



Australian Government

AUSTRAC

AUSTRALIA'S
FINANCIAL INTELLIGENCE
AGENCY



2016-17

AUSTRAC
ANNUAL REPORT

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Index: Karen Gillen

**Australian Transaction Reports
and Analysis Centre**

Zenith Centre, 821 Pacific Highway
Chatswood, Sydney, NSW
Telephone +612 9950 0055



Australian Government
AUSTRAC

Correspondence

PO Box 5516
West Chatswood, NSW 1515, Australia
Facsimile +612 9950 0054
www.austrac.gov.au

OFFICE OF THE CHIEF EXECUTIVE OFFICER

4 October 2017

The Hon Michael Keenan MP

Minister for Justice

Minister Assisting the Prime Minister for Counter-Terrorism

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 2017.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Peter Clark'.

Peter Clark

ACTING CHIEF EXECUTIVE OFFICER



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OUR YEAR IN REVIEW



\$45 MILLION

RECORD CIVIL PENALTY ORDERED
AGAINST TABCORP

12%
INCREASE

OUR DATA CONTRIBUTED TO:



379

Human
Services
reviews

17%
MORE THAN
TARGET



\$17.25M
in savings

from increased detection
of welfare fraud

IFTI

International funds
transfer instructions



2016-17

2015-16

0 20 million 40 million 60 million 80 million 100 million 120 million

TTR/SCTR

Threshold transaction
reports / Significant
cash transactions report



2016-17

2015-16

0 1 million 2 million 3 million 4 million 5 million

SMR/SUSTR

Suspicious matter
reports / Suspect
transaction reports



2016-17

2015-16

0 20,000 40,000 60,000 80,000

78%
INCREASE

in SMRs submitted by superannuation sector
since publication of sector risk assessment



783

INTELLIGENCE PRODUCTS

783 intelligence products
shared with law enforcement
and intelligence partners.

27%
INCREASE

2.7M

PARTNER AGENCY SYSTEM ACCESS

Partner agencies conducted 2.7
million searches of our data.

20

METHODOLOGY BRIEFS

We disseminated 20
methodology briefs to reporting
entities and partner agencies.

67%
INCREASE

4

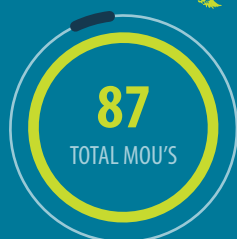
RISK ASSESSMENTS

We published 3 industry risk
assessments and 1 regional
risk assessment.

COUNTRIES HIGHLIGHTED IN **GREEN** HAVE SIGNED MOU'S WITH AUSTRAC. MOU'S SIGNED IN 2016-17 IN **BLUE**.



4
NEW MOU'S
SIGNED
IN 2016-17



PAPP

PPATK/AUSTRAC Partnership Program

80% ▲

growth in information exchanges between
AUSTRAC and its **Indonesian** counterpart

AAPP

Philippines Anti-Money
Laundering Council-
AUSTRAC Partnership
Program

PNGCC

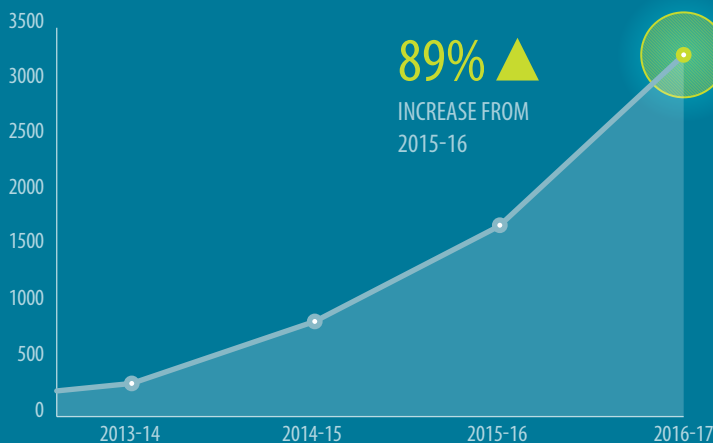
Papua New Guinea -
Combating Corruption
Program

IndoARC

Indonesian Alternative Remittance
Cash Courier Program

120% ▲

growth in exchanges between AUSTRAC and
its **Malaysian** counterpart



89% ▲
INCREASE FROM
2015-16

3,255
INTERNATIONAL
INTELLIGENCE
EXCHANGES

188%
INCREASE

\$36 MILLION

IN DEREGULATORY SAVINGS FOR INDUSTRY



CEO's REVIEW

PETER CLARK


ACTING CEO

Peter is the Acting AUSTAC Chief Executive Officer (CEO). Peter's substantive role is Deputy CEO International and Policy, where he has senior executive leadership of AUSTAC's Strategic Intelligence & Policy and International Operations branches.

Internationally, Peter chairs the Egmont Group's Information Exchange Working Group and is co-chair of the Financial Action Task Force's Risk, Trends and Methods Group.

"...we have continued to support law enforcement and national security partners in our shared objective to protect the Australian community from terrorism and organised crime..."





The past 12 months have been a period of significant change and delivery for AUSTRAC. We have harnessed the collective knowledge and experience of industry and government to deliver new insights into risks to the financial sector. The breadth of our work has expanded and our organisational tempo has increased. Our program to invest in our leadership and build a collaborative culture is yielding results.

AUSTRAC holds the view that Australians are best protected from the harms of financial crime when the collective efforts and expertise of the private and public sectors are applied to addressing the highest risks to the financial system.

Accordingly, we have mobilised our relationship with industry to generate new understandings of sector and product-based money laundering and terrorism financing (ML/TF) risks. We are working with the financial sector to develop an innovative regulatory model that will provide better and more tailored support to our 14,000 reporting entities.

Through the integrated focus of our intelligence and regulatory functions, we have continued to support law enforcement and national security partners in our shared objective to protect the Australian community from terrorism and organised crime.

We have been forging new international relationships. At the same time, we are providing technical assistance and training to Association of South-East Asian Nations partners to counter the threats facing countries across the South-East Asia region.

During the year, we farewelled our CEO, Paul Jevtovic APM, whose leadership and strong focus on organisational culture strengthened the foundations for the agency's recognition as a global leader in anti-money laundering and counter-terrorism financing.

COLLABORATION WITH INDUSTRY

AUSTRAC's objective to create a public-private partnership committed to combating serious financial crime and terrorism financing was realised in March 2017, with the formal launch of Fintel Alliance by the Minister for Justice and Minister Assisting the Prime Minister on Counter-Terrorism, the Hon Michael Keenan MP.

Part of this comprised the establishment of the Operations Hub for representatives of the financial sector and government to share intelligence and expertise, to harden the financial sector and support law enforcement responses against serious and organised crime.

We also developed the Financial Intelligence Analyst Course (FIAC), in partnership with industry, academia and international partners to improve the financial intelligence tradecraft of government and industry professionals. FIAC was piloted for the first time in February 2017.

We established the Fintel Alliance Smarter Regulation Program in November 2016. This has seen AUSTRAC and industry co-designing a regulatory model tailored to reporting entities, their regulatory needs and nature, size and complexity.

Over the past 12 months, AUSTRAC collaborated with industry to develop and publish sector and product-based risk assessments covering the superannuation sector, financial planning industry and stored value cards.

We also continued our 'Know Your Industry' program, engaging with different sectors of the financial industry to generate opportunities for greater collaboration, identify obstacles faced by sectors, and improve our knowledge of our reporting entities.

HARDENING INDUSTRY

Over the past 12 months, we diversified our risk-based approach to ensuring compliance with the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (AML/CTF Act).

In March 2017, the largest civil penalty in corporate Australian history—\$45 million—was ordered against Tabcorp by the Federal Court of Australia, for contraventions of the AML/CTF Act on 108 occasions over a period of more than five years.

In 2016-17 we continued our program of compliance assessments and behavioural reviews of reporting entities. We also conducted campaigns on casino junkets, pubs and clubs, correspondent banking, cheque registers and suspicious matter reports (SMRs), issuing new guidance to help industry better understand their risks. This has translated into more valuable SMRs being provided to AUSTRAC by industry.

We worked closely with law enforcement partners to target non-compliant remittance service providers. This included the suspension or cancellation of five remitter registrations, as well as the first conviction in Australia for operating an unregistered remittance service. AUSTRAC also continued to proactively engage with the sector, conducting Know Your Industry programs and working with individual remitters to improve their management of ML/TF risks.

SUPPORTING OUR DOMESTIC PARTNERS

AUSTRAC's intelligence is a national asset and remains critical to our law enforcement and national security partners.

We contributed to national investigations to, among other things, disrupt drug importations and restrain proceeds of crime. Our intelligence has also been the catalyst for investigations into money laundering and other serious crime.

Our intelligence continued to support domestic and international counter-terrorism investigations, including terrorism financing in the context of foreign fighters travelling to the conflict zone.

AUSTRAC's intelligence was critical to other achievements including detecting non-compliance by reporting entities, industry outreach and education on ML/TF methodologies, and contributing to ongoing reforms of the AML/CTF regime.

As part of the Serious Financial Crime Task Force (SFCT), AUSTRAC intelligence contributed to the outcomes achieved by this taskforce. The SFCT raised \$258.86 million in tax liabilities with \$126.1 million recouped by the Australian Taxation Office in 2016-17.

Our financial intelligence capability protected Australian Government revenue by contributing to \$116 million in income tax assessments (2,518 cases). This brings our total contribution to tax assessments raised to nearly \$2.7 billion over the past 10 years.

Our investment in data analysis, in partnership with the Department of Human Services, generated \$17.25 million in savings in the 2016-17 financial year from increased detection of welfare fraud.

SUPPORTING OUR INTERNATIONAL PARTNERS

The security and stability of South-East Asia is critically important to Australia's national interests, and our work with counterparts in the region is a primary focus for us.

In August 2016 we co-hosted, with Indonesia's financial intelligence unit, the second regional CTF Summit in Bali, attended by more than 250 delegates from 25 countries. At the Summit we launched the first regional risk assessment on terrorism financing.

As part of the CTF Summit and in partnership with our regional counterparts, we established three working groups to prioritise regional action against terrorism financing, build capability to improve information sharing, and improve community and industry education.

Supported by the Department of Foreign Affairs and Trade, we also conducted technical assistance and training programs in the Philippines, Papua New Guinea and Indonesia. This included support for Indonesia's mutual evaluation preparations, as well as analyst and regulatory exchange programs.

Over 2016-17, we embarked on a program of proactive intelligence sharing with international counterparts, and signed intelligence-sharing memorandums of understanding with China, Cambodia, Jordan and Papua New Guinea. We continued to support the objectives of the Financial Action Task Force and Egmont Group, ahead of the Egmont Plenary 2018 in Australia.

LOOKING TO THE FUTURE

AUSTRAC has continued to invest in modernising our regulatory approach.

In partnership with the Attorney-General's Department, we collaborated with industry to develop recommendations for reforms arising from the statutory review of the AML/CTF Act, Rules and regulations. This will result in a simpler, streamlined and stronger AML/CTF regime.

AUSTRAC established a dedicated web page for FinTech businesses and other start-ups to engage directly with us on compliance and reporting obligations under the AML/CTF regime. We received more than 40 enquiries that supported the establishment of new entrants into the financial services market.

In 2016-17 we focused on improving the efficiency and effectiveness of the AML/CTF regime. We achieved regulatory savings of just over \$36 million by using our rule-making and exemption powers to provide regulatory relief from requirements under the *Financial Transaction Reports Act 1988* (FTR Act), AML/CTF Act and AML/CTF Rules.

Our achievements are the product of our partnerships, but more importantly, our people. It has been the willingness of the AUSTRAC community to embrace change and commit to excellence that has seen us go from strength to strength. It has been an honour to work with and lead the people of AUSTRAC on this journey to deliver our vision of a financial system free from criminal abuse.



PETER CLARK

Acting Chief Executive Officer
AUSTRAC

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“...our expert analysts
‘join the dots’ to
provide a valuable
financial intelligence
picture...”

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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. AUSTRAC has a key role in protecting the Australian community and economy from the risks and threats of money laundering and terrorism financing (ML/TF).

AUSTRAC is an agency within the Attorney-General's portfolio, with the AUSTRAC CEO reporting to the Minister of Justice and Minister Assisting the Prime Minister for Counter-Terrorism.

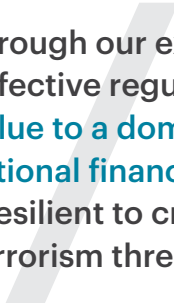
Our purpose, as stated in the *AUSTRAC corporate plan 2016-20*, is to discover, understand and disrupt criminal financial activity.

Our purpose is underpinned by the objectives of the AML/CTF Act:

- to fulfil Australia's international obligations, including to combat ML/TF
- to address matters of international concern, including the need to combat ML/TF
- by addressing those matters of international concern, to enhance Australia's relations with foreign countries and international organisations.

AUSTRAC operates in a complex, dynamic and global environment. Advances in technology, increasing globalisation and the movement of people and wealth across borders generate significant benefits for all Australians. Serious and organised crime is a persistent threat to Australia. It is adaptable and flexible, adopting new technologies and business models to integrate illicit activity with the legitimate 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 actionable 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, fraud and tax evasion.



**“...through our expertise
and effective regulation we
add value to a domestic and
international financial system
that is resilient to criminal and
terrorism threats...”**

Our relationships with partner FIUs play an integral part of global efforts to combat crime. A key way we accomplish this is by facilitating intelligence exchanges between AUSTRAC and the rest of the world.

As Australia's AML/CTF regulator, we regulate more than 14,250 businesses with obligations under the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (AML/CTF Act) and the *Financial Transaction Reports Act 1988* (FTR Act). We use a collaborative approach to support businesses to become knowledgeable, vigilant, engaged and capable of preventing, detecting and responding to threats of criminal abuse and exploitation. We educate, monitor and promote compliance with the legislation and in some circumstances, enforce compliance through more formal mechanisms.

Our regulated entities range from major banks and casinos to single-operator businesses, in the financial services and gambling sectors, bullion dealers, remittance service providers, and 'cash dealers' (the latter under the FTR Act).

Through our expertise 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 an integral part of the solution.

ORGANISATIONAL STRUCTURE



OUTCOME AND PROGRAMME

AUSTRAC has one outcome and one programme, as noted in our 2016-17 Portfolio Budget Statement.

Our **outcome** is:

The protection of the financial system from criminal abuse through actionable financial intelligence and collaboration with domestic and international partners.

The **objective of our programme** is to detect, deter and disrupt money laundering and terrorism financing risks and threats that affect Australia's financial system, and to contribute to the growth of Australia's economy.

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

Our **purpose** is to discover, understand and disrupt criminal financial activity in the following ways:

- **Discover**—collect and share actionable intelligence to enable us, and our partners, to identify criminal financial activity
- **Understand**—collaborate with our partners to analyse and understand new and emerging threats and risks
- **Disrupt**—disrupt and prevent exploitation of the financial system and criminal abuse through our compliance and intelligence activities

OUR PERFORMANCE FRAMEWORK

AUSTRAC is subject to the *Public Governance, Performance and Accountability Act 2013* (PGPA Act). Our performance framework is designed to assess our agency's ability to deliver on our purpose. The framework directly links our purpose and performance criteria and aligns with our 2016-17 Portfolio Budget Statement and performance information.

Our progress against our 2016-20 corporate plan is detailed in the annual performance statement in this report. We also measure our performance against the Regulator Performance Framework, through an annual self-assessment validated by industry and published by the end of each calendar year on our website.

“

“...Innovation,
Information & Analytics
co-designs useful,
innovative solutions
in collaboration with
partner agencies and
industry...”

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OUR CAPABILITIES

AUSTRAC's capabilities are structured in three divisions:

INTERNATIONAL & POLICY /

OPERATIONS /

CORPORATE /

INTERNATIONAL & POLICY DIVISION

Our international capability drives our AML/CTF engagement with international stakeholders and multilateral bodies such as the Financial Action Task Force, Egmont Group of FIUs and the Asia/Pacific Group on Money Laundering. It also broadens AUSTRAC's international footprint through initiatives such as the annual CTF Summit.

We work closely with the Department of Foreign Affairs and Trade, the Attorney-General's Department (AGD), whole-of-government partners and international FIUs. This helps us deliver partnership and capacity-building initiatives through technical assistance and training programs. We are also responsible for AUSTRAC's international risk matrix to plan and prioritise international engagement.

The International and Policy division also encompasses the agency's ML/TF risk assessment work. This includes extensive collaboration with our partners in industry and government, to better understand sectoral and product-based risks.

Our policy capability works closely with AGD, whole-of-government partners and industry, to develop policy for streamlining, modernising and enhancing the AML/CTF legislative framework.

BRADLEY BROWN

ACTING DEPUTY CEO INTERNATIONAL & POLICY

Bradley has led various teams in AUSTRAC, including Strategic Intelligence and Policy, Intelligence, Program Management, Government Relations and International Policy. Bradley joined AUSTRAC in 2004 after a 15-year career with the Queensland Police.



DAVID HAWKINS

ACTING NATIONAL MANAGER,
STRATEGIC INTELLIGENCE & POLICY

David has worked in a variety of leadership roles at AUSTRAC covering risk assessments, strategic analysis, industry exemptions and AUSTRAC's international engagement. Prior to joining AUSTRAC, he worked at the University of Sydney and has worked for global banks in Sydney and London.

DORIS LECUNA

ACTING NATIONAL MANAGER,
INTERNATIONAL OPERATIONS

Doris leads AUSTRAC's international footprint and engagement strategy. Doris previously held roles including at the Reserve Bank of Australia and the Securities Institute of Australia (SIA). At SIA Doris was posted to the Asian Development Bank to manage a training initiative to enhance the technical skills of regulators and supervisors in the region.



OPERATIONS DIVISION

The Operations Division comprises our Intelligence, Compliance, and Legal Strategy & Solutions capabilities.

Intelligence is responsible for analysing financial transaction reports data, producing intelligence products and working with domestic partner agencies and international counterpart FIUs, to assist them in using AUSTRAC intelligence to further their operational activities.

Compliance is responsible for AUSTRAC's supervision activities. This includes assessment and campaign activities, enrolment and registration, education, guidance and support.

Legal Strategy & Solutions (LSS) provides in-house legal services and assists AUSTRAC's business areas to comply with legislation and achieve regulatory goals. LSS uses powers under the AML/CTF Act to enquire into and pursue enforcement of non-compliant reporting entities.

LSS assesses requests from regulated entities for exemptions from the AML/CTF Act or FTR Act. LSS also negotiates agreements with our domestic partner agencies for access to and use of AUSTRAC information, and develops AML/CTF Rules under the AML/CTF Act.

ANGELA JAMIESON

ACTING DEPUTY CEO, OPERATIONS

Angela has significant experience in both the public and private sectors as a leader in Compliance and Forensic Accounting. Angela has been at AUSTRAC for almost ten years in various Compliance roles and as a Senior Executive leader. Angela is also the Senior Responsible Officer for Fintel Alliance, the public and private partnership program.

RACHEL CHALLIS

ACTING NATIONAL MANAGER, COMPLIANCE

Rachel leads AUSTRAC's efforts to enable, support and monitor compliance by industry with their legislative obligations, and improve the quality and timeliness of financial intelligence. Rachel has a long career in the Australian intelligence community and a PhD in high energy physics.



JOHN VISSER

NATIONAL MANAGER, INTELLIGENCE

John's career includes leadership roles in AUSTRAC's regulatory, intelligence and corporate capabilities. John was instrumental in the development and implementation of AUSTRAC's monitoring, analysis, data mining and intelligence systems. John has represented AUSTRAC in national and international AML, law enforcement and intelligence forums.

KATHRYN HAIGH

NATIONAL MANAGER, LEGAL STRATEGY & SOLUTIONS (GENERAL COUNSEL)

Kathryn joined AUSTRAC in September 2016 and leads our legal services team, focusing on solutions that facilitate the agency's business priorities. Kathryn also leads AUSTRAC's enforcement, exemptions and AML/CTF Rules teams. Kathryn has held senior leadership positions with the Commonwealth Director of Public Prosecutions, and worked at AGD on transnational crime issues including AML/CTF.



CORPORATE DIVISION

The Corporate Division encompasses the following capabilities: People and Integrity; Innovation, Information and Analytics; Finance; Property; Procurement; Technology Services; Internal Audit; and Governance and Risk.

People and Integrity develops and sustains our high-performing culture, through optimal employee conditions, strengthening workforce capability and fostering a productive, supportive working environment. It also manages AUSTRAC's protective security, integrity framework, and oversees fraud and corruption risks.

Innovation, Information and Analytics co-designs useful, innovative solutions in collaboration with partner agencies and industry. It develops new, intelligent approaches and instils a mindset of continuous improvement of our data and information.

The Finance capability oversees and administers finance, procurement and contract services across the agency.

The Technology Services capability looks after the core IT infrastructure of AUSTRAC's corporate and business solutions.

Internal Audit is an independent function that provides assurance to the AUSTRAC CEO that our financial and operational controls are efficient, effective, economical and ethical. The unit also assists in improving business performance through reviews and recommendations.

Governance and Risk drives and implements AUSTRAC's governance framework, and works across the agency to identify and address strategic, operational and corporate risks.

ORGANISATIONAL STRATEGY & COMMUNICATIONS

AUSTRAC's capabilities are supported by our Organisational Strategy and Communications section. This incorporates media, strategic communications, parliamentary and ministerial relations, and planning and performance functions.

GAVIN McCAIRNS

DEPUTY CEO CORPORATE

Gavin joined AUSTRAC in January 2016 from the Department of Immigration and Border Protection, where he established the Research and Innovation Division and worked in risk, serious and organised crime, strategy, intelligence, policy, operational and technology areas. Gavin has also worked for other large Commonwealth and NSW State Government agencies. Gavin migrated to Australia in 1991, after a distinguished career in the United Kingdom and Europe in the public, private and community sectors.

GILLY NEELEY

NATIONAL MANAGER, PEOPLE & INTEGRITY

Gilly leads the property, security, integrity and human resources functions to deliver a safe, trusted and high-performing working environment. 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).

LEANNE FRY

ACTING CHIEF INNOVATION OFFICER & CHIEF INFORMATION OFFICER

Leanne's remit is to deliver advanced analytics and customer service platforms to enable AUSTRAC to innovate, working closely with industry and partners. Formerly CIO and Chief Digital Officer at the Office of the Fair Work Ombudsman, Leanne's experience ranges across multiple private and public sectors.



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“...we collect and share actionable intelligence to enable us and our partners to discover criminal financial activity...”

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OUR PERFORMANCE

ANNUAL PERFORMANCE STATEMENT

INTRODUCTORY STATEMENT

I, Gavin McCairns, as the accountable authority of AUSTRAC, present the 2016-17 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 2016-20* and the agency's 2016-17 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 2017.









GAVIN McCAIRNS

Acting Chief Executive Officer

as at 20 September 2017




RESULTS LEGEND

					
Achieved	Partially achieved	Not achieved	Criterion source	Rating	APS supplementary analysis*

* The 'Annual performance statement (APS) supplementary analysis' section of this report provides more detailed information about the results against performance criterion where relevant. Numbers referenced next to the paper-clip icon are references to the corresponding supplementary analysis.




PURPOSE: DISCOVER

We collect and share actionable intelligence to enable us and our partners to discover criminal financial activity

PBS CRITERION		
Effectiveness of a domestic and international information exchange network to detect and monitor existing and emerging money laundering and terrorism financing threats	PBS, p.186	

Results against performance criterion

Our performance against the criterion above is evidenced by our outcomes and achievements reported below, in line with the *AUSTRAC corporate plan 2016-20* performance criteria.

PERFORMANCE CRITERION		
1.1. Improved capability by us and by industry to detect money laundering and terrorism financing (ML/TF) risks, methods, vehicles and channels	Corporate plan, p.19	

Results against performance criterion

Fintel Alliance is contributing to the transformation of our ML/TF detection capability by enabling greater communication and exchange between our private and public sector partners and us. We piloted our **Financial Intelligence Analyst Course (FIAC)** in 2017 to improve the financial intelligence analysis skills of AUSTRAC and our partners.



APS supplementary analysis: 1, 1.4

In August 2016, we co-hosted the **Counter-Terrorism Financing (CTF) Summit 2016**. This included launching a world-first **regional risk assessment** that identified primary terrorism financing risks from across a broad spectrum.



APS supplementary analysis: 3.1, 2.1

We implemented a new approach to understanding and communicating ML/TF risks in Australia: the development of sector and product **risk assessments**. These combine expertise and professional insights from the financial sector, with law enforcement and AUSTRAC information. We published three risk assessments, on superannuation, financial planning and stored value cards (SVCs). We commenced other risk assessments that will be published in 2017-18.



APS supplementary analysis: 2.2

We produced 20 **methodology briefs** that assist reporting entities to identify ML/TF risks. This enhances suspicious matter report (SMR) quality and reporting.



APS supplementary analysis: 4.1

In 2017 we conducted a campaign to assist reporting entities to produce better-quality SMRs. This involved examining more than 1,500 SMRs submitted by AUSTRAC's higher-volume SMR reporters.

By providing feedback, we increased awareness of SMR reporting obligations, the insights they can provide on emerging ML/TF risk, and the value of SMR intelligence.

We produced 17 **operational intelligence reports** targeted at our government partners, to highlight current risks. These will inform and influence government policy and law enforcement investigations.

We initiated a **Cyber Operations team** in August 2016 to focus on discovering the financial aspects of cybercrime. The team is assisting partner agencies to combat the cybercrime threat to Australia's financial sector.



APS supplementary analysis: 4.2

We expanded our **online case studies hub** to include New Zealand financial intelligence unit (FIU) case studies, to share knowledge of ML/TF in the Pacific region. We uploaded eight Australian case studies and 10 New Zealand case studies, bringing the total to 82. With more than 14,000 unique page views of the case studies, this was a substantial increase from less than 10,000 last year. The case studies demonstrate the intelligence value of the reports we receive from industry. Real-life cases help to combat serious and organised crime and terrorism financing. They provide indicators to educate reporting entities to detect and report these types of activities.

We conducted various **compliance activities with industry** to improve detection of ML/TF risks, methods, vehicles and channels. This helps entities understand how to mitigate those risks through their anti-money laundering and counter-terrorism financing (AML/CTF) obligations.





APS supplementary analysis: 5.1

In 2016-17 we enhanced our risk framework through development of the **Breach Evaluation and Response (BEAR)**. This intelligence-led risk-based framework targets efforts where ML/TF risks are greatest. BEAR provides a method to make an evidence-based risk assessment of an ML/TF breach. It gives a structured decision-making process to determine a proportionate response. As a result of using BEAR we applied targeted and proportionate responses to breaches by reporting entities including:


- issuing written notices requesting further information and documentation
- issuing compliance assessment reports
- entity guidance and education
- reviewing remitter registrations.

In some cases an assessment led us to decide no further action was required.

PERFORMANCE CRITERION		
1.2. Improved use of financial intelligence and AML/CTF information by domestic and international partners to generate insights and information exchange on new and emerging risks	Corporate plan, p.19	


Results against performance criterion

Fintel Alliance enabled greater insights and information exchange with our domestic partners, regarding new and emerging risks.




 **APS supplementary analysis: 1**

There was significant growth in partner agency access to our intelligence, enhancing their ability to discover criminal financial activity. There was a 27 per cent increase in partner agency searches of AUSTRAC data—from 2.1 million in 2015-16, to 2.7 million this year.

Our **methodology briefs** for our partners provided timely intelligence on emerging ML/TF trends, threats and vulnerabilities, and indicators for detection. Topics included child sexual exploitation (CSE), money mules and superannuation fraud. Some of these briefs were prepared for our international partners, including the 'Five Eyes' (comprising Australia, Canada, New Zealand, the United Kingdom and USA).

 **APS supplementary analysis: 4.1**

Information exchanges with our international partners continued to increase, on transnational priority crime types. Contributing to this was the first trilateral analyst exchange program with our Indonesian and Malaysian counterpart FIUs. Through such initiatives and other information exchanges, there was approximately 80 per cent growth in exchanges with our Indonesian counterpart, and 120 per cent growth with our Malaysian counterpart.

PERFORMANCE CRITERION		
1.3. Broadened domestic and global relationships for more effective information exchange	Corporate plan, p.19	

Results against performance criterion

We reviewed and updated **memorandums of understanding (MOUs)** with six of our 46 domestic partner agencies. Updates included IT security, information-sharing and feedback processes. This contributed to maintaining a robust framework for information exchange, and promoted greater reciprocal information exchange with domestic partners.

We updated 10 instruments authorising access to AUSTRAC information. This expands the number of people authorised to use AUSTRAC information. It keeps our domestic networks current and relevant to partner needs.

We strengthened our international exchange framework by signing new international MOUs with four countries, bringing the total to 87. This included China's Anti-Money Laundering Monitoring and Analysis Center, and Papua New Guinea's Financial Analysis and Supervision Unit. These were a major step forward in expanding our global footprint.

Our leadership roles in forums that contribute tangible and practical outcomes, help increase international cooperation and the exchange of information and intelligence. In 2016-17:

- our Acting CEO chaired the **Egmont Group of FIUs** Information Exchange Working Group and co-chaired the FATF's RTMG
- AUSTRAC continued to be a member of the **Asia/Pacific Group (APG) on Money Laundering's** Mutual Evaluation Working Group
- we continued to be an observer member of the **Middle East & North Africa Financial Action Task Force (MENAFATF)**.

We held six **international information disclosure** days to 39 FIUs. This was to maximise the value of our financial intelligence holdings and increase our engagement with counterpart FIUs. This builds operational relationships leading to enhanced information flows back to AUSTRAC.

AUSTRAC chaired the **International Supervisors Forum** (ISF) for 2017. ISF comprises AML/CTF regulators from Australia, Canada, New Zealand, United Kingdom and USA. It allows information sharing and operational practices to improve collaboration, strengthening domestic and international compliance and supervisory frameworks.

We participated in an ISF workshop in December 2016 and presented to industry participants. ISF met with three of the world's largest remittance network providers and is examining ways to reduce ML/TF risks in the industry. AUSTRAC shared information on our regulatory policies and procedures, and entity-specific assessment and enforcement outcomes.

During 2016-17 we hosted short-term regulatory exchanges of staff from the New Zealand Department of Internal Affairs. This included sharing compliance campaign and enforcement outcomes, policy positions and typologies.

Our international **technical assistance and training** (TA&T) provided support through intelligence exchange, mutual evaluation preparation and counter-terrorism cooperation. Programs included:

- PPAATK-AUSTRAC Partnership Program (PAPP) with Indonesia's FIU, Pusat Pelaporan dan Analisis Transaksi Keuangan (PPATK)
- Indonesian Alternative Remittance Cash Courier (IndoARCC) Program
- Philippines Anti-Money Laundering Council-AUSTRAC Partnership Program (AAPP)
- Combating Corruption—Strengthening the Financial System against Money Laundering and Recovering Proceeds of Crime in Papua New Guinea (PNGCC) program.



APS supplementary analysis: 3.2

The analyst exchange program with Indonesia and Malaysia improved our understanding of common analytical approaches. It enhanced our bilateral and trilateral relationships, encouraging greater collaboration through information exchanges.

In 2016-17 we conducted 3,255 **exchanges of financial intelligence** with international FIUs—a significant increase from 1,723 in 2015-16. Exchanges were with 87 FIUs—seven more than the year before. We facilitated 115 outgoing requests for information on behalf of our domestic partner agencies. This supports their investigations and intelligence-collection initiatives.


We participated in two Egmont projects to increase intelligence sharing between participating FIUs. This related to foreign terrorist fighters and associated networks. We were a leading contributor in terms of the total number of exchanges to the projects. This demonstrates a significant enhancement in our international footprint and level of collaboration with the international FIU community.

We embarked on a **'Know Your Regulator'** program to collaborate with other regulators. We discussed current and future challenges and leveraged off each other's knowledge and expertise. This initiative will continue to develop.

As part of our **'Know Your Industry'** program we visited Canterbury Park Racecourse. This was to gain more understanding of on-course bookmakers and back-end operations of the track, and the potential money laundering risks in the industry. AUSTRAC staff met with bookmakers and the state gaming regulator. We will continue to work with the industry throughout 2017 to build a shared understanding of risks and produce targeted guidance.




PURPOSE: **UNDERSTAND**

We collaborate with our partners to analyse and understand new and emerging threats and risks

PBS CRITERION		
The ongoing value to domestic and international partner agencies, taskforces and industry of financial intelligence capability, information and intelligence products produced by AUSTRAC	PBS, p.186	

Results against performance criterion

Our performance against the criterion above is evidenced by our outcomes and achievements reported below, in line with the *AUSTRAC corporate plan 2016-20* performance criteria.

PERFORMANCE CRITERION		
2.1. Timely analysis of information and generation of intelligence that contributes to a national and international understanding of ML/TF risks	Corporate plan, p.19	

Results against performance criterion

In 2016-17 we received **112,533,536 reports** from industry. This equates to more than 300,000 reports per day and was approximately an 11 per cent increase from the previous year. The reports comprised 74,120 SMRs, 4,515,411 threshold transaction reports and 107,944,005 international funds transfer instruction (IFTI) reports.

We use data mining and analysis techniques to monitor reports, to identify suspicious activity and emerging threats. Our monitoring capability is the subject of ongoing research and development in collaboration with partner agencies, industry and academia. Cases generated from this capability underpin many of our intelligence products and have contributed to major outcomes for our partners. Refer to criterion 3.1 for more information.

We disseminated **783 intelligence products** to law enforcement and intelligence partners, for understanding and timely detection of suspicious activity. More than 200 of these reports built on our collaboration with national security partners, to assist in understanding and identifying new threats and risks.

Our dedicated National Security Operations team analysed threats and risks to Australia's national security, particularly around terrorism and terrorism financing activities.

Operational intelligence reports provided timely intelligence on ML/TF topics to our government and Five Eyes partners.

Methodology briefs for industry covered emerging ML/TF trends, threats and vulnerabilities, and provided indicators for detection. This resulted in increased quality of SMRs. Topics included CSE, money mules and superannuation fraud.



APS supplementary analysis: 4.1

Fintel Alliance is enhancing our ability to exchange near real-time intelligence. The collective knowledge and resources of partners enhances national and international understanding of ML/TF risks. Key projects included Australian Cybercrime Online Reporting Network (ACORN) data, and the threats of money mules, the Panama Papers, and CSE.



APS supplementary analysis: 1, 1.1

Our **ML/TF risk assessments** focused on specific industry sectors and products, enabling deep analysis into criminal threats and vulnerabilities faced. This resulted in highly relevant and actionable intelligence for industry. Feedback was received via an industry survey. Reporting entities responded that they had introduced (or were planning to) new risk controls, and identified new threats and vulnerabilities as a result of the risk assessments. The risk assessments generated intelligence insights of benefit to both industry and government. Critically, we saw a 78 per cent increase in SMRs submitted by the superannuation sector after publication of the superannuation sector risk assessment in October 2016.






APS supplementary analysis: 2.2

With PPATK we co-led the development of the first **regional terrorism financing risk assessment** for South-East Asia and Australia. This significant report contributes to our understanding of the primary terrorism financing risks in the region.



APS supplementary analysis: 2.1

As part of the **National Ice Taskforce** Recommendation 27 Working Group we helped reconcile Commonwealth efforts offshore to identify and disrupt crystal methamphetamine and its precursors. This involved a catalogue and stocktake of training programs, projects and initiatives by each of the participating Commonwealth agencies.

PERFORMANCE CRITERION		
2.2. AUSTRAC's intelligence-led, risk-based approach drives AUSTRAC and whole-of-government priorities	Corporate plan, p.19	

Results against performance criterion

Our **intelligence priorities** inform our resource allocation. These priorities are reviewed annually to ensure alignment with our broader strategic priorities and operating threat and international environment, partner agency and whole-of-government priorities.

Fintel Alliance's projects on the Panama Papers, money mules and CSE form part of a coordinated national response by Australian Government agencies dealing with financial crime. We have also taken a multi-agency approach in analysing and understanding scams, jurisdictions and other information in ACORN data to tackle emerging areas of serious financial crime.



APS supplementary analysis: 1, 1.1

In line with whole-of-government financial technology priorities, we established a dedicated web page for innovative **financial technology ('FinTech') businesses** and other start-ups. The web page contains information about the AML/CTF regime and our role, and provides an avenue for businesses to directly engage with us and seek further information.



APS supplementary analysis: 5.2

AUSTRAC uses rule-making and exemption powers in circumstances of low ML/TF risk. This provides **regulatory relief** while contributing to the integrity of the financial sector and protecting it from criminal abuse.

In 2016-17 we registered 11 amendments to the AML/CTF Rules, which led to significant regulatory savings of more than \$28 million. We also published for consultation 10 draft amendments to the AML/CTF Rules and a paper seeking stakeholder views on the proposed approach to:

- restructuring the AML/CTF Rules compilation
- progressing the deregulatory recommendation on the proposed approach to restructuring the compilation
- progressing deregulatory recommendations relevant to the AML/CTF Rules, from the review of the AML/CTF Act, Rules and regulations.


In line with the government’s **deregulation** agenda, we granted **exemptions** to eight reporting entities, from certain provisions of the FTR Act, AML/CTF Act and Rules. This resulted in \$1.8 million of regulatory savings. Two further exemptions granted via AML/CTF Rules are estimated to have achieved more than \$6 million of regulatory savings.

Overall, we achieved regulatory savings of just over \$36 million by using rule-making and exemption powers to provide regulatory relief.

PERFORMANCE CRITERION		
2.3. Improved capability of AUSTRAC to understand ML/TF domestic and global threats and risks in collaboration with public and private sector partners	Corporate plan, p.19	

Results against performance criterion

Through **Fintel Alliance** we developed **FIAC** with industry, law enforcement agencies, academia and the US Financial Crimes Enforcement Network.

 **APS supplementary analysis:** 1, 1.4

We co-led the **CTF Summit** with PPATK in August 2016. This is the largest and most significant CTF event in the Asia-Pacific region. A major outcome for AUSTRAC was delivery of the first **regional terrorism financing risk assessment** for South-East Asia and Australia.



APS supplementary analysis: 3.1, 2.1

Our domestic ML/TF **risk assessments** program saw unprecedented collaboration—we met with more than 50 industry and government stakeholders. This led to the development of higher quality, more targeted and relevant ML/TF risk assessments.



APS supplementary analysis: 2.2

With Indonesian and Malaysian AML/CTF counterparts we conducted the first trilateral **Regulatory Exchange Program**. This will enhance our understanding of regulatory ML/TF risks affecting the region.

We prepared **intelligence reports** on high-priority matters, highlighting indicators of interest to our law enforcement partners and reporting entities. This raised awareness and informed law enforcement investigations and reporting entity monitoring systems.

We are enhancing our **regulatory intelligence** capability, which directly supports the Fintel Alliance Smarter Regulation program. Our approach uses a range of information and data sources to develop regulatory intelligence products, to solve problems in innovative ways. The data comes from sources including reporting entities, industry, partner agencies, AUSTRAC systems, open source data, academics and FinTech businesses.

In March 2017 we published ***Insights from compliance assessments—Good business practices and areas for improvement***. This report highlights the essential contribution of businesses in combating money laundering, the crimes it supports, and terrorism financing. It draws on observations made during assessments of reporting entities' compliance with their AML/CTF obligations. Feedback is a proven tool for improving regulatory compliance. This report helps businesses build their understanding of and resilience to misuse for criminal purposes.

We actively work in partnership with major **remittance network providers (RNPs)**, particularly when we have concerns about non-compliance among their affiliates. In 2016-17 our information was received positively by RNPs, who willingly undertook risk assessments of those concerned. When an RNP identified affiliates as too high risk, their registrations were either withdrawn or revoked. One RNP made significant changes to its transaction monitoring processes as a result of our collaboration.

One of our key initiatives to engage with the remittance sector was **‘Know Your Industry’** visits to Auburn and Fairfield in New South Wales. These two remitter hub locations were chosen so we could better understand the remittance environment and businesses in the area. Many of the remitters met AUSTRAC face-to-face for the first time, and used the opportunity to ask questions and share their issues in a cooperative and informal setting.

During 2016-17 we undertook a **casino junkets** campaign to develop more detailed understanding of how junkets work in Australia, and interact with other stakeholders. This involved collecting and analysing data in relation to:

- level of international junket activity in Australian casinos
- processes, procedures and due diligence undertaken by casinos in relation to their junket operations
- state-based regulation applied to international junkets.

We engaged with all Australian casinos. We conducted assessments of the major casinos' application of their AML/CTF obligations relating to junket operations. All state and territory gambling regulators were also engaged. This was to understand their level of involvement with junket operations including their level of oversight and data capture.

The campaign used the information gathered to develop a report outlining: how junkets operate; consistent AML/CTF concerns and risks identified; and potential regulatory amendments to address these concerns. The report was made available to partner agencies.




PURPOSE: **DISRUPT**

Our compliance and intelligence activities **disrupt (and prevent) exploitation** of the financial system and criminal abuse

PBS CRITERION		
The effectiveness of AUSTRAC's operations in protecting revenue, supporting the prevention and disruption of money laundering and terrorism financing, and influencing policy and law reform	PBS, p.186	

Results against performance criterion

Our performance against the criterion above is evidenced by our outcomes and achievements reported below in line with the *AUSTRAC corporate plan 2016-20* performance criteria.

PERFORMANCE CRITERION		
3.1. Improved use of actionable intelligence that contributes to revenue protection and supports crime prevention and intervention strategies	Corporate plan, p.19	

Results against performance criterion

The Serious Financial Crime Taskforce (SFCT) is a multi-agency task force that identifies and addresses serious and complex financial crimes. AUSTRAC intelligence contributed to the outcomes achieved by this task force. The SFCT raised \$258.86 million in tax liabilities, with \$126.1 million recouped by the Australian Taxation Office this financial year.

Our financial intelligence capability protected Australian Government revenue by contributing to \$116 million in income tax assessments (2,518 cases). This brings our total contribution to tax assessments raised, to nearly \$2.7 billion over the past 10 years.

AUSTRAC data contributed to 379 reviews by the Department of Human Services and \$17.25 million in savings (against target savings of \$14.72 million) in 2016-17, from increased detection of welfare fraud.

We notify integrity agencies—such as state police oversight bodies and the Australian Commission for Law Enforcement Integrity—who use AUSTRAC data for their investigations, of any SMRs relating to possible public official fraud, corruption and bribery. Corruption and integrity agencies have direct access to our data and we support requests for information as appropriate.

The case studies on the following pages demonstrate our performance against this criterion.

CASE STUDIES

These case studies demonstrate our performance against performance criterion 3.1.

Drug importation

As part of the Eligo 2 National Task Force, we assisted the Joint Organised Crime Task Force with the seizure of approximately 275 kilograms of crystal methamphetamine, with a street value of approximately \$275 million. In July 2016, charges were laid against one Malaysian and seven Australian citizens for drug offences. AUSTRAC intelligence assisted this multi-agency operation to identify the syndicate as allegedly responsible for the importation of illicit drugs into Australia. Subsequent investigations identified consignments linked to this syndicate. Our intelligence and analysis was central to the investigation by identifying the main offenders, tracking down other entities of interest and following the money trail associated with criminal activities.

Money laundering

Our information was the catalyst for a law enforcement investigation into the unexplained wealth of two entities. The subjects were a married couple identified as moving large and unexplained amounts of cash domestically, as well as sending funds offshore. Law enforcement enquiries revealed approximately \$4.1 million total funds available to the couple from unknown sources. The investigation resulted in the forfeiture of bank accounts and property to the Commonwealth,

valued at approximately \$2.4 million. Reports submitted by industry, including threshold transactions and IFTIs, informed our analysis, which was then referred to law enforcement.

In July 2015 AUSTRAC detected the suspicious movement of large amounts of cash through a complex network of newly established company accounts. Investigations led to the subsequent prosecution, conviction and 10-year sentencing of a Hong Kong national in April 2017, for laundering almost \$6 million out of Australia through the accounts. The money laundering orchestrated through the company bank accounts had been on behalf of a Hong Kong organised crime syndicate.

Our intelligence initiated a joint investigation with the Western Australia (WA) Police Meth Money Team. This resulted in a freezing notice issued for \$1.083 million suspected of being proceeds of crime, held in bank accounts linked to two individuals of interest. Subsequent search warrants executed by the WA Police resulted in the seizure of an additional \$10,765 in cash. Both suspects were charged with Commonwealth money laundering offences.

We disseminated an SMR to a law enforcement partner agency, which sparked an investigation into the source of millions of dollars in cash. As a result of executed search warrants, more than \$4 million in cash was seized and the subject of our referral was charged with money laundering offences.

Fraud, corruption and bribery

AUSTRAC intelligence supported a successful law enforcement investigation into the acceptance of bribes by two bank employees, totalling approximately USD2.5 million over seven months. The investigation revealed the employees accepted bribes from an IT company based in the USA to be preferred for a contract between the bank and the company. Of the two suspects, one was charged and received a jail sentence of three-and-a-half years. The other suspect's case is before the courts after a 'not guilty' plea.


Proceeds of crime

In February 2017, ACT Policing received AUSTRAC information about suspicious cash deposits of \$500,000 and \$99,900 made by a 22-year-old man. This resulted in ACT Policing, AUSTRAC and the Australian Border Force executing a search warrant on a Canberra residence. Police seized a cash counting machine and vehicle worth \$230,000 that had been purchased by the male. Police were successful in the ACT Supreme Court in restraining the vehicle, and \$246,023 held in two bank accounts belonging to the man. The man was charged with two counts of dealing with property reasonably suspected of being proceeds of crime.

PERFORMANCE CRITERION		
3.2. Effective influence and participation in whole-of-government multi-agency initiatives	Corporate plan, p.19	

Results against performance criterion

Our operational activities and **Fintel Alliance** are aligned with SFCT priorities—refer to 3.1 above. Fintel Alliance’s previously mentioned projects form part of a coordinated national response by Australian Government agencies dealing with financial crime.





APS supplementary analysis: 1, 1.1

We continued to work with our **national security** partners in discovering and analysing key threats, particularly around terrorism and terrorism financing activities. We worked on identifying and preventing individuals, who departed Australia to fight overseas, from receiving financial support for their activities. We also increased our international collaboration on counter-terrorism issues, such as disrupting the finances of the Islamic State.

We produced 210 intelligence reports for the Australian Intelligence Community, as well as our partner agencies and broader National Intelligence Community agencies. Our intelligence provided key information leading to disruption activities. This included our support to operations under the Australian Federal Police-led National Disruption Group.


The Australian Government commenced the Black Economy Task Force during the year. AUSTRAC has been an active participant, with several proposed areas of reform relevant to Australia’s AML/CTF regime. We also participated in other government task forces to assist in disrupting financial crimes.

We continued to work closely with and support the Attorney-General’s Department (AGD) to develop and implement reforms arising from the statutory **review of the AML/CTF Act, Rules and regulations**. This will result in a simpler, streamlined and stronger AML/CTF regime. Through collaboration with industry and other stakeholders, it is intended to simplify the AML/CTF Rules to reduce complexity. Work has begun on restructuring the current compilation of the Rules.

PERFORMANCE CRITERION		
3.3. Effective use of compliance and enforcement approaches	Corporate plan, p.19	

Results against performance criterion

The highest civil penalty in corporate Australian history—\$45 million—was ordered against Tabcorp by the Federal Court of Australia, for non-compliance with the AML/CTF Act.

 **APS supplementary analysis: 6**

The first conviction in Australia for operating an **unregistered remittance service** was handed down by the County Court of Victoria, as a result of investigations initiated by AUSTRAC. The remittance service operated out of Melbourne and Sydney. Its directors received suspended sentences of 24 and 26 months imprisonment and were ordered to forfeit to the Commonwealth \$2 million in proceeds of crime.

In the **remittance sector**, due to contraventions of the AML/CTF Act and subsequent ML/TF risk, we:

- suspended the registration of two remitters
- cancelled the registration of three remitters
- reviewed two internal decisions and affirmed the original decision to cancel the registrations of both these remitters
- refused to register or renew the registration of five remitters.

We engaged with a non-compliant Australia-based **remittance dealer** to understand the barriers it was facing to reporting, as this remitter had stopped reporting IFTIs. As a result of our engagement, in 2016-17 the remitter reported around 32,000 IFTIs with a combined value of over \$13 million. The remittance dealer also significantly improved the management of its ML/TF risk. This is a positive outcome for AUSTRAC, the remittance dealer and the ongoing integrity of a crucial Pacific Island financial remittance corridor.

In 2016-17 we targeted our individual **compliance assessment** activity (on-site and desk reviews) at high-risk entities. We completed 52 compliance assessments and as a result, issued 73 recommendations for improvement to policies and procedures, and 60 requirements to address non-compliance with AML/CTF obligations.

As we move towards an increasingly risk-based approach to regulation, our individual assessment activity has decreased. We employ a broader range of approaches to enhance industry's knowledge and capability where it is most needed. For example, we undertook 32 behavioural reviews and implemented campaigns issuing guidance to segments of the regulated population, where there were gaps in ML/TF knowledge and understanding. This included casino junkets, pubs and clubs, correspondent banking and the quality of SMRs. We use the regulatory approach that best fits the ML/TF risk to be mitigated.




As mentioned, we undertook various **compliance education** activities to improve industry awareness and the quality of reporting. We ensured that reporting entities not included in our formal assessment program can still benefit from the feedback we provide, on an individual basis and through the guidance we publish. In November 2016 we updated the AUSTRAC compliance guide to include more guidance about IFTI obligations.



APS supplementary analysis: 5.1

As a result of our positive strategies to influence behaviour in the reporting entity population, the lodgement rate of **annual compliance reports** was 93 per cent at 30 June 2017. This is compared to 87.9 per cent in the previous year—a strong example of the effectiveness of our supervisory efforts. In addition:

- compliance report responses show good improvements in the proportion of entities providing compliant responses for nearly all questions
- the proportion of entities reporting they have an AML/CTF program has increased from previous years
- more entities reported that their AML/CTF program was the subject of an external independent review.

PERFORMANCE CRITERION		
3.4. Improved regulatory system to enhance intelligence-led and risk-based approaches leading to smart regulation	Corporate plan, p.19	




Results against performance criterion

As mentioned, we commenced redesigning our regulatory model as a major initiative of the **Fintel Alliance Smarter Regulation program**. We began collaborating with industry to co-design and implement a new model focused on a ‘partnership in prevention’ approach. This included initial workshops followed by a process of embedding people from industry within our core design and project teams, to improve AUSTRAC and industry capability.



APS supplementary analysis: 1.2

We completed the enhancement of our risk framework through the previously mentioned development of BEAR. This allows us to make evidence-based risk assessments of breaches, and structured decision making for proportionate responses.

PERFORMANCE CRITERION		
3.5. Demonstrated influence of the domestic and global AML/CTF agenda	Corporate plan, p.19	

Results against performance criterion

The current AML/CTF reforms are the most significant to occur in Australia since 2006, when the AML/CTF Act was introduced. We undertook a significant amount of policy work throughout the year in response to the statutory **review of the AML/CTF Act, Rules and regulations**. We provided critical support and advice to AGD on matters including policy positions, industry engagement, submissions to government, regulatory impact statements and draft legislation.

In response to the statutory review, in May 2017 we released draft amendments to Chapters 1, 4, 8, 9, 15, 30 and 36 of the AML/CTF Rules. The amendments implement recommendations of the review but do not require changes to the AML/CTF Act. It is anticipated they will provide **regulatory benefits to industry** while addressing certain issues identified in the Financial Action Task Force's (FATF) 2015 report of Australia's mutual evaluation (also discussed in the statutory review).

AUSTRAC is a member of the multi-agency, AGD-led Counter Terrorism Financing Working Group. The working group is considering terrorism financing-related recommendations in the report on the statutory review of the AML/CTF regime. The findings in our **risk assessment** on SVCs have contributed to the deliberations of the working group.



APS supplementary analysis: 2.2

With PPATK we co-led the **CTF Summit** in Indonesia. Building on the success of the 2015 CTF Summit in Sydney, the 2016 summit provided a forum to collectively develop regional solutions to critical terrorism financing issues and risks.



APS supplementary analysis: 3.1

A major outcome of the 2016 summit was the delivery of the **regional risk assessment** on terrorism financing. In response, three working groups—Financial Intelligence Consultative Group, International Community of Experts Forum, and Community Outreach Consultative Group—were established. These address the fight against terrorism financing and risks identified in the assessment, through information sharing, joint projects and collaboration with partners in the region.



APS supplementary analysis: 2.1

Our Acting CEO chaired the **Egmont Group's** Information Exchange Working Group. He also led the an intercessional meeting comprising almost 50 leaders and experts from FIUs across the globe. We are heavily involved in projects providing support in these efforts, to expand our global footprint and ensure Australia remains a leader in the global AML/CTF environment.

Our Acting CEO also co-chaired the **FATF Risk, Trends and Methods Group**, which endorsed the report Terrorist Financing in West and Central Africa. AUSTRAC played a key role in producing this report. New work by the group on terrorism financing and beneficial ownership was also endorsed.

We continued to participate in FATF-style regional bodies. In addition to our leadership in the APG, we developed our international footprint in MENAFATF. In May 2017 we presented to the Eurasian Group at their meeting in Bishkek, Kyrgyz Republic, on experiences in detecting foreign terrorist fighters and applying targeted financial sanctions. This contributes to AML/CTF efforts in critical regions, expanding and strengthening our multilateral and bilateral international relationships.




Our **international TA&T** programs strengthen the capacity and governance of the countries involved, and help improve compliance with international standards.



APS supplementary analysis: 3.2

With our Indonesian counterpart PPATK and its AML/CTF regulatory partners, we conducted the trilateral **Regulatory Exchange Program** with our Malaysian counterpart. This will contribute to AML/CTF efforts trilaterally and in the region, and is the first regulatory program of its kind.

TARGET

PBS CRITERION		
Conduct a baseline stakeholder survey of national and international partners and industry to measure their assessment of AUSTRAC's effectiveness in aiding them to achieve their outcomes	PBS, p.186	

Results against performance criterion

In June 2017 we conducted a stakeholder survey of national and international partners and industry, to gauge satisfaction with our performance in working with our stakeholders.

The target respondents were external stakeholders who interacted with AUSTRAC during 2016-17. Respondents by sector were:

- financial services provider (40.5 per cent)
- Commonwealth, state or territory law enforcement/intelligence/revenue/regulatory agency (37.8 per cent)
- policy (8.1 per cent)
- industry body (8.1 per cent)
- non-government/academia (2.7 per cent)
- international (2.7 per cent).

Just over 96 per cent of stakeholders rated their level of satisfaction with AUSTRAC as 'good' or 'outstanding'.

Our performance was rated by 89 per cent of respondents as 'good' or 'outstanding' in measuring our support of their AML/CTF objectives to detect ML/TF risks, methods, vehicles and channels, and generate insights and information exchange on new and emerging risks.

Analysis of feedback from the survey showed that the launch of Fintel Alliance was a key outcome, demonstrating greater information sharing across private and public sectors. The most common suggestions for areas of focus were: continuing collaboration and delivery of Fintel Alliance outcomes; and continuing engagement with industry through the Smarter Regulation program.

OVERALL ANALYSIS OF HOW WE HAVE ACHIEVED OUR PURPOSE

During 2016-17 our strong performance against our purpose showed the value of the work we do in discovering, understanding and disrupting criminal financial activity. The results illustrate the ongoing value of our work to government, our private and public partners, and the 24 million Australians we serve.

We invested in collaborative, capability improvement programs in response to changes to the environment such as rapid advances in technology. Strategic, capability-building initiatives like Fintel Alliance will continue to enhance our ability to perform and strengthen Australia's responses to ML/TF risks. This will be done by closer collaboration with industry, real-time analysis, and outcomes that benefit all our stakeholders.

Co-designing the Fintel Alliance Smarter Regulation program with industry aims for a shared culture that is collaborative, knowledgeable, vigilant, engaged and capable of preventing, detecting and responding to threats of criminal abuse and exploitation.

Other key capability-building initiatives to support us in achieving our purpose are FIAC, AML/CTF reform, the Cyber Operations team, our international footprint and risk assessment programs.

A wide range of outcomes by our partners involved AUSTRAC intelligence or information playing a critical part. Our strong results in government task forces and representation at domestic and international forums demonstrate our influence.

As previously mentioned, the SFCT raised \$258.86 million in tax liabilities, with \$126.1 million recouped by the Australian Taxation Office this financial year.

Our data contributed to 379 Department of Human Services reviews and \$17.25 million in savings from increased detection of welfare fraud.

As detailed above, our regulatory outcomes include the highest civil penalty in corporate Australian history of \$45 million—ordered against Tabcorp by the Federal Court of Australia for non-compliance with the AML/CTF Act. The first conviction in Australia for operating an unregistered remittance service was handed down by the County Court of Victoria as a result of investigations initiated by AUSTRAC. Through this, \$2 million dollars was returned to the Commonwealth from proceeds of crime.

Another impact of our work with the remittance sector was the Australia-based remittance dealer who reported around 32,000 IFTIs, worth more than \$13 million, as the result of our engagement regarding their non-compliance.

Our positive strategies for influencing behaviour in the reporting entity population resulted in the 93 per cent lodgement rate of annual compliance reports, and overall improvements shown in entities' responses. This is a strong demonstration of the effectiveness of our supervisory efforts.

In 2016-17 we achieved total regulatory savings of just over \$36 million, by using our rule-making and exemption powers to provide regulatory relief to regulated entities.

This annual performance statement includes three high-level criteria from our PBS. Our performance against these criteria is reported through the specific performance criteria from our 2016-20 corporate plan. All the 'purpose' criteria are linked to our purpose statement—discovering, understanding and disrupting criminal financial activity.

Overall, we demonstrated strong performance against all 11 performance criteria in our corporate plan. These outcomes provide evidence of the value AUSTRAC continues to provide and the impact of our work in:

- enabling our partners to generate leads for law enforcement investigation and prosecution
- increasing the efficiency of our regulated population by reducing regulatory burden
- reducing the risks for industry of criminal financial activities like money laundering and terrorism financing.

The complexity of our operating environment and the rapidly changing pace of technology, economics and ideology make it challenging to define the future. We will continue to work with our partners to be leaders in the AML/CTF space.

ANNUAL PERFORMANCE STATEMENT SUPPLEMENTARY ANALYSIS

01 FINTEL ALLIANCE

02 ML/TF RISK ASSESSMENTS

03 INTERNATIONAL CAPABILITY

04 INTELLIGENCE GUIDANCE

05 COMPLIANCE ACTIVITIES

06 TABCORP CIVIL PENALTY

01 FINTEL ALLIANCE

We launched Fintel Alliance in March 2017. It is a private-public partnership that is contributing to the transformation of our capability to tackle money laundering, serious and organised crime and terrorism financing.

Fintel Alliance brings together the collective knowledge and resources of industry partners and government agencies under the same roof. It enhances the ability to share knowledge, tracking tools and expertise. This produces intelligence that can be acted on quickly, and supports understanding of national security and organised crime threats.

Fintel Alliance breaks down silos and old ways of thinking. Participants work together to deliver benefits to our stakeholders and the wider Australian community. The quantity and quality of the data required to do our daily work will grow significantly and be closer to real-time. Fintel Alliance projects are aligned with government priorities.

Fintel Alliance comprises the Operations Hub, Smarter Regulation Program, Innovation Hub and FIAC. It has three clear operational goals:

- help our private sector partners more easily identify and report suspicious transactions
- help our law enforcement partners more quickly arrest and prosecute criminals
- work with academia to build knowledge and gather insight.

Our Fintel Alliance partners include AGD, the Australian Federal Police, Australian Taxation Office, Australian Criminal Intelligence Commission, Australian Competition and Consumer Commission, Department of Immigration and Border Protection, NSW Police, NSW Crime Commission, banks (ANZ, NAB, CBA, Westpac, Macquarie and HSBC Bank Australia), PayPal, Western Union, Fintech Australia, and UK National Crime Agency.

1.1 FINTEL ALLIANCE OPERATIONS HUB

The key operational projects of Fintel Alliance in 2016-17 were:

- Panama Papers
- Identification and profiling of online money mules
- Exploitation of ACORN dataset
- Combating child sexual exploitation.

Panama Papers project

Fintel Alliance, in collaboration with the SFCT, finalised the Panama Papers project. This took a holistic approach to the Mossack Fonseca data leak for entities identified as using offshore facilities and structures to profit from fraud and evade tax. The project united the capabilities and knowledge of industry and government. It contributed to making Australia unattractive for the promotion and use of abusive financial arrangements and money laundering activities, exploiting vulnerabilities associated with tax and secrecy havens.

Identification and profiling of online money mules project

This project aims to detect, deter and disrupt criminal networks recruiting money mules, and harden the financial sector and job recruitment websites from exploitation. The focus is on preventing victims unwittingly being recruited as money mules. We do this through the identification of source accounts, jurisdictions and profiles, and refer the entities involved to law enforcement and international partners to detect people directly controlling mule networks.

Information is shared with the private sector in real-time to enable funds to be blocked before being sent offshore. Prevention and awareness campaigns targeting mule recruitment will help protect members of the Australian community from falling victim to these criminal activities.

Fintel Alliance is providing support to law enforcement operations targeting money mule activity, and collaborating with industry to enrich knowledge of financial indicators. In 2016-17 we identified two previously undetected, suspected money mule controllers. We referred intelligence to our law enforcement partners, recommending they assess for proceeds of crime action.

Exploitation of ACORN dataset project

This is one of Fintel Alliance's joint operational projects. ACORN data is matched against Fintel Alliance partner data holdings to identify leads, financial methodologies and trends, and the financial footprint of Australian cybercrime. The financial intelligence produced can be acted upon rapidly by Fintel Alliance partners. This boosts collective efforts to harden the financial system and the improve capability to detect, deter, investigate and prevent financial-related crime and terrorism.

Combating child sexual exploitation project

This project is identifying new investigative leads and hardening the Australian financial system from CSE-related transactions. It refines Fintel Alliance partners' understanding of this criminal typology. Our financial intelligence has been unique in the discovery of offenders who are known, and unknown, to law enforcement partners.

The financial intelligence we provide includes customer behaviour analysis from reporting entities, on suspicion of CSE links. It also includes our own intelligence products, such as profiles on the financial indicators of this offending. Over the past couple of years, our collaboration with partner agencies and industry has seen a significant increase of about 86 per cent in the amount of information shared that is relevant to CSE.

This project is crucial to strengthening our collaboration in the fight against the exploitation of children.

1.2 SMARTER REGULATION PROGRAM

In June 2017 we commenced co-designing the Fintel Alliance Smarter Regulation Program with industry. The aim is a shared culture that is collaborative, knowledgeable, vigilant, engaged and capable of preventing, detecting and responding to threats of criminal abuse and exploitation in the 21st century. We will continue to work with our industry partners to co-design the model.

1.3 INNOVATION HUB

The Innovation Hub enables industry to test creative business models and co-design AML/CTF controls for new products, services, systems and processes. This year we held a range of innovative workshops with industry and government partners.

1.4 FIAC

FIAC is a national and globally innovative course. It integrates business and government tools, methodologies and tradecraft skills. At the same time it focuses on high-level financial intelligence analysis to prevent, detect, understand and disrupt financial crime.

A two-week pilot course was delivered in February 2017 to test the concept. Feedback was overwhelmingly positive, with participants agreeing they developed an enhanced understanding of the banking, gambling and remittance sectors, which were the subject areas of the pilot. Formal accreditation of FIAC into a graduate certificate level qualification is in progress.



02 ML/TF RISK ASSESSMENTS

2.1 REGIONAL TERRORISM FINANCING RISK ASSESSMENT

In partnership with Indonesia's PPATK, we jointly led the first regional terrorism financing risk assessment for SouthEast Asia and Australia. Contributions also came from the FIUs of Malaysia, the Philippines, Singapore and Thailand. As serious and organised crime groups operate across borders, it is essential that government and industry partners around the world unite against them.

The assessment supports future efforts to understand our region's terrorism financing risks and where appropriate, coordinate actions to respond. By bringing together countries from South-East Asia and Australia, we can develop a more detailed regional understanding of the drivers behind terrorism financing risk.

The assessment was released at the CTF Summit in Indonesia in August 2016. Based on identified high risks, joint regional work is underway examining terrorism financing risks related to non-profit organisations, and cross-border movement of funds and value. This work will be delivered at the third CTF Summit in Malaysia in November 2017.

2.2 PRODUCT AND INDUSTRY RISK ASSESSMENTS

We produced three ML/TF risk assessments over the year—two on specific industry sectors and one product specific. These assessments provide industry with detailed and actionable intelligence to harden their businesses against criminal misuse.

Our risk assessments are developed in close collaboration with industry and government agencies. We received significant positive feedback from industry on these risk assessments.

The impetus for these assessments is to:

- maximise awareness and understanding of ML/TF risks so industry can implement effective and targeted controls to harden themselves against criminal abuse
- increase the volume and quality of SMRs submitted to AUSTRAC from industry
- respond to the findings of FATF's mutual evaluation of Australia, and recommendations from the review of the AML/CTF Act, regulations and Rules, to provide more detailed and relevant information on ML/TF risks to industry.

Australia's superannuation sector ML/TF risk assessment

We launched our first sector-based risk assessment, on the superannuation sector, in October 2016. We identified higher than anticipated risks of fraud, cybercrime and terrorism financing in the sector, and assessed the overall risk of ML/TF activity as medium.

This assessment develops awareness in the sector of these risks, helps harden APRA-regulated superannuation funds against criminal activity, and improves suspicious matter reporting across the sector to maximise financial intelligence and help prevent crime.

Since the release of the risk assessment, we have received positive feedback from industry and partner agencies, and seen an increase in the quantity of SMRs. We also released a methodologies brief on superannuation fraud (refer to APS 5 for more detailed compliance activities). We delivered nine presentations in various forums to the superannuation sector on the findings of the risk assessment.

We will continue to engage with funds that appear to have lower levels of compliance than their industry peers, and provide support to the superannuation sector to prevent criminal abuse of our financial system.

Australia's financial planning sector ML/TF risk assessment

In December 2016 we launched the financial planning sector ML/TF risk assessment. In April 2017 we published a related one-page poster *Financial crime red flags – a guide for financial planners*, which assists financial planners to recognise potential criminal activity. The sector faces threats from various sources including

customers seeking to act unlawfully, organised crime groups and cybercriminals.

We assessed the overall risk of ML/TF activity as medium. Financial planners facilitate access to financial services for their customers, and this can make them susceptible to exploitation for criminal purposes. It also means planners are well-placed to detect suspicious behaviour by their customers.

The report encourages the financial planning sector as a whole to ensure that AML/CTF compliance is a greater part of the organisational culture. We will continue to work with the sector to mitigate the important risks identified in this assessment.

Stored value cards ML/TF risk assessment

We launched the SVCs ML/TF risk assessment in May 2017. We assessed the overall ML/TF risk associated with the use of SVCs to be at the high end of medium, and their vulnerability to criminal misuse to be high.

The assessment found that the risk level of individual SVCs varies significantly depending on the features of the specific product. Travel cards that can be reloaded and redeemed offshore in cash, carry significantly higher levels of risk than low-value, single-load retail gift cards.

The most common suspected crime types in which SVCs are implicated are money laundering and cyber-enabled fraud. Of particular concern is the use of SVCs for terrorism financing purposes. We will continue to work with industry and partner agencies to mitigate the higher risks identified in this assessment.



03 INTERNATIONAL CAPABILITY

We continue to expand and influence the domestic and global AML/CTF agenda. Our international strategy underpins our engagement and international footprint, to shape the global AML/CTF environment through intelligence, finance and policy advocacy.

3.1 CTF SUMMIT

We co-led the CTF Summit with Indonesia's FIU, PPATK, in August 2016. The CTF Summit is the largest, most significant CTF event in the Asia-Pacific region. The four-day event provided a platform for experts to collectively develop regional solutions to critical terrorism financing issues and risks.

The Summit included working group meetings and forums that examined risks in our region, emerging technologies, and how we can harness technology to better disrupt ML/TF. The Summit was attended by 250 representatives from the United Nations, government, industry and civil society, including academia and independent think tanks from across the globe.

The regional risk assessment on terrorism financing was a major outcome. It identifies primary terrorism financing risks in the region from across a broad spectrum of assessed risks. The three working groups will further address the fight against terrorism financing and risks identified in the assessment, through information sharing, joint projects and collaborating with partners in the region.

3.2 TECHNICAL ASSISTANCE & TRAINING

TA&T programs share our knowledge, skills and experience in implementing international best practice. We improve domestic and regional cooperation to enhance the exchange of intelligence between partners. We also strengthen our relationships with counterpart FIUs and domestic and international AML/CTF stakeholders. In recognition of our capacity-building work and our role in supporting Australia's whole-of-government priorities, our assistance in these jurisdictions is anticipated to grow.

During 2016-17 we delivered four TA&T programs funded by the Department of Foreign Affairs and Trade (DFAT) to Indonesia, the Philippines and Papua New Guinea.

Indonesia

In 2016-17 we delivered two DFAT-funded programs in Indonesia: PAPP and IndoARCC.

PAPP is a jointly-designed program by AUSTRAC and PPATK that builds upon an existing AML/CTF partnership and capacity-building program. PAPP addresses areas of mutual priority including:

- assisting in the protection of Indonesia's financial sector from ML/TF abuse
- sharing knowledge and expertise on international benchmarks set by FATF
- building capacity to combat serious ML/TF crime in alignment with Indonesia's and PPATK's National AML/CTF Strategies.

Supported by DFAT's Government Partnership Fund, PAPP continues to demonstrate and strengthen AUSTRAC's relationship with PPATK and other key Indonesian agencies focused on greater collaboration in the AML/CTF space.

The close partnership between AUSTRAC and PPATK has allowed for a strong growth in operational activities beyond the exchange of financial intelligence. An example is co-hosting the CTF Summits in 2015 and 2016. These are the first of their kind in the world and are powerful platforms for collaboration and action on CTF in the region.

IndoARCC was designed to increase awareness and knowledge of international best practice standards (FATF and World Customs Organisation), while highlighting how Indonesian law and operational policy and processes can best support the standards.

The program developed understanding among key Indonesian stakeholders of the role and methods of cross-border cash couriers in financing serious organised crimes. The program delivered three final workshops in 2016 and was completed on 31 December 2016.

Philippines: AAPP 2017

We commenced a six-month tailored program of technical assistance to the Philippines FIU that will enhance its AML/CTF capabilities. **AAPP** comprises three projects that will focus on: IT systems capability; analyst intelligence exchange; and preparatory work to assist with the Philippines' FATF mutual evaluation assessment process (scheduled for late 2018).

The Philippines is a strategic priority and faces high terrorism financing risks. Our information exchange has increased enormously since 2014. This reflects the increased engagement and collaboration with the FIU and other partners in the Philippines to combat organised crime and AML/CTF matters.

The current capacity-building initiatives build on our previous engagement in the Philippines, and support priority AML/CTF reform, policy development, implementation and institutional development.

A second phase of planning has commenced for a partnership program to extend to 2019.

PNGCC program

The **PNGCC** program, jointly conducted with AGD, is aimed at strengthening financial systems against money laundering, corrupt activity and terrorism financing, as well as assisting PNG in recovering proceeds of crime.

In July 2016 a workshop was held to assist PNG's FIU, the Financial Analysis and Supervision Unit (FASU), to review and update its Supervision Policy and Supervision Strategy. We conducted tailored mentoring on international best practice supervision techniques, such as risk assessing PNG's AML/CTF Act so FASU can better direct its limited supervision resources. We also assisted FASU to develop three campaign assessments.

In August 2016 we held a workshop with FASU to discuss its database collection, processing and system requirements. We generated a report that outlines FASU's IT roadmap, needed to support its operations under new AML/CTF legislation. We also discussed the Egmont Group, steps required by FASU to gain Egmont membership, and shared our experience in international exchanges.

In November 2016 we co-hosted a workshop with AGD, for FASU and the Department of Justice and Attorney General (DJAG), on international best practice for AML/CTF programs and SMRs. We participated in a number of stakeholder meetings at the Australian High Commission. On 21 November 2016, we disseminated our first intelligence analysis to FASU.

In February 2017 we attended the AGD-led PNG foundational drafting workshop in Canberra. This brought together 11 delegates from PNG's FASU, DJAG, the Department of Prime Minister and National Executive Council, and the Investments Promotions Authority. The workshop focused on teaching core drafting skills to assist officers to develop key subsidiary instruments that support the operation of PNG's AML/CTF reforms, such as compliance rules and guidelines.

In March 2017 we were instrumental in progressing the Australian High Commission's support of FASU's IT roadmap, by assisting in securing funding for the capital expenditure required to update FASU's IT infrastructure to support its operations under the new AML/CTF legislation.

Other

At the request of international and domestic partners, we also provided technical assistance to Sri Lanka's FIU, a Bangladeshi delegation, Pakistan (mutual evaluation training), and Malaysia (analytics training).



04 INTELLIGENCE GUIDANCE

4.1 METHODOLOGY BRIEFS

We produced 20 methodology briefs based on national and international ML/TF indicators. These assist reporting entities to identify current risks and report these activities. We provided these briefs to numerous reporting entities and government partners.

Methodology briefs cover high-priority government matters that inform reporting entities' transaction monitoring profiles, and provide timely intelligence to industry on emerging ML/TF trends, threats and vulnerabilities. This enhances the quality—and in some cases quantity—of SMRs received. For example, after the release of a methodologies brief relating to CSE, we saw SMRs relating to this activity double in six months.

We received feedback from a major financial institution that 'Methodologies briefings disseminated from AUSTRAC are an important and practical step forward in the collaboration between the private and public sectors. Analysing the typologies assists us in our ability to support law enforcement in the disruption of serious and organised crime and protect our community'.

We engaged with the major financial institutions and large remitters to develop closer working relationships and better understand industry. This also helps to strengthen relationships with our FIU counterparts. In 2016-17 we conducted analyst exchange days with ANZ, Westpac and NAB, to better understand their capabilities and how they use our methodology reports.

We have also been working with a number of reporting entities and Australian government agencies on specific projects we are leading, such as trade-based money laundering, and money laundering through newly registered companies.

4.2 CYBER OPERATIONS TEAM

We initiated the Cyber Operations team in August 2016 to focus on discovering the financials of cybercrime, and assist partner agencies to combat the cybercrime threat to Australia's financial sector. We are building this cyber capability to be well placed to provide holistic financial intelligence to assist national cyber efforts. The Cyber Operations team works closely with industry and partner agencies to encourage more proactive reporting of virtual currency and cybercrime issues.

We were awarded the Fraud and Cyber Crime Group (FCCG) Partnership Award from the Queensland Police Service as recognition of continued support of the FCCG and its endeavours in the prevention and prosecution of fraud and cyber-related offences.

Following the recent 'WannaCry' ransomware attack, the Cyber Operations team prepared an intelligence product that has been well received by partner agencies and included in briefing products for high-level officials.



05 COMPLIANCE ACTIVITIES

5.1 GUIDANCE AND CAMPAIGNS

As described in annual performance statement supplementary analysis 2.2 above, we released a poster as a guidance product for financial planners to assist them in understanding the risks in their sector.

We teamed up with the Australian Remittance and Currency Providers Association (ARCPA) to deliver two educational webinars to the remittance sector. Our aim was to provide education and insights from AUSTRAC and industry on AML/CTF obligations that apply to the remittance sector. The webinars were open to ARCPA members and industry representatives Australia-wide.

We finalised the National Cheque Register Campaign. This campaign involved analysing cheque registers from high-risk electronic gaming machine venues, and educational visits to pubs and clubs. The visits provided guidance about recent developments in money laundering typology, methods to best detect and respond to ML/TF risks, and the importance of meeting AML/CTF obligations to keep Australia safe from criminal activity.

Based on insights gained from this campaign, two fact sheets were developed for the gaming industry outlining common myths in the sector, as well as some important tips to help pubs and clubs meet their AML/CTF obligations. These were provided directly to pubs and clubs and published on the AUSTRAC website. This work:

- resulted in a 75 per cent increase in the number of pubs and clubs submitting SMRs over a 12-month rolling period (65 in the 12 months prior to the campaign, compared to 114 for the 12 months to 30 June 2017)
- directly contributed to the development of four internal intelligence reports and two external (partner agency) intelligence reports
- contributed to strengthened relationships with industry (including AUSTRAC staff presenting to the annual conference of Community Clubs Victoria)
- improved AUSTRAC's understanding of ML/TF risks in the sector.

AUSTRAC frontline compliance teams also surveyed 40 reporting entities on the correspondent banking relationships they maintained. Information was sought on:

- the number of relationships
- their location and risk rating
- time and resource requirements to conduct due diligence assessments
- where this due diligence was undertaken
- how reporting entities identified trigger events to conduct out-of-cycle due diligence reviews.

Following the survey, 11 onsite inspections were conducted and 245 correspondent banking due diligence files were reviewed. From information gathered through the survey responses and onsite inspections, we quantified and mapped the number, ML/TF risk rating and location of correspondent banking relationships maintained by Australian financial institutions. The information gathered:

- helped us to better understand industry practices when conducting due diligence assessments
- provided us with a sector-wide view of correspondent banking in Australia
- supported our contributions to domestic and international policy discussions
- improved our understanding of the ML/TF risk of correspondent banking in Australia
- assisted to inform investigations by AUSTRAC and our partner agencies.

5.2 FINANCIAL TECHNOLOGY AND START-UPS WEB PAGE

In November 2016 we created a dedicated web page to enable start-up businesses and FinTech operators to easily seek advice on compliance and reporting obligations under the AML/CTF regime.

We recognise the growth of FinTechs and start-ups in the finance sector. Our web page supports innovative businesses by providing information about the AML/CTF regime and our role, and provides an avenue for businesses to directly engage with us and seek further information.

We are building closer relationships with emerging entities and industries to give us an early insight into new products and technologies. This enables us to work with industry to identify and understand risks and opportunities as they emerge, and produce better compliance and intelligence outcomes while reducing regulatory impacts of the regime.

Since the web page was created, we have received more than 40 direct enquiries from entities in or outside Australia who are developing innovative new approaches to providing designated services, or solutions to assist the exiting regulated population.

We met with representatives of start-up businesses to provide an opportunity for them to:

- discuss their proposed business models
- explore how these services may be vulnerable to ML/TF and other risks
- provide guidance on whether the services would be captured under the existing AML/CTF regime or future amendments to the AML/CTF Act
- provide guidance and refer them to further information on the compliance and reporting obligations under the AML/CTF Act and Rules.

We received positive feedback from the businesses accessing this service, noting the cost and time savings in being informed about their AML/CTF obligations at the early stages of development. One FinTech start-up advised that the advice and guidance concerning obligations under the AML/CTF regime had saved this entity in excess of \$50,000 in legal and professional service fees.



06 / TABCORP CIVIL PENALTY

On 16 March 2017 the Federal Court of Australia ordered the highest civil penalty in corporate Australian history against Tabcorp, in civil penalty proceedings brought by AUSTRAC. Tabcorp was ordered to pay a \$45 million civil penalty and AUSTRAC's agreed legal costs.

The Federal Court found that Tabcorp had contravened the AML/CTF Act on 108 occasions over a period of more than five years.

The Court found that Tabcorp failed to:

- have a compliant AML/CTF program to manage the risks of money laundering and terrorism financing for over three years
- give AUSTRAC reports about suspicious matters on time or at all, on 105 occasions. Tabcorp has admitted that these suspicions related to unlawful activity including money laundering and credit card fraud
- identify a customer who collected AUD100,000 in winnings
- enrol with AUSTRAC on time.

Tabcorp has taken important steps towards improving its AML/CTF compliance, including through introducing better governance measures and oversight by its Board, and making substantial investments in time, money and resources on these improvements.

This outcome demonstrates our agency's resolve to take effective enforcement action against reporting entities that engage in significant, extensive and systemic non-compliance.

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 2016–17 we produced a net operating deficit of \$8.7 million, compared with a deficit of \$21.6 million in 2015–16. The net operating deficit includes \$7.0 million of unfunded depreciation and amortisation expenses.

Total revenue for 2016–17 was \$62.1 million: a \$1.9 million decrease over the previous year.

Our financial position at 30 June 2017 is shown in the Statement of Financial Position. This takes into account movements in assets, liabilities and equity. Total equity has increased to \$21.4 million (2015–16: \$17.0 million).

EVENTS OCCURRING AFTER BALANCE DATE

No significant events have 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 2017 was \$3,123,225-77 (exclusive of GST). In accordance with Office of Services Coordination reporting requirements, this includes the cost of providing internal and external legal services.

\$1,243,477.96 (exclusive of GST) was spent on purchasing external legal services.
\$1,879,747.81 (exclusive of GST) was spent on purchasing internal legal services.

“

“...our integrity is vital
in maintaining the
confidence of the
Australian public,
partner agencies,
industry, and
international partners...”

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MANAGEMENT & ACCOUNTABILITY

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CORPORATE GOVERNANCE

FRAUD AND RISK

Revision of AUSTRAC's 2015-16 *Fraud Risk Assessment* is underway. This work will inform an updated fraud and corruption control plan in 2017-18 that reflects our maturing ethical culture, with increased emphasis on early intervention. Our fraud control framework is managed in compliance with section 10 of the Public Governance, Performance and Accountability Rule 2014, and the Commonwealth Fraud Control Policy.

Mandatory security, fraud and corruption training is delivered during staff induction and we have an ongoing awareness program to inform and regularly remind staff of security responsibilities, risks and concerns.

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. In 2016-17 we held our inaugural 'AUSTRAC Security and Integrity Awareness Week'. This provided a contemporary picture of security and integrity threats, controls, case studies and innovations that are relevant to the current and future state of our agency, and the environment in which we operate.

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 we provide safe and secure working environments for our employees.

Our security team continued to enable our strategic plans by:

- physically protecting AUSTRAC's assets and resources—specifically people, property and information
- supporting the domestic footprint by contributing to property/infrastructure projects
- providing detailed security threat and risk assessments and advice on the 2016 Counter-Terrorism Financing (CTF) Summit, to ensure the safety of AUSTRAC personnel and delegates
- fostering AUSTRAC's continued commitment to a strong security culture.

INTEGRITY FRAMEWORK

AUSTRAC's integrity is vital in maintaining the confidence of the Australian public, partner agencies, industry, academic and international partners. We have a well-developed integrity framework underpinned by an honest, professional and fair workforce. This year, our framework focused on leadership capability and improving our culture in corruption prevention and risk awareness. This is part of our relationship with the Australian Commission for Law Enforcement Integrity (ACLEI).

In addition, 2016-17 saw us strengthen our response to the *Public Interest Disclosure Act 2013* (PID Act) by refreshing our 'Authorised Officers', with representation at various levels across all our offices to ensure accessibility and encourage reporting. We also facilitated further training from the Commonwealth Ombudsman and enhanced our PID risk reprisal assessment guidelines. This was to ensure the best-possible protection against reprisal for those making a disclosure under the PID Act.

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 three Deputy CEOs and all National Managers.

ExCom is responsible for AUSTRAC's strategic direction and oversight, including the development and monitoring of strategic initiatives, and oversight of financial performance and sustainability. In 2016-17 ExCom met every one-to-two months to set and monitor the agency's overarching strategy and vision, and consider major policy and strategic management issues.

The Operations Committee, chaired by the Deputy CEO Operations, meets monthly and comprises the Deputy CEOs and all National Managers. The Operations Committee was established to manage AUSTRAC's operational work program and allocation of resources to support the delivery of AUSTRAC's objectives.

The Organisational Health Committee meets monthly 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. They provide governance and direction for AUSTRAC to deliver its mandate, as well as insight to ExCom on strategic implications.

The Audit and Risk Committee provides independent assurance to the AUSTRAC CEO on AUSTRAC's financial and performance reporting responsibilities, risk oversight and management, and systems of internal control. This Committee met four times during 2016-17.

The Privacy Consultative Committee (PCC) also continued during 2016-17. The key function of this committee is to provide comment and advice to the AUSTRAC CEO on privacy, civil liberties and freedom of information (FOI) matters. The PCC is chaired by AUSTRAC's General Counsel. Membership comprises the Office of the Australian Information Commissioner, Liberty Victoria, University of NSW, Attorney-General's Department (AGD), Australian Criminal Intelligence Commission (ACIC), Australian Taxation Office and Australian Federal Police.

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 2016-17 AUSTRAC did not report any significant issues to the responsible Minister under paragraph 19(1)(e) of the 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 and Minister Assisting the Prime Minister for Counter-Terrorism. 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.

During 2016-17 we appeared before the House of Representatives Standing Committee on Tax and Revenue for its Inquiry into Taxpayer Engagement with the Tax System. This was to support tax investigations alongside AGD and the ACIC.

In 2016-17 there were no judicial decisions, decisions of administrative tribunals, or decisions of the Australian Information Commissioner that had a significant impact on our operations.

There were no reports on AUSTRAC's operations given by the Auditor-General, a Parliamentary Committee, or the Commonwealth Ombudsman. There were no capability reviews of the agency .

MANAGEMENT OF HUMAN RESOURCES

MANAGING AND DEVELOPING EMPLOYEES

AUSTRAC's performance management program is consistent with the achievement of the agency's corporate objectives. All AUSTRAC employees are required to actively participate in the program.

In 2016-17 we revised our performance management program policy, which forms the foundation of our new performance framework. We also simplified performance agreements. The performance management program supports employees to achieve effective performance by:

- providing each employee with a clear statement of expected performance and the opportunity to discuss their responsibilities
- fostering a work environment that encourages regular, timely feedback
- building the capability necessary to achieve outcomes through learning and development.

In 2016-17 we undertook a workforce role evaluation project, which was the first phase of the workforce capability review program. The findings are informing AUSTRAC's strategic workforce plans to be completed in 2017-18, supporting the ongoing development of our capabilities, and helping align our long-term needs and priorities with those of our workforce. This will ensure we can meet legislative, regulatory, service and operational requirements, as well as organisational strategic objectives now and into the future.

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 sponsored by the Heads of Commonwealth Operational Law Enforcement Agencies. The program is designed to encourage women to pursue careers and senior positions in Australian law enforcement and regulatory agencies.

This year we recruited 44 employees (21 ongoing, 23 non-ongoing), of which 12 came from other areas of government and 32 from the private sector. There were 44 employees (38 ongoing, 6 non-ongoing) who left AUSTRAC—34 left the APS and 10 transferred within the APS or to a Commonwealth non-APS employer. Our attrition rate was 12 per cent, compared with 16 per cent in 2015-16.

The AUSTRAC Enterprise Agreement 2016-19 was in place, and provided for a two per cent salary increase during 2016-17. Non-salary benefits also provided during the period include: the annual Christmas shutdown period; access to annual leave at half pay; maternity, adoption and foster leave for eligible employees; and supporting partner leave. AUSTRAC also provides access to flexible work arrangements such as part-time work, job share, home-based work, and purchased 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 2017, section 24(1) determinations were in operation for nine SES employees.

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 2017 there were 45 such agreements in effect, the majority of which related 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 developed the 'AUSTRAC Learning Plan' that outlined how our learning and development will support the agency's strategic direction. As in previous years, our approach emphasises on-the-job and relationship-based learning by 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. Training and development opportunities during 2016-17 included those discussed below.

Our six-month internal mentoring program involved a selection of staff. The emphasis of the program was on strengthening relationships between branches and developing staff.

The People and Integrity branch also developed and delivered a series of workshops to support AUSTRAC's flexible work policy. These interactive sessions for managers provided the opportunity to work through scenarios and share experiences with managing and supporting flexible work.

A pilot Financial Intelligence Analyst Course (FIAC) included specialist financial intelligence tradecraft modules, alongside subject matter topics. These were developed, co-designed and presented by external industry, academia and partner agencies, as well as AUSTRAC subject matter experts. AUSTRAC and partner agency intelligence practitioners attended the pilot course. FIAC is intended to build high-quality analyst skills, capability and tradecraft to prevent, detect and disrupt financial crime. It includes financial intelligence tradecraft, to transform intelligence analysts into *financial* intelligence analysts.

Our 'Know Your Industry' initiative was created for members of AUSTRAC's senior executives and staff to visit the business areas of the 'big four' banks, to better understand the reporting entity population. The initiative is now broader than the large financial institutions and in 2016-17 generated opportunities for greater collaboration and enhanced knowledge of the sector, and for AUSTRAC staff to gain insight into how large financial institutions work together.

We also delivered a new induction program, providing a baseline of intelligence processes and practices to new starters in AUSTRAC's Intelligence capability.

We have a 'Studies Assistance Scheme' that supports employees to access external professional development opportunities that lead to a qualification recognised under the Australian Qualifications Framework.

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.

We assessed that a three-yearly update is appropriate to meet the fair value requirements under the Australian Accounting Standards. The most recent external valuation was conducted in June 2017.

The carrying values of assets were updated at 30 June 2017 to align with and reflect the fair value assessment contained in the valuation report.

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 2016-17 our procurement activities were supported by a dedicated Procurement and Contracts unit. The unit provides strategic advice on procurement and establishing contracts that support AUSTRAC's purpose and strategic priorities in a way that is consistent with the legislative obligations and Commonwealth Government Procurement Policies.

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 2016-17 two new consultancy contracts were entered into involving total actual expenditure of \$38,852 (GST inclusive). In addition, five ongoing consultancy contracts were active during the period, involving total actual expenditure of \$298,947 (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 2016-17 we entered into three 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 in the following table.

Entity name	Contract value (GST inclusive)	Contract purpose	Reason for standard access clause not included
Walker Collins St. Building 4D Pty Ltd	\$23,783,270	Property Lease – Melbourne, Victoria	Standard Commonwealth National Lease, assessed as not required
Energy Australia	\$240,000	Provision of electricity supply	Supplier contract
Next Business Energy Pty Ltd	\$100,000	Provision of electricity supply	Supplier contract

EXEMPT CONTRACTS

During 2016–17 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 at <http://www.finance.gov.au/participation/statistics-on-commonwealth-purchasing-contracts/>.

Our procurement practices support small business enterprises by:

- promoting the use of the Commonwealth Contracting Suite for low-risk procurements valued under \$200,000 (GST inclusive)
- encouraging the use of credit card payments for procurements valued under \$10,000 (GST inclusive)
- 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.

We recognise 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 Treasury's website <http://treasury.gov.au>.

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 progress reports was published in 2014, and can be found at www.dss.gov.au.

AUSTRAC also has in place a 'Disability Action Plan'. The purpose of this plan is to promote an inclusive workplace culture, assist with the employment of staff with disabilities, and support these staff within the workplace.

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 2016-17 we received 166 FOI requests for 11,290 pages. We were fully compliant with the requirements of the FOI Act.

Financial year	Requests received	No.of pages considered during the period
2016-17	166	11,290
2015-16	140	9,847
2014-15	105	24,966
2013-14	85	9,539

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 2016-17 AUSTRAC paid the following amounts in relation to advertising and market research:

- direct mail organisations:\$8,580.00 to Salmat Limited, for bulk emailing activities
- media advertising organisations:
 - \$87,138.43 to iSentia Group Limited, for media monitoring services
 - \$8,823.00 to the Australian Public Service Commission, for recruitment advertising
 - \$28,445.66 to Dentsu Mitchell, for recruitment advertising
 - \$1,401.79 to Australian Associated Press, for media releases.

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.

FINANCIAL STATEMENTS

A hand is pointing at a financial statement that features various charts and graphs, including a pie chart and a bar chart. The document is partially obscured by a large, diagonal, teal-colored graphic element that runs across the page. The background is a solid teal color.

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INDEPENDENT AUDITOR'S REPORT

To the Minister for Justice

Opinion

In my opinion, the financial statements of the Australian Transaction Reports and Analysis Centre for the year ended 30 June 2017:

- (a) comply with Australian Accounting Standards – Reduced Disclosure Requirements 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 2017 and its financial performance and cash flows for the year then ended.

The financial statements of the Australian Transaction Reports and Analysis Centre, which I have audited, comprise the following statements as at 30 June 2017 and for the year then ended:

- Statement by the Chief Executive Officer and Chief Finance Officer;
- Statement of Comprehensive Income;
- Statement of Financial Position;
- Cash Flow Statement;
- Statement of Changes in Equity;
- Administered Schedule of Comprehensive Income;
- Administered Schedule of Assets and Liabilities;
- Administered Reconciliation Schedule;
- Administered Cash Flow Statement;
- Notes to the financial statements, comprising a summary of significant accounting policies and other explanatory information.

Basis for Opinion

I conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Australian Transaction Reports and Analysis Centre in accordance with the relevant ethical requirements for financial statement audits conducted by the Auditor-General and his delegates. These include the relevant independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* to the extent that they are not in conflict with the *Auditor-General Act 1997* (the Code). I have also fulfilled my other responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Accountable Authority's Responsibility for the Financial Statements

As the Accountable Authority of the Australian Transaction Reports and Analysis Centre the Chief Executive Officer 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 – Reduced Disclosure Requirements and the rules made under that Act. The Chief Executive Officer is also responsible for such internal control as the Chief Executive Officer 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.

In preparing the financial statements, the Chief Executive Officer is responsible for the Australian Transaction Reports and Analysis Centre's ability to continue as a going concern, taking into account whether the entity's operations will cease as a result of an administrative restructure or for any other reason. The Chief Executive Officer is also responsible for disclosing matters related to going concern as applicable and using the going concern basis of accounting unless the assessment indicates that it is not appropriate.

GPO Box 707 CANBERRA ACT 2601
19 National Circuit BARTON ACT
Phone (02) 6203 7300 Fax (02) 6203 7777

Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian National Audit Office Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with the Australian National Audit Office Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit 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;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Accountable Authority;
- conclude on the appropriateness of the Accountable Authority's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern; and
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Australian National Audit Office



Lesla Craswell
Acting Executive Director

Delegate of the Auditor-General

Canberra
15 September 2017

STATEMENT BY THE CHIEF EXECUTIVE OFFICER AND CHIEF FINANCE OFFICER

In our opinion, the attached financial statements for the year ended 30 June 2017 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.....

Gavin McGuinn
Acting Chief Executive Officer

15 September 2017

15/9/17

Signed.....

Ric Walters
Chief Finance Officer

15 September 2017

STATEMENT OF COMPREHENSIVE INCOME

for the period ending 30 June 2017

	Notes	2017 \$'000	2016 \$'000	Original Budget \$'000
EXPENSES				
Employee benefits	1.1A	43,332	38,195	36,691
Suppliers	1.1B	20,403	27,742	23,278
Depreciation and amortisation		6,998	8,394	8,382
Losses from asset sales and disposals	1.1C	118	746	-
Write-down and impairment of assets		-	10,562	-
Total expenses		70,851	85,639	68,351
LESS:				
OWN-SOURCE INCOME				
Own-source revenue				
Sale of goods and rendering of services		3,337	7,953	2,235
Remuneration of Auditors		135	150	160
Other revenue ¹		1,087	-	-
Total own-source revenue		4,559	8,103	2,395
Net (cost of) services		(66,292)	(77,536)	(65,956)
Revenue from Government - departmental appropriation		57,567	55,925	57,574
Deficit attributable to the Australian Government		(8,725)	(21,611)	(8,382)
Total comprehensive loss attributable to the Australian Government		(8,725)	(21,611)	(8,382)

1. Costs recovered in relation to compliance actions

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

Budget Variances Commentary

Statement of Comprehensive Income

The budget variance in employee benefits is due to two factors. During the year, AUSTRAC embarked on a program to convert contractors to APS staff. This has had the effect of increasing expenditure on employee benefits and decreasing expenditure on suppliers. The variance is also due to additional costs incurred in delivering new services requested by partner agencies.

The variance in depreciation is due to the lower opening balance for intangible assets, arising from the impairment of intangible assets at 30 June 2016.

The variance in own source revenue is due to higher than budgeted receipts from partner agencies requesting additional services from AUSTRAC.

STATEMENT OF FINANCIAL POSITION

as at 30 June 2017

	Notes	2017 \$'000	2016 \$'000	Original Budget \$'000
ASSETS				
Financial Assets				
Cash and cash equivalents	2.1A	2,798	1,868	1,818
Trade and other receivables	2.1B	17,612	14,270	11,284
Total financial assets		20,410	16,138	13,102
Non-Financial Assets				
Leasehold improvements	2.2A	7,319	2,934	-
Property, plant and equipment	2.2A	4,113	5,201	13,455
Intangibles	2.2A	7,925	6,543	18,744
Other non-financial assets	2.2B	3,241	1,835	2,935
Total non-financial assets		22,598	16,513	35,134
Total assets		43,008	32,651	48,236
LIABILITIES				
Payables				
Suppliers	2.3A	3,167	3,489	1,406
Other payables	2.3B	7,033	902	3,541
Total payables		10,200	4,391	4,947
Provisions				
Employee provisions	4.1	10,992	10,738	10,153
Other provisions	2.4	448	478	448
Total provisions		11,440	11,216	10,601
Total liabilities		21,640	15,607	15,548
Net assets		21,368	17,044	32,688

STATEMENT OF FINANCIAL POSITION (CONT'D)

as at 30 June 2017

	Notes	2017 \$'000	2016 \$'000	Original Budget \$'000
EQUITY				
Contributed equity		80,433	67,139	77,033
Reserves		3,117	3,808	3,994
Retained surplus (accumulated deficit)		(62,182)	(53,903)	(48,339)
Total Equity		21,368	17,044	32,688
The above statement should be read in conjunction with the accompanying notes.				
Budget Variances Commentary				
Statement of Financial Position				
The variance in cash is due to S74 receipts that were transferred to AUSTRAC via EFT on 30 June 2017.				
The variance in trade and other receivables mainly relates to appropriations receivable. This balance is higher than budget due to changes in the timing of funding requirements for capital works in progress.				
The variance in non financial assets and intangibles is a result of two factors. Firstly, the impairment of intangible assets at 30 June 2016 was not budgeted and had the effect of lowering the opening balance. The second factor is the reporting of a lease incentive received in the form of fit-out of office premises (included as leasehold improvements).				
The variance in other non financial assets and suppliers is due to increased prepayments for information technology services.				
The variance in other payables is due to the reporting of the lease liability attached to the fit-out of office premises.				

STATEMENT OF CHANGES IN EQUITY

for the period ending 30 June 2017

	Retained earnings		Original Budget \$'000	Asset revaluation reserve		Original Budget \$'000	Contributed equity/capital		Original Budget \$'000	Total equity		Original Budget \$'000
	2017 \$'000	2016 \$'000		2017 \$'000	2016 \$'000		2017 \$'000	2016 \$'000		2017 \$'000	2016 \$'000	
Opening balance												
Balance carried forward from previous period	(53,903)	(32,478)	(39,957)	3,808	3,994	3,994	67,139	59,284	63,739	17,044	30,800	27,776
Adjusted opening balance	(53,903)	(32,478)	(39,957)	3,808	3,994	3,994	67,139	59,284	63,739	17,044	30,800	27,776
Comprehensive income	(8,725)	(21,611)	(8,382)	-	-	-	-	-	-	(8,725)	(21,611)	(8,382)
Total comprehensive income	(8,725)	(21,611)	(8,382)	-	-	-	-	-	-	(8,725)	(21,611)	(8,382)
Transactions with owners												
Contributions by owners												
Equity injection - Appropriations	-	-	-	-	-	-	10,200	4,750	10,200	10,200	4,750	10,200
Departmental capital budget	-	-	-	-	-	-	3,094	3,105	3,094	3,094	3,105	3,094
Total transactions with owners	-	-	-	-	-	-	13,294	7,855	13,294	13,294	7,855	13,294

STATEMENT OF CHANGES IN EQUITY (CONT'D)

for the period ending 30 June 2017

	Retained earnings		Original Budget \$'000	Asset revaluation reserve		Original Budget \$'000	Contributed equity/capital		Original Budget \$'000	Total equity		Original Budget \$'000
	2017 \$'000	2016 \$'000		2017 \$'000	2016 \$'000		2017 \$'000	2016 \$'000		2017 \$'000	2016 \$'000	
Transactions in reserves												
Transfers between equity components	446	186	-	(446)	(186)	-	-	-	-	-	-	-
Adjustments in asset revaluation reserve ¹	-	-	-	(245)	-	-	-	-	-	(245)	-	-
Total reserve transactions	446	186	-	(691)	(186)	-	-	-	-	(245)	-	-
Closing balance as at 30 June	(62,182)	(53,903)	(48,339)	3,117	3,808	3,994	80,433	67,139	77,033	21,368	17,044	32,688
1. Movement is due to asset revaluation.												
The above statement should be read in conjunction with the accompanying notes.												
Accounting Policy												
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 in that year.												
Budget Variances Commentary												
Statement of Changes in Equity												
The variances in retained earnings primarily relate to the prior reporting period and the consequential effect on opening balances for 2016-17.												
The transfers between equity components were not budgeted and comprise reversal of balances for assets that were disposed during the year.												
The changes in asset revaluation reserve reflects the outcome of the fair market valuation of AUSTRAC assets that was undertaken during June 2017.												

CASH FLOW STATEMENT

for the period ending 30 June 2017

	Notes	2017 \$'000	2016 \$'000	Original Budget \$'000
OPERATING ACTIVITIES				
Cash received				
Appropriations		59,923	61,055	57,574
Sales of goods and rendering of services		10,253	4,952	2,235
Net GST received		2,344	2,565	2,200
Total cash received		72,520	68,572	62,009
Cash used				
Employees		41,968	37,445	36,691
Suppliers		25,849	30,783	25,318
Total cash used		67,817	68,228	62,009
Net cash from operating activities		4,703	344	-
INVESTING ACTIVITIES				
Cash used				
Purchase of property, plant and equipment		7,657	2,213	13,294
Purchase of internally developed software		4,382	617	-
Total cash used		12,039	2,830	13,294
Net cash (used by) investing activities		(12,039)	(2,830)	(13,294)
FINANCING ACTIVITIES				
Cash received				
Contributed equity		8,266	2,536	13,294
Total cash received		8,266	2,536	13,294
Net cash from financing activities		8,266	2,536	13,294
Net increase in cash held		930	50	-
Cash and cash equivalents at the beginning of the reporting period		1,868	1,818	1,818
Cash and cash equivalents at the end of the reporting period	2.1A	2,798	1,868	1,818
Budget Variances Commentary				
Cash Flow Statement				
Commentary on the major variances between the actual and original budgeted amounts for 2016-17 is provided in the statement of comprehensive income and the statement of financial position.				

ADMINISTERED STATEMENT OF COMPREHENSIVE INCOME

for the period ending 30 June 2017

	Notes	2017 \$'000	2016 \$'000	Original Budget \$'000
EXPENSES				
Bad and doubtful debts expense		1	8	-
Waivers		264	190	-
Total expenses		265	198	-
LESS:				
Non-taxation revenue				
Industry contribution levies		65,316	57,690	66,206
Fines		45,290	250	-
Total non-taxation revenue		110,606	57,940	66,206
Total revenue		110,606	57,940	66,206
Total income		110,606	57,940	66,206
Net contribution by services		110,341	57,742	66,206
Surplus		110,341	57,742	66,206
This schedule should be read in conjunction with the accompanying notes.				
Budget Variances Commentary				
Schedule of Administrative Comprehensive Income				
The variance to budget reflects the finalisation of compliance action. A \$45.0m civil penalty was ordered by the Federal Court of Australia for non-compliance with the <i>Anti-Money Laundering and Counter-Terrorism Financing Act 2006</i> (AML/CTF Act).				

ADMINISTERED SCHEDULE OR ASSETS AND LIABILITIES

as at 30 June 2017

	Notes	2017 \$'000	2016 \$'000	Original Budget \$'000
Assets administered on behalf of Government				
Financial assets				
Cash at bank		1	-	-
Total financial assets		1	-	-
Total assets administered on behalf of Government		1	-	-
Administered Schedule of Liabilities				
As at 30 June 2017, there are no liabilities administered on behalf of Government (2016: Nil).				

ADMINISTERED RECONCILIATION SCHEDULE

for the period ended 30 June 2017

	Notes	2017 \$'000	2016 \$'000
Opening assets less liabilities as at 1 July		-	127
Surplus items:			
Plus: Administered income		110,606	57,940
Administered transfers to/from Australian Government:			
Special appropriation (unlimited)		23	191
Transfers to OPA		(110,363)	(58,060)
Less Administered expenses (other than Corporate Commonwealth entities)		(265)	(198)
Closing administered assets less administered liabilities as at 30 June		1	-
This schedule should be read in conjunction with the accompanying notes.			

ADMINISTERED CASH FLOW STATEMENT

for the period ended 30 June 2017

	Notes	2017 \$'000	2016 \$'000
Administered Cash Flows			
OPERATING ACTIVITIES			
Cash received			
Fees and levies		65,074	57,810
Fines		45,290	250
Total Cash received		110,364	58,060
Cash used			
Refunds of fees and levies		(23)	(191)
Total cash used		(23)	(191)
Net cash flows from (used by) operating activities		110,341	57,869
Net increase in Cash Held		110,341	57,869
Cash and cash equivalents at the beginning of the reporting period		-	-
Cash from the Official Public Account for:			
Special appropriation (unlimited)		23	191
Cash to Official Public Account for:			
Administered Receipts		(110,363)	(58,060)
		(110,340)	(57,869)
Cash and cash equivalents at the end of the reporting period		1	-

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

Accounting Policy

Administered Cash Transfers to and from the Official Public Account

Administered revenue collected by AUSTRAC is for use by the Government.

Collections are transferred to the Official Public Account (OPA) maintained by the Department of Finance. Conversely, cash is drawn from the OPA to make payments under Parliamentary appropriation on behalf of Government.

These transfers to and from 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 flows.

OVERVIEW

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 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 AUSTRAC in its own right. Administered activities involve the management or oversight by AUSTRAC, on behalf of the Government, of items controlled or incurred by the Government.

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 – Reduced Disclosure Requirements 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.

OVERVIEW (CONT'D)

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.

RECOGNITION OF REVENUE

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

Amounts appropriated for departmental appropriations for the period (adjusted for any formal additions and reductions) are recognised as revenue from Government when AUSTRAC gains control of the appropriation. Appropriations receivable are recognised at their nominal amounts.

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.

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 Acting Chief Executive Officer and Chief Finance Officer that were applicable to the current reporting period and that had a material effect on AUSTRAC's financial statements.

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

OVERVIEW (CONT'D)

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 AUSTRAC for future reporting periods:

Accounting Standard	Application date ¹	Nature of change
AASB 16 Leases	1 July 2019	AUSTRAC expects to apply AASB 16 Leases from 2019–20. This Standard will require the net present value of payments under most operating leases to be recognised as assets and liabilities. AUSTRAC has \$43.221million in operating lease commitments as at 30 June 2017.
1. AUSTRAC's expected initial application date is when the accounting standard becomes operative at the beginning of the reporting period.		

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.

TAXATION

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

EVENTS AFTER THE REPORTING PERIOD

There were no events occurring after balance date that had a material effect on the Departmental or Administered financial statements.

BUDGET VARIANCES

The original budget shown in the financial statements is the budget first presented to Parliament in respect of the reporting period. For the year ended 30 June 2017, the budget is contained in AUSTRAC's 2016-17 Portfolio Budget Statements (PBS).

OVERVIEW (CONT'D)

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

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 AUSTRAC, and
- c) 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.

1. DEPARTMENTAL FINANCIAL PERFORMANCE

This section analyses AUSTRAC's financial performance for the year ended 30 June 2017.

	2017 \$'000	2016 \$'000
1.1 Expenses		
1.1A Employee benefits		
Wages and salaries	29,912	26,888
Superannuation:		
Defined contribution plans	2,189	2,051
Defined benefit plans	3,710	3,099
Leave and other entitlements	5,644	5,360
Separation and redundancies	1,877	797
Total employee benefits	43,332	38,195
Accounting Policy		
Accounting policies for employee related expenses are contained in the People and Relationships section.		
1.1B Suppliers		
Goods and services		
Contracted services - Contractors	3,404	10,566
Contracted services - Consultants	1,980	2,805
IT maintenance	3,651	3,578
Travel	2,484	2,641
Property and office maintenance	1,827	1,835
Telecommunications	1,328	1,034
Other	1,273	1,533
Total goods and services	15,947	23,992
Goods and services are made up of:		
Goods supplied	754	724
Services rendered	15,193	23,268
Total goods and services	15,947	23,992

1. DEPARTMENTAL FINANCIAL PERFORMANCE (CONT'D)

	2017 \$'000	2016 \$'000
Other supplier expenses		
Operating lease rentals – external parties:		
Minimum lease payments	4,233	3,592
Workers compensation expenses	223	158
Total other supplier expenses	4,456	3,750
Total supplier expenses	20,403	27,742
Leasing commitments		
In its capacity as a lessee, AUSTRAC is engaged in four leasing arrangements for office premises. There are renewal options on all arrangements.		
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within 1 year	5,042	4,402
Between 1 to 5 years	21,262	16,168
More than 5 years	16,917	5,142
Total operating lease commitments	43,221	25,712
Commitments are GST inclusive where relevant.		
Accounting Policy		
Operating lease payments are expensed on a straight-line basis which is representative of the pattern of benefits derived from the leased assets.		
<u>1.1C Losses from asset sales and disposals</u>		
Property, plant and equipment:		
Carrying value of assets sold or disposed	118	746
Total losses from asset sales and disposals	118	746

2. DEPARTMENTAL FINANCIAL POSITION

This section analyses AUSTRAC's assets used to conduct its operations and the operating liabilities incurred, as a result. Employee related information is disclosed in the People and Relationships section.

	2017 \$'000	2016 \$'000
2.1 Financial Assets		
2.1A Cash and Cash Equivalents		
Cash on hand or on deposit	2,798	1,868
Total cash and cash equivalents	2,798	1,868
2.1B Trade and Other Receivables		
Goods and services	963	356
Total receivables for goods and services	963	356
Appropriations receivable:		
For existing programs	16,187	13,517
Total appropriations receivable	16,187	13,517
Other receivables:		
GST receivable from the Australian Taxation Office	462	397
Total other receivables	462	397
Total trade and other receivables (net)	17,612	14,270
Receivables are expected to be recovered in:		
No more than 12 months	17,612	14,270
Total trade and other receivables (net)	17,612	14,270
Trade and other receivables are aged as follows:		
Not overdue	17,067	14,131
Overdue by:		
0 to 30 days	106	138
31 to 60 days	104	1
61 to 90 days	104	-
More than 90 days	231	-
Total trade and other receivables (net)	17,612	14,270

2. DEPARTMENTAL FINANCIAL POSITION (CONT'D)

Financial assets were assessed for impairment in accordance with the impairment policy stated below. No indicators of impairment were found in 2017.
<p>Accounting Policy</p> <p>Financial assets are classified as loans and receivables and are assessed for impairment at the end of each reporting period. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Financial assets are recognised and derecognised upon trade date and are assessed for impairment at the end of each reporting period.</p> <p><i>Loans and Receivables</i></p> <p>Where loans and receivables are not subject to concessional treatment, they are carried at amortised cost using the effective interest method. Gains and losses due to impairment, derecognition and amortisation are recognised through profit or loss.</p>

2. DEPARTMENTAL FINANCIAL POSITION (CONT'D)

	Leasehold improvements \$'000	Property, plant and equipment \$'000	Computer software ¹ \$'000	Total \$'000
2.2 Non-Financial Assets				
2.2A Reconciliation of the Opening and Closing Balances of Property, Plant and Equipment and Intangibles				
As at 1 July 2016				
Gross book value	3,991	13,490	21,578	39,059
Accumulated depreciation and impairment	(1,057)	(8,289)	(15,035)	(24,381)
Total as at 1 July 2016	2,934	5,201	6,543	14,678
Additions				
By purchase	5,490	2,167	-	7,657
Internally developed	-	-	4,383	4,383
Depreciation expense	(1,014)	(2,983)	(3,001)	(6,998)
Disposals:				
Asset disposals recognised as expense in Statement of Comprehensive Income	-	(27)	-	(27)
Other movements				
Asset devaluation recognised as expense in Statement of Comprehensive Income	(91)	-	-	(91)
Net Revaluation (Decrements) attributed directly to reserve	-	(245)	-	(245)
Total as at 30 June 2017	7,319	4,113	7,925	19,357
Totals as at 30 June 2017 are represented by:				
Gross book value	8,218	15,222	25,285	48,725
Accumulated Depreciation	(899)	(11,109)	(17,360)	(29,368)
Total as at 30 June 2017	7,319	4,113	7,925	19,357
1. The carrying amount of computer software comprises internally generated software.				
Intangible assets were assessed for impairment in accordance with the impairment policy stated below. No indicators of impairment were found in 2017 (2016: \$10.562m).				
Revaluations of non-financial assets				
All revaluations are conducted in accordance with the revaluation policy stated below. Leasehold improvements were revalued in 2017 with a revaluation decrement of \$0.091M (2016: no revaluation) debited to the Asset Revaluation Reserve and included in other comprehensive income. Property plant and equipment were revalued in 2017 with a revaluation decrement of \$0.245M (2016: no revaluation).				
Post Balance Date Capital Commitments				
After balance date, as part of normal business operations, AUSTRAC entered into a contract for the provision of an Applied Intelligence and Data Analytics solution for \$8.25M (inclusive of GST) . The contract was signed by AUSTRAC on 24 July 2017.				

2. DEPARTMENTAL FINANCIAL POSITION (CONT'D)

ACCOUNTING POLICY

Assets are recorded at cost of acquisition, except where 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.

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
Property, 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.

The most recent independent valuation was conducted during June 2017.

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.

2. DEPARTMENTAL FINANCIAL POSITION (CONT'D)

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	2017	2016
Leasehold improvements	Lease term	Lease term
Property, 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 2017. 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.

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 (2015-16: 3 to 10 years).

All software assets were assessed for indications of impairment as at 30 June 2017.

2. DEPARTMENTAL FINANCIAL POSITION (CONT'D)

	2017 \$'000	2016 \$'000
2.2B Other Non-Financial Assets		
Prepayments	3,241	1,835
Total other non-financial assets	3,241	1,835
No indicators of impairment were found for other non-financial assets (2016: Nil).		

2.3 Payables

2.3A Suppliers		
Trade creditors and accruals	3,167	3,489
Total suppliers	3,167	3,489
Supplier payables are made within 30 days (2016: 30 days).		
2.3B Other Payables		
Salaries and wages	1,243	138
Superannuation	32	27
Prepayments received/unearned income	745	414
Lease incentives ¹	4,974	300
Other	39	23
Total other payables	7,033	902
1. Lease incentives are amortised over the lease term.		

	Provision for restoration \$'000	Provision for contracted services \$'000	Total \$'000
2.4 Other Provisions			
Total as at 1 July 2016	30	448	478
Amounts Used	(30)	-	(30)
Total as at 30 June 2017	-	448	448
AUSTRAC currently has no agreement for the leasing of premises which requires AUSTRAC to restore the premises to its original condition.			

3. FUNDING

This section identifies AUSTRAC's funding structure.

3.1 Appropriations					
3.1A Annual Appropriations (Recoverable GST exclusive)					
2017 Appropriations					
	Annual Appropriation \$'000	Adjustment to Appropriations ² \$'000	Total appropriation \$'000	Appropriation applied in 2017 (current and prior years) \$'000	Variance ^{4,5} \$'000
DEPARTMENTAL					
Ordinary annual services	57,574	9,866	67,440	72,458	(5,018)
Capital Budget ³	3,094	-	3,094	3,663	(569)
Other services					
Equity	10,200	-	10,200	4,604	5,596
Total departmental	70,868	9,866	80,734	80,725	9
<p>1. In 2016-17 there was an adjustment that met the recognition criteria of a formal reduction in revenue. The appropriations had not been amended before the end of the reporting period as Departmental appropriations do not lapse at the financial year end. The adjustment was a reduction to revenue of \$0.007m (2016: \$0.021m) relating to portfolio efficiencies as published in the 2016-17 Portfolio Budget Statements.</p> <p>2. Section 74 increase in revenue \$9.866m (2016: \$4.875m).</p> <p>3. Departmental Capital Budgets are appropriated through Appropriation Acts (No1,3,5). They form part of ordinary annual services, and are not separately identified in the Appropriation Acts.</p> <p>4. The variance relates to appropriation drawn down in the prior year and cash balances on hand at year end.</p> <p>5 The equity variance relates to planned project expenditure that had not been made at balance date.</p>					
2016 Appropriations					
	Annual Appropriation \$'000	Adjustment to Appropriations ² \$'000	Total appropriation \$'000	Appropriation applied in 2016 (current and prior years) \$'000	Variance ⁴ \$'000
DEPARTMENTAL					
Ordinary annual services	55,967	4,875	60,842	70,805	(9,984)
Capital Budget ³	3,105	-	3,105	2,536	569
Other services	-	-	-	-	-
Equity	4,750	-	4,750	-	4,750
Total departmental	63,822	4,875	68,697	73,341	(4,665)
<p>1. In 2015-16 there was an adjustment that met the recognition criteria of a formal reduction in revenue. The appropriations had not been amended before the end of the reporting period as Departmental appropriations do not lapse at the financial year end. The adjustment was a reduction to revenue of \$0.021m (2015: Nil) relating to portfolio efficiencies as published in the 2015-16 Portfolio Budget Statements.</p> <p>2. Section 74 increase in revenue \$4.875m (2015: \$4.626m).</p> <p>3. Departmental Capital Budgets are appropriated through Appropriation Acts (No1,3,5). They form part of ordinary annual services, and are not separately identified in the Appropriation Acts.</p> <p>4. The variance relates to appropriation drawn down in the prior year and cash balances on hand at year end.</p>					

3. FUNDING (CONT'D)

3.1B Unspent Departmental Annual Appropriations ('Recoverable GST exclusive')		
Authority	2017 \$'000	2016 \$'000
<i>Appropriation Act No.1 2015-16¹</i>	21	8,219
<i>Appropriation Act No.1 2015-16 Departmental Capital Budget</i>	-	569
<i>Appropriation Act No.1 2015-16 Cash at bank and on hand</i>	-	1,868
<i>Appropriation Act No.2 2015-16</i>	3,400	4,750
<i>Appropriation Act No.1 2016-17</i>	5,842	-
<i>Appropriation Act No.1 2016-17²</i>	7	-
<i>Appropriation Act No.1 2016-17 Cash at bank and on hand</i>	2,798	-
<i>Appropriation Act No.2 2016-17</i>	6,946	-
Total	19,014	15,406
1. 2015-16 includes quarantined amount of \$0.021m under <i>Appropriation Act No.1 2015-16</i> (2015: Nil).		
2. 2016-17 includes quarantined amount of \$0.007m under <i>Appropriation Act No 1 2016-17</i>		

3.1C Special Appropriations ('Recoverable GST exclusive')				
Authority	Type	Purpose	Appropriation applied 2017 \$'000	2016 \$'000
Section 77, <i>Public Governance, Performance and Accountability Act 2013</i>	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	23	191
Total special appropriations applied			23	191

3. FUNDING (CONT'D)

	2017 \$'000	2016 \$'000
3.2 Net Cash Appropriation Arrangements		
Total comprehensive income / (loss) less depreciation/ amortisation expenses previously funded through revenue appropriations¹	(1,727)	(13,217)
Plus: depreciation/amortisation expenses previously funded through revenue appropriation	(6,998)	(8,394)
Total comprehensive income (loss) - as per the Statement of Comprehensive Income	(8,725)	(21,611)
<p>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.</p>		

4. PEOPLE AND RELATIONSHIPS

This section describes a range of employment and post employment benefits provided to our people and our relationships with other key people.

	2017 \$'000	2016 \$'000
4.1 Employee Provisions		
Leave	10,992	10,738
Total employee provisions	10,992	10,738

ACCOUNTING POLICY

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.

4. PEOPLE AND RELATIONSHIPS (CONT'D)

4.2 Key Management Personnel Remuneration

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of AUSTRAC, directly or indirectly. AUSTRAC has determined the key management personnel to be the Minister for Justice and Minister Assisting the Prime Minister for Counter-Terrorism, the Chief Executive Officer, the three Deputy Chief Executive Officers and the Chief Finance Officer. Key management personnel remuneration is reported in the table below:

	2017 \$	2016 \$
Short-term employee benefits	1,159,460	1,162,424
Post-employment benefits	203,678	195,867
Other long-term employee benefits	118,261	120,506
Termination benefits	224,205	-
Total key management personnel remuneration expenses	1,705,604	1,478,797

The total number of key management personnel included in the above table is 6 (2016: 4).

The differences in total number of key management personnel occupying the roles arises in circumstances where more than one person occupied a role during part of the 2017 financial year.

The above key management personnel remuneration excludes the remuneration and other benefits of the Minister for Justice and Minister Assisting the Prime Minister for Counter-Terrorism. The Minister's remuneration and other benefits are set by the Remuneration Tribunal and are not paid by AUSTRAC.

4.3 Related Party Disclosures

AUSTRAC is an Australian Government controlled entity. Related parties to AUSTRAC are Key Management Personnel, including the Portfolio Minister and Executive, and other Australian Government entities.

Given the breadth of Government activities, related parties may transact with the government sector in the same capacity as ordinary citizens. Such transactions include the payment or refund of taxes, receipt of a Medicare rebate or higher education loans. These transactions have not been separately disclosed in this note.

The following transactions with related parties occurred during the financial year:

- AUSTRAC transacts with other Australian Government controlled entities consistent with normal day-to-day business operations provided under normal terms and conditions, including the payment of workers compensation, insurance premiums, vetting and legal services.
- AUSTRAC transacts with other Australian Government controlled entities for the provision of fee based services to or on behalf of those entities. Such services are provided under normal terms and conditions and are not considered individually significant to warrant separate disclosure as related party transactions.
- No key management personnel (KMP) have entered into any related party transactions with AUSTRAC and there are no contracts involving key management personnel interests existing at year end.

5. MANAGING UNCERTAINTIES

This section describes how AUSTRAC manages financial risks within its operating environment.

5.1 Contingent assets and liabilities

Quantifiable contingencies

There are no departmental or administered quantifiable contingencies as at 30 June 2017 (2016: Nil).

Unquantifiable contingencies

On 3 August 2017, AUSTRAC initiated civil penalty proceedings in the Federal Court against a regulated entity. As at the date of signing the financial statements, the outcome of this matter is unknown and cannot be quantified.

There were no departmental or administered unquantifiable contingencies as at 30 June 2016.

Significant Remote Contingencies

There are no departmental or administered remote contingencies as at 30 June 2017 (2016: Nil).

Accounting policy

Contingent liabilities and contingent assets are not recognised in the Statement of Financial Position but are reported in this note. 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.

Significant accounting judgements and estimates

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

	2017 \$'000	2016 \$'000
5.2 Categories of Financial Instruments		
Financial Assets		
Loans and receivables		
Cash and cash equivalents	2,798	1,868
Goods and services	963	356
Total financial assets	3,761	2,224
Financial Liabilities		
At amortised cost:		
Trade creditors at amortised cost	3,167	3,489
Total financial liabilities	3,167	3,489
Accounting Policy		
Financial assets		
Financial assets are classified as loans and receivables.		
Financial Liabilities		
Supplier and other payables are recognised at amortised cost. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced).		

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picture...”

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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	2012-13	2013-14	2014-15	2015-16	2016-17
Sydney	159	156	151	176	170
Melbourne	74	69	71	85	78
Canberra	19	19	24	52	50
Brisbane	21	17	12	14	17
Perth	2	3	2	1	2
Adelaide	2	2	2	2	1
Total	277	266	262	330	318

UNPAID INOPERATIVE EMPLOYEES

State	2012-13	2013-14	2014-15	2015-16	2016-17
Sydney	2	1	4	2	3
Melbourne	2	1	3	2	3
Canberra	0	0	0	0	4
Brisbane	0	0	0	0	0
Perth	0	0	1	0	0
Adelaide	0	0	0	0	0
Total	4	2	8	4	10

Note: non-ongoing and part-time employees are included but casuals are excluded 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 2017

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

Office	Public office holder		Senior Executive Office (SES)		AUSTRAC Band 2 (EL2)		AUSTRAC Band 1 (EL1)		AUSTRAC Broadband 1 (APS levels 5-6)		AUSTRAC Broadband 1 (APS levels 1-4)		Total
	M	F	M	F	M	F	M	F	M	F	M	F	
Sydney	1	-	2	2	18	15	22	27	33	44	1	5	170
Melbourne	-	-	1	2	7	4	8	13	21	16	3	3	78
Canberra	-	-	1	1	8	3	10	6	9	12	-	-	50
Brisbane	-	-	-	-	1	-	1	2	3	7	-	3	17
Perth	-	-	-	-	-	-	-	1	-	1	-	-	2
Adelaide	-	-	-	-	-	-	-	1	-	-	-	-	1
Total	1	0	4	5	34	22	41	50	66	80	4	11	318

The table includes full-time and part-time employees, non-ongoing employees, as well as paid inoperative employees and those acting in a higher position at 30 June 2017 but excludes casual employees.

PART-TIME AND NON-ONGOING EMPLOYEES AT 30 JUNE 2017

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

State	Classification group	Part-time 2016-17			Non-ongoing 2016-17		
		M	F	Total	M	F	Total
Sydney	Senior officer grades and equivalent	2	10	12	7	-	7
	APS 1-6 equivalent	1	13	14	6	2	8
Melbourne	Senior officer grades and equivalent	1	7	8	-	1	1
	APS 1-6 equivalent	1	8	9	1	-	1
Canberra	Senior officer grades and equivalent	-	-	-	-	-	-
	APS 1-6 equivalent	-	2	2	-	-	-
Brisbane	Senior officer grades and equivalent	-	-	-	-	-	-
	APS 1-6 equivalent	-	-	-	-	1	1
Perth	Senior officer grades and equivalent	-	-	-	-	-	-
	APS 1-6 equivalent	-	-	-	-	-	-
Adelaide	Senior officer grades and equivalent	-	-	-	-	-	-
	APS 1-6 equivalent	-	-	-	-	-	-
Total		5	40	45	14	4	18

SUBSTANTIVE SES OFFICERS AT 30 JUNE 2017

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

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

During 2016-17 two ongoing SES employees ceased employment, and one ongoing SES employee 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 by headcount) at 30 June 2017.

Total employees	EEO data recorded	Female staff	Male staff	Non-English speaking background	Aboriginal or Torres Strait Islander	Person with a disability
322	98%	57%	43%	25%	0%	2%

WORKPLACE RELATIONS

The table below outlines our non-SES employee salary ranges under our Enterprise Agreement at 30 June 2017, including individual flexibility arrangements.

Classification equivalent	Salary range
APS1	47,541–52,025
APS2	53,818–59,200
APS3	60,095–65,478
APS4	66,375–73,553
APS5	74,449–81,624
APS6	83,417–136,943
EL1	101,944–141,830
EL2	118,823–180,946

WORK HEALTH AND SAFETY

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

- implementing a robust WHS framework
- a commitment to WHS by senior executive and site leadership, supported by the WHS Advisors
- oversight and consultation by the Health and Safety Committee and the Organisational Health Committee
- reviewing and updating WHS policies and processes
- maintaining a network of trained office duty holders, including Health and Safety Representatives, and Workplace Harassment Contact Officers, in each office
- 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 offering an annual 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.

There were no notifiable WHS incidents reported to Comcare in 2016-17.

In 2016-17 AUSTRAC did not have any:

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

APPENDIX B: AGENCY RESOURCE STATEMENTS - 2016-17

	Actual available appropriations for 2016-17 \$'000 (a)	Payments Made 2016-17 \$'000 (b)	Balance Remaining \$'000 (a-b)
Ordinary Annual Services			
Prior year appropriation	10,656	(10,656)	-
Departmental appropriation	60,668	(52,028)	8,640
Section 74 Agency receipts per 2016-17 Portfolio Budget Statements	2,235	(2,235)	-
Additional section 74 receipts	7,631	(7,631)	-
Total	81,190	(72,550)	8,640
Total ordinary annual services	81,190	(72,550)	8,640
Departmental non-operating			
Equity injections	10,200	(3,254)	6,946
Previous years inputs	4,750	(1,350)	3,400
Total	14,950	(4,604)	10,346
Total Resourcing and Payments	96,140	(77,154)	18,986

APPENDIX C: EXPENSES AND RESOURCES FOR OUTCOME FOR 2016-17

Outcome 1: The protection of the financial system from criminal abuse through actionable financial intelligence and collaboration with domestic and international partners.	Budget * 2016-17 \$'000 (a)	Actual expenses 2016-17 \$'000 (b)	Variation \$'000 (a)-(b)
Administered expenses			
Expenses not requiring appropriation in the Budget year	-	23	(23)
Departmental expenses			
Ordinary annual services (Appropriation Bill No.1)	68,351	63,853	4,498
Revenues from independent sources (section 74)	2,235	4,424	(2,189)
Expenses not requiring appropriation in the Budget year	8,382	6,998	1,384
Subtotal for Outcome 1	78,968	75,298	3,670
Total for Outcome 1			
Departmental	78,968	75,275	3,693
Administered		23	(23)
		2016-17	2015-16
Average staffing level (number)		320	284
* Full year budget including any subsequent made to the 2016-17 budget			

APPENDIX D: GLOSSARY

Abbreviation	Description
ACIC	Australian Criminal Intelligence Commission
ACLEI	Australian Commission for Law Enforcement Integrity
ACORN	Australian Cybercrime Online Reporting Network
AFP	Australian Federal Police
AGD	Attorney-General's Department
AML/CTF	anti-money laundering and counter-terrorism financing
AML/CTF Act	<i>Anti-Money Laundering and Counter-Terrorism Financing Act 2006</i>
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
FIAC	Financial Intelligence Analyst Course
FIU	financial intelligence unit
FOI Act	<i>Freedom of Information Act 1988</i>
FTR Act	<i>Financial Transaction Reports Act 1988</i>
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	<i>Public Governance, Performance and Accountability Act 2013</i>
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)

APPENDIX E: LIST OF REQUIREMENTS

PGPA Rule ref.	Description	Requirement	Page no.
17AD(g)	Letter of transmittal		
17AI	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	3
17AD(h)	Aids to access		
17AJ(a)	Table of contents.	Mandatory	4
17AJ(b)	Alphabetical index.	Mandatory	134
17AJ(c)	Glossary of abbreviations and acronyms.	Mandatory	127
17AJ(d)	List of requirements.	Mandatory	128
17AJ(e)	Details of contact officer.	Mandatory	140
17AJ(f)	Entity's website address.	Mandatory	140
17AJ(g)	Electronic address of report.	Mandatory	140
17AD(a)	Review by accountable authority		
17AD(a)	A review by the accountable authority of the entity.	Mandatory	8-13
17AD(b)	Overview of the entity		
17AE(1)(a)(i)	A description of the role and functions of the entity.	Mandatory	15
17AE(1)(a)(ii)	A description of the organisational structure of the entity.	Mandatory	18, 20-27
17AE(1)(a)(iii)	A description of the outcomes and programmes administered by the entity.	Mandatory	19
17AE(1)(a)(iv)	A description of the purposes of the entity as included in corporate plan.	Mandatory	19
17AE(1)(b)	An outline of the structure of the portfolio of the entity.	Portfolio departments mandatory	N/A
17AE(2)	Where the outcomes and programs 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	N/A
17AD(c)	Report on the Performance of the entity		
	Annual performance Statements		

PGPA Rule ref.	Description	Requirement	Page no.
17AD(c)(i); 16F	Annual performance statement in accordance with paragraph 39(1)(b) of the Act and section 16F of the Rule.	Mandatory	28-70
17AD(c)(ii)	Report on Financial Performance		
17AF(1)(a)	A discussion and analysis of the entity's financial performance.	Mandatory	71
17AF(1)(b)	A table summarising the total resources and total payments of the entity.	Mandatory	125-126
17AF(2)	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.	N/A, 71
17AD(d)	Management and Accountability		
	Corporate Governance		
17AG(2)(a)	Information on compliance with section 10 (fraud systems)	Mandatory	73-74
17AG(2)(b)(i)	A certification by accountable authority that fraud risk assessments and fraud control plans have been prepared.	Mandatory	74
17AG(2)(b)(ii)	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	74
17AG(2)(b)(iii)	A certification by accountable authority that all reasonable measures have been taken to deal appropriately with fraud relating to the entity.	Mandatory	74
17AG(2)(c)	An outline of structures and processes in place for the entity to implement principles and objectives of corporate governance.	Mandatory	75-76
17AG(2)(d) – (e)	A statement of significant issues reported to Minister under paragraph 19(1)(e) of the Act that relates to non-compliance with Finance law and action taken to remedy non-compliance.	If applicable, Mandatory	N/A, 76
	External Scrutiny		
17AG(3)	Information on the most significant developments in external scrutiny and the entity's response to the scrutiny.	Mandatory	77
17AG(3)(a)	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	N/A, 77

PGPA Rule ref.	Description	Requirement	Page no.
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	N/A, 77
17AG(3)(c)	Information on any capability reviews on the entity that were released during the period.	If applicable, Mandatory	N/A, 77
Management of Human Resources			
17AG(4)(a)	An assessment of the entity's effectiveness in managing and developing employees to achieve entity objectives.	Mandatory	77-79
17AG(4)(b)	Statistics on the entity's APS employees on an ongoing and non-ongoing basis; including the following: <ul style="list-style-type: none"> Statistics on staffing classification level; Statistics on full-time employees; Statistics on part-time employees; Statistics on gender; Statistics on staff location; Statistics on employees who identify as Indigenous. 	Mandatory	120-123
17AG(4)(c)	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	78
17AG(4)(c)(i)	Information on the number of SES and non-SES employees covered by agreements etc. identified in paragraph 17AG(4)(c).	Mandatory	78
17AG(4)(c)(ii)	The salary ranges available for APS employees by classification level.	Mandatory	123
17AG(4)(c)(iii)	A description of non-salary benefits provided to employees.	Mandatory	78
17AG(4)(d)(i)	Information on the number of employees at each classification level who received performance pay.	If applicable, Mandatory	N/A, 78
17AG(4)(d)(ii)	Information on aggregate amounts of performance pay at each classification level.	If applicable, Mandatory	N/A, 78
17AG(4)(d)(iii)	Information on the average amount of performance payment, and range of such payments, at each classification level.	If applicable, Mandatory	N/A, 78
17AG(4)(d)(iv)	Information on aggregate amount of performance payments.	If applicable, Mandatory	N/A, 78
Assets Management			
17AG(5)	An assessment of effectiveness of assets management where asset management is a significant part of the entity's activities.	If applicable, mandatory	80

PGPA Rule ref.	Description	Requirement	Page no.
	Purchasing		
17AG(6)	An assessment of entity performance against the Commonwealth Procurement Rules.	Mandatory	80
	Consultants		
17AG(7)(a)	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	81
17AG(7)(b)	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	81
17AG(7)(c)	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	81
17AG(7)(d)	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	81
	Australian National Audit Office Access Clauses		
17AG(8)	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	81
	Exempt contracts		
17AG(9)	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	N/A, 82

PGPA Rule ref.	Description	Requirement	Page no.
	Small business		
17AG(10)(a)	A statement that “[Name 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	82
17AG(10)(b)	An outline of the ways in which the procurement practices of the entity support small and medium enterprises.	Mandatory	82
17AG(10)(c)	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	N/A, 82
	Financial Statements		
17AD(e)	Inclusion of the annual financial statements in accordance with subsection 43(4) of the Act.	Mandatory	86-117
17AD(f)	Other Mandatory Information		
17AH(1)(a)(i)	If the entity conducted advertising campaigns, a statement that “During [reporting period], the [name of entity] conducted the following advertising campaigns: [name of advertising campaigns undertaken]. Further information on those advertising campaigns is available at [address of entity’s website] and in the reports on Australian Government advertising prepared by the Department of Finance. Those reports are available on the Department of Finance’s website.”	If applicable, Mandatory	N/A, 84
17AH(1)(a)(ii)	If the entity did not conduct advertising campaigns, a statement to that effect.	If applicable, Mandatory	84
17AH(1)(b)	A statement that “Information on grants awarded by [name of entity] during [reporting period] is available at [address of entity’s website].”	If applicable, Mandatory	N/A
17AH(1)(c)	Outline of mechanisms of disability reporting, including reference to website for further information.	Mandatory	83
17AH(1)(d)	Website reference to where the entity’s Information Publication Scheme statement pursuant to Part II of FOI Act can be found.	Mandatory	83
17AH(1)(e)	Correction of material errors in previous annual report	If applicable, mandatory	133
17AH(2)	Information required by other legislation	Mandatory	84, 124

APPENDIX F: CORRECTION OF MATERIAL ERRORS IN PREVIOUS ANNUAL REPORT

The *AUSTRAC annual report 2015-16* contained the following errors:

- One of the statistics in the Intelligence infographic on page 20 states '\$152M in debt collection'. The term 'debt collection' should be 'income tax assessment'.
 - The SMR/SUSTR and TTR/SUSTR bar graphs in the Compliance infographic on page 28 have typographical errors in the numerical scale. The commas are placed incorrectly. The incremental figures should read:
 - SMR/SUSTR: 20,000, 40,000, 60,000, 80,000, 100,000
 - TTR/SUSTR: 1,000,000, 2,000,000, 3,000,000, 4,000,000, 5,000,000
 - The infographic on page 28 relating to TTR/SCTR value should read \$165 billion and the value 3% decrease.
- Annual performance statement response to criterion 3.2 on page 76 states:

In 2015-16 we received 4,650,302 TTRs (including significant cash transaction reports under the FTR Act). This was approximately 44,000 fewer than in 2014-15, which is consistent with the trend over recent years. The value of these reports totaled approximately \$198 billion, compared with around \$167 billion in 2014-15.

The response to this criterion should be:

In 2015-16 we received 4,780,256 TTRs (including significant cash transaction reports under the Financial Transaction Reports Act 1988). This was approximately 44,000 fewer than in 2014-15, consistent with the downward trend for threshold reporting over recent years. The value of these reports totalled approximately \$165 billion, compared with around \$170 billion in 2014-15.

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