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OFFICE OF THE CHIEF EXECUTIVE OFFICER

27 September 2016 The Hon Michael Keenan MP Minister for Justice Parliament House CANBERRA ACT 2600

Dear Minister

For the purposes of section 226 of the *Anti-Money Laundering and Counter-Terrorism* Financing Act 2006, section 46 of the *Public Governance, Performance and Accountability Act* 2013, and section 63 of the *Public Service Act* 1999, I am pleased to submit the annual report on the operations of the Australian Transaction Reports and Analysis Centre for the year ended 30 June 2016.

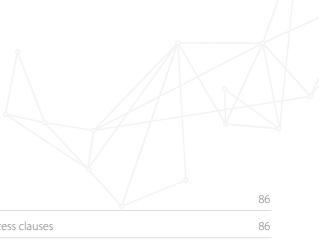
Yours sincerely

Paul Jevtovic APM

CHIEF EXECUTIVE OFFICER

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PAUL JEVTOVIC APM

Chief Executive Officer

Paul was appointed AUSTRAC Chief Executive Officer (CEO) in November 2014. Prior to this, he was Executive Director Operations at the Australian Crime Commission (ACC), where he also served seven months as the acting CEO. Paul previously served as Deputy Director of the Victorian Office of Police Integrity.

These roles follow a 28-year career with the Australian Federal Police, including senior leadership positions covering a broad range of both operational and specialist fields in areas such as organised crime, anti-corruption, international policing and law enforcement capability development.

In 2007 Paul was awarded the Australia Policing Medal (APM) for his service to the development of international policing capabilities.

The past 12 months for AUSTRAC have been a time of transformation and reinvestment – in our vision, our capabilities and most importantly, our staff.

We have had to overcome a number of challenges to ensure our operation, infrastructure and people collaborate effectively to deliver our strategic objectives. We are building excellence in leadership across the organisation by investing in staff, our culture and our governance. We are implementing new strategies to build an inclusive, diverse and safe environment where our staff are empowered to have frank and honest conversations, and are trusted to lead AUSTRAC into the future

Since last year, we have been working with our partners in industry and government to develop and bring to life a vision for public-private collaboration that will see AUSTRAC become a global leader in the fight against money laundering and terrorism financing (ML/TF).

We have forged new relationships with industry, building an environment to collaborate on innovative solutions that challenge our businesses, and working together to identify and respond to ML/TF risks across the financial sector. We have made informed decisions to change the way in which we do our business and improve our support to our partners.

Our agency has also taken a more active role in enforcing contraventions to the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (AML/CTF Act). We have continued to invest in operationalising our relationships with international partners and building a baseline understanding of the terrorism financing threats across the South-East Asia region.

The traditional regulatory model is undergoing fundamental change in response to the rapidly changing nature of the financial sector and the growth of start-up businesses offering

new and innovative financial services to the community. The persistent threat of terrorism and the continuing harm brought to our nation by serious and organised crime means the way in which we generate and provide intelligence to our partners will continue to transform into the future.

OUR ACHIEVEMENTS

The fight against terrorism

Our intelligence has played an important role in identifying new suspects in Australia and overseas, and has improved Australia's understanding of high-risk funds flows to Syria, Iraq and surrounding countries.

We started the journey to build a regional understanding of – and response to – terrorism financing across South-East Asia by co-hosting, with our Indonesian counterpart, the inaugural CTF Summit 2015 in Sydney, attended by more than 180 delegates from 19 countries covering industry, government and non-government organisations, and academia.

Taking the fight to serious and organised crime

We are also working closely with the financial sector to study and understand the movement of suspicious funds that are indicators of a range of financial crimes.

As part of the Serious Financial Crime Taskforce, AUSTRAC has played a key role in identifying individuals, methodologies and professional facilitators involved in large-scale tax avoidance, following the unprecedented leak of 11.5 million files from the database of the world's fourth-biggest offshore law firm, Mossack Fonseca.

An Integrated Ice Response Team was established to develop financial profiles and tactical intelligence products on persons of interest associated with the methamphetamine (ice) market. This has helped our law enforcement partners disrupt the trade in ice, and educate our industry partners to identify and report suspicious transactions linked to drug crime.

We identified methods where organised crime groups exploited betting accounts to launder the proceeds of crime. Our intelligence contributes to the identification of offenders, tracking the flow of funds associated with the offending as well as links to international criminal activity.

Contributing to the economic wellbeing of Australia

Our financial intelligence capability also protected Australian Government revenue by contributing to \$152 million in income tax assessments (3,990 cases), and annualised savings of \$8.3 million associated with welfare fraud. This brings our total contribution to tax assessment and debt collections to nearly \$2.8 billion over the past 10 years.

We have been working closely with the Department of Human Services to further improve the detection of welfare fraud and serious non-compliance relating to welfare payments, without imposing unnecessary burden upon genuine welfare recipients, and increasing the recovery of fraudulent payments.

A key tenet of our vision is maximising the effectiveness of regulation. In 2015-16 we reduced the regulatory costs on industry by \$12.5 million per annum. During the year, we continued to take a strong stance on businesses that contravened their obligations to ensure the security and stability of our financial sector. This

included suspending 11 remitter registrations and cancelling the registration to operate of 10 remittance service providers. AUSTRAC also initiated civil penalty proceedings in the Federal Court against three companies in the Tabcorp corporate group, alleging numerous breaches of the AML/CTF Act.

National and international influence

AUSTRAC has provided support to the Council of Financial Regulators in understanding the regulatory implications and broader opportunities in the financial system arising from distributed ledger technology, such as bitcoin.

We embarked on a program to develop national sectoral risk assessments across the financial sector, in consultation with industry, to assist them understand the criminal threats they are facing and the key weaknesses and vulnerabilities, in the sector.

AUSTRAC has grown its international footprint in the Middle East through securing Australia's observer status in 'MENAFATF', the Middle East and North Africa's Financial Action Task Force -style regional body. Our intelligence analysts have conducted workshops and participated in analyst exchanges with their counterparts in the South-East Asia region to improve our knowledge and information-sharing capability.

Investing in our future

We worked closely with the Attorney-General's Department and supported the review of the AML/CTF Act, Rules and regulations, culminating in 84 recommendations that – if accepted by the Government – will position AUSTRAC and Australia at the forefront of international efforts to combat 21st century crime.

AUSTRAC has started the journey to develop a new capability that will produce financial intelligence that is accurate and in real-time, so that we can work with our partners to discover, understand and respond to threats and risks earlier. It will also improve collaboration and partnerships with domestic and international partners across government and industry.

INTERNATIONAL LEADERSHIP

Our international network will expand our presence in Indonesia, Europe, the Middle East and China to improve access and exchange of information, intelligence and capabilities. A significant achievement was the inaugural joint Australia-Indonesia regional CTF Summit in 2015 in Sydney. The outcomes of this event were tabled in the *Sydney Communiqué*. AUSTRAC will deliver each of the Summit initiatives at the second joint Australia-Indonesia regional CTF Summit in Indonesia in August 2016.

AUSTRAC will continue to work with and support key forums that bring together our international partners. Currently I am the Head of Australia's delegation to the Financial Action Task Force, the Asia/Pacific Group on Money Laundering, and the Egmont Group of Financial Intelligence Units.

Our strong international focus has realised a 20 per cent increase in intelligence exchanges with international partners.

CONTRIBUTION TO PARTNER AGENCIES

In the 2015-16 financial year, AUSTRAC received more than 78,000 suspicious matter reports (SMRs) and suspect transaction reports (SUSTRs) from reporting entities.

AUSTRAC information was used to support Serious Financial Crime Taskforce activities, raising \$130 million in liabilities.

This brings AUSTRAC's contribution to the recovery of tax totalling nearly \$2.8 billion over 10 years, the majority of which has been realised in the past five years.

CORPORATE PLAN 2015-16

Our corporate plan for 2015-16 includes a statement of our vision and lists the priorities and initiatives that enable us to achieve our strategic direction. We report against our corporate plan in the annual performance statement section of this annual report.

The 2015-16 corporate plan will be used as a baseline year for performance measures for us to continue to enhance and refine. Our business capability plans and individual performance and development agreements support the corporate plan and ensure everyone in the agency can see how their efforts contribute to the achievement of our strategic direction and vision into the future.

OUR PEOPLE

Finally, I would like to acknowledge the men and women of AUSTRAC whose professionalism and dedication is making our country a safer place to live. I am very fortunate to lead an organisation made up of extraordinary people.



Chief Executive Officer AUSTRAC



AGENCY OVERVIEW

ROLE AND FUNCTIONS

The Australian Transaction Reports and Analysis Centre (AUSTRAC) is Australia's financial intelligence unit (FIU) and anti-money laundering and counter-terrorism financing (AML/CTF) regulator. The agency is the primary source for financial intelligence in Australia and aims to be a global leader in AML/CTF. AUSTRAC is part of the Attorney-General's portfolio, with the AUSTRAC CEO reporting to the Minister for Justice.

Our objective is to detect, deter and disrupt money laundering and terrorism financing (ML/TF) risks and threats that affect Australia's financial system, and contribute to the growth of Australia's economy.

In our role as Australia's FIU, we collect, collate and analyse information from reports on financial transactions and suspicious matters, submitted by regulated businesses. Our expert analysts 'join the dots' to provide a valuable financial intelligence picture.

The resulting financial intelligence is provided to partner agencies including law enforcement, national security, human services and revenue agencies, as well as international counterparts. This assists in the prevention, investigation and prosecution of serious criminal activity including ML/TF, organised crime and tax evasion.

As Australia's AML/CTF regulator, we oversee the compliance of more than 14,000 businesses with the requirements of the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (AML/CTF Act) and the *Financial Transaction Reports Act 1988* (FTR Act). We educate, monitor and promote compliance with the legislation, and in some circumstances, enforce compliance through more formal mechanisms.

Regulated entities range from major banks and casinos to single-operator businesses in the key sectors of financial services, gambling, bullion dealers, remittance service providers, and cash dealers (the latter under the FTR Act). We work to help these businesses protect themselves from abuse by criminals and keep 'dirty money' out of our financial system.

Criminal activity relies on concealing and laundering illicit financial flows. Countering ML/TF contributes to a safer and more secure Australia. Through our knowledge, transparency and effective regulation, we add value to a domestic and international financial system that is resilient to criminal and terrorism threats, and where regulated entities are empowered to be part of the solution.

ORGANISATIONAL STRUCTURE



OUTCOME AND PROGRAMME

Our previous outcome and programme have been replaced by our vision and purpose, which are stated in our 2015-16 corporate plan.

AUSTRAC's vision is a financial system free from criminal abuse.

Our purpose is to:

- · discover ML/TF threats and risks
- provide an understanding of these threats and risks
- respond to these threats and risks in partnership with industry and government agencies in Australia and overseas
- · regulate industry effectively.

As the interface between our partners and industry, we transform financial information into knowledge of ML/TF risks and actionable financial intelligence. We do this to protect the Australian financial system from criminal abuse, and help protect the global financial system and Australia from harms of serious and organised crime and terrorism.

New performance framework

The Public Governance, Performance and Accountability Act 2013 (PGPA Act) introduced an enhanced performance framework for Commonwealth entities. In conjunction with the PGPA Act, the Department of the Prime Minister and Cabinet released guidance on the regulator performance framework. A key purpose is to increase transparency and accountability of Commonwealth regulators.

AUSTRAC is subject to these requirements. As a result, the outcome, programme and performance indicators in the 2015–16 Portfolio Budget Statements (PBS) were transitional in implementing the new performance framework. Key performance indicators in the PBS were superseded by our 2015-16 corporate plan, developed in accordance with the PGPA Act and regulator performance framework.

We developed a new performance framework built on an approach to creating, adding and sharing value. Our vision and purpose are directly linked to nine performance objectives, each of which has clear indicators to measure our performance. These indicators will be reviewed annually to ensure they are working effectively.

Due to shared contributions with our partners, and the level of maturity of this new framework, we have not at this time established specific targets. However, where it is important to the outcome or to identify trend analysis, we have adopted quantitative performance indicators.

Our progress against our corporate plan is in the annual performance statement in this report.



OUR VISION: "A FINANCIAL SYSTEM FREE FROM CRIMINAL ABUSE"



OPERATIONS



"...OUR AGENCY IS UNDERGOING AN UNPRECEDENTED TRANSFORMATION TO DELIVER WORLD-LEADING INTELLIGENCE AND COMPLIANCE OUTCOMES, REGULATORY REFORMS, AND THE STRATEGIC EXPANSION OF OUR GLOBAL FOOTPRINT..."

PETER CLARK

Deputy CEO Operations

Peter has senior executive leadership of AUSTRAC's Compliance, Policy, Intelligence, Enforcement and International Operations branches. Prior to this, Peter was responsible for the Supervision Division.

Internationally, Peter chairs the Egmont Information Exchange Working Group and is cochair of the Financial Action Task Force's (FATF) Risk, Trends and Methods Group.

Before joining AUSTRAC, Peter was a Senior Financial Sector Specialist at the International Monetary Fund in Washington DC. He has also served as Secretary General of the International Organisation of Securities Commissions and was an executive at the Australian Securities and Investments Commission. Peter commenced his career at Westpac Banking Corporation, holding a number of role in the international and group credit policy areas.





International Operations



Intelligence



Strategic Intelligence & Policy



Compliance



JOHN VISSER National Manager, International Operations

John joined AUSTRAC in 1991. His career with the agency includes leadership roles in the regulatory, intelligence and corporate branches. John was instrumental in the development and implementation of AUSTRAC's analysis and intelligence systems, including the agency's money laundering monitoring, enquiry and data mining systems.

John has also represented AUSTRAC in a number of key anti-money laundering, law enforcement and intelligence forums in Australia and around the world. He has been driving AUSTRAC's international strategy since taking responsibility in 2015. John assumed the role of Co-Chair of the Mutual Evaluation Working Group in the Asia/Pacific Group (APG) on Money Laundering during 2015-16.



DR JOHN MOSS National Manager, Intelligence

John was appointed National Manager Intelligence in January 2016. He is driving intelligence reform and overseeing operational intelligence and data exploitation teams focused on organised crime, serious financial crime and national security concerns. John also has significant experience in intelligence and security positions in New Zealand and Australia, and operational deployments overseas.

From 2007 to 2015 at the Australian Crime Commission (ACC), John's work included: strategic intelligence; leadership of the Collections and Analytics, and Operational Intelligence branches; and National Manager Operational Intelligence. He managed the ACC-led National Criminal Intelligence Fusion Capability, and oversaw implementation of the Australian Gangs Intelligence Coordination Centre and ACC's Foreign Fighters Task Force.



BRADLEY BROWN Acting National

Acting National Manager, Strategic Intelligence and Policy

Bradley is responsible for delivering operational policy outcomes that support AUSTRAC, its partner agencies and industry. He also leads research to assist in understanding the emerging risks and threats in the anti-money laundering and counter-terrorism financing (AML/CTF) environment.

Bradley joined AUSTRAC in 2004 as the Manager Strategic Analysis after a 15-year career with the Queensland Police Service. He has led various teams in AUSTRAC during his service, including Intelligence, Program Management, Government Relations, and International Policy.

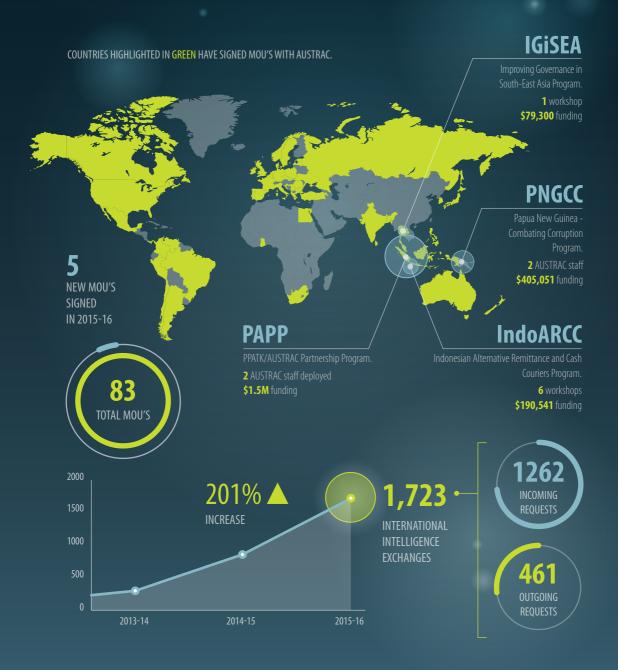


ANGELA JAMIESON National Manager, Compliance

Angela oversees the gamut of AUSTRAC's compliance-related activities ranging from enrolment and registration, and education/ support and facilitation, to breach detection and enforcement.

Angela has significant experience in AML/CTF compliance positions, including working in professional services with Ernst & Young and Deloitte, specialising in fraud and forensics. Before joining AUSTRAC, Angela worked as an Assistant Commissioner in Serious Non-Compliance at the Australian Taxation Office.

1 INTERNATIONAL OPERATIONS



INTERNATIONAL OPERATIONS
ENGAGES WITH INTERNATIONAL
PARTNERS BILATERALLY AND
THROUGH MULTILATERAL FORUMS,
REGIONAL AND LOCAL BODIES, TO
IMPROVE COLLABORATION AND
INFORMATION FXCHANGE

This enhances AUSTRAC's global presence and influence, representing Australia's interests in AML/CTF policy.

We support the agency's growing international network, particularly in Indonesia, Europe, the Middle East and China. This includes participating in key forums including the United Nations, FATF, APG and Egmont Group of financial intelligence units (FIUs).

This year, we successfully secured Australia's observer status in 'MENAFATF', the Middle East and North Africa's FATF-style regional body. This will enhance our presence and cooperation in the Middle East with a number of countries critical to our own regional and global security.

We will continue to ensure high-level representation in key international forums. This includes providing technical assistance and training, posting officers overseas and undertaking exchanges of staff, to build up the knowledge, skills and resources of our international partners' AML/CTF efforts.



IN FOCUS: PPATK AND AUSTRAC – AN EVOLVING STORY



AUSTRAC's partnership with Indonesian counterpart FIU, Pusat Pelaporan dan Analisis Transaksi Keuangan (PPATK), is a ground-breaking example of collaboration between two of the leading FIUs in the region.

The AUSTRAC-PPATK relationship has grown into a mutually beneficial partnership, delivering real operational outcomes for the region. We have staff permanently based at PPATK's headquarters, sharing operational knowledge and skills.

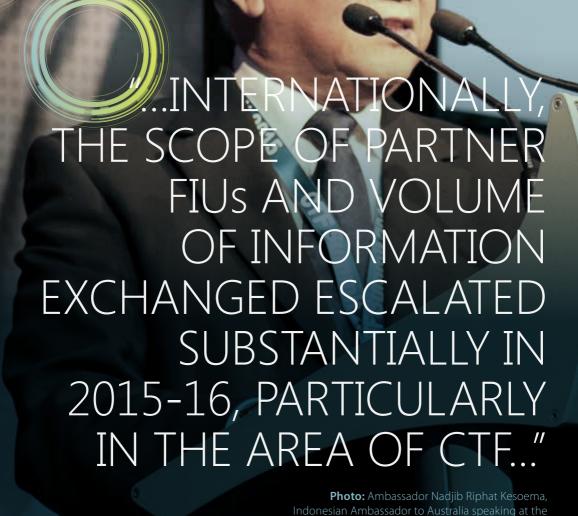
AUSTRAC and PPATK launched the region's first analyst exchange program, collaborating to maximise the use of financial intelligence to pursue a case. The program has resulted in clear operational outcomes, including arrests.

The two FIUs also co-hosted the inaugural CTF Summit in November 2015 in Sydney. This important annual event will continue with the second regional CTF Summit to be held in August 2016 in Bali.

"...THE AUSTRAC-PPATK
RELATIONSHIP HAS GROWN
INTO A MUTUALLY BENEFICIAL
PARTNERSHIP, DELIVERING REAL
OPERATIONAL OUTCOMES FOR
THE REGION "

The AUSTRAC-PPATK relationship illustrates how the power of AUSTRAC's international technical assistance and training capacity can help grow a genuine partnership that brings substantial benefit to both countries and the region.





2015 CTF Summit.

INTELLIGENCE



FINANCIAL INTEL REPORTS



METHODOLOGIES BRIEFS



DATA BASE SEARCHES



SMRs AND SUSTRs

OUR DATA CONTRIBUTED TO:



287 **DHS** cases

\$8.4M in **savings**

Serious Financial Crime Taskforce activities

\$130M in **liabilities**

3,990 ATO cases



assessments

2.8 billion over the past 10 years



ONLINE CASE STUDIES HUB

LAUNCHED IN AUGUST 2015.



OPERATIONAL INTELLIGENCE REPORTS

BUILDING CAPABILITY OF THE FINANCIAL INTELLIGENCE COMMUNITY AND FINANCIAL INDUSTRY BY RAISING AWARENESS OF THE LATEST FINANCIAL CRIME TRENDS AND METHODOLOGIES.



O









THE INTELLIGENCE BRANCH GENERATES FINANCIAL INTELLIGENCE FROM REPORTS

SUBMITTED BY REGULATED ENTITIES, TO DETECT, UNDERSTAND, AND DISRUPT FINANCIAL CRIME

We identify and assess patterns and indicators of money laundering/terrorism financing (ML/TF) to communicate actionable financial intelligence to our law enforcement, border and revenue partner agencies.

In collaboration with AUSTRAC's Compliance and Enforcement areas, our analysts strengthen Australia's financial system through intelligenceled and risk-based prevention activities, as well as share knowledge to build the capability of partner agencies.

We channel our financial intelligence capability into joint initiatives with the national security and law enforcement community. This includes a recently established cyber-capability with the Australian Federal Police, in response to the growing threat from cybercrime.

We are also working closely with Serious Financial Crime Taskforce partners, the private sector in Australia and key agencies globally, to generate and share financial intelligence arising from the Panama Papers dataset. This supports current investigations, informs possible new investigations, and identifies ML/TF and revenue

In 2015-16 we also established a new Intelligence Capability and Tradecraft area – the first of its kind in Australia – to introduce leading-edge intelligence induction and professional development programs.

risks and entities of interest.

Internationally, the scope of partner FIUs and volume of information exchanged escalated substantially in 2015-16, particularly in the area of CTF.



IN FOCUS: UNDERSTANDING METHODS USED IN TERRORISM FINANCING

This year our agency made a significant contribution to whole-of-government and international efforts to detect and understand terrorism financing. Our intelligence led to the identification of previously unknown persons of interest, and established previously unknown connections between existing counter-terrorism suspects.

We assisted multi-agency task forces to identify financial crimes committed by national security persons of interest. This led to adverse tax assessments and other administrative action, which deprived individuals with connections to terrorist organisations of their funds.

Our branch also led initiatives to understand the recent trend of foreign terrorist fighters, from a financial intelligence perspective. This included producing a detailed methodologies report, with a public version published.

"...THIS LED TO ADVERSE TAX
ASSESSMENTS AND OTHER
ADMINISTRATIVE ACTION, WHICH
DEPRIVED INDIVIDUALS WITH
CONNECTIONS TO TERRORIST
ORGANISATIONS OF THEIR
FUNDS..."

We engaged industry partners to collaboratively develop industry-specific risk assessments on financial products not traditionally associated with terrorism financing. These initiatives led to an increase in suspicious matter reporting of high value to the National Intelligence Community.

THESE INITIATIVES ed to an increase IN SUSPICIOUS MATTER REPORTING OF HIGH VALUE TO THE NATIONAL INTELLIGENCE COMMUNITY..." AUSTRAC ANNUAL REPORT 2015-16 OUR AGENCY 23

STRATEGIC INTELLIGENCE & POLICY



THE STRATEGIC INTELLIGENCE AND POLICY BRANCH BLENDS POLICY THINKING WITH A FORWARD-THINKING OUTLOOK ON FUTURE RISKS AND OPPORTUNITIES FOR AUSTRALIA'S AML/CTF REGIME.



This is to ensure our agency meets the contemporary needs of stakeholders.

We work with all business areas on strategic policy initiatives, such as sector-based ML/TF risk assessments. Consultation and risk assessment are also key elements when considering applications from reporting entities seeking exemption from AML/CTF obligations.

In 2015-16 we led AUSTRAC's engagement and consultation with regional counterparts, domestic partners and industry, to develop the first ever regional risk assessment of terrorism financing. This work was an important outcome of the inaugural CTF Summit in 2015.

A critical priority for our branch has been working with the Attorney-General's Department on the statutory review of the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (AML/CTF Act), regulations and Rules. The report of the statutory review was tabled in Parliament on 29 April 2016. It proposes a holistic, integrated reform package that will strengthen, simplify and modernise the existing AML/CTF regime.



IN FOCUS: NEW RISK ASSESSMENT TEAM

In 2015-16 we established a Risk Assessment team in the branch. In response to recommendations from FATF's mutual evaluation of Australia, the team has introduced a dynamic new approach to understanding and communicating ML/TF risks in Australia. This recognises industry as a key stakeholder in the development of sector-based ML/TF risk assessments, and ensures our assessments are tailored to industry needs.

While intelligence continues to be exchanged between AUSTRAC and partner agencies, the expertise and professional insights of industry are also a critical component to the development of our sector-based risk assessments.



"...THE EXPERTISE AND
PROFESSIONAL INSIGHTS
OF INDUSTRY ARE ALSO A
CRITICAL COMPONENT TO THE
DEVELOPMENT OF OUR SECTORBASED RISK ASSESSMENTS..."

The new approach allows for a deeper dive into the criminal threats, vulnerabilities and consequences facing specific industry sectors and products. This in turn provides meaningful information that increases industry's understanding of risk, and hardens the environment against criminal misuse. It provides strong building blocks for assembling a future system-wide national risk assessment.





14 COMPLIANCE



13,993
REPORTING ENTITIES (REs) ENROLLED



RES REGISTERED (providing remittance services)



1,833
UNIQUE RES LODGING
TRANSACTIONS



1524REGISTRATIONS
ISSUED IN 2015-16



543RSR** REMOVALS
IN 2015-16



255
REMITTER REGISTRATION PROGRAM REVIEWS IN 2015-16

COMPLIANCE

ENFORCEMENT

10
remitter
cancellations

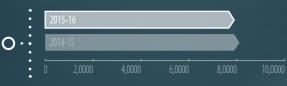




99 compliance assessments 214 compliance findings 128
recommendations made

SMR/SUSTR

Suspicious matter reports / Suspect transaction reports

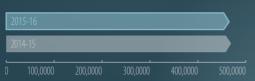


391 SUSPECTED TERRORISM FINANCING



TTR/SCTR

Threshold transaction reports / Significant cash transactions report



\$198 BILLION IN VALUE



IFTI

International funds transfer instructions



\$4.9 TRILLION IN VALUE



^{*} Note some remittance providers may have more than one type of registration.

^{**} RSR - Remittance Sector Registe

THE COMPLIANCE BRANCH ENSURES AUSTRAC'S APPROACH TO COMPLIANCE AND ENFORCEMENT IN THE RAPIDLY EVOLVING AML/CTF ENVIRONMENT REMAINS FFFFCTIVE

Our intelligence-led, risk-based framework helps us to target efforts where the risk is greatest. We collaborate with the Intelligence branch to identify the intersection between criminal threats and industry, and draw on the experience of AUSTRAC's global network of counterpart FIUs.

Our Client Services team provides systems and support to enable reporting entities to meet their obligations. Compliance assessment teams work to improve compliance across industry sectors, including specialist teams to deal with major reporters and the remittance sector. The Enforcement team deals with serious noncompliance using formal powers.



Reports of transactions and suspicious behaviours from industry are essential in developing high-quality actionable financial intelligence to fight serious and organised crime such as drug trafficking, fraud, tax evasion and terrorism financing. We engage and collaborate with business sectors that face a high level of ML/TF risk, to build their resistance to criminal abuse of Australia's financial system.



IN FOCUS: A NEW APPROACH TO COMPLIANCE AND ENFORCEMENT

We adopted a new approach to AML/CTF compliance and enforcement using a risk-based framework. This informs our activities and priorities, and allows regulatory efforts to be directed where businesses are most vulnerable to ML/TF risks. The framework aligns with the government's Regulator Performance Framework and ensures our actions do not place unnecessary burden on businesses. Outcomes of this new approach include the following.

TABCORP

AUSTRAC brought Federal Court proceedings against three Tabcorp companies for significant non-compliance with AML/CTF legislation. Such non-compliance puts Australia's financial system at risk of criminal exploitation.

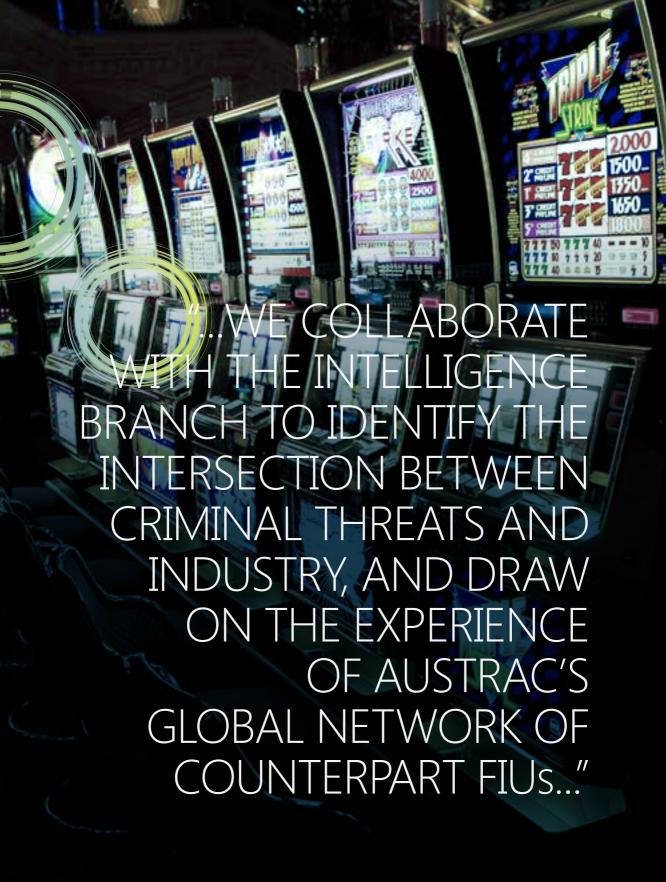
PUBS AND CLUBS SECTOR

Our nationwide campaign targeted 145 gaming machine venues in higher-crime locations. This resulted in an increase of 42 per cent in the number of suspicious matter reports from the sector over the three months following the campaign. It also provided referrals to law enforcement agencies and partner agencies for cross-matching with their databases.

CUSTOMER DUE DILIGENCE

Our campaign targeted 42 large financial sector entities to assess implementation of new customer due diligence (CDD) AML/CTF Rules. The Rules align with FATF's international standards to identify beneficial owners and controllers of customers using complex business structures – known to be associated with tax evasion and other crimes. We engaged with the entities regarding CDD aspects of their AML/CTF programs, policies and procedures. This resulted in improvements to reporting entities' compliance, CDD programs and practices.





CORPORATE



"...IF YOU THINK YOU ARE LEADING AND NO ONE IS FOLLOWING THEN YOU ARE JUST OUT FOR A WALK.."

GAVIN McCAIRNS

Deputy CEO Corporate

Gavin has senior executive leadership of AUSTRAC's People and Integrity, Innovation and Technology, Finance and Infrastructure, and Legal, Governance and Risk branches. He joined AUSTRAC in January 2016 from the Department of Immigration and Border Protection (DIBP).

At DIBP Gavin performed numerous roles over the past 10 years. This included establishing the Research and Innovation Division, working in close collaboration with the Chief Scientist for Immigration and Border Protection, and across the portfolio with the strategy, intelligence, policy, operational and technology areas, as well as other agencies in Australia and internationally.

Gavin migrated to Australia in 1991, after a distinguished career in the United Kingdom and Europe in the public, private and community sectors. In Australia, he has worked in both state and federal governments in policy, operational and corporate roles.





Innovation & Technology



People & Integrity



Finance & Infrastructure



Legal, Governance & Risk



MARIA MILOSAVLJEVIC

Chief Information Officer, National Manager, Innovation & Technology

Maria's remit includes: championing an innovation-centred approach across the agency; leading capability improvement programs; and ensuring AUSTRAC manages, protects, nurtures and exploits its data to derive useful information and insight. She is currently leading the delivery of AUSTRAC's new data analysis platform, which will bring innovative financial intelligence capabilities to AUSTRAC and its public and private sector partners.

Before joining AUSTRAC, Maria was the Chief Information Officer at the ACC, where she was the key driver in the establishment of the National Criminal Intelligence Fusion Capability. She has developed several world-first and award-winning solutions to difficult problems throughout her 25-year career, and been widely published.



GILLY NEELEY

Chief People Officer, National Manager People & Integrity

Gilly is responsible for all aspects of the management of human capital in AUSTRAC. This includes human resources, industrial relations, security and integrity, and organisational development including workforce planning and learning and development.

Gilly has worked in similar roles at the Australian Financial Security Authority, Australian Public Service Commission and Department of Families and Community Services and Indigenous Affairs (now the Department of Social Services).



ALF MAZZITELLI

Chief Finance Officer, National Manager Finance & Infrastructure

Alf was appointed Chief Finance Officer in May 2011. He is responsible for leading AUSTRAC's financial management strategies and services in accordance with legislative, corporate governance, strategic and business objectives. He is also responsible for the delivery of office accommodation solutions, outcome-focused corporate planning and agency performance reporting capability.

Alf has held a number of roles at AUSTRAC, as well as being seconded to the Department of Finance and the Attorney-General's Department. He holds a Bachelor of Business majoring in Accounting and is a member of CPA Australia.



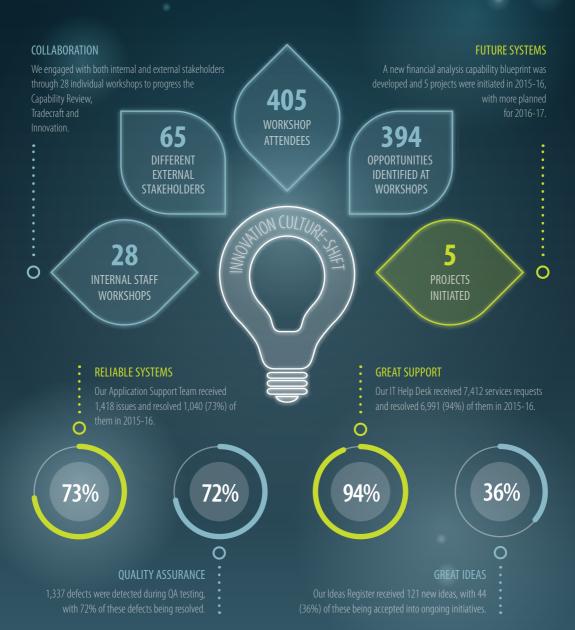
PIERRE SKORICH
Acting Chief Legal &

Pierre has extensive experience in managing risk and complexity in the public sphere. At DIBP, he was the Director of Fraud Control and Anti-Corruption, and was credited with redeveloping and innovating the department's approach to managing fraud and corruption risk.

Risk Officer

Pierre has worked in senior roles in performance, assurance, regulatory compliance, enforcement and organisational design at the Department of Finance and Deregulation, DIBP, Australian Federal Police, and the Clean Energy Regulator. He was principal developer of the Clean Energy Regulator's Business Operating Model, considered an example of better practice in government risk-based design.

15 INNOVATION & TECHNOLOGY



THE INNOVATION AND TECHNOLOGY BRANCH DRIVES THE DELIVERY OF AUSTRAC'S INNOVATION PLAN, INSTILLING A STRONG SENSE OF COLLABORATION AMONG STAFF TO DELIVER JOINT SOLUTIONS TO TECHNOLOGICAL CHALLENGES.

We have moved to a more 'agile' approach to delivering projects. We build solutions more quickly and effectively, break down problems and tackle them in stages.

Our branch focuses on more flexible technology platforms for AUSTRAC to work with partner agencies and industry, to improve financial intelligence. Technology and the criminal threat environment are constantly changing and require a more agile enterprise and technical architecture.

IN FOCUS: ENHANCING OUR PARTNERSHIPS

In 2015-16 we started development of a new data analysis platform that will enable AUSTRAC and our partners to better generate intelligence on ML/TF, as part of a new national capability.

This capability will enhance our collaboration and partnerships with government and industry to detect, understand and disrupt serious and organised crime. The design has involved consultation with stakeholders across government, industry and academia, and the development of prototype models.

AUSTRAC's role in protecting Australia's economy led to joint projects with the Australian Taxation Office and the Department of Human Services, to allow them better insight into our data so that they can make better decisions.

We also undertook projects with industry and research institutes such as Data61 (CSIRO), Australian National University, Australian Cyber Security Research Institute and Melbourne Institute of Technology.

"...THIS CAPABILITY WILL
ENHANCE OUR COLLABORATION
AND PARTNERSHIPS WITH
GOVERNMENT AND INDUSTRY
TO DETECT, UNDERSTAND
AND DISRUPT SERIOUS AND
ORGANISED CRIME "

We facilitated a Chief Information Officer forum at the 2015 CTF Summit and established the International Community of Experts with counterparts in Indonesia, Malaysia, Singapore, Philippines and Thailand.



it's about being the best we can be

"...WHAT BINDS US IS COUNTERING FINANCIAL CRIME. THIS IS OUR COLLABORATION TOUCH POINT."

Paul Jevtovic APM AUSTRAC CEO

06 PEOPLE & INTEGRITY

AUSTRAC'S 2ND NATIONAL STAFF SURVEY - 90% PARTICIPATION



85%

Of survey respondents observed positive improvements

71%

Of survey respondents reported improved leadership

68%

Of survey respondents reported improved agency culture



46% FEMALES
IN LEADERSHIP ROLES

54% MALES IN LEADERSHIP ROLES

INTERNAL RED TAPE REDUCTION

RECRUITMENT • • • • • •



Instant police checks: 66% of CrimTrac checks returned in minutes



Streamlining of our processes saw a recent recruitment process completed in 37 working days, 46% less than APS average

OTHER RED TAPE REDUCTIONS



Performance management



Timesheets

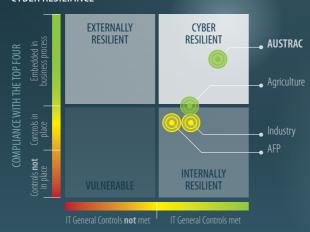


Delegations



Travel

CYBER RESILIANCE



LOGICAL ACCESS & CHANGE MANAGEMEN



NEW STAFF RECRUITED FROM GOVERNMENT



NEW STAFF RECRUITED FROM THE PRIVATE SECTOR THE PEOPLE AND INTEGRITY
BRANCH ENSURES AUSTRAC
OPERATES SMOOTHLY, THROUGH
THE SAFETY AND CAPABILITY
DEVELOPMENT OF STAFF, AND
PROTECTION OF PHYSICAL AND
DIGITAL ASSETS

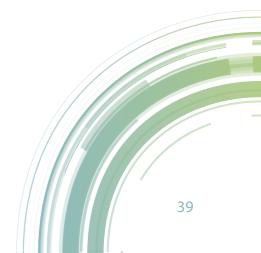
We bring to life a culture where AUSTRAC staff can develop, are valued, trusted, and contribute to achieving AUSTRAC's vision. An inclusive work environment with a diverse workforce supports this culture. We also manage AUSTRAC's protective security needs and integrity framework, and oversee fraud and corruption risks.

Our people strategy includes streamlined recruitment, a clear behaviour framework and reward and recognition. New organisation and branch workforce plans are being developed to align with this strategy. The agency's performance management framework is also being revised, to help deliver strategic and operational priorities.



In 2015-16 our achievements included:

- negotiating and implementing the 2016-2019 Enterprise Agreement
- streamlining the industrial framework, including updated policies and staff guidance
- new strategies around leadership and culture, including a people strategy, and a learning and development strategy
- reducing red tape and streamlining business processes such as recruitment
- arranging security for the 2015 CTF Summit co-hosted by AUSTRAC and PPATK
- considering a shared services model for payroll and other human resources functions
- considering staff integrity measures such as drug testing.



IN FOCUS: IMPROVEMENTS TO RECRUITMENT

In April 2016 we made red-tape reduction initiatives to our recruitment process. This resulted in more efficient administration, less centralised bureaucracy and much more timely outcomes. The changes make it easier for candidates to apply and for hiring managers to assess applications. In summary:

- business areas now have full autonomy in determining the selection panel and successful candidate, instead of relying on approval from the agency's human resources area
- significant streamlining of applications and selection reports
- correspondence in real-time using email instead of mail
- using CrimTrac to conduct police checks, which enables 66 per cent of checks to be completed in minutes, rather than an average of 10 days (in non-complex cases).

In one recent example, a newly appointed Director was faced with immediate challenges to ensure the maintained delivery of critical services. Previously, the number of recruitment governance checkpoints were overwhelming and would have imposed considerable delays in getting out to market.

However, under the new process, our human resources area provided a tailored, flexible risk-based approach, resulting in:

- minimised bureaucracy verbal instructions were accepted and corporate stakeholders provided approval in parallel, without delays in going out to market
- a versatile recruitment strategy that evolved as the situation unfolded – a candidate was offered an immediate short-term appointment as an interim measure while the vacancy was advertised
- agile employment arrangements that were adapted to capabilities – candidates were offered roles at classifications that suited their experience and skills, as well as the role profile.

As a result, the total time from advertising the role to an external candidate starting permanently was only 37 business days. This compares very favourably to the Australian Public Service average of 68 working days, and the private sector benchmark of 50 working days.





7 FINANCE & INFRASTRUCTURE





55.9M

INVESTED IN AUSTRAC IN 2015-16

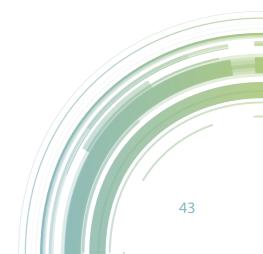
167% ▲



We deliver financial services that ensure the agency's funding is accountable and transparent, and allocated effectively to meet strategic priorities as well as the agency's statutory reporting obligations.

In 2015-16 we redesigned the agency's planning and performance reporting, to facilitate strategic decision making and accountability.

We also undertake procurement, establish contracts, and oversee the collection of levies under the AUSTRAC industry contribution arrangements. We manage AUSTRAC's office accommodation and facilities, to support and enhance business outcomes. In 2015-16 we supported the implementation of the agency's international and domestic footprint strategy. As a result, a new Brisbane office and an expanded Canberra office are expected to be opened early in 2016-17.



IN FOCUS: CREATING AN ENVIRONMENT OF INNOVATION

AUSTRAC, as a regulator of one of the most dynamic financial markets in recent history, has been looking at new and innovative ways to conduct business. In 2015-16 our branch commenced a program of transforming spaces into areas where staff can escape the traditional office setting.

These 'innovation spaces' provide flexible, creative work areas thoughtfully designed to encourage innovation and collaboration, with a focus on usability. The philosophy of these spaces is to provide staff with a:

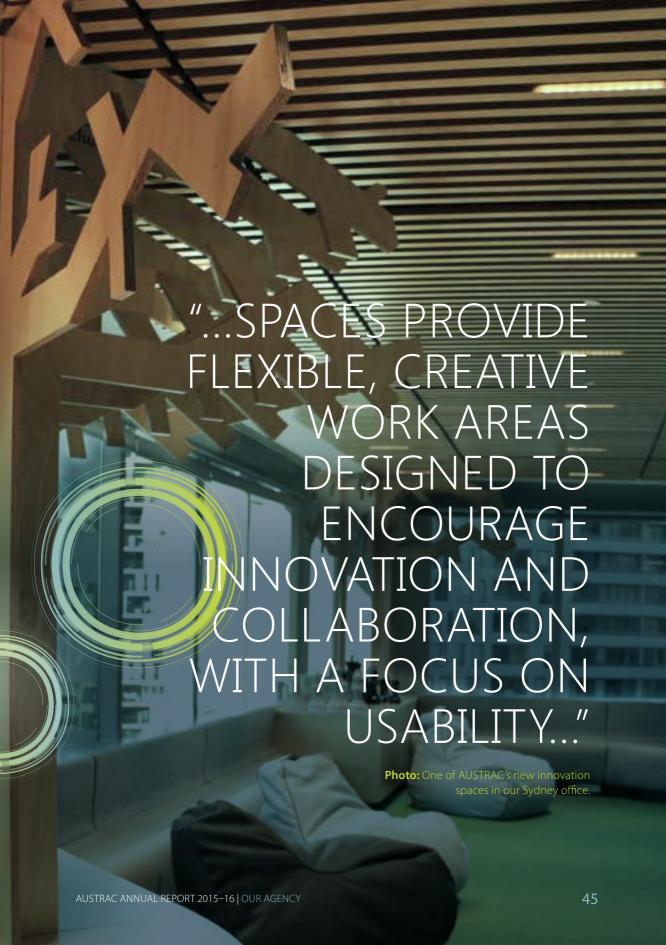
- workspace that allows for productivity while fuelling inspiration
- different and flexible environment that instils a strong sense of purpose and belonging, and has various configurations to reduce the sense of traditional meeting spaces
- way to capture ideas so they can be shared with the group and beyond – including surfaces in the room that can be written on, and in the near future, interactive projection technology to allow conversations in realtime across the country

 comfortable space for staff to move around in and natural light to inspire creativity and innovation.

"...NEW FACILITIES THAT
ENCOURAGE A COLLABORATIVE
PHYSICAL ENVIRONMENT,
SUPPORTING HEALTH AND
WELLBEING IN THE WORKPLACE..."

These spaces are not just an investment in innovative work practices, but also an investment in staff by providing them with new facilities that encourage a collaborative physical environment, supporting health and wellbeing in the workplace.

In 2015-16 we implemented two innovation spaces in AUSTRAC's Sydney and Canberra offices, with staged implementation planned for all AUSTRAC offices.



LEGAL, GOVERNANCE & RISK

FREEDOM OF INFORMATION (FOI)

Information released under the *Freedom of*Information Act 1982







THE LEGAL, GOVERNANCE AND RISK BRANCH PROVIDES ADVICE TO THE CEO RELATING TO THE EXECUTION OF HIS POWERS UNDER THE AML/CTF ACT.



We also provide specialist services to AUSTRAC branches and external stakeholders. We ensure the agency meets Freedom of Information (FOI), legal and privacy obligations, and contribute to AML/CTF regulatory framework reform.

In 2015-16 we provided legal advice across the agency on issues including information disclosure, enforcement actions, access and exemptions, property, contract negotiation, employment, and domestic and international engagement.

Consultation with internal and external stakeholders included:

- publishing draft AML/CTF Rules and regulatory costings associated with possible amendments to the Rules
- finalising guidance on politically exposed persons
- completing a privacy impact assessment considering draft Rules allowing industry the discretion to no longer collect identification information directly from customers
- completing a post-implementation review of Rules on cancellation and suspension of remitter registration.

We commissioned a review examining ways to simplify the AML/CTF Rules. We will take a staged approach to simplifying the Rules over 2016-17 and 2017-18. This will make the AML/CTF Rules easier to understand and yield deregulation benefits for industry.

We also developed a risk and enterprise management strategy to guide AUSTRAC's engagement with risk, as part of the agency's suite of enterprise management tools. We will progressively implement this strategy during 2016-17 and improve AUSTRAC's engagement with risk as part of its core business.

We provided input to AUSTRAC forums and workshops, the Privacy Consultative Committee, industry forums, a workshop for a risk-based compliance and enforcement framework, and presented AML/CTF Act training sessions to AUSTRAC's Intelligence and Compliance branches



IN FOCUS: TRANSFORMING LEGAL SERVICES FOR THE FUTURE

In 2015-16 we commenced a transformation strategy to position AUSTRAC's legal services as outstanding within the Commonwealth.

This involves providing more practical and direct service to our internal and external clients, understanding their business problems in context, and providing solutions that take into account organisational strategy, legal implications and risk treatments. This will modernise AUSTRAC's legal services and ensure our CEO is provided with sound, holistic legal and risk advice to support AUSTRAC's business strategy.

A success under this approach was our review of the application of the AML/CTF Act secrecy and access provisions. We examined AUSTRAC's information-sharing needs and reassessed the interpretation of AML/CTF Act provisions to enable better information sharing with strategic partners.

"...UNDERSTANDING THEIR
BUSINESS PROBLEMS IN CONTEXT,
AND PROVIDING SOLUTIONS
THAT TAKE INTO ACCOUNT
ORGANISATIONAL STRATEGY,
LEGAL IMPLICATIONS AND RISK
TREATMENTS "

This also involved working with other branches to assess information risks and embed risk controls into the agency's business processes. This approach will contribute to achieving AUSTRAC's vision to become the world's best financial intelligence agency.







"...THE PAST 12 MONTHS HAVE BEEN A TIME OF TRANSFORMATION AND REINVESTMENT – IN OUR VISION, OUR CAPABILITIES AND MOST IMPORTANTLY, OUR STAFF..."



AUSTRAC ANNUAL PERFORMANCE STATEMENT 2015-16

INTRODUCTORY STATEMENT

I, Paul Jevtovic, as the accountable authority of AUSTRAC, present the 2015-16 annual performance statement of AUSTRAC as required under paragraph 39(1)(a) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act). These results are reported against the performance measures outlined in the *AUSTRAC corporate plan 2015-19* and the agency's 2015-16 portfolio budget statement (PBS).

In my opinion, this annual performance statement complies with subsection 39(2) of the PGPA Act, is based on properly maintained records and accurately reflects the performance of AUSTRAC in the year ending 30 June 2016.



Paul Jevtovic APMChief Executive Officer



DISCOVER



UNDERSTAND



RESPONI



REGULATE

LEGEND:



Fully achieved



Partially achieved



Not achieved



PURPOSE: **DISCOVER**

Description: Our business is to discover money laundering/terrorism financing (ML/TF) threats and risks.

Criterion	Source	Result
01. Information exchange framework with domestic and international partners is developed and maintained	Corporate plan	

Domestic

We updated instruments authorising access to AUSTRAC information on 36 occasions, at the request of partners. This enhanced our domestic information-sharing framework to meet our partners' evolving operational needs.

We also signed 18 new or updated memoranda of understanding (MOUs). This contributed to maintaining a robust framework for information exchange, and promoted greater reciprocal information exchange with our domestic partners.

Our domestic information exchange network was expanded by the addition of three new designated agencies: the Independent Commissioner Against Corruption South Australia; Independent Liquor and Gaming Authority New South Wales; and Office of Liquor and Gaming Regulation Queensland. We also provided guidance to nine interested agencies on becoming a designated agency.

International

We strengthened our international exchange framework by signing new MOUs with Bangladesh, Ghana, Luxembourg, Jamaica, Trinidad and Tobago, and Montenegro. This brought the total number of international MOUs to 84. These MOUs allow us to share information with counterpart financial intelligence units (FIUs) and other international organisations.

We conducted 1,723 exchanges with international partners – a significant increase from 857 in 2014-15. This was driven by our involvement in multilateral information-sharing initiatives to combat terrorism financing and foreign terrorist fighters, as well as increased proactive information sharing.

Criterion	Source	Result
02. We build partnerships and enhance information exchange with overseas FIUs and other agencies including through the provision of technical assistance	Corporate plan	
The effectiveness of AUSTRAC's international technical assistance and training, as measured by the internationally accepted indicator of delivered outcomes against agreed program objectives and budget	PBS	

We furthered our international engagement by hosting visits from:

- Vietnam Supreme People's Procuracy
- Thai National Anti-Corruption Commission
- South African Central Bank
- Head of Financial Intelligence Unit India
- Israeli Ministry of Foreign Affairs delegation
- United States (US) Internal Revenue Service
- 10 international agencies as part of a 'Five Eyes' forum on terrorist funding
- tradecraft practitioners from our US counterpart the Financial Crimes Enforcement Network (FinCEN).

The Five Eyes is an intelligence alliance comprising Australia, Canada, New Zealand, the United Kingdom and United States of America (USA). We have strong relationships with our Five Eyes partners. We met regularly to discuss matters on regulation, and strategic and operational intelligence.

International partnership programs in the region

We run two partnership programs in Indonesia:

 Pusat Pelaporan dan Analisis Transaksi Keuangan (PPATK)–AUSTRAC Partnership Program (PAPP) Indonesian Alternative Remittance and Cash Courier Program (IndoARCC).

PAPP, a key regional partnership for Australia, continued to deliver strategic, operational and capacity-building success. In 2015-16, PAPP was reviewed by independent reviewers contracted by the Department of Foreign Affairs and Trade (DFAT). The review concluded in March 2016 and confirmed that the program met or exceeded its strategic and capacity-building goals.

Key outcomes of PAPP were:

- an analyst exchange program where both agencies worked together on criminal cases of mutual high priority
- assistance to aid Indonesia's removal from the Financial Action Task Force (FATF) watch-list and prepare for its FATF mutual evaluation
- a substantial increase in exchanges of operational products
- assistance for PPATK and the Indonesian tax office to better target tax crimes by using financial intelligence
- advice and practical assistance to PPATK in reviewing and redesigning its publicly available e-learning function.

Our close relationship with PPATK as a result of PAPP also enabled facilitation of the inaugural joint Australia-Indonesia regional Counter-Terrorism Financing (CTF) Summit in November 2015, which was a significant event.

Indonesian Alternative Remittance and Cash Courier Program (IndoARCC)

IndoARCC continued to deliver its program objectives and was refined to focus on the cash courier component of the program.

We delivered six bilateral workshops in Jakarta, Batam, Bali, Surabaya, Makassar and Medan. Attendees were PPATK, Indonesian Customs, Badan Nasional Penanggulangan Terorisme (Indonesia's National Agency for Combating Terrorism), and other agencies located at Indonesian international air and ferry ports.

Since the first and third quarter workshops, PPATK reported an increase of 2,000 crossborder cash movement forms received from the different locations.

Combating Corruption – strengthening the financial system against money laundering and recovering proceeds of crime in Papua New Guinea (PNGCC)

We jointly deliver the PNGCC program with the Attorney-General's Department (AGD). We have a strong relationship with the Financial Analysis and Supervision Unit (FASU), the PNG FIU and anti-money laundering (AML) regulator.

We successfully assisted FASU in fine-tuning its database to support analysis of suspect matter reports. We also delivered capability-building workshops to assist analysts to prioritise and analyse those reports.

With AGD, we delivered technical assistance and training to support capacity building in the region. This included mentoring FASU on the insurance and securities sectors, to enable more effective AML/CTF regulatory activities.

We also assisted FASU to:

 hold five industry awareness forums for financial institutions and designated nonfinancial businesses and professions (DNFBPs) draft an AML/CTF Compliance Rule on AML/CTF programs, with the PNG Department of Justice and Attorney General.

A key outcome of the program was assistance to PNG to make progress in meeting international standards.

Improving Governance in South-East Asia (IGiSEA) Program

The three-year IGISEA Program commenced in 2012 and concluded in October 2015. It aimed to build capacity in the Cambodia, Philippines and Thailand FIUs, anti-corruption agencies, and stakeholders of the DNFBP and not-for-profit sectors.

IGISEA focused on the 'FATF Recommendations' and link to the United Nations against Corruption 'Article 14 – Measures to prevent money laundering'. The program included five workshops for each country and a regional seminar

Key outcomes of IGiSEA were as follows:

The Cambodian FIU implemented an MOU with the Anti-Corruption Unit, to exchange financial information to better combat corruption linked to money laundering.

The Philippines FIU is continuing discussions with the DNFBP and not-for-profit sectors, on implementing AML legislation. This includes how better to implement the legislation to ensure compliance, streamline the process and improve coordination.

The Thai FIU developed a risked-based approach for the DNFBP sector with the implementation of an action plan, which later included the not-for-profit sector. This was achieved with assistance from the Malaysian FIU during a visit to deliver a bilateral workshop to Thailand's FIU.

Criterion	Source	Result
03. Improvement in data quality	Corporate plan	

We strive to improve the quality of our data by collaborating with our partners. In 2015-16 we demonstrated some improvement against this criterion through a range of strategies and we:

- closely monitored the quality, timing and volume of transaction reports; where issues were identified, we returned reports to the reporting entity for further action
- improved enrolment and registration data quality by conducting due diligence on information provided by reporting entities
- proactively contacted reporting entities to ensure information remained accurate and current over the course of the year
- assessed reporting behaviours, focusing on accuracy and timeliness of information provided to us; in instances of noncompliance self-disclosure, we sought back-capture of financial data to ensure completeness.

We assessed our improvement in data quality as 'amber' after considering our engagement with our partners, the support provided and improvements made to transactional data quality. More work in this area is planned, to ensure capabilities and architecture are fit-for-purpose and able to respond to the changing environment.

The agency is undergoing significant modernisation. We are critically evaluating and updating all our systems, technologies, infrastructure, business processes, skills and overall capability. This is to ensure they are fit for an intelligence-led and risk-based environment that incorporates closer business and government partnerships.

In 2015-16 we took steps to further enhance our data quality and integrity by establishing a Data Governance Working Group, which provides oversight and decisions to ensure we address any persistent and known data quality issues. We also designed a data quality plan that will further improve our data to meet current and future needs.

In parallel, we have been critically reviewing the depreciable lives of existing systems and where necessary, impairing or retiring older systems that do not meet our requirements as a modern intelligence agency. In doing this we have consulted a wide range of stakeholders including the Department of Finance and the Australian National Audit Office, in accordance with applicable accounting standards.

By continually improving our data quality and standards ahead of new systems development, we are creating a strong foundation to meet the agency's future needs.

Criterion	Source	Result
04. We manage privacy obligations	Corporate plan	

No reports of privacy complaints were received by AUSTRAC in 2015-16, and there were no determinations made by the Privacy Commissioner relating to the actions of the agency.

We continued to ensure that all staff were aware of their obligations under the *Privacy Act 1988*. This was reinforced through mandatory e-learning training, the completion of which is linked to individual performance agreements.

We engaged staff in Privacy Awareness Week in May 2016, under the theme 'Privacy in

your hands'. AUSTRAC was acknowledged by the Office of the Australian Information Commissioner as a partner committed to furthering the privacy responsibilities of its staff and privacy rights of its stakeholders.

The AUSTRAC Privacy Consultative Committee met on two occasions during 2015–16. The committee comprises representatives of privacy, civil liberties and consumer groups, as well as representatives from our partner agencies and the Office of the Australian Information Commissioner.

Criterion	Source	Result
05. Accessibility of AUSTRAC intelligence to partner agencies	Corporate plan	

We experienced significant growth in partner agency access to our intelligence. There was approximately a 40 per cent growth in searches of our systems – from 18,000 per week to 25,000 per week.

Searches per login also increased approximately 50 per cent, demonstrating better productivity as users became more familiar with our systems.

Our dedication to continued improvement will see ongoing development of our intelligence-sharing systems.



PURPOSE: UNDERSTAND

Description: Our business is to understand the ML/TF threats and risks discovered.

Criterion	Source	Result
06. Establish guides and publications on compliance risks and issues	Corporate plan	

We help reporting entities comply with their AML/CTF obligations and understand the ML/TF risks of their industry sector and operating environment, by making information and guidance readily available.

Case study hub

We developed a searchable case study hub on our website as a free awareness-raising resource for industry and partner agencies. Real-life cases in the hub present a snapshot of how criminals misuse Australia's financial system, and how our intelligence and analysis is used to combat this.

The case studies demonstrate the enormous intelligence value of the financial transaction and suspicious matter reports (SMRs) we receive from industry, and the important role our partners play in combating serious and organised crime and terrorism financing.

Since the launch of the case study hub in August 2015, we have uploaded 66 cases. More than 17,000 unique accesses have been made.

Guidance and feedback

We disseminated 12 methodologies reports to reporting entities and partner agencies. These identify current and emerging ML/TF methodologies, and provide indicators to assist reporting entities to detect these

behaviours. Positive feedback was received from reporting entities about the value of these reports in helping them to understand new and emerging ML/TF risks and threats.

We provided guidance and feedback to reporting entities to meet obligations including:

- information for electronic gaming machine venues about enrolling with AUSTRAC, and identifying and reporting suspicious activity this resulted in an average monthly increase of 42 per cent in the number of SMRs lodged by that sector in the fourth quarter of the financial year
- information about remitter registration renewals processes
- assessment of ML/TF risks associated with real estate agents and lawyers, internet banking and 'politically exposed persons'.

We initiated a new series of ML/TF risk assessments that will be on different industry sectors, to increase understanding of risks they face and increase the quality and quantity of SMRs submitted to us.

We also collaborated with industry sectors to develop valuable guidance on obligations including customer due diligence (CDD) for Aboriginal and Torres Strait Islander people.

Criterion	Source	Result
07. Timely detection of behaviours that may indicate regulatory non-compliance	Corporate plan	

We developed an intelligence-led, risk-based model to identify reporting entities exhibiting indicators of possible non-compliance. The model monitors for key high-risk indicators and prioritises targets based on risk.

Key behavioural triggers include issues with reporting, and indications that reporting

entities are not undertaking customer identification, transaction monitoring or enhanced CDD.

A priority on continued improvement will see further refinement and application of this approach in coming years.

Criterion	Source	Result
08. Identify operational trends and methodologies to inform responses	Corporate plan	
The ongoing value to partner agency and task force operations of financial operations products produced by AUSTRAC	PBS	

We disseminated operational intelligence reports to partner agencies, identifying current and emerging ML/TF trends, methodologies and activities. These reports enhance partner agency knowledge of the ML/TF environment, and inform reactive and proactive strategies to detect and prevent ML/TF activities. Topics included: funds flows to and from China; Chinese property investment; and money laundering through ATM deposits.

We identified various money laundering methodologies that we referred to law enforcement agencies for compliance action. This included misuse of Australian companies by foreign nationals to launder funds in the construction industry, which resulted in a referral to the Serious Financial Crime Taskforce regarding remitter networks and their links to organised crime.

We produced three strategic intelligence reports for restricted release to partner agencies:

- Self-funding techniques for terrorism financing – identifies financial activity and methodologies of known individuals suspected of engaging with terrorist groups overseas, or terrorist activities in Australia
- Abusing charity: terrorism financing in Australia – an assessment of terrorism financing risk to Australian charities and not-for-profit organisations
- Exploitation of legal professionals a stocktake of current knowledge and intelligence held by AUSTRAC and partner agencies, on money laundering activity involving legal professionals.

Criterion	Source	Result
09. Timely detection of behaviours that may indicate money laundering and terrorism financing threats	Corporate plan	
The ongoing value to partner agency and task force operations of financial operations products produced by AUSTRAC	PBS	

We developed profiles that can identify persons potentially involved in ML/TF. We used these to prepare proactive intelligence products on ML/TF activity for partner agencies. We also have profiles that provide timely detection of behaviours such as the misuse of ATMs to launder funds.

We disseminated intelligence products to law enforcement and intelligence partners, which enabled timely detection of suspicious activity and supported our compliance work.

Law enforcement activities and outcomes we supported included: identifying new criminal targets and networks; the seizure of large quantities of illicit substances; and the confiscation of proceeds of crime.



PURPOSE: RESPOND

Description: Our business is to respond to the threats and risks discovered – in partnership with industry and government agencies in Australia and overseas.

Criterion	Source	Result
10. Compliance activity is undertaken on a risk basis	Corporate plan	
Rectification of identified non-compliance by reporting entities to address potential vulnerabilities in Australia's AML/CTF regime	PBS	
An increase in the effectiveness of reporting entities' AML/CTF programs	PBS	

During 2015-16 we developed a risk-based compliance and enforcement framework to:

- inform proactive, targeted compliance activities in high-risk circumstances
- focus regulatory oversight where businesses need to improve their systems and controls to reduce ML/TF vulnerabilities
- limit the compliance burden for reporting entities, especially on low-risk matters
- inform priorities for developing and revising tools used by compliance officers.

Full implementation and refinement of this framework will continue in 2016-17.

We focused intensive assessment efforts towards reporting entities considered high risk. These were identified through:

- data analysis of our intelligence holdings, such as large entities impacted by changes to AML/CTF Rules on CDD obligations
- entities referred to us from law enforcement or other regulators.

At 30 June 2016, we had undertaken 99 compliance assessments, including desk reviews and on-site assessments. Where noncompliance was identified, we worked with reporting entities to improve their AML/CTF systems and controls. We:

- issued 214 findings requiring reporting entities to take remedial action to rectify significant non-compliance
- made 128 recommendations to improve the robustness of AML/CTF programs.

This result is comparable to 2014-15, when 100 assessments were completed.

We reviewed 246 AML/CTF programs in relation to registrations on the Remittance Sector Register. This was to ensure independent remitters and remittance network providers understand their obligations and have adequate programs in place before we register them. This also increases that sector's resilience to ML/TF risk.

Also relating to remittance service providers, we:

- cancelled 10 remitter registrations
- refused one remitter application for registration
- refused to renew the registration of one remitter
- imposed conditions on the registration of one remitter
- suspended 11 remitter registrations
- revoked the cancellation of one remitter registration
- reconsidered and affirmed three of these decisions.

Criterion	Source	Result
11. AUSTRAC enforcement action is proportionate to the ML/TF risk, the nature of the non-compliance, the reporting entities' willingness to comply and the likely result of the enforcement action, including any likely deterrence effect arising from the enforcement action	Corporate plan	

We used our risk-based framework to inform enforcement decisions, including:

- a consistent approach to decision making by ensuring that regulatory responses were commensurate with risk
- determining a proportional response to behaviours identified.

Enforcement powers exercised in 2015-16 included:

- initiation in July 2015 of Federal Court proceedings against three Tabcorp group companies, with AUSTRAC filing a revised statement of claims in May 2016 bringing the total number of alleged contraventions to 236
- reviewable decisions relating to the registration of remittance providers, including decisions to cancel, suspend or refuse registration, or impose conditions on registration.

Criterion	Source	Result
12. Use of intelligence products to inform our own compliance activity	Corporate plan	

We applied an intelligence-led approach to compliance activities, so that the focus of regulatory activities was based on identified ML/TF risks and threats in our environment. Examples include:

- targeting entities impacted by the new CDD requirements
- identifying electronic gaming machine venues in high-crime areas

 working with our law enforcement partners on matters where reporting entities were relevant to their investigations.

Further implementation of this approach will continue in 2016-17.

Criterion	Source	Result
13. We play a unique, specialised financial intelligence role in multiagency initiatives to deliver whole-of-government outcomes	Corporate plan	
The ongoing value to partner agency and task force operations of financial operations products produced by AUSTRAC	PBS	

We provide analyst support to the Fraud and Anti-Corruption Centre, and are a valued member of the Serious Financial Crime Taskforce, both of which are hosted by the Australian Federal Police (AFP).

This has allowed us to actively work with partner agencies in the fight against serious financial crime such as Commonwealth corruption, tax avoidance and illegal labour hire practices.

In 2015-16 we built proactive, robust detection capabilities in our data analytics area. This, combined with analytical support, resulted in the identification of brokers and facilitators relevant to the Serious Financial Crime Taskforce's work

Significantly, in 2015-16 our data contributed to:

- 287 Department of Human Services reviews, with estimated annualised savings of \$8,377,293 (an increase from \$5,564,467 in 2014-15)
- 3,990 ATO cases, contributing to \$152 million in income tax assessments
- Serious Financial Crime Taskforce activities, raising \$130 million in liabilities.

This brings our total contribution to tax assessment and debt collections to nearly \$2.8 billion over the past 10 years.

We are an important member of several multiagency initiatives aimed at discovering and disrupting serious and organised crime. We continue to participate in the Eligo task force, contributing financial intelligence to aid in disrupting money laundering associated with methamphetamine and other proceeds of crime. We are also a member of three waterfront task forces that have detected corruption and other vulnerabilities on the waterfront, exploited by serious and organised crime syndicates to import illicit substances. These partnerships are crucial to the success of whole-of-government outcomes to disrupt serious and organised crime, particularly in relation to methamphetamine.

We collaborate with domestic partner agencies through the Serious and Organised Crime Coordination Committee, Joint Management Groups, and Joint Analyst Groups. As the primary source of financial intelligence in Australia, we provide support by contributing personnel, and analysing and producing actionable financial intelligence based on reports from industry.

These initiatives foster a better understanding of serious and organised crime, relevant to both disruption and policy. For example, Joint Analyst Group work:

- resulted in disruption strategies applied to entities on the National Criminal Target List, in relation to the transfer of cash and methamphetamine
- contributed to the government's knowledge of unregulated professional facilitator sectors, in relation to the review of the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (AML/CTF Act).

We also supported whole-of-government counter-terrorism efforts through direct support to the Australian Counter-Terrorism Centre and AFP-led National Disruption Group.

Criterion	Source	Result
14. Timely response to national and international requests	Corporate plan	
Increased targeted financial intelligence exchange, which indicates the effectiveness of AUSTRAC's international exchange instruments and the value of its financial intelligence	PBS	

We worked closely with and responded to requests from domestic partner agencies, other government agencies, and international counterparts. Our responses informed various policy, intelligence and strategic research reports and documents, including the Australian Crime Commission's Organised Crime Threat Assessment 2015.

We actioned 86 per cent of instruments within optimum timeframes when domestic partner agencies requested amendments.

These instruments authorise access to AUSTRAC information.

We responded to international requests for financial intelligence and contributed to multi-jurisdictional investigations to disrupt transnational serious and organised crime. These contributions strongly enable the beneficial sharing of financial intelligence, information and expertise, raise AML/CTF awareness and contribute to global AML/CTF efforts.

Criterion	Source	Result
15. Use of our intelligence products leading to law enforcement action	Corporate plan	
The ongoing value to partner agency and task force operations of financial operations products produced by AUSTRAC	PBS	

Our intelligence products and involvement with multi-agency task forces, Royal Commissions and regional Joint Analyst Groups, led to law enforcement action and successful disruption outcomes. These included:

- seizure of large quantities of methamphetamine and other illicit substances
- identification and arrest of offenders
- · confiscation of the proceeds of crime

 law enforcement agencies detecting new targets and criminal networks, and understanding methodologies to inform new disruption activity.

To further the global fight against ML/TF, we released our intelligence products to international partners, to increase intelligence holdings and assist foreign law enforcement agencies. This included assisting in identifying victims of child exploitation to help international agencies, including Interpol and Europol, to take action.

Criterion	Source	Result
16. Timely dissemination of intelligence subject to national priorities	Corporate plan	
The ongoing value to partner agency and task force operations of financial operations products produced by AUSTRAC	PBS	

The majority of the intelligence reports and methodology reports we produced related to national priorities, and were disseminated to partner agencies in a timely manner. Topics included terrorism financing, illicit drugs (such as ice), serious financial crime and money laundering.

We provided input to a Foreign Investment Review Board request, which led to the Treasurer's final order to deny a foreign investment application. This is a continuing relationship where we provide guidance and direction to Treasury and the Australian Taxation Office for residential, commercial and agricultural applications.

We disseminated to partner agencies more than 93 intelligence products linked to serious financial crime-related risk.

We have a number of entities of interest on active 'alerts'. This allows partner agencies to be notified of new transactions relating to persons of interest, including more than 100 persons linked to counter-terrorism matters.



PURPOSE: REGULATE

Description: Our business is to regulate industry effectively.

Criterion	Source	Result
17. AUSTRAC does not unnecessarily impede the efficient operation of regulated entities	Corporate plan and Regulator Performance Framework KPI 1	

Our involvement in international bodies such as FATF, Egmont, the Asia/Pacific Group (APG) on Money Laundering and the International Supervisors Forum (across Five Eyes nations), ensured that the global AML/CTF framework has been applied in Australia. This helps to ensure Australia's consistency with global standards for AML/CTF regulation and regulatory approaches, which also benefits Australian

businesses by:

- reducing potential regulatory burden for businesses operating in more than one jurisdiction
- building understanding of the ML/TF risks Australian businesses face and the mechanisms for managing those risks.

Related information is in criterion 26 below.

Criterion		Source	Result
18. Communication with regulated entities is clear, and effective	targeted	Corporate plan and Regulator Performance Framework KPI 2	
We continued our long-standing commitment to effective communication with reporting entities by: • calling for consultation via web publishes, direct communications with 200-plus subscribers to our AML/CTF Rules email list, and promotion through our newsletter AUSTRAC e-news • providing a person-to-person enquiry service through our Contact Centre	as respective as a section of the se	aging with civil society interest	ity

Criterion	Source	Result
19. Actions undertaken by AUSTRAC are proportionate to the regulatory risk being managed	Corporate plan and Regulator Performance Framework KPI 3	
Our intelligence-led, risk-based framework The fra	mework will also inform new	

Our intelligence-led, risk-based framework has provided a robust structure for regulation and enforcement actions. It has helped inform prioritisation of reviews and assessments of compliance and enforcement actions.

The framework will also inform new regulation and enforcement strategies – the only aspect of this KPI that was not completed – which will be published in 2016-17.

Criterion		Source	Result
20. Compliance and monitoring approaches are streamd coordinated	amlined	Corporate plan and Regulator Performance Framework KPI 4	
We coordinate our approaches to compliance and monitoring of reporting entities. Our priority has been to enable businesses to improve their compliance so they minimise the risk of being misused by criminals for ML/TF purposes.	have be industry	pplying this approach, we een mindful of the diversity of a sectors, designated services an s sophistication in our regulato ment.	

Criterion		Source	Result
21. AUSTRAC is open and transparent in their deali regulated entities	ings with	Corporate plan and Regulator Performance Framework KPI 5	
We place importance on making information available to help reporting entities build resistance to misuse by criminals. This included sharing information where possible, and assisting reporting entities to implement robust and meaningful AML/CTF compliance practices.	this KPI. was pul enforce	ieved all but one element of The only aspect not complete blication of new regulation and ment strategies, which will be ted in 2016-17.	

Criterion	Source	Result
22. AUSTRAC actively contributes to the continuous improvement of regulatory frameworks	Corporate plan and Regulator Performance Framework KPI 6	

Continuous improvement is a priority in applying our intelligence-led, risk-based framework. We engage with reporting entities and industry associations, and collaborate with domestic and international

stakeholders. This has contributed to the development of Australia's AML/CTF regime as part of the global community – and will continue to do so.

Criterion	Source	Result
23. We are actively involved in international forums	Corporate plan	

In striving to expand our international footprint, we achieved significant engagement in the region and with key international partners.

We successfully secured observer status, on behalf of Australia, in the Middle East and North Africa Financial Action Task Force (MENAFATF). This will further contribute to AML/CTF efforts in this critical region, and strengthen bilateral relationships with individual members

We actively shaped our international agenda though liaison with the Russian FIU (following the signing of an MOU in June 2015) and stakeholders in the USA, Canada, France and United Kingdom.

Our international profile was raised through presentations to: Chatham House (United Kingdom); a joint United Nations-FATF open briefing on CTF; and the APAC (Asia-Pacific) Cyber Security Summit 2016.

We also engaged with international stakeholders at:

- Financial Investigations Course (Hong Kong)
- Asian Institute of Finance 7th Annual Conference on Financial Crime and Terrorism Financing
- Association of Certified Fraud Examiners' Asia-Pacific Fraud Conference
- South East Asia Regional Centre for Counter Terrorism – Terrorism Financing Investigations Workshop and Global Emerging Markets Program.

In November 2015 we co-hosted the inaugural joint Australia-Indonesia regional CTF Summit in Sydney. Specialists from 19 countries, in law enforcement, industry, government and academia, came together to discuss and collaborate on maximising the use of financial intelligence in the fight against terrorism.

Outcomes from this important event were tabled in the *Sydney Communiqué*, which called for greater collaboration in the South-East Asia region, including Australia, through initiatives including:

- a regional terrorism financing risk assessment
- a Financial Intelligence Consultative Group to strengthen international collaboration and intelligence sharing in the region
- development of CTF educational tools
- an International Community of Experts to advise how best to capitalise on data, intelligence, technology and expertise that government and industry can share on terrorism financing.

Progress on each of the initiatives will be delivered at the second joint Australia-Indonesia regional CTF Summit in Indonesia in August 2016.

In April 2016 we co-hosted the Experts Symposium on Regional Risks of Terrorism Finance, in Medan, Indonesia. This enabled us to plan for the completion of a regional risk assessment on terrorism financing. It also cemented close working ties with regional partners that will endure beyond the delivery of the risk assessment.

In June 2016 we co-led the Regional Risk Assessment Workshop in Manila, Philippines, hosted by the Anti-Money Laundering Commission of the Philippines FIU. This was a critical step in the final stages of completing the regional risk assessment.

Our participation in the International Supervisors Forum included sharing regulatory compliance information and operational practices. This helped the Forum to adopt initiatives to improve cooperation between members in the fight against ML/TF and other financial crimes, as well as strengthen domestic and international compliance regimes.

We played a critical role in supporting regional partners to boost their AML/CTF capability. This included assisting Malaysia to update its FATF Action Plan, and assisting Thailand to prepare for its 2016-2017 APG mutual evaluation. This work was recognised by our regional partners and boosted our agency's standing as a respected AML/CTF leader.

At the 'Mexico Indonesia Korea Turkey Australia' (MIKTA) experts meeting in Melbourne, we played a key role, delivering multiple presentations on regional risks in terrorism financing. This showcased our expertise in CTF and provided a platform for ongoing bilateral engagement with attendees.

In September 2015 in Nepal, we co-chaired an APG typologies forum on terrorism financing, where we delivered multiple presentations on terrorist financial methodologies. This allowed APG members to enhance their knowledge and share experiences on terrorism financing typologies and investigations. As a result, various strategies were developed to enhance international activities to tackle terrorism financing.

Criterion	Source	Result
24. We effectively represent Australian Government interests in international bodies	Corporate plan	

We maintained an active role in international organisations including FATF, APG and Egmont Group of FIUs. Our intelligence contributes to publications, annual reports and research working groups coordinated by these international organisations.

In FATF, our CEO is Head of Australia's delegation, and our Deputy CEO Operations is Co-chair of the Risk, Trends and Methods Group. In 2015-16 we provided case studies to FATF regarding global reform of beneficial ownership rules.

We participated as a member of the assessor team for the mutual evaluation of the USA, and as a reviewer for Bangladesh's FATF mutual evaluation report. Two AUSTRAC officers were accredited as FATF mutual evaluation assessors, building Australia's pool of trained assessors.

Regarding Egmont, our CEO is Head of Delegation, and our Deputy CEO Operations is Chair of the Information Exchange Working Group and member of the Egmont Committee. In 2015-16 we also provided ongoing support to the Egmont Business Email Compromise working group, and were a core member of and major contributor to the Egmont multilateral Islamic State of Iraq and the Levant (ISIL) project.

With APG, our CEO is Head of Delegation, and our National Manager International is Co-chair of the Mutual Evaluation Working Group.

We use these leadership positions to influence and lead global discussions, working groups and projects. This progresses Australia's use of financial intelligence in the fight against terrorism and other crimes. Leadership at these forums also contributes to improved intelligence exchange among FIUs.

Other participation in national and international forums and conferences included presentations on financial intelligence associated with serious and organised crime. This assists in detecting and monitoring current and emerging threats, as well as policy development.

Criterion	Source	Result
25. We engage with our partner agencies to understand their needs relating to the AML/CTF framework	Corporate plan	
The ongoing value to partner agency and task force operations of financial operations products produced by AUSTRAC	PBS	

We conducted extensive engagement with key domestic partner agencies to determine whether our provision of intelligence is meeting their needs.

We maintained ongoing dialogue with state and federal agencies including the Australian Competition and Consumer Commission, Foreign Investment Review Board, and Department of Human Services, to better understand their needs. This informed our planning to deliver specific intelligence reports or development opportunities.

We posted Intelligence Officers in all major regions, with the primary task of engaging with partner agencies about their operations. This created opportunities to add value by providing senior intelligence analyst support.

We continued engagement with partner agencies about the use of intelligence generated by reporting of cross-border movements of currency, to represent our need of maintaining effective traveller reporting. We participated in a trial project with the Department of Immigration and Border Protection, to ensure passengers remain aware of their reporting obligation as part of broader efforts to enhance the efficient movement of travellers at the border.

Criterion	Source	Result
26. We provide avenues for reporting entities to provide feedback on the AML/CTF framework and consider the feedback in regulatory design	Corporate plan	

We worked collaboratively with AGD on the statutory review of the AML/CTF Act, regulations and AML/CTF Rules, which commenced in December 2013. The final report and recommendations were tabled in the Australian Parliament and released publicly by the Minister for Justice on 29 April 2016.

During the review process, we held meetings with external non-government stakeholders on issues including:

- amendments to customer identification Rules
- Indigenous superannuation and AML
- remitter de-banking (that is, banks closing remittance service provider accounts)
- · CTF
- · new payment methods
- inclusion of gatekeepers within the AML/CTF framework
- privacy implications of our agency's work.

The final report contained 84 recommendations to government, designed to shape a modern AML/CTF regime that positions us to address current and future challenges, and meet stakeholder needs. We are working closely with AGD on a strategy to implement the recommendations. We are also planning future stakeholder consultation.

We assessed 31 applications from reporting entities for specific exemptions from, or modifications to, the application of the AML/CTF Act. A total of 25 exemptions/ modifications were granted. This improved the AML/CTF legislative framework by eliminating unintended and/or unnecessary impacts on the efficient operation of regulated entities. It also provided an avenue for reporting entities to influence the framework and regulatory design. Significantly, these exemptions equated to \$12.537 million in deregulatory cost savings for industry.

We continued to refine customer identification requirements in the AML/CTF Rules. As part of this process, we:

- achieved a comprehensive insight into practical implications of proposed changes and the resulting savings
- collaborated to create an understanding of industry costings, which informed the development of draft AML/CTF Rules that will reduce regulatory burden.

We liaised closely with industry in developing guidance on politically exposed persons, and resolved interpretative issues to help reporting entities implement these obligations.

Criterion	Source	Result
27. We make an active contribution to Australian Government policymaking	Corporate plan	

We were actively engaged in contributing to Australian Government policy making. Key contributions were:

- the statutory review of the AML/CTF Act
- proposed commercialisation of the Australian Securities and Investments Commission (ASIC) register
- a research study on the use of regulatory regimes to prevent infiltration of lawful occupations and industries by organised crime in Victoria, for consideration by the Victorian Law Reform Commission
- provision of the Organisation for Economic Co-operation and Development's Common Reporting Standards and the interface with CDD obligations

- participation in a workshop as part of a review into illegal offshore wagering
- participation in an AGD-convened working group on the de-risking of remittance provider bank accounts
- a private briefing on remittance provider bank account closures, to the House Economics References Committee, following letters to Parliament from concerned constituents
- participation in two interdepartmental committees – one on AML/CTF convened by AGD, and one on remittance convened by DFAT.

Criterion	Source	Result
28. Regulated entities are enrolled/registered in accordance with the AML/CTF Act	Corporate plan	
An increase in the number of reporting entities that submit transaction reports to AUSTRAC	PBS	

As at 30 June 2016:

- 13,993 reporting entities were enrolled with AUSTRAC
- 4,944 reporting entities were registered with AUSTRAC as providing remittance services (note: some remittance providers may have more than one type of registration).

We worked to identify reporting entities that are not enrolled and/or registered. Where an entity was identified as operating as an unregistered remitter, we sent a 'cease and desist' letter to them.

We established a specific target team to undertake a discovery process, to determine

the size and scale of the unregistered remitter population. The outcomes of this will be fully realised in 2016-17.

In 2015-16 the number of unique reporting entities lodging transaction reports increased to 1,833. This is an increase of 40 reporting entities compared with 2014-15. Reporting entities are at the frontline in intelligence collection. An increase in the number of reporting entities lodging reports gives greater coverage and richer picture of the financial sector. This enables us, and our partners, to build a more informed picture of the sector and its inherent risks.

Criterion	Source	Result
29. Regulated entities keep their enrolment and registration information up-to-date in accordance with the AML/CTF Act and Rules	Corporate plan	

We are committed to streamlining processes for businesses, while reinforcing information about enrolment and registration obligations. In 2015-16 we:

- updated the AUSTRAC Business Profile Form and communicated this to reporting entities
- contacted 6,956 entities to remind them to update their details in preparation for the 2015 compliance report
- ascertained that more than half the AML/CTF programs assessed had deficiencies including the requirement to keep enrolment information up-todate. We will do more work building awareness of this obligation.

Criterion	Source	Result
30. Regulated entities have programs in place in accordance with the AML/CTF Act	Corporate plan	
An increase in the number of regulated entities that self-identify that they have an AML/CTF program in place	PBS	

At 30 June 2016, 97.3 per cent of reporting entities stated they have implemented an AML/CTF compliance program. This was an increase compared with 96.7 per cent in 2014-15.

We worked with reporting entities to rectify non-compliance identified proactively through our compliance assessment program, and issues self-disclosed by reporting entities. We engaged with more than 99 reporting entities to improve their AML/CTF systems and controls. This helps address potential vulnerabilities in Australia's financial system and increase the effectiveness of reporting entities' AML/CTF programs. There was a particular focus on CDD requirements, particularly in relation to beneficial ownership.

Criterion	Source	Result
31. Value and number of international funds transfer instruction (IFTI) reports lodged and number of reports returned to regulated entities	Corporate plan & PBS	

In 2015-16 we received 96,346,973 IFTI reports. This was approximately a five per cent increase on the previous year, and comparable to increases observed in recent years.

The value of these reports was in excess of \$4.911 trillion, compared with approximately \$4.61 trillion in 2014-15.

We used measures such as automatic alerts to identify issues with the quality of transaction reports submitted by reporting entities. A total of 6,580 data integrity issues were identified, which resulted in 69,344 IFTI reports requiring correction.

Criterion	Source	Result
32. Value and number of threshold transaction reports (TTRs) lodged and number of reports returned to regulated entities	Corporate plan & PBS	

In 2015-16 we received 4,650,302 TTRs (including significant cash transaction reports under the *Financial Transaction Reports Act 1988*). This was approximately 44,000 fewer than in 2014-15, which is consistent with the trend over recent years.

The value of these reports totalled approximately \$198 billion, compared with approximately \$167 billion in 2014-15.

A total of 2,758 data integrity issues were identified, which resulted in 17,127 TTRs requiring correction.

Criterion	Source	Result
33. Number of suspicious matter reports (SMRs) lodged, quality of SMRs received and relevance to national priorities	Corporate plan & PBS	

In 2015-16 we received 78,846 SMRs (including suspect transaction reports under the *Financial Transaction Reports Act 1988*). This was comparable to 2014-15.

SMR quality and relevance improved in response to targeted feedback to reporting entities. This was supported by feedback from domestic partner agencies noting the value of information in SMRs for intelligence purposes, specifically terrorism financing matters.

The number of SMRs received that related to national priorities – specifically suspected terrorism financing – saw a seven per cent increase during 2015-16 compared to 2014-15.

Criterion	Source	Result
34. Number of compliance reports lodged by the due date	Corporate plan	
An increase in the overall number of, and improvement in the quality of, transaction reports submitted by regulated entities to AUSTRAC	PBS	

Under the AML/CTF Act many reporting entities that provided a designated service during the reporting period of 1 January 2015 to 31 December 2015, were required to submit a 2015 AML/CTF compliance report.

At 30 June 2016, 87.9 per cent of reporting entities with an obligation to lodge a compliance report had done so. This was an improvement on the 2014-15 response rate of 86 per cent.

In 2015-16 we received a total of 101,268,293 transaction reports. This was an increase of approximately five per cent compared to 2014-15.

A total of 9,652 data integrity issues were identified. This resulted in 107,391 transaction reports requiring correction.



REPORT ON FINANCIAL PERFORMANCE

A copy of AUSTRAC's audited financial statements and the Auditor- General's report are included in the 'Financial Statements' section of this annual report.

Our financial statements have been prepared on an accrual basis in accordance with the Financial Reporting Rule and Australian Accounting Standards. As in previous years, the Statement of Comprehensive Income relates to items of revenue and expenses where we are directly responsible for their administration and management.

In 2015–16 we produced a net operating deficit of \$21.6 million, compared with a deficit of \$8.4 million in 2014–15. The net operating deficit includes \$8.4 million of unfunded depreciation and amortisation expenses. It also includes an asset impairment charge of \$10.6 million

relating to decommissioning the 'AUSTRAC Intelligence' asset (for more information refer to the 'Asset management' section in this report). AUSTRAC is developing a new national capability to replace AUSTRAC Intelligence, and in the interim, we are maintaining analysis capabilities through our Traq Enquiry System (TES)

Total revenue for 2015–16 was \$64.0 million: a \$4.7 million increase over the previous year.

Our financial position at 30 June 2016 is shown in the Statement of Financial Position. This takes into account movements in assets, liabilities and equity. Total equity decreased to \$17.0 million in 2015–16 (2014–15: \$30.8 million). The majority of the reduction in equity is attributable to the operating deficit for the year.

EVENTS OCCURRING AFTER BALANCE DATE

No significant events occurred after balance date that would have an effect on our ongoing structure and financial activities.

LEGAL SERVICES EXPENDITURE

The total expenditure on legal services for the financial year ended 30 June 2016 was \$3,412,492.86 (exclusive of GST). In accordance with Office of Legal Services Coordination reporting requirements, this includes the cost of providing internal and external legal services.

\$1,283,200.74 (exclusive of GST) was spent on purchasing external legal services. \$2,129,292.12 (exclusive of GST) was spent on purchasing internal legal services.



"...OUR INTEGRITY IS VITAL IN MAINTAINING THE CONFIDENCE OF THE AUSTRALIAN PUBLIC, INDUSTRY AND DOMESTIC AND INTERNATIONAL PARTNERS..."



MANAGEMENT AND ACCOUNTABILITY

CORPORATE GOVERNANCE

Fraud and risk

An extensive agency-wide fraud risk assessment was conducted in 2015-16. A revised *Fraud and Corruption Control Plan* is due to be released in 2016-17, which will incorporate recent structural and capability developments. A *Fraud Control Framework* was developed and is managed in line with section 10 of the Public Governance, Performance and Accountability Rule 2014 and the Commonwealth Fraud Control Policy.

We have an ongoing security awareness program in place to inform and regularly remind staff of security responsibilities, issues and concerns. Mandatory security and fraud and corruption training is delivered agency-wide annually.

The AUSTRAC CEO certifies that he is satisfied that AUSTRAC:

- has prepared a fraud and corruption risk assessment and fraud control plan
- has in place appropriate fraud prevention, detection, investigation, reporting and data collection procedures and processes that meet the specific needs of the agency
- has taken all reasonable measures to minimise the incidence of fraud in the agency, and investigate and recover the proceeds of fraud against the agency.

Security

AUSTRAC is committed to applying security principles to ensure the effective delivery of programs and secure conduct of government business. Our risk-aware application of the Commonwealth's Protective Security Policy Framework provides protection for our people, information and assets. A major priority is to ensure the safety and security of our employees by providing safe and secure working environments.

Our security team continued to enable our strategic plans by:

- supporting the international and domestic footprint through contributing towards property/infrastructure projects
- providing detailed security threat and risk assessments and advice in relation to the 2015 Counter-Terrorism Financing Summit, to ensure the safety of AUSTRAC personnel and delegates
- fostering AUSTRAC's continued commitment to a strong security culture.

Integrity framework

Our integrity is vital in maintaining the confidence of the Australian public, industry and domestic and international partners. We have a well-developed integrity framework, underpinned by an honest, professional and fair workforce. This year our framework was strengthened by:

- collaborating with the Australian
 Commission for Law Enforcement Integrity
 (ACLEI) and other Commonwealth law enforcement agencies, on prevention and response measures
- establishing and successfully appointing an Integrity Manager to lead our integrity strategies and ensure stakeholder expectations are met
- developing and implementing a Conflict of Interest policy, to promote disclosure and management of conflicts of interest in connection with employment
- strengthening and streamlining agencyspecific pre-engagement integrity assessments, benefiting from new technology to further reduce red tape
- meeting the reporting requirements of the Public Interest Disclosure Act 2013 and Law Enforcement Integrity Commissioner Act 2006.

Principles of corporate governance

Senior management committees

Three key committees support our agency's corporate governance framework.

The Executive Committee (ExCom) is chaired by the AUSTRAC CEO and comprises the two Deputy CEOs and all National Managers. The Media and Communications Manager and the Executive Strategist also attend ExCom meetings. ExCom's role is to forge the agency's direction and ensure AUSTRAC is strategically placed to deliver on outcomes. In 2015-16 ExCom met every one-to-two months to discuss and decide on the agency's overarching strategy and vision, and monitor and evaluate performance against activities through internal reporting.

The Operations Committee, chaired by the Deputy CEO Operations, meets each month and comprises the Deputy CEOs and all National Managers. The committee's purpose is to provide oversight and accountability to the agency's key operations as stated in the strategic plan and CEO's strategic priorities, to ensure business continues to operate in accordance with key deliverables.

The Organisational Health Committee meets each month and comprises the Deputy CEOs and all National Managers. The role of this committee is to monitor and measure AUSTRAC's organisational health in terms of people, systems and finances, as well as track progress against strategic priorities.

The Operations and Organisational Health Committees are operational in focus, providing governance and direction for AUSTRAC to deliver its mandate, as well as insight to ExCom on strategic implications.

In addition to the above, the Audit and Risk Committee, and Privacy Consultative Committee both continued in 2015–16.

Ethical standards

We recognise the high standard of ethics expected in performing our functions, in relation to the Australian Public Service (APS) Values and Code of Conduct, and as an agency subject to the jurisdiction of ACLEI. Our agency's leadership framework includes an ethical commitment as a component of acting with integrity.

Compliance reporting

During 2015-16 AUSTRAC did not report any significant issue to the responsible Minister under paragraph 19(1)(e) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) relating to non-compliance with finance law.

EXTERNAL SCRUTINY

The AUSTRAC CEO reports on the operations of the agency to the Attorney-General and the Minister for Justice. Transparency and accountability to the Parliament includes responses to questions on notice, publishing information under Senate Orders, and appearing before Parliamentary committee hearings when required.

In 2015-16 there were no judicial decisions, or decisions of administrative tribunals or the Australian Information Commissioner that had, or may have, a significant impact on our operations. There were no reports on AUSTRAC's operations given by a Parliamentary Committee or the Commonwealth Ombudsman. There were no capability reviews of the agency released.

The Auditor-General selected AUSTRAC as one of four agencies to undergo a performance audit on *Cyber Resilience* (report 37 of 2015-2016). The Australian National Audit Office (ANAO) found that we achieved full compliance with the mandatory information and communications technology security strategies in the Australian Government Information Security Manual.

We will continue to optimise cyber security capability, processes, and systems in line with ANAO recommendations, Australian Signals Directorate advice, and our approach to risk. The audit identified some areas for improvement and work is underway to address those.

MANAGEMENT OF HUMAN RESOURCES

Managing and developing employees

All AUSTRAC employees are required to participate in our performance management program. In 2015-16 we conducted training in core skills performance management development. This supports further skill development by staff at all levels and ensures a consistent approach to performance management across the agency. To make this process easier for staff, we moved to an automated workflow system.

In 2015-16 we finalised and implemented an agency-wide people strategy. Work commenced on the development of our first organisational workforce plan, which will be supported by operational-level workforce plans to be implemented in 2016-17.

We have worked strongly over many years against gender inequality and for the advancement of women in leadership roles. This is demonstrated in our staffing profile and continued participation in the Women in Law Enforcement Strategy mentoring program. This year we also established a Women in Leadership forum, and have advanced our own internal mentoring program to support women into leadership.

This year we recruited 114 employees, of which 84 came from other areas of government and 30 from the private sector. There were 48 employees who left AUSTRAC, with 34 leaving the APS and 14 transferring within the APS or to a Commonwealth non-APS employer. Our attrition rate was 16 per cent.

Bargaining was successfully completed for the AUSTRAC Enterprise Agreement 2016-2019, which came into effect on 28 March 2016. It provides for salary increases totalling six per cent over the life of the agreement. Non-salary benefits include: annual Christmas shutdown period; access to annual leave at half pay; maternity, adoption and foster leave for eligible employees; and supporting partner leave.

Determinations under section 24(1) of the *Public Service Act 1999* are used to set the remuneration and conditions for Senior Executive Service (SES) employees. As at 30 June 2016, section 24(1) determinations were in operation for eight SES employees. Two SES roles filled in an acting capacity by substantive Executive Level 2 employees are pending the completion of SES recruitment processes.

Where required, individual flexibility arrangements are used to supplement the benefits or remuneration provided to non-SES employees. These arrangements are agreed between the employee and the AUSTRAC CEO or delegate. As at 30 June 2016 there were 41 such agreements in effect, the majority of which relate to salary arrangements.

No employees were covered by common law contracts this year. Performance pay is also not applicable to AUSTRAC.

Training and development

We continued to implement a 70:20:10 approach to learning and staff development. This combines on-the-job and relationship-based learning, with informal and formal face-to-face and e-learning programs. Our e-learning material supports our capabilities and includes several compulsory training sessions for security and workplace safety.

The financial support for learning and development was \$49,364 for 23 employees enrolled in tertiary studies and certifications as part of our studies assistance scheme. The total number of hours committed for study leave as part of the scheme was 1,229 hours (or 154 days). Apart from this, formal learning and development time invested across all business areas totalled 5,429 hours (750 days), both internal and external.

A refreshed strategy for professional leadership and career development through to 2020 was developed, and implementation commenced. With new capability review and workforce planning activities, this will address identified skills gaps and team capability development, providing strong support for our agency objectives.

ASSET MANAGEMENT

Asset management is not a significant aspect of AUSTRAC's strategic business. Certain asset classes are maintained to support our operations, including furniture and fittings, information and communications technology infrastructure, and office equipment. The physical state of these assets has been validated through our annual asset stocktake process. The most recent external valuation was conducted at 30 June 2014. We assessed that a three-yearly update is appropriate to meet the fair value requirements under the Australian Accounting Standards.

The carrying values of assets were reviewed at 30 June 2016 to ensure these did not materially differ from fair value as at the reporting date. During 2015-16 AUSTRAC decided to decommission our 'AUSTRAC Intelligence' system as part of the development of a new data analysis platform. This decision reflects the agency's strategy to cease investment in outdated and unfit technology, and focus on an agile approach to technology investment that ensures we can rapidly adapt to our changing world and delivers better outcomes to our partners. In the interim, we are maintaining analysis capabilities through our Traq Enquiry System (TES).

PURCHASING

The PGPA Act governs our use of Commonwealth resources and expenditure of public money. We apply the Commonwealth Procurement Rules when procuring goods and services, including consultancies.

In 2015-16 our procurement activities were supported by a dedicated Procurement and Contracts unit, which provided strategic procurement and contracting advice and direct support to procurement projects.

We advertise an annual procurement plan on AusTender, which is reviewed and updated as required. Information relating to expenditure on contracts and consultancies is available on the AusTender website

CONSULTANTS

During 2015-16, five new consultancy contracts were entered into involving total actual expenditure of \$253,568.17 (GST inclusive). In addition, one ongoing consultancy contract was active during the period, involving total actual expenditure of \$149,526.70 (GST inclusive).

Annual reports contain information about actual expenditure on contracts for consultancies. Information on the value of contracts and consultancies is available on the AusTender website www.tenders.gov.au.

We engage consultants where we require specialist expertise, or when independent research, review or assessment is required. Consultants are typically engaged to investigate or analyse a defined issue, carry out defined reviews or evaluations, or provide independent advice, information or solutions to assist in decision making.

The decisions to engage consultants were made in accordance with the PGPA Act, Commonwealth Procurement Rules and relevant internal policies.

AUSTRALIAN NATIONAL AUDIT OFFICE ACCESS CLAUSES

In 2015-16, we entered into seven contracts of \$100,000 (GST inclusive) or more, which did not provide for the Auditor-General to have access to the contractor's premises. These contracts are detailed on the following page.

Entity name	Contract value (GST inclusive)	Contract purpose	Reason for standard access clause not included
Robert Cornall	\$150,030.00	Strategic consultation services	Non-standard contract developed and did not include the standard access clause
Maps Hotels and Resorts Sydney 1 Pty Ltd T/A Four Seasons Hotel Sydney	\$200,000.00	Venue hire	Supplier contract
Tertiary Education Quality and Standards Agency (TEQSA)	\$129,000.00	Office lease	Supplier contract
Sofitel Hotels	\$170,000.00	Venue hire	Supplier contract
Oracle Corporation Australia Pty Limited	\$152,399.91	Provision of IT software licences	Supplier contract
Oracle Corporation Australia Pty Limited	\$264,249.72	Provision of IT software licences	Supplier contract
Oracle Corporation Australia Pty Limited	\$504,240.35	Provision of IT software licences	Supplier contract

EXEMPT CONTRACTS

During 2015–16 AUSTRAC did not exempt any contracts valued at more than \$10,000 (GST inclusive) from publication on AusTender.

PROCUREMENT INITIATIVES TO SUPPORT SMALL BUSINESS

AUSTRAC supports small business participation in the Commonwealth Government procurement market. Small and Medium Enterprises (SME) and Small Enterprise participation statistics are available on the Department of Finance's website.

Our procurement practices support SMEs by encouraging competitive participation through the use of standard documentation and conditions, as well as non-complex offer processes. To allow SMEs to easily engage with us for business opportunities, we ensure offers are clear, simple language is used, and information is presented in an accessible format.

DISABILITY REPORTING MECHANISM

Since 1994, Commonwealth non-corporate entities have reported on their performance as policy adviser, purchaser, employer, regulator and provider under the Commonwealth Disability Strategy. In 2007-08, reporting on the employer role was transferred to the APS Commission's *State of the Service Report* and the *APS Statistical Bulletin*. These reports are available at www.apsc.gov.au. From 2010–11, entities have no longer been required to report on these functions.

The Commonwealth Disability Strategy has been overtaken by the National Disability Strategy 2010–2020, which sets out a 10-year national policy framework to improve the lives of people with disability, promote participation and create a more inclusive society. A high-level two-yearly report will track progress against each of the six outcome areas of the Strategy and present a picture of how people with disability are faring. The first of these reports was available in late 2014, and can be found at www.dss.gov.au.

FREEDOM OF INFORMATION

Entities subject to the Freedom of Information Act 1982 (FOI Act) are required to publish information to the public as part of the Information Publication Scheme (IPS). This requirement is in Part II of the FOI Act, and replaced the former requirement to publish a 'section 8' statement in an annual report. Each agency must display on its website a plan showing what information it publishes in accordance with the IPS requirements. AUSTRAC's IPS statement is at www.austrac. gov.au/about-us/accessing-our-information/information-publication-scheme.

In 2015–16 we received 140 FOI requests for 9,847 pages. We were fully compliant with the requirements of the FOI Act.

Financial year	Requests received	Number of pages considered during the period
2015-16	140	9,847
2014-15	105	24,966
2013-14	85	9,539
2012-13	89	5,581

Further statistical information about FOI requests, including information about costs incurred, is published via the Office of the Australian Information Commissioner

ADVERTISING AND MARKET RESEARCH

During 2015-16, AUSTRAC paid the following amounts in relation to advertising and market research:

- direct mail organisations: \$6,145.81 to
 Salmat Limited, for bulk emailing services
- media advertising organisations:
 - \$69,236.65 to Isentia Group Limited, for media monitoring services
 - \$8,182.90 to the Australian Public Service Commission, for recruitment advertising
 - \$18,234.22 to Dentsu Mitchell Media Australia Pty Ltd, for recruitment advertising.

We did not make any payments to advertising agencies, market research organisations or polling organisations, and did not undertake any advertising campaigns.

ECOLOGICALLY SUSTAINABLE DEVELOPMENT AND ENVIRONMENTAL PERFORMANCE

AUSTRAC is dedicated to meeting our obligations under the *Environment Protection* and *Biodiversity Conservation Act 1999*. We are committed to continued improvement of our environmental performance and contribution to sustainable practices. We have developed a set of green office principles targeted at:

- · conserving energy and water usage
- reducing office consumables and waste
- maximising the use of reusable resources
- increasing recycling opportunities
- avoiding the purchase and use of unrecyclable, non-reusable products
- incorporating sustainable initiatives into business decisions.

These principles are contributing to reducing the overall impact of AUSTRAC's ecological footprint.



"...FUNDING IS ACCOUNTABLE, TRANSPARENT, AND ALLOCATED EFFECTIVELY TO MEET STRATEGIC PRIORITIES AS WELL AS OUR STATUTORY REPORTING OBLIGATIONS..."







INDEPENDENT AUDITOR'S REPORT

To the Minister for Justice

I have audited the accompanying annual financial statements of the Australian Transaction Reports and Analysis Centre for the year ended 30 June 2016, which comprise: Statement by the Chief Executive Officer and Chief Finance Officer; Statement of Comprehensive Income; Statement of Financial Position; Statement of Changes in Equity; Cash Flow Statement; Administered Schedule of Comprehensive Income; Administered Schedule of Assets and Liabilities; Administered Reconciliation Schedule; Administered Cash Flow Statement; Schedule of Administered Commitments; and Notes comprising a Summary of Significant Accounting Policies and other explanatory information.

Opinion

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

- (a) comply with Australian Accounting Standards and the Public Governance, Performance and Accountability (Financial Reporting) Rule 2015; and
- (b) present fairly the financial position of the Australian Transaction Reports and Analysis Centre as at 30 June 2016 and its financial performance and cash flows for the year then ended.

Accountable Authority's Responsibility for the Financial Statements

The Chief Executive Officer of the Australian Transaction Reports and Analysis Centre is responsible under the *Public Governance*, *Performance and Accountability Act 2013* for the preparation and fair presentation of annual financial statements that comply with Australian Accounting Standards and the rules made under that Act and is also responsible for such internal control as the Secretary determines is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

GPO Box 707 CANBERRA ACT 2601 19 National Cleout BARTON ACT Phone (02) 6203 7300 Fax (62) 6203 7777 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 the entity'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 the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Accountable Authority of the entity, as well as evaluating the overall presentation of the financial statements.

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

Independence

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

Australian National Audit Office

S. Bucharan

Serena Buchanan Executive Director

Delegate of the Auditor-General

Canberra 23 September 2016

STATEMENT BY THE CHIEF EXECUTIVE OFFICER AND CHIEF FINANCE OFFICER

In our opinion, the attached financial statements for the year ended 30 June 2016 comply with subsection 42(2) of the Public Governance, Performance and Accountability Act 2013 (PGPA Act) and are based on properly maintained financial records as per subsection 41(2) of the PGPA Act.

In our opinion, at the date of this statement there are reasonable grounds to believe that the Australian Transaction Reports and Analysis Centre will be able to pay its debts as and when they fall due.

Signed...

Paul Jevievic APM Chief Execusive Office

23 September 2016

Alf Mazzitelli Chief Finance Officer

23 September 2016

STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD ENDED 30 JUNE 2016

	Notes	2016 \$'000	2015 \$'000
EXPENSES			
Employee benefits	3A	38,195	32,885
Suppliers	3B	27,742	26,790
Depreciation and amortisation	3C	8,394	7,981
Losses from asset sales and disposals		746	16
Write-down and impairment of assets	3D	10,562	-
Total expenses		85,639	67,672
LESS:			
OWN-SOURCE INCOME			
Own-source revenue			
Sale of goods and rendering of services		7,953	4,167
Other gains - resources received free of charge		150	165
Total own-source revenue		8,103	4,332
Net cost of services		77,536	63,340
Revenue from Government - departmental appropriation		55,925	54,959
Surplus (Deficit) attributable to the Australian Government		(21,611)	(8,381)
Total comprehensive income (loss) attributable to the Australian Government		(21,611)	(8,381)

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

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2016

		2016	2015
	Notes	\$'000	\$'000
ASSETS			
Financial Assets			
Cash and cash equivalents	4A	1,868	1,818
Trade and other receivables	4B	14,270	13,884
Total financial assets		16,138	15,702
Non-Financial Assets			
Land and buildings	5A	2,934	1,713
Property, plant and equipment	5A	5,201	9,588
Intangibles	5B	6,543	20,249
Other non-financial assets	5C	1,835	2,935
Total non-financial assets		16,513	34,485
Total assets		32,651	50,187
LIABILITIES			
Payables			
Suppliers	7A	3,489	3,295
Other payables	7B	902	6,605
Total payables		4,391	9,900
Provisions			
Employee provisions	8A	10,738	9,039
Other provisions	8B	478	448
Total provisions		11,216	9,487
Total liabilities		15,607	19,387
Net assets		17,044	30,800
EQUITY			
Contributed equity		67,139	59,284
Reserves		3,808	3,994
Retained surplus (accumulated deficit)		(53,903)	(32,478)
Total Equity		17,044	30,800
The above statement should be read in conjunction with t	he accompanying notes.		

STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 30 JUNE 2016

	Retained	earnings	Asset revaluation reserve		Contributed equity/capital				Total equity	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000		
Opening balance										
Balance carried forward from previous period	(32,478)	(24,186)	3,994	4,083	59,284	56,147	30,800	36,044		
Adjusted opening balance	(32,478)	(24,186)	3,994	4,083	59,284	56,147	30,800	36,044		
Comprehensive income	(21,611)	(8,381)	-	-	-	-	(21,611)	(8,381)		
Total comprehensive income	(21,611)	(8,381)	-	-	-	-	(21,611)	(8,381)		
Transactions with owners										
Contributions by owners										
Equity injection - Appropriations	-	-	-	-	4,750	-	4,750	-		
Departmental capital budget	-	-	-	-	3,105	3,137	3,105	3,137		
Total transactions with owners	-	-	-	-	7,855	3,137	7,855	3,137		
Transfers between equity components	186	89	(186)	(89)	-	-	-	-		
Closing balance as at 30 June	(53,903)	(32,478)	3,808	3,994	67,139	59,284	17,044	30,800		

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

CASH FLOW STATEMENT

FOR THE PERIOD ENDED 30 JUNE 2016

	Notes	2016 \$'000	2015 \$'000
OPERATING ACTIVITIES			
Cash received			
Appropriations		61,055	54,940
Sales of goods and rendering of services		4,952	4,700
Net GST received		2,565	2,702
Total cash received		68,572	62,342
Cash used			
Employees		37,445	32,673
Suppliers		30,783	29,565
Total cash used		68,228	62,238
Net cash from operating activities	9	344	104
INVESTING ACTIVITIES			
Cash used			
Purchase of property, plant and equipment		2,213	1,719
Purchase of internally developed software		617	1,418
Total cash used		2,830	3,137
Net cash (used by) investing activities		(2,830)	(3,137)
FINANCING ACTIVITIES			
Cash received			
Contributed equity		2,536	3,137
Total cash received		2,536	3,137
Net cash from financing activities		2,536	3,137
Net increase in cash held		50	104
Cash and cash equivalents at the beginning of the reporting period		1,818	1,714
Cash and cash equivalents at the end of the reporting period	4A	1,868	1,818
The above statement should be read in conjunction with the accompar	nying notes.		

ADMINISTERED SCHEDULE OF COMPREHENSIVE INCOME

FOR THE PERIOD ENDED 30 JUNE 2016

Notes	2016 \$'000	2015 \$'000
13A	198	559
	198	559
14A	57,940	44,659
	57,940	44,659
	57,940	44,659
	57,940	44,659
	57,742	44,100
	57,742	44,100
	13A	Notes \$'000 13A 198 198 14A 57,940 57,940 57,940 57,742

ADMINISTERED SCHEDULE OF ASSETS AND LIABILITIES

AS AT 30 JUNE 2016

	Notes	2016 \$'000	2015 \$'000
Assets administered on behalf of Government			
Financial assets			
Cash at bank		-	-
Other receivables	15A	-	127
Total financial assets		-	127
Total assets administered on behalf of Government		-	127
Net assets		-	127

ADMINISTERED RECONCILIATION SCHEDULE

FOR THE PERIOD ENDED 30 JUNE 2016

	2016 \$'000	2015 \$'000
Opening administered assets less administered liabilities as at 1 July	127	-
Surplus (deficit) items:		
Plus: Administered income	57,940	44,659
Administered transfers to/from Australian Government:		
Special appropriation (unlimited)	191	82
Transfers to OPA	(58,060)	(44,055)
Less Administered expenses (other than Corporate Commonwealth entities)	(198)	(559)
Closing administered assets less administered liabilities as at 30 June	-	127

ADMINISTERED CASH FLOW STATEMENT

FOR THE PERIOD ENDED 30 JUNE 2016

	Notes	2016 \$'000	2015 \$'000
Administered Cash Flows			
OPERATING ACTIVITIES			
Cash received			
Fees and levies		57,810	43,360
Fines		250	695
Total Cash received		58,060	44,055
Cash used			
Refunds of fees and levies		(191)	(82)
Total cash used		(191)	(82)
Net cash flows from (used by) operating activities	18	57,869	43,973
Net increase (decrease) in Cash Held		57,869	43,973
Cash and cash equivalents at the beginning of the reporting period		-	-
Cash from the Offical Public Account for:			
Special appropriation (unlimited)		191	82
Cash to Official Public Account for:			
Administered Receipts		(58,060)	(44,055)
		(57,869)	(43,973)
Cash and cash equivalents at the end of the reporting period		-	-

SCHEDULE OF ADMINISTERED COMMITMENTS

FOR THE PERIOD ENDED 30 JUNE 2016

AUSTRAC has no administered commitments as at 30 June 2016 (2015: Nil)	
This schedule should be read in conjunction with the accompanying notes.	

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.1 Objectives of AUSTRAC

The Australian Transaction Reports and Analysis Centre (AUSTRAC) is a non-corporate Commonwealth entity, controlled by the Australian Government.

AUSTRAC is Australia's financial intelligence unit with regulatory responsibility for anti-money laundering and counter-terrorism financing (AML/CTF). AUSTRAC strives to be a global leader in AML/CTF and the primary source for financial intelligence in Australia. AUSTRAC collects and transforms financial information into actionable intelligence that is used to assist in the disruption, investigation and prosecution of serious criminal activity including money laundering, terrorism financing, organised crime and tax evasion.

AUSTRAC was established in 1989 under the *Financial Transaction Reports Act 1988* 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 ongoing existence of AUSTRAC in its present form and with its present programs is dependent on Government policy and on continuing funding by Parliament for AUSTRAC's administration and programs.

AUSTRAC is structured to the following outcome: The protection of the financial system from criminal abuse through actionable financial intelligence and collaboration with domestic and international partners.

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

1.2 Basis of Preparation of the Financial Statements

The financial statements are general purpose financial statements and are required by section 42 of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act).

The financial statements have been prepared in accordance with:

- a) the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*(FRR) for reporting periods ending on or after 1 July 2015, and
- b) Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

The financial statements have been prepared on an accrual basis and in accordance with the historical cost convention, except for certain assets and liabilities 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 statements are 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 FRR, assets and liabilities are recognised in the balance sheet when and only when it is probable that future economic benefits will flow to AUSTRAC or a future sacrifice of economic benefits will be required and the amounts of the assets or liabilities can be reliably measured. Liabilities and assets that are unrecognised are reported in the schedule of commitments or the schedule of contingencies.

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

1.3 Significant Accounting Judgements and Estimates

No accounting assumptions and estimates have been identified that have a significant risk of causing a material adjustment to carrying amounts of assets and liabilities within the next accounting period.

1.4 New Australian Accounting Standards

Adoption of New Australian Accounting Standards Requirements

There were no new, revised or amended standards and interpretations that were issued prior to the signing of the Statement by the Chief Executive Officer and Chief Finance Officer that were applicable to the current reporting period and that had a material effect on the entity's financial statements.

All new or revised standards and interpretations issued prior to the signing of the Statement by the Chief Executive Officer and Chief Finance Officer that were applicable to the current reporting period had no material financial impact on the agency, and are not expected to have a future financial impact.

Future Australian Accounting Standards Requirements

The following new standards were issued by the Australian Accounting Standards Board prior to the sign-off date, which may have a financial impact on the entity for future reporting periods:

Accounting Standard	Effective date	Nature of change
AASB 124 Related Party Disclosures	1 July 2016	Changes to Related Party Disclosures will impact on the disclosure of related party relationships, transactions and outstanding balances, including commitments. The revisions will first apply in the 2017-18 financial statements and will not require retrospective adjustments for the 2015-16 comparative disclosures.
AASB 15 Revenue from Contracts with Customers	1 January 2017	Changes to Revenue from Contracts with Customers will change aspects of the accounting treatment for all departmental revenue other than Gains and Revenues from Government. These revisions first apply in the 2017-18 financial statements, but will require retrospective adjustments for affected accounting treatments for the 2016-17 comparative disclosures.
AASB 9 Financial Instruments	1 July 2017	Changes to the Financial Instruments standard will impact on classification and measurement of financial assets and liabilities of the department. These revisions are first effective in 2018-19, but will require retrospective adjustments for the 2017-18 comparative disclosures.

Other new standards or revised standards that were issued prior to the sign-off date and are applicable to future reporting periods are not expected to have a future material financial impact.

1.5 Revenue

Revenue from the sale of goods is recognised when:

- a) the risks and rewards of ownership have been transferred to the buyer
- b) AUSTRAC retains no managerial involvement or effective control over the goods
- the revenue and transaction costs incurred can be reliably measured, and
- it is probable that the economic benefits associated with the transaction will flow to AUSTRAC.

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:

- a) the amount of revenue, stage of completion and transaction costs incurred can be reliably measured, and
- the probable economic benefits associated 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 impairment allowance account. Collectability of debts is reviewed at the end of the reporting period. Allowances are made when collectability of the debt is no longer probable.

Revenue from Government

Amounts appropriated for departmental outputs for the year (adjusted for any formal additions and reductions) are recognised as revenue from Government when AUSTRAC gains control of the appropriation, 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.

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.

Resources received free of charge are recorded as either revenue or gains depending on their nature.

Contributions of assets at no cost of acquisition or for nominal consideration are recognised as gains at their fair value when the asset qualifies for recognition, unless received from another Government entity as a consequence of a restructuring of administrative arrangements (Refer to Note 1.7).

1.6 Gains

Sale of Assets

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

1.7 Transactions with the Government as Owner

Equity Injections

Amounts appropriated which are designated as 'equity injections' for a year (less any formal reductions) and Departmental Capital Budgets (DCBs) are recognised directly in contributed equity.

Restructuring of administrative arrangements

Net assets received from or relinquished to another Australian Government entity under a restructuring of administrative arrangements are recorded at their book value directly against contributed equity.

1.8 Employee Benefits

Liabilities for 'short-term employee benefits' (as defined in AASB 119 Employee Benefits) and termination benefits due within twelve months of the end of reporting period 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.

Other long-term employee benefits are measured as the net total of the present value of the defined benefit obligation at the end of the reporting period.

Leave

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

The leave liabilities are calculated on the basis of employees' remuneration at the estimated salary rates that will be applied at the time the leave is taken, including AUSTRAC's employer superannuation contribution rates and other employee benefits to the extent that the leave is likely to be taken during service rather than paid out on termination. Leave provisions are disclosed as being settled in more than 12 months as AUSTRAC does not expect all leave for all employees to be used wholly within 12 months of the end of the reporting period.

The liability for long service leave is the present value of employee entitlements based on the Australian Government shorthand method as per the FRR. The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation.

Superannuation

The majority of AUSTRAC's staff are members of the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS) or the PSS accumulation plan (PSSap). A small number of staff are members of employee nominated superannuation funds, as allowed under AUSTRAC's enterprise agreement.

The CSS and PSS are defined benefit schemes for the Australian Government. The PSSap and other employee nominated superannuation funds are defined contribution schemes.

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. This liability is reported by the Department of Finance administered schedules and notes.

AUSTRAC makes employer contributions to the employees' superannuation scheme at rates determined by an actuary to be sufficient to meet the current cost to the Government. AUSTRAC accounts for the contributions as if they were contributions to defined contribution plans.

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

Parental Leave

AUSTRAC received payments during the year under the Paid Parental Leave Scheme of \$178,831 (2015: \$120,587). All amounts were paid to employees.

1.9 Leases

A distinction is made between finance leases and operating leases. Finance leases effectively transfer from the lessor to the lessee substantially all the risks and rewards incidental to ownership of leased assets. An operating lease is a lease that is not a finance lease. In operating leases, the lessor effectively retains substantially all such risks and benefits.

Where an asset is acquired by means of a finance lease, the asset is capitalised at either the fair value of the lease property or, if lower, the present value of minimum lease payments at the inception of the contract and a liability is recognised at the same time and for the same amount.

The discount rate used is the interest rate implicit in the lease. Leased assets are amortised over the period of the lease. Lease payments are allocated between the principal components and the interest expense.

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

Lease Incentives

Lease incentives taking the form of rent free periods are recognised as liabilities. These liabilities are reduced by allocating lease payments between rental expense and reduction of the liability over the remaining term of the lease.

1.10 Cash

Cash comprises cash on hand and demand deposits. Cash is recognised at its nominal amount.

1.11 Financial Assets

Loans and Receivables

Receivables for goods and services are recognised at the nominal amounts due, less any provision for bad or doubtful debts. Collectability of debts is reviewed at balance date. Provisions are made when collectability of the debt is no longer probable.

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'.

1.12 Financial Liabilities

Other 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 (irrespective of having been invoiced).

1.13 Contingent Liabilities and Contingent Assets

Contingent liabilities and contingent assets are not recognised in the balance sheet but are reported in the relevant notes. They may arise from uncertainty as to the existence of a liability or asset or represent an asset or liability in respect of which the amount cannot be reliably measured. Contingent assets are disclosed when settlement is probable but not virtually certain and contingent liabilities are disclosed when settlement is greater than remote.

1.14 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.

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

1.15 Property, Plant and Equipment

Asset Recognition Threshold

Purchases of property, 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).

The initial cost of an asset includes an estimate of the cost of dismantling and removing the item and restoring the site on which it is located. This is also relevant to 'make good' provisions in property leases taken up by AUSTRAC where there exists an obligation to restore the property back to its original condition. These costs are included in the value of leasehold improvements with a corresponding recognition of a provision for restoration obligation.

Revaluations

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

Asset class	Fair value measured at
Leasehold improvements	Depreciated replacement cost, adjusted for obsolescence
Infrastructure, plant and equipment	Depreciated replacement cost, adjusted for obsolescence

AUSTRAC has assessed a three year update is appropriate to meet this requirement.

Following initial recognition at cost, items of property, plant and equipment are carried at fair value less subsequent accumulated depreciation and accumulated impairment losses. Independent valuations are conducted with sufficient frequency to ensure that the carrying amounts of assets do not differ materially from the assets' fair values as at the reporting date. The frequency of independent valuations is dependent upon the volatility of movements in market values for 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 that was previously recognised in the surplus/deficit. Revaluation decrements for assets are recognised directly in the surplus/deficit except to the extent that they reverse a previous revaluation increment for that asset.

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 is recalculated over the remaining estimated useful life of the asset on a straight line basis.

Depreciation

Depreciable property, plant and equipment assets are written-off to their estimated residual values over their estimated useful lives to AUSTRAC using 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:

Asset class	2016	2015
Leasehold improvements	Lease term	Lease term
Infrastructure, plant and equipment	3 to 10 years from date of purchase	3 to 10 years from date of purchase

Impairment

All assets were assessed for indications of impairment at 30 June 2016. Where indications of impairment exist, the recoverable amount of an asset is estimated and an impairment adjustment made if the recoverable amount is less than the carrying amount.

The recoverable amount of an asset is the fair market value less costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from the asset.

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

1.16 Intangibles

AUSTRAC's intangibles comprise purchased and internally developed software for internal use. These assets are carried at cost less accumulated amortisation and accumulated impairment losses.

Software is amortised on a straight-line basis over its anticipated useful life. The useful lives of AUSTRAC's software are 1 to 10 years (2014-15: 3 to 10 years).

All software assets were assessed for indications of impairment as at 30 June 2016.

1.17 Taxation

AUSTRAC is exempt from all forms of taxation except Fringe Benefits Tax (FBT) and the Goods and Services Tax (GST).

Revenues, expenses and assets are recognised net of GST except:

- a) where the amount of GST incurred is not recoverable from the Australian Taxation Office, and
- b) for receivables and payables.

1.18 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.

Administered Revenue

AUSTRAC has recognised administered revenues on an accrual basis.

Administered revenues comprise:

- a) industry contribution levies invoiced by AUSTRAC under the Australian Transaction Reports and Analysis Centre Industry Contribution (Collections) Act 2011, and
- b) collection of infringement notices issued under the AML/CTF Act by other Australian government agencies on behalf of the Australian government.

Revenue from industry contribution levies is stated net of any adjustments due to corrections made by entities to enrolment information that should have applied on the census day. Leviable entities may, in certain circumstances, apply to the AUSTRAC Chief Executive Officer for a waiver of payment. Where such waiver applications are granted (either in full or in part), the amount of the waiver is treated as an expense.

Administered Cash Transfers to and from the Official Public Account

Revenue collected by AUSTRAC for use by the Government rather than AUSTRAC is administered revenue. Collections are transferred to the Official Public Account (OPA) maintained by the Department of Finance. These transfers to the OPA are adjustments to the administered cash held by AUSTRAC on behalf of the Government and reported as such in the schedule of administered cash flow and in the administered reconciliation schedule.

AUSTRAC withdraws cash from the OPA in order to make payments under Parliamentary appropriation on behalf of Government. Such payments are made in accordance with the Australian Transaction Reports and Analysis Centre Industry Contribution (Collections) Act 2011.

EVENT AFTER THE REPORTING PERIOD

DEPARTMENTAL:

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

ADMINISTERED:

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

NOTE 3

EXPENSES

	2016	2015
	\$'000	\$'000
Note 3A: Employee Benefits		
Wages and salaries	26,888	24,878
Superannuation:		
Defined contribution plans	2,051	2,114
Defined benefit plans	3,099	2,594
Leave and other entitlements	5,360	2,988
Separation and redundancies	797	311
Total employee benefits	38,195	32,885
Note 3B: Supplies		
Goods and services		
Contracted services - Contractors	10,566	11,105
Contracted services - Consultants	2,805	3,684
IT maintenance	3,578	2,758
Travel	2,641	1,835
Property and office maintenance	1,835	1,816
Telecommunications	1,034	1,067
Other	1,533	898
Total goods and services	23,992	23,163
Goods and services are made up of:		
Goods supplied	724	202
Services rendered	23,268	22,962
Total goods and services	23,992	23,164

EXPENSES (CONT'D)

	2016	2015
	\$'000	\$'000
	\$ 000	\$ 000
Other supplier expenses		
Operating lease rentals – external parties:		
Minimum lease payments ¹	3,592	3,369
Workers compensation expenses	158	258
Total other supplier expenses	3,750	3,627
	,	
Total supplier expenses	27,742	26,790
Note 3C: Depreciation and Amortisation		
Depreciation:		
Property, plant and equipment	4,104	4,000
Leasehold Improvements	529	528
Total depreciation	4,633	4,528
Amortisation:		
Intangibles	3,761	3,453
Total amortisation	3,761	3,453
Total depreciation and amortisation	8,394	7,981
Note 3D: Write-down and Impairment of Assets		
Asset write-down and impairments:		
Impairment of intangibles ²	10,562	-
Total write-down and impairment of assets	10,562	-
Commitments for minimum lease payments in relation to non-cance		as follows:
Within 1 year	4,402	4,466
Between 1 to 5 years	16,168	16,231
More than 5 years	5,142	9,340
Total operating lease commitments	25,712	30,037
Commitments are GST inclusive where relevant	•	

Commitments are GST inclusive where relevant.

GST included in the total contractual commitments in place for operating leases payable expected to be recovered is \$1.99m (2015: \$2.37m).

2. The impairment of intangibles relates to the AUSTRAC Intelligence (AI) asset. As at 30 June 2016 a substantial portion of the asset is not fit for purpose. Refer Note 1.15.

The assessment of impairment reflects AUSTRAC's strategy to cease investment in outdated technology and instead focus efforts on future requirements and technologies that will deliver better data quality, a single point of truth for data analysis and quicker delivery of future analytical tools. In the interim, we are maintaining analysis capabilities through our Traq Enquiry System (TES).

FINANCIAL ASSETS

	2016 \$'000	2015 \$'000
Note 4A: Cash and Cash Equivalents	7 555	
Cash on hand or on deposit	1,868	1,818
Total cash and cash equivalents	1,868	1,818
Note 4B: Trade and Other Receivables		
Good and Services	356	107
Total receivables for goods and services	356	107
Appropriations receivable:		
For existing programs	13,517	13,328
Total appropriations receivable	13,517	13,328
Other receivables:		
GST receivable from the Australian Taxation Office	397	449
Total other receivables	397	449
Total trade and other receivables (net)	14,270	13,884
Receivables are expected to be recovered in:		
No more than 12 months	14,270	13,884
Total trade and other receivables (net)	14,270	13,884
Trade and other receivables are aged as follows:		
Not overdue	14,131	13,881
Overdue by:		
0 to 30 days	138	3
31 to 60 days	1	
Total trade and other receivables (net)	14,270	13,884

NON-FINANCIAL ASSETS

Note 5A: Reconciliation of the Opening and Closing Bal	ances of Property, Pla	ant and Equipment	(2015-16)		
	Leasehold improvements at fair value	Other property, plant & equipment at fair value	Total		
	\$'000	\$'000	\$'000		
As at 1 July 2015					
Gross book value	2,241	15,047	17,288		
Accumulated depreciation and impairment	(528)	(5,459)	(5,987)		
Total as at 1 July 2015	1,713	9,588	11,301		
Additions					
By purchase	1,750	463	2,213		
Depreciation expense	(529)	(4,104)	(4,633)		
Disposals:					
Asset disposals recognised as an expense in the Statement of Comprehensive Income	_	(746)	(746)		
Total as at 30 June 2016	2,934	5,201	8,135		
Total as at 30 June 2016 is represented by:					
Gross book value	3,991	13,490	17,481		
Accumulated depreciation and impairment	(1,057)	(8,289)	(9,346)		
Total as at 30 June 2016 2,934 5,201 8,					

No indicators of impairment were found for leasehold improvements (2015: Nil)

No indicators of impairment were found for property, plant and equipment (2015: Nil)

Revaluations of non-financial assets

All revaluation were conducted in accordance with the revaluation policy state at Note 1. The last revaluation was conducted by Preston Rowe Paterson, an independent qualified valuer, on 30 June 2014

The next revaluation will be completed for the year ending 30 June 2017.

NON-FINANCIAL ASSETS (CONT'D)

Note 5A (cont'd): Reconciliation of the Opening and Closing Balances of Property, Plant and Equipment (2014-15)				
	Leasehold	Other property,		
	Improvements	plant & equipment	Total	
	\$'000	\$'000	\$'000	
As at 1 July 2014				
Gross book value	2,437	14,065	16,502	
Accumulated depreciation and impairment	(201)	(2,174)	(2,375)	
Total as at 1 July 2014	2,236	11,891	14,127	
Additions				
By purchase	5	1,713	1,718	
Depreciation expense	(528)	(4,000)	(4,528)	
Disposals:				
Asset disposals recognised as an expense in				
the Statement of Comprehensive Income	-	(16)	(16)	
Total as at 30 June 2015	1,713	9,588	11,301	
Total as at 30 June 2015 is represented by:				
Gross book value	2,241	15,047	17,288	
Accumulated depreciation and impairment	(528)	(5,459)	(5,987)	
Total as at 30 June 2015	1,713	9,588	11,301	

Note 5B: Reconciliation of the Opening and Closing Balances		
	Computer software ¹	Total
	\$'000	\$'000
As at 1 July 2015		
Gross book value	37,204	37,204
Accumulated amortisation and impairment	(16,955)	(16,955)
Total as at 1 July 2015	20,249	20,249
Additions		
By purchase or internally developed	294	294
Additions capitalised	323	323
Amortisation	(3,761)	(3,761)
Disposals		
Asset intangible disposals recognised as expense in	(4)	(4)
Statement of Comprehensive Income		
Net Revaluation Increments / (Decrements):		
Asset intangible devaluation recognised as expense in	(10,558)	(10,558)
Statement of Comprehensive Income		
Total as at 30 June 2016:	6,543	6,543
Total as at 30 June 2016 is represented by:		
Gross book value	21,578	21,578
Accumulated amortisation and impairment	(15,035)	(15,035)
	6,543	6,543

^{1.} All intangible assets were assessed for impairment at 30 June 2016. This assessment identified an impairment in relation to the AUSTRAC Intelligence asset. The amount of the impairment charge is \$10.562m (2015 - \$Nil). Refer Note 1.15 and Note 3.

NON-FINANCIAL ASSETS (CONT'D)

	Computer software \$'000	Total
As at 1 July 2014		
Gross book value	35,786	35,786
Accumulated amortisation and impairment	(13,502)	(13,502)
Total as at 1 July 2014	22,284	22,284
Additions		
By purchase or internally developed	818	818
Additions capitalised	600	600
Amortisation	(3,453)	(3,453)
Total as at 30 June 2015	20,249	20,249
Total as at 30 June 2015 is represented by:		
Gross book value	37,204	37,204
Accumulated amortisation and impairment	(16,955)	(16,955)
	20,249	20,249

Note 5C: Other Non-Financial Assets				
	2016	2015		
	\$'000	\$'000		
Prepayments	1,835	2,935		
Total other non-financial assets	1,835	2,935		
Total other non-financial assets - are expected to be recovered in:				
No more than 12 months	1,664	2,468		
More than 12 months	171	467		
Total other non-financial assets	1,835	2,935		

No indicators of impairment were found for other non-financial assets (2015: Nil).

FAIR VALUE - FINANCIAL ASSETS

The following tables provide an analysis of assets and liabilities that are measured at fair value.

The different levels of the fair value hierarchy are defined below.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

Note 6A: Fair Value Measurements, Valuation Techniques and Inputs Used

	Fair value measurements at the end of the reporting period		For Levels 2 and 3 fair value measurements		
	2016 \$'000	2015 \$'000	Category (Level 1, 2 or 3 ¹)*	Valuation technique(s) ²	Inputs used
Non-financial assets					
Fitout leasehold improvements - recurring	1,371	1,713	3	Cost approach	Estimated replacement cost of similar assets adjusted for remaining useful life.
Fitout leasehold improvements work in progress - recurring	1,563	-	3	Cost approach	Estimated replacement cost of similar assets adjusted for remaining useful life.
Hardware - recurring	3,672	6,016	3	Cost approach	Estimated replacement cost of similar assets adjusted for remaining useful life.
Software - recurring	1,360	3,335	3	Cost approach	Estimated replacement cost of similar assets adjusted for remaining useful life.
Office equipment - recurring	77	137	3	Cost approach	Estimated replacement cost of similar assets adjusted for remaining useful life.
Security equipment - recurring	92	100	3	Cost approach	Estimated replacement cost of similar assets adjusted for remaining useful life.
Total non-financial assets	8,135	11,301			
Total fair value measurements of assets in the financial position	8,135	11,301			

^{1.} Recurring and non-recurring Level 3 fair value measurements - valuation processes

The estimated fair value of non-financial assets is based on appraisals performed by an independent, qualified Valuer. The valuation process is undertaken every 3 years using significant inputs and assumptions that are developed in close consultation with management. The valuation processes and fair value changes are reviewed by the Audit and Risk Committee at each reporting date.

Non-financial assets comprise both specialised and more general operational assets that do not generally trade in the marketplace. AUSTRAC's current use of these assets is therefore considered highest and best use. In the absence of observable market prices, assets are carried at cost. The determination of fair value is based on the cost approach (depreciated replacement cost), having regard to potential obsolescence and remaining economic life.

2. No change in valuation technique occurred during the period.

FAIR VALUE - FINANCIAL ASSETS (CONT'D)

Note 6B: Reconciliation for Recurring Level 3 Fair Value Measurements for the period ended 30 June 2016

The agency's policy for determining when transfers between levels are deemed to have occurred can be found in Note 1. The Level 3 reconciliation for non-financial assets is presented in Note 5A.

NOTE 7

PAYABLES

	2016	2015
	\$'000	\$'000
Note 7A: Suppliers		
Trade creditors and accruals	3,489	3,295
Total supplier payables	3,489	3,295
Suppliers are expected to be settled in:		
No more than 12 months	2,201	2,056
More than 12 months	1,288	1,239
Total suppliers	3,489	3,295
Settlement was usually made within 30 days (2015: 30 days).		
Note 7B: Other Payables		
Salaries and wages	138	947
Superannuation	27	167
Prepayments received/unearned income	414	5,128
Lease incentives	300	351
Other	23	12
Total other payables	902	6,605
Other payables are expected to be settled in:		
No more than 12 months	653	4,995
More than 12 months	249	1,610
Total other payables	902	6,605

PROVISIONS

Note 8A: Employee Provisions					
			2016		2015
			\$'000		\$'000
Leave			10,738		9,039
Total employee provisions			10,738		9,039
Employee provisions are expected to be settled	d in:				
No more than 12 months	No more than 12 months		3,818		1,786
More than 12 months			6,920		7,253
Total employee provisions			10,738		9,039
Note 8B: Other Provisions					
Provision for contracted services			448		448
Provision for restoration obligations			30		-
Total other provisions			478		448
			Provisi	ion for	
		Provision for		racted	
	Provision for	restoration	se	rvices	Total
Total as at 1 July 2015	restoration	\$'000		\$'000 448	\$'000 448
Total as at 1 July 2015 Additional provisions made	-	-		440	
<u> </u>	30,000	30		-	30
Total as at 30 June 2016		30		448	478
Other provisions are expected to be settled in:					
No more than 12 months					30
More than 12 months					448
Total other provisions					478
The agency currently has no agreement for the leas its original condition. The provision for restoration re					
		Duranti C		ion for	
	Provision for	Provision for restoration		tracted ervices	Total
	restoration	\$'000	3	\$'000	\$'000
Total as at 1 July 2014		-		448	448
Total as at 30 June 2015		-		448	448
Other provisions are expected to be settled in:					
No more than 12 months					-
More than 12 months					448
Total other provisions					448

CASH FLOW RECONCILIATION

	2016 \$'000	2015 \$'000
Reconciliation of cash and cash equivalents as per Statement of Financial Position to Cash Flow Statement		
Cash and cash equivalents as per:		
Cash flow statement	1,868	1,818
Statement of Financial Position	1,868	1,818
Difference	-	-
Reconciliation of net cost of services to net cash from operating activities:		
Net cost of services	(77,536)	(63,340)
Add revenue from Government	55,925	54,959
Adjustments for non-cash items		
Depreciation / amortisation	8,394	7,982
Loss on disposal of assets	746	16
Write-down and impairment of non-financial assets	10,562	-
Movements in assets / liabilities		
Decrease / (Increase) in net receivables	4,932	318
(Increase) / decrease in prepayments	1,100	(175)
(Decrease) / increase in employee provisions	1,699	199
(Decrease) / increase in supplier payables	195	469
(Decrease) / increase in other payables	(5,703)	(258)
(Decrease) / increase in other provisions	30	(66)
Net cash from (used by) operating activities	344	104

CONTINGENT LIABILITIES AND ASSETS

Quantifiable contingencies

There are no quantifiable contingencies as at 30 June 2016 (2015: Nil).

Unquantifiable contingencies

There are no unquantifiable contingencies as at 30 June 2016 (2015: Nil).

Significant Remote Contingencies

There are no remote contingencies as at 30 June 2016 (2015: Nil).

NOTE 11

SENIOR EXECUTIVE REMUNERATION

	2016	2015
	\$	\$
Short-term employee benefits:		
Salary ¹	2,467,788	2,530,150
Other allowances	33,151	24,865
Total short-term employee benefits	2,500,939	2,555,016
Post-employment benefits:		
Superannuation	421,003	402,894
Total post-employment benefits	421,003	402,894
Other long-term employee benefits:		
Long-service leave	63,180	67,583
Annual leave	194,912	201,289
Total other long-term employee benefits	258,092	268,873
Termination benefits:		
Eligible termination payments	275,853	129,206
Voluntary redundancy payments	139,130	-
Total termination benefits	414,983	129,206
Total senior executive remuneration expenses	3,595,017	3,355,988

The total number of senior management personnel included in the above table is 14 (2015: 13).

The total number of senior management positions included in the above table is 11 (2015: 11). The difference between the number of roles and the number of personnel arises in circumstances where more than one person occupied a role during part or all of the financial year. This includes personnel who have acted in an executive role for more than three months.

^{1.} The comparative salary amount for 2015 has been reduced by \$174,378 in order to adjust for costs of leave paid out on separation. The costs relate to three (3) employees who ceased employment during 2014-15.

FINANCIAL INSTRUMENTS

Note 12A: Categories of Financial Instruments		
	2016 \$'000	2015 \$'000
Financial Assets		
Held-to-maturity:		
Cash and cash equivalents	1,868	1,818
Total	1,868	1,818
Loans and receivables:		
Goods and services	356	107
Total	356	107
Carrying amount of financial assets	2,224	1,925
Financial Liabilities		
At amortised cost:		
Trade creditors	3,489	3,295
Total financial liabilities measured at amortised cost	3,489	3,295
Total financial liabilities	3,489	3,295

No financial assets or liabilities are held at fair value (loans and receivables are at amortised cost; financial liabilities are held at amortised cost).

Not 12B: Credit Risk

AUSTRAC's exposure to credit risk was minimal as loans and receivables comprised cash and trade receivables.

The following table illustrates the entity's gross exposure to credit risk, excluding any collateral or credit enhancements.

	2016 \$'000	2015 \$'000
Financial assets		
Cash and cash equivalents	1,868	1,818
Receivables - goods and services	356	107
Total	2,224	1,925
Financial liabilities		
Trade Creditors	3,489	3,295
Total	3,489	3,295

No collateral is held in relation to the entity's gross credit risk.

FINANCIAL INSTRUMENTS (CONT'D)

Credit quality of financial instruments not	past due or individu	ally determined	l as impaired	
	Not past due	Not past due	Past due or	Past due or
	or impaired	or impaired	impaired	impaired
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents	1,868	1,818	-	-
Receivables - goods and services	355	107	1	-
Total	2,223	1,925	1	-
Aging of financial assets that were past du	ue but not impaired fo	or 2016		
	0 to 30	31 to 60	61 to 90	
	Days	Days	Days	Total
	\$'000	\$'000	\$'000	\$'000
Receivables - goods and services	-	1	-	1
Total as at 30 June 2016	-	1	-	1

Note 12C: Liquidity Risk

AUSTRAC's financial liabilities are supplier payables. The exposure to liquidity risk is based on the notion that AUSTRAC will encounter difficulty in meeting its financial obligations associated with financial liabilities. This was highly unlikely as AUSTRAC is appropriated funding from the Australian Government and AUSTRAC manages its budgeted funds to ensure it has adequate funds to meet payments as they fall due. In addition, other funding mechanisms which exist and internal policies and procedures (such as Accountable Authority Instructions) are in place to ensure effective stewardship of AUSTRAC's resources.

Maturities for non-derivative financial liabilities 2016

	On demand \$'000	within 1 year \$'000	Total \$'000
Trade Creditors	-	3,489	3,489
Total	-	3,489	3,489
Maturities for non-derivative financial liabil	_		
Maturities for non-derivative financial liabil	ities 2015 On demand \$'000	within 1 year \$'000	Total \$'000
Maturities for non-derivative financial liabil Trade Creditors	On demand	year	

There were no derivative financial liabilities outstanding at 30 June 2016 (2015: Nil).

ADMINISTERED - EXPENSES

	2016 \$'000	2015 \$'000
Expenses		
Note 13A: Write down and impairment of assets		
Bad and doubtful debts expense	8	6
Waivers	190	553
Total write down and impairment of assets	198	559

NOTE 14

ADMINISTERED - INCOME

	2016 \$'000	2015 \$'000
DWN-SOURCE REVENUE	7 000	7 000
Non-Taxation Revenue		
lote 14A: Fees and fines		
Industry contribution levies	57,690	43,584
Supervisory cost recovery levies	-	380
Fines	250	695
otal fees and fines	57,940	44,659

ADMINISTERED - FINANCIAL ASSETS

\$'000	\$'000
	127
-	127
-	127
-	127
-	127
	-

ADMINISTERED - CASH FLOW RECONCILIATION

	2016 \$'000	2015 \$'000
Reconciliation of cash and cash equivalents as per Administered	·	
Administered Cash Flow Statement		
Cash and cash equivalents as per:		
Administered Cash Flow Statement	-	
Schedule of Administered assets and liabilities	-	
Difference	-	
Reconciliation of net cost of services to net cash from operating activities:		
Net contribution from / (cost of) services	57,940	44,65
Adjustment for non cash items		
Net write down of financial assets	(198)	(559
Movements in assets / liabilities		
(Increase)/decrease in net receivables	127	(127
Net cash from operating activities	57,869	43,97

ADMINISTERED - CONTINGENT ASSETS AND LIABILITIES

Quantifiable contingencies
There are no quantifiable contingencies as at 30 June 2016 (2015: Nil).
Unquantifiable contingencies
There are no unquantifiable contingencies as at 30 June 2016 (2015: Nil).
Significant Remote Contingencies
There are no remote contingencies as at 30 June 2016 (2015: Nil).

COST RECOVERY SUMMARY

Fyrance	2016 \$'000	2015 \$'000
Evenence		
Expenses		
Departmental	-	-
Administered	-	-
Total expenses	-	-
Revenue		
Departmental	-	-
Administered	-	380
Total revenue	-	380
Receivables		
Departmental	-	-
Administered	-	-
Total receivables	-	-
A		
Amounts written off		
Departmental	-	-
Administered	-	-
Total amounts written off	-	_

Cost recovered activities:

AUSTRAC's cost recovery levy arrangement ceased on 30 June 2014 and was replaced by the Industry Contribution levy arrangements, effective 1 July 2014.

The cost recovery revenue reported for the year ended 30 June 2015 comprises amended Cost Recovery invoices for prior financial years. Revised invoices were issued to a small number of reporting entities in response to those entities providing updated enrolment information that should have been reflected on the Reporting Entities Roll on the census dates for those years.

APPROPRIATIONS

Appropriation applied in 2016 (current and prior

\$,000

Variance³

years) \$'000

Table A: Annual Appropriations (Recoverable GST exclusive)	opriations (Recov	erable GST exclus	sive)			
2016 Appropriations						
	Appropriation Act	ation Act	PGP/	PGPA Act		A
	Annual Appropriation \$′000	Advance to the Finance Minister \$′000	Section 74 \$′000	Section 75 \$′000	Total appropriation \$′000	
DEPARTMENTAL						
Ordinary annual services¹	55,946	1	4,875	1	60,821	
Capital Budget²	3,105	ı	ı	1	3,105	
Other services	1	-	-	1	•	
Equity	4,750	-	-	-	4,750	
Total departmental	63,801	1	4,875	1	68,676	

been amended before the end of the reporting period as Departmental appropriations do not lapse at the financial year end. The adjustment was 1. In 2015-16 there was an adjustment that met the recognition criteria of a formal reduction in revenue but at law the appropriations had not a reduction to revenue of \$21,000 relating to portfolio efficiencies as published in the 2016-17 Portfolio Budget Statement.

2. Departmental Capital Budgets are appropriated through Appropriation Acts (No1,3,5). They form part of ordinary annual services, and are not

4,750

(4,665)

73,341

569

2,536

(9,984)

70,805

3. The variance relates to appropriation drawn down in the prior year and cash balances on hand at year end. separately identified in the Appropriation Acts.

4. AUSTRAC has no Administered Appropriations.

APPROPRIATIONS (CONT'D)

Table A: Annual Appropriations (Recoverable GST exclusive) (cont'd)	opriations (Recove	erable GST exclus	ive) (cont'd)				
2015 Appropriations							
	Appropriation Act	tion Act	PGPA ACT	Act		Appropriation	
	Annual Appropriation ¹⁸² \$′000	Advance to the Finance Minister \$'000	Section 74 \$'000	Section 75 \$'000	Total appropriation \$'000	applied in 2015 (current and prior years) \$'000	Variance³ \$′000
DEPARTMENTAL							
Ordinary annual services	54,868	ı	4,626	ı	59,494	605'65	(16)
Capital Budget	3,137	ı	1	1	3,137	3,137	1
Other services	ı	ı	ı	1	1	1	1
Total departmental	28,005	1	4,626	1	62,631	62,646	(16)

There are no appropriations that have been quarantined.

2. There were no adjustments that met the recognition criteria of a formal addition or reduction in revenue (in accordance with FRR Part 6 div 3) but as a law the appropriation had not been amended before the end of the reporting period.

3. The variance relates to appropriation drawn down in the prior year and cash balances on hand at year end.

4. There was no appropriation that constituted a permanent loss of control under section 51 of th Public Governance, Performance and Accountability Act 2013 (PGPA Act).

APPROPRIATIONS (CONT'D)

Table B: Unspent Departmental Annual Appropriations ('Recoverable	e GST exclusive')	
Authority	2016 \$'000	2015 \$'000
Appropriation Act No.1 2014-15	-	13,328
Appropriation Act No.1 2014-15 Cash at bank and on hand	-	1,818
Appropriation Act No.1 2015-16 ¹	8,219	-
Appropriation Act No.1 2015-16 Departmental Capital Budget	569	-
Appropriation Act No.1 2015-16 Cash at bank and on hand	1,868	-
Appropriation Act No.2 2015-16	4,750	-
Total	15,406	15,146
1. 2015-16 includes guarantined amount of \$21,000 under Appropriation	n Act No.1 2015-16 (2015: Nil).	

Table C: Special Appl	ropriations ('Reco	overable GST exclusive')		
			Appropriat	ion applied
Authority	Туре	Purpose	2016 \$'000	2015 \$'000
Section 77, Public Governance, Performance and Accountability Act 2013	Refund	To provide an appropriation where an Act or other law requires or permits the repayment of an amount received by the Commonwealth and apart from this section there is no specific appropriation for the repayment	191	82
Total			191	82

^{1.} Comparative amounts were updated to reflect the cash payments made from this special appropriation.

REPORTING OF OUTCOMES

Net Cost of Outcome Delivery				
	Outco	Outcome 1 Tot		tal
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Departmental				
Expenses	(85,639)	(67,672)	(85,639)	(67,672)
Own source income	8,103	4,332	8,103	4,332
Administered				
Expenses	(198)	(559)	(198)	(559)
Revenue - fees and levies	57,940	44,659	57,940	44,659
Net cost/(contribution) of outcome delivery	(19,794)	(19,240)	(19,794)	(19,240)

Outcome 1 is described in Note 1.1. Net costs include intra-government costs that were eliminated in calculating the actual budget outcome.

NOTE 21

NET CASH APPROPRIATION ARRANGEMENTS

	2016 \$'000	2015 \$'000
Total comprehensive income / (loss) less depreciation/ amortisation expenses previously funded through revenue appropriations ¹	(13,217)	(400)
Plus: depreciation/amortisation expenses previously funded through revenue appropriation	(8,394)	(7,981)
Total comprehensive income (loss) - as per the Statement of Comprehensive Income	(21,611)	(8,381)

^{1.} From 2010-11, the Government introduced net cash appropriation arrangements, where revenue appropriations for depreciation/amortisation expense ceased. Entities now receive a separate capital budget provided through equity appropriations. Capital budgets are to be appropriated in the period when cash payment for capital expenditure is required.

REPORTING OF BUDGETARY VARIANCES

The following tables provide a comparison of the original budget as presented in the 2015-16 Portfolio Budget Statements (PBS) and the 2015-16 final outcome as presented in these financial statements. The Budgets are not audited.

Note 22A: Departmental Budgetary Reports

Statement of Comprehensive Income for the period ended 30 June 2016

		Actual	Original Budget	Variance ¹
		2016	2016	2016
	Notes	\$'000	\$'000	\$'000
NET COST OF SERVICES				
Expenses	22C (1)			
Employee benefits		38,195	36,517	1,678
Suppliers		27,742	24,272	3,470
Depreciation and amortisation		8,394	8,718	(324)
Losses from asset sales		746	-	746
Write down and impairment of assets		10,562	-	10,562
Total expenses		85,639	69,507	16,132
Own-Source Income				
Own-source revenue				
Sale of goods and rendering of services	22C (2)	7,953	4,683	3,270
Other gains - resources received free of charge		150	160	(10)
Total own-source revenue		8,103	4,843	3,260
Net cost of services		77,536	64,664	12,872
Revenue from Government - departmental appropriation		55,925	55,946	(21)
Surplus/(Deficit) attributable to the Australian Government		(21,611)	(8,718)	(12,893)
Total comprehensive income/ (loss) attributable to the Australian Government		(21,611)	(8,718)	(12,893)

^{1.} Explanations of major variances are provided in Note 22C, in sections corresponding to the number shown by way of note.

Statement of Financial Position as at 30 June 20	116			
		Actual	Original Budget	Variance
		2016	2016	2016
	Notes	\$'000	\$'000	\$'000
ASSETS	22C (3)			
Financial assets				
Cash and cash equivalents		1,868	1,714	154
Trade and other receivables		14,270	11,602	2,668
Total financial assets		16,138	13,316	2,822
Non-financial assets				
Land and buildings		2,934	-	2,934
Property, plant and equipment		5,201	10,113	(4,912)
Intangibles		6,543	20,995	(14,452
Other non-financial assets		1,835	2,761	(926
Total non-financial assets		16,513	33,869	(17,356
Total assets		32,651	47,185	(14,534
LIABILITIES				
Payables				
Suppliers		3,489	1,160	2,329
Other payables		902	3,741	(2,839
Total payables		4,391	4,901	(510
Provisions				
Employee provisions		10,738	9,941	797
Other provisions		478	514	(36
Total provisions		11,216	10,455	761
Total liabilities		15,607	15,356	251
Net assets		17,044	31,829	(14,785
EQUITY				
Contributed equity		67,139	67,139	
Reserves		3,808	4,083	(275
Retained surplus/(Accumulated deficit)		(53,903)	(39,393)	(14,510
Total entity		17,044	31,829	(14,785

Statement of Changes in Equity for the period ended 30 June 2016	s in Equity	for the peric	od ended 30	June 2016								
	Reta	Retained earnings	ings	Asse	Asset revaluation surplus	tion	Contribu	Contributed equity/capital	//capital	Ĕ	Total equity	_
	Actual	Original Budget	Variance¹	Actual	Original Budget	Variance¹	Actual	Original Budget	Variance ¹	Actual	Original Budget	Variance¹
	2016 \$'000	2016	2016	2016	2016	2016	2016	2016	2016	2016 \$′000	2016	2016 \$′000
Opening balance												
Balance carried forward from previous period	(32,478)	(30,675)	(1,803)	3,994	4,083	(88)	59,284	59,284	1	30,800	32,692	(1,892)
Adjusted opening balance	(32,478)	(30,675)	(1,803)	3,994	4,083	(88)	59,284	59,284	1	30,800	32,692	(1,892)
Comprehensive income	(21,611)	(8,718)	(12,893)	-	ı	1	-	ı	'	(21,611)	(8,718)	(12,893)
Total comprehensive income	(21,611)	(8,718)	(12,893)	1	ı	1	1	ı	1	(21,611)	(8,718)	(12,893)
Transactions with owners												
Contributions by owners												
Equity injection - Appropriation	1	ı	1	1	ı	1	4,750	4,750	•	4,750	4,750	1
Departmental capital budget	1	ı	1	-	ı	-	3,105	3,105	•	3,105	3,105	1
Total transactions with owners	1	ı	1	ı	1	1	7,855	7,855	1	7,855	7,855	1
Transfers between equity components	186	1	186	(186)	ı	(186)	1	ı	1	-	ı	1
Closing balance as at 30 June	(53,903)		(39,393) (14,510)	3,808	4,083	(275)	67,139	62,139	1	17,044	31,829	(14,785)
 Explanations of major variances are provided in Note 22C, in sections corresponding to the number shown by way of note. 	r variances	are provide	d in Note 2	2C, in secti	ons corresp	oonding to	the numbe	er shown b	y way of nc	ite.		

		Actual	Original Budget	Variance ¹
		2016	2016	2016
OPERATING ACTIVITIES	Notes	\$'000	\$'000	\$'000
Cash received				
Appropriations		61,055	58,546	2,509
Sale of goods and rendering of services		4,952	2,083	2,869
Net GST received		2,565	2,200	365
Total cash received		68,572	62,829	5,743
Cash used				
Employees		37,445	36,517	928
Suppliers		30,783	26,312	4,471
Total cash used		68,228	62,829	5,399
Net cash from operating activities		344	-	344
INVESTING ACTIVITIES				
Cash used				
Purchase of property, plant and equipment	22C (4)	2,213	7,855	(5,642)
Purchase internally developed software		617	-	617
Total cash used		2,830	7,855	(5,025)
Net cash from/(used by) investing activities		(2,830)	(7,855)	5,025
FINANCING ACTIVITIES				
Cash received				
Contributed equity		2,536	7,855	(5,319)
Total cash received		2,536	7,855	(5,319)
Net cash from financing activities		2,536	7,855	(5,319)
Net increase in cash held		50	-	50
Cash and cash equivalents at the beginning of the reporting period		1,818	1,714	104
Cash and cash equivalents at the end of the reporting period		1,868	1,714	154

^{1.} Explanations of major variances are provided in Note 22C, in sections corresponding to the number shown by way of note.

Note 22B: Administered Budgetary Reports				
Administered Schedule of Comprehensive Income for the pe	riod ended 30 June 2	016		
		Actual	Original Budget	Variance ¹
	Notes	2016 \$'000	2016 \$'000	2016 \$'000
EXPENSES				
Write down and impairment of assets		198	-	198
Total expenses		198	-	198
LESS:				
Non-taxation revenue				
Fees and fines		57,940	58,227	(287)
Total non-taxation revenue		57,940	58,227	(287)
Total revenue		57,940	58,227	(287)
Total income		57,940	58,227	(287)
Net cost of / (contribution by) services		(57,742)	(58,227)	485
Surplus / (deficit)		(57,742)	(58,227)	485
Administered Schedule of Assets and Liabilities for not-for- as at 30 June 2016	profit Reporting E	Actual 2016	Original Budget 2016 \$'000	Variance ¹ 2016 \$'000
Net assets		+ 550	¥ 000	+ 500

^{1.} Explanations of major variances are provided in Note 22C, in sections corresponding to the number shown by way of note.

REPORTING OF BUDGETARY VARIANCES (CONT'D)

Note 22C: Explanations of Major Variances

The following explanations provide the reader with information on events that have impacted AUSTRAC's activities and operations for the year that were not provided for in the 2015-16 budget.

The budget numbers are sourced from the Portfolio Budget Statements (PBS) for 2015-16, which were prepared before the 2014-15 actual figures were known. As a consequence, the opening balances for the 2015-16 Statement of Financial Position in the PBS comprised estimates. In some cases, variances between the 2015-16 actual and budget numbers can be partly attributed to unanticipated movements in prior period figures. Budgeted numbers are not audited.

Major variances are those deemed relevant to an analysis of AUSTRAC's performance by management and are not focussed merely on numerical differences between the actual and budgeted amounts. This would include, for example, variances attributable to factors which would not reasonably have been identifiable at the time of the budget preparation such as revaluation or impairment of assets.

Readers should be aware that there will be consequential impacts on related statements. A variance in the Statement of Comprehensive Income is likely to have consequential impacts in the Statement of Financial Position and the Cash Flow Statement.

Departmental

Statement of Comprehensive Income

1) Departmental Expenses

Departmental expenses for 2015-16 are \$16.1m greater than originally budgeted. \$11.3m of this variance comprises losses on disposal of assets and charges for the write down and impairment of assets.

The impairment charge relates to the intangible asset known as AUSTRAC Intelligence – refer also to Notes 3D and 5B. The impairment arises from AUSTRACs decision to decommission this asset during 2016-17. The decision to decommission reflects AUSTRAC's strategy to cease investment in outdated technology and instead focus efforts on future requirements and technologies that will deliver better outcomes to partners. In the interim, we are maintaining analysis capabilities through our Traq Enquiry System (TES).

Excluding the write-down and impairment charges, departmental expenses are \$4.8m greater than budget. This is a result of AUSTRAC's decision to bring forward the delivery of certain initiatives supporting partner agencies. The additional expenses were partially funded through an increase in own source



REPORTING OF BUDGETARY VARIANCES (CONT'D)

2) Own Source Revenue

Own-source revenue is higher than budget and corresponds with the decision to bring forward the delivery of partner agency initiatives. Funding received from those agencies to support the nominated work programs has been recognised as revenue in order to match income with the associated expenditure.

Statement of Financial Position

3) Departmental Assets

Total departmental assets for 2015-16 are \$14.5m less than budget. The reduction in asset value has occurred within non-financial assets, in the categories of property, plant and equipment and intangibles. The reduction reflects AUSTRAC's strategic decision concerning the decommissioning of the AUSTRAC Intelligence asset and the recognition of the associated impairment.

Cash Flow Statement

4) Investing Activities

AUSTRAC purchased a lower value of property, plant and equipment than budget. The variance is primarily due to changes in the timing of project works. Scoping activities have extended beyond the original project timeline, which has pushed capital expenditure to later years.





APPENDIX A

APS EMPLOYEE STATISTICS

Our human resource statistics show operative and paid inoperative employees and unpaid inoperative employees at the end of the last five financial years.

Operative and paid inoperative employees

State	2011–12	2012–13	2013–14	2014–15	2015-16
Sydney	188	159	156	151	176
Melbourne	87	74	69	71	85
Canberra	22	19	19	24	52
Brisbane	18	21	17	12	14
Perth	2	2	3	2	1
Adelaide	2	2	2	2	2
Total	319	277	266	262	330

Unpaid inoperative employees

State	2011–12	2012–13	2013–14	2014–15	2015-16
Sydney	6	2	1	4	2
Melbourne	5	2	1	3	2
Canberra	0	0	0	0	0
Brisbane	1	0	0	0	0
Perth	0	0	0	1	0
Adelaide	0	0	0	0	0
Total	12	4	2	8	4

Note:

- non-ongoing, casual and part-time employees are included in the statistics, with part-time employees shown as full-time equivalents
- tables relating to operative and paid inoperative employees report actual occupancy as at 30 June each year this means when an employee was on paid leave on 30 June and another employee acted in the role, the table records two employees for the one role
- tables include employees engaged under the *Public Service Act 1999*
- numbers have been rounded up to whole numbers.

Employee figures at 30 June 2016

The table below provides a summary by classification and shows details of employees engaged under the *Public Service Act 1999*.

Public office holder			Exec	nior utive e (SES)	AUSTRAC Band 2 (EL2)		AUSTRAC Band 1 (EL1)		AUSTRAC Broadband 2 (APS levels 5-6)		AUSTRAC Broadband 1 (APS levels 1-4)		Total
Office	М	F	М	F	М	F	М	F	М	F	М	F	
Sydney	1	-	4	1	17	16	19	34	28	43	4	9	176
Melbourne	-	-	1	1	7	5	9	13	23	22	2	2	85
Canberra	-	-	3	1	6	8	9	9	7	9	-	-	52
Brisbane	-	-	-	-	-	-	3	2	3	5	-	1	14
Perth	-	-	-	-	-	-	-	1	-	-	-	-	1
Adelaide	-	-	-	-	-	-	-	1	1	-	-	-	2
Total	1		8	3	30	29	40	60	62	79	6	12	330

The table includes full-time and part-time employees, and non-ongoing and casual employees, as well as paid inoperative employees and those acting in a higher position at 30 June 2016.

It also includes the CEO who is engaged under the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006.*

Part-time and non-ongoing employees at 30 June 2016

The table below provides a summary of part-time and non-ongoing employees by classification and state.

Charles	Classification amount	Part-	time 20	15-16	Non-o	ngoing 2	015-16
State	Classification group	М	F	Total	М	F	Total
Sydney	Senior officer grades and equivalent	2	8	10	1	1	2
syuriey	APS 1-6 and equivalent	1	9	10	-	2	2
Mallagurrag	Senior officer grades and equivalent	-	6	6	-	1	1
Melbourne	APS 1-6 and equivalent	2	8	10	-	-	-
Canlaarra	Senior officer grades and equivalent	-	-	-	-	1	1
Canberra	APS 1-6 and equivalent	-	1	1	-	1	1
Drichana	Senior officer grades and equivalent	-	-	-	-	-	-
Brisbane	APS 1-6 and equivalent	-	1	1	-	-	-
Danah	Senior officer grades and equivalent	-	-	-	-	-	-
Perth	APS 1-6 and equivalent	-	-	-	-	-	-
A dalaida	Senior officer grades and equivalent	-	-	-	-	-	-
Adelaide	APS 1-6 and equivalent	-	-	-	-	-	-
Total		5	33	38	1	6	7

Substantive SES officers at 30 June 2016

Band	Sydney	Melbourne	Canberra
SES 2 male	2	-	-
SES 2 female	-	-	-
SES 1 male	1	1	2
SES 1 female	1	1	1
Total	4	2	3

This table excludes non-ongoing and unpaid inoperative SES employees.

During 2015-16 two ongoing SES employees ceased employment, and two ongoing SES employees commenced.

Equal employment opportunities in engagements

The table below summarises the representation of equal employment opportunity (EEO) groups. It shows the total number of ongoing AUSTRAC employees (including full-time and part-time) at 30 June 2016.

Total employees	EEO data recorded	Female staff		Non-English speaking background	or Iorres Strait	Person with a disability
338	98%	57%	43%	38%	0%	2%

Workplace relations

The table below outlines our non-SES employees salary ranges under our Enterprise Agreement at 30 June 2016, including individual flexibility arrangements.

Classification or equivalent	Salary range
APS1	46,609–51,005
APS2	52,763–58,039
APS3	58,917-64,194
APS4	65,073–72,110
APS5	72,989–80,024
APS6	81,781–120,960
EL1	99,945–139,050
EL2	116,493–177,398

Work Health and Safety

At AUSTRAC work health and safety (WHS) is supported through:

- implementing a robust WHS framework
- oversight and consultation by the Health and Safety Committee
- reviewing and updating WHS policies and processes
- maintaining a network of trained office duty holders, including harassment contract officers
- continuing to communicate agency and individual WHS responsibilities and awareness of hazards
- promoting the agency's Employee Assistance Program
- promoting a healthy work environment and work practices, including workplace inspections, and many staff receiving vaccinations as part of AUSTRAC's influenza vaccination program.

We use a risk management approach to WHS in the workplace. A database for recording and analysing WHS risks and incidents has assisted with analysis of incidents in the workplace and implementation of improved preventative measures.

In 2015-16 there were 30 incidents recorded on the system. There were no notifiable WHS incidents reported to Comcare.

In 2015-16 AUSTRAC had zero:

- investigations by Comcare
- issue of improvement notices by Health and Safety Representatives (section 90 of the Work Health and Safety Act 2011)
- issue of improvement notices by Comcare (section 191 of the *Work Health and Safety Act 2011*)
- issue of non-disturbance notices by Comcare (section 198 of the *Work Health and Safety Act 2011*).

APPENDIX B

AGENCY RESOURCE STATEMENTS 2015–16

	Actual available appropriations for 2015–16 \$'000	Payments made 2015–16 \$'000 (b)	Balance remaining \$'000 (a-b)
Ordinary Annual Services			
Prior year appropriation182	15,146	(15,146)	-
Departmental appropriation ^{3&4}	63,977	(53,321)	10,656
Section 74 Agency receipts per 2015–16 Portfolio Budget Statements	4,914	(4,914)	-
Additional section 74 receipts	(39)	39	-
Departmental appropriations		-	-
Total	83,998	(73,342)	10,656
Total ordinary annual services	83,998	(73,342)	10,656
Departmental non-operating			
Equity injections	4,750	-	4,750
Total	4,750	-	4,750
Total Resourcing and Payments	88,748	(73,342)	15,406

^{1.} Appropriation Act No.1 2014–15

^{2.} Appropriation Act No.3 2014–15

^{3.} Appropriation Act No.1 2015–16

^{4.} Appropriation Act No.1 DCB 2015–16

APPENDIX C

EXPENSES AND RESOURCES FOR OUTCOME FOR 2015–16

Outcome 1: A financial environment hostile to money laundering, financing of terrorism, major crime and tax evasion through industry regulation and the collection, analysis and dissemination of financial intelligence	*Budget 2015–16 \$'000 (a)	Actual expenses 2015–16 \$'000 (b)	Variation \$'000 (a)-(b)
Administered expenses			
Expenses not requiring appropriation in the Budget year	-	198	(198)
Departmental expenses			
Ordinary annual services (Appropriation Bill No.1)	69,507	85,639	(16,132)
Revenues from independent sources (section 74)	4,683	7,953	(3,270)
Expenses not requiring appropriation in the Budget year	8,718	8,394	324
Subtotal for Outcome 1	82,908	102,184	(19,276)
Total for Outcome 1			
Departmental	82,908	101,986	(19,078)
Administered	-	198	(198)

	2015–16	2014–15
Average staffing level (number)	284	267

^{*} Full year budget including any subsequent made to the 2015–16 budget

APPENDIX D

GLOSSARY

Abbreviation	Description
ACC	Australian Crime Commission
AFP	Australian Federal Police
AGD	Attorney-General's Department
AML/CTF	anti-money laundering and counter-terrorism financing
AML/CTF Act	Anti-Money Laundering and Counter-Terrorism Financing Act 2006
APG	Asia/Pacific Group on Money Laundering
AUSTRAC	Australian Transaction Reports and Analysis Centre
CDD	customer due diligence
DFAT	Department of Foreign Affairs and Trade
ExCom	Executive Committee (in AUSTRAC)
FATF	Financial Action Task Force
FIU	financial intelligence unit
FOI Act	Freedom of Information Act 1988
FTR Act	Financial Transaction Reports Act 1988
IFTI report	international funds transfer instruction report
ISIL	Islamic State of Iraq and the Levant
ML/TF	money laundering/terrorism financing
MOU	memorandum of understanding
PAPP	PPATK-AUSTRAC Partnership Program
PBS	Portfolio Budget Statement
PGPA Act	Public Governance, Performance and Accountability Act 2013
PPATK	Pusat Pelaporan dan Analisis Transaksi Keuangan (the Indonesian FIU)
SMR	suspicious matter report (under the AML/CTF Act)
SUSTR	suspect transaction report (under the FTR Act)
TTR	threshold transaction report (under the AML/CTF Act)

LIST OF REQUIREMENTS

		8 /	
PGPA Rule Reference	Part of Report	Description	Requirement
17AD(g)	Letter of tra	nsmittal	
17Al	p. 3	A copy of the letter of transmittal signed and dated by accountable authority on date final text approved, with statement that the report has been prepared in accordance with section 46 of the Act and any enabling legislation that specifies additional requirements in relation to the annual report.	Mandatory
17AD(h)	Aids to acce	SS	
17AJ(a)	pp. 4-5	Table of contents.	Mandatory
17AJ(b)	pp. 156-163	Alphabetical index.	Mandatory
17AJ(c)	p. 150	Glossary of abbreviations and acronyms.	Mandatory
17AJ(d)	pp. 151-155	List of requirements.	Mandatory
17AJ(e)	p. 164	Details of contact officer.	Mandatory
17AJ(f)	p. 164	Entity's website address.	Mandatory
17AJ(g)	p. 164	Electronic address of report.	Mandatory
17AD(a)	Review by a	ccountable authority	
17AD(a)	pp. 6-9	A review by the accountable authority of the entity.	Mandatory
17AD(b)	Overview of	the entity	
17AE(1) (a)(i)	p. 10	A description of the role and functions of the entity.	Mandatory
17AE(1) (a)(ii)	pp. 11, 14- 15, 32-33	A description of the organisational structure of the entity.	Mandatory
17AE(1)(a) (iii)	p. 11	A description of the outcomes and programmes administered by the entity.	Mandatory
17AE(1)(a) (iv)	p. 11	A description of the purposes of the entity as included in corporate plan.	Mandatory
17AE(1)(b)	N/A	An outline of the structure of the portfolio of the entity.	Portfolio departments mandatory
17AE(2)	p. 11	Where the outcomes and programmes administered by the entity differ from any Portfolio Budget Statement, Portfolio Additional Estimates Statement or other portfolio estimates statement that was prepared for the entity for the period, include details of variation and reasons for change.	If applicable, Mandatory

PGPA Rule Reference	Part of Report	Description	Requirement	
17AD(c)	Report on the Performance of the entity			
	Annual perf	Annual performance Statements		
17AD(c)(i); 16F	pp. 52-77	Annual performance statement in accordance with paragraph 39(1) (b) of the Act and section 16F of the Rule.	Mandatory	
17AD(c) (ii)	Report on Financial Performance			
17AF(1)(a)	pp. 78-79	A discussion and analysis of the entity's financial performance.	Mandatory	
17AF(1)(b)	pp. 148-149	A table summarising the total resources and total payments of the entity. $ \\$	Mandatory	
17AF(2)	N/A (p. 79)	If there may be significant changes in the financial results during or after the previous or current reporting period, information on those changes, including: the cause of any operating loss of the entity; how the entity has responded to the loss and the actions that have been taken in relation to the loss; and any matter or circumstances that it can reasonably be anticipated will have a significant impact on the entity's future operation or financial results.	If applicable, Mandatory.	
17AD(d)	Management and Accountability			
	Corporate Governance			
17AG(2)(a)	p. 82	Information on compliance with section 10 (fraud systems)	Mandatory	
17AG(2) (b)(i)	p. 82	A certification by accountable authority that fraud risk assessments and fraud control plans have been prepared.	Mandatory	
17AG(2) (b)(ii)	p. 82	A certification by accountable authority that appropriate mechanisms for preventing, detecting incidents of, investigating or otherwise dealing with, and recording or reporting fraud that meet the specific needs of the entity are in place.	Mandatory	
17AG(2) (b)(iii)	p. 82	A certification by accountable authority that all reasonable measures have been taken to deal appropriately with fraud relating to the entity.	Mandatory	
17AG(2)(c)	pp. 14-15, 32-33, 83	An outline of structures and processes in place for the entity to implement principles and objectives of corporate governance.	Mandatory	
17AG(2) (d) – (e)	p. 84	A statement of significant issues reported to Minister under paragraph 19(1)(e) of the Act that relates to noncompliance with Finance law and action taken to remedy noncompliance.	If applicable, Mandatory	
	External Scrutiny			
17AG(3)	p. 84	Information on the most significant developments in external scrutiny and the entity's response to the scrutiny.	Mandatory	
17AG(3)(a)	p. 84	Information on judicial decisions and decisions of administrative tribunals and by the Australian Information Commissioner that may have a significant effect on the operations of the entity.	If applicable, Mandatory	

PGPA Rule Reference	Part of Report	Description	Requirement
17AG(3)(b)		Information on any reports on operations of the entity by the Auditor General (other than report under section 43 of the Act), a Parliamentary Committee, or the Commonwealth Ombudsman.	If applicable, Mandatory
17AG(3)(c)	p. 84	Information on any capability reviews on the entity that were released during the period.	If applicable, Mandatory
	Managemen	nt of Human Resources	
17AG(4)(a)	pp. 84-85	An assessment of the entity's effectiveness in managing and developing employees to achieve entity objectives.	Mandatory
		Statistics on the entity's APS employees on an ongoing and nonongoing basis; including the following:	
17AG(4)(b)	pp. 144-146	 Statistics on staffing classification level; Statistics on fulltime employees; Statistics on parttime employees; Statistics on gender; Statistics on staff location; Statistics on employees who identify as Indigenous. 	Mandatory
17AG(4)(c)	p. 85	Information on any enterprise agreements, individual flexibility arrangements, Australian workplace agreements, common law contracts and determinations under subsection 24(1) of the <i>Public Service Act 1999</i> .	Mandatory
17AG(4) (c)(i)	p. 85	Information on the number of SES and nonSES employees covered by agreements etc identified in paragraph 17AG(4)(c).	Mandatory
17AG(4) (c)(ii)	p. 146	The salary ranges available for APS employees by classification level.	Mandatory
17AG(4) (c)(iii)	p. 85	A description of nonsalary benefits provided to employees.	Mandatory
17AG(4) (d)(i)	N/A (p. 85)	Information on the number of employees at each classification level who received performance pay.	If applicable, Mandatory
17AG(4) (d)(ii)	N/A	Information on aggregate amounts of performance pay at each classification level.	If applicable, Mandatory
17AG(4)(d) (iii)	N/A	Information on the average amount of performance payment, and range of such payments, at each classification level.	If applicable, Mandatory
17AG(4)(d) (iv)	N/A	Information on aggregate amount of performance payments.	If applicable, Mandatory
	Assets Management		
17AG(5)	p. 86	An assessment of effectiveness of assets management where asset management is a significant part of the entity's activities.	If applicable, mandatory

PGPA Rule Reference	Part of Report	Description	Requirement
	Purchasing		
17AG(6)	p. 86	An assessment of entity performance against the <i>Commonwealth Procurement Rules</i> .	Mandatory
	Consultants		
17AG(7)(a)	p. 86	A summary statement detailing the number of new contracts engaging consultants entered into during the period; the total actual expenditure on all new consultancy contracts entered into during the period (inclusive of GST); the number of ongoing consultancy contracts that were entered into during a previous reporting period; and the total actual expenditure in the reporting year on the ongoing consultancy contracts (inclusive of GST).	Mandatory
17AG(7)(b)	p. 86	A statement that "During [reporting period], [specified number] new consultancy contracts were entered into involving total actual expenditure of \$[specified million]. In addition, [specified number] ongoing consultancy contracts were active during the period, involving total actual expenditure of \$[specified million]".	Mandatory
17AG(7)(c)	p. 86	A summary of the policies and procedures for selecting and engaging consultants and the main categories of purposes for which consultants were selected and engaged.	Mandatory
17AG(7)(d)	p. 86	A statement that "Annual reports contain information about actual expenditure on contracts for consultancies. Information on the value of contracts and consultancies is available on the AusTender website."	Mandatory
	Australian National Audit Office Access Clauses		
17AG(8)	pp. 86-87	If an entity entered into a contract with a value of more than \$100 000 (inclusive of GST) and the contract did not provide the AuditorGeneral with access to the contractor's premises, the report must include the name of the contractor, purpose and value of the contract, and the reason why a clause allowing access was not included in the contract.	If applicable, Mandatory
	Exempt contracts		
17AG(9)	p. 87	If an entity entered into a contract or there is a standing offer with a value greater than \$10 000 (inclusive of GST) which has been exempted from being published in AusTender because it would disclose exempt matters under the FOI Act, the annual report must include a statement that the contract or standing offer has been exempted, and the value of the contract or standing offer, to the extent that doing so does not disclose the exempt matters.	If applicable, Mandatory

PGPAR Rule Reference Part of Report Description Requirement 17AG(10) (a) A statement that "IName of entity] supports small business participation in the Commonwealth Government procurement market. Small and Medium Enterprises (SME) and Small Enterprise participation statistics are available on the Department of Finance's website." Mandatory 17AG(10) (b) p. 87 An outline of the ways in which the procurement practices of the entity support small and medium enterprises. Mandatory 17AG(10) (c) N/A If the entity is considered by the Department administered by the Finance Minister as material in nature — a statement that "Name of entity] recognises the importance of ensuring that small businesses are paid on time. The results of the Survey of Australian Government Payments to Small Business are available on the Treasury's website." If applicable, Mandatory 17AD(e) pp. 92-141 Inclusion of the annual financial statements in accordance with subsection 43(4) of the Act. Mandatory 17AH(1) (a)(i) N/A If the entity conducted advertising campaigns, a statement that "During Ireporting period], the Iname of entity] conducted the following advertising campaigns: iname of advertising campaigns is available at Iname advertising campaigns is available at Iname advertising prepared by the Department of Finance. Those reports are available on the Department of Finance's website." If applicable, Mandatory 17AH(1) (a)(ii) p. 89 If the entity did not conduct advertising campaigns, a s		3 / 1		
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