



Australian Government

AUSTRAC

FIGHTING  
FINANCIAL  
CRIME  
TOGETHER

# 2017

AUSTRAC  
ANNUAL REPORT







Australian Government

AUSTRAC

FIGHTING  
FINANCIAL  
CRIME  
TOGETHER

# 2017

**AUSTRAC**  
ANNUAL REPORT



## COPYRIGHT

The Commonwealth owns the copyright in all material produced by this agency.

All material presented in this publication is provided under a Creative Commons Attribution 4.0 International licence, with the exception of:

- the AUSTRAC logo
- content supplied by third parties.

The details of the relevant licence conditions are available on the Creative Commons website, as is the full legal code for the CC BY 4.0 license.

You may not reproduce or use this material in any way that suggests the AUSTRAC or the Commonwealth endorses you or any of your services or products.



## ATTRIBUTION

Material obtained from this publication is to be attributed to: © AUSTRAC for the Commonwealth of Australia 2018.



Australian Government

AUSTRAC

## Chief Executive Officer

---

4 October 2018  
The Hon Peter Dutton MP  
Minister for Home Affairs  
Parliament House  
CANBERRA ACT 2600

Dear Minister,

For the purposes of section 46 of the *Public Governance, Performance and Accountability Act 2013*, 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 2018.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Nicole Rose'.

Nicole Rose PSM  
Chief Executive Officer



# CONTENTS

<b>Our year in review</b>	<b>6</b>
<b>CEO's review</b>	<b>8</b>
<b>Agency overview</b>	<b>14</b>
Role and functions	15
Organisational structure	17
Outcome and program	18
<b>Our capabilities</b>	<b>20</b>
International and Policy division	22
Operations division	24
Corporate division	26
<b>Our performance</b>	<b>28</b>
AUSTRAC annual performance statement 2017–18	29

## Report on financial performance

56

## Management and accountability

58

Corporate governance	59
External scrutiny	61
Management of human resources	62
Asset management	65
Purchasing	65
Consultants and contracts	65
Australian National Audit Office access clauses	66
Procurement initiatives to support small business	66
Advertising and market research	66
Grants	67
Disability reporting mechanism	67
Freedom of information	67
Ecologically sustainable development and environmental performance	68
Correction of material errors in previous annual report	68

## Financial statements

70

## Appendices

102

Appendix A: APS employee statistics	103
Appendix B: Agency resource statements 2017–18	108
Appendix C: Expenses and resources for outcome for 2017–18	109
Appendix D: Glossary	110
Appendix E: List of requirements	112
Appendix F: Contact us	118
Appendix G: Index	119

# OUR YEAR IN REVIEW

## Australian Taxation Office

Our financial intelligence capability protected Australian Government revenue by contributing to **\$208.8 million** in income tax assessments (2,874 cases). This brings our total contribution to tax assessments raised to nearly **\$2.8 billion** over the past 10 years.

## Commonwealth Bank of Australia

**\$700 million** record civil penalty ordered against CBA.

## Codeathon

ASEAN–Australia Codeathon first-ever law enforcement and financial intelligence codeathon held in Australia.  
A **32-hour event** that brought together more than 100 technology specialists and innovators from 10 nations.

## Department of Human Services

AUSTRAC data contributed to **1,596 reviews** by the Department of Human Services and **\$26.67 million** in savings (against target savings of \$17.44 million) in 2017–18, from increased detection of welfare fraud.

## FIAC

Financial Intelligence Analyst Course (FIAC) – AUSTRAC developed FIAC with input from law enforcement partner agencies, industry, academia and our US counterpart, the Financial Crimes Enforcement Network (FinCEN). FIAC is fully accredited by Charles Sturt University. It is a key response to Fintel Alliance’s plan to develop a shared approach to building skills, capability and tradecraft to prevent, discover, understand and disrupt financial crime.

We have delivered **6 domestic FIACs** now, with a total of **155 participants**. This includes our own financial intelligence analysts (around 75), as well as participants from law enforcement, industry and banks, as well as Indonesian and NZ FIUs.

## Serious Financial Crime Taskforce

AUSTRAC intelligence contributed to the outcomes achieved by the Serious Financial Crime Taskforce (SFCT). In 2017–18 the SFCT raised **\$207.4 million** in tax liabilities, with **\$79.6 million** recouped by the Australian Taxation Office.



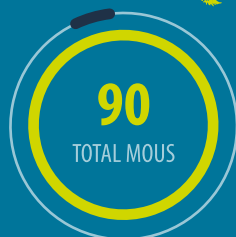
COUNTRIES HIGHLIGHTED IN **GREEN** HAVE SIGNED MOUS WITH AUSTRAC.  
MOUS SIGNED IN 2017–18 IN **BLUE**.

## MOU with the People's Bank of China

Despite the relatively new relationship, China was among the top 15 stakeholders AUSTRAC engaged with by volume in FY 2017–18.



**3**  
NEW MOUS  
SIGNED  
IN 2017–18



### International information exchanges

ASEAN countries (Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Vietnam) were involved in **238 exchanges** in FY 2017–18.

AUSTRAC has had a **41% increase** in international exchanges in FY 2017–18 compared to 2016–17 (4,603 compared to 3,255).

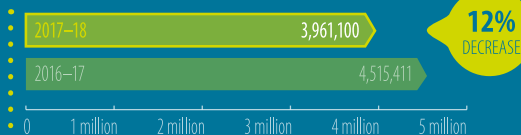
**41%** ▲

### RISK ASSESSMENTS

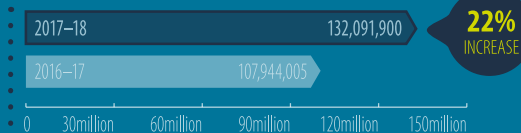
We published 3 industry risk assessments:

- Australia's securities and derivatives sector
- Australia's non-profit organisations sector
- Remittance corridors: Australia to Pacific Island countries

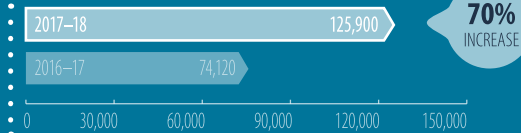
### THRESHOLD TRANSACTION REPORTS



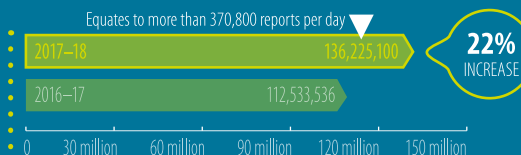
### INTERNATIONAL FUNDS TRANSFER INSTRUCTION REPORTS



### SUSPICIOUS MATTER REPORTS



### REPORTING FIGURES



In December 2017, the **AML/CTF Amendment Act** was enacted and the first phase of reforms was implemented including: expanding the objects of the AML/CTF Act to articulate the intent of AML/CTF regulation at the domestic level; introducing regulation of digital currency exchange providers; providing regulatory relief to industry; strengthening AUSTRAC's investigation and enforcement powers; and revising definitions including 'stored value card'. These reforms took effect on 3 April 2018.



# CEO'S REVIEW

## NICOLE ROSE PSM

CHIEF EXECUTIVE OFFICER

Nicole Rose PSM commenced her role as AUSTRAC's Chief Executive Officer on 13 November 2017. Prior to this position, she was the Acting Chief Executive Officer at the Australian Criminal Intelligence Commission.

Nicole also served as the Deputy Secretary, Criminal Justice Group in the Attorney-General's Department, Chief Executive Officer of CrimTrac, and the Director of the Office of the NSW Police Commissioner.

In 2013 Nicole was awarded the Public Service Medal for services to policing.

## 2017–18 AT AUSTRAC

AUSTRAC holds the unique position of Australia's financial intelligence unit (FIU) and anti-money laundering and counter-terrorism financing (AML/CTF) regulator. We have continued to use this position in the pursuit of our vision of a financial system free from criminal abuse.

In 2017–18, we generated and shared intelligence and information with our partners to disrupt criminal networks, delivered smarter regulatory and policy outcomes to strengthen Australia's financial system, and contributed to Australia's international policy and capacity-building objectives to ensure an effective global response to financial intelligence.

This was another year of significant changes to AUSTRAC's operating environment. Opportunities arose from the establishment of the Home Affairs portfolio and increased engagement with our public and private sector. However, the challenges of combating financial crime remained pervasive. We saw technological advancements across the financial system including the growth in the use of cryptocurrencies.

## Collaboration with partners

In response, we continue to work in close collaboration with our private and public partners both domestically and internationally. Fintel Alliance, our world first public-private partnership to combat money laundering and terrorism financing (ML/TF), matured over the last 12 months. It delivered significant operational outcomes in areas such as combating child sexual exploitation and disrupting the recruitment of online money mules.

Similarly, AUSTRAC worked closely with partners in the Serious Financial Crime Taskforce (SFCT), a multi-agency task force that identifies and addresses serious and complex financial crimes. In 2017–18 the SFCT raised over \$200 million in tax liabilities, with over \$79 million recouped by the Australian Taxation Office.

The intelligence that we shared with our domestic and international partners provided valuable assistance to help them achieve operational objectives. Our input into Operation Astatine resulted in some of the biggest impacts on organised crime groups in Australian history, disrupting significant drug trafficking and tobacco smuggling activities.

Our collaboration with the New Zealand FIU led to the largest single seizure of cocaine in New Zealand, with an estimated street value of \$18 million.

Our work with the Western Australian Joint Organised Crime Taskforce led to the seizure of 1.2 tonnes of methamphetamine, with an estimated street value over \$1 billion, marking the largest seizure of the drug in Australia's history.

Our financial intelligence capability protected Australian Government revenue by contributing to \$208.8 million in income tax assessments (2,874 cases). This brings our total contribution to tax assessments raised to nearly \$2.8 billion over the past 10 years.

AUSTRAC data also contributed to 1,596 reviews by the Department of Human Services and \$26.67 million in savings (against targeted savings of \$17.44 million) in 2017–18, from increased detection of welfare fraud.

## Strengthening industry

We initiated landmark civil penalty proceedings in the Federal Court of Australia against the Commonwealth Bank of Australia (CBA), alleging multiple contraventions of the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006*. The Federal Court ordered CBA to pay a \$700 million penalty, which is the largest civil penalty in Australia's corporate history. This sent a strong message to industry about the consequences of poor AML/CTF compliance.

AUSTRAC's smarter approach to regulation also focuses on educating and strengthening industry's AML/CTF capabilities to build a resilient financial system. In 2017–18 we published and disseminated three risk assessments to assist the financial sector in understanding and addressing the vulnerabilities of their industries and products.

We worked collaboratively with regulated entities to establish a 'Community of Practice' and redesign the annual AML/CTF compliance report. In line with our Smarter Regulation Program principles, we worked more closely with regulatory technology ('RegTech') providers to enlist them to help us improve the resilience of reporting entities against ML/TF threats. We also matured our data-driven and intelligence-led regulatory insights capability.

AUSTRAC continued to contribute to AML/CTF reforms to ensure long-term currency of Australia's AML/CTF framework. We worked closely with the Attorney-General's Department and then the Department of Home Affairs, on the *Anti-Money Laundering and Counter-Terrorism Financing Amendment Act 2017*, which came into effect on 3 April 2018. Key reforms include:

- regulation of digital currency exchange providers
- enhancing the ability to share information between related bodies corporate
- expanding the range of regulatory offences for which I as AUSTRAC CEO am able to issue infringement notices.

These reforms are expected to generate more than \$36 million in savings to industry over the next 10 years.

Our efforts in professionalising financial intelligence resulted in the full accreditation of our Financial Intelligence Analyst Course (FIAC) with Charles Sturt University. We have delivered this program to more than 150 participants. This includes our own analysts, as well as participants from law enforcement, industry and the Indonesian and New Zealand FIUs.

## International engagement

The year was another active year for AUSTRAC's international engagement. To highlight just a few activities, we:

- chaired the Information Exchange Working Group at the 24th Egmont Group Plenary in July 2017
- co-chaired (with the United States Department of Justice and Financial Action Task Force Training and Research Institute) a two-day session on financing and sanctions evasion related to the proliferation of weapons of mass destruction, in October 2017
- co-hosted the third CTF Summit in November 2017
- presented at the ASEAN conference on combating child sexual exploitation
- hosted visits to AUSTRAC by international counterparts from China, New Zealand, Qatar, Saudi Arabia, Kuwait and Oman.

We signed new international memoranda of understanding (MOUs) with the FIUs of Finland, Monaco and Afghanistan, which allow for the exchange of intelligence information. This brought the total number of MOUs to 90. We also signed an MOU with the People's Bank of China for the exchange of regulatory information.

In March 2018 AUSTRAC hosted the ASEAN-Australia Codeathon in Sydney. More than 100 technology specialists and innovators from 10 nations came together to address problems including ML/TF and cyber threats, in the 32-hour event.

## THE YEAR AHEAD

Our commitment to optimising our business to achieve our vision remains strong as we prepare for the future.

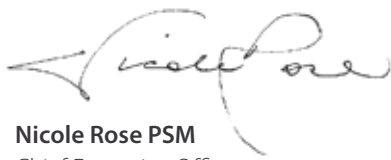
We know that the environment AUSTRAC operates within will continue to evolve. We will have increased opportunities to share information and work more closely with our partners as part of the newly established Home Affairs portfolio, and as Fintel Alliance continues to mature. Technological advancements will provide us with enhanced capabilities to address the challenge of serious and organised crime exploitation of the financial system.

We will continue to work closely with the Department of Home Affairs and other partners to implement the next phase of AML/CTF reforms and strengthen Australia's AML/CTF framework.

By expanding our international footprint we are connecting with more international partners to better respond to offshore ML/TF and other serious crime impacting Australia. In particular, our regional FIAC and technical assistance and training programs will enhance the capabilities in our region.

Our workforce is a key asset and our agenda of corporate optimisation will ensure our agency can respond to changes in our environment. We will harness our core capabilities to generate benefits through collaborative sharing of information, intelligence, innovation and capability.

I look forward to continuing to lead this dynamic agency to build resilience in the financial system and use financial intelligence and regulation to disrupt ML/TF and other serious crime in Australia.

A handwritten signature in black ink, appearing to read 'Nicole Rose', with a stylized flourish extending from the end.

**Nicole Rose PSM**

Chief Executive Officer

# AGENCY OVERVIEW

14 /





## ROLE AND FUNCTIONS

The Australian Transaction Reports and Analysis Centre (AUSTRAC) holds a unique position as Australia's financial intelligence unit (FIU) and anti-money laundering and counter-terrorism financing (AML/CTF) regulator. We are also the custodian of a critical national asset—financial intelligence.

Until December 2017, AUSTRAC was an agency in the Attorney-General's portfolio, under the Attorney-General and Minister for Justice. We then became part of the new Home Affairs portfolio, under the Minister for Home Affairs and the Minister for Law Enforcement and Cyber Security.

Our **purpose**, stated in the *AUSTRAC corporate plan 2017–21*, is to protect Australia from financial crime and terrorism financing, and contribute to the growth and resilience of Australia's economy, by discovering, understanding and disrupting criminal activity, through our intelligence and regulatory programs.

Our purpose is underpinned by the objectives of the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (AML/CTF Act), which include to:

- support cooperation and collaboration among reporting entities, AUSTRAC and other government agencies—particularly law enforcement agencies—and provide for measures to detect, deter and disrupt money laundering, terrorism financing (ML/TF) and other serious financial crimes
- provide relevant Australian government bodies and their international counterparts with the information they need to investigate and prosecute offences of ML/TF and other serious crimes
- promote public confidence in the Australian financial system through the enactment and implementation of controls and powers to detect, deter and disrupt ML/TF and other serious crimes
- fulfil Australia's international obligations, and address matters of international concern, including to combat money laundering and terrorism financing
- address those matters of international concern, to affect beneficially Australia's relations with foreign countries and international organisations.

In an environment where new opportunities and challenges continually emerge, we play a unique role as a conduit of information between industry and government agencies. This maximises opportunities to generate and share intelligence, build relationships with reporting entities and ultimately achieve our purpose.

In partnership with industry and government agencies in Australia and overseas, we help keep Australia safe from financial crime, transnational crime and terrorism. We build and maintain trust and integrity in Australia's financial system as part of the global community.

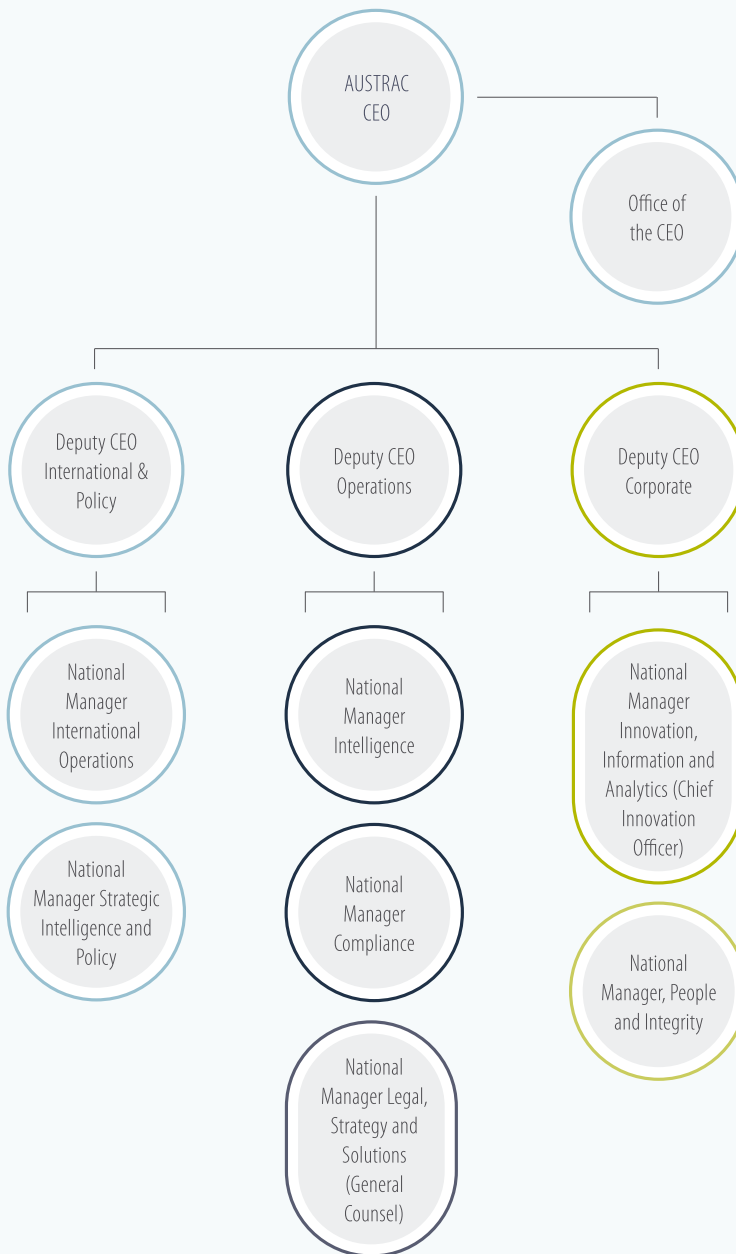
As Australia's FIU, we assist with the investigation and prosecution of serious criminal activity, including ML/TF, organised crime and tax evasion. We do this by collecting, collating, analysing and disseminating

information from reports on financial transactions and suspicious matters, submitted by regulated entities. We provide actionable intelligence to partner agencies including law enforcement, national security, human services and revenue protection agencies, and international counterparts.

As AML/CTF regulator, we oversee the compliance of more than 14,250 Australian businesses with the requirements of the AML/CTF Act and *Financial Transaction Reports Act 1988* (FTR Act). This includes businesses in the financial services, gambling, bullion and remittance sectors.

Our regulatory activities assist reporting entities with strengthening their AML/CTF controls to identify and mitigate their risks. This hardens the environment against criminal exploitation and builds trust within the financial sector.

## ORGANISATIONAL STRUCTURE



## OUTCOME AND PROGRAM

AUSTRAC has one outcome and one program, as noted in our 2017–18 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 program** is to discover, understand 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.

To deliver against our outcome and achieve our objective, our key areas of focus in 2017–18 were:

- building our relationships with industry through Fintel Alliance, our world-first private-public partnership
- implementing our Smarter Regulation Program while continuing to deliver effective and consistent enforcement outcomes
- continuing to deliver on our international strategy to enhance our international influence and contribute to international policy objectives
- partnering with industry and government agencies to produce sector- and product-based ML/TF risk assessments
- working with government to implement recommendations of the review of the AML/CTF Act.

## Our performance framework

AUSTRAC is governed by the *Public Governance, Performance and Accountability Act 2013* (PGPA Act). Our performance framework measures the agency's ability to deliver on our purpose. It joins our purpose and performance criteria and aligns with our 2017–18 Portfolio Budget Statement and performance information.

The annual performance statement in this report details our progress against the performance criteria in our 2017–21 corporate plan.

In 2014 the Australian Government established the Regulator Performance Framework to reduce the burden of unnecessary or inefficient regulation imposed on individuals, business and community organisations. In compliance with the framework, we undertake an annual self-assessment validated by industry. It is published by the end of each calendar year on our website.

# OUR CAPABILITIES

20/



AUSTRAC's capabilities are structured  
in three divisions:

**INTERNATIONAL  
& POLICY**

**OPERATIONS**

**CORPORATE**

## INTERNATIONAL AND POLICY DIVISION

The International and Policy division consists of the Strategic Intelligence and Policy branch and the International Operations branch.

Strategic Intelligence and Policy collects and analyses information from a variety of sources to provide high-quality strategic intelligence to our industry and government partners. We produce risk assessments to help industry, and identify and manage ML/TF risks and threats. Our policy capability works closely with whole-of-government partners and industry, to contribute to policy development and implementation. This includes the reform of Australia's anti-money laundering and counter-terrorism financing (AML/CTF) legislative framework.

International Operations supports AUSTRAC's strategic objectives to meet Australia's international obligations to combat and address matters relating to ML/TF and weapons of mass destruction proliferation financing. We work closely with partners including multilateral bodies the Financial Action Task Force (FATF), Egmont Group of Financial Intelligence Units, and the Asia/Pacific Group on Money Laundering. This helps to strengthen ML/TF efforts in our region.

### **Chris Collett** Deputy CEO International and Policy

Chris joined AUSTRAC in June 2018. He is responsible for the leadership of AUSTRAC's work including strategic intelligence, policy, international programs and international networks. Prior to AUSTRAC, Chris was the Assistant Secretary for Transnational Crime Policy, in the Department of Home Affairs.

Chris previously held a range of senior executive positions in the Attorney-General's Department and the Department of Employment, across criminal justice, emergency management, civil justice, and assurance and compliance areas.

For 2017–18 prior to Chris joining AUSTRAC, Bradley Brown and Kathryn Haigh acted in the role of Deputy CEO International and Policy.





## **BRADLEY BROWN**

### **NATIONAL MANAGER STRATEGIC INTELLIGENCE AND POLICY**

Bradley leads the Strategic Intelligence and Policy branch. He is responsible for delivering policy outcomes, risk assessments to help industry build AML/CTF capacity, and producing strategic intelligence products for a range of stakeholders. Bradley joined AUSTRAC in 2004 after a 15-year career with the Queensland Police.

## **JOHN VISSER**

### **NATIONAL MANAGER INTERNATIONAL OPERATIONS**

In June 2018, John retired after 27 years of service with AUSTRAC. In 2017–18 he was responsible for AUSTRAC's international operations, including technical assistance and training, building our international networks through engagement, and developing our international programs.



## OPERATIONS DIVISION

The Operations division includes our Intelligence, Compliance, and Legal Strategy and Solutions branches.

The Intelligence branch provides invaluable intelligence to our domestic and international partners to assist them with operational activities. We analyse financial transaction and suspicious matter reports, produce intelligence products and work closely with our partners.

The Compliance branch works closely with reporting entities to ensure they have the tools and understanding to comply with their obligations under Australia's AML/CTF framework.

Legal Strategy and Solutions provides strategic legal advice and guidance to AUSTRAC's executives and business units, as well as leading AUSTRAC's rules, exemptions and enforcement functions.

### **Peter Clark PSM** Deputy CEO Operations

After 12 years at AUSTRAC, Peter left the agency in June 2018. During 2017–18 he led the Operations division. Internationally, he was co-chair of the FATF Risk, Trends and Methods Group, and chaired the Egmont Group's Information Exchange Working Group.

In June 2018 Peter was awarded the Public Service Medal for outstanding service to the Australian community.

Peter Soros was selected as Peter Clark's replacement and commenced with AUSTRAC on 25 June 2018. Peter Soros has extensive experience in the public service, working in AusIndustry, Human Services, Finance and Deregulation, and recently as the Chief of Staff in the office of the Hon Michael Keenan MP.



**DR JOHN MOSS**  
NATIONAL MANAGER  
INTELLIGENCE

John is responsible for operational delivery. His focus has been on developing and delivering contemporary intelligence capabilities suitable for current and future AML/CTF environments. This includes enhancing areas such as specialised tradecraft, advanced analysis tools, public-private partnerships, domestic and international networks, and operational collaboration across broader government priorities.

**DR NATHAN NEWMAN**  
NATIONAL MANAGER  
COMPLIANCE

In June 2018 Nathan became responsible for the agency's compliance capability. He was previously Chief of Staff to the AUSTRAC CEO. He now leads AUSTRAC's regulatory compliance program, which includes monitoring and supporting industry compliance with their obligations under the AML/CTF framework. Nathan has worked across the Australian law enforcement and national security community for more than a decade.

Prior to Nathan commencing as National Manager, Dr Rachel Challis acted in the role and provided strong leadership in the compliance area.

**KATHRYN HAIGH**  
NATIONAL MANAGER  
LEGAL STRATEGY  
AND SOLUTIONS  
(GENERAL COUNSEL)

As AUSTRAC's General Counsel, Kathryn leads the provision of legal advice across the agency, focusing on legal solutions that facilitate AUSTRAC's business priorities. She also leads AUSTRAC's rules, exemptions and enforcement functions. Kathryn previously held senior leadership positions with the Commonwealth Director of Public Prosecutions, and worked at the Attorney-General's Department on transnational crime issues including AML/CTF.



## CORPORATE DIVISION

The Corporate division comprises the following areas: People and Integrity; Innovation, Information and Analytics; Finance; Property; Technology Services; Internal Audit and Risk and Governance.

The People and Integrity branch understands that working in partnership with the private sector to deter and detect ML/TF globally, means that our people need to demonstrate more agility than ever before. To support them we provide safe, secure, flexible and risk-based solutions. The branch provides our people with the necessary tools to ensure they are able to perform their work with integrity and in a secure manner.

The Innovation, Information and Analytics branch leads innovation at AUSTRAC by co-designing useful solutions with industry and partners. This aims to enable them to make faster, better and more effective decisions.

Our Finance team manages AUSTRAC's fiscal operations and related reporting obligations, as well as the agency's procurement and contracts.

The Property team looks after our assets and makes sure we have the equipment to do our work effectively.

Technology Services looks after the computer infrastructure and associated maintenance of software that underpins AUSTRAC's computer systems.

Internal Audit and Risk Governance evaluates the effectiveness of program implementation, delivers governance and controls, and identifies opportunities for improvements, efficiencies and innovation across the agency.

### **Leanne Fry** Acting Deputy CEO Corporate

Leanne has senior leadership of the corporate functions of the agency. Prior to Leanne taking on this role, Gavin McCairns held this position.

Leanne joined AUSTRAC in November 2015. She later led a team to deliver Fintel Alliance. Her experience prior to AUSTRAC ranges across multiple private and public sectors in digital services and delivery, governance, information and communications technology, marketing and communications, business improvement and web science.



## **GILLY NEELEY**

### **NATIONAL MANAGER PEOPLE AND INTEGRITY**

Gilly is responsible for all aspects of the management of human investments at AUSTRAC. This includes human resources functions, as well as security, integrity, organisational development and property management. Gilly has a key role in driving the agency's positive culture through strategies and workplace initiatives. Before AUSTRAC, Gilly held similar roles at the Australian Financial Security Authority, the Australian Public Service Commission, and the Department of Families and Community Services and Indigenous Affairs.

## **LISA CHEN**

### **ACTING NATIONAL MANAGER INNOVATION, INFORMATION AND ANALYTICS (CHIEF INNOVATION OFFICER)**

Lisa's remit is to deliver advanced analytics and customer service platforms to enable AUSTRAC to innovate, working closely with industry and partners. She joined AUSTRAC in February 2016 to lead the delivery efforts for a number of key Fintel Alliance products. Lisa has over a decade of experience in federal government and has been in various technical leadership roles. Her background is software engineering and IT management in both the government and corporate sectors.





# OUR PERFORMANCE

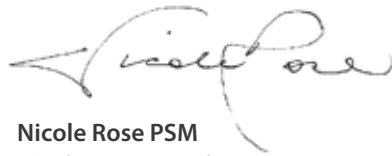
28 /

# AUSTRAC ANNUAL PERFORMANCE STATEMENT 2017–18

## Introductory statement

I, Nicole Rose, as the accountable authority of AUSTRAC, present the 2017–18 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 2017–21 and the agency's 2017–18 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 2018.

A handwritten signature in black ink, appearing to read 'Nicole Rose', with a stylized flourish at the end.

**Nicole Rose PSM**

Chief Executive Officer

# Overview of performance framework

The annual performance statement is reported using the measurement methods described in the AUSTRAC corporate plan 2017–21. The alignment of the performance statements with the PBS performance criteria are summarised in the table below.

## PURPOSE

To protect Australia from financial crime and terrorism financing, and contribute to the growth and resilience of Australia’s economy, by discovering, understanding, and disrupting criminal activity through our intelligence and regulatory programs.




PBS performance criterion	Corporate plan performance criterion	Measurement method
AUSTRAC generates and shares intelligence and information that is of value to private and public partners	Our public and private sector partners readily access intelligence that is of value	Case study: Implementation of Fintel Alliance to improve the access and value of our intelligence across the private and public sector
		Case studies about significant outcomes/cases for our partners demonstrating their access to and use of timely, valued anti-money laundering and counter-terrorism financing (AML/CTF) information
		Case studies of how money laundering/terrorism financing (ML/TF) risk assessments have been used by industry and how they have led to positive changes in compliance behaviour
AUSTRAC contributes to smarter AML/CTF regulatory and policy outcomes	AUSTRAC’s delivery against the recommendations from the statutory review of the AML/CTF regime	Qualitative self-assessment of AUSTRAC’s delivery against the phase 1 activities for which we have lead responsibility in <i>Project Plan: Implementation of the recommendations from the statutory review of the anti-money laundering and counter-terrorism financing regime</i>
	AUSTRAC will redesign its regulatory model to maximise the effectiveness, efficiency and sustainability of its regulatory operations	Assessment of project deliverables against project plan
	Effective use of enforcement approaches	Evidence of positive behavioural change in the reporting entity population based on the new approach
		Enforcement outcomes/case studies published on our website




PBS performance criterion	Corporate plan performance criterion	Measurement method
AUSTRAC contributes to Australia's international policy objectives	Increased influence with partners through active collaboration in international working groups that support Australia's international policies	Number of international forums attended, hosted or co-hosted. Number of international forums where we are invited to present/chair
		Case studies of our contributions to shape international forums such as the CTF Summit, Financial Action Task Force (FATF), Egmont and Asia/Pacific Group (APG)
		Case studies on significant operational outcomes generated by working collaboratively with international partners
	AUSTRAC technical assistance and training contributes to improving the capability of international partners	Evaluation of stakeholders views to assess delivery of outcomes

# Results


## RESULTS LEGEND

		
Fully Achieved	Partially achieved	Not achieved

PBS PERFORMANCE CRITERION 1	Criterion source	Result
AUSTRAC generates and shares intelligence and information that is of value to private and public partners	PBS, p191	

## 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 2017–21* performance criteria.

CORPORATE PLAN PERFORMANCE CRITERION 1.1	Criterion source	Result
Our public and private sector partners readily access intelligence that is of value	Corporate plan, p30	

## FINTEL ALLIANCE

AUSTRAC established Fintel Alliance in March 2017. It is a public-private partnership to develop shared intelligence and deliver innovative solutions, to contribute to the growth of the Australian economy and help protect the Australian financial system from criminal abuse. In its first full year of operation in 2017–18, Fintel Alliance membership remained relatively consistent with 18 members.

Fintel Alliance consists of:

- an Operations Hub to co-design a system to discover, understand, prevent and disrupt financial crime
- an Innovation Hub to enable industry to test creative business models and co-design AML/CTF controls for new products, services, systems and processes.

With our Fintel Alliance partners, AUSTRAC continued work to disrupt the ability of criminal networks in areas including the recruitment of money mules, and harden the financial sector from child sexual exploitation.

### *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. It focuses on preventing victims unwittingly being recruited as money mules.

We develop contemporary, comprehensive profiles of the mules' demographic, financial and travel activity. We then build indicators that assist in understanding and detecting this evolving threat. Fintel Alliance enables the development of a more comprehensive set of indicators than those previously available. This is done by incorporating industry, AUSTRAC, law enforcement and regulatory agency data. These indicators are shared with Fintel Alliance's partners.

### *Child sexual exploitation project*

The child sexual exploitation (CSE) project is identifying new investigative leads and hardening the Australian financial system from CSE-related transactions.

Fintel Alliance developed a report detailing the financial indicators of online CSE. The report was shared with Fintel Alliance members

to assist in the identification of Australian residents involved in the production and distribution of child abuse material.

Work under the CSE project has increased the quantity and quality of suspicious matter reporting, leading to an increase in child exploitation referrals to law enforcement. For example, the project resulted in:

- more than 20 referrals of actionable high-quality targets to law enforcement
- 316 per cent increase in suspicious matter reporting over the financial year, relating to the purchase of child exploitation material, which we shared with law enforcement partners.

The International Centre for Missing and Exploited Children also praised the benefits of the project and invited Fintel Alliance to play a leading role in educating and informing corporations such as Facebook, MasterCard and Google as part of the Financial Coalition Against Child Pornography.

### *Financial Intelligence Analyst Course*

AUSTRAC developed the Financial Intelligence Analyst Course (FIAC) with input from law enforcement partner agencies, industry, academia and our United States counterpart, the Financial Crimes Enforcement Network. FIAC is a key response to Fintel Alliance's plan to develop a shared approach to building skills, capability and tradecraft to prevent, discover, understand and disrupt financial crime.

FIAC is now fully accredited by Charles Sturt University, following a two-week pilot course

in February 2017. FIAC is a national and globally innovative course that integrates business and government tools, methodologies and tradecraft skills. At the same time, it focuses on high-level financial intelligence analysis techniques.

FIAC has been run four times since accreditation, with attendees from AUSTRAC and 16 public and private partners. Additional courses have been scheduled for 2018–19.

The accreditation recognises the quality of the course and our motivation to professionalise intelligence in AUSTRAC, with our subject matter expertise in financial intelligence and key partnerships with other agencies, industry, academia and the private sector.

## REPORTS FROM INDUSTRY

In 2017–18 we received 136,225,100 reports from industry. This equates to more than 370,800 reports per day and was approximately a 21.6 per cent increase from last year.

The reports comprised: 125,900 suspicious matter reports (SMRs); 3,961,100 threshold transaction reports; and 132,091,900 international funds transfer instruction (IFTI) reports.

## SUPPORTING OUR DOMESTIC PARTNERS

AUSTRAC contributes to a number of multi-agency task forces. One of the main task forces we are a member of is the Serious Financial Crime Taskforce (SFCT), which

identifies and addresses serious and complex financial crimes. It brings together strategic and operational intelligence, capacity and capability to identify, prioritise and treat the threats posed by serious financial crime.

As a member of the SFCT, AUSTRAC provides support to partner agency investigations and prosecutions. This is primarily through providing actionable intelligence and advanced data mining support to SFCT partners.

AUSTRAC intelligence contributed to the outcomes achieved by this task force. In 2017–18 the SFCT raised \$207.4 million in tax liabilities, with \$79.6 million recouped by the Australian Taxation Office.

One criminal matter was successfully prosecuted with a custodial sentence of 10 years and three months. The increased capability of the SFCT enables it to respond to new and emerging risks, including transnational crime impacting the Australian tax and superannuation system.

Our financial intelligence capability protected Australian Government revenue by contributing to \$208.8 million in income tax assessments (2,874 cases). This brings our total contribution to tax assessments raised, to nearly \$2.8 billion over the past 10 years.

AUSTRAC data also contributed to 1,596 reviews by the Department of Human Services and \$26.67 million in savings (against target savings of \$17.44 million) in 2017–18, from increased detection of welfare fraud.

## OPERATION ASTATINE

One example of our information being used by public partners is Operation Astatine, which focused on a NSW-based criminal syndicate involved in drug trafficking and tobacco smuggling. The syndicate was involved in importing 50 million cigarettes and conspiring to import 200 kilograms of methylenedioxymethamphetamine (MDMA) via sea cargo. The Australian Commission for Law Enforcement Integrity and NSW Joint Organised Crime Group (JOCG)—of which AUSTRAC is a member—conducted a parallel investigation into a Department of Immigration and Border Protection (now Department of Home Affairs) officer, who was charged for allegedly using his position to assist the syndicate.

In August 2017 the NSW JOCG executed 13 search warrants across NSW entities connected to the syndicate. Approximately 80 kilograms of cocaine and a total of \$740,000 cash were seized across four properties. During the course of the investigation, the JOCG seized a further \$2 million. The JOCG arrested nine people including eight in Sydney. The alleged head of the syndicate was arrested in Dubai and is awaiting extradition to NSW in relation to drug importation offences.

AUSTRAC provided valuable onsite intelligence support throughout the investigation. Our intelligence identified key links between previously unknown domestic and overseas entities, and uncovered frequent significant cash deposits conducted by various syndicate members.

## NEW ZEALAND CUSTOMS

Our information is also used by international partners to achieve operational results. For example, in October 2017, 46 kilograms of cocaine was seized by New Zealand Customs, with an estimated street value of \$18 million. Four arrests were made, including two Australian nationals, a Croatian national and a Serbian national.

This ended a five-month investigation involving ongoing collaboration between New Zealand Customs, the New Zealand Financial Intelligence Unit (NZFIU) and AUSTRAC. Our involvement included preparing intelligence reporting, disclosures and issuing multiple notices. This intelligence was provided to New Zealand Customs in response to a request for information sent to AUSTRAC by NZFIU.

The operation was described by New Zealand's Police Assistant Commissioner, Serious and Organised Crime, as 'the largest single seizure of cocaine in New Zealand'. Group Manager of the New Zealand Customs Intelligence, Investigations & Enforcement branch, further described the investigation as reaffirming 'the value of intelligence and partnerships in piecing together information to dismantle a criminal enterprise'.

## WESTERN AUSTRALIAN JOINT ORGANISED CRIME TASK FORCE

On December 2017 the Western Australian Joint Organised Crime Task Force (WA JOCTF) seized 1.2 tonnes of methamphetamine on the coast of WA. This marked the largest seizure of the drug in Australia's history, and the largest ever

drug seizure in WA. It is estimated the street value of the seizure was over \$1 billion, equating to more than 13 million 'hits'. Eight Australian nationals were arrested and charged with the importation and possession of a commercial quantity of border controlled drugs.

AUSTRAC has been a key member of the WA JOCTF, working collaboratively with the Australian Federal Police, WA Police, Australian Criminal Intelligence Commission and Australian Border Force colleagues to dismantle a significant drug importation syndicate with reach across several Australian states.

This is another example of where we contributed to the success of this operation by delivering relevant, accurate and timely specialist financial intelligence identifying the financial networks of the main suspects. AUSTRAC intelligence was key in identifying the purchase of the vessel used to facilitate the importation, and identifying additional persons of interest to the investigation.

## RISK ASSESSMENTS

AUSTRAC produces risk assessments that identify and evaluate the ML/TF risks posed by financial sectors and products. The primary purpose is to inform financial service providers of the criminal threats and ML/TF vulnerabilities they face, so they can tailor more effective systems and controls that better disrupt crime.

We released three ML/TF risk assessments in 2017–18:

- *Remittance corridors: Australia to Pacific Island countries*

- *Australia's non-profit organisations sector*
- *Australia's securities and derivatives sector.*

### *Australia's securities and derivatives sector*

On 12 July 2017 the Minister for Justice released AUSTRAC's risk assessment on Australia's securities and derivatives sector. The assessment found that the sector attracts a wide range of criminal threats such as fraud, money laundering and market manipulation, which often involve sophisticated tactics and methods.

In response, a number of reporting entities advised AUSTRAC that they implemented changes. These included:

- upgrading internal risk assessment processes
- improving AML/CTF programs to better address threats and vulnerabilities
- adopting AUSTRAC's methodology of assessing the criminal threat environment, sector vulnerabilities and consequences
- enhancing their due diligence policy
- implementing new risk mitigation procedures
- updating training practices.

Following publication of this risk assessment, there was a distinct peak in SMR reporting by the sector in August 2017. The level of reporting has been consistent and markedly higher than pre-publication levels.

### *Stored value cards*

Last year we reported on the release of our risk assessment of stored value cards (SVCs). As a follow-up, we engaged with stakeholders and found that the risk assessment had a number of positive impacts on compliance behaviour in the 2017–18 financial year.

An SVC issuer reported that as a result of our risk assessment, they reviewed existing AML/CTF systems and controls to identify gaps and future mitigation strategies. They also reviewed a contract to clearly identify who is responsible for AML/CTF reporting obligations and transaction monitoring rules. The SVC issuer also implemented monthly reporting on SVC usage and features, and training to senior management.

Another SVC issuer advised AUSTRAC that consultation for the risk assessment caused them to review their contracts with outsourced service providers, training programs and documentation. The risk assessment itself provided an opportunity for collaboration across the business to explore operational improvements.


Three SVC issuers advised AUSTRAC that they updated their internal risk assessment processes and AML/CTF programs to align with the key findings of our risk assessment. Another entity updated its internal list of ML/TF red flag indicators. Three issuers reviewed their transaction monitoring rules to consider if new rules, or changes or refinements were needed.

In mid-2017 there was a significant spike in the quantity of SMRs on SVCs following the release of the risk assessment.

PBS PERFORMANCE CRITERION 2	Criterion source	Result
AUSTRAC contributes to smarter AML/CTF regulatory and policy outcomes	PBS, p191	

## 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 2017–21* performance criteria.

CORPORATE PLAN PERFORMANCE CRITERION 2.1	Criterion source	Result
AUSTRAC's delivery against the recommendations from the statutory review of the AML/CTF regime	Corporate plan, p31	

AUSTRAC continued to work closely with and support the Attorney-General's Department and the Department of Home Affairs, to develop and implement the first phase of reforms resulting from the statutory review of the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (AML/CTF Act).

On 7 December 2017 the Parliament passed the *Anti-Money Laundering and Counter-Terrorism Financing Amendment Act 2017*. After a public consultation period, AUSTRAC registered AML/CTF Rules to implement the amendments to the AML/CTF Act.

This allowed us to progress initiatives that were identified as priorities, including:

- expansion of the objects of the AML/CTF Act to better reflect the domestic objectives of the AML/CTF regime
- regulation of digital currency exchange (DCE) providers
- clarifying due diligence obligations relating to correspondent banking relationships
- enhancing the ability to share information between related bodies corporate
- expanding the range of regulatory offences for which the AUSTRAC CEO is able to issue infringement notices



- allowing the AUSTRAC CEO to issue remedial directions to reporting entities
- giving police and customs officers broader powers to search and seize physical currency and bearer negotiable instruments, and establish civil penalties for failing to comply with questioning and search powers
- providing regulatory relief to industry by deregulating the cash-in-transit sector, insurance intermediaries and general insurance providers.

These reforms came into force on 3 April 2018, with a transitional period to enable the newly-regulated DCE sector to implement plans to meet their obligations and achieve full compliance within 12 months.

AUSTRAC assesses that ‘phase 1’ of the reforms has been implemented successfully. The regulation of the DCE sector has closed a significant gap in the AML/CTF regime, with DCE providers now submitting valuable intelligence reports to AUSTRAC. The reforms are also expected to generate savings to industry each year, for the 10 years after the measures come into force, of more than \$36 million.

The next phase of reforms will include the simplification and enhancement of secrecy and access provisions, the customer due diligence reliance process and cross-border reporting reforms. The final phase will implement broader streamlining, simplification and enhancement of the AML/CTF framework, and consider options for the regulation of designated non-financial business and professions.

AUSTRAC will continue to provide policy assistance and guidance to the Department of Home Affairs, conduct risk assessments, communicate and engage with industry, and provide technical assistance and training (TA&T) to countries within our region as these reforms progress.

CORPORATE PLAN PERFORMANCE CRITERION 2.2	Criterion source	Result
AUSTRAC will redesign its regulatory model to maximise the effectiveness, efficiency and sustainability of its regulatory operations	Corporate plan, p32	

AUSTRAC's vision is a regulated community that is collaborative, knowledgeable, vigilant and capable of preventing, detecting and responding to threats of criminal exploitation. To achieve this, we are redeveloping our regulatory capability to focus on partnering with key government and private entities to build education and resilience, combat non-compliance, and better harness industry reporting to generate new regulatory insights on risks faced by our reporting entities.

## COMMUNITY OF PRACTICE

In response to feedback from our largest reporting entities, we developed the Community of Practice to provide a forum for information exchange and development of professional working relationships between large reporting entities and AUSTRAC.

In 2017–18 we ran two Community of Practice events: in Sydney in October 2017, and Melbourne in April 2018. Each was hosted by industry partners and featured presentations from industry and AUSTRAC, and panel discussions on topical AML/CTF issues.

We received positive feedback on the events. There was consensus from the reporting entities involved that the Community of Practice was a unique forum for those working specifically in AML, as opposed to financial crime and intelligence areas.

## AML/CTF COMPLIANCE REPORT REDESIGN

In response to feedback from reporting entities, AUSTRAC collaborated with industry to redesign the annual AML/CTF compliance report. This is to ensure we ask current, accurate, clear and usable questions, to maximise our understanding of ML/TF and compliance risk, while reducing unnecessary administrative burden on the reporting population.

Our approach to redesigning the report included workshops, surveys and one-on-one engagement. This was received very positively by industry, with several entities stating that they appreciate the new partnership with AUSTRAC. Responses to the new report will position us to better understand the issues faced by reporting entities in meeting their obligations, and tailor support and regulation efforts accordingly.

We have finalised the design of the new AML/CTF compliance report for reporting entities to use from 1 January 2019.

## ENGAGEMENT WITH REGTECHS

As part of the redesign of our regulatory model, we recognise the valuable role that regulatory technology ('RegTech') and AML service providers play in improving the resilience of reporting entities to ML/TF threats. We established a team to understand and work with RegTech providers, advocating for the use of software platforms to maximise regulatory outcomes at minimum cost.

In June 2018 we hosted a RegTech Showcase in Sydney. This brought together industry and RegTechs to explore ways to improve the ability of the private sector to combat ML/TF and serious financial crime, while reducing costs for those businesses.

The event was attended by approximately 120 representatives from across the financial services and gaming sectors, industry groups, and AML service providers. It featured presentations from RegTech providers on innovative approaches to embedding AML/CTF processes into business practices.

## COMPLIANCE TRANSFORMATION

AUSTRAC's Compliance branch is undergoing a transformation focused on delivering effective, efficient and data-driven regulatory outcomes. As part of this, the agency established a 'Regulatory Insights Detection' capability that is highlighting new risks for examination and assessment.

The new data-driven, intelligence-led approach is delivering value including

efficiencies for the branch, through the development of self-serve regulatory insights 'dashboards'. These have significantly reduced the amount of time spent on analysis by compliance officers. We will continue to develop the capability. It will be one of the key sources of information about potential non-compliance and regulatory risk for AUSTRAC and our partners.

## ENGAGEMENT OF REPORTING ENTITIES

As a contemporary regulator, AUSTRAC undertakes a range of regulatory activities that do not constitute a compliance assessment, but nevertheless provide us with assurance about the entity and influence the entity's level of compliance. We are working with key partners to implement a 'partnership in prevention' approach to serious financial crime and ML/TF.

This involves AUSTRAC engaging with industry to improve collaboration, compliance, and reporting. We actively engage our reporting entities through workshops, email campaigns and one-on-one engagement.

## IMPROVED COLLABORATION

As a result of the commencement of our Smarter Regulation Program and related workshops, there has been a significant increase in opportunities for reporting entities to collaborate with AUSTRAC and each other. Almost the entire 'Top 18' cohort has been actively engaged in this process.

Through this, we identified areas where AUSTRAC can provide clarity on AML/CTF obligations and increase our profile to better communicate relevant ML/TF risks. We will continue to facilitate opportunities for all reporting entities to contribute to the Smarter Regulation Program.

## REPORTING SOCIAL SECURITY FRAUD

In late 2017 we identified a gap in the level of reporting about welfare fraud in the non-bank financing and lending sector. To address this, we consulted with industry and developed, in collaboration with the Department of Human Services, an information sheet on how to identify potential welfare fraud. During April 2018 we sent this to more than 1,200 banks, and non-bank lenders and financiers, to help them better identify and report welfare fraud.

Initial consultation prior to the release of this guidance had already increased SMR numbers and generated further plans to identify potential fraud with reporting entities.

We have seen further improvements in suspicious matter reporting from non-bank lenders and financiers in response to this work. For example, a non-bank lender that had never previously submitted an SMR, submitted more than 30 SMRs relating to welfare fraud across a four-week period.

## DIGITAL CURRENCY EXCHANGE WORKSHOPS AND WEBINAR

To support DCE operators to meet their new obligations under the AML/CTF Act, we held six half-day workshops across Australia. These included presentations on topics such as DCE registration, AML/CTF program requirements and reporting obligations, with a particular focus on suspicious matter reporting.

In total, 59 employees from 35 DCE businesses attended the workshops. Feedback from DCE businesses following the workshops was overwhelmingly positive, with 100 per cent of survey respondents saying they now have a better understanding of their AML/CTF obligations.

As a result of the success of these workshops and to cater for those unable to attend, we held a webinar in June 2018 focusing on suspicious matter reporting. The webinar attracted 800 logins. An anonymous exit survey revealed that 93 per cent of respondents had a better understanding of their AML/CTF obligations after attending the webinar.

## PUBS AND CLUBS WORKSHOPS

We engaged with approximately 40 reporting entities that were classified as highly disengaged, or had evidenced serious non-compliance in their AML/CTF compliance report. These entities came mainly from the pubs and clubs, foreign exchange and financial services sectors.

We identified a number of pubs and clubs that previously self-identified non-compliance with some of their key AML/CTF obligations. In response, we delivered 10 workshops to 68 pubs and clubs across the country during April and May 2018. The focus was to improve their compliance through adopting a compliant AML/CTF program and identifying and reporting suspicious behaviours to AUSTRAC.

We assessed the effectiveness of these workshops through an anonymous survey, which was completed by 90 per cent of participants. This survey indicated that 80 per cent of respondents were now compliant with their key obligations and 91 per cent now have procedures in place to report suspicious matters to AUSTRAC.

## SUPERANNUATION SECTOR

We continued in our efforts to improve vigilance in the superannuation sector, following the release of our risk assessment of the sector in October 2016. In 2017–18 we engaged with the sector through the Association of Superannuation Funds of Australia financial crime discussion group, with almost 80 funds attending. We also met with large superannuation trustees that have not previously reported an SMR, to improve their knowledge of ML/TF risks facing the sector.


Of the funds already met with, one indicated that it will review its AML/CTF framework and has submitted its first SMR. Another is undertaking a backlog of a small number of SMRs. We also identified two funds that merged and are to be removed from the Reporting Entities Roll.

As a result, there has been a sustained increase in the number of reporting entities submitting SMRs relating to superannuation. From 1 April 2018 to 30 June 2018 there was a 31 per cent increase in the number of entities that submitted an SMR, compared with the period 1 April 2017 to 30 June 2017.

## EMAIL CAMPAIGN

We undertook an outbound letter/email campaign between January and March 2018 targeting approximately 1,500 reporting entities whose contact details needed updating. The campaign was in response to an August 2017 assessment we completed on the effectiveness of our bulk email campaigns.

Results as at 20 June 2018 include 582 reporting entities updating their details. Approximately 77 per cent of reporting entities that opened the email, also clicked on the link in the email, suggesting that the email content/presentation was effective.

CORPORATE PLAN PERFORMANCE CRITERION 2.3		Criterion source	Result
Effective use of enforcement approaches		Corporate plan, p33	

AUSTRAC has a complementary role as both a regulator and an educator, to ensure reporting entities strengthen their AML/CTF practices.

Our achievements as a regulator are only possible due to the extensive networks that we have built both within Australia and overseas. Importantly, these networks not only include government and law enforcement partners, but also industry and the private sector. It is critical that industry recognise that they are often the first and last line of defence.


## COMMONWEALTH BANK OF AUSTRALIA

On 3 August 2017 AUSTRAC initiated civil penalty proceedings in the Federal Court of Australia against the Commonwealth Bank of Australia (CBA), alleging over 53,700 contraventions of the AML/CTF Act. In December 2017, AUSTRAC amended its statement of claim adding a further 100 alleged contraventions.

On 20 June 2018 the Federal Court ordered CBA to pay a \$700 million penalty and AUSTRAC's agreed legal costs. The penalty is the largest civil penalty in Australia's corporate history. In June 2018 we issued several media releases on this matter. They are available on our website at <http://www.austrac.gov.au/media/media-releases>.

As a result of AUSTRAC's proceedings, CBA has commenced a plan to rebuild its compliance program. AUSTRAC will continue to work collaboratively with CBA as it works to strengthen its compliance practices.

The outcomes of this case send a strong message to industry that serious non-compliance with the AML/CTF Act will not be tolerated. The result of the civil penalty proceedings alerts the financial sector to the consequences of poor compliance, and reinforces that businesses need to take their obligations seriously.

PBS PERFORMANCE CRITERION 3	Criterion source	Result
AUSTRAC contributes to Australia's international policy objectives	PBS, p191	

## 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 2017–21* performance criteria.

CORPORATE PLAN PERFORMANCE CRITERION 3.1	Criterion source	Result
Increased influence with partners through active collaboration in international working groups that support Australia's international policies	Corporate plan, p34	

AUSTRAC values and actively participates in formal, large-scale international forums, as well as smaller collaborations with specific international counterparts. Participation enables us to build relationships, share knowledge, influence outcomes and meet the responsibilities we have as members of the global AML/CTF community.

We attended international forums including the 24th Egmont Group Plenary in July 2017, and the Middle East and North Africa Financial Action Task Force Plenary in December 2017 in Bahrain.

In September 2017 we visited the Anti-Money Laundering Council Secretariat in Manila to strengthen our partnership. We also hosted three representatives from the Bank

of Ghana on a study visit to learn from Australia's expertise.

Also in September 2017 we hosted 37 Indonesian delegates from the Deakin Institute for Citizenship and Globalisation. The visit formed part of a broader understanding of contemporary terrorism and developing policy responses.

In November 2017, China's Anti-Money Laundering Monitoring and Analysis Centre visited AUSTRAC to learn about Australia's mutual evaluation experience, forthcoming AML/CTF legislative inclusion, national risk assessments, SMRs and threat detection and analysis.

## VISIT TO AUSTRAC BY MIDDLE EAST DELEGATES

In September 2017 we hosted 10 delegates from Qatar, Saudi Arabia, Kuwait and Oman. Bringing together these countries was significant not only for AUSTRAC, but also for each country to engage, share information and experiences, and most importantly build a trusting relationship for future work.

Strengthening our links with the Middle East and North Africa region is a strategic initiative to enable us to better understand and counter the persistent terrorism threat. Currently work is being done towards memoranda of understanding (MOUs) with Saudi Arabia and Qatar.

## CTF SUMMIT 2017

AUSTRAC co-hosted the third CTF Summit in Kuala Lumpur in November 2017, with Malaysia's financial intelligence unit (FIU), Bank Negara Malaysia. The CTF Summit draws together heads and senior representatives from FIUs, regulators, law enforcement, national security, policy makers, industry and academics.

The CTF Summit is recognised globally as a leading example of multilateral cooperation focused on understanding and responding to terrorism financing and serious financial crimes. It provides tangible outcomes and knowledge that support a regional response to terrorism financing that is not delivered through any other international forum.

The 2017 CTF Summit was represented by more than 440 delegates from 32 countries. They consisted of: officials and international experts from FIUs; senior representatives from policy, regulatory, law enforcement and national security agencies; financial technology (FinTech) and RegTech industry; financial industry; multilateral bodies; think tanks and academia from across the region and the globe.

Major deliverables at the 2017 CTF Summit were the release of regional risk assessments of the not-for-profit sector, and cross-border movement of funding, as well as the first 'FIU Codeathon'.

In April 2018 AUSTRAC and the Indonesian FIU, Pusat Pelaporan dan Analisis Transaksi Keuangan (PPATK), hosted a regional forum in Jakarta for representatives from eight Association of Southeast Asian Nations (ASEAN) countries and Australia and New Zealand. This was to further the outcomes of the *Kuala Lumpur Communiqué* and initiate preparations for the CTF Summit 2018.



## ASEAN-AUSTRALIA CODEATHON

In a strong demonstration of our commitment to collaboration and innovation, AUSTRAC hosted the ASEAN-Australia Codeathon in Sydney in March 2018, ahead of the ASEAN-Australia Special Summit. This was the first financial intelligence codeathon held in Australia.

The Codeathon was a 32-hour event that brought together more than 100 technology specialists and innovators from 10 nations. This included industry leaders and government partners, who together addressed the problems of ML/TF and cyber threats. AUSTRAC is working with participants on a number of the concepts developed during the Codeathon.

The Codeathon built on the strong regional partnerships between FIUs and industry, following the themes and challenges of the international FIU Codeathon at the CTF Summit 2017.

## INTERNATIONAL FORUMS

We continued our global outreach efforts, establishing and maintaining relationships with international AML/CTF stakeholders of strategic importance. This is to influence and advance the quality of our financial intelligence capabilities, through presenting to or chairing international forums.

In 2017–18 we chaired forums including:

- an intersessional meeting hosted by Argentina's FIU at the offices of the Argentina Central Bank
- the International Supervisors Forum involving eight AML/CTF regulators from the United Kingdom (UK), United States of America (USA), New Zealand and Canada, with the aim of building regulatory capability among members.

In March 2018 in Jakarta, we presented at the ASEAN conference on combating CSE. We also presented at the 'People Smuggling Seminar' in Semarang, Indonesia, on our joint work with PPATK in identifying and disrupting people smuggling networks in the region, and our collaborative work in the Home Affairs portfolio. *With the APG, we presented at a major national interagency workshop in Taipei.*

In October 2017 we presented at FATF's FinTech/RegTech forum in Berlin, Germany. This followed an event we attended in the USA, on the significant trends and developments of FinTech and RegTech, and how the financial services landscape could look in the near future.

In December 2017 we presented on our joint work with PPATK in Semarang, Indonesia, through various analyst exchanges, and on the identification of foreign terrorist fighters moving within and beyond the region. We also presented at INTERPOL's First National Training on Financial Investigations Relating Forestry Crime, Land Use, and Other Related Crimes workshop in Papua New Guinea (PNG).

We also made significant contributions to the following international forums.

### *24th Egmont Group Plenary*

AUSTRAC chaired the Information Exchange Working Group (IEWG) at the Egmont Group Plenary in July 2017. The focus was on projects about the suspicious transaction reporting regime and FIUs working with law enforcement and prosecutors. The IEWG gave in-principle endorsement of new operational work on professional money laundering syndicates, and agreed to consider operational work on countering human trafficking.

Participation in the IEWG provides AUSTRAC with opportunities to influence and shape the strategic direction of international AML/CTF efforts. It also increases our global reach, visibility and reputation as a leading and innovative FIU and AML/CTF regulator.

### *Brunei*

In November 2017 AUSTRAC took part in Brunei's first national CTF Conference. AUSTRAC gave the key note address, outlining the terrorism financing risk environment, the work of the CTF Summit to address critical risks, and establishment of the South East Asia CTF Working Group to identify and disrupt terrorism financing syndicates in the region. We also participated in a panel discussion on public-private partnerships, with Fintel Alliance showcased as a good example of a new approach to combating ML/TF and serious crime.

### *APG FinTech/RegTech Workshop*

Held in Seoul in December 2017, the workshop focused on risk-based approaches to the AML/CTF regulation of FinTechs and RegTechs across the Asia-Pacific region. The support of FinTechs to improve financial inclusion, balanced with recognised ML/TF risks, is a significant issue for many of our regional neighbours.

AUSTRAC presented and spoke about:

- the establishment of a dedicated Compliance RegTech and Service Providers team
- our engagement with FinTech and RegTech providers, including the motivation to provide negative assurance (that no adverse issues have been found) to RegTech start-ups
- regulation of DCE providers

- ongoing proof-of-concept experiments in smart contracts for potential IFTI reporting
- use of regulation as a platform for non-individual customer onboarding.

## INTERNATIONAL PROGRAMS

Our engagement with domestic and international organisations strengthens our strategic position. Our international programs include managing Australia's engagement in international forums such as the APG and Egmont Group, and our own engagement in bodies such as FATF and the United Nations. This helps to shape those organisations by hosting/chairing forums and contributing our expertise.

Our work with international partners supports the fulfilment of our international obligations to combat and address matters of concern relating to ML/TF and weapons of mass destruction (WMD) proliferation financing.

We achieve these outcomes by building relationships through international forums, signing MOUs, and building international capability through TA&T programs. These are all part of our long-term investments in our international capability that will lead to operational outcomes in the future.

### *Cook Islands mutual evaluation*

AUSTRAC provided an expert assessor to support the APG mutual evaluation of the Cook Islands. The team of assessors comprised legal, law enforcement and supervisory experts from Australia, China, Fiji, Samoa, Tonga and the APG Secretariat. The team evaluated the effectiveness of the Cook Islands' AML/CTF efforts.

The public findings of the assessment, supported by AUSTRAC's technical expertise, will provide an up-to-date resource for the international community to understand the Cook Islands' ML/TF risk profile. AUSTRAC's continued participation in mutual evaluations promotes the integrity of international frameworks to improve AML/CTF systems.

### *FATF Training and Research Institute—WMD proliferation financing*

In October 2017 in Busan, Korea, AUSTRAC co-chaired—with the US Department of Justice and FATF Training and Research Institute—a two-day session on financing and sanctions evasion related to the proliferation of WMD.

The session explored and critically assessed WMD counter-proliferation financing, via overviews of United Nations Security Council Resolutions. It also detailed relevant FATF standards and examined case studies showing trends in evasion tactics by state and non-state actors.

The discussion brought together international subject-matter experts to increase FATF's understanding of current threats from, and global responses to, proliferation financing. The session covered current areas of interest and provided input into the current work of the FATF Policy Development Group, which is considering revision of the FATF guidance on proliferation financing.

Attendees comprised approximately 40 representatives from financial intelligence, central bank and/or law enforcement agencies from Pakistan, Russia, the Republic of Korea, Malaysia, Cambodia, Bangladesh, Macau, Hong Kong and China, as well as the USA and UK. Uniquely, private sector representatives from banks, casinos, academia and think tanks were also invited to attend and present.

### *Memoranda of understanding*

MOUs enable us to exchange financial intelligence and regulatory information with our overseas counterparts. This benefits our work as both an FIU and regulator, by helping us to achieve operational outcomes.

In 2017–18 we strengthened our international exchange framework by signing new international MOUs to exchange intelligence information with the FIUs of Finland, Monaco and Afghanistan. This brought the total number of MOUs to 90. We also signed an MOU for the exchange of regulatory information with the People's Bank of China.


### *Papua New Guinea—Egmont membership*

PNG is undergoing the process to become an Egmont member. In December 2017 PNG's sponsors, Australia and New Zealand, held an onsite assessment on behalf of Egmont. The sponsors praised the efforts made to date and the importance of continuing to mature the FIU. The outcome was to support PNG membership at the 2019 Egmont Working Group meetings if sufficient progress is made during 2018.

### *Indonesia intelligence training*

Over the past year AUSTRAC and PPATK have worked together to customise the Australian FIAC for an Indonesian context. FIAC is a world-class training course, so delivery of it in Indonesia will bring significant operational benefit to PPATK and its staff. Having PPATK and AUSTRAC staff being trained in the same ways, sharing a common technical language, will further aid in our operational collaboration.

AUSTRAC hosted a visit by Indonesian delegates in September 2017. In November 2017 we delivered an Intelligence Fundamentals course, which was a precursor to FIAC. This was an important milestone as the beginning of important joint work with PPATK that will run over the coming years. The strategic significance of this course and FIAC was recognised by the Head of PPATK, who opened the course for the 23 Indonesian participants from law enforcement, the FIU, anti-corruption and national security agencies, the private sector and academia.

CORPORATE PLAN PERFORMANCE CRITERION 3.2	Criterion source	Result
AUSTRAC technical assistance and training contributes to improving the capability of international partners	Corporate plan, p35	

AUSTRAC's international TA&T programs are delivered to FIUs and AML/CTF regulators. The programs aim to strengthen the institutional capacity and governance of recipients, and facilitate improved compliance with international standards.

More broadly, these programs contribute to Australia's whole-of-government efforts in establishing regional security and assisting developing countries to reduce poverty and achieve sustainable development.

During 2017–18 we delivered four TA&T programs, funded by the Department of Foreign Affairs and Trade (DFAT), to Indonesia, the Philippines and PNG. These programs received positive feedback from stakeholders.

## PAPUA NEW GUINEA

### *Development of legislative instruments assistance*

AUSTRAC has supported PNG through intensive collaboration under our 'Supporting Papua New Guinea's Effective AML/CTF Reform' program, which began in August 2017 with the Attorney-General's Department. This is for capacity building the financial intelligence function of PNG's FIU—the Financial Intelligence and Supervision

Unit (FASU)—in addition to its AML/CTF regulation function.

Key components of this work included intensively mentoring FASU's intelligence analysts, conducting the first-ever Analyst Exchange Program between AUSTRAC and FASU, and building a financial intelligence database to hold over one million reports.

We hosted workshops to support officers from FASU to develop necessary legislative instruments to operationalise PNG's AML/CTF regime. This focused on supporting the PNG Department of Justice and Attorney General (DJAG) and FASU to collaboratively develop the first compliance rule and guidance material on AML/CTF risk assessments and AML/CTF programs.

The Directors of FASU and the DJAG expressed strong support for ongoing assistance, with the FASU Director noting that our assistance was making a 'profound impact' in PNG.

### *The Viper review*

In February 2018 AUSTRAC led a three-day workshop where we reviewed FASU's database 'the Viper' in conjunction with the Bank of Papua New Guinea's (BPNG) IT team.

After analysing the Viper, its challenges, and where FASU and BPNG are with its development, a number of development methodologies and tools were demonstrated as possible solutions for enhancing its functionality. Enhancing FASU's Viper is proposed as the pilot for the wider program.

Both FASU and BPNG were receptive to a solution that incorporates the work done to date, and importantly development that will provide immediate intelligence functionality without any major expense.

## PHILIPPINES

### *Intelligence Fundamentals courses*

Our counterpart in the Philippines is the Anti-Money Laundering Council (AMLC). Under the DFAT-funded AMLC-AUSTRAC Partnership Program, AUSTRAC delivered two Intelligence Fundamentals courses to participants from 15 local agencies.

The provision of fundamentals training to new and ongoing personnel provides baseline skills and encourages relationship development. This is an essential component of an effective AML/CTF regime.

We delivered challenging, educational courses and received positive feedback and enthusiasm from participants throughout.

### *Mutual evaluation assistance*

In March 2018 we co-delivered with the APG, New Zealand Internal Affairs and Philippines AMLC, a workshop to a number of Philippines agencies to help them prepare for their upcoming mutual evaluation.

The workshop covered what to expect before, during and after the mutual evaluation process and how to best maximise outcomes. Attendees were subjected to mock interviews and received other practical training.

All participants agreed they learnt a lot during the workshop and that it would assist in their preparation for the mutual evaluation.

### *Regulatory Exchange Program*

In February 2018 we hosted visitors from the Philippines as part of a Regulatory Exchange Program under the AMLC-AUSTRAC Partnership Program. The focus of the visit was gambling and casino regulation, including online gambling.

The visitors found the exchange very valuable. An outcome of this visit was the development of a joint project, resulting in guidelines for gambling operators on how to conduct a risk assessment of their business.

## INDONESIA AND MALAYSIA REGULATORY EXCHANGE PROGRAM

In September 2017 the third and final leg of the Regulatory Exchange Program was held in Indonesia, with AUSTRAC and regulators from Indonesia and Malaysia participating. The aim was to discuss shared regulatory issues and finalise the outcomes we aimed to achieve through this world-first exchange program.

The program team met with entities including Western Union, a variety of FinTech offices and the Association of Money Transfer Providers. We presented on the outcomes achieved and work proposed, using the program as a vehicle for ongoing collaboration, and other issues Indonesia is interested in—including electronic customer identification, digital currency regulation and smarter regulation.

### **Overall analysis of how we have achieved our purpose**

During 2017–18 we remained dedicated to achieving our purpose. We performed strongly against the performance criteria outlined in the PBS, by working collaboratively with our public and private partners.

Through the maturing Fintel Alliance we continued to harden the financial sector against threats such as child sexual exploitation and the recruitment money mules to launder the proceeds of crime. This close public-private partnership helped us develop shared intelligence, deliver innovative solutions and contribute to the growth of the Australian economy.

We cooperated with our partners through multi-agency task forces to identify and address serious and complex financial crimes. For example, we supported the SFCT in investigations and prosecutions, primarily through the provision of actionable intelligence and advanced data mining support. This contributed to the SFCT raising over \$207 million in liabilities and collecting over \$79 million in cash this financial year.

Our data contributed to 1,596 reviews by the Department of Human Services and \$26.67 million in savings in 2017–18, from increased detection of welfare fraud. Our financial intelligence also helped to protect Australian Government revenue by contributing to \$208.8 million in income tax assessments (2,874 cases).

In 2017–18 we produced and shared three risk assessments that identified and evaluated the ML/TF risks threatening the financial sector and products. This information was used by financial service providers to better understand their vulnerabilities and take actions to improve their systems and controls to minimise and prevent the associated harms.

We continued to enhance key capability-building initiatives such as FIAC, to develop a shared approach with our partners to building skills and capability to prevent, discover, understand and disrupt financial crime. FIAC is now accredited with Charles Sturt University and was run four times in 2017–18.

We contributed to AML/CTF reforms, working closely with the Attorney-General's Department and then the Department of Home Affairs, to implement the recommendations from the statutory review of the AML/CTF Act. This included key reforms such as: regulation of DCE providers; enhancing the ability to share information between related bodies corporate; and expanding the range of regulatory offences for which the AUSTRAC CEO is able to issue infringement notices. These reforms are expected to generate over \$36 million savings to industry over the next 10 years.

We enhanced our regulatory capability by progressing our aim to build a regulated community that works collaboratively. We developed the Community of Practice and worked with industry to redesign the AML/CTF compliance report. The new compliance report will maximise our understanding of ML/TF and associated compliance risks, while simultaneously reducing unnecessary administrative burden on the reporting population.

We established a team to work more closely with RegTech providers to improve the resilience of reporting entities against ML/TF threats. We also established a data-driven and intelligence-led regulatory insights detection capability, which has significantly reduced the amount of time spent on analysis and has highlighted new risks for assessment.

In August 2017 we initiated civil penalty proceedings in the Federal Court of Australia against CBA alleging multiple contraventions of the AML/CTF Act. In June 2018, the Federal Court ordered CBA to pay a \$700 million penalty and AUSTRAC's agreed legal costs. This is the largest civil penalty in Australia's corporate history. The outcomes of this case send a strong message to the financial sector of the consequences of poor compliance, and reinforces that businesses need to take their obligations seriously.



We actively participated in international forums and strengthened relationships with international counterparts. This enabled us to share knowledge, strengthen our strategic position, influence outcomes and meet the responsibilities we have as members of the global AML/CTF community. Specifically, we led and contributed to Australia's engagement in international forums and bodies such as the APG, FATF and the Egmont Group. We also delivered four TA&T programs in our region to Indonesia, the Philippines and PNG.

This annual performance statement addresses three high-level criteria from our PBS.

Our performance against these criteria is reported through the performance criteria from our 2017–21 corporate plan. Overall, we demonstrated strong performance against all six performance criteria in our corporate plan. These outcomes provide evidence of the value AUSTRAC continues to provide and the impact of our work towards a financial system free from criminal abuse.

# REPORT ON FINANCIAL PERFORMANCE

56



**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 2017–18 we produced a net operating surplus of \$2.2 million, compared with a net operating deficit of \$8.7 million in 2016–17. The net operating surplus includes \$4.9 million of unfunded depreciation and amortisation expenses.

Total revenue for 2017–18 was \$70.0 million: a \$7.9 million increase over the previous year.

Our financial position at 30 June 2018 is shown in the Statement of Financial Position. This takes into account movements in assets, liabilities and equity. Total equity has increased to \$30.3 million (2016–17: \$21.4 million).

## EVENTS OCCURRING AFTER BALANCE DATE

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

## LEGAL SERVICES EXPENDITURE

The total expenditure on legal services for the financial year ended 30 June 2018 was \$3,459,004 (exclusive of GST). In accordance with Office of Services Coordination reporting requirements, this includes the cost of providing internal and external legal services.

\$1,729,409 (exclusive of GST) was spent on purchasing external legal services.

\$1,729,595 (exclusive of GST) was spent on purchasing internal legal services.

# MANAGEMENT AND ACCOUNTABILITY

58 /



## CORPORATE GOVERNANCE

### Fraud and risk

Our fraud control framework is compliant with section 10 of the Public Governance, Performance and Accountability Rule 2014 (PGPA Rule), and the Commonwealth Fraud Control Policy.

The AUSTRAC CEO certifies that she is satisfied that AUSTRAC:

- has prepared a fraud and corruption risk assessment and fraud control plan
- has in place appropriate mechanisms that meet AUSTRAC's specific needs to prevent, detect incidents of, investigate or otherwise deal with, and record or report fraud
- has taken all reasonable measures to deal appropriately with fraud relating to the agency.

We completed an agency-wide fraud and corruption risk assessment in November 2017. This resulted in 14 recommendations to improve the agency's existing integrity and control framework. The recommendations focused on improving alignment between our security and integrity functions, increased frequency of control assurance reviews, and updating our mandatory integrity training and communications programs. All 14 recommendations were accepted by our Organisational Health Committee in March 2018 and will be incorporated into our fraud control plan.

## INTEGRITY FRAMEWORK

AUSTRAC's integrity framework is vital in maintaining the confidence of the Australian public, partner agencies, industry, academic and international partners. We are committed to meeting the high standard of ethics expected in performing our functions.

We are dedicated to continually improving our tailored integrity framework to support and maintain our honest, professional and fair workforce that embodies the Australian Public Service (APS) Values and Code of Conduct.

In June 2017 we partnered with the Australian Commission for Law Enforcement Integrity (ACLEI) to undertake a self-assessment of the development of AUSTRAC's integrity maturity since transitioning to ACLEI's jurisdiction in 2013. The objectives of this joint project were:

- to identify opportunities for the continued development of AUSTRAC's integrity maturity
- for ACLEI to test a set of integrity assessment tools that could be replicated and used in the broader environment.

ACLEI's report of the assessment will be published in mid-2018.

## Corporate governance

Information about our corporate governance structure and capabilities, and senior executives and their responsibilities, is in the 'Our capabilities' section of this report.

### SENIOR MANAGEMENT COMMITTEES

Several key committees support our corporate governance framework.

The Executive Committee (ExCom) comprises the AUSTRAC CEO, the Deputy CEOs and all National Managers and other senior officers. ExCom is responsible for the agency's strategic direction and oversight. This includes setting and monitoring the overarching strategy and vision, considering major policy issues, and overseeing financial performance.

The Operations Committee and the Organisational Health Committee both comprise the Deputy CEOs and all National Managers other senior officers, and hold monthly meetings. Their focus is operational, providing governance and direction for AUSTRAC to deliver its mandate.

The Operations Committee manages AUSTRAC's operational work program and resource allocation. This supports delivery of the agency's objectives. The Organisational Health Committee monitors and measures organisational health—that is, people, systems and finances—and tracks progress against strategic priorities.

The Audit and Risk Committee gives the AUSTRAC CEO independent assurance on the agency's financial and performance reporting responsibilities, oversight and management of risk, and internal control systems. In 2017–18 the committee met five times.

The Privacy Consultative Committee (PCC) provides feedback and advice to the AUSTRAC CEO on AUSTRAC activities, initiatives or projects that have privacy implications. The PCC is chaired by AUSTRAC and includes members from the Office of the Australian Information Commissioner, Liberty Victoria, University of NSW, Department of Home Affairs, Australian Criminal Intelligence Commission, Australian Taxation Office and Australian Federal Police. The PCC met three times in 2017–18. Matters considered included AUSTRAC's standard operating procedure for the management of notifiable data breaches, and the proof-of-concept for money laundering and terrorism financing alerting process.

### INTERNAL AUDIT

AUSTRAC's internal audit function provides assurance to the AUSTRAC CEO that the agency's financial and operational controls are efficient, effective, economical and ethical. It also contributes to improving business performance, through reviews and recommendations.

Our Internal Audit, and Governance and Risk teams work closely with ExCom to prepare the annual audit plan, in which assurance activities are focused on key risk areas for the

agency. Audit reports and updates submitted to the Audit and Risk Committee provide independent, objective assessments on arrangements in place to manage risks across the agency.

## FINANCE LAW COMPLIANCE

During 2017–18 AUSTRAC did not report any significant issues to the responsible Minister under paragraph 19(1)(e) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) relating to non-compliance with finance law.

## EXTERNAL SCRUTINY

Until 20 December 2017 the AUSTRAC CEO reported on the agency's operations to the Attorney-General and Minister for Justice. On 20 December 2017 we became part of the Home Affairs portfolio, reporting to the Minister for Home Affairs and the Minister for Law Enforcement and Cyber Security.

AUSTRAC continues to be transparent and accountable to the Parliament. This includes responses tabled to questions on notice, publishing information required under Senate Orders, and appearing before Parliamentary committees.

During 2017–18 AUSTRAC appeared before the following Parliamentary committees:

- Legal and Constitutional Affairs Legislation Committee—two Senate Estimates hearings (August 2017 and May 2018)

- Senate Committee on Legal and Constitutional Affairs—with Home Affairs, regarding the Anti-Money Laundering and Counter-Terrorism Financing Amendment Bill 2017, which delivered certain reforms to the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006*
- Senate Economics Reference Committee inquiry into Foreign Bribery—to understand AUSTRAC's role and contribution to the matters of the inquiry (October 2017)
- Parliamentary Joint Committee on Intelligence and Security inquiry into the impact of new and emerging information and communications technology—we discussed regulation of cryptocurrencies, Fintel Alliance analysts and data matching (May 2018).

In 2017–18 there were no judicial decisions, decisions of administrative tribunals, or decisions by the Australian Information Commissioner that had a significant impact on AUSTRAC's 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.

## Australian National Audit Office performance audit of corporate planning

In April 2018 the Australian National Audit Office (ANAO) released the performance audit report *Corporate Planning in the Australian Public Sector 2017–18* (ANAO Report No.36 2017–18). The objective was to assess four selected entities' progress in implementing the corporate planning requirements of the PGPA Act and related PGPA Rule.

AUSTRAC was one of the entities, with the Department of the Treasury, Commonwealth Scientific and Industrial Research Organisation (CSIRO), and Office of the Commonwealth Ombudsman.

The ANAO report found that AUSTRAC performed well in areas including:

- positioning the corporate plan as our primary planning document
- having mature systems and processes in place to support the development of the corporate plan and monitor achievement against the plan
- integrating the corporate plan into our broader planning frameworks, using it to support our decision making and manage the business.

The ANAO report found that we could improve in addressing each of the four reporting periods covered by the plan, in the sections on environment, performance, capability and risk oversight, and management systems. In our 2018–22 corporate plan, we will focus on improving those elements.

## MANAGEMENT OF HUMAN RESOURCES

### Managing and developing employees

In 2017–18 we recruited 65 employees. Of these:

- 39 are ongoing
- 17 are non-ongoing
- 9 are temporary transfers
- 35 came from other government departments/agencies
- 30 came from the private sector.

There were 73 employees who left AUSTRAC. Of these:

- 68 were ongoing
- 5 were non-ongoing
- 62 left the APS
- 11 transferred within the APS or to a Commonwealth non-APS employer.

Our attrition rate in 2017–18 was 23 per cent, compared with 12 per cent in 2016–17. During the year AUSTRAC made a concerted effort to recalibrate our staffing to ensure optimum management profile, budget sustainability, and alignment with the government's policy on average staffing levels. An increase in the demand for compliance professionals by the financial sector also contributed to an increase in AUSTRAC's attrition rate.



In our annual report last year we discussed the first phase of our workforce capability review program. This year, phase two saw delivery of the enterprise workforce plan and branch workforce plans. These plans describe the workforce the agency will need to meet our strategic, legislative, regulatory, service and operational requirements now and into the future.

Phase two also saw commencement of a succession and career pathways project, and development of an AUSTAC Capability Framework. These projects will identify critical roles, ensure business continuity and establish clear career paths for AUSTAC employees. They will be completed in 2018–19 and then incorporated into our people and ‘business as usual’ processes.

The *AUSTAC Enterprise Agreement 2016–19* provided for a one per cent salary increase during 2017–18. Non-salary benefits included: access to annual leave at half pay; our annual Christmas shutdown period; maternity, adoption and foster leave; and supporting partner leave. AUSTAC also provides access to flexible work arrangements including part-time work, job share, purchased leave, and home-based work (with improved flexibility due to mobile computing solutions).

Determinations under section 24(1) of the *Public Service Act 1999* set the remuneration and conditions for our Senior Executive Service (SES) employees. As at 30 June 2018, such determinations were in operation for 11 SES employees.

Individual flexibility arrangements can supplement the benefits/remuneration of our non-SES employees. These are agreed between the employee and the AUSTAC CEO or delegate. At 30 June 2018 there were 38 such agreements in effect. The majority of these related to salary arrangements.

No employees were covered by common law contracts in 2017–18. Performance pay was also not applicable.

## Training and development

In 2017–18 we continued implementing the ‘AUSTAC Learning Plan’ to build capability in step with the agency’s strategic direction. We implemented an e-learning AUSTAC induction module and plan to supplement this with a series of compliance modules in 2018–19.

Our successful six-month internal mentoring program continued, with 28 staff participating (14 mentoring pairs). The emphasis was on strengthening relationships between branches, as well as developing staff. The program will continue in 2018–19.

We value leadership at all levels, and building leadership capability is a key focus. We delivered five ‘Leading and Managing our People’ workshops to 75 employees, to provide team leaders/managers with practical tools for agreeing objectives, managing performance and developing people.

Our studies assistance scheme supports employees to access external professional development opportunities that lead to a qualification recognised under the Australian Qualifications Framework. In 2017–18 we supported 25 staff with study assistance.

Last year we reported on the successful pilot of our Financial Intelligence Analyst Course (FIAC). This year we ran six FIACs to a total of 155 participants including our own financial intelligence analysts, participants from law enforcement, industry and banks, as well as Indonesian and NZ FIUs. This aims to build high-quality analyst skills, capability and tradecraft to prevent, detect and disrupt financial crime. While targeted at our Intelligence staff, we also offered places to our partner agencies and employees of our Fintel Alliance partners. Feedback highlighted how beneficial the program was in providing:

- greater understanding of how criminals exploit the financial system, and how to identify suspicious money laundering and terrorism financing activity
- broader and better understanding of AUSTRAC's role, responsibilities and capabilities
- direct access to partner agencies and specialists to network, build relationships and emphasise the importance of collaboration.

We are now focusing on the development and design of advanced FIAC modules. With the success of our FIAC, we have also assisted our Indonesian financial intelligence unit counterpart, Pusat Pelaporan dan Analisis Transaksi Keuangan, to design its own tailored FIAC.

## Work health and safety

AUSTRAC is committed to fostering a positive safety and wellbeing culture, and ensuring the health and safety of our employees, contractors, visitors, and anyone who may be affected by our operations. We ensure we comply with the *Work Health and Safety Act 2011* (WHS Act) and the *Safety, Rehabilitation and Compensation Act 1988*, through the following.

- Prevention—providing and maintaining a healthy and safe working environment; and preventing work-related injury or illness by adopting a proactive risk management approach to WHS as an integral part of overall business operations.
- Injury management—reducing the personal, organisational and financial costs of both compensable and non-compensable injuries and illnesses, through active early intervention and return-to-work programs.
- Wellbeing initiatives—providing wellbeing programs to enhance the physical and mental wellbeing of our employees, improve engagement and promote a culture of proactive wellness.

There were no notifiable WHS incidents reported to Comcare in 2017–18.

In 2017–18 AUSTRAC did not have any:

- WHS investigations by Comcare
- improvement notices issued by Health and Safety Representatives (section 90 of the WHS Act)

- improvement notices issued by Comcare (section 191 of the WHS Act)
- non-disturbance notices issued by Comcare (section 198 of the WHS Act).

AUSTRAC invited Comcare to audit our rehabilitation management system. This took place in May 2018. Of the 21 criteria assessed, there were no non-conformances identified. We achieved 100 per cent compliance.

## ASSET MANAGEMENT

Asset management is not a significant part of AUSTRAC's activities.

## PURCHASING

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

Our Procurement and Contracts team provides strategic advice on procurement and establishing contracts that support the agency's purpose and strategic priorities, and are consistent with legislative obligations and Commonwealth Government Procurement Policies.

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

## CONSULTANTS AND CONTRACTS

During 2017–18, two new consultancy contracts were entered into, involving total actual expenditure of \$61,710.00 inclusive of GST. In addition, two ongoing consultancy contracts were active during the period, involving total actual expenditure of \$27,544.00 inclusive of GST.

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](http://www.tenders.gov.au)).

AUSTRAC engages consultants when we need specialists/experts, and for independent research, defined reviews or assessments—for example, analysing a specific issue, or providing independent advice, information or solutions to assist in decision making.

Decisions to engage consultants in 2017–18 were made in accordance with the PGPA Act, Commonwealth Procurement Rules and relevant internal policies.

During 2017–18 AUSTRAC did not exempt any contracts valued at more than \$10,000 (GST inclusive) from publication on AusTender.

## AUSTRALIAN NATIONAL AUDIT OFFICE ACCESS CLAUSES

In 2017–18 all contracts entered into with a value of \$100,000 or more (GST inclusive) did provide for the Auditor-General to have access to the contractor's premises.

## PROCUREMENT INITIATIVES TO SUPPORT SMALL BUSINESS

AUSTRAC supports small business participation in the Commonwealth Government procurement market. Small and medium-sized enterprise and small enterprise participation statistics are available on the Department of Finance's website at [www.finance.gov.au/procurement/statistics-on-commonwealth-purchasing-contracts/](http://www.finance.gov.au/procurement/statistics-on-commonwealth-purchasing-contracts/).

Our procurement practices support small and medium business enterprises by:

- promoting use of the Commonwealth Contracting Suite for low-risk procurements valued under \$200,000 (GST inclusive)
- promoting the relevant consideration of the Indigenous Procurement Policy for procurements between \$80,000 and \$200,000 (GST inclusive)

- encouraging credit card payments for procurements valued under \$10,000 (GST inclusive)
- motivating competitive participation by using standard documentation and conditions
- ensuring offers are clear, in plain English and accessible.

AUSTRAC 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 Treasury's website, [www.treasury.gov.au](http://www.treasury.gov.au).

## ADVERTISING AND MARKET RESEARCH

During 2017–18 AUSTRAC paid the following, regarding advertising and market research:

- direct mail organisations:
  - \$13,420.00 to SEMA Operations Pty Limited, for self-service bulk email solutions (for external communications)
- media advertising organisations:
  - \$71,465.96 to iSentia Group Limited, for media monitoring services
  - \$47,812.62 to Dentsu Mitchell Media Australia Pty Ltd, for recruitment advertising
  - \$17,554.44 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.

## GRANTS

Information on grants awarded by AUSTRAC during 2017–18 is available at [www.austrac.gov.au/about-us/corporate-governance/grants](http://www.austrac.gov.au/about-us/corporate-governance/grants).

## DISABILITY REPORTING MECHANISM

Since 1994, non-corporate Commonwealth 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 reports and the APS Statistical Bulletin. These reports are available at [www.apsc.gov.au](http://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](http://www.dss.gov.au).

AUSTRAC also has in place a 'Disability Action Plan'. Its purpose 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 has 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](http://www.austrac.gov.au/about-us/accessing-our-information/information-publication-scheme).

In 2017–18 AUSTRAC received 416 FOI requests for 50,278 pages.

Financial year	Requests received	Number of pages considered during the period
2017–18	416	50,278
2016–17	166	11,290
2015–16	140	9,847
2014–15	105	24,966

Statistical information about FOI requests, including costs incurred, is published by the Office of the Australian Information Commissioner.

## ECOLOGICALLY SUSTAINABLE DEVELOPMENT AND ENVIRONMENTAL PERFORMANCE

We are dedicated to meeting the agency's obligations under the *Environment Protection and Biodiversity Conservation Act 1999*. We are committed to continually improving our environmental performance and sustainable business practices. Our green office principles contribute to reducing the impact of AUSTRAC's ecological footprint, and are targeted at:

- conserving energy and water usage
- reducing office consumables and waste

- maximising the use of reusable resources
- increasing opportunities for recycling
- avoiding purchase and use of unrecyclable, non-reusable products
- incorporating sustainable initiatives into business decisions.

## CORRECTION OF MATERIAL ERRORS IN PREVIOUS ANNUAL REPORT

The *AUSTRAC annual report 2016–17* contained an error in the number of reviews by the Department of Human Services to which AUSTRAC data contributed. The figure given as 379 should have been 1,673. The error appeared on pages 6, 44 and 54.



# FINANCIAL STATEMENTS

70 /



## **Auditors report**

### **Certification**

#### **Primary financial statements**

- Statement of Comprehensive Income
- Statement of Financial Position
- Statement of Changes in Equity
- Cash Flow Statement
- Administered Schedule of Comprehensive Income
- Administered Schedule of Assets and Liabilities
- Administered Reconciliation Schedule
- Administered Cash Flow Statement

### **Overview**

#### **Notes to the financial statements:**

#### **1. Departmental Financial Performance**

- 1.1 Expenses
  - 1.1A Employee benefits
  - 1.1B Suppliers

#### **2. Departmental Financial Position**

- 2.1 Financial Assets
  - 2.1A Cash and Cash Equivalents
  - 2.1B Trade and Other Receivables
- 2.2 Non-Financial Assets
  - 2.2A Reconciliation of the Opening and Closing Balances of Property, Plant and Equipment and Intangibles
- 2.3 Payables
  - 2.3A Suppliers
  - 2.3B Other Payables
- 2.4 Other Provisions

#### **3. Funding**

- 3.1 Appropriations
  - 3.1A Annual Appropriations (Recoverable GST exclusive)
  - 3.1B Unspent Departmental Annual Appropriations ('Recoverable GST exclusive')
  - 3.1C Special Appropriations ('Recoverable GST exclusive')
- 3.2 Net Cash Appropriation Arrangements

#### **4. People and relationships**

- 4.1 Employee Provisions
- 4.2 Key Management Personnel Remuneration
- 4.3 Related Party Disclosures

#### **5. Managing uncertainties**

- 5.1 Contingent assets and liabilities
- 5.2 Categories of Financial Instruments



## INDEPENDENT AUDITOR'S REPORT

To the Minister for Home Affairs

### Opinion

In my opinion, the financial statements of the Australian Transaction Reports and Analysis Centre for the year ended 30 June 2018:

- (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 2018 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 2018 and for the year then ended:

- Statement by the Chief Executive Officer and Chief Finance Officer;
- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Cash Flow Statement;
- Administered Schedule of Comprehensive Income;
- Administered Schedule of Assets and Liabilities;
- Administered Reconciliation Schedule;
- Administered Cash Flow Statement; and
- 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* (the Code) to the extent that they are not in conflict with the *Auditor-General Act 1997*. 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 assessing the Australian Transaction Reports and Analysis Centre's ability to continue as a going concern, taking into account whether the Australian Transaction Reports and Analysis Centre's operations will cease as a

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

result of an administrative restructure or for any other reason. The Chief Executive Officer is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the assessment indicates that it is not appropriate.

#### **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 Australian Transaction Reports and Analysis Centre's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Executive Officer;
- conclude on the appropriateness of the Chief Executive Officer'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 Australian Transaction Reports and Analysis Centre'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 Australian Transaction Reports and Analysis Centre 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  
Executive Director

Delegate of the Auditor-General

Canberra  
14 September 2018

## STATEMENT BY THE CHIEF EXECUTIVE OFFICER AND CHIEF FINANCE OFFICER

In our opinion, the attached financial statements for the year ended 30 June 2018 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 

Nicole Rose PSM  
Chief Executive Officer

14 September 2018

Signed 

Ric Walters  
Chief Finance Officer

14 September 2018

# STATEMENT OF COMPREHENSIVE INCOME

for the period ended 30 June 2018

	Notes	2018 \$'000	2017 \$'000	Original Budget \$'000
<b>EXPENSES</b>				
Employee benefits	1.1A	40,429	43,332	37,550
Suppliers	1.1B	21,860	20,403	24,637
Depreciation and amortisation		4,928	6,998	6,017
Losses from asset sales and disposals		18	118	–
Write-down and impairment of intangible assets		528	–	–
<b>Total expenses</b>		<b>67,763</b>	70,851	68,204
<b>LESS:</b>				
<b>OWN-SOURCE INCOME</b>				
<b>Own-source revenue</b>				
Rendering of services		6,391	3,337	2,537
Remuneration of Auditors		135	135	160
Other revenue <sup>1</sup>		801	1,087	–
<b>Total own-source revenue</b>		<b>7,327</b>	4,559	2,697
<b>Net (cost of) services</b>		<b>(60,436)</b>	(66,292)	(65,507)
Revenue from Government – departmental appropriation		62,662	57,567	59,490
<b>Surplus/(Deficit) attributable to the Australian Government</b>		<b>2,226</b>	(8,725)	(6,017)
<b>Total comprehensive income/(loss) attributable to the Australian Government</b>		<b>2,226</b>	(8,725)	(6,017)
1. Costs recovered in relation to compliance actions, after offset of current year legal expenses.				
The above statement should be read in conjunction with the accompanying notes.				
<b>Budget Variances Commentary</b>				
<b>Statement of Comprehensive Income</b>				
The variance in employee benefits is due to two factors. During 2017, AUSTRAC embarked on a program of converting contractors to APS staff. This initiative was carried forward into 2018, resulting in a higher cost for employee benefits than originally budgeted. The other factor contributing to the variance has been additional resourcing engaged to deliver new funding measures announced in the Mid-Year Economic and Fiscal Outlook (MYEFO) 2017–18.				
The variance in suppliers is due to a lower number of contractors than budgeted, combined with benefits from renegotiation of contracts with key suppliers.				
The variance in depreciation is due to timing changes for completion of works in progress. Project timelines were extended for certain works in progress, which impacted the dates on which those works were installed and ready for use.				
The variance in write-down and impairment of intangible assets relates to the re-assessment of the useful life of one asset.				
The variance in rendering of services is due to higher than budgeted receipts from partner agencies requesting additional services from AUSTRAC. A component of the variance also relates to the accounting treatment of those receipts – refer to Overview, Recognition of Revenue.				
The variance in revenue from government is due to new funding measures announced in MYEFO 2017–18.				

# STATEMENT OF FINANCIAL POSITION

as at 30 June 2018

		2018	2017	Original Budget
	Notes	\$'000	\$'000	\$'000
<b>ASSETS</b>				
<b>Financial Assets</b>				
Cash and cash equivalents	2.1A	1,859	2,798	1,868
Trade and other receivables	2.1B	21,254	17,612	10,870
<b>Total financial assets</b>		<b>23,113</b>	20,410	12,738
<b>Non-Financial Assets</b>				
Leasehold improvements	2.2A	6,487	7,319	-
Property, plant and equipment	2.2A	5,559	4,113	8,698
Intangibles	2.2A	14,993	7,925	14,631
Prepayments		2,172	3,241	1,835
<b>Total non-financial assets</b>		<b>29,211</b>	22,598	25,164
<b>Total assets</b>		<b>52,324</b>	43,008	37,902
<b>LIABILITIES</b>				
<b>Payables</b>				
Suppliers	2.3A	4,899	3,167	2,627
Other payables	2.3B	6,337	7,033	1,600
<b>Total payables</b>		<b>11,236</b>	10,200	4,227
<b>Provisions</b>				
Employee provisions	4.1	10,385	10,992	10,902
Other provisions	2.4	448	448	478
<b>Total provisions</b>		<b>10,833</b>	11,440	11,380
<b>Total liabilities</b>		<b>22,069</b>	21,640	15,607
<b>Net assets</b>		<b>30,255</b>	21,368	22,295

# STATEMENT OF FINANCIAL POSITION (CONT.)

as at 30 June 2018

	2018	2017	Original Budget
Notes	\$'000	\$'000	\$'000
<b>EQUITY</b>			
Contributed equity	<b>87,094</b>	80,433	85,494
Reserves	<b>2,933</b>	3,117	3,808
Retained surplus (accumulated deficit)	<b>(59,772)</b>	(62,182)	(67,007)
<b>Total Equity</b>	<b>30,255</b>	21,368	22,295
The above statement should be read in conjunction with the accompanying notes.			
<b>Budget Variances Commentary</b>			
<b>Statement of Financial Position</b>			
The variance in trade and other receivables mainly relates to appropriations receivable which has increased as a result of the new funding measures announced in MYEFO 2017–18. There is also a variance in trade receivables, which is higher than budget due to costs to be recovered in relation to an enforcement action.			
The value for leasehold improvements reflect the value of lease incentive received in the form of fitout of office premises. The lease incentive was recognised after preparation of the original budget.			
The variance in property, plant and equipment reflects the outcomes of the fair value assessment that was undertaken at June 2017, after the original budget was delivered in May 2017.			
The variance in other payables is due to the reporting of the lease liability attached to the lease incentive for office fitout.			

# STATEMENT OF CHANGES IN EQUITY

for the period ended 30 June 2018

	2018	2017	Original Budget
	\$'000	\$'000	\$'000
<b>CONTRIBUTED EQUITY</b>			
<b>Opening balance</b>			
Balance carried forward from previous period	80,433	67,139	80,433
<b>Adjusted opening balance</b>	80,433	67,139	80,433
<b>Transactions with owners</b>			
<b>Contributions by owners</b>			
Equity injection – Appropriations	3,600	10,200	2,000
Departmental capital budget	3,061	3,094	3,061
<b>Total transactions with owners</b>	6,661	13,294	5,061
<b>Closing balance as at 30 June</b>	87,094	80,433	85,494
<b>RETAINED EARNINGS</b>			
<b>Opening balance</b>			
Balance carried forward from previous period	(62,182)	(53,903)	(60,990)
<b>Adjusted opening balance</b>	(62,182)	(53,903)	(60,990)
<b>Comprehensive income</b>			
Surplus/(Deficit) for the period	2,226	(8,725)	(6,017)
<b>Total comprehensive income</b>	2,226	(8,725)	(6,017)
Transfers between equity components	184	446	-
<b>Closing balance as at 30 June</b>	(59,772)	(62,182)	(67,007)
<b>ASSET REVALUATION RESERVE</b>			
<b>Opening balance</b>			
Balance carried forward from previous period	3,117	3,808	3,808
<b>Adjusted opening balance</b>	3,117	3,808	3,808
Transfers between equity components	(184)	(446)	-
Adjustments in asset revaluation reserve	-	(245)	-
<b>Closing balance as at 30 June</b>	2,933	3,117	3,808



**STATEMENT OF CHANGES IN EQUITY (CONT.)**

as at 30 June 2018

	2018	2017	Original Budget
	\$'000	\$'000	\$'000
<b>TOTAL EQUITY</b>			
<b>Opening balance</b>			
Balance carried forward from previous period	<b>21,368</b>	17,044	23,251
<b>Adjusted opening balance</b>	<b>21,368</b>	17,044	23,251
<b>Comprehensive income</b>			
Surplus/(Deficit) for the period	<b>2,226</b>	(8,725)	(6,017)
<b>Total comprehensive income</b>	<b>2,226</b>	(8,725)	(6,017)
<b>Transactions with owners</b>			
<b>Contributions by owners</b>			
Equity injection – appropriations	<b>3,600</b>	10,200	2,000
Departmental capital budget	<b>3,061</b>	3,094	3,061
<b>Total transactions with owners</b>	<b>6,661</b>	13,294	5,061
Adjustments in asset revaluation reserve	–	(245)	–
<b>Closing balance as at 30 June</b>	<b>30,255</b>	21,368	22,295
The above statement should be read in conjunction with the accompanying notes.			
<b>Accounting Policy</b>			
<i>Equity Injections</i>			
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.			
<b>Budget Variances Commentary</b>			
<b>Statement of Changes in Equity</b>			
The variance in contributed equity is due to new funding measures announced in MYEFO 2017–18.			
The variance in retained earnings is due to the change in operating result for the year. Refer budget variance commentary for statement of comprehensive income.			

# CASH FLOW STATEMENT

for the period ended 30 June 2018

	2018	2017	Original Budget
Notes	\$'000	\$'000	\$'000
<b>OPERATING ACTIVITIES</b>			
<b>Cash received</b>			
Appropriations	54,732	59,923	59,490
Rendering of services	7,204	10,253	2,537
GST received	2,901	3,512	2,200
<b>Total cash received</b>	<b>64,837</b>	<b>72,520</b>	<b>64,227</b>
<b>Cash used</b>			
Employees	41,398	41,968	37,550
Suppliers	23,836	25,849	26,677
GST paid	254	388	-
<b>Total cash used</b>	<b>65,488</b>	<b>68,205</b>	<b>64,227</b>
<b>Net cash from operating activities</b>	<b>(651)</b>	<b>4,703</b>	<b>-</b>
<b>INVESTING ACTIVITIES</b>			
<b>Cash used</b>			
Purchase of property, plant and equipment	3,699	7,657	8,461
Purchase of internally developed software	9,458	4,382	-
<b>Total cash used</b>	<b>13,157</b>	<b>12,039</b>	<b>8,461</b>
<b>Net cash (used by) investing activities</b>	<b>(13,157)</b>	<b>(12,039)</b>	<b>(8,461)</b>
<b>FINANCING ACTIVITIES</b>			
<b>Cash received</b>			
Contributed equity	12,869	8,266	8,461
<b>Total cash received</b>	<b>12,869</b>	<b>8,266</b>	<b>8,461</b>
<b>Net cash from financing activities</b>	<b>12,869</b>	<b>8,266</b>	<b>8,461</b>
<b>Net (decrease)/increase in cash held</b>	<b>(939)</b>	<b>930</b>	<b>-</b>
Cash and cash equivalents at the beginning of the reporting period	2,798	1,868	1,868
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>1,859</b>	<b>2,798</b>	<b>1,868</b>
<b>Budget Variances Commentary</b>			
<b>Cash Flow Statement</b>			
Commentary on the major variances between the actual and original budgeted amounts for 2017–18 is provided in the statement of comprehensive income and the statement of financial position.			

# SCHEDULE OF ADMINISTERED ITEMS

## Administered Schedule of Comprehensive Income

for the period ended 30 June 2018

	2018	2017	Original Budget
	\$'000	\$'000	\$'000
<b>EXPENSES</b>			
Bad and doubtful debts expense	–	1	–
Waivers	204	264	–
<b>Total expenses</b>	<b>204</b>	<b>265</b>	<b>–</b>
<b>LESS:</b>			
<b>Non-taxation revenue</b>			
Industry contribution levies	65,568	65,316	65,507
Fines	700,282	45,290	200
<b>Total non-taxation revenue</b>	<b>765,850</b>	<b>110,606</b>	<b>65,507</b>
<b>Total revenue</b>	<b>765,850</b>	<b>110,606</b>	<b>65,507</b>
<b>Total income</b>	<b>765,850</b>	<b>110,606</b>	<b>65,507</b>
<b>Net contribution by services</b>	<b>765,646</b>	<b>110,341</b>	<b>65,507</b>
<b>Surplus</b>	<b>765,646</b>	<b>110,341</b>	<b>65,507</b>
This schedule should be read in conjunction with the accompanying notes.			
<b>Budget Variances Commentary</b>			
<b>Schedule of Administrative Comprehensive Income</b>			
The budget variance reflects the finalisation of an enforcement action. A \$700 million civil penalty was ordered by the Federal Court of Australia under the <i>Anti-Money Laundering and Counter-Terrorism Financing Act 2006</i> (AML/CTF Act).			

# Administered Schedule of Assets and Liabilities

as at 30 June 2018

	2018	2017	Original Budget
	\$'000	\$'000	\$'000
<b>Assets administered on behalf of Government</b>			
<b>Financial assets</b>			
Cash at bank	–	1	–
Other receivables	700,001	–	–
<b>Total financial assets</b>	<b>700,001</b>	<b>1</b>	<b>–</b>
<b>Total assets administered on behalf of Government</b>	<b>700,001</b>	<b>1</b>	<b>–</b>
<b>Administered Schedule of Assets</b>			
The budget variance reflects the finalisation of an enforcement action. A \$700 million civil penalty was ordered by the Federal Court of Australia under the AML/CTF Act.			
<b>Administered Schedule of Liabilities</b>			
As at 30 June 2018, there are no liabilities administered on behalf of Government (2017: Nil).			

# Administered Reconciliation Schedule

for the period ended 30 June 2018

	2018	2017
	\$'000	\$'000
<b>Opening assets less liabilities as at 1 July</b>	<b>1</b>	<b>–</b>
Surplus items:		
Plus: administered income	765,850	110,606
Administered transfers to/from Australian Government:		
Special appropriation (unlimited)	57	23
Transfers to OPA	(65,703)	(110,363)
Less administered expenses (other than corporate commonwealth entities)	(204)	(265)
<b>Closing administered assets less administered liabilities as at 30 June</b>	<b>700,001</b>	<b>1</b>
This schedule should be read in conjunction with the accompanying notes.		

# Administered Cash Flow Statement

for the period ended 30 June 2018

	2018	2017	Original Budget
	\$'000	\$'000	\$'000
<b>Administered Cash Flows</b>			
<b>OPERATING ACTIVITIES</b>			
<b>Cash received</b>			
Fees and levies	65,421	65,074	65,507
Fines	282	45,290	200
<b>Total Cash received</b>	<b>65,703</b>	110,364	65,707
<b>Cash used</b>			
Refunds of fees and levies	(57)	(23)	–
<b>Total cash used</b>	<b>(57)</b>	(23)	–
<b>Net cash flows from (used by) operating activities</b>	<b>65,646</b>	110,341	65,707
<b>Net increase in Cash Held</b>	<b>65,646</b>	110,341	65,707
Cash and cash equivalents at the beginning of the reporting period	–	–	–
Cash from the Official Public Account for:			
Special appropriation (unlimited)	57	23	–
Cash to Official Public Account for:			
Administered receipts	(65,703)	(110,363)	(65,707)
	<b>(65,646)</b>	(110,340)	(65,707)
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>–</b>	1	–
This schedule should be read in conjunction with the accompanying notes.			
<b>Accounting Policy</b>			
<i>Administered Cash Transfers to and from the Official Public Account</i>			
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 are 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 and anti-money laundering and counter-terrorism financing (AML/CTF) regulator. AUSTRAC's purpose is to build resilience in the financial system and use financial intelligence to disrupt money laundering, terrorism financing and other serious crime.

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); 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.

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

## OVERVIEW (CONT.)

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

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.

Funding received from external parties for services to be provided by AUSTRAC is recognised as revenue from rendering of services in accordance with AASB 1004 *Contributions*. For the period ended 30 June 2018, \$2.263 million has been recognised as revenue for which there is no matching expenditure (2017: Nil). The expenditure associated with delivery of the affected programs will be incurred and reported in future accounting periods.

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.

### 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 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 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.)

### 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 <sup>1</sup>	Nature of change
AASB 15 Revenue from contracts with customers	1 July 2019	For AUSTRAC, AASB 15 becomes mandatory for annual reporting periods beginning on or after 1 January 2019. The standard uses a five-step model to determine revenue recognition, which reinstates the principle of revenue recognition when a contracted performance obligation is satisfied.
AASB 16 Leases	1 July 2019	AUSTRAC expects to apply AASB 16 <i>Leases</i> 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 \$38.978 million in operating lease commitments as at 30 June 2018.

1. AUSTRAC's expected initial application date is the beginning of the reporting period when the accounting standard becomes operative

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.



# OVERVIEW (CONT.)

## 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 2018, the budget is contained in AUSTRAC's 2017–18 Portfolio Budget Statements (PBS).

## 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*
- 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 2018

## 1.1 EXPENSES

	2018	2017
	\$'000	\$'000
<i>1.1A Employee benefits</i>		
Wages and salaries	28,424	29,912
Superannuation:		
Defined contribution plans	1,891	2,189
Defined benefit plans	3,694	3,710
Leave and other entitlements	4,813	5,644
Separation and redundancies	1,607	1,877
<b>Total employee benefits</b>	<b>40,429</b>	<b>43,332</b>
<b>Accounting Policy</b>		
Accounting policies for employee related expenses are contained in the People and Relationships section.		
<i>1.1B Suppliers</i>		
<b>Goods and services</b>		
Contracted services – Contractors	3,302	3,404
Contracted services – Consultants	1,475	1,980
IT maintenance	3,976	3,651
Travel	3,122	2,484
Property and office maintenance	2,048	1,827
Telecommunications	1,238	1,328
Other	1,649	1,273
<b>Total goods and services</b>	<b>16,810</b>	<b>15,947</b>
<b>Goods and services are made up of:</b>		
Goods supplied	1,104	754
Services rendered	15,706	15,193
<b>Total goods and services</b>	<b>16,810</b>	<b>15,947</b>

# 1. Departmental financial performance (cont.)

	2018	2017
	\$'000	\$'000
<b>Other supplier expenses</b>		
<b>Operating lease rentals – external parties:</b>		
Minimum lease payments	4,915	4,233
Workers compensation expenses	135	223
<b>Total other supplier expenses</b>	5,050	4,456
<b>Total supplier expenses</b>	21,860	20,403
<b>Leasing commitments</b>		
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	5,382	5,042
Between 1 to 5 years	19,325	21,262
More than 5 years	14,271	16,917
<b>Total operating lease commitments</b>	38,978	43,221
Commitments are GST inclusive where relevant.		
<b>Accounting Policy</b>		
Operating lease payments are expensed on a straight-line basis which is representative of the pattern of benefits derived from the leased assets.		

## 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.

### 2.1 FINANCIAL ASSETS

	2018	2017
	\$'000	\$'000
<i>2.1A Cash and Cash Equivalents</i>		
Cash on hand or on deposit	1,859	2,798
<b>Total cash and cash equivalents</b>	<b>1,859</b>	<b>2,798</b>
<i>2.1B Trade and Other Receivables</i>		
Goods and services	2,711	963
<b>Total receivables for goods and services</b>	<b>2,711</b>	<b>963</b>
<b>Appropriations receivable:</b>		
For existing programs	17,910	16,187
<b>Total appropriations receivable</b>	<b>17,910</b>	<b>16,187</b>
<b>Other receivables:</b>		
GST receivable from the Australian Taxation Office	633	462
<b>Total other receivables</b>	<b>633</b>	<b>462</b>
<b>Total trade and other receivables (net)</b>	<b>21,254</b>	<b>17,612</b>
<b>Receivables are expected to be recovered in:</b>		
No more than 12 months	21,254	17,612
More than 12 months	–	–
<b>Total trade and other receivables (net)</b>	<b>21,254</b>	<b>17,612</b>
<b>Trade and other receivables are aged as follows:</b>		
Not overdue	20,834	17,067
Overdue by:		
0 to 30 days	280	106
31 to 60 days	95	104
61 to 90 days	11	104
More than 90 days	34	231
<b>Total trade and other receivables (net)</b>	<b>21,254</b>	<b>17,612</b>
Financial assets were assessed for impairment in accordance with the impairment policy stated below. No indicators of impairment were identified at 30 June 2018.		
<b>Accounting Policy</b>		
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.		
<i>Loans and Receivables</i>		
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.		

## 2. Departmental financial position (cont.)

### 2.2 NON-FINANCIAL ASSETS

	Leasehold improvements	Property, plant and equipment	Intangibles <sup>1</sup>	Total
	\$'000	\$'000	\$'000	\$'000
<i>2.2A Reconciliation of the Opening and Closing Balances of Property, Plant and Equipment and Intangibles</i>				
As at 1 July 2017				
Gross book value	8,218	15,222	25,285	48,725
Accumulated depreciation and impairment	(899)	(11,109)	(17,360)	(29,368)
Total as at 1 July 2017	7,319	4,113	7,925	19,357
Additions				
By purchase	34	3,664	5,551	9,249
Internally developed	–	–	3,908	3,908
Depreciation expense	(866)	(2,200)	(1,862)	(4,928)
Disposals:				
Asset disposals and write-downs recognised as expense in the Statement of Comprehensive Income	–	(18)	(528)	(546)
Total as at 30 June 2018	6,487	5,559	14,994	27,040
Totals as at 30 June 2018 are represented by:				
Gross book value	8,252	18,407	30,077	56,736
Accumulated depreciation and impairment	(1,765)	(12,848)	(15,083)	(29,696)
Total as at 30 June 2018	6,487	5,559	14,994	27,040
1. The carrying amount of intangibles comprises \$3.908m of internally generated software (2017: \$4.383m) and \$5.551m of purchased software (2017: Nil).				
Intangible assets were assessed for impairment in accordance with the impairment policy stated below. An impairment of \$0.490m was found in 2018 (2017: Nil).				
<b>Revaluations of non-financial assets</b>				
All revaluations are conducted in accordance with the revaluation policy stated below. Leasehold improvements were not revalued in 2018 (2017: revaluation decrement of \$0.091m). Property plant and equipment was not revalued in 2018 (2017: a revaluation decrement of \$0.245m).				
<b>Contractual commitments for the acquisition of property, plant, equipment and intangible assets</b>				
Contractual commitments for the acquisition of software for intangible assets includes \$2.200m (inclusive of GST) over four years for a software supplier (2017: \$8.250m inclusive of GST).				

## 2. Departmental financial position (cont.)

### 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	Current replacement cost, adjusted for obsolescence
Property, plant and equipment	Current 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. The carrying values of assets were assessed by management at 30 June 2018 and no material differences between carrying values and fair values were identified.

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/

## 2. Departmental financial position (cont.)

deficit except to the extent that they reverse a previous revaluation increment for that asset.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the asset restated to the revalued amount. Depreciation is recalculated over the remaining estimated useful life of the asset on a straight line basis.

### *Depreciation*

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

Depreciation rates (useful lives), residual values and methods are reviewed at each reporting date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate.

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

Asset class	2018	2017
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 2018. 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 (2016–17: 1 to 10 years).

All software assets were assessed for indications of impairment as at 30 June 2018.

## 2. Departmental financial position (cont.)

### 2.3 PAYABLES

	2018	2017
	\$'000	\$'000
<i>2.3A Suppliers</i>		
Trade creditors and accruals	4,899	3,167
<b>Total suppliers</b>	<b>4,899</b>	<b>3,167</b>
Supplier payables are made within 30 days (2017: 30 days).		
<i>2.3B Other Payables</i>		
Salaries and wages	855	1,243
Superannuation	59	32
Prepayments received/unearned income	874	745
Lease incentives <sup>1</sup>	4,524	4,974
Other	25	39
<b>Total other payables</b>	<b>6,337</b>	<b>7,033</b>
1. Lease incentives are amortised over the lease term.		

### 2.4 OTHER PROVISIONS

	Provision for contracted services	Total
	\$'000	\$'000
<b>Total as at 1 July 2017</b>	448	448
Amounts Used	-	-
<b>Total as at 30 June 2018</b>	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)

2018 Appropriations	Annual Appropriation <sup>1,3</sup>	Adjustment to Appropriations <sup>2</sup>	Total appropriation	Appropriation applied in 2018 (current and prior years)	Variance <sup>4,5</sup>
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>DEPARTMENTAL</b>					
Ordinary annual services	62,662	6,964	69,626	62,824	6,802
Capital budget <sup>3</sup>	3,061	–	3,061	361	2,700
Other services				–	
Equity	3,600	–	3,600	12,508	(8,908)
<b>Total departmental</b>	<b>69,323</b>	<b>6,964</b>	<b>76,287</b>	<b>75,693</b>	<b>594</b>
<p>1. In 2017–18 there were no adjustments that met the recognition criteria of a formal reduction in revenue (2017: reduction of \$0.007m).</p> <p>2. Section 74 increase in revenue \$6.964m (2017: \$9.866m).</p> <p>3. Departmental capital budgets are appropriated through Appropriation Acts (No.1,3,5). 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>					

2017 Appropriations	Annual Appropriation <sup>1,3</sup>	Adjustment to Appropriations <sup>2</sup>	Total appropriation	Appropriation applied in 2017 (current and prior years)	Variance <sup>4,5</sup>
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>DEPARTMENTAL</b>					
Ordinary annual services	57,574	9,866	67,440	72,458	(5,018)
Capital budget <sup>3</sup>	3,094	–	3,094	3,663	(569)
Other services					
Equity	10,200	–	10,200	4,604	5,596
<b>Total departmental</b>	<b>70,868</b>	<b>9,866</b>	<b>80,734</b>	<b>80,725</b>	<b>9</b>
<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 (No.1,3,5). 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>					

### 3. Funding (cont.)

#### 3.1B Unspent Departmental Annual Appropriations ('Recoverable GST exclusive')

Authority	2018 \$'000	2017 \$'000
<i>Appropriation Act No.1 2015–16</i> <sup>1</sup>	21	21
<i>Appropriation Act No.1 2016–17</i> <sup>2</sup>	7	7
<i>Appropriation Act No.2 2015–16</i>	–	3,400
<i>Appropriation Act No.1 2016–17</i>	–	5,842
<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
<i>Appropriation Act No.1 2017–18 Cash at bank and on hand</i>	1,859	
<i>Appropriation Act No.1 2017–18</i>	13,772	
<i>Appropriation Act No.1 2017–18 Departmental Capital Budget</i>	2,700	–
<i>Appropriation Act No.2 2017–18</i>	1,438	–
Total	19,797	19,014
1. The full amount of this balance is quarantined under <i>Appropriation Act No.1 2015–16</i> . 2. The full amount of this balance is quarantined under <i>Appropriation Act No 1 2016–17</i> . The 2017–18 appropriation acts are not affected by any quarantine arrangements.		

#### 3.1C Special Appropriations ('Recoverable GST exclusive')

Authority	Type	Purpose	Appropriation applied	
			2018 \$'000	2017 \$'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	57	23
Total special appropriations applied			57	23

### 3. Funding (cont.)

#### 3.2 NET CASH APPROPRIATION ARRANGEMENTS

	2018	2017
	\$'000	\$'000
<b>Total comprehensive income/(loss) less depreciation and amortisation expenses previously funded through revenue appropriations<sup>1</sup></b>	<b>7,154</b>	<b>(1,727)</b>
Plus: depreciation/amortisation expenses previously funded through revenue appropriation	<b>(4,928)</b>	<b>(6,998)</b>
<b>Total comprehensive income/(loss) – as per statement of comprehensive income</b>	<b>2,226</b>	<b>(8,725)</b>
<small>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.</small>		

## 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.

	2018	2017
	\$'000	\$'000
<b>4.1 Employee Provisions</b>		
Leave	10,385	10,992
<b>Total employee provisions</b>	<b>10,385</b>	<b>10,992</b>

### 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.

## 4. People and Relationships (cont.)

### ACCOUNTING POLICY (CONT.)

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.

### 4.2 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 Home Affairs, the Minister for Law Enforcement and Cyber Security, the Chief Executive Officer and the three Deputy Chief Executive Officers.

Key management personnel remuneration is reported in the table below. Remuneration excludes the remuneration and other benefits of the Minister for Home Affairs and the Minister for Law Enforcement and Cyber Security. The Ministers' remuneration and other benefits are set by the Remuneration Tribunal and are not paid by AUSTRAC.

	2018	2017
	\$	\$
Short-term employee benefits	1,226,986	1,159,460
Post-employment benefits	189,046	203,678
Other long-term employee benefits	109,363	118,261
Termination benefits	104,405	224,205
<b>Total key management personnel remuneration expenses</b>	<b>1,629,800</b>	<b>1,705,604</b>
The total number of key management personnel included in the above table is 6 (2017: 6).		

## 4. People and Relationships (cont.)

### 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 2018 (2017: Nil).

**Unquantifiable contingencies**

There are no departmental or administered unquantifiable contingencies as at 30 June 2018 (2017: civil penalty proceedings in the Federal Court against a regulated entity. This matter was finalised prior to 30 June 2018).

**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.

## 5.2 CATEGORIES OF FINANCIAL INSTRUMENTS

	2018	2017
	\$'000	\$'000
<b>Financial Assets</b>		
<b>Loans and receivables</b>		
Cash and cash equivalents	1,859	2,798
Goods and services	2,711	963
<b>Total financial assets</b>	<b>4,570</b>	3,761
<b>Financial Liabilities</b>		
<b>At amortised cost:</b>		
Trade creditors at amortised cost	4,899	3,167
<b>Total financial liabilities</b>	<b>4,899</b>	3,167
<b>Accounting Policy</b>		
<b>Financial assets</b>		
Financial assets are classified as loans and receivables.		
<b>Financial Liabilities</b>		
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).		

# APPENDICES



102/



# 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	2013–14	2014–15	2015–16	2016–17	2017–18
Sydney	156	151	176	170	148
Melbourne	69	71	85	78	78
Canberra	19	24	52	50	58
Brisbane	17	12	14	17	18
Perth	3	2	1	2	3
Adelaide	2	2	2	1	1
Overseas					6*
Total	266	262	330	318	312

\* 2 employees were posted overseas in previous years, but not reported as a standalone category.

## Unpaid inoperative employees

State	2013–14	2014–15	2015–16	2016–17	2017–18
Sydney	1	4	2	3	5
Melbourne	1	3	2	3	0
Canberra	0	0	0	4	4
Brisbane	0	0	0	0	0
Perth	0	1	0	0	0
Adelaide	0	0	0	0	0
Total	2	8	4	10	9

**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 2018

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			3	3	17	13	17	25	29	33	3	5	148
Melbourne			2		5	5	9	13	21	17	3	3	78
Canberra		1	4	1	6	2	12	4	9	18	1		58
Brisbane					1		1	1	3	9		3	18
Perth								1		2			3
Adelaide								1					1
Overseas					2		2	2					6
<b>Total</b>	<b>0</b>	<b>1</b>	<b>9</b>	<b>4</b>	<b>31</b>	<b>20</b>	<b>41</b>	<b>47</b>	<b>62</b>	<b>79</b>	<b>7</b>	<b>11</b>	<b>312</b>

The table includes full-time and part-time employees, non-ongoing employees, paid inoperative employees and those acting in a higher position at 30 June 2018, but excludes casual employees.

## Part-time and non-ongoing employees at 30 June 2018

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

State	Classification group	Part-time 2017–18			Non-ongoing 2017–18		
		M	F	Total	M	F	Total
Sydney	Senior officer grades and equivalent	2	9	11	4	1	5
	APS 1–6 equivalent		7	7	10	4	14
Melbourne	Senior officer grades and equivalent	1	7	1		1	1
	APS 1–6 equivalent		6	13	1	1	2
Canberra	Senior officer grades and equivalent	1	1	2	2		2
	APS 1–6 equivalent		2	2	2		2
Brisbane	Senior officer grades and equivalent						
	APS 1–6 equivalent		1	1		1	1
Perth	Senior officer grades and equivalent						
	APS 1–6 equivalent						
Adelaide	Senior officer grades and equivalent						
	APS 1–6 equivalent						
Total		4	33	37	19	8	27

## Substantive SES officers at 30 June 2018

Band	Sydney	Melbourne	Canberra
SES 2 male	2		2
SES 2 female			
SES 1 male	1	2	1
SES 1 female	1		1
<b>Total</b>	<b>4</b>	<b>2</b>	<b>4</b>

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

During 2017–18 one ongoing SES employee ceased employment, two ongoing SES employees commenced and there was one internal SES promotion.

## 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 2018.

Total employees	EEO data recorded	Female staff	Male staff	Non-English speaking background	Aboriginal or Torres Strait Islander	Person with a disability
303	97%	56%	44%	21%	0%	2%

# Workplace relations

The table below outlines our non-SES employee salary ranges under our Enterprise Agreement at 30 June 2018, including individual flexibility arrangements.

Classification equivalent	Salary range
APS1	48,016–52,545
APS2	54,356–59,792
APS3	60,696–66,132
APS4	67,039–74,288
APS5	75,193–82,441
APS6	84,251–138,312
EL1	102,963–142,991
EL2	120,011–182,755

## APPENDIX B: AGENCY RESOURCE STATEMENTS 2017–18

	Actual available appropriations for 2017–18 \$'000 (a)	Payments Made 2017–18 \$'000 (b)	Balance Remaining \$'000 (a+b)
<b>Ordinary Annual Services</b>			
Prior year appropriation	8,640	(8,640)	-
Departmental appropriation	65,723	(47,392)	18,331
Section 74 Agency receipts per 2017–18 Portfolio Budget Statements	4,416	(4,416)	-
Additional section 74 receipts	2,548	(2,548)	-
<b>Total</b>	<b>81,327</b>	<b>(62,996)</b>	<b>18,331</b>
<b>Total ordinary annual services</b>	<b>81,327</b>	<b>(62,996)</b>	<b>18,331</b>
<b>Departmental non-operating</b>			
Equity injections	3,600	(2,162)	1,438
Previous years inputs	10,346	(10,346)	-
<b>Total</b>	<b>13,946</b>	<b>(12,508)</b>	<b>1,438</b>
<b>Total Resourcing and Payments</b>	<b>95,273</b>	<b>(75,504)</b>	<b>19,769</b>

# APPENDIX C: EXPENSES AND RESOURCES FOR OUTCOME FOR 2017–18

<b>Outcome 1:</b> A financial environment hostile to money laundering, financing of terrorism, major crime and tax evasion through industry regulation and the collection, analysis and dissemination of financial intelligence.	<b>Actual expenses</b>		
	<b>Budget* 2017–18</b>	<b>2017–18</b>	<b>Variation</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
	<b>(a)</b>	<b>(b)</b>	<b>(a)-(b)</b>
<b>Administered expenses</b>			
Expenses not requiring appropriation in the Budget year	-	57	(57)
<b>Departmental expenses</b>			
Ordinary annual services (Appropriation Bill No.1)	65,723	62,835	2,888
Revenues from independent sources (section 74)	4,416	7,192	(2,776)
Expenses not requiring appropriation in the Budget year	6,131	4,928	1,203
<b>Subtotal for Outcome 1</b>	<b>76,270</b>	<b>75,012</b>	<b>1,258</b>
<b>Total for Outcome 1</b>			
Departmental	<b>76,270</b>	<b>74,955</b>	<b>1,315</b>
Administered		<b>57</b>	<b>(57)</b>
		<b>2017–18</b>	<b>2016–17</b>
<b>Average staffing level (number)</b>		<b>300</b>	<b>320</b>
* Full year budget including any subsequent changes made to the 2017–18 budget			

## APPENDIX D: GLOSSARY

Abbreviation/acronym	Description
ACLEI	Australian Commission for Law Enforcement Integrity
AML/CTF	anti-money laundering and counter-terrorism financing
AML/CTF Act	<i>Anti-Money Laundering and Counter-Terrorism Financing Act 2006</i>
AMLC	Anti-Money Laundering Council (the Philippines' FIU)
ANAO	Australian National Audit Office
APG	Asia/Pacific Group on Money Laundering
APS	Australian Public Service
ASEAN	Association of Southeast Asian Nations
AUSTRAC	Australian Transaction Reports and Analysis Centre
DCE	digital currency exchange
DFAT	Department of Foreign Affairs and Trade
Egmont	The Egmont Group (a united body of FIUs)
ExCom	Executive Committee (in AUSTRAC)
FASU	Financial Intelligence and Supervision Unit (Papua New Guinea's FIU)
FATF	Financial Action Task Force
FIAC	Financial Intelligence Analyst Course
FinTech	financial technology
FIU	financial intelligence unit
FOI Act	<i>Freedom of Information Act 1988</i>
FTR Act	<i>Financial Transaction Reports Act 1988</i>
IEWG	Information Exchange Working Group (of Egmont)
IFTI	international funds transfer instruction
JOCG	Joint Organised Crime Group
ML/TF	money laundering/terrorism financing
MOU	memorandum of understanding
PBS	Portfolio Budget Statement



Abbreviation/acronym	Description
PGPA Act	<i>Public Governance, Performance and Accountability Act 2013</i>
PGPA Rule	Public Governance, Performance and Accountability Rule 2014
PPATK	Pusat Pelaporan dan Analisis Transaksi Keuangan (the Indonesian FIU)
RegTech	regulatory technology
SES	Senior Executive Service (in the APS)
SFCT	Serious Financial Crime Taskforce
SMR	suspicious matter report (under the AML/CTF Act)
SVC	stored value card
TA&T	technical assistance and training
TTR	threshold transaction report (under the AML/CTF Act)
WMD	weapons of mass destruction

## APPENDIX E: LIST OF REQUIREMENTS

Below is the table set out in Schedule 2 of the Public Governance, Performance and Accountability Rule 2014 (PGPA Rule). Section 17AJ(d) requires this table to be included in entities' annual reports as an aid of access.

PGPA Rule Reference	Part of Report	Description	Requirement
<b>17AD(g)</b>	<b>Letter of transmittal</b>		
17AI	p. 3	A copy of the letter of transmittal signed and dated by accountable authority on date final text approved, with statement that the report has been prepared in accordance with section 46 of the Act and any enabling legislation that specifies additional requirements in relation to the annual report.	Mandatory
<b>17AD(h)</b>	<b>Aids to access</b>		
17AJ(a)	pp. 4–5	Table of contents.	Mandatory
17AJ(b)	pp. 119–123	Alphabetical index.	Mandatory
17AJ(c)	pp. 110–111	Glossary of abbreviations and acronyms.	Mandatory
17AJ(d)	pp. 112–117	List of requirements.	Mandatory
17AJ(e)	p. 118	Details of contact officer.	Mandatory
17AJ(f)	p. 118	Entity's website address.	Mandatory
17AJ(g)	p. 118	Electronic address of report.	Mandatory
<b>17AD(a)</b>	<b>Review by accountable authority</b>		
17AD(a)	pp. 8–13	A review by the accountable authority of the entity.	Mandatory
<b>17AD(b)</b>	<b>Overview of the entity</b>		
17AE(1)(a)(i)	pp. 15–16	A description of the role and functions of the entity.	Mandatory
17AE(1)(a)(ii)	pp. 17, 21–27	A description of the organisational structure of the entity.	Mandatory
17AE(1)(a)(iii)	pp. 18–19	A description of the outcomes and programs administered by the entity.	Mandatory
17AE(1)(a)(iv)	pp. 15, 30, 84	A description of the purposes of the entity as included in corporate plan.	Mandatory

PGPA Rule Reference	Part of Report	Description	Requirement
17AE(1)(b)	N/A	An outline of the structure of the portfolio of the entity.	Portfolio departments – mandatory
17AE(2)	N/A	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
<b>17AD(c)</b>	<b>Report on the Performance of the entity</b>		
	<b>Annual Performance Statements</b>		
17AD(c)(i); 16F	pp. 29–55	Annual performance statement in accordance with paragraph 39(1)(b) of the Act and section 16F of the Rule.	Mandatory
<b>17AD(c)(ii)</b>	<b>Report on Financial Performance</b>		
17AF(1)(a)	p. 57	A discussion and analysis of the entity's financial performance.	Mandatory
17AF(1)(b)	pp. 108, 109	A table summarising the total resources and total payments of the entity.	Mandatory
17AF(2)	p. 57	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
<b>17AD(d)</b>	<b>Management and Accountability</b>		
	<b>Corporate Governance</b>		
17AG(2)(a)	p. 59	Information on compliance with section 10 (fraud systems)	Mandatory
17AG(2)(b)(i)	p. 59	A certification by accountable authority that fraud risk assessments and fraud control plans have been prepared.	Mandatory
17AG(2)(b)(ii)	p. 59	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

PGPA Rule Reference	Part of Report	Description	Requirement
17AG(2)(b)(iii)	p. 59	A certification by accountable authority that all reasonable measures have been taken to deal appropriately with fraud relating to the entity.	Mandatory
17AG(2)(c)	pp. 60–61	An outline of structures and processes in place for the entity to implement principles and objectives of corporate governance.	Mandatory
17AG(2)(d)–(e)	p. 61	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
<b>External Scrutiny</b>			
17AG(3)	pp. 61, 62	Information on the most significant developments in external scrutiny and the entity's response to the scrutiny.	Mandatory
17AG(3)(a)	p. 61	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
17AG(3)(b)	p. 61	Information on any reports on operations of the entity by the Auditor-General (other than report under section 43 of the Act), a Parliamentary Committee, or the Commonwealth Ombudsman.	If applicable, Mandatory
17AG(3)(c)	p. 61	Information on any capability reviews on the entity that were released during the period.	If applicable, Mandatory
<b>Management of Human Resources</b>			
17AG(4)(a)	pp. 62–64	An assessment of the entity's effectiveness in managing and developing employees to achieve entity objectives.	Mandatory
17AG(4)(b)	pp. 103–106	<p>Statistics on the entity's APS employees on an ongoing and non-ongoing basis; including the following:</p> <ul style="list-style-type: none"> <li>• Statistics on staffing classification level;</li> <li>• Statistics on full-time employees;</li> <li>• Statistics on part-time employees;</li> <li>• Statistics on gender;</li> <li>• Statistics on staff location;</li> <li>• Statistics on employees who identify as Indigenous.</li> </ul>	Mandatory

PGPA Rule Reference	Part of Report	Description	Requirement
17AG(4)(c)	p. 63	Information on any enterprise agreements, individual flexibility arrangements, Australian workplace agreements, common law contracts and determinations under subsection 24(1) of the <i>Public Service Act 1999</i> .	Mandatory
17AG(4)(c)(i)	p. 63	Information on the number of SES and non-SES employees covered by agreements etc. identified in paragraph 17AG(4)(c).	Mandatory
17AG(4)(c)(ii)	p. 107	The salary ranges available for APS employees by classification level.	Mandatory
17AG(4)(c)(iii)	p. 63	A description of non-salary benefits provided to employees.	Mandatory
17AG(4)(d)(i)	p. 63	Information on the number of employees at each classification level who received performance pay.	If applicable, Mandatory
17AG(4)(d)(ii)	N/A	Information on aggregate amounts of performance pay at each classification level.	If applicable, Mandatory
17AG(4)(d)(iii)	N/A	Information on the average amount of performance payment, and range of such payments, at each classification level.	If applicable, Mandatory
17AG(4)(d)(iv)	N/A	Information on aggregate amount of performance payments.	If applicable, Mandatory
<b>Assets Management</b>			
17AG(5)	p. 65	An assessment of effectiveness of assets management where asset management is a significant part of the entity's activities	If applicable, Mandatory
<b>Purchasing</b>			
17AG(6)	p. 65	An assessment of entity performance against the <i>Commonwealth Procurement Rules</i> .	Mandatory
<b>Consultants</b>			
17AG(7)(a)	p. 65	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

PGPA Rule Reference	Part of Report	Description	Requirement
17AG(7)(b)	p. 65	A statement that <i>"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]"</i> .	Mandatory
17AG(7)(c)	p. 65	A summary of the policies and procedures for selecting and engaging consultants and the main categories of purposes for which consultants were selected and engaged.	Mandatory
17AG(7)(d)	p. 65	A statement that <i>"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."</i>	Mandatory
<b>Australian National Audit Office Access Clauses</b>			
17AG(8)	p. 66	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 Auditor-General 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
<b>Exempt contracts</b>			
17AG(9)	p. 65	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
<b>Small business</b>			
17AG(10)(a)	p. 66	A statement that <i>"[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."</i>	Mandatory
17AG(10)(b)	p. 66	An outline of the ways in which the procurement practices of the entity support small and medium enterprises.	Mandatory

PGPA Rule Reference	Part of Report	Description	Requirement
17AG(10)(c)	p. 66	If the entity is considered by the Department administered by the Finance Minister as material in nature—a statement that <i>"[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."</i>	If applicable, Mandatory
<b>Financial Statements</b>			
17AD(e)	pp. 70–101	Inclusion of the annual financial statements in accordance with subsection 43(4) of the Act.	Mandatory
<b>17AD(f)</b>	<b>Other Mandatory Information</b>		
17AH(1)(a)(i)	N/A	If the entity conducted advertising campaigns, a statement that <i>"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."</i>	If applicable, Mandatory
17AH(1)(a)(ii)	p. 67	If the entity did not conduct advertising campaigns, a statement to that effect.	If applicable, Mandatory
17AH(1)(b)	p. 67	A statement that <i>"Information on grants awarded by [name of entity] during [reporting period] is available at [address of entity's website]."</i>	If applicable, Mandatory
17AH(1)(c)	p. 67	Outline of mechanisms of disability reporting, including reference to website for further information.	Mandatory
17AH(1)(d)	pp. 67–68	Website reference to where the entity's Information Publication Scheme statement pursuant to Part II of FOI Act can be found.	Mandatory
17AH(1)(e)	p. 68	Correction of material errors in previous annual report.	If applicable, Mandatory
17AH(2)	pp. 57, 64, 66, 68	Information required by other legislation.	Mandatory

## APPENDIX F: CONTACT US

### Initial contact point

Enquiries about AUSTRAC, the legislation we administer or other related information may be directed to the AUSTRAC Contact Centre:

Phone: 1300 021 037 (local call cost within Australia)

Email: [contact@austrac.gov.au](mailto:contact@austrac.gov.au)

The Contact Centre is available Monday to Friday, 8.30am to 5.00pm (Australian Eastern Standard Time).

### Translating and interpreting assistance

AUSTRAC provides free access to a translation and interpreting service to assist people from diverse backgrounds to understand and meet their obligations to AUSTRAC.

AUSTRAC uses TIS National, an interpreting service provided by the Department of Home Affairs, for people who do not speak English, and English speakers who need to communicate with them.

To access the translation service, call during our Contact Centre operating hours on 131 450 and ask for 'AUSTRAC on 1300 021 037'. The cost is free.

### Deaf and speech-impaired callers

Callers who are deaf or have a hearing or speech impairment can contact AUSTRAC through the National Relay Service.

TTY (teletypewriter) or computer with modem users:

- Phone 133 677 and ask for '1300 021 037'.

Speak and listen (speech-to-speech relay) users:

- Phone 1300 555 727 and ask for '1300 021 037'.

### Website and annual report

Visit the AUSTRAC website at [www.austrac.gov.au](http://www.austrac.gov.au).

This report and previous annual reports are available online at <http://www.austrac.gov.au/publications/corporate-publications-and-reports/austrac-annual-reports>.

For annual report enquiries, contact [CORPORATE\\_PLANNING@austrac.gov.au](mailto:CORPORATE_PLANNING@austrac.gov.au).



## APPENDIX G: INDEX

### A

advertising 66–67

AML/CTF compliance report, redesign 40

AML/CTF regime

- effectiveness, efficiency and sustainability of operations 40–43
- reforms 38–39
- use of enforcement approaches 44

AML/CTF regulatory and policy outcomes, contributions to 9, 30, 38–44

annual performance statement 19, 30–31, 28–55

*Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (AML/CTF Act) 10, 15, 38, 61, 81

*Anti-Money Laundering and Counter-Terrorism Financing Amendment Act 2017* 3, 7, 38, 44

Anti-Money Laundering and Counter-Terrorism Financing Amendment Bill 2017 61

ASEAN-Australia Codeathon 6, 47

Asia/Pacific Group on Money Laundering (APG) 22, 31, 47–48, 49

asset management 65

Audit and Risk Committee 60–1

auditor's report 72–73

*AUSTRAC Enterprise Agreement 2016–19* 63

AUSTRAC Learning Plan 63

Australian Commission for Law Enforcement Integrity (ACLEI) 35, 59

Australian National Audit Office (ANAO), performance audit of corporate planning 62

### B

Brown, Bradley 23

### C

case studies 30, 31

CEO's review 8–13

Chen, Lisa 27

child sexual exploitation (CSE) project 33–34

Clark, Peter (Deputy CEO) 24

Collett, Chris (Deputy CEO) 22

Commonwealth Bank of Australia (CBA), civil proceedings against 6, 44

Community of Practice 10, 40

Compliance branch 24, 41

consultancy contracts 65

contact us 118

Corporate division 26–27

corporate governance 59–61

CTF Summit, Kuala Lumpur, 2017 11, 31, 46–47

## D

Department of Home Affairs 61  
Department of Human Services, reviews 6, 35, 53  
digital currency exchange (DCE) operators,  
workshops and webinar 38–39, 42  
disability reporting mechanism 67  
domestic partners, support of 34–35  
drug trafficking investigations 35, 36

## E

ecologically sustainable development 68  
Egmont Group of Financial Intelligence Units 22  
Egmont Group Plenary, July 2017 45, 48  
employee statistics 103–107  
employees  
managing 62–63  
training and development 63–64  
environmental performance 68  
errors, correction of in previous annual report 68  
Executive Committee (ExCom) 60  
external scrutiny 61–62

## F

FATF Training and Research Institute 49–50  
Finance branch 26  
finance law compliance 61  
Financial Intelligence Analyst Course (FIAC) 6,  
11, 34, 50, 54, 64

financial performance report 57  
financial statements 57, 70–83  
accounting assumptions and estimates 85  
accounting standards 84, 85–86  
administered activities, reporting of 87  
administered revenue 87  
auditor's report 72–73  
basis of preparation 84–85  
budget variances 87  
certification 74  
events occurring after balance date 57, 87  
recognition of revenue 85  
taxation 87

financial statements—notes to  
employment and post-employment  
benefits 98–100  
financial performance 88–89  
financial position 90–94  
financial risk management 101  
funding 95–97

financial statements—primary statements  
Administered Cash Flow Statement 83  
Administered Reconciliation Schedule 82  
Administered Schedule of Assets and  
Liabilities 82  
Administered Schedule of Comprehensive  
Income 81  
Cash Flow Statement 80  
Statement of Changes in Equity 78–79  
Statement of Comprehensive Income 57, 75  
Statement of Financial Position 57, 76–77

*Financial Transaction Reports Act 1988* (FTR Act) 16

Fintel Alliance 6, 9, 12, 18, 26, 27, 30, 33–34, 53, 64

fraud control framework 59

freedom of information 67–68

*Freedom of Information Act 1982* 67

Fry, Leanne 26

functions of agency 15–16

## G

glossary 110

Governance and Risk team 60

grants 67

## H

Haigh, Kathryn 25

human resource management 62–65

## I

income tax assessments, contribution to 6, 35, 53

Indonesia

intelligence training 45, 50

regional forum in Jakarta 46

Regulatory Exchange Program 52

industry, strengthening of 10–11

industry reports 34

Information Exchange Working Group (IEWG) 48

Innovation, Information and Analytics branch 26

integrity framework 59

Intelligence branch 24

intelligence generation and sharing 6, 32–37

internal audit 60–61

Internal Audit team 26

internal mentoring program 63

international engagement 11–12

international footprint 13

international forums 31, 45, 47–49, 55

international funds transfer instruction  
reports 7, 34

international information exchanges 7

International Operations branch 22, 23

international partners  
intelligence sharing with 36

International and Policy division 22–23

international policy objectives, contributions  
to 45–53

international programs 49–50

international technical assistance and  
training (TA&T) programs 51–53

international working groups, collaboration in  
31, 45–50

## L

legal services, expenditure on 57

Legal Strategy and Solutions 24

list of requirements 112–117

## M

Malaysia, Regulatory Exchange Program 53

market research 66–67

memoranda of understanding (MOUs) 7, 12, 46,  
49, 50

Middle East delegates, visit to AUSTRAC 46  
ML/TF (money laundering/terrorism financing)  
risk assessments 7, 36–37  
Moss, John 25

## N

Neeley, Gilly 27  
New Zealand Customs 36  
New Zealand Financial Intelligence Unit  
(NZFIU) 36  
Newman, Nathan 25  
NSW Joint Organised Crime Group (JOCG) 35

## O

objectives of agency 84  
online money mules project 33  
Operation Astatine 35  
Operations Committee 60  
Operations division 24–25  
Organisational Health Committee 60  
organisational structure 17  
outcome of agency 18  
expenses and resources for 109

## P

Papua New Guinea 50–52  
Parliamentary committees, appearances  
before 61  
partners, collaboration with 9–10

People and Integrity branch 26–27  
Philippines 52  
Privacy Consultative Committee (PCC) 60  
procurement, initiatives to support small  
business 66  
program objective 18  
Property team 26  
*Public Governance, Performance and  
Accountability Act 2013* (PGPA Act) 19, 29,  
61–62, 65, 74, 84  
*Public Service Act 1999* 63, 103–104, 115  
pubs and clubs workshops 42–43  
purchasing 65  
purpose of agency 30  
achievement of 53–55  
Pusat Pelaporan dan Analisis Transaksi  
Keuangan (PPATK) 46–48, 50

## R

RegTech (regulatory technology) providers,  
engagement with 10, 41, 46, 48, 54  
Regulatory Insights Detection capability 41  
reporting entities 41–43  
reporting figures 7  
resource statements 108  
risk assessments 7, 10, 18, 22, 23, 30, 36–37, 39,  
45–46, 51, 54  
role of agency 15–16  
Rose, Nicole (CEO) 3, 8, 13, 29, 74

## S

*Safety, Rehabilitation and Compensation Act 1988* 64

securities and derivatives sector, risk assessment 37

senior management committees 60

Serious Financial Crime Taskforce (SFCT) 6, 9, 34–35, 53

small business, support for 66

Smarter Regulation Program 41–42

social security fraud 6, 35, 42

staff training and development 63–64

stored value cards, risk assessment 37

Strategic Intelligence and Policy branch 22

superannuation sector, engagement with 43

suspicious matter reports 7, 34, 37, 42–43, 45

## T

Technology Services team 26

threshold transaction reports 7, 34

tobacco smuggling 9, 35

## V

vision of agency 9, 12, 18, 40, 60

Visser, John 23

## W

weapons of mass destruction (WMD) proliferation financing 49

welfare fraud detection 6, 10, 35, 42, 53

Western Australian Joint Organised Crime Task Force (WA JOCTF) 36

work health and safety 64–65

*Work Health and Safety Act 2011* 64





