reasons for the change</td>
<td>N/A</td>
</tr>
<tr>
<td>Narrative discussion and analysis of performance</td>
<td>24–108</td>
</tr>
<tr>
<td>Performance against service charter customer service standards, complaints data and the department’s response to complaints</td>
<td>108</td>
</tr>
<tr>
<td>Discussion and analysis of the department’s financial performance</td>
<td>90–91</td>
</tr>
<tr>
<td>Summary resource tables by outcomes</td>
<td>158</td>
</tr>
<tr>
<td>Developments since the end of the financial year that have affected or may significantly affect the department’s operations or financial results in future</td>
<td>91 (N/A)</td>
</tr>
<tr>
<td>Management and accountability</td>
<td></td>
</tr>
<tr>
<td>Corporate governance</td>
<td></td>
</tr>
<tr>
<td>Statement of the main corporate governance practices in place</td>
<td>102–104</td>
</tr>
<tr>
<td>Names of the senior executive and their responsibilities</td>
<td>18</td>
</tr>
<tr>
<td>Senior management committees and their roles</td>
<td>102–103</td>
</tr>
<tr>
<td>Internal audit arrangements including approach adopted to identifying areas of significant financial or operational risk and arrangements in place to manage risks</td>
<td>86–87, 103–104</td>
</tr>
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Information is also available on the AUSTRAC website www.austrac.gov.au

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Phone 133 677 and then ask for 1300 021 037
Speak and listen (speech to speech relay) users:
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Contact details and procedures for applications made under the Freedom of Information Act 1982 are in the ‘Management and accountability’ chapter of this report.