

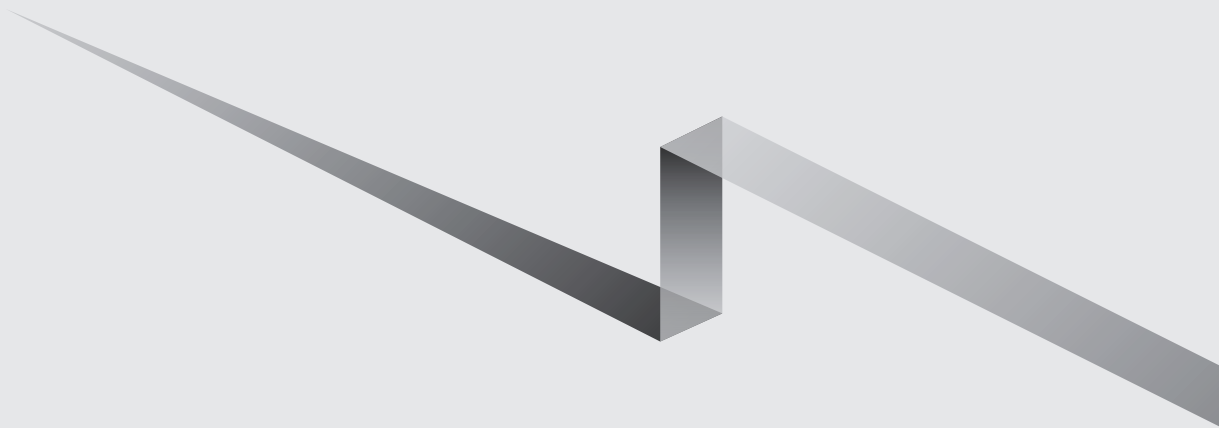


Australian Government

Australian Transaction Reports  
and Analysis Centre

# AUSTRAC ANNUAL REPORT 2013-14



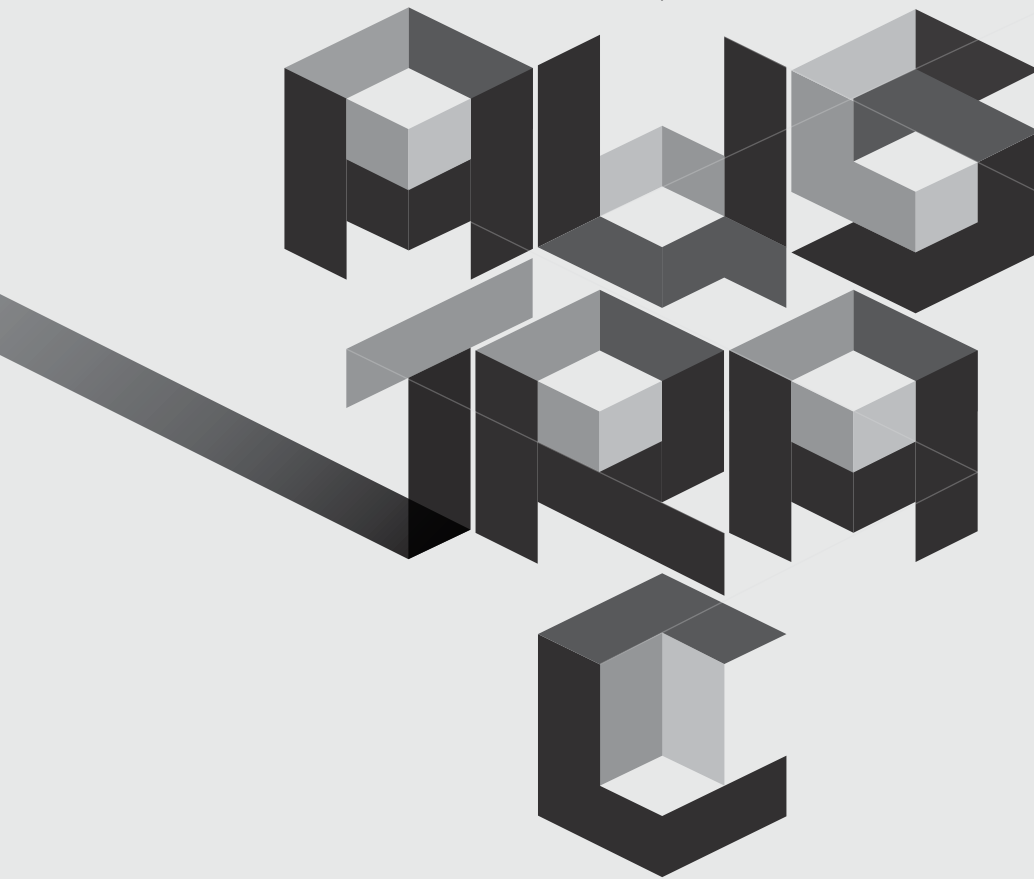




Australian Government

Australian Transaction Reports  
and Analysis Centre

# AUSTRAC ANNUAL REPORT 2013-14



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**OFFICE OF THE CHIEF EXECUTIVE OFFICER**

3 October 2014

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

Dear Minister

In accordance with section 226 of the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* and section 63 of the *Public Service Act 1999*, I am pleased to submit the annual report on the operations of the Australian Transaction Reports and Analysis Centre for the year ended 30 June 2014.

Yours sincerely

A handwritten signature in black ink, appearing to read 'John L Schmidt', written over a light grey rectangular background.

John L Schmidt  
**ACTING CHIEF EXECUTIVE OFFICER**

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# CHIEF EXECUTIVE OFFICER'S REVIEW



*'...AUSTRAC's ability to follow the money trail continues to demonstrate its effectiveness in national and international efforts to combat serious criminal activity...'*

2013–14 was a year of significant developments for AUSTRAC and the anti-money laundering and counter-terrorism financing (AML/CTF) regime which we administer. Highlights for the year include the:

- commencement of two major reviews of Australia's AML/CTF regime
- introduction of new customer due diligence requirements to strengthen the AML/CTF regime
- receipt of record volumes of financial transaction reports
- implementation of new IT systems to allow us to better safeguard and analyse our financial data holdings
- continuation of our contribution to the work of the major international bodies involved in setting global AML/CTF policy and intelligence-sharing arrangements
- ongoing work with our regional counterparts to strengthen their defences against money laundering and terrorism financing.

## ***Review of the AML/CTF Act***

In December 2013 the Minister for Justice announced the commencement of the statutory review of the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (AML/CTF Act), Rules and regulations. The review is being undertaken by the Attorney-General's Department (AGD), with assistance from AUSTRAC. The terms of reference for the review are broad, examining the objectives and scope of the AML/CTF regime, opportunities for deregulation, the risk-based approach to AML/CTF and industry reporting obligations.



Given the significance of this review, AGD and AUSTRAC have consulted widely and sought input from industry, AUSTRAC's partner agencies and other interested parties. A discussion paper was released in December 2013, inviting submissions from the public. Since March 2014 we have been reviewing these submissions, with a particular focus on identifying key issues for future stakeholder consultation as the review continues in 2014–15. The review will culminate in 2015 with the submission of a final report to the Government.

### ***Financial Action Task Force mutual evaluation***

During 2013–14, the Financial Action Task Force (FATF) commenced its assessment of Australia's AML/CTF regime as part of the fourth round of mutual evaluations. The outcomes of this evaluation will have a significant influence on the future development of AML/CTF policy and practice in this country.

During the year we worked closely with AGD to prepare for the evaluation, which assesses both the technical compliance of Australia's AML/CTF laws with international standards and the overall effectiveness of Australia's AML/CTF regime. In July and August 2014 a team of international experts will conduct an on-site visit to Australia and, during their stay, will meet with a wide range of industry and government representatives.

The finalised evaluation report will be presented at the FATF plenary meeting to be held in February 2015. The report will provide detailed insights into the operation of Australia's AML/CTF regime and will be a valuable input to the current review of the AML/CTF Act.

### ***Strengthening Australia's customer due diligence requirements***

In 2013–14 we conducted intensive consultation with government, industry and other stakeholders on proposed reforms to strengthen the customer due diligence requirements of Australia's AML/CTF regime. These reforms were undertaken to address deficiencies identified by FATF in its third mutual evaluation of Australia, which was conducted in 2005.

On 1 June 2014, amendments to the AML/CTF Rules to introduce enhanced beneficial owner identification and verification requirements for reporting entities came into effect. To reduce the regulatory impact of these changes, a significant element of the industry consultation focused on identifying existing business practices which were already in keeping with these new requirements. In addition, Ministerial Policy Principles were out in place to give those reporting entities that do not have the existing capacity to comply with the new requirements up to 18 months to transition to full compliance.

Subsequently, at its June 2014 Plenary, FATF decided that Australia had now taken sufficient steps to address the deficiencies that had previously been identified in its third round mutual evaluation.

### ***Enhancing our intelligence systems***

This year we took a major step in safeguarding our database of financial transaction reports, with the commissioning of a new offsite data centre. Not only does this new data centre protect our data holdings and operations against unforeseen interruptions, it also helps the agency prepare for the future, as we receive, store and analyse increasing volumes of financial data.

Another significant IT project for the agency continued to progress in 2013–14 as we achieved important milestones in the AUSTRAC Enhanced Analytical Capability project. The project will be completed during 2015 with the rollout of the new AUSTRAC Intelligence system to AUSTRAC analysts and across our network of partner agencies.

## ***Increase in transaction reporting in 2013–14***

2013–14 saw another significant increase in the volume of financial data we received from industry. We received more than 90 million financial transaction and suspicious matter reports, representing an increase of 360 per cent in our total annual receipt of transaction reports since 2008–09. This increase highlights the importance for AUSTRAC of maintaining its technological capacity to effectively analyse this growing database.

Of particular note was the more than eight per cent increase in international funds transfer instruction reports to more than 85 million individual reports, with a combined value of almost \$4 trillion.

## ***Enforcement action***

While continuing to work with industry on its understanding of AML/CTF obligations, we also took stronger action where necessary to safeguard the financial system. Enforcement actions were taken against several reporting entities, particularly in the remittance sector.

This included issuing an infringement notice against a remittance network provider for providing remittance services through its unregistered affiliates, accepting an enforceable undertaking from a currency exchange business, and refusing or cancelling the registrations of a number of remittance businesses. Our actions within the remittance sector reflect the AML/CTF vulnerabilities of such businesses and demonstrate the benefits of reforms made in 2011, which introduced the Remittance Sector Register and more rigorous registration requirements.

## ***Contribution to partner agency investigations***

AUSTRAC's ability to follow the money trail continues to demonstrate its effectiveness in national and international efforts to combat serious criminal activity.

Our financial intelligence assisted the Australian Taxation Office to raise \$358.3 million in additional taxation assessments and contributed to 321 reviews by the Department of Human Services, resulting in annualised savings of \$5.7 million. We also contributed to 260 significant investigations undertaken by our law enforcement, intelligence, human services, regulatory and revenue partner agencies.

Our 2013 typologies and case studies report includes examples of the types of investigations in which AUSTRAC information is regularly used. These include complex overseas tax evasion schemes, international drug smuggling rings, sophisticated investment frauds and criminal syndicates laundering the proceeds of crime.

## ***Contributing to whole-of-government law enforcement and national security activities***

Combating Australia's most serious criminal threats requires a coordinated approach across all levels of government. In 2013–14 AUSTRAC continued our long-running involvement in a wide range of cross-agency government task forces and committees. We collaborated with our Commonwealth, state and territory partners to tackle a diverse range of issues including tax evasion, criminal vulnerabilities in the remittance sector, high-risk passengers and cargo entering Australia, organised crime syndicates, terrorism financing investigations and outlaw motorcycle gangs.

We also completed Australia's first National Risk Assessment on terrorism financing, a classified document that was disseminated to a range of domestic and international partners. This risk assessment draws on AUSTRAC intelligence and analysis and was developed with assistance from key partner agencies. It marks a major contribution to strengthening Australia's counter-terrorism financing efforts. A declassified version of the risk assessment was also prepared for release in the second half of 2014 to raise industry and community awareness of major terrorism financing risks.

## ***Working with international partners and AML/CTF bodies***

Money laundering, terrorism financing and serious and organised crime are global threats that demand a coordinated international response. In 2013–14 we signed four new financial intelligence exchange agreements with FIU counterparts in Jersey, the Vatican City State, Macao and Peru, and one agreement to exchange regulatory information with the new AML/CTF regulators in New Zealand. These expanded the total number of our exchange instruments with international counterparts to 72.

We continued our extensive, high-level involvement in the work of the major international bodies and represented Australia at meetings of FATF, the Asia/Pacific Group on Money Laundering and the Egmont Group of Financial Intelligence Units.

We also continued to work with our regional neighbours in Asia to strengthen their AML/CTF regimes through offering technical assistance and training, particularly in Indonesia, Thailand, Cambodia, the Philippines and Pakistan.

## ***Engaging with and supporting industry***

Given the significance of many of the AML/CTF regulatory matters we dealt with in 2013–14, consultation with industry remained a particular focus of our activities. During the year, in addition to holding our regular gambling and finance sector consultative forums, we initiated new consultative forums for the remittance and casino sectors.

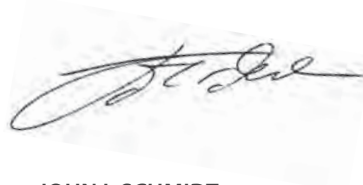
## ***Outlook for 2014–15***

Many of the important issues of 2013–14 will continue into 2014–15. In 2015, FATF will report on its evaluation of Australia's AML/CTF regime. This report will be carefully considered in the context of AGD's wide-ranging review of the AML/CTF regime. Also during 2014–15, AUSTRAC will move to the new 'industry contribution' funding model. We will continue to work with industry to implement this model during the year.

The year ahead will mark a major milestone for the agency's capability as an FIU, as we roll out AUSTRAC's sophisticated new intelligence systems. Both AUSTRAC and our partner agencies will see significant benefits from this investment, which will further strengthen our expertise in utilising financial intelligence to combat serious and organised crime.

Our important work with cross-agency projects and task forces will continue, particularly on national security matters such as border protection and terrorism financing.

Finally, I wish to take this opportunity to thank AUSTRAC's dedicated staff for their hard work during 2013–14. Australia's robust AML/CTF regime and international reputation is a testament to their ongoing efforts and professionalism.



**JOHN L SCHMIDT**

Acting Chief Executive Officer

# READER'S GUIDE

The *AUSTRAC annual report 2013–14* informs the Commonwealth Parliament, stakeholders and the public about AUSTRAC's performance, measured against the agency's business priorities and outcome–program reporting structure. The structure of this annual report is explained below.

## ***Introductory sections***

The 'Chief Executive Officer's review' summarises AUSTRAC's achievements, major developments and challenges during 2013–14. It also discusses the agency's outlook and priorities for 2014–15.

The 'Agency overview' describes: AUSTRAC's role and functions, vision, purpose, strategic direction, outcome–program reporting structure and the executive management and organisational structure.

## ***Performance reporting– Program 1.1***

AUSTRAC's reporting structure comprises one key program – Program 1.1 – which has two components: Component 1.1.1 and 1.1.2.

This report details AUSTRAC's performance towards achieving its outcome, which is achieved through its dual role as anti-money laundering and counter-terrorism financing (AML/CTF) regulator (Component 1.1.1) and financial intelligence unit (FIU; Component 1.1.2).

### **Component 1.1.1 – Australia's AML/CTF regulator**

Component 1.1.1 reports on AUSTRAC's industry supervision and enforcement of AML/CTF obligations, and AML/CTF policy development and implementation.

### **Component 1.1.2 – Australia's financial intelligence unit**

Component 1.1.2 reports on AUSTRAC's intelligence function, including the dissemination of financial intelligence to domestic partner agencies and engagement with overseas counterparts. AUSTRAC's partner agencies are listed in Appendix A of this report.

## ***Enabling and support functions***

This section reports on the performance of AUSTRAC's enabling and support functions. These relate to corporate and security services, financial management, purchasing and asset management, information technology, stakeholder relations and legal services.

## Management and accountability

This section describes AUSTRAC's corporate governance structures, committees and processes. It includes information about AUSTRAC's internal audit function, risk management processes, fraud and corruption control, business continuity planning and service charter. This section also covers external scrutiny of AUSTRAC's activities and compliance with the *Freedom of Information Act 1982*, disability reporting, workplace diversity and ecologically sustainable development.

## Financial statements

As required under the *Financial Management and Accountability Act 1997* (FMA Act), the annual report includes AUSTRAC's 2013–14 financial statements and independent audit report of the agency's financial performance.

## Appendixes

The appendixes provide information about AUSTRAC's partner agencies, staffing statistics, the agency's resource statement and expenses for outcome for 2013–14.

## Aids to access

The following references are included to assist readers:

- list of acronyms and abbreviations
- general index
- index of annual report requirements, to show the location in this report of mandatory and suggested information specified by the *Requirements for Annual Reports for Departments, Executive Agencies and FMA Act Bodies* issued by the Department of the Prime Minister and Cabinet
- AUSTRAC contact details, office locations and the website address for the online version of this annual report.

## AUSTRAC case studies

Selected case studies appear throughout this report, taken from the *AUSTRAC typologies and case studies report 2013*. The case studies demonstrate how partner agencies have used AUSTRAC information in their operations and investigations into money laundering and other serious crimes.

# AGENCY OVERVIEW

## Role and functions

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

The agency was established in 1989 under the *Financial Transaction Reports Act 1988* (FTR Act) as a statutory authority in the Attorney-General's portfolio. AUSTRAC's existence was continued by the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (AML/CTF Act). In 2013–14 the AUSTRAC CEO reported on the agency's operations to the Attorney-General and the Minister for Justice.

In its role as AML/CTF regulator, AUSTRAC oversees compliance of Australian businesses with their obligations under the AML/CTF Act and FTR Act. These businesses span financial services providers, the gambling industry, bullion dealers, remittance service providers and other specified 'reporting entities' (under the AML/CTF Act) and 'cash dealers' (under the FTR Act). In this report, these entities are collectively called 'regulated entities'.

In its role as Australia's FIU, AUSTRAC collects and analyses information provided by regulated entities in reports of financial transactions and suspicious matters. AUSTRAC disseminates the resulting financial intelligence to 'partner agencies' including law enforcement, national security, human services and revenue agencies, and certain international counterparts. This assists those partner agencies and international counterparts in investigating and prosecuting serious criminal activity including money laundering, terrorism financing, people smuggling, organised crime and tax evasion.

## Vision and purpose

AUSTRAC's vision is an Australian community that is hostile to money laundering, financing of terrorism, serious and organised crime, including people smuggling, and tax evasion.

AUSTRAC's purpose is to protect the integrity of Australia's financial system and contribute to the administration of justice through its expertise in countering money laundering and the financing of terrorism.

## Strategic direction

AUSTRAC's strategy for 2013–14 to achieve its outcome included:

- continuing to further strengthen partnerships with industry, partner agencies and international counterparts
- contributing to protecting the integrity and global reputation of the Australian financial environment and economy, by supporting the Australian Government's ongoing commitment to combating serious and organised crime and terrorism
- continuing to strengthen its support to whole-of-government initiatives and priorities focused on combating organised crime, tax evasion and threats to Australia's security
- continuing to provide critical financial intelligence support to national investigations and task forces.

AUSTRAC achieved this by continuing to:

- improve and supplement its systems to enhance all aspects of its dealings with its diverse regulated population
- provide guidance to regulated entities on their obligations
- strengthen its compliance and enforcement capability and, where appropriate, undertake measured enforcement action supported by the powers available under the AML/CTF Act
- further leverage the opportunities that arise from incorporating intelligence and investigative priorities with the agency's supervisory functions, enabling resources to be focused where they will have greatest impact – in industry sectors most vulnerable to money laundering and terrorism financing risk
- provide support and advice to the Attorney-General's Department (AGD) in relation to the review of the operation of the AML/CTF Act, regulations and AML/CTF Rules, under section 251 of the AML/CTF Act
- work closely with AGD in preparing for and facilitating the Financial Action Task Force's mutual evaluation of Australia's AML/CTF regime
- implement the Combating Organised Crime—Enhanced Analytical Capability program by providing new intelligence systems and tools to AUSTRAC analysts
- maintain its commitment to international capacity building by providing technical assistance and training to a range of overseas FIUs
- contribute to global efforts to combat money laundering, terrorism financing and major crime, through information exchange with counterpart FIUs, involvement in international bodies and the continuing development of Australia's AML/CTF framework to meet international standards.

## Outcome–program structure

AUSTRAC's reporting structure is set out in the agency's 2013–14 Portfolio Budget Statements. The structure comprises one overarching outcome and its program.

Outcomes are the intended results, impacts or consequences of actions by the government on the Australian community. Programs are the primary vehicle by which government agencies achieve the intended results of their outcome statements.

## AUSTRAC's outcome statement

AUSTRAC's outcome statement for 2013–14 was:

Outcome 1: A financial environment hostile to money laundering, financing of terrorism, major crime and tax evasion through industry regulation and the collection, analysis and dissemination of financial intelligence.

AUSTRAC's 'Agency Resource Statement' and 'Expenses and Resources for Outcome' tables are contained in appendixes C and D, respectively. The tables provide information about funding and resources available to AUSTRAC to achieve its outcome.

## AUSTRAC's program and components

AUSTRAC's Program 1.1 comprises two components that reflect the agency's dual role as AML/CTF regulator and FIU:

- 1.1.1: Australia's AML/CTF regulator
- 1.1.2: Australia's FIU.

These components are measured against deliverables and key performance indicators (KPIs), to monitor AUSTRAC's performance in achieving its outcome. Deliverables measure how effectively and efficiently AUSTRAC delivers its program to the community. KPIs measure the impacts and results of that program in the community.

## Management and organisational structure

AUSTRAC's Executive Committee (ExCom) sets the strategic direction of the agency. It also oversees the agency's program delivery, by monitoring AUSTRAC's performance against its KPIs and advising the AUSTRAC CEO on key policy and strategic management issues.

Internal committees that further support AUSTRAC's corporate governance are detailed in the 'Management and accountability' chapter of this report.

## Executive Committee roles at 30 June 2014

**John Schmidt**, Chief Executive Officer

**Liz Atkins PSM**, Executive General Manager Corporate

**Peter Clark**, Executive General Manager Operations

**Alf Mazzitelli**, Chief Finance Officer

**Amanda Wood**, General Manager Compliance

**Angela Jamieson**, General Manager Operations Support

**Anthony Johnston**, Acting Chief Information Officer

**John Visser**, General Manager Intelligence

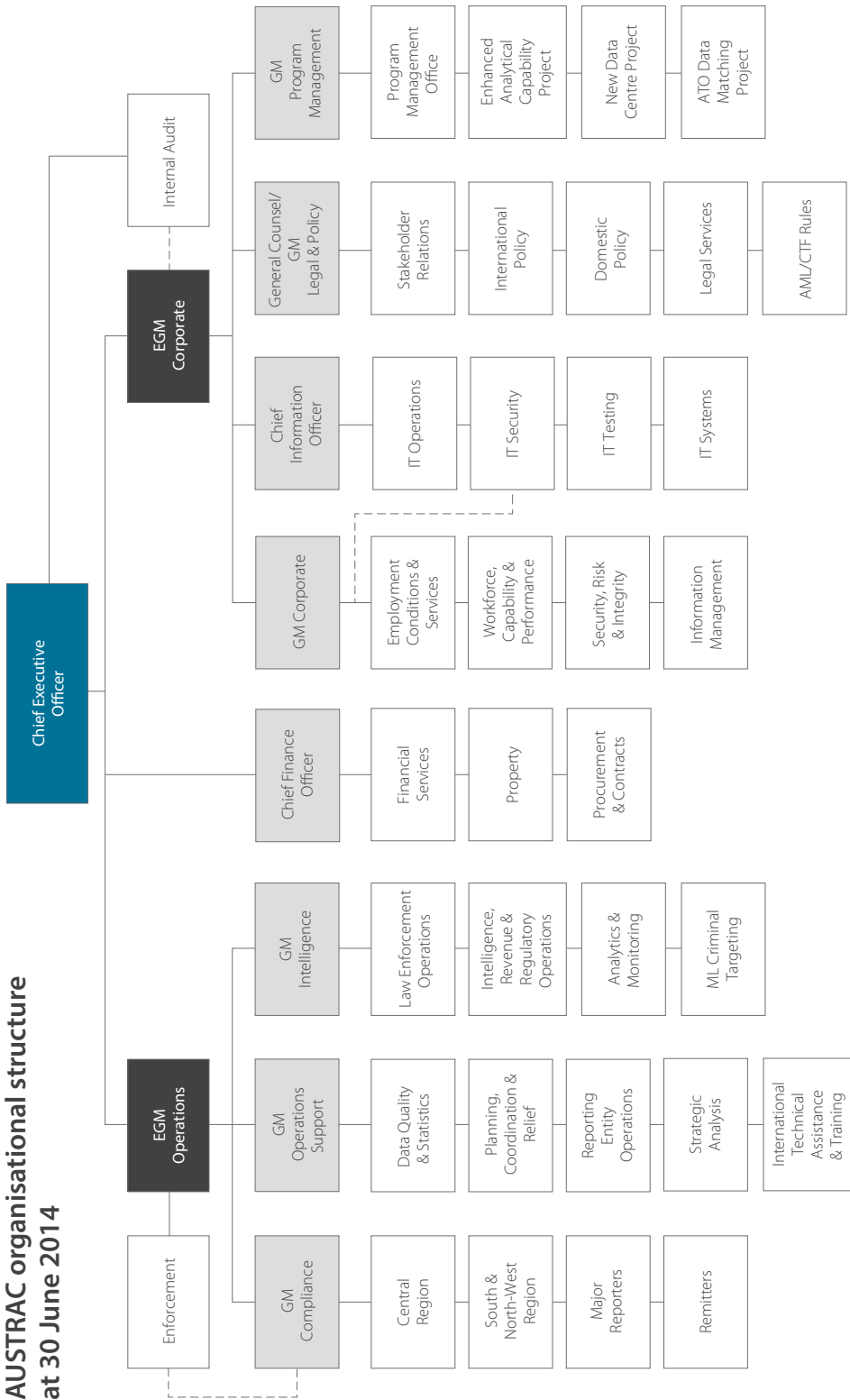
**Michele Foster**, General Manager Corporate

**Russell Wilson**, General Counsel/General Manager Legal and Policy

**Steven Atkins**, General Manager Program Management



## AUSTRAC organisational structure at 30 June 2014



EGM = Executive General Manager  
GM = General Manager

A grayscale background image showing a close-up of hands holding and counting Australian currency notes. The notes are slightly out of focus, emphasizing the action of handling money. A dark teal diagonal band runs across the bottom right of the page, partially obscuring the image.

## ***Australia's anti-money laundering and counter-terrorism financing regulator***

AUSTRAC is Australia's anti-money laundering and counter-terrorism financing (AML/CTF) regulator. In this role, AUSTRAC monitors, educates and works with regulated entities to improve compliance with their obligations under the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (AML/CTF Act) and *Financial Transaction Reports Act 1988* (FTR Act). When appropriate, AUSTRAC enforces compliance with these Acts through more formal mechanisms.

AUSTRAC undertakes regulatory activities to improve regulated entities' AML/CTF programs, as well as the quantity and quality of the transaction reports they submit. This also assists the agency's financial intelligence unit (FIU) and partner agencies in their work, and strengthens regulated entities against attempts by criminals to misuse their services for money laundering or terrorism financing.

# PERFORMANCE REPORTING

## PROGRAM 1.1 - COMPONENT 1.1.1

Component 1.1.1 deliverables

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Component 1.1.1 key performance indicators

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Section 1: Supervision and enforcement of AML/CTF obligations

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Section 2: AML/CTF policy development and implementation

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# COMPONENT 1.1.1

## DELIVERABLES

The table below shows AUSTRAC's performance against each of the Component 1.1.1 deliverables from the agency's 2013–14 Portfolio Budget Statements.

| Deliverables  | 2013–14 performance measure   | AUSTRAC's performance in 2013–14  |
|---|---|---|
| <i>Transaction reporting among regulated population</i>       | Take action against non-compliance by regulated entities according to compliance and risk profile | <p>AUSTRAC undertook data analysis to detect entities that were not reporting, or whose reporting behaviour varied significantly from previous periods, or was irregular when compared to industry peers.</p> <p>AUSTRAC evaluated these entities' reporting performance and issued compliance assessment reports where concerns were identified. These included 116 requirements relating to transaction reporting obligations, for reporting entities to rectify.</p> <p>AUSTRAC also issued notices of reviewable decisions relating to the registration of remittance providers, including concerns about transaction reporting.</p> <p>See page 40 of this report for more information about AUSTRAC's compliance and assessment activities.</p> |
| <i>Education and awareness programs delivered to industry</i> | Assistance delivered to industry sectors according to compliance and risk profile                 | <p>AUSTRAC educated and increased reporting entity and industry awareness of AML/CTF obligations through mechanisms including industry forums, meetings with industry sector representatives and associations, communication campaigns, guidance material, the online Remittance Sector Register and the AUSTRAC Help Desk.</p> <p>See page 25 of this report for more information about AUSTRAC's education and awareness activities.</p>  |

| Deliverables                       | 2013–14 performance measure                         | AUSTRAC's performance in 2013–14   |
|------------------------------------|---|--|
| <i>Industry sectors risk rated</i> | Ongoing risk rating of all regulated sectors        | <p>AUSTRAC undertakes ongoing risk rating of its regulated population to determine entities' level of compliance risk. AUSTRAC considers macro data analysis of reporting trends, past assessment activity, levels of industry regulation, partner agency input and resources available to an industry or reporting entity to ensure compliance.</p> <p>See page 36 of this report for more information about AUSTRAC's risk assessment methods.</p> |
| <i>Annual supervisory program</i>  | 95% of assessments in supervisory program completed | <p>AUSTRAC exceeded the 95% target, completing 285 assessments of reporting entities (which equates to 108% of the planned number of assessments). These included behavioural reviews, desk reviews and on-site assessments.</p> <p>See page 40 of this report for more information about AUSTRAC's supervisory program.</p>   |

| Deliverables   | 2013–14 performance measure   | AUSTRAC's performance in 2013–14   |
|--|---|--|
| <i>Effective use of remedial powers to promote compliance</i>                  | Identify and take action on appropriate cases   | <p>Key compliance actions taken in 2013–14 resulted in AUSTRAC:</p> <ul style="list-style-type: none"> <li>• issuing to a remitter, and receiving payment of, a \$225,600 infringement notice</li> <li>• accepting one enforceable undertaking</li> <li>• cancelling the registration of one remittance provider</li> <li>• refusing three applications for registration as a remittance provider</li> <li>• imposing conditions on the registration of seven registered remittance providers.</li> </ul> <p>See page 45 of this report for more information about enforcement activities.</p>   |
| <i>Development of rules and guidance to meet industry and government needs</i> | AML/CTF Rules registered and guidance published addressing issues raised by government and industry | <p>AUSTRAC registered 15 AML/CTF Rules, relating to obligations including customer due diligence and exemptions for casinos and managed investment schemes.</p> <p>AUSTRAC published 20 AML/CTF Rules and amendments on its website for public consultation. At 30 June 2014, five draft AML/CTF Rules remained open for public consultation.</p> <p>See page 51 of this report for more information about AML/CTF Rules.</p> <p>AUSTRAC published two new information circulars and one guidance note, and updated three existing information circulars and one guidance note. The agency also continued to develop the AUSTRAC compliance guide. See page 49 of this report for more information about these publications.</p> |

| Deliverables  | 2013–14 performance measure                            | AUSTRAC's performance in 2013–14  |
|---|--|---|
| <i>Advice on identified law improvements provided to government</i> | Timely and quality advice on proposed law improvements | <p>A statutory review of the AML/CTF Act, regulations and AML/CTF Rules commenced on 4 December 2013. The Attorney-General's Department (AGD) is undertaking this review of the operation of Australia's AML/CTF regime. AUSTRAC worked closely with AGD to launch the review. See page 47 of this report for more information about the review.</p> <p>AUSTRAC and AGD also engaged in extensive consultation with government, industry and other community stakeholders on an approach to address deficiencies in customer due diligence (CDD) requirements. See page 46 of this report for more information about enhancements to CDD.</p> |

# COMPONENT 1.1.1

## KEY PERFORMANCE INDICATORS

The table below shows AUSTRAC's performance against each of the Component 1.1.1 key performance indicators from the agency's 2013–14 Portfolio Budget Statements.

| Key performance indicators  | 2013–14 target   | AUSTRAC's performance in 2013–14  |
|---|--|---|
| <i>Recognition of transaction reporting responsibilities</i>                                | Improved reporting entity compliance with transaction reporting obligations                        | <p>Through data analysis, AUSTRAC identified entities that were not reporting, or whose reporting behaviour varied significantly from previous periods or was irregular compared to industry peers. AUSTRAC assessed these entities' transaction reporting performance and issued compliance assessment reports where issues were identified.</p> <p>AUSTRAC also delivered education and awareness programs to industry, which assists in improving the quality and quantity of transaction reports submitted.</p> |
| <i>Volume and quality of transaction reporting among entities with obligation to report</i> | Above trend volume and accuracy  | <p>AUSTRAC received 91,136,306 transaction reports. This is a 7.68% increase compared to 2012–13.</p> <p>AUSTRAC uses measures such as automatic alerts to identify issues with the quality of transaction reports submitted. In 2013–14 a total of 9,697 data integrity issues were identified, resulting in 93,284 transaction reports requiring correction. This is an increase from 2012–13 (77,086).</p> <p>See page 33 of this report for more information about data integrity issues.</p>                   |
| <i>Recognition of compliance reporting obligations</i>                                      | 85% of regulated entities with compliance reporting obligations have submitted a compliance report | <p>Under the AML/CTF Act, many entities that provided a designated service during the reporting period of 1 January 2013 to 31 December 2013 were required to submit an AML/CTF compliance report to AUSTRAC.</p> <p>At 30 June 2014, AUSTRAC had received 94.3% of the expected 6,538 compliance reports, which is above the 85% target.</p>   |



| Key performance indicators                  | 2013–14 target                                       | AUSTRAC's performance in 2013–14   |
|---|--|--|
| <i>Level of industry compliance</i>         | Industry monitoring demonstrates improved compliance | <p>AUSTRAC's supervision of its regulated population is primarily focused on confirming AML/CTF practices and processes, through which AUSTRAC identifies matters requiring more intensive supervision activity.</p> <p>In 2013–14, 96.38% of entities reported having fully implemented a compliance program (an increase from 94.81% in 2012–13).</p>  |
| <i>Significant non-compliance rectified</i> | Selected cases of detected non-compliance addressed  | <p>AUSTRAC's compliance assessment activities arose from identified non-compliance with AML/CTF Act obligations, self-disclosure by reporting entities, ML/TF risk, or external factors such as partner agency requests.</p> <p>AUSTRAC issued 133 compliance assessment reports requiring reporting entities to take remedial action for significant non-compliance. At 30 June 2014 the majority had rectified, or were in the process of rectifying, these issues.</p> <p>See page 40 for more information about AUSTRAC's compliance activities.</p> <p>AUSTRAC also used enforcement activities including enforceable undertakings and infringement notices. AUSTRAC refused three applications for registration by remitters, cancelled one remitter's registration, and imposed conditions on the registration of seven remitters. At 30 June 2014, the majority of entities subject to enforcement action had significantly improved their compliance position.</p> <p>See page 45 of this report for more information about enforcement activities.</p> |

| Key performance indicators   | 2013–14 target   | AUSTRAC's performance in 2013–14   |
|--|--|--|
| <i>Improved industry understanding of obligations</i>  | Industry monitoring demonstrates improved awareness and understanding  | <p>AUSTRAC monitors its regulated population's awareness of AML/CTF obligations through direct assessments of industry sectors and specific entities, and information in AML/CTF compliance reports submitted by reporting entities. Increases in the numbers of compliance reports and transaction reports submitted in 2013–14 indicate improvements by entities to meet these obligations.</p> <p>See pages 36–41 of this report for details of assessment and compliance activities.</p> <p>AUSTRAC continued to review and improve the quality and performance of its Help Desk service. See pages 29 for more information about AUSTRAC's Help Desk.</p>   |
| <i>Policy development has regard to revised international standards and domestic AML/CTF risks</i> | New policy reflects international standards and domestic AML/CTF risks | <p>AUSTRAC participated in the Anti-Money Laundering Interdepartmental Committee (AML IDC), which considers enhancements to the AML/CTF regime and has oversight of the current review of the AML/CTF regime. See page 47 of this report for more information about the AML IDC.</p> <p>AUSTRAC also participated in the interdepartmental committee convened by the Department of Foreign Affairs and Trade (DFAT), which is concerned with financial inclusion and remittance.</p> <p>AUSTRAC and AGD consulted extensively with government, industry and other community stakeholders about how to address deficiencies identified by the Financial Action Task Force (FATF) regarding Australia's CDD requirements. See page 46 of this report for more information about this work.</p> |

# SECTION 1: SUPERVISION AND ENFORCEMENT OF AML/CTF OBLIGATIONS

## ***Supporting industry to comply with AML/CTF obligations***

AUSTRAC recognises the diversity of its regulated population, ranging from large financial entities to small businesses in the money remittance, gambling and bullion dealing sectors. AUSTRAC applies a risk-based approach to supervision and tailors its supervisory tools and techniques to specific industry sectors. In 2013–14 AUSTRAC also delivered assistance and guidance according to ML/TF and compliance risk profiles.

### **Education and awareness activities**

AUSTRAC works with its regulated population, as well as industry associations, to improve awareness of AML/CTF obligations. An effective channel for such awareness raising is through presenting at industry forums and events. In 2013–14 AUSTRAC presented at 14 industry forums and events. This included forums hosted by AUSTRAC for major reporting entities, remittance providers and casinos. AUSTRAC also met with representatives of the gambling and financial services sectors.

Communication campaigns and guidance material help businesses to understand and meet their AML/CTF Act obligations and legislative changes. In 2013–14 AUSTRAC published specific guidance for hotels and clubs licensed to operate electronic gaming machines. AUSTRAC also works with industry associations to support them in developing guidance for their members.

AUSTRAC monitors awareness of AML/CTF obligations across its regulated population. This is done through direct assessments of industry sectors and specific reporting entities, and information in the AML/CTF compliance reports submitted by reporting entities. AUSTRAC will continue to monitor compliance behaviours in 2014–15 to gauge the effectiveness of these activities.

## Industry-specific education and awareness activities, 2013–14

The following table summarises the main industry sectors regulated by AUSTRAC and provides examples of education and awareness activities undertaken during 2013–14.

| Industry sector  | Examples of education and awareness  |
|--|--|
| <p><b><i>Banks and other lenders</i></b></p> <p>This sector comprises approximately 1,100 enrolled entities. It covers ‘authorised deposit-taking institutions’ (ADIs) including domestic banks, foreign bank branches and subsidiaries, credit unions, micro-lenders and specialist credit providers.</p> <p>Entities tend to be well resourced, accustomed to regulation and benefit from industry associations that promote compliance.</p> <p>Banks, building societies and credit unions account for approximately 19 per cent of the total transaction reports AUSTRAC received from this sector in 2013–14.</p> | <p>AUSTRAC held two Major Reporter Forums, in October 2013 and April 2014, for representatives of 19 key reporting entities including major domestic and foreign banks operating in Australia. In December 2013 AUSTRAC held its Financial Industry Consultative Forum.</p> <p>AUSTRAC executives held meetings with the CEOs and/or senior executives of Australia’s major banks and other large reporting entities throughout the year.</p> <p>AUSTRAC and AGD also consulted extensively with this industry sector on the enhancements to CDD requirements.</p> |
| <p><b><i>Non-bank financial services</i></b></p> <p>This sector consists of approximately 2,600 enrolled entities providing a range of services such as financial planning, funds management, stockbroking, custody, superannuation and life insurance. Entities range from large, sophisticated organisations, to small businesses.</p>   | <p>AUSTRAC representatives spoke at forums hosted by the Association of Independently Owned Financial Planners, and the Association of Superannuation Funds of Australia Limited. The Financial Planning Association of Australia and the Financial Services Council also attend the AUSTRAC Financial Industry Consultative Forum and were represented at meetings held on CDD requirements.</p> <p>These forums assist participants in understanding and enhancing their AML/CTF awareness and compliance.</p>   |

| Industry sector  | Examples of education and awareness   |
|--|---|
| <p><b><i>Gambling and bullion dealers</i></b></p> <p>This diverse sector of approximately 4,300 enrolled entities includes casinos, hotels and clubs with electronic gaming machines, corporate bookmakers, small bookmakers and bullion dealers. Smaller, less complex reporting entities are prevalent in this sector.</p>   | <p>In December 2013 AUSTRAC held its Gambling Consultative Forum and met with gaming industry associations including the Australian Hotels Association (AHA) and its state branches, Australian Wagering Council, Clubs NSW/Clubs Australia, Clubs Qld, Australian Bookmakers Association, NSW Bookmaker's Co-operative, Victorian Bookmakers Association and the Australasian Casino Association.</p> <p>AUSTRAC also met with AHA executives in the development and launch of AUSTRAC's <i>AML/CTF compliance guide for hotels and clubs licensed to operate electronic gaming machines</i> and its associated <i>ML/TF risk assessment guide for hotels and clubs licensed to operate electronic gaming machines</i>.</p> <p>In June 2014 AUSTRAC hosted its inaugural Casinos Forum, which brought together all Australian casinos, relevant law enforcement agencies and state gaming regulators.</p> <p>Representatives of this sector were also included in the consultation on enhanced CDD requirements.</p> |
| <p><b><i>Money service businesses</i></b></p> <p>This is a diverse sector of approximately 5,800 entities including remittance service providers, cash carriers and currency exchange dealers. Close to 5,500 entities in this category are affiliates of remittance network providers. Approximately 90 per cent of these affiliates are associated with five remittance network providers.</p> | <p>AUSTRAC's compliance staff continued to work with key partner agencies to identify AML/CTF issues in this sector, and provide a better understanding of business processes and how they apply within the sector.</p> <p>AUSTRAC worked closely with the remittance sector, including remittance network providers, to enhance compliance. AUSTRAC held its inaugural Remitters Forum in August 2013, for representatives of 13 key reporting entities including Australia's largest remittance network providers.</p>  |

## AUSTRAC CASE STUDY

### International funds transfers helped uncover counterfeit car parts scam

A law enforcement agency used AUSTRAC information to investigate a suspect who was importing and selling counterfeit vehicle parts on the Australian market, costing a motor car company millions of dollars in lost revenue.

The suspect imported counterfeit parts into Australia from China then sold them through a leading car manufacturer.

AUSTRAC information revealed that, over three years, the suspect sent international funds transfers (IFTIs) worth AUD1.3 million through his personal and business accounts to an automotive parts company in China.

During this period the accounts did not receive any incoming funds transfers from overseas entities, nor record any significant cash activity. This indicated that the bank accounts were receiving deposits of funds through domestic electronic transfers or via cash deposits conducted in amounts below the AUD10,000 cash reporting threshold.

The suspect was not charged in Australia, but over 30,000 counterfeit car parts were removed from the Australian market. Employees of the manufacturing company in China were successfully prosecuted in that jurisdiction.

**Source:** AUSTRAC typologies and case studies report 2013

## Online communications

AUSTRAC communicates widely to its stakeholders, particularly reporting entities, to keep them informed about AML/CTF legislative developments.

In 2013–14 AUSTRAC distributed 13 editions of its electronic newsletter, *AUSTRAC e-news*, reaching an average of more than 4,000 subscribers each edition. E-news informed subscribers about AML/CTF matters including public consultation on customer due diligence reforms and the review of Australia's AML/CTF regime, and AUSTRAC enforcement action. The number of subscribers grew by nine per cent during 2013–14.

AUSTRAC's website contains a range of AML/CTF guidance and information for reporting entities and other stakeholders. Throughout 2013–14 AUSTRAC continued to improve the accessibility of its website in line with mandatory government website standards.

## AUSTRAC agency multicultural plan

AUSTRAC's agency multicultural plan was published on the AUSTRAC website at the beginning of 2013–14. The AUSTRAC CEO promoted the initiative to all staff, and information was published on the agency's intranet to inform staff of progress on multicultural access and equity issues.

During 2013–14 the Agency Multicultural Plan Committee was established, comprising multicultural access and equity representatives from each branch. The committee focused on identifying practical options to better understand the diverse language and cultural backgrounds of AUSTRAC's stakeholders, particularly reporting entities. It also commenced creating resources to assist staff to understand and better engage with those stakeholders.

## **AUSTRAC Help Desk**

The AUSTRAC Help Desk provides customer service and assistance to external stakeholders including regulated entities, industry organisations and the public. The Help Desk is available by phone, email, mail or fax.

In 2013–14 AUSTRAC reviewed its Help Desk operations to improve the quality and performance of the service provided to assist reporting entities to understand their AML/CTF obligations. More information about the Help Desk, including AUSTRAC's performance against its Service Charter, can be found in the 'Management and accountability' chapter of this report.

## **AUSTRAC Online and ARMS**

AUSTRAC maintains a web-based system, AUSTRAC Online, to assist businesses with their AML/CTF reporting and regulatory obligations. AUSTRAC Online provides reporting entities with tailored content, such as customised AML/CTF compliance reports, depending on their business type or industry sector. AUSTRAC Online also allows businesses to view reporting obligations and forms, and submit transaction reports electronically.

AUSTRAC uses its internal AUSTRAC Relationship Management System (ARMS) to record interactions with regulated entities, and the reporting entity enrolment and remitter registration functions.

Minor updates were made to AUSTRAC Online and ARMS in 2013–14 to ensure functionality and currency with processes.

## ***Financial transaction reporting to AUSTRAC in 2013–14***

Regulated entities report financial transactions and suspicious matters to AUSTRAC. The majority of reports are submitted under the AML/CTF Act by entities in the financial, remittance, bullion and gambling sectors. Also under the AML/CTF Act, AUSTRAC receives reports of cross-border movements of physical currency and bearer negotiable instruments. Under the FTR Act, AUSTRAC receives a smaller number of reports from 'cash dealers' and solicitors.

AUSTRAC analyses reports to uncover patterns of criminal activity including ML/TF and people smuggling. The resulting financial intelligence is disseminated to partner agencies for use in criminal investigations and other operations. AUSTRAC also analyses transaction reports to identify risk indicators for use in its compliance functions.

## Reports received by AUSTRAC

The table below summarises the report types AUSTRAC receives and analyses.

| Report type  | Description  |
|--|--|
| <i>International funds transfer instruction (IFTI) reports</i>                 | If a reporting entity sends or receives an instruction to or from a foreign country, to transfer money or property, the reporting entity must submit an IFTI report under the AML/CTF Act.   |
| <i>Suspicious matter reports (SMRs)</i>  | <p>A reporting entity must submit an SMR if, at any time while dealing with a customer, the reporting entity forms a reasonable suspicion that the matter may be related to an offence, tax evasion, or the proceeds of crime. Entities must submit SMRs within three days of forming the suspicion, or within 24 hours if related to suspected terrorism financing.</p> <p>SMRs were introduced in December 2008 under the AML/CTF Act. For most entities, SMRs replaced suspect transaction reports (SUSTRs) submitted under the FTR Act.</p>  |
| <i>Threshold transaction reports (TTRs)</i>                                    | <p>If a reporting entity provides a designated service to a customer, involving the transfer of physical currency (or e-currency) of AUD10,000 or more (or the foreign currency equivalent), then the reporting entity must submit a TTR.</p> <p>TTRs were introduced in December 2008 under the AML/CTF Act. For most entities, TTRs replaced significant cash transaction reports (SCTRs) submitted under the FTR Act.</p>   |
| <i>Cross-border movement of physical currency (CBM-PC) reports</i>             | <p>CBM-PC reports are submitted under the AML/CTF Act when currency (that is, coin or paper money) of AUD10,000 or more (or the foreign equivalent) is carried, mailed or shipped into or out of Australia.</p> <p>When a person carries the currency, a CBM-PC report must be completed at the first Customs and Border Protection examination area upon entry into Australia or before leaving Australia.</p> <p>When a person mails or ships the currency into or out of Australia, a CBM-PC report must be submitted within five business days of the currency being received in Australia, or at any time before the currency is sent out of Australia.</p> |
| <i>Cross-border movement of bearer negotiable instrument (CBM-BNI) reports</i> | Under the AML/CTF Act, persons entering or leaving Australia who are carrying bearer negotiable instruments of any amount (such as travellers cheques, cheques or money orders), must complete CBM-BNI reports if asked to by a Customs and Border Protection or police officer.   |



## AUSTRAC CASE STUDY

### **Dozens of suspicious cash transfers exposed \$2 million unpaid tax bill**

AUSTRAC information sparked an investigation into a suspect who had been evading tax for approximately nine years and had an unpaid tax bill of more than AUD2 million.

A reporting entity submitted suspect transaction reports (SUSTRs) to AUSTRAC identifying a suspect who was structuring cash withdrawals from his personal bank accounts to avoid the AUD10,000 cash transaction reporting threshold.

In just 30 days the suspect made 20 cash withdrawals from his bank accounts, totalling more than AUD180,000. All withdrawals fell just below the AUD10,000 reporting threshold.

During a second 30-day period the suspect withdrew from three different bank accounts a further AUD470,000 cash, structured into amounts of between AUD9,000 and AUD9,900.

AUSTRAC disseminated a number of SUSTRs to law enforcement agencies who initiated an investigation into the suspect.

Law enforcement officers obtained an order to restrain more than AUD75,000 from the suspect's bank account. Another AUD680,000 was seized when warrants were executed on the suspect's residence.

The suspect was ultimately found guilty of conducting transactions to avoid reporting obligations and possessing property from the proceeds of crime and sentenced to five months jail.

**Source:** AUSTRAC typologies and case studies report 2013

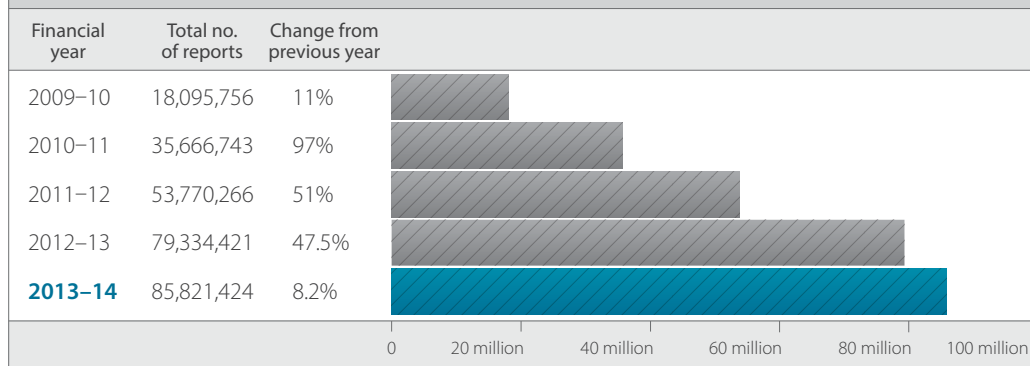
## Reporting results for 2013–14

In 2013–14 AUSTRAC received 91,136,306 reports from regulated entities and partner agencies. This is an average of 350,524 reports received per business day. AUSTRAC received reports under both the AML/CTF Act and FTR Act, with 99.95 per cent submitted electronically and 0.05 per cent as paper reports.

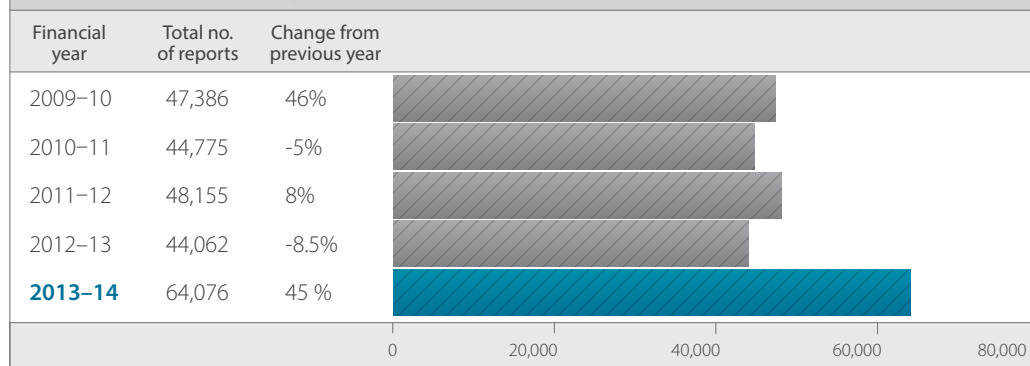
The number of reports received in 2013–14 is a 7.68 per cent increase on the number received in 2012–13 (which was 84,634,614). The tables on pages 32 and 33 show AUSTRAC's reporting results since 2009–10.

## Financial transaction reports

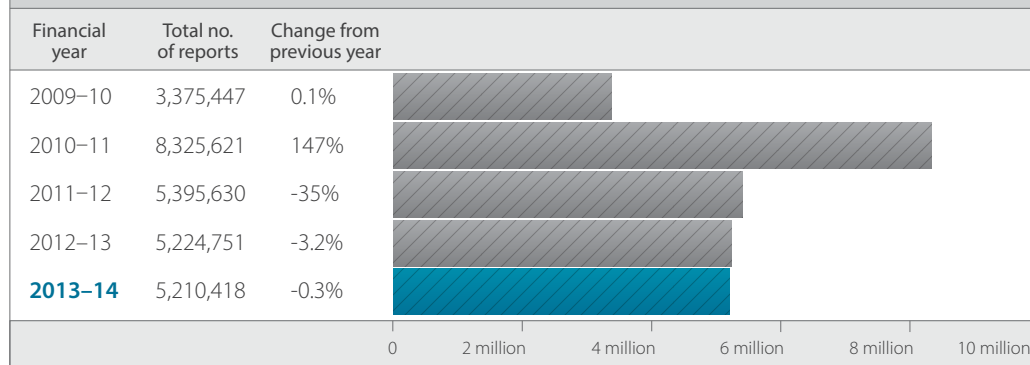
### IFTI reporting volumes from 2009–10 to 2013–14



### SMR/SUSTR reporting volumes from 2009–10 to 2013–14

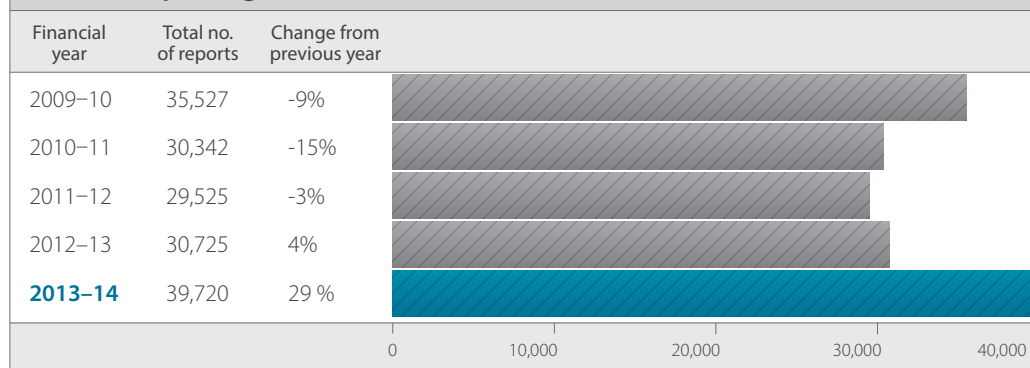


### TTR/SCTR reporting volumes from 2009–10 to 2013–14

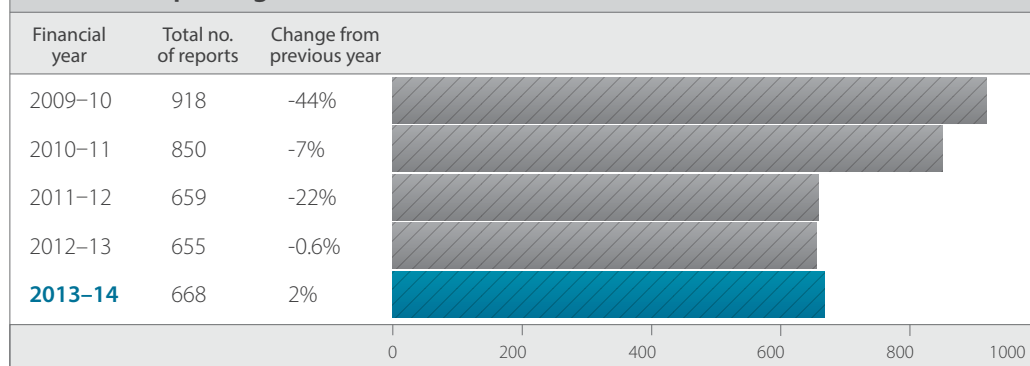


## Cross-border movement reports

### CBM-PC reporting volumes from 2009–10 to 2013–14



### CBM-BNI reporting volumes from 2009–10 to 2013–14



**Note:** CBM-BNI need to be reported on request only.

The increase in SMR/SUSTR reporting volumes can mostly be attributed to changes adopted by a large reporting entity group in relation to its monitoring and reporting procedures.

### Improving the quality of reporting to AUSTRAC

AUSTRAC closely monitors the timing, volume and quality of reports from regulated entities. This is done through ongoing data integrity assessments, database tools and outputs. Where AUSTRAC identifies issues with an entity's reporting performance, the entity is required to address those issues. Examples include poor data quality, reports submitted late or anomalies in the volume of reports submitted.

In 2013–14, AUSTRAC worked with entities in various industries to address more than 9,600 identified data integrity and compliance issues. This resulted in the correction of information in 93,284 transaction reports, which represented a 21 per cent increase from the previous year. The increase was due to factors including increased number of reporting entities proactively requesting transaction reports be returned/recalled to them for correcting and newly enrolled entities gaining an understanding of their reporting requirements.

## Supervising a diverse regulated population

### AUSTRAC's regulated population

Since 1 November 2011 all reporting entities regulated under the AML/CTF Act have been required to:

- enrol with AUSTRAC and provide prescribed enrolment details
- keep their enrolment details up-to-date and advise the AUSTRAC CEO of any change to those details within 14 days of the change.

As reported last year, AUSTRAC targets entities that have previously voluntarily enrolled, with the aim of transitioning them to the new Reporting Entities Roll or closing the old enrolment. The scope of this work was broadened in 2013–14 to include entities that were previously voluntarily enrolled and identified as likely to still be captured as reporting entities. As a result, AUSTRAC sent 218 letters to possible reporting entities.

During 2013–14 there were 1,544 new enrolments submitted to AUSTRAC, and 1,206 reporting entities applied for and were removed from the Reporting Entities Roll. The differences in numbers are reflected in the table below.

During 2013–14 AUSTRAC issued 133 compliance assessment reports, following desk reviews and on-site assessments of reporting entities' AML/CTF compliance. The reports included:

- 509 requirements to rectify identified areas of non-compliance
- 363 recommendations to improve entities' AML/CTF policies, procedures, systems and controls.

By the end of 2013–14 the majority of entities with deficiencies identified had rectified their compliance issues or were in the process of doing so.

#### Reporting entities enrolled with AUSTRAC, 2010–11 to 2013–14

|   | <i>At 30 June 2011</i> | <i>At 30 June 2012</i> | <i>At 30 June 2013</i> | <i>At 30 June 2014</i> |
|---|------------------------|------------------------|------------------------|------------------------|
| No. of reporting entities enrolled with AUSTRAC | 16,179                 | 8,444                  | 13,657                 | <b>13,995</b>          |

Notes to the above table:

The difference between the number of entities enrolled at 30 June 2011 and 30 June 2014 reflects improved integrity of data on AUSTRAC's Reporting Entities Roll under the mandatory enrolment regime.

## Regulation and registration of remittance businesses

New registration requirements commenced on 1 November 2011 requiring providers of remittance services to be registered on the Remittance Sector Register before commencing to provide remittance services.

Under the new registration requirements, remitters are required to apply for renewal of their registration every three years, the first requiring renewal from December 2014. During 2013–14 AUSTRAC developed an automated system for renewing registrations. A series of reminders will be sent to registered remitters to ensure they are aware of the renewal process.

| Remitters registered with AUSTRAC, 2011–12 to 2013–14   |                 |                 |                 |
|---|-----------------|-----------------|-----------------|
|   | At 30 June 2012 | At 30 June 2013 | At 30 June 2014 |
| No. of remitters registered with AUSTRAC  | 250*            | 5,788           | 5,527**         |
| Notes to the above table:   |                 |                 |                 |
| * The difference between the numbers for 2012 and 2013 reflect the transition to the new registration requirements.   |                 |                 |                 |
| ** From 2013–14 the figure comprises the number of entities registered. A remitter may have one or more registrations in different capacities. Figures prior to 2013–14 represent the number of registrations issued (some of which may be to the same entities). |                 |                 |                 |

AUSTRAC held its inaugural Remitters Forum in August 2013 for representatives of 13 key reporting entities, including Australia's largest remittance network providers. The forum provided an opportunity for partner agencies and remitters to discuss key AML/CTF issues.

Under the new remitter registration regime, individuals and businesses seeking registration must provide information to support their registration. The AUSTRAC CEO may refuse an application for registration and suspend, cancel or impose conditions on registered entities. These decisions are reviewable. More information about these powers is on page 44 of this report.

The AUSTRAC CEO may also issue infringement notices for certain breaches of registration requirements. In November 2013 the AUSTRAC CEO used this power for the first time, issuing a remittance network provider with an infringement notice of \$225,600 for failing to have all its affiliates registered and providing services through businesses not registered as affiliates.

During 2013–14 the AUSTRAC CEO also cancelled the registration of one remittance provider, refused the applications for registration of three remittance providers and imposed conditions on seven remittance providers.

A public version of the Remittance Sector Register is available on the AUSTRAC website. It includes the registered entity's legal name, any trading names, ABN, ACN, ARBN, principal place of business and any registration conditions. This register promotes compliance with registration requirements by allowing:

- customers to check the registration status of a remitter (including registration conditions) before engaging that remitter's services
- reporting entities to check the registration status of customers (including registration conditions), who the reporting entity believes may be providing remittance services, before agreeing to provide the customer with a designated service.

## Businesses regulated under the FTR Act

AUSTRAC continues to receive transaction reports from certain regulated entities ('cash dealers') under the FTR Act, generally motor vehicle dealers. Solicitors are also required to report SCTRs to AUSTRAC under the FTR Act.

In 2013–14, under the FTR Act, 578 motor vehicle dealers and 197 solicitors submitted transaction reports to AUSTRAC.

## Supervision strategy for 2012–14

AUSTRAC's main supervisory objectives are to:

- improve and, where appropriate, enforce the adoption and implementation by reporting entities of policies, practices, systems and controls designed to reduce the likelihood that their services are used for ML/TF purposes
- enable reporting entities to identify and correctly report transactions and suspicious matters to AUSTRAC, in accordance with the requirements of the AML/CTF Act.

AUSTRAC takes a risk-based approach to its supervisory activities, which are tailored to the compliance behaviours and characteristics of different industry groups. This is designed to maximise the effective use of the agency's resources and achieve the greatest impact on the regulated population's compliance behaviours.

AUSTRAC draws on various sources to prioritise supervisory activities, including: macro data analysis of reporting trends; past assessment activities; levels of regulation in the industry; the agency's understanding of industry sectors; input from partner agencies and other government bodies; and resources available to an industry or reporting entity to ensure compliance.

The agency uses a risk assessment framework and methodologies to identify entities with higher exposure and vulnerability to ML/TF risk. Supervisory efforts are then focused on those entities. AUSTRAC considers the following factors when determining the risk profile of reporting entity groups:

- whether a reporting entity group operates in an industry identified as a major or significant channel for money laundering or terrorism financing
- the exposure of a reporting entity group to ML/TF risk
- specific interest by AUSTRAC's Intelligence branch or partner agencies in relation to particular reporting entity groups or industry sectors.

In 2013–14 AUSTRAC continued its broad engagement with industry sectors. This included publishing *AUSTRAC e-news* (the agency's monthly e-newsletter), hosting forums, providing guidance and education to specific industry sectors – particularly small businesses – and other forms of practical guidance such as guidance notes and information circulars available on AUSTRAC's website.

AUSTRAC's activities to support the achievement of its key priorities are as follows.

***Priority 1 – Assist reporting entities to strengthen their AML/CTF programs so their services are not used by criminals for money laundering/terrorism financing purposes***

AUSTRAC uses a range of compliance and enforcement techniques to assist reporting entities to manage their compliance risk and assess the adequacy of policies, practices, systems and controls to meet the requirements of the AML/CTF Act. AUSTRAC undertakes low-intensity or 'engagement' activities such as enrolment processes, mail-outs, e-newsletters, development and distribution of guidance materials, and forums.

AUSTRAC's industry forums for high-risk reporting entity groups provide a platform for AUSTRAC and partner agencies to provide information to these groups on issues including policy updates, compliance feedback, contemporary typologies and emerging issues.

AUSTRAC undertakes moderate intensity or 'heightened' activities, such as processes associated with the registration of remitters, behavioural assessments, desk reviews, themed reviews and transaction monitoring, directed at specific reporting entity behaviours.

High-intensity or 'escalated' activities are undertaken, such as: assessments relating to decisions on imposing conditions upon, revoking or deciding not to grant a remitter registration; and on-site assessments. AUSTRAC tailors these activities to address the circumstances of individual reporting entities.

In 2013–14 AUSTRAC undertook 285 compliance assessments of reporting entities across all industry sectors. Of these, 88 were conducted on reporting entities classified as having high ML/TF risk. After each assessment the reporting entity is issued with a compliance assessment report that details the findings of the assessment and where appropriate, remediation work that the reporting entity must undertake.

AUSTRAC also analysed transaction reporting data and sought explanations from reporting entities when their reporting behaviour was inconsistent with AUSTRAC's expectations for industry peers or industry sector as a whole. The primary focus was on non- or under-reporting of financial transactions, and the quality of information provided in transaction reports.

The agency assisted reporting entities to meet their obligations by providing information on the AUSTRAC website, via AUSTRAC Online and the AUSTRAC Help Desk. AUSTRAC published the *AML/CTF compliance guide for hotels & clubs licensed to operate electronic gaming machines*, and the *ML/TF risk assessment guide for hotels & clubs licensed to operate electronic gaming machines*. These publications aim to assist hotels and clubs to:

- identify and consider the ML/TF risks their business may be exposed to and the actions needed to manage those risks
- record policies and procedures that will assist them to manage their AML/CTF obligations
- provide evidence that can be used to demonstrate compliance with their AML/CTF obligations.

In 2013–14 AUSTRAC again undertook mail-out campaigns to remind reporting entities of their obligations and alert them to changes in the regulatory framework, and held forums to engage with major reporters and representatives of the financial and gambling industries.

AUSTRAC continued to follow up with entities that may be providing designated services, to alert them to their enrolment obligations. The agency refined the accuracy of enrolment data, and streamlined and enhanced the enrolment process, particularly for online enrolments.

***Priority 2 – Improve the quantity and quality of transaction reports received by AUSTRAC to assist the FIU and, through it, AUSTRAC's partner agencies***

In addition to the priority 1 activities above, AUSTRAC continued to closely monitor the timing, volume and quality of reports received from reporting entities. Where AUSTRAC identified issues with an entity's reporting performance, the entity was required to address those issues. These included poor data quality, late submission of reports or irregularities in the volume of reports.

Supervision activities included focusing on areas of concern identified by AUSTRAC or partner agencies. As in the previous year, these included closer scrutiny of the remittance sector and examining customer behaviours, as identified in transaction reports.

***Priority 3 – Capitalise on AUSTRAC's dual role as an FIU and AML/CTF regulator***

AUSTRAC's supervisory activities are informed by feedback on identified areas of AML/CTF interest from AUSTRAC's Intelligence branch and partner agencies.

The *AUSTRAC typologies and case studies report 2013* (published on 4 December 2013) assists regulated entities to detect and deter financial crime. The report details partner agency investigations and operations to which AUSTRAC information has contributed. It also demonstrates the intelligence value of the transaction reports submitted by industry.

In 2013–14 AUSTRAC hosted Industry Consultative Forums for the Gambling and Financial services sectors, two Major Reporter Forums, a Remittance Provider Forum and a Casino Industry Forum. These forums provided an opportunity for AUSTRAC's key reporting entities, industry associations, AUSTRAC and partner agencies to meet and discuss significant AML/CTF issues.

***Priority 4 – Continue to build supervision infrastructure to support future compliance activities***

AUSTRAC's work on its review of the AML/CTF compliance reporting framework continued this year. The review has examined how framework changes will help AUSTRAC identify higher-risk reporting entities, promote higher levels of engagement with larger entities regarding awareness of AML/CTF obligations, and reduce regulatory burden – particularly for small businesses. The planned public consultation period with stakeholders that was foreshadowed last year, is now expected to commence in September 2014.

Last year AUSTRAC reported that it had begun a strategic data integrity review of the management of its information. In 2013–14 the review made a number of recommendations to assist AUSTRAC in ensuring the integrity of its data, including improvements in data governance and management, systems and procedures. These recommendations are being addressed in a phased approach over a three-year period.

Further work was completed in 2013–14 to improve the quality and performance of AUSTRAC's Help Desk. See page 111 of this report for more information about the Help Desk.



**Priority 5 – Improve our measurement of effectiveness by better identifying shifts in compliance behaviours by reporting entities**

AUSTRAC continued to measure its effectiveness by monitoring reporting entities' compliance with their AML/CTF Act obligations. AUSTRAC gauged the effect of its supervisory strategy by the following observable compliance behaviours:

- 91,136,306 financial transaction reports submitted (a 7.68 per cent increase on 2012–13)
- 94.3 per cent lodgement of AML/CTF compliance reports (above target)
- 872 remedial requirements and recommendations issued as a result of assessment activities
- 13,995 entities enrolled on the Reporting Entities Roll
- 5,527 registered remittance service providers.

**Working with other regulators**

AUSTRAC continued to meet with the Australian Prudential Regulation Authority (APRA) twice a year. In 2013–14 these meetings included discussion of regulatory developments. APRA is a designated agency under the AML/CTF Act. In 2013–14 AUSTRAC and APRA exchanged information about the compliance of jointly regulated entities, and AUSTRAC's enforcement activities involving APRA-regulated entities.

AUSTRAC also continued to hold meetings with the Australian Securities and Investments Commission (ASIC) and state-based regulators, to discuss areas of mutual interest. AUSTRAC and the NSW Independent Liquor and Gaming Authority continued to conduct half-yearly meetings. AUSTRAC also met with other regulators including the Victorian Commission for Gambling and Liquor Regulation, Independent Gambling Authority of SA, Queensland Office of Liquor and Gaming Regulation, Consumer and Business Services of South Australia, and Victoria Racing Ltd.

**AUSTRAC CASE STUDY**

**Remittance business laundered millions in drug money through student's bank account**

A suspect transaction report (SUSTR) submitted to AUSTRAC revealed a syndicate laundering funds suspected to be the proceeds of illicit drug sales. The methodology used is known as 'cuckoo smurfing'.

The SUSTR was submitted after a legitimate customer in Indonesia attempted to transfer AUD1.75 million to his daughter, a student in Australia. However, the funds were unlawfully diverted by an Indonesian remittance dealer connected to an international money laundering syndicate operating in Australia.

Members of the syndicate made 60 'third-party' cash deposits into the student's bank account in Australia. The deposits ranged from AUD3,500 to AUD150,000 each and totalled AUD1.75 million.

The depositors tried several strategies to avoid being identified, prompting bank staff in Australia to report the transactions to AUSTRAC:

- they tried to avoid recording their names and other details on deposit slips and wrote telephone/fax numbers in an illegible manner
- they provided only their given names on deposit slips.

Authorities also identified that one of the third-party depositors was involved with a drug syndicate.

**Source:** AUSTRAC typologies and case studies report 2013

## ***Industry compliance with AML/CTF obligations***

The AML/CTF Act covers five key areas internationally recognised as best practice in deterring and detecting ML/TF. Reporting entities are required to:

- conduct ML/TF risk assessments to understand and manage the risks involved when they provide different products and services, according to the distribution channels, customers and jurisdictions involved
- implement systems and governance to manage ML/TF risks, including: senior management oversight; employee due diligence programs; staff training; and regular review of the effectiveness of ML/TF systems and compliance with obligations
- 'know their customers' by verifying the identity of their customers, monitoring customer behaviour and keeping appropriate records (financial institutions must also identify any other financial institutions with which they do business)
- enrol with AUSTRAC on the Reporting Entities Roll and maintain their entry on the roll, and remitters must also apply to be registered on AUSTRAC's Remittance Sector Register before they provide remittance services (and keep their registration details current)
- submit TTRs, SMRs and IFTI reports to AUSTRAC, with most businesses also submitting an annual AML/CTF compliance report.

## **Assessing compliance with AML/CTF obligations**

In 2013–14 AUSTRAC conducted and completed 285 AML/CTF compliance assessments. These included on-site assessments of individual reporting entities, desk reviews and behavioural reviews of transaction reporting behaviour and AML/CTF compliance in specific industry sectors. Some assessments were undertaken in response to requests from partner agencies and other regulators.

AUSTRAC continued to undertake data analysis to detect entities that were not reporting, or whose reporting behaviour varied significantly from previous periods or was irregular compared to industry peers. AUSTRAC issued compliance assessment reports where it identified issues with an entity's transaction reporting performance. Such reports include requirements for the entity to address areas of non-compliance and, where appropriate, recommendations to reduce the possibility of future non-compliance.

On-site assessments can be comprehensive or thematic. A comprehensive assessment reviews all AML/CTF Act obligations, while a thematic assessment focuses on particular obligations or areas of concern to AUSTRAC. High-intensity activities are designed to have a direct impact on improving compliance outcomes.

Supervisory activity resulting from assessments and reviews involved a number of entities referred for enforcement consideration, when an entity displayed ongoing non-compliance and did not cooperate with AUSTRAC's requests. The agency also issued notices of reviewable decisions relating to the registration of remittance providers, which included concerns about transaction reporting.

| <b>AUSTRAC compliance assessment activities, 2010–11 to 2013–14</b>                   |                |                |                |                |
|---|----------------|----------------|----------------|----------------|
| <b>Assessment activities undertaken</b>   | <i>2010–11</i> | <i>2011–12</i> | <i>2012–13</i> | <i>2013–14</i> |
| Enhanced assessments (on-site assessments and desk reviews)                           | 311            | 359            | 317            | 165            |
| Behavioural/reporting reviews   | 2,741          | 1,300          | 825            | 120            |
| Remedial requirements and recommendations issued as a result of assessment activities | 1,053          | 1,656          | 1,187          | 872            |

The decrease in the number of assessments undertaken in 2013–14 is due to AUSTRAC undertaking more detailed assessments of higher risk entities over the period.

## **AUSTRAC's information-gathering powers**

Under sections 167 and 202 of the AML/CTF Act, AUSTRAC can exercise powers to obtain information or documents from reporting entities to assist the agency in monitoring entities' compliance. In 2013–14, AUSTRAC issued one notice under section 167 and six notices under section 202.

As part of the remitter regulation regime, under section 75N of the AML/CTF Act, AUSTRAC may request further information when making a decision regarding Remittance Sector Register applications. In 2013–14 AUSTRAC issued 104 requests under section 75N.

## **Submission of AML/CTF compliance reports**

Under the AML/CTF Act, many reporting entities must submit an AML/CTF compliance report to AUSTRAC. These reports contain information about an entity's compliance with obligations including AML/CTF programs, processes and reporting procedures. The deadline for entities to submit their 2013 AML/CTF compliance report to AUSTRAC was 31 March 2014.

As in previous years, in September 2013 AML/CTF Rules were registered to exempt remittance network providers and their affiliates from the obligation to lodge a 2013 AML/CTF compliance report. Independent remittance dealers were not exempted from the obligation.

Of the regulated entities enrolled with AUSTRAC at 30 June 2014, a total of 6,538 were required to submit a 2013 AML/CTF compliance report. At 30 June 2014, a total of 6,167 entities had lodged their compliance report. AUSTRAC will continue to follow up with those entities that did not submit their compliance report for 2013.

### Lodgement of AML/CTF compliance reports 2010–13, at 30 June each year

|   | <i>2010<br/>compliance<br/>report</i> | <i>2011<br/>compliance<br/>report</i> | <i>2012<br/>compliance<br/>report</i> | <i>2013<br/>compliance<br/>report</i> |
|---|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| No. of entities enrolled with AUSTRAC with AML/CTF compliance report obligations          | 14,598                                | 7,429                                 | 6,521                                 | *6,538                                |
| No. of compliance reports lodged, electronically and offline                              | 10,552                                | 6,725                                 | 5,843                                 | 6,167                                 |
| Percentage of enrolled entities with reporting obligations that lodged compliance reports | 72.3%                                 | 90.5%                                 | 89.6%                                 | 94.3%                                 |

\* The table on page 34 of this report provides the total number of entities enrolled with AUSTRAC at 30 June 2014. Not all of these entities were required to submit compliance reports for 2013.

The submission rate for the 2013 compliance report was higher than the submission rate for the 2012 compliance report. This is largely due to an additional mail-out in December 2013 to all entities with a compliance reporting obligation, reminding them to update their enrolment details and ensure systems were in place in preparation for the start of the lodgement period. As a result, the lodgement trend showed an increase from the beginning of the lodgement period.

In 2013–14 AUSTRAC undertook the following communication activities to remind reporting entities to comply with their obligation to submit a 2013 AML/CTF compliance report:

- December 2013 – sent reminder emails and letters to all entities with compliance reporting obligations, to update their enrolment details in preparation for the start of the lodgement period on 2 January 2014

- January–February 2014 – sent emails and letters to reporting entities and industry associations to remind them to submit a 2013 compliance report
- March 2014 – followed up with entities that had partially completed but not yet lodged their 2013 compliance report
- May 2014 – sent ‘final notice’ letters to reporting entities that had failed to lodge an AML/CTF compliance report
- included additional AML/CTF compliance report reminders on the agency’s website and in *AUSTRAC e-news*
- made telephone calls to entities that had not lodged an AML/CTF compliance report by the due date.

As part of AUSTRAC's 2012–14 supervision strategy, work continued on the review of the compliance report framework. It is expected that possible reform options will be released for public consultation in September 2014. It is intended that the compliance reporting framework will be updated to ensure it collects information which is of maximum relevance to implementing and monitoring AML/CTF compliance activities.

## **Cost recovery for AUSTRAC's supervisory activities**

2013–14 was the third year of operation of AUSTRAC's cost recovery arrangements for the agency's activities as Australia's AML/CTF regulator.

The annual cost of AUSTRAC's regulatory functions was derived from AUSTRAC's cost model, which applies an activity-based costing methodology. Using this model, AUSTRAC's budgeted regulatory costs for 2013–14 were determined to be \$31.752 million.

A draft cost recovery impact statement (CRIS) for the 2013–14 levy year was released on 23 April 2013 for a four-week public consultation period. On 11 June 2013 the AUSTRAC CEO certified the final version of the CRIS. The Ministerial Determination setting the amounts for the 2013–14 supervisory levy was made on 18 June 2013. Copies of these papers and previous submissions received are available on AUSTRAC's website.

AUSTRAC commenced issuing invoices for 2013–14 on 29 July 2013. At 30 June 2014 the levies collected for the 2013–14 levy year totalled \$29.149 million. The difference between the levy amount collected and AUSTRAC's budgeted regulatory costs is attributable to factors including:

- invoice amounts subject to a successful waiver application or reassessment due to incorrect reporting entity enrolment information

- changes in reporting entity enrolment information between the time the levy amounts were set and the day reporting entities' liability was calculated (the levy census day).

At 30 June 2014 there were no uncollected levy amounts for any of the three levy years (2011–12, 2012–13 and 2013–14).

## **Statutory review of the AUSTRAC supervisory levy**

During the first half of 2013–14, an independent review was conducted of the operation of the AUSTRAC supervisory levy. The review was required under section 4 of the *Australian Transaction Reports and Analysis Centre Supervisory Cost Recovery Levy (Consequential Amendments) Act 2011*.

The review's final report was submitted to the Minister for Justice on 20 December 2013 and tabled in Parliament on 17 March 2014. The overall conclusion from the review was that AUSTRAC had implemented an effective cost recovery regime that raises the required levy as envisaged by the legislation.

The review identified seven recommendations for improvement. The responses to those recommendations are being considered, taking into account the changes to AUSTRAC's charging arrangements under the proposed industry contribution measures (see following page).

## Proposed AUSTRAC industry contribution measures

On 13 May 2014, as part of the 2014–15 Budget, the government announced that AUSTRAC's supervisory levy will be replaced from 2014–15 with a new industry contribution to fund both the agency's regulatory and intelligence functions. It is intended that the industry contribution will recover 70 per cent of AUSTRAC's budgeted operating expenditure (including depreciation and amortisation) in 2014–15, increasing to 90 per cent in 2015–16 and 2016–17, and then 100 per cent from 2017–18 onwards. A discussion paper on the industry contribution was released for public consultation in June 2014.

## Enforcing compliance with AML/CTF obligations

AUSTRAC has a range of enforcement powers that can be used where the agency detects non-compliance by reporting entities. These powers include the ability for the AUSTRAC CEO to:

- give notices compelling reporting entities to provide information to AUSTRAC
- give notices directing reporting entities to appoint an external auditor to undertake a risk assessment or external audit
- issue remedial directions
- accept enforceable undertakings
- issue infringement notices
- apply to the Federal Court for injunctions or civil penalty orders.

Under the AML/CTF Act, the maximum civil penalty for a body corporate is \$17 million and the maximum for an individual is \$3.4 million. Criminal sanctions can also apply for non-compliance.

The AUSTRAC CEO also has specific powers in relation to the remittance sector, when it is considered that registering a person on the Remittance Sector Register, or continuing a person's registration, would involve significant ML/TF or people smuggling risk. These powers were introduced into the AML/CTF Act by the *Combating the Financing of People Smuggling and Other Measures Act 2011*. They include the ability for the AUSTRAC CEO to:

- refuse a person's application for registration
- impose conditions on registration
- suspend or cancel a person's registration
- give infringement notices to regulated entities who fail to enrol, register, or notify AUSTRAC of changes to their circumstances relevant to their enrolment or registration.

Providing remittance services while unregistered is a criminal offence, with penalties ranging up to seven years imprisonment and/or \$340,000 for an individual or \$1.7 million for a company.

## AUSTRAC enforcement action in 2013–14

*AUSTRAC's Enforcement strategy 2012–14* is available on the agency's website. The strategy outlines the key factors AUSTRAC considers when selecting cases for enforcement action. These include the nature of the non-compliance, the level of ML/TF risk, the reporting entity's willingness and effort to comply, the likely result of the enforcement action, and the deterrent effect of the action.

AUSTRAC's enforcement priorities complement the priorities and activities of the agency's supervision strategy. The enforcement priorities for 2013–14 focused on reporting entities that were identified as being deficient in complying with their transaction reporting and AML/CTF program obligations, and reporting entities in the remittance sector that have high exposure to ML/TF risks.

In accordance with these priorities, AUSTRAC took the following enforcement actions against regulated entities in 2013–14:

- issued an infringement notice for \$225,600 against a remittance network provider, Ria Financial Services Australia Pty Ltd, for failing to register its affiliates as required and providing services through businesses not registered as affiliates
- accepted an enforceable undertaking from Custom House Currency Exchange (Australia) Pty Limited, which had exhibited deficiencies with its AML/CTF obligations
- refused three applications from remitters for registration on the Remittance Sector Register, cancelled the registration of one remitter and imposed conditions on seven remitters.

In December 2013, AUSTRAC authorised 51 individuals as external auditors under the AML/CTF Act, and published the list of external auditors on the agency's website.

## Enforcing cross-border movement reporting obligations

As described on page 30 of this report, the AML/CTF Act includes cross-border movement reporting obligations for travellers entering or leaving Australia, and people mailing or shipping currency to or from overseas.

Australian Customs and Border Protection Service (ACBPS) officers and police officers are the main enforcers of these reporting obligations. These officers can issue infringement notices for alleged contraventions of these requirements. In 2013–14, authorities issued 212 infringement notices for contraventions of the cross-border movement reporting obligations.

## SECTION 2: AML/CTF POLICY DEVELOPMENT AND IMPLEMENTATION

AUSTRAC consults industry, partner agencies, other government agencies and public interest groups on various AML/CTF issues, and monitors international developments in AML/CTF standards and regulatory practice. Close consultation with industry and government stakeholders helps AUSTRAC identify areas where AML/CTF regulation can be strengthened or improved, and where there are opportunities to reduce the regulatory burden.

AUSTRAC develops policies and guidance to assist industry and other stakeholders to understand and comply with their AML/CTF obligations. AUSTRAC also develops legally binding AML/CTF Rules that set out key obligations under the AML/CTF Act.

### ***Contributing to the legislative and regulatory environment***

In February 2014, the Office of Deregulation, in the Department of the Prime Minister and Cabinet (DPMC) issued guidance relating to the Australian Government's deregulation target. Annual regulatory plans have been replaced with an obligation for portfolio agencies to prepare an annual report. The report is to include all activities with regulatory impacts undertaken in the calendar year, information about planned activities, and the portfolio's contributions to the government's red tape reduction target and other deregulation achievements. The first annual report is to be published in February 2015.

### **New customer due diligence requirements**

Australia is recognised internationally as having a robust AML/CTF regime. However, FATF previously identified deficiencies in relation to CDD, which is a central element of the regime. AUSTRAC and AGD engaged in extensive consultation with government, industry and other stakeholders in developing options to address these deficiencies.

As reported last year, in May 2013 AUSTRAC and AGD released a discussion paper, *Consideration of possible enhancements to the requirements for customer due diligence*. Informed by feedback on that paper, AUSTRAC released draft AML/CTF Rules on 9 December 2013 for public comment. A further draft of the Rules was released for consultation on 5 March 2014.

The new CDD requirements commenced operation on 1 June 2014 and include obligations relating to the:

- identification of beneficial owners of customers
- identification of politically exposed persons (PEPs)
- factors that must be taken into account when considering customer risk, including sources of wealth, the purpose and nature of a business relationship, and the control structures of non-individual customers
- requirements to keep customer identification up to date.



To assist businesses which do not have the capacity to immediately comply with these new requirements, the Minister for Justice has issued policy principles under section 213 of the AML/CTF Act. These policy principles, which expire on 31 December 2015, require the AUSTRAC CEO to take into account whether an entity is taking reasonable steps to fully implement the reforms, before commencing certain enforcement action.

## Review of the AML/CTF Act, Rules and regulations

In accordance with section 251 of the AML/CTF Act, the statutory review of the AML/CTF Act, Rules and regulations was announced by the Minister for Justice on 4 December 2013. AGD is undertaking the review in conjunction with AUSTRAC. The related consultation process also began with the release of an issues paper focusing on key issues and themes. Submissions to this paper closed on 28 March 2014.

The themes raised in the issues paper included: consideration of the current objectives and scope of the regime; deregulation opportunities and use of the risk-based approach; supervision and enforcement; reporting obligations; secrecy and access; and privacy.

The review presents an opportunity to explore possible enhancements to Australia's AML/CTF framework, while having regard to the government's approach to deregulation. AGD is planning further engagement and consultation with stakeholders in 2014–15.

The review overlaps with the international evaluation of Australia's AML/CTF regime by FATF. In February 2015 FATF will report its findings of this mutual evaluation of Australia. The outcomes of the evaluation will also be considered as part of the statutory review.

## FATF mutual evaluation of Australia's AML/CTF regime

In February 2012 FATF released its revised *International Standards on Combating Money Laundering and the Financing of Terrorism & Proliferation – the FATF Recommendations*.

During 2013–14 Australia commenced preparations to be reviewed against these revised standards by a FATF assessment team. These preparations will culminate in 2014–15 with an on-site visit to Australia by a team of international experts, and the preparation and finalisation of Australia's mutual evaluation report. This report will be considered by the FATF Plenary at its plenary meeting in February 2015.

## Consultation with government

AUSTRAC continued its membership of the AML IDC chaired by AGD (formerly this comprised two committees known as AMLLAP and AMLI). The AML IDC includes officials from the DPMC, Treasury, DFAT, Department of Finance, Australian Taxation Office (ATO), Australian Federal Police (AFP), Australian Crime Commission (ACC), Department of Immigration and Border Protection, Commonwealth Department of Public Prosecutions (CDPP) and ASIC.

Throughout 2013–14 AUSTRAC and AGD engaged the AML IDC on range of matters, including the statutory review of the AML/CTF Act, FATF's mutual evaluation of Australia and amendments to customer due diligence requirements.

AUSTRAC also participated in an Interdepartmental Committee on Financial Inclusion and Remittance convened by DFAT.

## Regular forums and meetings with industry

AUSTRAC holds meetings with industry associations and individual businesses regarding AML/CTF matters.

AUSTRAC held two Major Reporters Forum meetings in October 2013 and April 2014. Representatives from 19 key reporting entities attended, as did AGD and AUSTRAC partner agencies including the AFP, ACC, ACBPS and ATO. These meetings provide an opportunity for major reporting entities to meet with AUSTRAC and key partner agencies and discuss significant AML/CTF issues.

AUSTRAC also continued to host the biannual Financial Industry Consultative Forum and Gambling Consultative Forum. These meetings facilitate information exchange on topical issues between AUSTRAC and industry body representatives.

The Financial Industry Consultative Forum included the Australian Bankers' Association, Customer Owned Banking Association (formerly Abacus Australian Mutuels), Association of Superannuation Funds of Australia Limited, Australian Finance Conference, Australian Financial Markets Association, Financial Services Council, and Stockbrokers Association of Australia (incorporating Securities & Derivatives Industry Association). AGD, AFP and ATO also attended.

The Gambling Consultative Forum was attended by key industry associations including the Australasian Casino Association, AHA, Australian Bookmakers Association, Australian Wagering Council and Clubs NSW. The AFP and ATO also attended.

AUSTRAC hosted its inaugural Casinos Forum in June 2014 in Melbourne. Attendees included representatives from every Australian casino, as well as law enforcement agencies and state and regional gaming regulators.

In August 2013 AUSTRAC held its inaugural Remitters Forum, for representatives of 13 key reporting entities, including Australia's largest remittance network providers.

## Other external consultation

The AUSTRAC Privacy Consultative Committee met three times in 2013–14. The committee comprises representatives from AUSTRAC, partner agencies, the Office of the Australian Information Commissioner, and non-government members representing privacy, civil liberty and consumer protection interests.

The committee reviewed and commented on draft AML/CTF Rules and considered AUSTRAC policy on access to AUSTRAC information by Commonwealth non-designated agencies, and the standard operating procedures that complement AUSTRAC's policy on the dissemination of bulk information to the ATO and designated agencies.

## Providing guidance to industry

In 2013–14 AUSTRAC worked on developing the new *AUSTRAC compliance guide*. As reported last year, this guide will replace the existing *AUSTRAC Regulatory Guide* and will consolidate and rationalise a range of existing guidance material on the AUSTRAC website.

The *AUSTRAC compliance guide* will use a question-and-answer format and include practical examples where possible. It will also provide links to the AML/CTF Act, AML/CTF Rules and other relevant guidance.

The compliance guide will comprise 10 sections on topics covering designated services, designated business groups, enrolment requirements, Remittance Sector Register, AML/CTF programs, reporting obligations, record keeping, exemptions and modifications, and the FTR Act. AUSTRAC expects to publish the compliance guide on its website in late 2014.

## AUSTRAC guidance notes

AUSTRAC publishes guidance notes to provide assistance to reporting entities regarding their obligations under the AML/CTF Act and AML/CTF Rules.

In May 2014 AUSTRAC published guidance note 14/01: *Application for exemptions and modifications under the AML/CTF Act*. This replaced a previous guidance note, to incorporate changes regarding regulatory offset considerations and provide enhanced guidance to reporting entities on AUSTRAC's exemption and modification processes.

In April 2014 guidance note 12/02: *Countermeasures applied to Iran* was also updated, in both English and Farsi versions.

## AUSTRAC information circulars

AUSTRAC publishes information circulars on its website, to provide regulated entities with information about issues that may affect their business or compliance with AML/CTF obligations.

In 2013–14 AUSTRAC published two new information circulars:

- No. 85 – *Listing of terrorist organisations*
- No. 86 – *Australian Taxation Office initiative - Project DO IT: disclose offshore income today.*

AUSTRAC updated three information circulars in 2013–14:

No. 42 – *Bribery of foreign public officials*

No. 69 – *Financial Action Task Force statement on high-risk and non-cooperative jurisdictions*

No. 70 – *Financial Action Task Force statement on improving global AML/CTF compliance: ongoing process.*

## Exemptions and modifications for industry

In certain circumstances, the AUSTRAC CEO may grant relief to reporting entities from provisions of the AML/CTF Act. This is done by granting exemptions or modifications. Such relief may be granted to address an unintended or overly burdensome impact of the AML/CTF Act, while ensuring that the integrity of the AML/CTF regime is maintained.

The following table shows applications from entities seeking exemptions or modifications during 2013–14.

| <b>Applications for relief (under sections 247 and 248 of the AML/CTF Act), 2013–14</b> |              |
|---|--------------|
| <b>Status</b>   | <b>Total</b> |
| Applications being processed as at 30 June 2013   | 14           |
| Applications received during 2013–14  | 9            |
| Applications granted by the AUSTRAC CEO during 2013–14                                  | 3            |
| Applications not granted, not valid or withdrawn  | 5            |
| Applications being processed as at 30 June 2014   | 15           |

## No-action letters

AUSTRAC may consider issuing a 'no-action' letter to a reporting entity when the entity breaches or anticipates a future breach of the AML/CTF Act, and requests that AUSTRAC not take related enforcement or other regulatory action.

The following table shows requests for no-action letters during 2013–14.

| <b>Requests for no-action letters, 2013–14</b>  |              |
|---|--------------|
| <b>Status</b>   | <b>Total</b> |
| Applications being processed as at 30 June 2013                                       | 2            |
| Requests received during 2013–14  | 7            |
| No-action letters issued by AUSTRAC during 2013–14                                    | 0            |
| Requests not granted, not valid, withdrawn or referred to AUSTRAC's Compliance branch | 7            |
| Requests being processed as at 30 June 2014   | 2            |

## Developing AML/CTF Rules

When developing AML/CTF Rules, AUSTRAC consults extensively with industry, partner agencies, AGD, other areas of government, and public interest groups.

AUSTRAC generally releases draft AML/CTF Rules on its website for a four-week consultation period, except those dealing with minor technical amendments. Notifications of draft AML/CTF Rules are published in *AUSTRAC e-news* and are also emailed to interested stakeholders who have subscribed to receive updates.

In 2013–14 AUSTRAC registered 15 AML/CTF Rules relating to matters including:

- customer due diligence
- compliance reporting
- exemptions relating to casinos, managed investment schemes and premium funding loans
- Remittance Sector Register.

## AUSTRAC CASE STUDY

### **AUSTRAC information helped unravel AUD30 million university fraud**

AUSTRAC information helped uncover a criminal network which defrauded a university of more than AUD30 million and laundered the funds to purchase property and racehorses.

Managers at the university conspired with directors of construction companies to arrange the payment of inflated invoices and invoices for construction work that never occurred. The company directors used the profits from the fraud to purchase racehorses and property, and repaid the university managers with kickbacks or shares in racehorses.

Authorities suspected that local accounting firms were laundering the proceeds of the fraud for the suspects. AUSTRAC was asked to analyse suspicious international funds transfer instructions (IFTIs) undertaken by the accounting firms.

AUSTRAC information showed that the firms sent funds to many countries including New Zealand, Canada, Hong Kong and the United States. Most of the funds were sent to companies linked to horse racing. The accounting firms also received a large number of incoming IFTIs, which were similar in value to outgoing funds transfers previously sent overseas. The majority of the incoming transfers came from Hong Kong.

The suspects were arrested and convicted of charges including conspiracy to defraud, obtaining property by deception, theft, aiding and abetting receipt of a secret commission and furnishing false information. The suspects received penalties ranging from fines to six-and-a-half years imprisonment.

**Source:** *AUSTRAC typologies and case studies report 2013*

## ***Australia's financial intelligence unit***

AUSTRAC's financial intelligence unit (FIU) analyses the financial information provided by regulated entities and disseminates this information as value-added intelligence products to its Australian law enforcement, national security, human services and revenue partner agencies. These intelligence products assist in the investigation and prosecution of serious criminal activity, including terrorism financing, organised crime and tax evasion.

AUSTRAC contributes to global efforts to combat money laundering and terrorism financing (ML/TF) and serious organised crime through information exchange with overseas FIUs and regulators, involvement in international anti-money laundering and counter-terrorism financing (AML/CTF) forums, and ongoing monitoring of the effectiveness of Australia's AML/CTF framework to meet international standards.

The agency also supports international AML/CTF initiatives by providing technical assistance and training (TA&T) to FIUs in Asia and the Pacific.

# PERFORMANCE REPORTING

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# COMPONENT 1.1.2

## DELIVERABLES

The following table shows AUSTRAC's performance against each of the Component 1.1.2 deliverables listed in the agency's 2013–14 Portfolio Budget Statements (PBS).

| Program deliverables   | Performance measure  | AUSTRAC's performance in 2013–14   |
|--|--|--|
| <i>High level of database availability</i>   | 97% availability   | <p>In 2013–14 AUSTRAC's database availability was maintained at 99.69% from Monday to Friday, and 96.32% on weekends.</p> <p>The overall availability for 2012–13 was 98.79%.</p>  |
| <i>Promote and support partner agency use of AUSTRAC databases and information</i> | High levels of use of AUSTRAC's Transaction Reports and Analysis Query (TRAQ) System by partner agencies | <p>3,406 registered users from partner agencies had access to the TRAQ database – a 4 per cent increase compared to 2012–13.</p> <p>Partner agency users logged on to TRAQ 199,464 times and conducted 2,027,028 searches (comparable to usage in 2012–13).</p> <p>See page 59 for more information on partner agency use of AUSTRAC's information database.</p> |
| <i>Analysis and dissemination of matters of intelligence interest</i>              | 95% of planned intelligence products disseminated  | <p>Planned number of intelligence disseminations to partner agencies was 1,200 products.</p> <p>Actual number of products disseminated in 2013–14 was 1,314 (or 110% of planned disseminations target).</p>  |



| Program deliverables   | Performance measure  | AUSTRAC's performance in 2013–14   |
|--|--|--|
| <i>Feedback on money laundering and terrorism financing methods and risk to reporting entities<sup>1</sup></i> | Typologies and case studies reports published                                | <p>The <i>AUSTRAC typologies and case studies report 2013</i> was published in December 2013.</p> <p>AUSTRAC's 2014 typologies and case studies report was developed during 2013–14 and will be published in the second half of 2014.</p>  |
| <i>International relationships established and strengthened</i>  | New international exchange instruments signed and relationships strengthened | <p>AUSTRAC entered into four new exchange instruments with the FIUs of Jersey, Vatican City State, Macao, and Peru.</p> <p>AUSTRAC also entered into an exchange instrument with New Zealand AML/CTF regulators.</p> <p>These new agreements brought to 72 AUSTRAC's total number of exchange instruments with foreign counterparts – 70 for the exchange of financial intelligence and two for the exchange of regulatory information.</p> <p>AUSTRAC hosted 10 international delegations in relation to AML/CTF matters.</p> |

<sup>1</sup> The annual AUSTRAC Typologies and Case Studies Report also supports component 1.1.1 objectives to assist industry to meet its obligations through feedback on ML/TF risks.

## COMPONENT 1.1.2

### KEY PERFORMANCE INDICATORS

The following table shows AUSTRAC's performance against each of the Component 1.1.2 key performance indicators listed in the agency's 2013–14 PBS.

| Key performance indicators  | Target  | AUSTRAC's performance in 2013–14   |
|---|---|--|
| <i>Value of AUSTRAC information and financial intelligence to partner agency and taskforce operations</i> | Number and significance of operational matters to which AUSTRAC has contributed | <p>In 2013–14 AUSTRAC information contributed to:</p> <ul style="list-style-type: none"><li>• 20,931 Australian Taxation Office (ATO) cases, resulting in \$358.3 million in tax assessments raised</li><li>• 321 Department of Human Services (Centrelink program) reviews achieving total annualised savings of \$5.7 million</li><li>• 260 significant investigations undertaken by AUSTRAC's other law enforcement, intelligence, human services, regulatory and revenue partner agencies.</li></ul> |
| <i>Increased financial intelligence exchange with counterpart financial intelligence units</i>            | 95% of planned program disseminations achieved                                  | AUSTRAC undertook 301 financial intelligence exchanges with overseas FIUs in 2013–14. This is 151% of the total number of planned disseminations for the year (planned number of disseminations was 200).  |

| Key performance indicators  | Target   | AUSTRAC's performance in 2013–14   |
|---|--|--|
| <i>International technical assistance and training builds capacity of recipient financial intelligence units and other stakeholders to meet international standards</i> | Technical assistance delivered in accordance with program and budget | <p>During 2013–14 AUSTRAC delivered five international assistance programs in the Asian region:</p> <ul style="list-style-type: none"> <li>• PPAATK–AUSTRAC Partnership Program (with Indonesia)</li> <li>• Improving Governance in South East Asia Program (with Cambodia, the Philippines and Thailand)</li> <li>• Developing Economic Security in Pakistan Program</li> <li>• Strengthening AML/CTF Regulation in South Asia Program (with Bangladesh, Sri Lanka and Nepal)</li> <li>• Indonesian Alternative Remittance and Cash Couriers Program (with Indonesia).</li> </ul> <p>AUSTRAC delivered all technical assistance programs in accordance with its planned programs and budgets for 2013–14.</p> <p>See page 83 for more information about AUSTRAC's international technical assistance and training activities.</p> |

## SECTION 1:

# DISSEMINATION OF AUSTRAC INFORMATION AND INTELLIGENCE RESEARCH AND ANALYSIS

### *Developing and maintaining effective relationships with partner agencies*

As Australia's FIU, AUSTRAC provides financial information to a wide range of Commonwealth, state and territory partner agencies. These agencies, which span law enforcement, intelligence, human services, regulatory and revenue agencies, use AUSTRAC information in their investigations and operations into serious and organised crime.

AUSTRAC also exchanges financial intelligence with international counterparts in support of investigations in Australia and overseas.

### **Memorandums of understanding with partner agencies**

AUSTRAC has memorandums of understanding (MOUs) with its domestic partner agencies which provide a comprehensive framework for their access to, and use of, AUSTRAC information.

The AUSTRAC CEO also issues instruments of authorisation (IOAs) to partner agencies which allow partner agency officials access to AUSTRAC information under the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (AML/CTF Act). Throughout 2013–14 AUSTRAC amended its information exchange arrangements as necessary to maintain effective partner agency access to and use of AUSTRAC information.

In addition to updating existing MOUs and IOAs, AUSTRAC signed two new MOUs during 2013–14, with the Australian Signals Directorate (formerly the Defence Signals Directorate) in August 2013 and the Department of Human Services in September 2013.

In 2013 the *Crimes Legislation Amendment (Law Enforcement Integrity, Vulnerable Witness Protection and Other Measures) Act 2013* added the Clean Energy Regulator and the Integrity Commission of Tasmania as new 'designated agencies' under the AML/CTF Act. During 2013–14 AUSTRAC provided IOAs to these agencies allowing them to access AUSTRAC information. AUSTRAC will develop MOUs with these two agencies as part of a wider review of its partner agency MOUs.

Significant upgrades to AUSTRAC's intelligence data systems under the Enhanced Analytical Capability (EAC) project will result in new data access capabilities for AUSTRAC's partner agencies in 2014–15. The new system will be known as 'AUSTRAC Intelligence' (AI). AUSTRAC will review and update its MOUs with all partner agencies to reflect these new capabilities. The updated MOUs will also include strengthened provisions relating to auditing partner agency use of AUSTRAC data and feedback from partner agencies. In 2013–14 AUSTRAC commenced consultation with partner agencies on the MOU review and the agency will progressively update its MOUs throughout 2014–15.

## Partner agency access to AUSTRAC information

In 2013–14 AUSTRAC stored its database of financial intelligence within the TRAQ system, which will be replaced by the new AI system in 2014–15. Authorised partner agency personnel access this information online through the TRAQ Enquiry System (TES) according to the terms set out in their agency's MOU and IOA with AUSTRAC. The IOA governs the number of personnel from each agency permitted to use TES and the level of access granted to each user.

At 30 June 2014 there were 3,406 registered partner agency personnel with online access to AUSTRAC information through TES, compared to 3,272 at 30 June 2013.

Partner agency users logged on to the database to access financial information on 199,464 occasions during 2013–14 and conducted a total of 2,027,028 TES searches. This is similar to TES access levels during 2012–13, representing a four per cent increase in logons and a two per cent decrease in searches.

In 2013–14 AUSTRAC continued to work with partner agencies to monitor and audit their access to the AUSTRAC database using TES's 'reason for access' function. This function enables partner agency users to record the reasons they conduct specific searches. Monthly and quarterly reporting notifies partner agencies of their TES usage trends.

AUSTRAC commenced an audit of selected partner agencies' records to examine how they accessed AUSTRAC information and disseminated that information to other agencies. This work will help address a 2013 recommendation by the Australian National Audit Office (ANAO) that AUSTRAC strengthen the management and protection of the agency's sensitive data and intelligence assets. In 2014–15 the introduction of AUSTRAC's new AI system and AUSTRAC's planned update of MOUs with partner agencies will introduce strengthened safeguards around the use and dissemination of AUSTRAC data and intelligence.

**Number of users with online access to AUSTRAC information, 30 June 2014**

| <b>Registered users</b>   | <i>30 June<br/>2010</i> | <i>30 June<br/>2011</i> | <i>30 June<br/>2012</i> | <i>30 June<br/>2013</i> | <i>30 June<br/>2014</i> |
|---|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| ATO   | 1,499                   | 1,587                   | 1,486                   | 1,461                   | <b>1,466</b>            |
| Australian Government law enforcement, intelligence and regulatory agencies | 1,017                   | 1,089                   | 1,115                   | 1,123                   | <b>1,223</b>            |
| Department of Human Services*, DIBP and DFAT**                              | 153                     | 170                     | 186                     | 172                     | <b>189</b>              |
| State and territory law enforcement agencies                                | 404                     | 417                     | 477                     | 516                     | <b>526</b>              |
| State and territory revenue agencies  | 8                       | 2                       | 2                       | 0                       | <b>2</b>                |
| <b>Partner agency totals</b>  | <b>3,081</b>            | <b>3,265</b>            | <b>3,266</b>            | <b>3,272</b>            | <b>3,406</b>            |
| AUSTRAC***  | 189                     | 167                     | 176                     | 146                     | <b>143</b>              |
| <b>Total</b>  | <b>3,270</b>            | <b>3,432</b>            | <b>3,442</b>            | <b>3,418</b>            | <b>3,549</b>            |

\* Includes the Centrelink and Child Support programs

\*\* DFAT gained access to AUSTRAC information in 2011–12

\*\*\* AUSTRAC staff access the AUSTRAC database for intelligence and regulatory purposes

**DIBP** Department of Immigration and Border Protection

**DFAT** Department of Foreign Affairs and Trade

| <i>Total logons and TES searching activity, 2013–14</i>  |                |                           |                          |                           |                                 |
|--|----------------|---------------------------|--------------------------|---------------------------|---------------------------------|
| <b>Agency</b>  | <i>Logons</i>  | <i>TES total searches</i> | <i>TES name searches</i> | <i>TES other searches</i> | <i>Bulk macro data searches</i> |
| ATO  | 61,034         | 425,781                   | 138,339                  | 287,442                   | 1,302                           |
| Australian Government law enforcement, intelligence and regulatory agencies  | 93,149         | 1,059,732                 | 274,769                  | 784,963                   | 6,241                           |
| Department of Human Services*, DIBP and DFAT**   | 24,196         | 325,512                   | 97,617                   | 227,895                   | 3                               |
| State and territory law enforcement agencies   | 21,063         | 215,680                   | 57,238                   | 158,442                   | 13                              |
| State and territory revenue agencies   | 22             | 323                       | 125                      | 198                       | 0                               |
| <b>Partner agency totals</b>   | <b>199,464</b> | <b>2,027,028</b>          | <b>568,088</b>           | <b>1,458,940</b>          | <b>7,559</b>                    |
| AUSTRAC***   | 31,576         | 1,090,880                 | 46,780                   | 1,044,100                 | 14,523                          |
| <b>Total</b>   | <b>231,040</b> | <b>3,117,908</b>          | <b>614,838</b>           | <b>2,503,040</b>          | <b>22,082</b>                   |
| <p>* Includes the Centrelink and Child Support programs</p> <p>** DFAT gained access to AUSTRAC information in 2011–12</p> <p>*** AUSTRAC staff access the AUSTRAC database for intelligence and regulatory purposes</p> <p><b>DIBP</b> Department of Immigration and Border Protection</p> <p><b>DFAT</b> Department of Foreign Affairs and Trade</p> |                |                           |                          |                           |                                 |

## Analytical support for partner agencies

AUSTRAC analysts support partner agencies through the analysis and dissemination of financial intelligence. AUSTRAC maintains a network of AUSTRAC senior liaison officers (ASLOs), who promote the effective and efficient use of AUSTRAC information and intelligence by partner agencies.

ASLOs are outposted to partner agencies in most capital cities, where they build and maintain relationships with partner agency personnel and provide on-site support, including financial intelligence analysis and training in using the AUSTRAC database.

During 2013–14 AUSTRAC ASLOs were outposted to the Australian Federal Police (AFP), Australian Customs and Border Protection Service, the Australian Crime Commission (ACC), the NSW Crime Commission and state police forces.

ASLOs work with individual partner agencies and as part of national and state-based task forces on a range of matters relating to serious and organised crime, terrorism financing and tax evasion. This annual report includes a number of 'AUSTRAC case studies' as examples of the types of partner agency investigations to which ASLOs and AUSTRAC information regularly contribute.

## Education and training support for partner agencies

In 2013–14 AUSTRAC staff conducted 144 training sessions for more than 400 participants from various partner agencies. These sessions included fundamental, intermediate and advanced levels of TES training. They included a new e-learning course for new users of AUSTRAC information, which covered the agency's role and the legislation that governs access to and use of AUSTRAC information. More than 680 new TES users completed the online training in 2013–14.

AUSTRAC collects feedback from partner agencies to assess the relevance of the training support it provides. During 2013–14, 97 per cent of respondents said they would apply AUSTRAC training in their work and would recommend the training to their colleagues.

The agency delivered a further 36 awareness sessions to partner agency officers about AUSTRAC's functions and intelligence capabilities. AUSTRAC continued to work with its partners on initiatives such as the AFP's Money Laundering Investigators Program and Financial Enquiries Awareness Program. AUSTRAC also supported the national intelligence community's regular orientation courses with presentations on the role and functions of AUSTRAC.

During the year AUSTRAC held ten Regional Intelligence Meetings with partner agencies. These meetings allow AUSTRAC to share information about current criminal methodologies, targeting opportunities and analytical techniques.

In late 2013 AUSTRAC's intelligence and regulatory compliance functions hosted a workshop with AUSTRAC's domestic partner agencies to strengthen strategic engagement between the agencies and explore how AUSTRAC could further support their work.

## Committees and taskforces

During 2013–14 AUSTRAC participated in a number of cross-agency task forces and committees:

- Project Wickenby, which is led by the ATO (see the text box below for more information on Project Wickenby)
- Eligo National Task Force, an ACC-led task force to address criminal vulnerabilities within the remittance sector (see page 64 for more information on this task force)



- National Border Targeting Centre governance committees and working groups – the centre, which is hosted by the Australian Customs and Border Protection Service, analyses and targets high-risk passengers and cargo to detect/prevent illicit commodities/people entering Australia
- ACC-led National Criminal Intelligence Fusion Capability, incorporating the Financial Intelligence Assessment Team hosted by the ACC
- Taskforce Galilee, an ACC-led task force investigating serious and organised investment fraud
- Project Tricord and Operation Polo, targeting organised crime syndicates operating in Western Australia
- Taskforce Attero, a national task force coordinated by the ACC targeting the Rebels outlaw motorcycle gang
- AFP-hosted Terrorism Financing Investigations Unit
- border security activities, including the Border Management Group of the Customs and Border Protection Service and various multi-agency waterfront task forces
- the Heads of Commonwealth Operational Law Enforcement Agencies (HOCOLEA) state-based joint management groups, joint analysts committees and analyst meetings.

AUSTRAC also contributed to Australia's sanctions regime by supporting DFAT in monitoring industry compliance with restrictions on transactions with Iran imposed under the AML/CTF regulations.

In 2013–14 AUSTRAC's Intelligence Oversight Committee held annual strategic priority meetings with senior executive officers from key partner agencies such as the ATO, AFP, ACC, Australian Customs and Border Protection Service and the NSW Crime Commission. AUSTRAC and its partners discussed priorities for the use of financial intelligence and explored opportunities to capitalise on joint areas of interest.

### ***AUSTRAC and Project Wickenby***

Project Wickenby is a multi-agency task force to prevent people from promoting and participating in the abusive use of tax secrecy jurisdictions.

AUSTRAC contributes financial intelligence to the project and contributes to the project's governance and steering committees, including the Project Wickenby Legal Risk Working Group. During 2013–14 AUSTRAC disseminated 45 intelligence reports to its Project Wickenby partner agencies.

In 2013–14 AUSTRAC released data highlighting the effectiveness of Project Wickenby in exposing the abuse of overseas tax secrecy jurisdictions.

Since 2007–08 the flow of funds between Australia and the 13 tax secrecy jurisdictions of interest to the task force followed a trend of more funds flowing into and less funds flowing out of Australia.

AUSTRAC figures for 2012–13 show less money was sent from Australia to overseas tax secrecy jurisdictions such as Vanuatu, Liechtenstein and Jersey than was sent five years ago.

See [www.austrac.gov.au/project\\_wickenby.html](http://www.austrac.gov.au/project_wickenby.html) for more information on Project Wickenby.

### ***AUSTRAC and the Eligo National Task Force***

AUSTRAC and the ACC are partners in the multi-agency Taskforce Eligo, which addresses money laundering vulnerabilities within the remittance sector. The task force complements AUSTRAC's ongoing activities to increase AML/CTF awareness and professionalism within the sector.

In 2013–14 AUSTRAC supported its partner agency operations with relevant financial intelligence, led engagement with industry and, where appropriate, used its regulatory powers to take enforcement action in relation to high-risk remitters.

ACC figures show that, since it began in December 2012, the task force has achieved significant law enforcement outcomes, including:

- the seizure of more than \$37 million cash
- the seizure of illicit drugs with a combined estimated street value of more than \$642 million
- the seizure of more than \$30 million worth of assets and the referral of more than 150 entities to the ATO for suspected money laundering and tax evasion
- the disruption of 25 serious and organised criminal groups/networks
- the arrests of 167 people on 362 charges, including many serious drug offence.

See [www.austrac.gov.au/joint\\_task\\_forces.html](http://www.austrac.gov.au/joint_task_forces.html) for more information on Task Force Eligo.

## ***Contributing to partner agency investigations through AUSTRAC information***

In 2013–14 AUSTRAC received more than 91 million transaction reports and reports of suspicious matters from regulated entities and partner agencies. AUSTRAC intelligence analysts use this information to produce a range of intelligence products for dissemination to partner agencies to assist their investigations. These products combine AUSTRAC information with further analysis undertaken by the agency on specific suspects and patterns of activity.

Under section 49 of the AML/CTF Act, AUSTRAC can give notice to a reporting entity or other person, requiring them to provide further information about a transaction or suspicious matter report (SMR) submitted to AUSTRAC. In 2013–14 AUSTRAC issued two such notices to obtain further information to assist its financial intelligence analyses.

### **Intelligence report disseminations**

The dissemination of intelligence reports to partner agencies may be triggered by detections by AUSTRAC's monitoring systems, requests from partner agencies, information referred to intelligence analysts from other AUSTRAC business units, information disclosures from international FIUs, or result from proactive AUSTRAC disseminations relevant to partner agency areas of interest.

AUSTRAC's production and dissemination of intelligence reports is informed by key partner agency and whole-of-government priorities. AUSTRAC's intelligence priorities for 2013–14 included continuing to strengthen its understanding of ML/TF threats and enhancing its financial intelligence capabilities and systems.

AUSTRAC produced 752 individual intelligence reports in 2013–14 and made 1,314 disseminations to partner agencies. As well as being disseminated to relevant partner agencies, these intelligence reports contribute to the repository of financial intelligence held by AUSTRAC.

## Disseminations of intelligence reports to partner agencies, 2013–14

| Partner agency                                      | Total number of reports |  |
|---|-------------------------|--|
| Australian Federal Police                           | 449                     |  |
| Australian Crime Commission                         | 201                     |  |
| Australian Taxation Office                          | 186                     |  |
| Australian Customs and Border Protection Service    | 126                     |  |
| Western Australia Police                            | 54                      |  |
| New South Wales Police Force                        | 51                      |  |
| Queensland Police Service                           | 48                      |  |
| Department of Immigration and Border Protection #   | 46                      |  |
| Victoria Police Service                             | 34                      |  |
| Department of Foreign Affairs and Trade             | 18                      |  |
| Australian Securities and Investments Commission    | 18                      |  |
| South Australia Police Service                      | 16                      |  |
| Department of Human Services ^                      | 15                      |  |
| New South Wales Crime Commission                    | 12                      |  |
| Australian Security Intelligence Organisation       | 6                       |  |
| Northern Territory Police Service                   | 5                       |  |
| Australian Crime Commission FIAT                    | 4                       |  |
| Corruption and Crime Commission (WA)                | 4                       |  |
| Defence Intelligence Organisation                   | 4                       |  |
| Crime and Corruption Commission (Qld) *             | 4                       |  |
| Office of State Revenue (NSW)                       | 2                       |  |
| Office of State Revenue (Queensland)                | 2                       |  |
| Foreign Investment Policy Division, Treasury        | 2                       |  |
| Australian Commission for Law Enforcement Integrity | 2                       |  |
| Tasmania Police Service                             | 1                       |  |
| Independent Commission Against Corruption           | 1                       |  |
| Office of National Assessments                      | 1                       |  |
| State Revenue Office Victoria                       | 1                       |  |
| Australian Competition and Consumer Commission      | 1                       |  |
| <b>Total</b>  | <b>1,314</b>            |  |

# The Department of Immigration and Citizenship changed its name to the Department of Immigration and Border Protection on 18 September 2013.

^ Includes results for the department's Centrelink program.

\* The Queensland Crime and Misconduct Commission changed its name to the Crime and Corruption Commission on 1 July 2014.

## AUSTRAC CASE STUDY

### AUSTRAC information revealed complex 'round robin' tax evasion scheme

AUSTRAC information helped uncover a complex tax evasion scheme which used overseas company bank accounts to evade approximately AUD750,000 tax.

Enquiries revealed that suspect A was the sole director and shareholder of companies X and Y, and suspect B was the sole director and shareholder of company Z.

The suspects transferred funds to company bank accounts in New Zealand, fraudulently describing the transfers as payments for 'management and consultancy fees'. False invoices were created for the fictitious expenses.

The expenses were claimed as deductible expenses by companies X, Y and Z, thereby fraudulently reducing the companies' taxable income and tax liability.

A complicit accountant based in Vanuatu then transferred the funds back into the suspects' personal bank accounts in Australia, disguising the transfers as international loans. The funds were transferred using a series of 'round robin' international transactions, through accounts held by various companies owned and operated by the accountant.

Suspects A and B were sentenced to three years imprisonment for their role in the scheme. They were also liable to pay penalties and interest to the Australian Taxation Office of more than AUD1 million and AUD900,000 respectively.

The Vanuatu-based accountant was arrested while visiting Australia. He was convicted of conspiring to defraud the Commonwealth and sentenced to eight years and 11 months imprisonment.

**Source:** AUSTRAC typologies and case studies report 2013

In 2014–15 AUSTRAC's new AI system will provide the agency with more sophisticated tools for managing and analysing the large volume of financial data its receives. The AI system will also improve AUSTRAC's capability for monitoring and reporting on the processing of data and generation of intelligence assessments.

AUSTRAC also received requests for information from Commonwealth agencies that were not 'designated agencies' under the AML/CTF Act. Section 129 of the AML/CTF Act allows AUSTRAC to respond to these requests and provide information to assist those agencies with an investigation, or a proposed investigation, of a possible breach of Commonwealth law.

In 2013–14 AUSTRAC received and responded to five requests for information from three non-designated government agencies.

#### AUSTRAC intelligence disseminations to Commonwealth agencies under section 129 of the AML/CTF Act, 2013–14

| Agency/<br>department                             | Suspected<br>offence  |
|---|---|
| Department of Agriculture, Forestry and Fisheries | Offences under the <i>Quarantine Act 1908</i>   |
| Clean Energy Regulator                            | Money laundering  |
| Department of the Environment                     | Offences under the <i>Environment Protection and Biodiversity Conservation Act 1999</i> |

## Suspicious matter and suspect transaction reports

Under the AML/CTF Act and the *Financial Transaction Reports Act 1988* (FTR Act), regulated entities are required to report suspicious matters or transactions which may relate to offences against a Commonwealth, state or territory law.

These reports often detail customer activity and information not captured in other financial transaction report types collected by AUSTRAC and are an essential source of intelligence for AUSTRAC and its partner agencies.

In 2013–14 AUSTRAC's reporting entities submitted a total of 64,076 reports of suspicious matters or transactions, a 45 per cent increase compared to 2012–13. This total comprises SMRs submitted under the AML/CTF Act and a small number of suspect transaction reports (SUSTRs) submitted under the FTR Act.

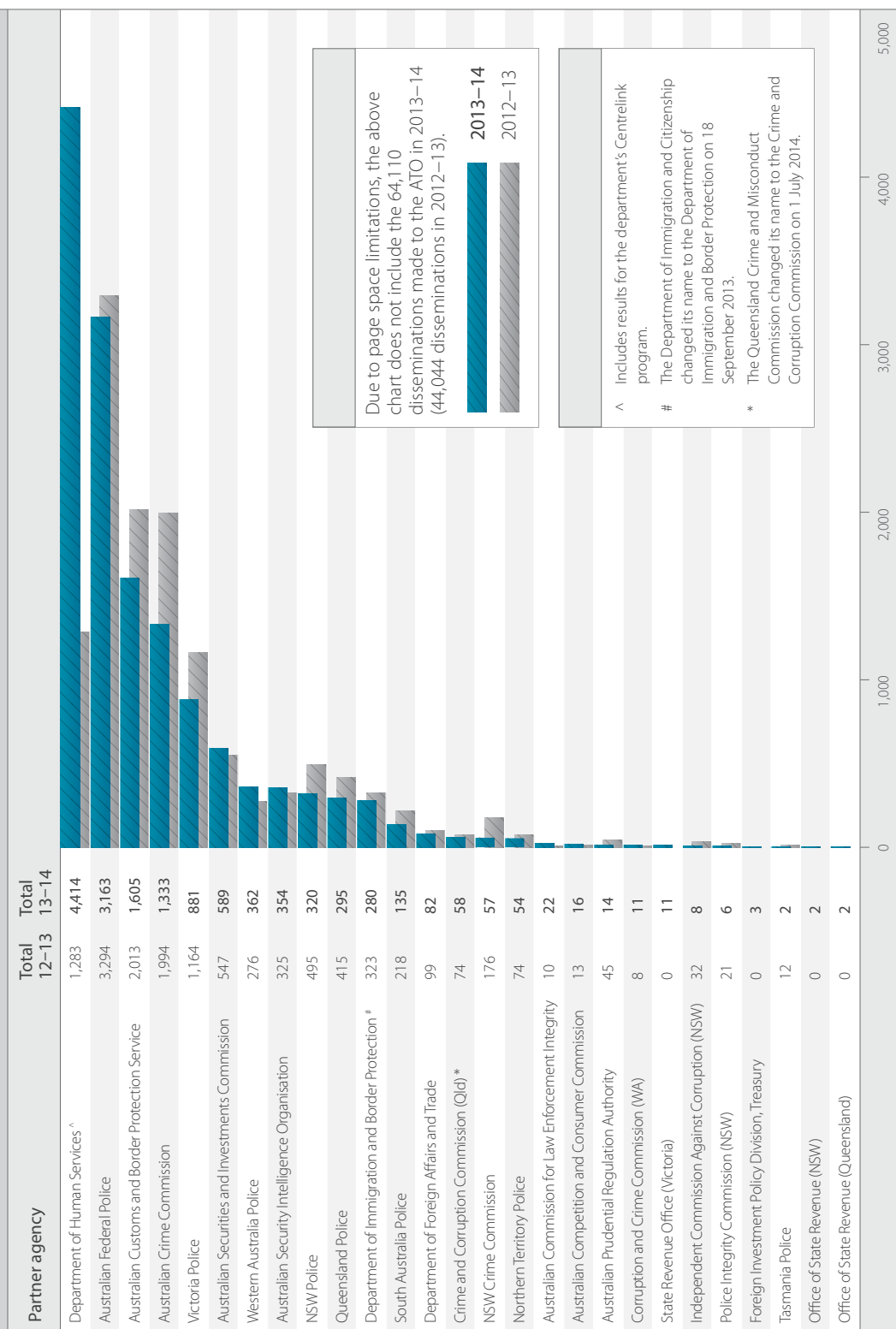
AUSTRAC disseminates these reports to relevant partner agencies to contribute to their broader operational priorities, as well as to specific investigations. AUSTRAC disseminated 78,189 SMRs/SUSTRs to partner agencies in 2013–14. This is a 37 per cent increase in the number of disseminations in 2012–13, and reflects the large overall increase in the volume of SMRs/SUSTRs the agency received during 2013–14.

Significant increases in SMR/SUSTR disseminations to individual agencies reflect increased engagement between AUSTRAC and the agency in relation to specific task forces and priority investigations during the year, the resolution of certain investigations and changes to whole-of-government and partner agency priorities.

AUSTRAC disseminates SMRs proactively according to partner agency priorities and reactively in response to partner agency requests. A single report may be disseminated to multiple agencies. Reports received in previous years may also be disseminated in response to partner agency requests or in association with other financial intelligence products.

The chart on page 68 details the dissemination of SMRs/SUSTRs to partner agencies in 2013–14 in comparison to 2012–13. Due to space limitations, disseminations to the ATO are omitted from the chart. The ATO is entitled under the AML/CTF Act to access AUSTRAC information for any purpose relating to the facilitation of the administration or enforcement of a taxation law. Therefore, AUSTRAC automatically disseminates most SMRs/SUSTRs to the ATO. During 2013–14 AUSTRAC disseminated 64,110 reports to the ATO, compared to 44,044 reports in 2012–13.

## AUSTRAC dissemination of SUSTRs/SMRs to partner agencies, 2012-13 and 2013-14 (not including the ATO)



## Suspect reports analysis

AUSTRAC's intelligence systems disseminate SMRs and SUSTRs to partner agencies using a combination of automated analysis and manual assessments made by AUSTRAC analysts.

AUSTRAC's automated analysis uses a series of 'rules' to categorise reports of suspicious activity. These rules focus on aspects of SMRs/SUSTRs (such as 'suspect activity type') and key words that are relevant to whole-of-government and partner agency priorities.

AUSTRAC regularly reviews the business rules it uses to categorise reports of suspicious activity. Such reviews incorporate feedback from partner agencies about the effectiveness of the existing rules. Annual changes in particular suspect activity types can indicate changing trends in money laundering, terrorism financing and serious crime and changes in internal processes to deal with increasing volumes of reports.

For example, matters that may be of interest to the Department of Human Services were automatically disseminated to the department based on new rules implemented during the 2013–14. This change in process in 2013–14 is reflected in the significant increase in disseminations to the department shown in the dissemination of SUSTRs/SMRs table on page 68.

In 2013–14 there was also a notable increase in the suspect activity types 'Refusal to show ID/complete cash transaction report', which can be attributed to the tightening of third-party threshold cash transaction report reporting obligations from 2011 onwards (see table on pages 70–1).

## Offence types and reasons for suspicion reported in SMRs

The AML/CTF Act requires reporting entities to indicate within each SMR they submit to AUSTRAC the suspected offence underpinning the SMR (the 'offence type') as well as their 'reason for suspicion' (see pages 72–3).

In 2013–14 there was a significant increase in the number of SMRs submitted relating to the offence types 'Offence against a Commonwealth, state or territory law' and 'Financing of terrorism'. There was also a 64 per cent increase in SMRs that reported 'Country/jurisdiction risk' as the 'Reason for suspicion'. These increases reflect reporting entities' increased awareness of events occurring overseas that are relevant to Australia.

## AUSTRAC CASE STUDY

### Investors lost \$82 million in Ponzi investment scheme

AUSTRAC information assisted an investigation into an investment company suspected of running a Ponzi scheme. Ultimately, the company collapsed, owing investors more than AUD82 million.

The company's two directors promised investors a return on investment of up to 70 per cent. They told investors their funds were being invested in high-risk shares, foreign exchange and commodity markets. However, the newly invested funds were instead used to pay dividends to the company's earlier investors. The two directors also spent funds on personal expenses, including home renovations, cars and yachts.

Typically, investors transferred funds into the investment fund via internet banking or through direct deposits into accounts linked to the company. More than 250 people, from Australia and overseas, invested amounts ranging from AUD10,000 to AUD5 million.

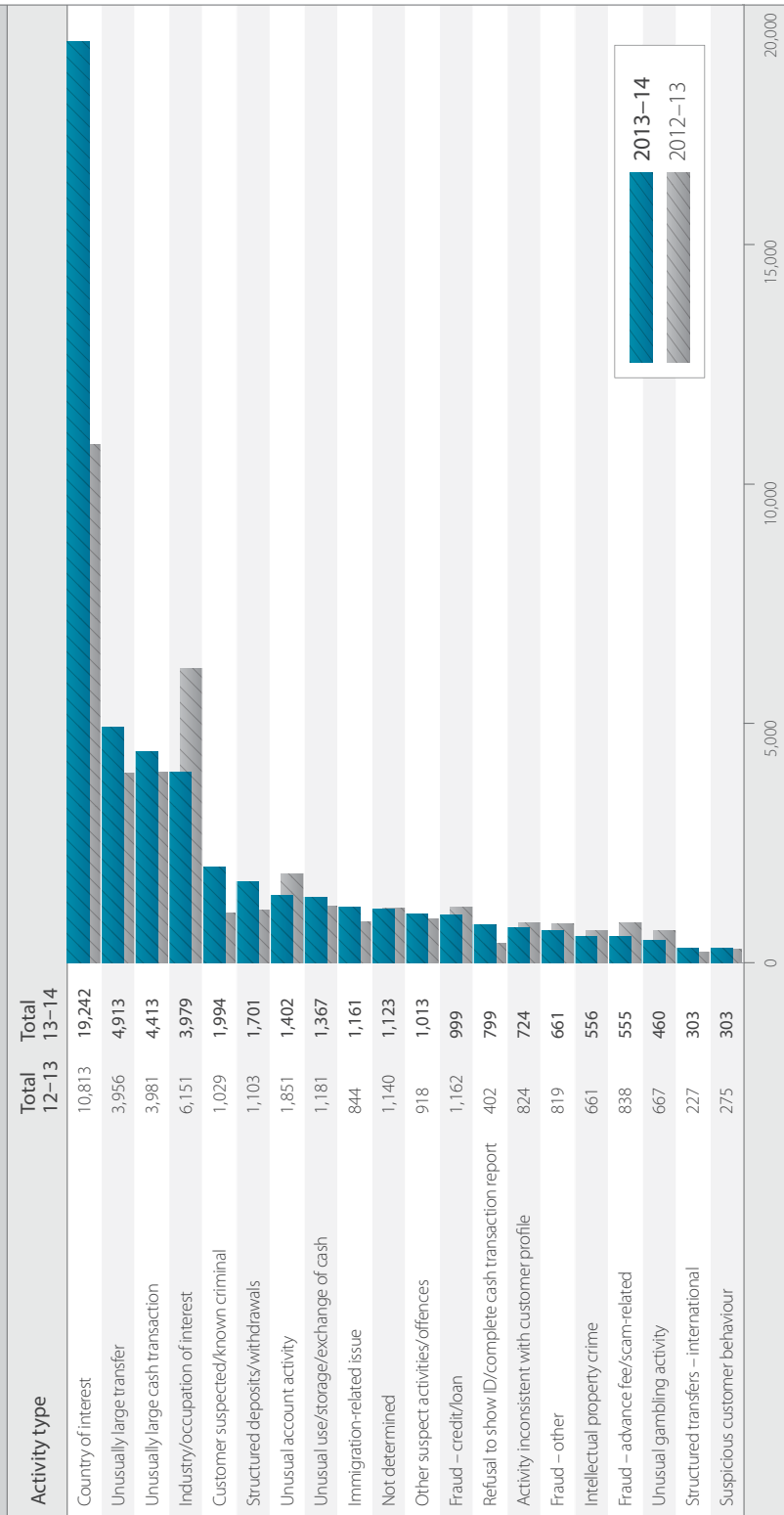
AUSTRAC received suspect transaction reports (SUSTRs) about the director's activities, including the lodgement of fraudulent loan applications. Another SUSTR detailed how an associate of one of the directors had opened an account over which the director held the power of attorney. Subsequently, the director began undertaking transactions through the account as if it were his own.

When the investment company collapsed, the two directors faced 243 criminal charges between them, including carrying on a financial services business without a license, engaging in dishonest conduct and using false documents.

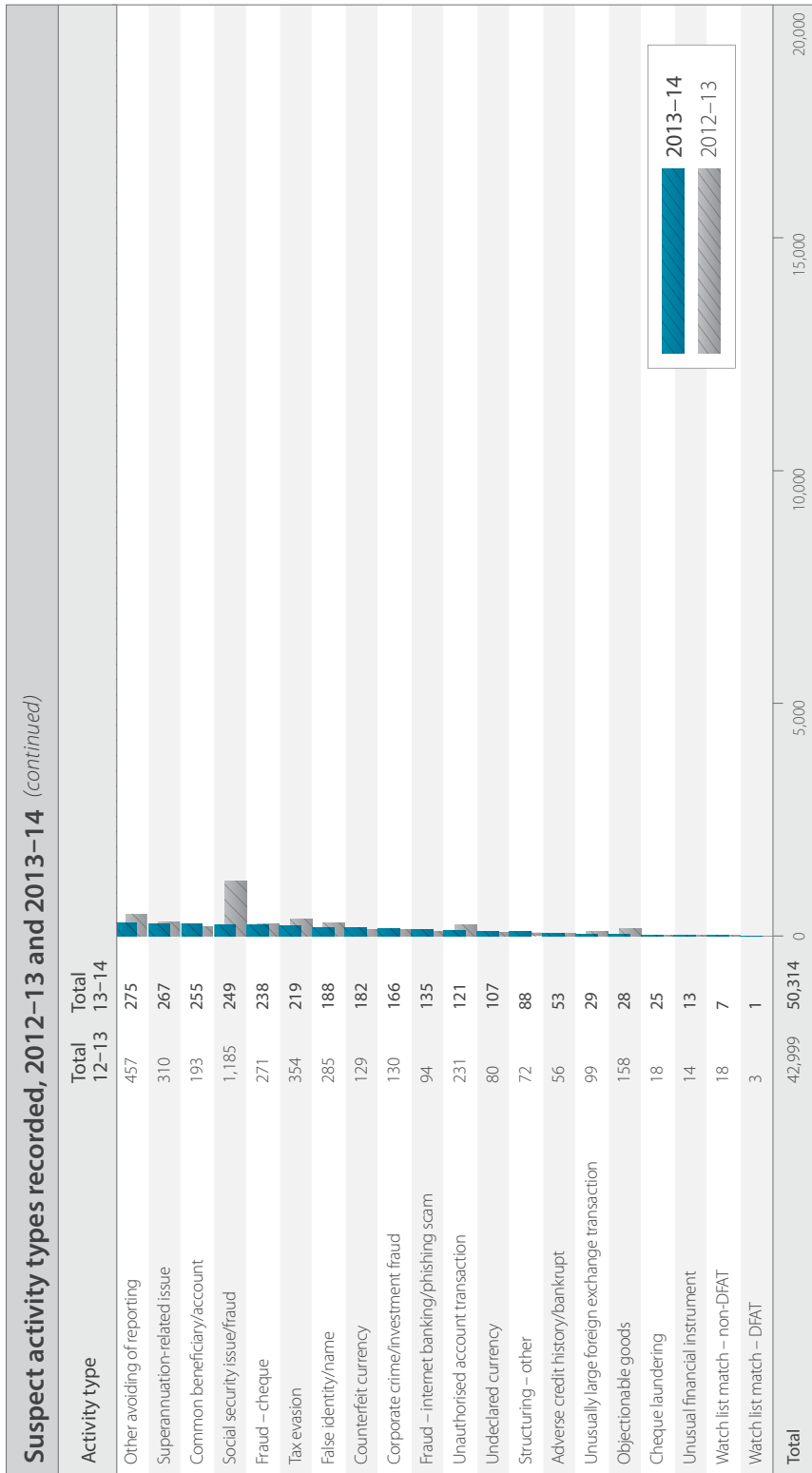
One of the directors was sentenced to jail for 13 years and nine months, while the other was sentenced to two years and seven months imprisonment.

**Source:** AUSTRAC typologies and case studies report 2013

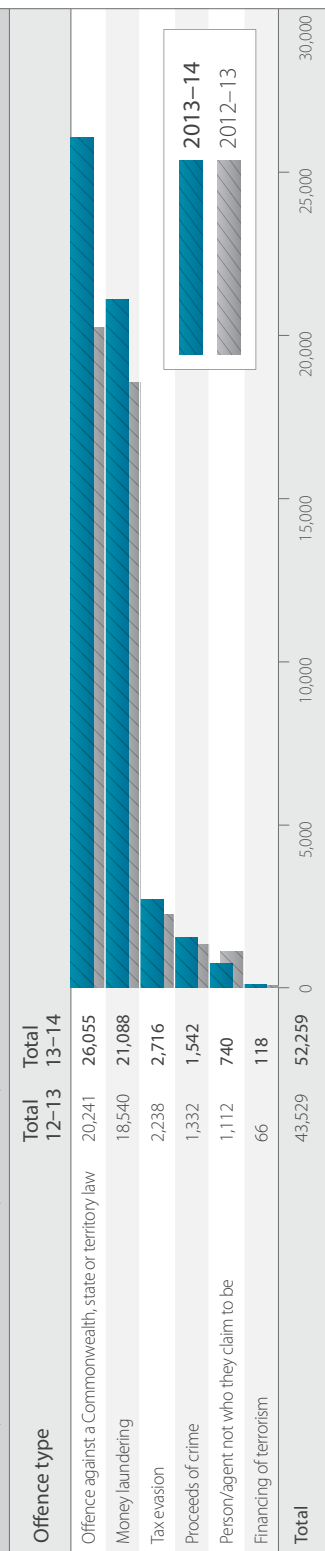
## Suspect activity types recorded, 2012–13 and 2013–14



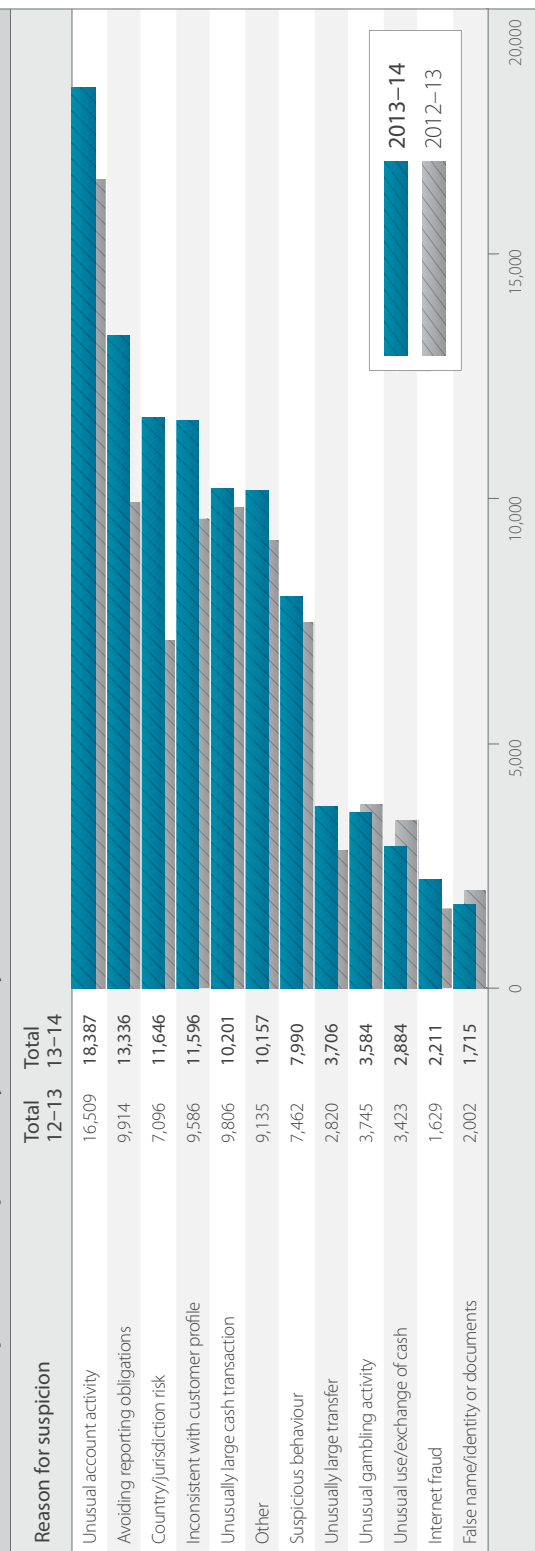


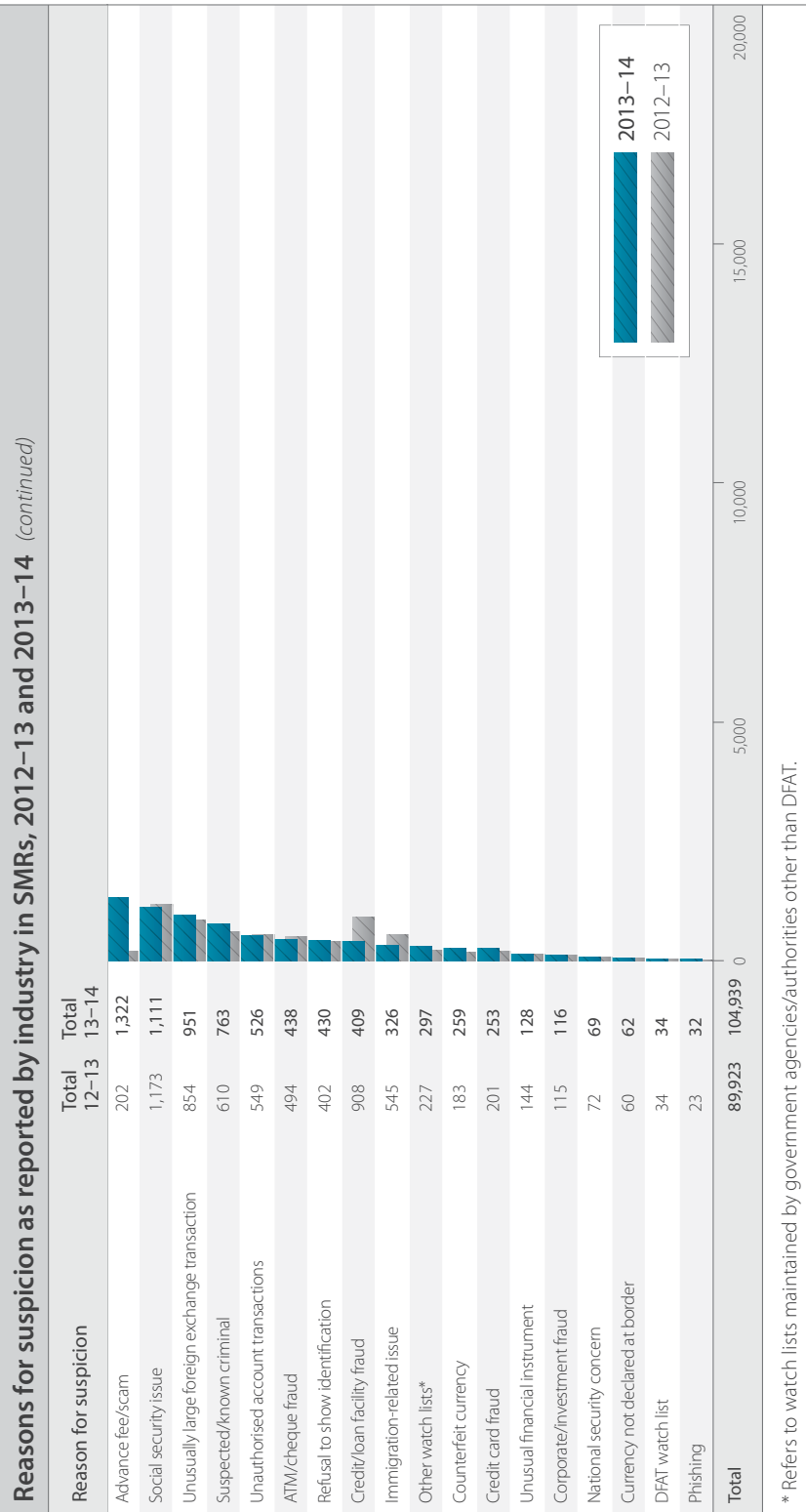


## Offence type as reported by industry in SMRs, 2012–13 and 2013–14



## Reasons for suspicion as reported by industry in SMRs, 2012–13 and 2013–14





## Feedback from partner agencies

In 2013–14 AUSTRAC information directly assisted a wide range of partner agencies in their investigations and operations.

- The ATO used AUSTRAC information to identify suspected tax avoidance, including abuse of overseas tax and secrecy havens. During 2013–14 AUSTRAC information contributed to 20,931 ATO cases resulting in \$358.3 million in tax assessments raised.
- The Department of Human Services' Centrelink program uses AUSTRAC information to support its compliance activity. During 2013–14 AUSTRAC information contributed to 321 Centrelink reviews achieving total annualised savings of \$5.7 million.
- AUSTRAC information contributed to 260 significant investigations undertaken by AUSTRAC's other law enforcement, intelligence, human services, regulatory and revenue partner agencies.

In response to a recommendation within the 2013 ANAO audit report of AUSTRAC's intelligence function, AUSTRAC engaged an external research firm to undertake a survey of its partner agencies to gather additional feedback on the value of AUSTRAC intelligence. The survey, which included an online survey and in-depth interviews, concluded in October 2013. It found that AUSTRAC's intelligence and services were greatly valued by key partner agencies for their timeliness, relevance and quality. In particular:

- the majority of respondents used or received an AUSTRAC product/service at least weekly
- 97 per cent of partner agency operational staff and 93 per cent of managerial staff reported being satisfied with AUSTRAC's products and services.

In 2013–14 AUSTRAC continued reviewing the key performance indicators and targets for both its intelligence and regulatory functions. A focus of the review is the development of performance indicators which will more closely reflect the intelligence contribution AUSTRAC makes to the work of its domestic and international partners.

## Matching AUSTRAC data with partner agency intelligence

AUSTRAC facilitates data matching activities with partner agencies to help identify individuals involved in matters under investigation. Such activities match information held by the partner agency with names, addresses, account numbers or identification numbers held by AUSTRAC. This process can reveal previously unidentified patterns of financial transactions and help analysts establish links between entities and individuals.

In 2013–14 AUSTRAC matched AUSTRAC information with ATO data to assist it in detecting instances of undeclared income, high-risk 'non-lodgers', offshore accounts in overseas secrecy jurisdictions and serious taxation non-compliance. Law enforcement and other agencies also data match AUSTRAC information to detect and prioritise potential instances of criminality or unusual financial behaviour requiring further investigation.

During the year AUSTRAC also undertook data matching activities with the Customs and Border Protection Service, the AFP, the ACC, the Department of Immigration and Border Protection and Queensland Police.

In accordance with the Office of the Australian Information Commissioner's (OAIC) data matching guidelines, in 2013–14 AUSTRAC used a program protocol which describes the security safeguards in place to protect data within the AUSTRAC database. The protocol sets out the time limits for the retention and use of AUSTRAC data. AUSTRAC's program protocol is available on the agency's website at: [www.austrac.gov.au/files/autosearch\\_protocol.pdf](http://www.austrac.gov.au/files/autosearch_protocol.pdf).

In June 2014 the OAIC released revised data matching guidelines for Australian Government agencies. AUSTRAC will take the revised guidelines into account in its future data matching activities.

## Enhancing the effectiveness of the financial intelligence unit

A recent major undertaking for AUSTRAC has been the development of the agency's new AI system. This new system will provide AUSTRAC and partner agency users with sophisticated tools to analyse AUSTRAC's financial transaction database and deliver timelier and higher-value financial intelligence.

In 2013–14 AUSTRAC deferred some planned delivery time frames for the AI system to accommodate the establishment of the agency's new data centre, which was finalised in May 2014. AI is scheduled to begin its internal deployment to AUSTRAC staff in late 2014, with deployment to partner agencies planned to begin soon after and continue through to the end of 2015.

AUSTRAC's Money Laundering Criminal Targeting team was established in 2012 to develop sophisticated automated monitoring profiles for use within the AI system. During 2013–14 the team continued to research and develop new monitoring profiles for inclusion in the finished AI system. Prototypes of the new monitoring profiles were fully automated and disseminated for internal and external review, consultation and validation, in preparation for their integration into the new AI system in 2014–15.

In July 2013, a joint AUSTRAC–RMIT University 'Data Mining Complex Transactional and Organised Crime Networks' research project commenced. The project, which is funded under the Australian Research Council Linkage Projects scheme until December 2015, will enhance AUSTRAC's ability to analyse financial and other intelligence to detect criminal networks.

## **Strategic research and analysis into money laundering and terrorism financing**

AUSTRAC undertakes research and produces strategic intelligence on ML/TF risks and emerging threats to inform industry and government partner agencies. AUSTRAC also disseminates some of its intelligence products to its counterpart FIUs overseas.

In 2013–14 AUSTRAC completed Australia's first classified National Risk Assessment on terrorism financing and disseminated it to select domestic and international partners. The assessment is based on intelligence and analysis AUSTRAC gathered with assistance from key partner agencies, particularly the AFP.

The risk assessment is a major contribution to strengthening Australia's counter-terrorism efforts and meeting international obligations to identify, assess and understand terrorism financing risks and vulnerabilities.

A sanitised report based on the risk assessment will be released to the public in the second half of 2014. The public report is designed to improve industry and public awareness of Australia's terrorism financing risks and strengthen the nation's defences against this threat

AUSTRAC also supported international AML/CTF efforts by contributing its research and analysis to international bodies, including the Financial Action Task Force (FATF), Egmont and Asia/Pacific Group (APG) working groups. AUSTRAC contributed its expertise to:

- research projects on digital currencies, financial analysis, organised crime, cash smuggling and AML/CTF in non-profit organisations

- an APG typologies project on drug trafficking through the Pacific
- a joint APG/FATF project on the ML/TF vulnerabilities associated with gold
- a FATF/Egmont typologies project into ML/TF through the trade in diamonds.

## **Developing money laundering and terrorism financing case studies and typologies**

In December 2013 AUSTRAC published the *AUSTRAC typologies and case studies report 2013*. This report was the seventh edition in AUSTRAC's typologies reports series. The 2013 report included 23 real-life examples where reports submitted to AUSTRAC by industry resulted in convictions of crimes including money laundering, drug trafficking, child exploitation, fraud and tax evasion.

The 2013 report examined financial criminal methodologies and vulnerabilities involving gold bullion, international trade and politically exposed persons. Selected case studies from this report are included in this annual report as examples of the partner agency investigations and operations to which AUSTRAC information regularly contributes. During 2013–14 AUSTRAC developed the 2014 typologies report, which will be published in the second half of 2014.

In June 2014 AUSTRAC contributed a money laundering case study to the annual Egmont Best Case Awards, which encourage FIUs to share their expertise with the global AML/CTF community. AUSTRAC's case study, which describes how AUSTRAC information identified and located an international fugitive wanted for cybercrime and fraud offences, was a finalist in the 2014 awards and will be included in its typologies report for 2014.

## AUSTRAC CASE STUDY

### Syndicate imported 25kg of ecstasy hidden in children's toys

AUSTRAC information initiated a multi-agency investigation into a criminal syndicate that imported more than AUD1.5 million worth of ecstasy concealed in children's toys.

AUSTRAC referred multiple suspect transaction reports (SUSTRs) to authorities, detailing suspicious cash deposits being made by members of the syndicate. The suspects:

- arrived at bank branches together
- deposited cash at separate bank tellers
- left the bank branches together
- then visited another bank nearby to repeat the process.

In just four months the suspects' accounts received 113 cash deposits of AUD9,000 each, totalling more than AUD1 million, made across multiple bank branches. This strongly suggested that the suspects were deliberately structuring cash deposits to fall below the AUD10,000 cash transaction reporting threshold.

Two syndicate members travelled to the United Kingdom to purchase more than 25 kilograms of ecstasy. Before the importation, the syndicate used multiple banks to send 19 international funds transfer instructions (IFTIs), worth more than AUD250,000, to multiple beneficiaries in the United Kingdom.

The suspects purchased the drugs overseas, concealed them in children's toys and mailed them to Australia. When the shipment arrived, Australian authorities substituted the drugs and allowed the packages to be delivered as arranged as part of a controlled delivery.

When the shipment was delivered, authorities arrested the suspects. They were charged with offences relating to the importation of drugs, dealing with the proceeds of crime and structuring transactions to avoid reporting requirements. The suspects ultimately received prison sentences of between nine and 14 years.

**Source:** AUSTRAC typologies and case studies report 2013

## SECTION 2: CONTRIBUTION TO INTERNATIONAL AML/CTF EFFORTS

### *Strengthening international relationships*

#### **Exchange instruments**

Money laundering, terrorism financing and other related transnational threats demand a coordinated response from the international community.

In 2013–14 AUSTRAC and its international counterparts shared a range of AML/CTF information including financial transaction information and intelligence and compliance-related information. This information sharing strengthens global efforts to combat ML/TF and assists FIUs and law enforcement agencies tracking the international movement of the proceeds of crime.

Under subsection 132(1) of the AML/CTF Act, the AUSTRAC CEO may communicate AUSTRAC information to a foreign government as long as the CEO is satisfied that there are appropriate undertakings to protect the confidentiality of the information, control its use and the purpose for which it is communicated.

Before exchanging information with a foreign FIU or regulator, AUSTRAC negotiates an exchange instrument, typically in the form of an MOU. Each exchange instrument provides a framework and parameters for information exchange with that particular foreign jurisdiction. For financial intelligence exchanges, priority is given to exchange instruments with FIUs that are members of the Egmont Group and meet its international standards.

In 2013–14 AUSTRAC entered into four new exchange instruments with the FIUs of Jersey, Vatican City State, Macao, and Peru. AUSTRAC further strengthened its trans-Tasman relationship by entering into an exchange instrument with New Zealand. This brought AUSTRAC's total number of exchange instruments with international counterparts to 72 (consisting of 70 instruments for the exchange of financial intelligence with overseas FIUs, and two, with Canada and New Zealand, for the exchange of regulatory information).



*(left-right) John Schmidt, CEO, AUSTRAC and Sergio Espinosa, Head of FIU, UIF-Peru, signing an MOU in June 2014.*

The new regulatory MOU with New Zealand enables AUSTRAC to work with all three New Zealand AML/CTF regulators – the Department of Internal Affairs, the New Zealand Financial Markets Authority and the Reserve Bank of New Zealand.

#### **Intelligence exchanges**

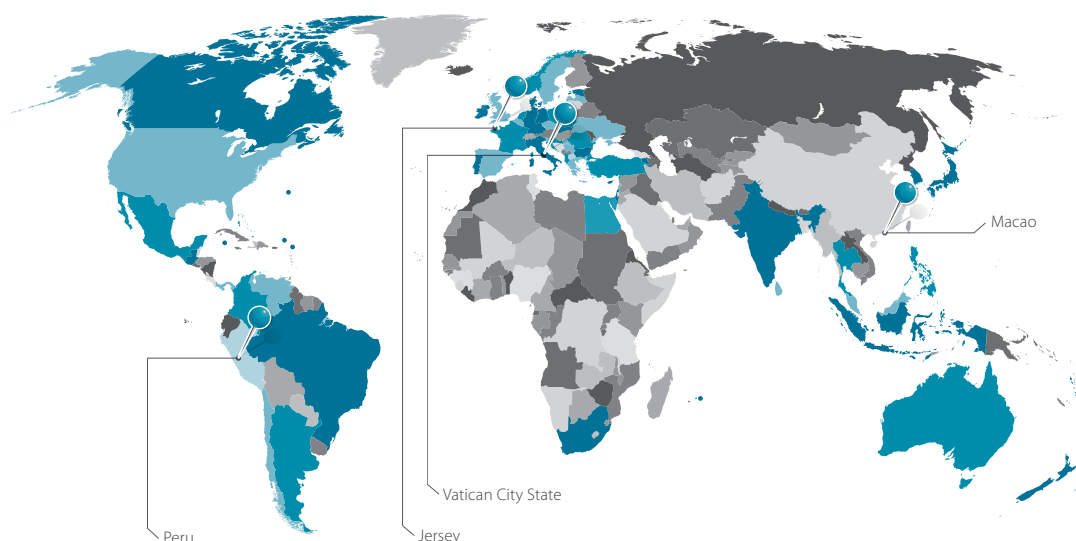
During 2013–14 AUSTRAC undertook 301 exchanges of financial intelligence under MOUs with overseas counterparts. This includes requests for financial intelligence to and from overseas FIUs, as well as outgoing and incoming spontaneous intelligence exchanges with counterparts on matters of potential interest. In 2013–14 AUSTRAC also received financial transaction information and intelligence from some foreign counterparts with which it did not have an MOU.



## AUSTRAC MOUs as at 30 June 2014 *(countries in blue signed MOUs in 2013–14)*

|                        |  |                           |
|------------------------|--|---------------------------|
| Albania                | Guatemala                              | <b>Peru</b>               |
| Argentina              | Guernsey                               | Philippines               |
| Armenia                | Hong Kong                              | Poland                    |
| Bahamas                | India                                  | Portugal                  |
| Bermuda                | Indonesia                              | Romania                   |
| Belgium                | Ireland                                | Serbia                    |
| Brazil                 | Isle of Man                            | Singapore                 |
| British Virgin Islands | Israel                                 | Slovakia                  |
| Bulgaria               | Italy                                  | Slovenia                  |
| Canada *               | Japan                                  | South Africa              |
| Cayman Islands         | <b>Jersey</b>                          | Spain                     |
| Chile                  | Korea                                  | Sri Lanka                 |
| Colombia               | Latvia                                 | St. Kitts and Nevis       |
| Cook Islands           | Lebanon                                | Sweden                    |
| Croatia                | <b>Macao</b>                           | Thailand                  |
| Cyprus                 | Macedonia, former Yugoslav Republic of | Turkey                    |
| Czech Republic         | Malaysia                               | Ukraine                   |
| Denmark                | Marshall Islands                       | United Kingdom            |
| Egypt                  | Mauritius                              | United States of America  |
| Estonia                | Mexico                                 | Vanuatu                   |
| Fiji                   | Netherlands                            | <b>Vatican City State</b> |
| France                 | New Zealand *                          | Venezuela                 |
| Germany                | Norway                                 |                           |
| Greece                 | Panama                                 |                           |

\* AUSTRAC has two MOUs in place with Canada and New Zealand – one for the exchange of financial intelligence and one for the exchange of regulatory information.



### *International intelligence exchanges, 2009–10 to 2013–14*

|                                | <i>2009–10</i> | <i>2010–11</i> | <i>2011–12</i> | <i>2012–13</i> | <i>2013–14</i> |
|--------------------------------|----------------|----------------|----------------|----------------|----------------|
| Requests to overseas FIUs      | 108            | 37             | 49             | 58             | * 57           |
| Requests from overseas FIUs    | 80             | 81             | 97             | 88             | ** 101         |
| Outgoing spontaneous exchanges | 23             | 24             | 39             | 36             | 63             |
| Incoming spontaneous exchanges | 48             | 59             | 47             | 63             | 80             |
| <b>Totals</b>                  | 259            | 201            | 232            | 245            | 301            |

\* AUSTRAC also made two requests to overseas FIUs with which it did not have an MOU.

\*\* AUSTRAC also received 19 requests from overseas FIUs with which it did not have an MOU.

## AML/CTF information exchanges

In addition to exchanging financial intelligence, AUSTRAC received and responded to a number of counterpart requests in relation to general AML/CTF information from both MOU and non-MOU international counterparts. These requests for information related to AUSTRAC's AML/CTF regulatory and supervisory activities, AUSTRAC's governance framework, money laundering typologies research, and requests from foreign counterparts to enter into MOU arrangements.

## International visit and attachment programs

AUSTRAC regularly hosts delegations from international FIUs and regulators, as well as other international organisations. These visits help the agency establish and enhance productive relationships with its international counterparts and build the agency's awareness of overseas AML/CTF issues, frameworks and operations. From time to time AUSTRAC co-hosts or involves its domestic partner agencies in its international visitor program.

Throughout 2013–14 AUSTRAC hosted delegations from Bangladesh, Canada, India, Indonesia, Malaysia, South Korea, United Kingdom, the United Nations Sanctions Committee and the United States of America.

During October and November 2013, AUSTRAC conducted an analyst exchange program with Indonesia's FIU, Pusat Pelaporan dan Analisis Transaksi Keuangan (PPATK), under the PPATK–AUSTRAC Partnership program. The program focused on identifying and analysing intelligence on transnational crime groups of interest to both AUSTRAC and PPATK.

## Collaboration with domestic stakeholders on international initiatives

AUSTRAC works closely with its government partner agencies to ensure its international AML/CTF activities are closely aligned with Australia's domestic priorities and international standards.

In 2013–14 AUSTRAC representatives attended and provided briefing for meetings coordinated by DFAT on the International Counter-Terrorism Coordination Group. AUSTRAC also worked with the Attorney-General's Department (AGD), AFP and DFAT on AML/CTF TA&T programs that reflected broader Australian Government priorities.

AUSTRAC regularly liaised with its partner agencies to determine priority jurisdictions for the establishment of exchange instruments and with DFAT on foreign policy matters. The agency also engaged partner agencies in developing Australia's position on AML/CTF matters being considered at multilateral forums including FATF, APG and the Egmont Group of FIUs.

The agency also provided input into whole-of-government briefings and participated in interdepartmental committees such as the AGD-led AML Interdepartmental Committee.

## ***AUSTRAC's work with international AML/CTF organisations***

Australia is a leading member of a number of international organisations committed to the development and maintenance of AML/CTF standards. AUSTRAC led and participated in a series of Australian delegations to meetings of international AML/CTF bodies throughout 2013–14.

## **Financial Action Task Force**

FATF is the global standard setter in efforts to combat money laundering, terrorism financing and proliferation of weapons of mass destruction. Australia is a founding member of FATF and plays an important role within the task force. During 2013–14 the AUSTRAC CEO attended FATF meetings as Australia's Head of Delegation, accompanied by representatives from AUSTRAC, AGD and DFAT. Australia was appointed as Vice President of the FATF in June 2013 and assumed the FATF Presidency in July 2014.

During 2013–14 AUSTRAC attended three FATF plenary meetings in Paris, in October 2013, February 2014 and June 2014.

In November 2013 two AUSTRAC officers attended a pre-Mutual Evaluation Training Program offered by FATF for representatives of countries scheduled to undergo an evaluation of its AML/CTF regime over the next 12 months. Three AUSTRAC officers also undertook formal FATF training which will enable them take part in a future mutual evaluation assessment of a FATF or APG member country.

AUSTRAC distributes AML/CTF guidance, best practice and typology reports released by FATF to its partner agencies and reporting entities to make them aware of international developments in AML/CTF. In 2013–14 this included FATF guidance on ML/TF vulnerabilities for legal professionals, politically exposed persons, non-profit organisations and new payment technologies and systems, and a report on AML/CTF and financial inclusion.

## Asia/Pacific Group on Money Laundering

The APG is a FATF-style regional body for the Asia-Pacific region, consisting of 41 member jurisdictions and a number of international and regional observers.

AUSTRAC continued to contribute to the work of the APG during 2013–14; in particular, participating in the 16th APG Annual Meeting held in Shanghai in July 2013. The Australian delegation, led by the AUSTRAC CEO, included officers from DFAT, AGD and the AFP. AUSTRAC's Executive General Manager Corporate was confirmed as one of the inaugural co-chairs of the APG's new Mutual Evaluation Working Group, which supports the APG in all matters related to APG mutual evaluations.

AUSTRAC presented at the joint APG/Eurasian-group typologies workshop in Mongolia in September 2013 and was also represented at the APG Pacific typologies workshop held in Auckland, New Zealand, in January 2014.

In December 2013 AUSTRAC assisted the APG in delivering a four-day workshop in the Maldives for the Maldives Monetary Authority, focusing on ML/TF preventative measures and risk management. The audience included compliance officers from the financial sector and government officials responsible for financial sector supervision.

## Egmont Group of FIUs

The Egmont Group is a key international body working to improve international cooperation between FIUs in the areas of information exchange, training and sharing of AML/CTF expertise. AUSTRAC is a founding member of the Egmont Group.

In 2013–14 AUSTRAC's Executive General Manager Operations continued as the Oceania regional representative on Egmont's governing body, the Egmont Committee. AUSTRAC also participated in various Egmont Plenary and Working Group meetings held during 2013–14. AUSTRAC represented Australia's interests on international AML/CTF matters as well as Egmont governance, policies and procedures, and chaired two Egmont G20-FIUs meetings and co-led the development of the Egmont Strategic Plan for 2014–17. In December 2013 AUSTRAC attended a joint meeting of Egmont, regional AML/CTF bodies and FATF in Doha, Qatar. The meeting aimed to promote greater cooperation between these international bodies and encourage strategic approaches to FIU development.

AUSTRAC also continued to provide input into Egmont project teams examining a range of AML/CTF issues, including international mass marketing fraud and the ML/TF risks associated with the diamond trade and digital currencies.

## Working with the Asia-Pacific Economic Cooperation (APEC)

In November 2013 AUSTRAC and DFAT delivered a joint APEC workshop to address key challenges faced by the Philippines in protecting non-financial businesses and professions from money laundering, terrorism financing and corruption.

The program strengthened the ability of participating agencies to combat money laundering, corruption and terrorism financing, built stronger domestic and regional relationships and enabled participants to share their expertise with counterparts in the region.

## ***Developing the capacity of overseas FIUs and AML/CTF counterparts***

In 2013–14 AUSTRAC continued its program of international capacity building with FIUs and AML/CTF regulators in Asia. AUSTRAC offers technical assistance and training to improve the capacity of AML/CTF institutions in the region, thereby improving compliance with international standards and encouraging economic stability and security

### **Working with counterparts in Asia**

#### ***PPATK AUSTRAC Partnership Program***

The PPATK AUSTRAC Partnership program is an AML/CTF partnership and capacity-building program funded by DFAT's Government Partnership Fund until the end of 2015. The program is designed to strengthen the institutional capacity and governance frameworks of Indonesia's FIU and other AML/CTF stakeholders.

Through the program AUSTRAC has developed close relationships with Indonesian AML/CTF stakeholders such as the Bank of Indonesia, the Indonesian National Police and the Financial Services Authority of Indonesia, as well as Indonesia's anti-corruption body. During 2013–14 two AUSTRAC officers continued to be deployed to PPATK's offices in Jakarta.

#### ***Indonesian Alternative Remittance and Cash Couriers Program***

AUSTRAC's Indonesian Alternative Remittance and Cash Couriers program commenced in January 2014 and is funded by DFAT's Australia–Indonesia Security Cooperation initiative for up to two years. The program builds upon AUSTRAC's past work in Indonesia to develop the capacity of Indonesian AML/CTF authorities. The program aims to disrupt money laundering activity and associated serious crimes through Indonesia's alternative remittance sector and cross-border cash couriers.

In April 2014 AUSTRAC delivered a three-day training workshop on the use of cash couriers in financing of serious organised crime and terrorism. Workshop participants included the Indonesian Police, the Indonesian National Counterterrorism Agency, the Directorate General of Customs and Excise, Bank of Indonesia and PPATK.

#### ***Improving Governance in South East Asia Program***

AUSTRAC continued to deliver its Improving Governance in South-East Asia program to authorities in Thailand, Cambodia and the Philippines.

The program aims to assist FIUs and anti-corruption authorities to identify legislative gaps relating to anti-corruption and money laundering practices and other crimes to better meet international standards, including FATF standards and the United Nations Convention against Corruption principles. The program commenced in May 2012 and is funded for three years under DFAT's Public Sector Linkages Program.

In May 2014 AUSTRAC conducted a workshop on corruption and money laundering risks in the non-profit sector in Manila.



*AUSTRAC staff with delegates from FIUs and insurance regulators in South Asia at the 'Money Laundering in the Insurance Market: A Risk and Vulnerability Assessment Regional Workshop' in Nepal in June 2014.*

### **Strengthening AML/CTF Regulation in South Asia Program**

AUSTRAC's Strengthening AML/CTF Regulation in South Asia Program aims to strengthen the AML/CTF regimes in Bangladesh, Nepal and Sri Lanka. The program focuses on enhancing supervision of the securities and insurance sectors and improving the detection and deterrence of ML/TF risks that can undermine the region's financial systems and markets.

In June 2014 AUSTRAC conducted a regional workshop in Kathmandu, Nepal, for the FIUs and insurance regulators of South Asia on the ML/TF vulnerabilities within the insurance sector.

The program commenced in November 2011 and is funded under DFAT's Public Sector Linkages Program until November 2014.

### **Developing Economic Security in Pakistan Program (DESP)**

AUSTRAC's DESP program concluded in December 2013. The program, which commenced in September 2012, was funded under DFAT's Public Sector Linkages Program. The program built on the working relationships AUSTRAC had established with Pakistan's Financial Monitoring Unit and anti-corruption and AML/CTF stakeholders under previous programs.

The DESP program contributed to the work of the Australia–Pakistan Joint Working Group on transnational crime and border security and continued to build the capacity of Pakistan's private sector, regulators, FIU and law enforcement agencies to detect, analyse and investigate the laundering of serious crime proceeds.

### ***Working with the Jakarta Centre for Law Enforcement Cooperation (JCLEC)***

Throughout 2013–14 AUSTRAC provided a financial analysis training advisor to JCLEC in Semarang to deliver two courses under a money laundering investigation program. The courses complemented the learning outcomes of AUSTRAC's PPATK-AUSTRAC Partnership in 2013–14.

AUSTRAC and its New Zealand counterparts delivered a joint training session on Indonesian money laundering investigations at JCLEC in Semarang, Indonesia, in September 2013. The session focused on the practical application of Indonesia's law on the prevention and eradication of money laundering.

Participants in the session included representatives from the Indonesian National Police, the Indonesian Attorney-General's department, the National Narcotics Board and tax and customs authorities. The initiative was funded by the New Zealand Government.

## **AUSTRAC CASE STUDY**

### **Crime syndicate caught out after police discovered drugs in cricket rollers**

AUSTRAC assisted a law enforcement investigation into a criminal syndicate importing chemicals for illicit drug manufacturing.

The syndicate attempted to import 44kg of phenylpropanolamine (PPA) from South Africa, enough to produce AUD20 million worth of amphetamines.

The drugs, which were hidden in rollers used for cricket pitches, were discovered by a law enforcement agency when they arrived in Australia. Police removed the PPA from the rollers and continued their surveillance.

AUSTRAC information detailed the transaction activity of the syndicate over a seven-year period:

- Syndicate members received 30 incoming international funds transfers, totalling approximately AUD238,000. The transfers ranged in value from AUD1,000 to AUD25,000 and came mainly from the United Kingdom and South Africa.
- Personal and business accounts owned by syndicate members were involved in a number of significant cash transactions: three cash deposits totalling approximately AUD52,000, and 19 cash withdrawals totalling AUD215,000.

Two syndicate members transported the empty cricket rollers from Sydney to Melbourne, where one member was arrested. He pleaded guilty to one count of attempting to possess a precursor chemical and was sentenced to 15 months imprisonment and fined AUD15,000.

***Source: AUSTRAC typologies and case studies report 2013***





## *Enabling and support functions*

AUSTRAC's vision is an Australian community hostile to money laundering, the financing of terrorism and other serious and organised crime, including people smuggling, and tax evasion.

A range of enabling and support functions within AUSTRAC assist the agency to achieve this vision. These include corporate and security services, financial management, information technology, stakeholder relations and legal services.





## ENABLING AND SUPPORT FUNCTIONS

Corporate and security services

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Financial management, purchasing and asset management

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Managing information technology resources

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Stakeholder relations

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Legal services

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# CORPORATE AND SECURITY SERVICES

## *Protective security*

In its first year of reporting under the Commonwealth's Protective Security Policy Framework (PSPF), AUSTRAC achieved compliance with 32 of 33 mandatory requirements of the framework and was partially compliant with the one requirement. AUSTRAC introduced a number of measures to effectively manage the risks relating to partial compliance with this remaining requirement, while working towards achieving full compliance in 2014–15. The agency also engaged an independent security consultant to review its security policies and plans in 2013–14, all of which were assessed as adequately addressing PSPF requirements.

The majority of AUSTRAC staff attended security and fraud awareness sessions during 2013–14. All new starters, including contractors, were provided with security induction briefings upon joining AUSTRAC during 2013–14.

During 2013–14 AUSTRAC reviewed its security clearance requirements while implementing a 'designated security access position register' to meet PSPF requirements. The review identified several positions that required security clearance upgrades to assist the agency in sharing information with law enforcement and intelligence partner agencies. The following table illustrates the number of clearances processed by the Australian Government Security Vetting Agency at AUSTRAC's request.

### **Security clearance processing, AUSTRAC, 2013–14**

| <i><b>Clearance type</b></i> | <i><b>Total</b></i> |
|------------------------------|---------------------|
| New requests                 | 29                  |
| Downgrades                   | 2                   |
| Upgrades                     | 87                  |
| Revalidations                | 1                   |
| Transfers                    | 8                   |
| Reactivations                | 1                   |

AUSTRAC upgraded physical and electronic security controls at its Melbourne and Sydney offices, allowing AUSTRAC greater capacity for engagement with partner agencies.

## *Information management*

All AUSTRAC staff receive training on Australian Government records management standards and policies and the agency's electronic document and records management system (EDRMS).

During 2013–14 AUSTRAC commenced a project to replace its existing EDRMS with an enterprise content management solution. The new system will support AUSTRAC's compliance with the Australian Government's Digital Transition Policy and the National Archives of Australia Digital Continuity 2020 policy. The system will accommodate digital workflows and automated processes and is planned to be implemented in 2015.

## Human resource management

### Workforce planning, recruitment and retention

During 2013–14 AUSTRAC commenced implementing a workforce planning process and agency plan. This work will continue during 2014–15.

AUSTRAC's employee attrition rate, including ongoing and non-ongoing Australian Public Service (APS) employees, was 11 per cent in 2013–14. The table below summarises AUSTRAC's employee separations for this period.

| <b>AUSTRAC APS employees leaving the agency, 2013–14 (ongoing and non-ongoing employees)</b> |           |
|--|-----------|
| Left APS   | 26        |
| Left APS to join Commonwealth non-APS employer   | nil       |
| Left to join another APS employer  | 3         |
| <b>Total</b>   | <b>29</b> |
| Attrition rate   | 11%       |

At 30 June 2014, AUSTRAC's total number of APS 'full-time equivalent' employees was 266 (compared to 277 at 30 June 2013).

In 2014 AUSTRAC presented seven employees with Australian Public Service Australia Day Medallions, in recognition of their outstanding performance and achievements in the public service.

During the year, 59 employees received long service awards in recognition of five years of continuous service with AUSTRAC, six employees received awards for 10 years of service, and one employee received an award for 20 years of service.

### AUSTRAC Enterprise Agreement

In 2013–14 the AUSTRAC Enterprise Agreement 2012–14 covered a total of 268 APS employees. The main features of the agreement are:

- salary increases totalling 8.55 per cent over the life of the agreement, equating to an Average Annualised Wage increase of three per cent, with the last increase payable from 1 July 2013
- annual automatic salary progression to next salary point subject to performance.

The agreement also provides the following non-salary benefits:

- Christmas shutdown
- access to annual leave at half pay
- maternity, adoption and foster leave for eligible employees
- supporting partner leave.

### Other employment arrangements

AUSTRAC limits the use of section 24(1) determinations to setting the remuneration and conditions for Senior Executive Service (SES) employees. Ten section 24(1) determinations were in operation for SES employees in 2013–14.

Since the implementation of the 2012–14 Enterprise Agreement on 3 May 2012, individual flexibility arrangements (IFAs) have been used in place of section 24(1) determinations to supplement the benefits and/or remuneration provided to non-SES employees. These arrangements are agreed between the employees and the CEO or a delegate. At 30 June 2014 there were 43 IFAs in operation, with the majority relating to salary arrangements.

No AUSTRAC employees were covered by common law contracts in 2013–14.

## Training and development

During 2013–14 AUSTRAC continued implementing the 70:20:10 leadership development program structure developed by the Australian Public Service Commission (APSC). In 2014–15 AUSTRAC will continue to use this approach, which combines on-the-job and relationship-based learning with face-to-face and e-learning.

AUSTRAC provided a range of internal learning and development opportunities for its employees during 2013–14. A focus during the year was developing AUSTRAC's culture, which included delivering an extensive program of workshops to 235 employees across all AUSTRAC offices and classification levels.

To reflect recent changes to the *Fair Work Act 2009* and support the agency's zero tolerance for workplace bullying and harassment, AUSTRAC conducted a series of training sessions across the agency on preventing and responding to workplace bullying.

AUSTRAC employees also attended internal training and information forums on matters including: security and integrity; new legislation; work, health and safety; performance management; accessing digital information; international sanctions; and the Financial Action Task Force.

In 2013–14 AUSTRAC upgraded its managed e-learning system, which provides a cost-effective way of managing internal training resources and record keeping. The upgraded software has in-built features that will assist AUSTRAC to meet Web Content Accessibility Guidelines (WCAG 2.0) standards.

AUSTRAC continued its involvement in leadership and management programs, with employees participating in SES leadership programs, the Career Development Assessment Centre, and the Women in Law Enforcement Strategy mentoring program.

In 2013–14 AUSTRAC spent \$458,473 on learning and development. This included financial support for employees enrolled in tertiary studies as part of AUSTRAC's studies assistance scheme. The total number of hours committed for study leave was 1,976 hours or 266 days, with 26 employees accessing an average of 10.2 days of study leave per employee.

In 2013–14 AUSTRAC provided a total of 847 days of learning and development (both internal and external) to employees. This equates to an average of 3.1 days per APS employee.

## Ethics and conduct

In 2013–14 AUSTRAC continued to promote to employees the APS Values, Code of Conduct and Employment Principles. AUSTRAC employees were assessed against these as part of the agency's performance management program.

New AUSTRAC employees were required to attend an AUSTRAC 'on-boarding' briefing, which included information on the APS Values and Code of Conduct. New APS employees were required to complete the APSC online induction training course.

AUSTRAC is committed to maintaining high standards of ethical and accountable conduct. The *Public Interest Disclosure Act 2013*, which came into effect on 15 January 2014, promotes integrity and accountability in the Australian public sector. AUSTRAC engaged with the Office of the Commonwealth Ombudsman to conduct briefings on the new Act to all AUSTRAC employees.

In 2013–14 a program of employee workshops focusing on the agency's culture enabled AUSTRAC to progressively build a shared culture, cultural principles and behaviours that underpin the APS Values and Code of Conduct. As reported above, the agency also conducted training sessions on preventing and responding to workplace bullying.

## Performance management and job evaluation

Under the AUSTRAC Enterprise Agreement 2012–14, all employees are required to participate in the agency's performance management program.

During 2013–14 the APSC commenced training for all AUSTRAC employees at the Executive Level 1 and 2 classifications, on 'Core Skills Performance Management Development'. The training is part of further skill development activities planned for managers, and will support a consistent approach to performance management across the agency. This training will continue into 2014–15.

To determine the appropriate classification level for a role, AUSTRAC conducts job evaluations that compare the skills, responsibilities and work characteristics required for a role against the AUSTRAC work level standards. An increased emphasis on ensuring roles were classified correctly meant that AUSTRAC conducted 37 job evaluations during 2013–14, compared to 17 in 2013–14.

## Work health and safety

### **AUSTRAC's work health and safety arrangements**

In 2013–14 AUSTRAC's Health and Safety Committee continued to undertake its consultative role in reviewing work, health and safety (WHS) risks, policies and processes, supporting the management of the 'office duty' roles (for example, first aid officers, fire wardens and health and safety representatives) and resolving WHS issues or concerns.

AUSTRAC's WHS Coordinator assisted the agency in applying appropriate WHS processes and provided updates to management on WHS issues.

AUSTRAC continued to review and update its WHS policies and processes to ensure compliance with the *Work Health and Safety Act 2011* (WHS Act). AUSTRAC initiated an audit of its WHS processes and functions and is implementing WHS recommendations identified in the audit report.

In 2013–14 AUSTRAC implemented its formal Rehabilitation Management System in accordance with recommendations from an internal audit of the system completed in 2012–13. AUSTRAC's system is now compliant with Comcare requirements.

A network of trained office duty holders assists AUSTRAC in providing a safe working environment. In 2013–14 AUSTRAC had allocated roles for 14 First Aid Officers, 25 Emergency Wardens, two Health and Safety Representatives and two Deputy Health and Safety Representatives. Office duty holders are trained through approved training providers and First Aid Officers must hold a current certification to enable them to carry out their duties.

AUSTRAC communicates agency and individual WHS responsibilities to new staff through AUSTRAC's on-boarding process and to visitors during the security sign-in process.

In 2013–14 a total of 112 employees received vaccinations as part of AUSTRAC's influenza vaccination program. AUSTRAC increased its promotion of the agency's Employee Assistance Program in 2013–14 to ensure employees were aware of the assistance available. The agency continued to promote a healthy work environment and flexible work practices in 2013–14.

### Work health and safety outcomes

AUSTRAC has in place processes for reporting, correcting and/or monitoring reported WHS incidents or hazards. The agency makes its staff aware of their WHS reporting responsibilities and encourages them to report incidents and hazards.

AUSTRAC uses a computer-based risk management system, which includes a database for recording and analysing WHS risks and incidents. This allowed AUSTRAC to undertake

a more detailed analysis of incidents and put in place preventative measures where appropriate. In 2013–14 a total of 29 incidents were reported and recorded in the database (compared to 34 incidents reported in 2012–13).

AUSTRAC's annual report is required to outline any investigations conducted during the year, including details of all notices given under Part 10 of the WHS Act. These details are provided in the following table:

| <b>Notices issued to AUSTRAC under the WHS Act and OHS Act, 2009–10 to 2013–14</b>   |                |                |                |                |                |
|--|----------------|----------------|----------------|----------------|----------------|
|  | <b>2009–10</b> | <b>2010–11</b> | <b>2011–12</b> | <b>2012–13</b> | <b>2013–14</b> |
| <b>Investigations by Comcare</b>   | Nil            | Nil            | Nil            | Nil            | Nil            |
| <b>Section 38 notifications (OHS Act section 68)</b><br>(Notification of notifiable incidents as required by Comcare)  | 2              | 2              | 4              | 4              | Nil            |
| <b>Section 95 notices (OHS Act section 29)</b><br>(Issue of improvement notices – by HSRs)   | Nil            | Nil            | Nil            | Nil            | Nil            |
| <b>Part 10: Section 191 notices (OHS Act section 47)</b><br>(Issue of improvement notices – by Comcare)  | Nil            | Nil            | Nil            | Nil            | Nil            |
| <b>Part 10: Section 195 notices (OHS Act section 46)</b><br>(Power to issue prohibition notices)   | Nil            | Nil            | Nil            | Nil            | Nil            |
| <b>Part 10: Section 198 notices (OHS directions section 45)</b><br>(Power to direct that workplace not be disturbed)   | Nil            | Nil            | Nil            | 1              | Nil            |
| <b>Notes:</b> <ul style="list-style-type: none"> <li>Statistics for 2009–10 and 2010–11 relate to the <i>Occupational Health and Safety Act 1991</i> (OHS Act).</li> <li>Statistics for 2011–12 relate to the OHS Act until 31 December 2011. From 1 January 2012, all statistics relate to the <i>Work Health and Safety Act 2011</i> (WHS Act).</li> </ul> |                |                |                |                |                |

# FINANCIAL MANAGEMENT, PURCHASING AND ASSET MANAGEMENT

## *Financial management*

### **Analysis of financial performance**

Under section 57 of the *Financial Management and Accountability Act 1997* (FMA Act), AUSTRAC must include a copy of its audited financial statements and the Auditor-General's report each year in its annual report.

AUSTRAC's financial statements have been prepared on an accrual basis in accordance with the Finance Minister's Orders and Australian Accounting Standards and are located in the 'Financial Statements' section of this report. As in previous reports, the Statement of Comprehensive Income relates to items of revenue and expenses where AUSTRAC is directly responsible for their administration and management.

In 2013–14 AUSTRAC produced a net operating deficit of \$4.2 million, compared with a deficit of \$5.7 million in 2012–13. The net operating deficit includes \$6.3 million of unfunded depreciation and amortisation expenses.

Total revenue for 2013–14 was \$61.3 million: a \$3.1 million increase over the previous year.

The financial position of AUSTRAC at 30 June 2014 is shown in the Statement of Financial Position. This takes into account movements in assets, liabilities and equity. Total equity has increased to \$37.1 million in 2013–14 (2012–13: \$29.8 million).

### **Events occurring after balance date**

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

### **Consultants, competitive tendering and contracting**

#### *Summary of AUSTRAC's consultancy arrangements and engagement policy*

AUSTRAC engages consultants where it requires specialist expertise or when independent research, review or assessment is required. Consultants are typically engaged to investigate or analyse a defined issue, carry out defined reviews or evaluations, or provide independent advice, information or solutions to assist in AUSTRAC's decision making.

Prior to engaging consultants, AUSTRAC takes into account the skills and resources required for the task, the skills available internally and the cost effectiveness of engaging external expertise. During 2013–14 decisions to engage consultants were made in accordance with the FMA Act and related regulations, including AUSTRAC's Chief Executive Instructions and the Commonwealth Procurement Rules.

### ***New and ongoing consultancy arrangements***

During 2013–14 AUSTRAC entered into 10 new consultancy contracts involving total actual expenditure of \$928,788.27. In addition, seven ongoing consultancy contracts were active during 2013–14, involving total actual expenditure of \$444,195.88.

| <b>New and ongoing consultancy arrangements, 2010–11 to 2013–14</b> |                |                |                |                |
|---|----------------|----------------|----------------|----------------|
|   | <b>2010–11</b> | <b>2011–12</b> | <b>2012–13</b> | <b>2013–14</b> |
| Number of new consultancies   | 13             | 8              | 12             | 10             |
| Expenditure on new consultancies                                    | \$616,884.57   | \$134,285.73   | \$573,592.50   | \$928,788.27   |
| Number of ongoing consultancies                                     | 1              | 5              | 3              | 7              |
| Expenditure on ongoing consultancies                                | \$0            | \$239,813.67   | \$237,159.12   | \$444,195.88   |

### ***Contracts and consultancies on AusTender***

This annual report contains 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).

### ***Contracts exempt from AusTender***

During 2013–14 AUSTRAC exempted one contract valued more than \$10,000 from publication on AusTender. The contract was valued at \$2,867,800.99 (including GST).



### **Australian National Audit Office access clauses**

AUSTRAC entered into two contracts over the value of \$100,000 that did not include a clause to provide the Auditor-General with access to the contractor's premises. Details of the contracts are as follows:

| <b>Contracts over \$100,000 not including Auditor-General access clauses, 2013–14</b> |                                  |   |   |
|---|----------------------------------|---|---|
| <b>Entity name</b>  | <b>Contract value (inc. GST)</b> | <b>Contract purpose</b>                                 | <b>Reason for standard access clause not included</b> |
| <i>Open Text Pty Ltd</i>  | \$131,271.36                     | Proof of concept – Enterprise content management system | Supplier contract utilised                            |
| <i>Macquarie Telecom Pty Ltd</i>  | \$270,000.00                     | Extranet services                                       | Supplier contract utilised                            |

### **AUSTRAC's information and communications technology services multi-use list**

AUSTRAC uses an information and communications technology (ICT) services multi-use list to identify suppliers that can provide ICT support and to undertake development of new and existing ICT for the agency.

AUSTRAC advertised the ICT services multi-use list on AusTender and on AUSTRAC's website, seeking applications from organisations and individuals who could provide appropriate expertise and skilled resources to meet the agency's needs. AUSTRAC continues to achieve value-for-money outcomes through the ICT multi-use list, which has been extended until 9 June 2015.

### **Advertising and market research**

There were no advertising campaigns undertaken during the 2013–14 reporting period.

AUSTRAC placed a number of recruitment advertisements during 2013–14, at a total cost of \$5,038 (including GST). This compares to recruitment advertising expenditure of \$9,246 in 2012–13.

During 2013–14 AUSTRAC engaged a direct marketing agency for the purposes of bulk email broadcasting. The cost of this service was \$7,920 (including GST) (2012–13: \$6,820).

### **Purchasing**

During 2013–14 the FMA Act governed AUSTRAC's use of Commonwealth resources and expenditure of public money.

AUSTRAC's procurement activities were supported by a dedicated Procurement and Contracts unit, which provided procurement and contracting strategic advice and support, and provided direct support to procurement projects.

AUSTRAC advertises an annual procurement plan on AusTender, which is reviewed and updated as required throughout the year. Information relating to expenditure on contracts and consultancies is available on the AusTender website: [www.tenders.gov.au](http://www.tenders.gov.au).

In 2014 AUSTRAC commenced updating its procurement policies in anticipation of the *Public Governance, Performance and Accountability Act 2013*, which replaces the FMA Act from 1 July 2014.

## ***Asset and property management***

In 2013–14 AUSTRAC managed and maintained approximately 6,450 m<sup>2</sup> of leased office space for its Sydney, Melbourne, Canberra and Brisbane operations.

During 2013–14 AUSTRAC completed implementing a multi-year strategy to rationalise the agency's property management arrangements to better support its business operational requirements and align with the Australian Government's property management benchmark standards. This property management strategy involved:

- fitting out a new Canberra office, which is co-located with the Attorney-General's Department
- a major fit-out of the Sydney office (funded by the building landlord under a new, reduced floor space, lease arrangement)
- refurbishing the Melbourne office (to reduce floor space under a lease extension arrangement)
- relinquishing an existing lease and co-locating the agency's Brisbane office with the Australian Securities and Investments Commission.

The net effect of these changes resulted in AUSTRAC progressively reducing its total national leased floor space profile by about 20 per cent, from approx. 8,037m<sup>2</sup> to 6,450 m<sup>2</sup>, with 75 per cent of that leased space located outside CBD areas and half of the agency's offices co-located with other government agencies. AUSTRAC also improved the efficiency of its office design and significantly reduced its overall annual property operating expenses.

Following the implementation of the property management strategy, the decision was made in late 2013–14 to relocate the AUSTRAC Help Desk function to the Australian Taxation Office premises in Upper Mt Gravatt, Brisbane. The relocation to the ATO premises and subsequent closure of the AUSTRAC Brisbane Office will take place in the second half of 2014.

Asset classes maintained by AUSTRAC included furniture and fittings, ICT infrastructure and office equipment. During 2013–14 AUSTRAC undertook an annual asset stocktake and conducted a revaluation of non-financial assets. The external valuation was undertaken by an independent, qualified valuer. The agency's asset registers were updated accordingly.

# MANAGING INFORMATION TECHNOLOGY RESOURCES

## *Information technology operations and systems*

To support the agency in its work and keep pace with significant growth in the agency's data holdings, AUSTRAC invests significantly in IT systems. In 2013–14 AUSTRAC continued to undertake significant upgrades to its systems to accommodate the planned deployment of the AUSTRAC Intelligence system in late 2014.

Another important undertaking for the agency was the migration of the agency's IT systems to an external data centre. This significantly reduced the environmental risks associated with the existing computer room and increased the agency's disaster recovery capability.

The agency's IT function was also central to collaborative work with the Australian Taxation Office under its program to improve tax compliance through third-party reporting and data matching, as well as work to strengthen the functionality of AUSTRAC systems for the enrolment of reporting entities and registration of remitters.

## *Information technology security*

IT security is crucial to AUSTRAC's work, ensuring ongoing confidentiality, integrity and availability of the agency's IT systems and digital information.

During 2013–14 AUSTRAC undertook a number of activities to implement, maintain and assure technical security controls in alignment with the agency's risk-based security framework:

- The migration of AUSTRAC IT systems to a new external data centre improved information availability for the agency and allowed the implementation of new security measures.
- The introduction of new policies and procedures supported whole-of-government security arrangements, including the PSPF, the Australian Government Information Security Manual and guidance provided by the Defence Cyber Security Operations Centre (Australian Signals Directorate).
- Agency-wide IT security awareness training and training for new AUSTRAC employees helped ensure a consistent approach to safeguarding the agency's assets.

# STAKEHOLDER RELATIONS

AUSTRAC's work encompasses a wide range of external stakeholders, including the Attorney-General, the Minister for Justice, Parliament, industry, the media, privacy and civil liberty groups, the general public, domestic and international partners and key multilateral forums.

Stakeholder relations activities in 2013–14 included managing memorandums of understanding (MOUs) with international and domestic partners, as well as managing the agency's bilateral and multilateral relationships with international organisations and counterparts, and international visit programs.

During 2013–14 AUSTRAC continued reviewing its MOUs with domestic partner agencies, and associated documents, in preparation for the changes needed when the new AUSTRAC Intelligence enhanced analytical system is implemented in 2014–15.

AUSTRAC undertook various activities to communicate with its external stakeholders. Strategic communications activities in 2013–14 included:

- an awareness program to prompt the timely submissions of AML/CTF compliance reports for 2013
- a program to encourage public participation in the review of Australia's anti-money laundering and counter-terrorism financing (AML/CTF) regime

- activities to support the release of AUSTRAC's annual typologies and case studies report, to increase awareness and vigilance among reporting entities of criminal activity
- communications about revised customer due diligence rules
- regular industry forums including representatives from the finance, gambling and remittance sectors and government bodies
- information about AUSTRAC's contribution to cross-agency task forces and projects to detect and disrupt criminal behaviour, including Taskforce Eligo, Project Wickenby, Taskforce Attero, and Project Tricord and Operation Polo
- notification of various AML/CTF compliance enforcement activities
- monthly distribution of *AUSTRAC e-news* to subscribers including reporting entities and others with an interest in AUSTRAC's work, Australia's AML/CTF regime and understanding AML/CTF risks.

AUSTRAC also provided the Attorney-General and Minister for Justice with advice, recommendations and briefings on significant issues relating to AUSTRAC's operations and the AML/CTF legislation.

Component 1.1.2 of this report includes more information about AUSTRAC's engagement with its domestic and international partners and other bodies during 2013–14.



## LEGAL SERVICES

AUSTRAC's internal legal function provides the agency with legal advice on issues referred by AUSTRAC's business units and executive, including the AUSTRAC CEO. In 2013–14 the legal function supported the agency with advice on matters relating to the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (AML/CTF Act) and other relevant legislation, enforcement action and AML/CTF policy initiatives.

All lawyers working as such at AUSTRAC hold practising certificates and are members of their respective solicitors' legal professional association. In 2013–14 members of AUSTRAC's legal function represented the agency on the:

- Office of Legal Services Coordination – Portfolio Counsel Working Group
- Project Wickenby Legal Risk Working Group
- AUSTRAC Privacy Consultative Committee.

### *Legal expenditure*

The total legal expenditure on legal services for the financial year ended on 30 June 2014 was \$2,158,567.09 (exclusive of GST). In accordance with Office of Legal Services Coordination reporting requirements, this total expenditure includes the cost of providing internal as well as external legal services.

An amount of \$574,837.00 (exclusive of GST) was spent on purchasing external legal services. An amount of \$1,583,730.09 (exclusive of GST) was spent on purchasing internal legal services.

In previous years, legal expenditure figures have been reported inclusive of GST. For 2013–14 onwards, the Office of Legal Services Coordination requires legal expenditure to be reported exclusive of GST. This should be noted when comparing AUSTRAC's 2013–14 legal expenditure with legal expenditure in previous years.

## Privacy

In 2013–14 AUSTRAC continued to ensure all employees were aware of their obligations under the *Privacy Act 1988* (Privacy Act). AUSTRAC also continued to convene meetings of the AUSTRAC Privacy Consultative Committee, which is one of the main mechanisms for the AUSTRAC CEO to consider privacy issues in performing his functions. Further information on the activities of the committee in 2013–14 can be found on page 48 of this report.

Widespread privacy reforms came into effect on 12 March 2014, introducing the Australian Privacy Principles. In anticipation of these reforms, AUSTRAC's privacy unit assisted all business units in ensuring that they complied with the new privacy requirements resulting from the reforms. The agency also updated its privacy policy to reflect the reforms.

In 2013–14 AUSTRAC continued to participate in workshops, surveys and privacy network meetings facilitated by the Office of the Australian Information Commissioner.

No reports were served, determinations made or other action taken against AUSTRAC under the Privacy Act. AUSTRAC sought no public interest determinations from the Privacy Commissioner under the Privacy Act.

## AUSTRAC CASE STUDY

### Casino 'high roller' stole \$78 million from Asian banks

AUSTRAC contributed to a joint international investigation into a multi-million dollar global fraud committed by an Asian finance manager.

Authorities in Asia suspected that the suspect had defrauded a number of international banks and sought AUSTRAC's assistance investigating the target's financial activity in Australia.

AUSTRAC data identified the suspect had conducted significant international funds transfers to Australian casinos, had visited Australia to gamble at the casinos, and had left Australia with substantial amounts of money, presumed to be the proceeds of his gambling.

The suspect was arrested and subsequently admitted to Asian authorities that he had embezzled approximately AUD78 million from four international banks by forging signatures of executives of his company and opening accounts in the name of his employer.

Over a four-year period the suspect transferred approximately AUD190 million into an Australian casino account via international funds transfer instructions (IFTIs). In conjunction with AUSTRAC, Australian law enforcement discovered an additional AUD30 million in accounts with various Australian casinos, held in the name of the suspect.

The suspect pleaded guilty in Asia to six counts of forgery and eight counts of cheating and was subsequently sentenced to 42 years imprisonment.

**Source:** AUSTRAC typologies and case studies report 2013



## ***Management and accountability***

This chapter reports on AUSTRAC's corporate governance structures and processes, service charter, and external scrutiny of the agency. It also reports on AUSTRAC's compliance with government/legislative obligations regarding the *Freedom of Information Act 1982* (FOI Act), disability reporting, workplace diversity and ecologically sustainable development.



# MANAGEMENT AND ACCOUNTABILITY

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# MANAGEMENT AND ACCOUNTABILITY

## *Corporate governance*

AUSTRAC has a range of structures and processes in place to support its corporate governance framework. This facilitates effective management by ensuring the agency's resources and efforts are directed towards its key priorities.

The corporate governance framework includes:

- monthly meetings of the AUSTRAC Executive Committee (ExCom)
- reporting against AUSTRAC's Portfolio Budget Statements in the agency's annual report
- AUSTRAC's Service Charter, which sets out the standards of service that stakeholders and the public can expect from the agency
- internal management committees.

AUSTRAC's strategies covering the key areas of supervision, intelligence and enforcement are available on the agency's website. The strategies outline how AUSTRAC directed its efforts across these functions over the period 2012–14.

AUSTRAC also has in place strong practices for maintaining appropriate ethical standards. Staff training and other activities are outlined in the 'Enabling and support functions' chapter of this report.

## *AUSTRAC committees*

Internal management committees support and advise the AUSTRAC CEO regarding his functions, as well as the agency's operations and decision making. The 'Internal audit' section on page 106 provides information about the AUSTRAC Audit Committee.

## **Executive Committee**

ExCom comprises the AUSTRAC CEO, Executive General Manager Corporate, Executive General Manager Operations, six general managers (including the General Counsel), the Chief Finance Officer and Chief Information Officer.

ExCom meets monthly and provides advice to the AUSTRAC CEO on major policy and strategic management issues. The names and responsibilities of ExCom members are set out in the 'Departmental overview' section of this report.

## **Enforcement Committee**

The Enforcement Committee provides executive-level oversight of AUSTRAC's enforcement activities. These activities are designed to:

- achieve remedial and future anti-money laundering and counter-terrorism financing (AML/CTF) compliance at individual and industry levels through selective, targeted action
- act as a deterrent to non-compliance
- level the playing field for industry participants who comply with their legal obligations.

This committee is also responsible for ensuring objectivity, accountability and transparency in the agency's enforcement processes and decisions.

## **Finance Committee**

The Finance Committee supports and reviews AUSTRAC's performance in managing financial resources, maintaining and refining financial control and compliance frameworks, and meeting external accountability obligations.

## **Information Technology Oversight Committee**

The Information Technology Oversight Committee supports and reviews AUSTRAC's performance in managing information technology (IT) resources, maintaining and refining IT control and compliance frameworks, and meeting external accountability obligations.

## **Intelligence Oversight Committee**

The Intelligence Oversight Committee provides executive oversight of AUSTRAC's financial intelligence functions. It develops, reviews and monitors strategies and policies that support those functions.

## **Program Management Governance Committee**

The Program Management Governance Committee oversees specific AUSTRAC projects that strengthen and enhance the agency's business capability. The committee monitors the progress of these projects and manages project financing and resourcing matters.

## **Risk Management Oversight Committee**

The Risk Management Oversight Committee oversees the effective and efficient identification and management of AUSTRAC's significant risks. To achieve this objective, the committee ensures the effective implementation and execution of the agency's risk management framework, compliance with internal guidelines, and provides a broad overview and direction of internal risk management processes.

## **Supervisory Oversight Committee**

The Supervisory Oversight Committee oversees, reviews and monitors AUSTRAC's supervisory activities and decision making. It ensures these activities are conducted in a transparent and accountable manner and are aligned with AUSTRAC's strategic objectives and policies. It also provides guidance on referrals to the Enforcement Committee.

## Internal audit

AUSTRAC's Internal Audit team provides independent assurance to the AUSTRAC CEO that the financial and operational controls, which are designed to manage the agency's risks and assist it to meet its objectives, are operating effectively. The team also identifies improvements to AUSTRAC's business performance.

AUSTRAC's 2013–14 internal audit program aimed to address potential operational risks that affect AUSTRAC as a whole, as well as individual business units. Audits conducted during the year assessed the management of various risks across the agency and specific business units.

AUSTRAC's Audit Committee met five times during 2013–14. The committee's role is to:

- enhance the effectiveness and integrity of AUSTRAC's risk management and internal controls framework
- ensure AUSTRAC complies with relevant legislative obligations
- maintain and improve the objectivity and reliability of AUSTRAC's financial reporting process and financial statements.

In 2013–14 the committee considered AUSTRAC's financial statements, internal audit program, risk management, internal control frameworks, corporate governance and Certificate of Compliance (which certifies AUSTRAC's compliance with the *Financial Management and Accountability Act 1997*).

## Risk management

AUSTRAC is committed to identifying and managing significant operational and financial risks. The agency's risk management framework cultivates efficient and effective risk management practices in AUSTRAC's business and decision-making activities, and improves risk awareness.

In 2013–14 the Risk Management Oversight Committee conducted a systematic review of all risk registers. This was to ensure a consistent and comprehensive approach to recorded risks and treatments across all business areas.

AUSTRAC further integrated risk management into agency governance, by providing risk information to all agency governance committees and integrating consideration of relevant risks in committee decision making. The agency commenced detailed monthly risk management reporting to ExCom in support of managing agency risk exposure and providing better oversight and use of risk information.

AUSTRAC also participated in Comcover's Benchmarking Risk Management Program during 2013–14, which resulted in the agency receiving an overall score of 7.6 out of 10.

## Fraud and corruption control

As required by the Commonwealth Fraud Control Guidelines, the AUSTRAC CEO certifies that he is satisfied that AUSTRAC:

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

In early 2013 the agency completed a systematic assessment of fraud and corruption risks. This assessment remains current until early 2015. The Fraud and Corruption Control Plan and associated awareness training were revised to address the risk assessment findings and more explicitly incorporate corruption prevention, detection and response measures. This plan allocated specific roles and responsibilities for the fraud and corruption control functions.

Fraud and corruption awareness training was provided to all AUSTRAC staff during July and August 2013. In December 2013 the AUSTRAC CEO approved the agency's Fraud and Corruption Treatment Plan, which was implemented to ensure risks are dealt with in an appropriate manner.

During 2013–14 AUSTRAC became aware of incidents where individuals attempted to fraudulently use the agency's identity to extract information or money from individuals or entities. AUSTRAC advised the affected parties to report the incidents to relevant law enforcement and government authorities, and placed a fraud warning on its website to alert other external stakeholders.

## AUSTRAC and ACLEI integrity partnership

As of 1 July 2013, the Australian Commission for Law Enforcement Integrity's (ACLEI) jurisdiction was extended to include AUSTRAC, under the *Law Enforcement Integrity Commissioner Act 2006* (LEIC Act).

AUSTRAC has worked with ACLEI and other Commonwealth law enforcement agencies to strengthen AUSTRAC's integrity framework. By identifying and adopting contemporary anti-corruption practices suited to AUSTRAC's operating environment and risk level, these partnerships have led AUSTRAC to:

- strengthen its pre-engagement assessments for Australian Public Service job applicants, transfers and contractors
- implement processes to align itself with the reporting requirements of the *Public Interest Disclosure Act 2013* and LEIC Act
- review proactive auditing capabilities that protect AUSTRAC's sensitive data holdings
- engage with AUSTRAC staff through corruption awareness training and other communications to support the agency to detect and prevent the threat of corruption.

During 2013–14 AUSTRAC notified ACLEI of one corruption issue, under subsection 19(1) of the LEIC Act. The Integrity Commissioner referred this matter to the Australian Federal Police for criminal investigation, with assistance from ACLEI and AUSTRAC. The former AUSTRAC officer involved in the matter was ultimately convicted of an offence under subsection 70(1) of the *Crimes Act 1914* – Disclosure of information by Commonwealth officers.

## ***Business continuity planning***

In early 2014 AUSTRAC commenced a review of its business continuity framework. The review addresses organisational and office location changes, and incorporates an offsite data centre and planned IT disaster recovery capability. AUSTRAC expects to complete this review by the end of 2014.

In early 2014 AUSTRAC's key IT systems were moved to an offsite data centre facility, significantly improving the resilience of the agency's IT infrastructure and strengthening safeguards for the agency's data. AUSTRAC also commenced implementing a disaster recovery capability to safeguard AUSTRAC's critical business applications in the event of any issues affecting its IT infrastructure.

AUSTRAC did not experience any significant unplanned business interruptions during 2013–14.

## ***External scrutiny***

In 2013–14 the AUSTRAC CEO reported on the operations of the agency to the Attorney-General and the Minister for Justice.

AUSTRAC's transparency and accountability to the Parliament is demonstrated through mechanisms including responding to questions on notice and appearing before parliamentary committees. AUSTRAC ensures responses are accurate, relevant and timely.

In 2013–14 AUSTRAC made a written submission to the Parliamentary Joint Committee on Law Enforcement inquiry into financial related crime and appeared at one Senate Additional Estimates hearing.

During 2013–14 the Commonwealth Ombudsman issued no reports relating to AUSTRAC's operations. The Auditor-General did not table any reports in Parliament with AUSTRAC as the primary subject.

In September 2013 the Australian National Audit Office tabled its Audit Report No.4 2013–14, *Confidentiality in Government Contracts: Senate Order for Departmental and Agency Contracts (Calendar Year 2012 Compliance)*. AUSTRAC was one of four agencies selected for detailed analysis as part of the audit. The audit report indicated that the findings in relation to AUSTRAC are generally consistent with findings for other agencies, with AUSTRAC being largely compliant with Senate Order reporting requirements.

During 2013 an independent review was conducted of the operation of the AUSTRAC supervisory levy. A final report on the review was tabled in Parliament on 17 March 2014. More information about the review can be found on page 43 of this report.

## ***Freedom of Information***

### **Information Publication Scheme**

Agencies subject to the FOI Act are required to publish information to the public as part of the Information Publication Scheme (IPS). This requirement is contained in Part II of the FOI Act and replaced a previous requirement for agencies to publish a 'section 8' statement in their annual reports.

Each agency must publish on its website a plan showing what information it publishes in accordance with IPS requirements. AUSTRAC's IPS, including its IPS Disclosure Log and IPS plan, is available at: [www.austrac.gov.au/ips.html](http://www.austrac.gov.au/ips.html).

## Freedom of information requests

An application form to make an FOI request, and instructions on how to apply, are available on AUSTRAC's website at: [www.austrac.gov.au/freedom\\_of\\_information.html](http://www.austrac.gov.au/freedom_of_information.html).

AUSTRAC received 85 FOI requests in 2013–14. The following table shows the number of FOI requests received, and the number of pages of material covered by those requests, during the periods 2011–12 to 2013–14. The figures refer to requests under section 15 of the FOI Act for access to documents. AUSTRAC was 100 per cent compliant with the requirements of the FOI Act for 2013–14.

| AUSTRAC FOI requests, 2011–12 to 2013–14     |         |         |         |
|--|---------|---------|---------|
|  | 2011–12 | 2012–13 | 2013–14 |
| Requests received                            | 77      | 89      | 85      |
| Number of pages considered during the period | 4,500   | 5,581   | 9,539   |

Further statistical information about FOI requests to AUSTRAC, including information about costs incurred, is published in the Freedom of Information Annual Report, which the Office of the Australian Information Commissioner (OAIC) is required to present to the Parliament, under section 93 of the FOI Act.

## Reviews of Freedom of Information decisions

In 2013–14 AUSTRAC received no requests for internal review under section 52 of the FOI Act.

One decision was referred for review by the OAIC under section 54F of the FOI Act.

There was one determination by the Administrative Appeals Tribunal, in which AUSTRAC's objections to the release of documents were upheld.

## Disability reporting

Since 1994, Commonwealth departments and agencies 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 Australian Public Service Commission's *State of the Service Report* and the *APS Statistical Bulletin*. These reports are available at [www.apsc.gov.au](http://www.apsc.gov.au). Since 2010–11 departments and agencies have not 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 a disability, promote participation and create a more inclusive society.

A high-level two-yearly report will track progress against each of the six outcome areas of the strategy and present a picture of how people with disability are faring. The first of these reports will be available in late 2014, and can be found at [www.dss.gov.au](http://www.dss.gov.au).

## Workplace diversity

AUSTRAC continued to demonstrate commitment to diversity in the workforce. During 2013–14 AUSTRAC completed the review of its Workplace Diversity Plan and published the updated plan for 2013–17 on the agency's external website and internal intranet. The plan includes an updated action plan that the agency commenced implementing in 2014.

During 2013–14 AUSTRAC had planned to develop a Disability Action Plan. This will now be completed during 2014–15.

AUSTRAC participates in the Attorney-General's Portfolio Reconciliation Network and is a signatory to its Indigenous Statement of Commitment. AUSTRAC supports its employees' understanding, knowledge and appreciation of Aboriginal and Torres Strait Islander culture, and promotes national events that celebrate diversity and reconciliation.

In 2013–14 AUSTRAC's offices in Sydney, Canberra, Melbourne and Brisbane participated in activities such as Harmony Day, Reconciliation Day and the National Aborigines and Islanders Day Observance Committee (NAIDOC) Week. AUSTRAC commenced a review of its Reconciliation Action Plan in 2013–14 and this will continue during 2014–15.

In 2013–14 AUSTRAC conducted a program of mandatory training sessions across all its offices, to support the prevention of bullying and harassment in the workplace. As reported last year, AUSTRAC's 'Promoting a workplace free of harassment and bullying' policy is under review. This work will continue in 2014–15.

AUSTRAC continued to undertake ergonomic assessments, provide necessary and/or prescribed equipment, and implement any reasonable adjustments for employees. The agency also reviewed, updated and documented its procedures for conducting ergonomic assessments and providing suitable equipment.

See Appendix B of this report for comprehensive staffing statistics, including on equal employment opportunities at AUSTRAC during 2013–14.

## Ecologically sustainable development

AUSTRAC continued to meet its obligations under the *Environment Protection and Biodiversity Conservation Act 1999* by working towards implementing the targets of the Energy Efficiency in Government Operations policy.

AUSTRAC embraced and built on whole-of-government environmental initiatives through activities such as:

- procuring environmentally friendly office supplies and computer equipment
- continuing with its policy of overnight shutdown of office equipment, desktop computers and peripheral equipment, to assist in reducing energy usage and associated costs, and maintaining optimal temperature levels in its offices
- continuing its progress towards meeting ecologically sustainable development targets by progressively moving to 100 per cent recycled paper use by July 2015
- ensuring management of leases either meet, or have schedules in place to achieve, current ecologically sustainable development requirements, including Green Lease components



- ensuring cleaning and recycling processes in all its offices are fully integrated into the recycling programs operating within its building premises
- reviewing its car fleet leases during 2013–14 and participating in the government's 'green car challenge' – AUSTRAC implemented some of the identified improvements, such as continuing to convert its current fleet to more ecologically efficient vehicles
- completing the Sydney office fit-out project, which, alongside earlier accommodation rationalisation projects completed in other offices, enabled the agency to reduce its total national leased space profile by about 20 per cent and significantly reduce overall annual property operating expenses
- reducing the agency's energy consumption by approximately 39,600kWh per annum (or about 31 per cent) as a result of the reduced national leased space profile and changes in its computer room operations.

## Service charter

The AUSTRAC Service Charter is published on the agency's external website and outlines the standards of service that can be expected from the agency.

The charter aims to promote an open and transparent approach to AUSTRAC's service delivery. It includes the undertaking that AUSTRAC will endeavour to answer phone enquiries at point of call, and respond to email queries and written correspondence within two working days. It also outlines the agency's commitment to privacy and confidentiality, and provides information on how to contact AUSTRAC.

## Service delivery levels

AUSTRAC's Help Desk provides assistance to external stakeholders including regulated entities, associated professional services, industry bodies and the public. The Help Desk can be contacted by phone, email or fax. In 2013–14 the Help Desk:

- received 10,454 inbound calls (a decrease of 14.3 per cent compared to 2012–13)
- placed 604 outbound calls
- received 9,832 emails and other pieces of correspondence (an increase of 47.6 per cent compared to 2012–13).

Call and correspondence volumes were in accordance with expectations for 2013–14. There were several peak periods surrounding AML/CTF compliance report lodgement. During some peak periods, the Help Desk did not always meet its target response times. This was due to short-term increases in the volume of enquiries about compliance reporting obligations.

AUSTRAC achieved its target response times during normal business periods, ensuring that phone enquiries were answered at point of call and email enquiries were answered within 48 hours. Phone enquiries not answered at point of call were responded to within 24 hours.

Additionally, the Help Desk introduced a more streamlined process for management of calls. This resulted in shorter hold times and higher levels of customer service.

A close-up, black and white photograph of a fountain pen resting on a financial document. The pen is a classic fountain pen with a silver-colored barrel and a dark nib. The document features a line graph with a grid. The y-axis has numerical labels: 4.0, 4.2, 4.4, and 4.6. The x-axis has month labels: MAY and JUN. A thick, dark line is drawn across the graph, showing a fluctuating upward trend. A large, stylized blue arrow graphic is overlaid on the image, pointing from the bottom left towards the top right. The arrow is composed of several overlapping, semi-transparent blue shapes, creating a sense of motion and direction.

# **FINANCIAL STATEMENTS**

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## INDEPENDENT AUDITOR'S REPORT

### To the Minister for Justice

I have audited the accompanying financial statements of the Australian Transaction Reports and Analysis Centre for the year ended 30 June 2014, which comprise: a 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; Schedule of Commitments; Schedule of Contingencies; Administered Schedule of Comprehensive Income; Administered Schedule of Assets and Liabilities; Administered Reconciliation Schedule; Administered Cash Flow Statement; and Notes comprising a Summary of Significant Accounting Policies and other explanatory information.

### *Chief Executive's Responsibility for the Financial Statements*

The Chief Executive of the Australian Transaction Reports and Analysis Centre is responsible for the preparation of financial statements that give a true and fair view in accordance with the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, including the Australian Accounting Standards, and for such internal control as is necessary to enable the preparation of financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Australian Transaction Reports and Analysis Centre's preparation of the financial statements that give a true and fair view 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. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Chief Executive of the Australian

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Transaction Reports and Analysis Centre, as well as evaluating the overall presentation of the financial statements.

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

### *Independence*

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

### *Opinion*

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

- (a) have been prepared in accordance with the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, including the Australian Accounting Standards; and
- (b) give a true and fair view of the matters required by the Finance Minister's Orders, including the Australian Transaction Reports and Analysis Centre's financial position as at 30 June 2014 and its financial performance and cash flows for the year then ended.

Australian National Audit Office

*S. Buchanan*

Serena Buchanan  
Executive Director

Delegate of the Auditor-General

Canberra  
2 October 2014



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

In our opinion, the attached financial statements for the year ended 30 June 2014 are based on properly maintained financial records and give a true and fair view of the matters required by the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, as amended.

Signed.....

John Schmidt  
Acting Chief Executive Officer

1 October 2014

Signed.....

Alf Mazzitelli  
Chief Finance Officer

1 October 2014

# STATEMENT OF COMPREHENSIVE INCOME

*for the period ended 30 June 2014*

|  | Notes | 2014<br>\$'000 | 2013<br>\$'000 |
|--|-------|----------------|----------------|
| <b>EXPENSES</b>  |       |                |                |
| Employee benefits  | 3A    | 33,155         | 35,938         |
| Suppliers  | 3B    | 28,220         | 21,755         |
| Depreciation and amortisation  | 3C    | 6,326          | 6,168          |
| Losses from asset sales  | 3D    | 22             | 34             |
| Write-down and impairment of assets  | 3E    | 412            | -              |
| <b>Total expenses</b>  |       | <b>68,135</b>  | 63,895         |
| <b>LESS:</b>   |       |                |                |
| <b>OWN-SOURCE INCOME</b>   |       |                |                |
| <b>Own-source revenue</b>  |       |                |                |
| Sale of goods and rendering of services  | 4A    | 8,029          | 4,049          |
| Other revenue  |       | 160            | 135            |
| <b>Total own-source revenue</b>  |       | <b>8,189</b>   | 4,184          |
| <b>Other revenue</b>   |       |                |                |
| Other gains  | 4B    | -              | 214            |
| <b>Total other revenue</b>   |       | <b>-</b>       | 214            |
| <b>Net cost of (contribution by) services</b>                                      |       | <b>59,946</b>  | 59,497         |
| Revenue from Government  | 4C    | 53,142         | 53,765         |
| <b>Surplus (Deficit) attributable to the Australian Government</b>                 |       | <b>(6,804)</b> | (5,732)        |
| <b>OTHER COMPREHENSIVE INCOME</b>  |       |                |                |
| Changes in asset revaluation reserves  |       | 2,639          | -              |
| <b>Total other income (loss)</b>   |       | <b>2,639</b>   | -              |
| <b>Total comprehensive income (loss) attributable to the Australian Government</b> |       | <b>(4,165)</b> | (5,732)        |

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

# STATEMENT OF FINANCIAL POSITION

*as at 30 June 2014*

|  | Notes | 2014<br>\$'000 | 2013<br>\$'000 |
|--|-------|----------------|----------------|
| <b>ASSETS</b>  |       |                |                |
| <b>Financial Assets</b>  |       |                |                |
| Cash and cash equivalents  | 5A    | 1,714          | 1,950          |
| Trade and other receivables  | 5B    | 14,200         | 13,005         |
| <b>Total financial assets</b>  |       | <b>15,914</b>  | 14,955         |
| <b>Non-Financial Assets</b>  |       |                |                |
| Land and buildings   | 6A,C  | 2,236          | 1,746          |
| Property, plant and equipment  | 6B,C  | 11,891         | 7,955          |
| Intangibles  | 6D,E  | 22,284         | 17,940         |
| Other non-financial assets   | 6F    | 2,761          | 2,864          |
| <b>Total non-financial assets</b>  |       | <b>39,172</b>  | 30,505         |
| <b>Total assets</b>  |       | <b>55,086</b>  | 45,460         |
| <b>LIABILITIES</b>   |       |                |                |
| <b>Payables</b>  |       |                |                |
| Suppliers  | 8A    | 1,586          | 2,649          |
| Other payables   | 8B    | 7,017          | 3,509          |
| <b>Total payables</b>  |       | <b>8,603</b>   | 6,158          |
| <b>Provisions</b>  |       |                |                |
| Employee provisions  | 9A    | 8,839          | 8,939          |
| Other provisions   | 9B    | 514            | 514            |
| <b>Total provisions</b>  |       | <b>9,353</b>   | 9,453          |
| <b>Total liabilities</b>   |       | <b>17,956</b>  | 15,611         |
| <b>Net assets</b>  |       | <b>37,130</b>  | 29,849         |
| <b>EQUITY</b>  |       |                |                |
| Contributed equity   |       | 56,147         | 44,701         |
| Reserves   |       | 4,083          | 1,444          |
| Retained surplus (accumulated deficit)   |       | (23,100)       | (16,296)       |
| <b>Total Equity</b>  |       | <b>37,130</b>  | 29,849         |
| The above statement should be read in conjunction with the accompanying notes. |       |                |                |



# STATEMENT OF CHANGES IN EQUITY

*for the period ended 30 June 2014*

|  | Retained earnings |                | Asset revaluation reserve |                | Contributed equity/capital |                | Total equity   |                |
|--|-------------------|----------------|---------------------------|----------------|----------------------------|----------------|----------------|----------------|
|  | 2014<br>\$'000    | 2013<br>\$'000 | 2014<br>\$'000            | 2013<br>\$'000 | 2014<br>\$'000             | 2013<br>\$'000 | 2014<br>\$'000 | 2013<br>\$'000 |
| <b>Opening balance</b>                       |                   |                |                           |                |                            |                |                |                |
| Balance carried forward from previous period | (16,296)          | (10,564)       | 1,444                     | 1,444          | 44,701                     | 36,473         | 29,849         | 27,353         |
| <b>Adjusted opening balance</b>              | (16,296)          | (10,564)       | 1,444                     | 1,444          | 44,701                     | 36,473         | 29,849         | 27,353         |
|  |                   |                |                           |                |                            |                |                |                |
| <b>Comprehensive income</b>                  |                   |                |                           |                |                            |                |                |                |
| Surplus (Deficit) for the period             | (6,804)           | (5,732)        | -                         | -              | -                          | -              | (6,804)        | (5,732)        |
| Other comprehensive income                   | -                 | -              | 2,639                     | -              | -                          | -              | 2,639          | -              |
| <b>Total comprehensive income</b>            | (6,804)           | (5,732)        | 2,639                     | -              | -                          | -              | (4,165)        | (5,732)        |
|  |                   |                |                           |                |                            |                |                |                |
| <b>Transactions with owners</b>              |                   |                |                           |                |                            |                |                |                |
| <b>Contributions by owners</b>               |                   |                |                           |                |                            |                |                |                |
| Equity injection - Appropriations            | -                 | -              | -                         | -              | 8,565                      | 5,361          | 8,565          | 5,361          |
| Departmental capital budget                  | -                 | -              | -                         | -              | 2,881                      | 2,867          | 2,881          | 2,867          |
| <b>Sub-total transactions with owners</b>    | -                 | -              | -                         | -              | 11,446                     | 8,228          | 11,446         | 8,228          |
| Transfers between equity components          | -                 | -              | -                         | -              | -                          | -              | -              | -              |
| <b>Closing balance as at 30 June</b>         | (23,100)          | (16,296)       | 4,083                     | 1,444          | 56,147                     | 44,701         | 37,130         | 29,849         |

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

# CASH FLOW STATEMENT

*for the period ended 30 June 2014*

|  | Notes | 2014<br>\$'000 | 2013<br>\$'000 |
|--|-------|----------------|----------------|
| <b>OPERATING ACTIVITIES</b>  |       |                |                |
| <b>Cash received</b>   |       |                |                |
| Appropriations   |       | 49,433         | 60,211         |
| Sales of goods and rendering of services                                       |       | 12,435         | 1,981          |
| Net GST received   |       | 3,103          | 3,422          |
| <b>Total cash received</b>   |       | 64,971         | 65,614         |
| <b>Cash used</b>   |       |                |                |
| Employees  |       | 33,188         | 36,652         |
| Suppliers  |       | 32,055         | 28,725         |
| <b>Total cash used</b>   |       | 65,243         | 65,377         |
| <b>Net cash from (used by) operating activities</b>                            | 10    | (272)          | 237            |
| <b>INVESTING ACTIVITIES</b>  |       |                |                |
| <b>Cash used</b>   |       |                |                |
| Purchase of property, plant and equipment                                      |       | 6,032          | 2,082          |
| Purchase of internally developed software                                      |       | 6,857          | 6,367          |
| <b>Total cash used</b>   |       | 12,889         | 8,449          |
| <b>Net cash from (used by) investing activities</b>                            |       | (12,889)       | (8,449)        |
| <b>FINANCING ACTIVITIES</b>  |       |                |                |
| <b>Cash received</b>   |       |                |                |
| Contributed equity   |       | 12,925         | 8,254          |
| <b>Total cash received</b>   |       | 12,925         | 8,254          |
| <b>Net cash from (used by) financing activities</b>                            |       | 12,925         | 8,254          |
| <b>Net increase (decrease) in cash held</b>                                    |       | (236)          | 42             |
| Cash and cash equivalents at the beginning of the reporting period             |       | 1,950          | 1,908          |
| <b>Cash and cash equivalents at the end of the reporting period</b>            | 5A    | 1,714          | 1,950          |
| The above statement should be read in conjunction with the accompanying notes. |       |                |                |

# SCHEDULE OF COMMITMENTS

*as at 30 June 2014*

|   | 2014<br>\$'000 | 2013<br>\$'000 |
|---|----------------|----------------|
| <b>BY TYPE</b>                                  |                |                |
| <b>Commitments receivable</b>                   |                |                |
| Net GST recoverable on commitments <sup>1</sup> | (4,671)        | (5,403)        |
| <b>Total commitments receivable</b>             | <b>(4,671)</b> | <b>(5,403)</b> |
| <b>Commitments payable</b>                      |                |                |
| <b>Other commitments</b>                        |                |                |
| Operating leases <sup>2</sup>                   | 48,268         | 54,830         |
| Contracts <sup>3</sup>                          | 7,623          | 10,153         |
| <b>Total other commitments</b>                  | <b>55,891</b>  | <b>64,983</b>  |
| <b>Net commitments by type</b>                  | <b>51,220</b>  | <b>59,580</b>  |
| <b>BY MATURITY</b>                              |                |                |
| <b>Other commitments receivable</b>             |                |                |
| One year or less                                | (1,959)        | (2,322)        |
| From one to five years                          | (1,740)        | (1,837)        |
| Over five years                                 | (972)          | (1,244)        |
| <b>Total other commitments receivable</b>       | <b>(4,671)</b> | <b>(5,403)</b> |
| <b>Commitments payable</b>                      |                |                |
| <b>Operating lease commitments</b>              |                |                |
| One year or less                                | 14,424         | 15,770         |
| From one to five years                          | 20,338         | 21,382         |
| Over five years                                 | 13,506         | 17,678         |
| <b>Total operating lease commitments</b>        | <b>48,268</b>  | <b>54,830</b>  |
| <b>Other Commitments</b>                        |                |                |
| One year or less                                | 7,529          | 10,063         |
| From one to five years                          | 94             | 90             |
| <b>Total other commitments</b>                  | <b>7,623</b>   | <b>10,153</b>  |
| <b>Total commitments payable</b>                | <b>51,220</b>  | <b>59,580</b>  |
| <b>Net commitments by maturity</b>              | <b>51,220</b>  | <b>59,580</b>  |

Notes:

- Commitments are GST inclusive where relevant.
- Operating leases included are effectively non-cancellable agreements and comprise:
  - Leases for office accommodation, outgoings and car parking : Lease payments are subject to the terms as detailed in the lease agreement.
  - Agreements for the provision of pooled motor vehicles: No contingent rentals exist and there are no renewal or purchase options available to the agency.
- Contract agreements are effectively non-cancellable and mainly for the provision of IT services.

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

# SCHEDULE OF CONTINGENCIES

*as at 30 June 2014*

|  |
|--|
| AUSTRAC has no contingent assets or liabilities as at 30 June 2014 (2013: Nil) |
| Refer to Note 11.  |
| This schedule should be read in conjunction with the accompanying notes.       |

## ADMINISTERED SCHEDULE OF COMPREHENSIVE INCOME

*for the period ended 30 June 2014*

|  | Notes | 2014<br>\$'000 | 2013<br>\$'000 |
|--|-------|----------------|----------------|
| <b>EXPENSES</b>  |       |                |                |
| Other expenses   | 16    | 134            | 61             |
| <b>Total expenses administered on behalf of Government</b>               |       | 134            | 61             |
| <b>LESS:</b>   |       |                |                |
| <b>Non-taxation revenue</b>  |       |                |                |
| Fees and fines   | 17    | 28,048         | 30,458         |
| <b>Total non-taxation revenue</b>  |       | 28,048         | 30,458         |
| <b>Total revenues administered on behalf of Government</b>               |       | 28,048         | 30,458         |
| <b>Total comprehensive income (loss)</b>                                 |       | 27,912         | 30,397         |
| This schedule should be read in conjunction with the accompanying notes. |       |                |                |

## ADMINISTERED SCHEDULE OF ASSETS AND LIABILITIES

*as at 30 June 2014*

|  | Notes | 2014<br>\$'000 | 2013<br>\$'000 |
|--|-------|----------------|----------------|
| <b>Assets administered on behalf of Government</b>                       |       |                |                |
| <b>Financial assets</b>  |       |                |                |
| Trade and other receivables  | 18    | -              | 1,775          |
| <b>Total financial assets</b>  |       | -              | 1,775          |
| <b>Total assets administered on behalf of Government</b>                 |       | -              | 1,775          |
| <b>LIABILITIES</b>   |       |                |                |
| <b>Financial Liabilities</b>   |       |                |                |
| Payables   | 19    | -              | -              |
| <b>Total financial liabilities</b>                                       |       | -              | -              |
| <b>Net assets</b>  |       | -              | 1,775          |
| This schedule should be read in conjunction with the accompanying notes. |       |                |                |

# ADMINISTERED RECONCILIATION SCHEDULE

*for the period ended 30 June 2014*

|  |  | 2014<br>\$'000  | 2013<br>\$'000 |
|--|--|-----------------|----------------|
| <b>Opening administered assets less administered liabilities as at 1 July</b>  |  | <b>1,775</b>    | 921            |
| Surplus (deficit) items:   |  |                 |                |
| Plus: Administered income  |  | <b>28,048</b>   | 30,458         |
| Administered transfers to/from Australian Government:                          |  |                 |                |
| Special appropriation (unlimited)  |  | <b>665</b>      | 660            |
| Transfers to OPA   |  | <b>(30,354)</b> | (30,203)       |
| Less Administered expenses (non CAC)   |  | <b>(134)</b>    | (61)           |
| <b>Closing administered assets less administered liabilities as at 30 June</b> |  | <b>-</b>        | 1,775          |

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

# ADMINISTERED CASH FLOW STATEMENT

*for the period ended 30 June 2014*

|  | Notes | 2014<br>\$'000 | 2013<br>\$'000 |
|--|-------|----------------|----------------|
| <b>Administered Cash Flows</b>   |       |                |                |
|  |       |                |                |
| <b>OPERATING ACTIVITIES</b>  |       |                |                |
| <b>Cash received</b>   |       |                |                |
|  |       |                |                |
| Fees   |       | 30,260         | 30,167         |
| Fines  |       | 94             | 36             |
| <b>Total Cash received</b>   |       | 30,354         | 30,203         |
|  |       |                |                |
| <b>Cash used</b>   |       |                |                |
| Special appropriation (unlimited)  |       | (665)          | (660)          |
| <b>Total cash used</b>   |       | (665)          | (660)          |
|  |       |                |                |
| <b>Net cash flows from (used by) operating activities</b>                |       | 29,689         | 29,543         |
|  |       |                |                |
| <b>Net increase (decrease) in Cash Held</b>                              |       | 29,689         | 29,543         |
|  |       |                |                |
| Cash and cash equivalents at the beginning of the reporting period       |       | -              | -              |
|  |       |                |                |
| Cash from the Official Public Account for:                               |       |                |                |
| Special appropriation (unlimited)  |       | 665            | 660            |
|  |       |                |                |
| Cash to Official Public Account for:                                     |       |                |                |
| Administered Receipts  |       | (30,354)       | (30,203)       |
|  | 20    | (29,689)       | (29,543)       |
| <b>Cash and cash equivalents at the end of the reporting period</b>      |       | -              | -              |
| This schedule should be read in conjunction with the accompanying notes. |       |                |                |

# NOTE 1

## Summary of Significant Accounting Policies

### 1.1 Objectives of AUSTRAC

The Australian Transaction Reports and Analysis Centre (AUSTRAC) is an Australian Government controlled entity. It is a not-for-profit entity. The purpose of AUSTRAC is to protect the integrity of Australia's financial system and to contribute to the administration of justice through its expertise in countering money laundering and the financing of terrorism.

AUSTRAC is Australia's anti-money laundering and counter-terrorism financing (AML/CTF) regulator and specialist financial intelligence unit (FIU). AUSTRAC was established in 1989 under the *Financial Transaction Reports Act 1988* (FTR Act) as a statutory authority within the Attorney-General's portfolio and is continued in existence by Section 209 of the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (AML/CTF Act).

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

The continued existence of AUSTRAC in its present form and with its present programs is dependent on Government policy and on continuing funding by Parliament for AUSTRAC's administration and programs.

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

### 1.2 Basis of Preparation of the Financial Statements

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

The financial statements have been prepared in accordance with:

- a) Finance Minister's Orders (FMOs) for reporting periods ending on or after 1 July 2011, and
- b) Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

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

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

Unless an alternative treatment is specifically required by an accounting standard or the FMOs, assets and liabilities are recognised in the balance sheet when and only when it is probable that future economic benefits will flow to AUSTRAC or a future sacrifice of economic benefits will be required and the amounts of the assets or liabilities can be reliably measured. Liabilities and assets that are unrecognised are reported in the schedule of commitments or the schedule of contingencies.

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



# NOTE 1

## Summary of Significant Accounting Policies (cont'd)

### 1.3 Significant Accounting Judgements and Estimates

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

### 1.4 New Australian Accounting Standards

#### Adoption of New Australian Accounting Standards Requirements

No accounting standard has been adopted earlier than the application date as stated in the standard.

Other new accounting standards, revised standards, interpretations and amending standards that were issued prior to the sign-off date and are applicable to the current reporting period did not have a financial impact, and are not expected to have a future financial impact on AUSTRAC.

| <i>Accounting Standard</i>          | <i>Main changes</i>   | <i>Impact on AUSTRAC's financial statements</i>   |
|-------------------------------------|---|---|
| <b>AASB 119 - Employee Benefits</b> | <b>Short-term employee benefits</b><br>All short-term employee benefits should now include all benefits expected to settle wholly within one year after the reporting date. | Based on the revised definition AUSTRAC assessed its short-term benefits (annual leave) and reclassified as long term benefit in the employee provisions note forming part of the financial statements. |

| <i>Accounting Standard</i>           | <i>Main changes</i>  | <i>Impact on AUSTRAC's financial statements</i>   |
|--------------------------------------|--|---|
| <b>AASB13 - Fair Value Movements</b> | AUSTRAC needs to make additional disclosure in relation to fair value measurement of non-current assets in the financial statements based on AASB13 framework for measuring fair values. | A new note is added to Notes forming part of the financial statements explaining the process that AUSTRAC followed in measuring and reporting fair value of non-current assets. |

#### Future Australian Accounting Standards Requirements

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

#### AASB 1055 Budgetary Reporting - March 2013 (Principal)

| <i>Accounting Standard</i>             | <i>Main changes</i>  | <i>Impact on AUSTRAC's financial statements</i>   |
|--|--|---|
| <b>AASB 1055 - Budgetary Reporting</b> | From 2014–15 AUSTRAC should disclose budgeted financial statements reflecting controlled items and explanations of the cause of the major variances between the actual and the corresponding original budget for the department items in the financial statements. | This new budgetary requirement will be disclosed in AUSTRAC's financial statements from 2014–15 financial year. |

# NOTE 1

## Summary of Significant Accounting Policies (cont'd)

### AASB 2012–2 Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities

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

### 1.5 Revenue

Revenue from the sale of goods is recognised when:

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

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

- a) the amount of revenue, stage of completion and transaction costs incurred can be reliably measured, and
- b) the probable economic benefits associated with the transaction will flow to the entity.

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

Receivables for goods and services, which have 30 day terms, are recognised at the nominal amounts due less any impairment allowance account. Collectability of debts is reviewed at the end of the reporting period. Allowances are made when collectability of the debt is no longer probable.

### Revenue from Government

Amounts appropriated for departmental outputs for the year (adjusted for any formal additions and reductions) are recognised as revenue from Government when AUSTRAC gains control of the appropriation, except for certain amounts that relate to activities that are reciprocal in nature, in which case revenue is recognised only when it has been earned.

Appropriations receivable are recognised at their nominal amounts.

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

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

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

### 1.6 Gains

#### Sale of Assets

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

### 1.7 Transactions with the Government as Owner

#### Equity Injections

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

## NOTE 1

### *Summary of Significant Accounting Policies (cont'd)*

#### ***Restructuring of administrative arrangements***

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

#### **1.8 Employee Benefits**

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

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

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

#### ***Leave***

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

The leave liabilities are calculated on the basis of employees' remuneration at the estimated salary rates that will be applied at the time the leave is taken, including AUSTRAC's employer superannuation contribution rates 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 FMOs. The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation.

#### ***Superannuation***

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

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

The liability for defined benefits is recognised in the financial statements of the Australian Government and is settled by the Australian Government in due course. This liability is reported by the Department of Finance administered schedules and notes.

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

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

#### ***Parental Leave***

AUSTRAC received payments during the year under the Paid Parental Leave Scheme of \$85,194 (2013: \$88,549).

## NOTE 1

### *Summary of Significant Accounting Policies (cont'd)*

#### **1.9 Leases**

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

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

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

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

#### ***Lease Incentives***

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

#### **1.10 Cash**

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

#### **1.11 Financial Assets**

##### ***Loans and Receivables***

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

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

#### **1.12 Financial Liabilities**

##### ***Other Financial Liabilities***

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

#### **1.13 Contingent Liabilities and Contingent Assets**

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

#### **1.14 Acquisition of Assets**

Assets are recorded at cost on acquisition except as stated below. The cost of acquisition includes the fair value of assets transferred in exchange and liabilities undertaken. Financial assets are initially measured at their fair value plus transaction costs where appropriate.

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

# NOTE 1

## Summary of Significant Accounting Policies (cont'd)

### 1.15 Property, Plant and Equipment

#### Asset Recognition Threshold

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

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

#### Revaluations

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

| Asset Class                         | Fair value measured at                                  |
|-------------------------------------|---|
| Leasehold Improvements              | Depreciated replacement cost, adjusted for obsolescence |
| Infrastructure, plant and equipment | Depreciated replacement cost, adjusted for obsolescence |

Following initial recognition at cost, 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.

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

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

#### 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                         | 2014                                       | 2013                                |
|-------------------------------------|--|-------------------------------------|
| Leasehold Improvements              | <b>Lease term</b>                          | Lease term                          |
| Infrastructure, plant and equipment | <b>3 to 10 years from date of purchase</b> | 3 to 10 years from date of purchase |

# NOTE 1

## Summary of Significant Accounting Policies (cont'd)

### Impairment

All assets were assessed for indications of impairment at 30 June 2014. Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount.

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

### Derecognition

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

### 1.16 Intangibles

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

Software is amortised on a straight-line basis over its anticipated useful life. The useful lives of AUSTRAC's software are 3 to 10 years (2012–13: 3 to 10 years).

All software assets were assessed for indications of impairment as at 30 June 2014.

### 1.17 Taxation

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

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

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

### 1.18 Monitoring of constitutional and other legal requirements

The Australian Government continues to have regard to developments in case law, including the High Court's most recent decision on Commonwealth expenditure in *Williams v Commonwealth (2014) HCA 23*, as they contribute to the larger body of law relevant to the development of Commonwealth programs. In accordance with its general practice, the Government will continue to monitor and assess risk and decide on any appropriate actions to respond to risks of expenditure not being consistent with constitutional or other legal requirements.

Section 83 of the Constitution provides that no amount may be paid out of the Consolidated Revenue Fund except under an appropriation made by law. The Department of Finance provided information to all agencies in 2011 regarding the need for risk assessments in relation to compliance with statutory conditions on payments from special appropriations, including special accounts.

During 2013–14 additional legal advice was received that indicated there could be breaches of section 83 under certain circumstances with payments for long service leave, goods and services tax and payments under determinations of The Remuneration Tribunal. The agency has reviewed its processes and controls over payments for goods and services tax and Remuneration Tribunal determinations to minimise the possibility for future breaches as a result of these payments. The agency has determined that there is a low risk of the circumstances mentioned in the legal advice applying to AUSTRAC. The agency will continue to review its processes and controls over payments of long service leave and has determined that there is a low to moderate possibility for future breaches in relation to long service leave payments. The Agency is not aware of any specific breaches of section 83 in respect of these items.

## NOTE 1

### Summary of Significant Accounting Policies (cont'd)

During 2013–14, AUSTRAC reviewed its exposure to the risks of not complying with statutory conditions on payments from appropriations. As a result of the work conducted to date on expenditure in the 2013–14 financial year, AUSTRAC has not identified any issues of compliance with section 83.

#### 1.19 Reporting of Administered Activities

Administered revenues, expenses, assets, liabilities and cash flows are disclosed in the schedule of administered items and related notes.

Except where otherwise stated below, administered items are accounted for on the same basis and using the same policies as for departmental items, including the application of Australian Accounting Standards.

##### **Administered Revenue**

AUSTRAC has recognised administered revenues on an accrual basis.

Administered revenues comprise:

- a) supervisory levies invoiced by AUSTRAC under the *Australian Transaction Reports and Analysis Centre Supervisory Cost Recovery Levy (Collections) Act 2011*, and
- b) collection of infringement notices issued under the AML/CTF Act by other Australian government agencies on behalf of the Australian government.

Revenue from supervisory levies is stated net of waivers. Leviable entities may, in certain circumstances, apply to the AUSTRAC CEO 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 a reduction in revenue.

##### **Administered Cash Transfers to and from the Official Public Account**

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

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

## NOTE 2

### *Events After the Reporting period*

#### **DEPARTMENTAL:**

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

#### **ADMINISTERED:**

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

## NOTE 3

### *Expenses*

|                                   | 2014<br>\$'000 | 2013<br>\$'000 |
|-----------------------------------|----------------|----------------|
| <b>Note 3A: Employee Benefits</b> |                |                |
| Wages and salaries                | 24,762         | 26,152         |
| Superannuation:                   |                |                |
| Defined contribution plans        | 2,104          | 2,420          |
| Defined benefit plans             | 2,744          | 2,742          |
| Leave and other entitlements      | 3,095          | 3,120          |
| Separation and redundancies       | 450            | 1,504          |
| <b>Total employee benefits</b>    | <b>33,155</b>  | <b>35,938</b>  |
| <b>Note 3B: Suppliers</b>         |                |                |
| <b>Goods and services</b>         |                |                |
| Contracted services               | 16,100         | 10,158         |
| IT maintenance                    | 3,225          | 2,409          |
| Travel                            | 1,524          | 1,841          |
| Property and office maintenance   | 1,958          | 1,925          |
| Telecommunications                | 1,123          | 1,324          |
| Other                             | 875            | 710            |
| <b>Total goods and services</b>   | <b>24,805</b>  | <b>18,367</b>  |



## NOTE 3

### Expenses (cont'd)

|   | 2014<br>\$'000 | 2013<br>\$'000 |
|---|----------------|----------------|
| <b>Goods and services are made up of:</b>           |                |                |
| Rendering of services – related entities            | 2,592          | 1,375          |
| Rendering of services – external parties            | 22,213         | 16,992         |
| <b>Total goods and services</b>                     | <b>24,805</b>  | <b>18,367</b>  |
| <b>Other supplier expenses</b>                      |                |                |
| <b>Operating lease rentals – external parties:</b>  |                |                |
| Minimum lease payments                              | 3,256          | 3,295          |
| Workers compensation expenses                       | 159            | 93             |
| <b>Total other supplier expenses</b>                | <b>3,415</b>   | <b>3,388</b>   |
| <b>Total supplier expenses</b>                      | <b>28,220</b>  | <b>21,755</b>  |
| <b>Note 3C: Depreciation and Amortisation</b>       |                |                |
| <b>Depreciation:</b>                                |                |                |
| Property, plant and equipment                       | 3,503          | 3,477          |
| Leasehold Improvements                              | 308            | 414            |
| <b>Total depreciation</b>                           | <b>3,811</b>   | <b>3,891</b>   |
| <b>Amortisation:</b>                                |                |                |
| Intangibles   | 2,515          | 2,277          |
| <b>Total amortisation</b>                           | <b>2,515</b>   | <b>2,277</b>   |
| <b>Total depreciation and amortisation</b>          | <b>6,326</b>   | <b>6,168</b>   |
| <b>Note 3D: Losses from Asset Sales</b>             |                |                |
| <b>Property, plant and equipment:</b>               |                |                |
| Carrying value of assets sold or disposed           | 22             | 34             |
| <b>Total losses from asset sales</b>                | <b>22</b>      | <b>34</b>      |
| <b>Note 3E: Write-down and Impairment of Assets</b> |                |                |
| <b>Asset write-down and impairments:</b>            |                |                |
| Revaluation decrement of assets                     | 412            | -              |
| <b>Total write-down and impairment of assets</b>    | <b>412</b>     | <b>-</b>       |

# NOTE 4

## Income

|  | 2014<br>\$'000 | 2013<br>\$'000 |
|--|----------------|----------------|
| <b>OWN-SOURCE REVENUE</b>                                      |                |                |
|  |                |                |
| <i><b>Note 4A: Sale of Goods and Rendering of Services</b></i> |                |                |
| Rendering of services - related entities                       | <b>3,201</b>   | 4,049          |
| Rendering of services - external parties                       | <b>4,828</b>   |                |
| Other revenue - resources received free of charge              | <b>160</b>     | 135            |
| <b>Total sale of goods and rendering of services</b>           | <b>8,189</b>   | 4,184          |
|  |                |                |
| <b>GAINS</b>   |                |                |
|  |                |                |
| <i><b>Note 4B: Other Revenue</b></i>                           |                |                |
|  |                |                |
| Gain from restoration obligation                               | -              | 214            |
| <b>Total other revenue</b>                                     | -              | 214            |
|  |                |                |
| <i><b>Note 4C: Revenue from Government</b></i>                 |                |                |
| <b>Appropriations:</b>   |                |                |
| Departmental appropriation                                     | <b>53,142</b>  | 53,765         |
| <b>Total revenue from Government</b>                           | <b>53,142</b>  | 53,765         |

# NOTE 5

## Financial Assets

|   | 2014<br>\$'000 | 2013<br>\$'000 |
|---|----------------|----------------|
| <b>Note 5A: Cash and Cash Equivalents</b>           |                |                |
| Cash on hand or on deposit                          | 1,714          | 1,950          |
| <b>Total cash and cash equivalents</b>              | <b>1,714</b>   | <b>1,950</b>   |
| <b>Note 5B: Trade and Other Receivables</b>         |                |                |
| <b>Good and Services:</b>                           |                |                |
| Goods and services - related entities               | 170            | 92             |
| Goods and services - external parties               | 229            | 949            |
| <b>Total receivables for goods and services</b>     | <b>399</b>     | <b>1,041</b>   |
| <b>Appropriations receivable:</b>                   |                |                |
| For existing programs                               | 13,309         | 11,079         |
| <b>Total appropriations receivable</b>              | <b>13,309</b>  | <b>11,079</b>  |
| <b>Other receivables:</b>                           |                |                |
| GST receivable from the Australian Taxation Office  | 492            | 885            |
| <b>Total other receivables</b>                      | <b>492</b>     | <b>885</b>     |
| <b>Total trade and other receivables (net)</b>      | <b>14,200</b>  | <b>13,005</b>  |
| <b>Receivables are expected to be recovered in:</b> |                |                |
| No more than 12 months                              | 14,200         | 13,005         |
| More than 12 months                                 | -              | -              |
| <b>Total trade and other receivables (net)</b>      | <b>14,200</b>  | <b>13,005</b>  |
| <b>Receivables are aged as follows:</b>             |                |                |
| Not overdue   | 14,175         | 12,980         |
| Overdue by:   |                |                |
| 0 to 30 days  | -              | -              |
| 31 to 60 days                                       | 25             | 2              |
| 61 to 90 days                                       | -              | 23             |
| More than 90 days                                   | -              | -              |
| <b>Total receivables (gross)</b>                    | <b>14,200</b>  | <b>13,005</b>  |

## NOTE 6

### Non-Financial Assets

|   | 2014<br>\$'000                                       | 2013<br>\$'000  |                 |
|---|--|---|-----------------|
| <b>Note 6A: Land and Buildings</b>  |  |   |                 |
| <b>Leasehold improvements:</b>  |  |   |                 |
| Fair value  | 2,437  | 8,256   |                 |
| Accumulated depreciation  | (201)  | (6,510)   |                 |
| <b>Total leasehold improvements</b>   | <b>2,236</b>   | <b>1,746</b>  |                 |
| <b>Total land and buildings</b>   | <b>2,236</b>   | <b>1,746</b>  |                 |
| No indicators of impairment were found for leasehold improvements (2013: Nil).  |  |   |                 |
| No leasehold improvements are expected to be sold or disposed of within the next 12 months.   |  |   |                 |
| <b>Note 6B: Property, Plant and Equipment</b>   |  |   |                 |
| <b>Other property, plant and equipment:</b>   |  |   |                 |
| Fair value  | 14,065   | 15,836  |                 |
| Accumulated depreciation  | (2,174)  | (7,881)   |                 |
| <b>Total other property, plant and equipment</b>  | <b>11,891</b>  | <b>7,955</b>  |                 |
| No indicators of impairment were found for property, plant and equipment (2013: Nil).   |  |   |                 |
| <b>Revaluations of non-financial assets</b>   |  |   |                 |
| All revaluations were conducted in accordance with the revaluation policy stated at Note 1. The last revaluation was conducted by Preston Rowe Paterson, an independent qualified valuer, on 30 June 2014. The next revaluation will be completed for the year ending 30 June 2017. |  |   |                 |
| <b>Note 6C: Reconciliation of the Opening and Closing Balances of Property, Plant and Equipment (2013–14)</b>   |  |   |                 |
|   | Leasehold<br>Improvements at<br>fair value<br>\$'000 | Other property,<br>plant & equipment<br>at fair value<br>\$'000 | Total<br>\$'000 |
| <b>As at 1 July 2013</b>  |  |   |                 |
| Gross book value  | 8,256  | 15,836  | 24,092          |
| Accumulated depreciation and impairment   | (6,510)  | (7,881)   | (14,391)        |
| <b>Net book value 1 July 2013</b>   | <b>1,746</b>   | <b>7,955</b>  | <b>9,701</b>    |
| Additions   |  |   |                 |
| By purchase   | 393  | 5,639   | 6,032           |
| Depreciation expense  | (308)  | (3,503)   | (3,811)         |
| Reclassification:   |  |   |                 |
| Depreciation expense  | 5  | (5)   | -               |
| Asset Cost  | (21)   | 21  | -               |

## NOTE 6

### Non-Financial Assets (cont'd)

|   | Leasehold<br>Improvements at<br>fair value<br>\$'000 | Other property,<br>plant & equipment<br>at fair value<br>\$'000 | Total<br>\$'000 |
|---|--|---|-----------------|
| Disposals:  |  |   |                 |
| Impairments recognised in other comprehensive income        | 5,040  | 528   | 5,568           |
| Other   | (5,040)  | (550)   | (5,590)         |
| Net Revaluation Increments / (Decrements):                  |  |   |                 |
| Depreciation  | 1,572  | 8,687   | 10,259          |
| Asset Cost  | ( 1,151)   | ( 6,881)  | ( 8,032)        |
| <b>Net book value 30 June 2014</b>                          | <b>2,236</b>   | <b>11,891</b>   | <b>14,127</b>   |
| <b>Net book value as of 30 June 2014 is represented by:</b> |  |   |                 |
| Gross book value  | 2,437  | 14,065  | 16,502          |
| Accumulated depreciation and impairment                     | (201)  | (2,174)   | (2,375)         |
|   | 2,236  | 11,891  | 14,127          |

#### **Note 6C (Cont'd): Reconciliation of the Opening and Closing Balances of Property, Plant and Equipment (2012–13)**

|   | Leasehold<br>Improvements<br>\$'000 | Other property,<br>plant &<br>equipment<br>\$'000 | Total<br>\$'000 |
|---|-------------------------------------|---|-----------------|
| <b>As at 1 July 2012</b>                                    |                                     |   |                 |
| Gross book value  | 8,749                               | 16,316  | 25,065          |
| Accumulated depreciation and impairment                     | (7,133)                             | (6,361)   | (13,494)        |
| <b>Net book value 1 July 2012</b>                           | <b>1,616</b>                        | <b>9,955</b>                                      | <b>11,571</b>   |
| Additions   |                                     |   |                 |
| By purchase   | 570                                 | 1,512   | 2,082           |
| Depreciation expense  | (414)                               | (3,477)   | (3,891)         |
| Disposals:  |                                     |   |                 |
| Impairments recognised in other comprehensive income        | 1,037                               | 1,957   | 2,994           |
| Other   | (1,063)                             | (1,992)   | (3,055)         |
| <b>Net book value 30 June 2013</b>                          | <b>1,746</b>                        | <b>7,955</b>                                      | <b>9,701</b>    |
| <b>Net book value as of 30 June 2013 is represented by:</b> |                                     |   |                 |
| Gross book value  | 8,256                               | 15,836  | 24,092          |
| Accumulated depreciation and impairment                     | (6,510)                             | (7,881)   | (14,391)        |
|   | 1,746                               | 7,955   | 9,701           |

## NOTE 6

### Non-Financial Assets (cont'd)

|   | 2014<br>\$'000                                   | 2013<br>\$'000                        |                 |
|---|--|---------------------------------------|-----------------|
| <b>Note 6D: Intangibles</b>   |  |                                       |                 |
| <b>Computer software:</b>   |  |                                       |                 |
| Internally developed – in progress  | 12,447   | 6,527                                 |                 |
| Internally developed – in use   | 20,977   | 20,038                                |                 |
| Purchased   | 2,362  | 2,362                                 |                 |
| Accumulated amortisation  | (13,502)   | (10,987)                              |                 |
| <b>Total computer software</b>  | <b>22,284</b>                                    | <b>17,940</b>                         |                 |
| <b>Total intangibles</b>  | <b>22,284</b>                                    | <b>17,940</b>                         |                 |
| No indicators of impairment were found for intangible assets (2013: Nil).                   |  |                                       |                 |
| No intangibles are expected to be sold or disposed of within the next 12 months.            |  |                                       |                 |
|   |  |                                       |                 |
| <b>Note 6E: Reconciliation of the Opening and Closing Balances of Intangibles (2013–14)</b> |  |                                       |                 |
|   | Computer software internally developed<br>\$'000 | Computer software purchased<br>\$'000 | Total<br>\$'000 |
| <b>As at 1 July 2013</b>  |  |                                       |                 |
| Gross book value  | 26,565   | 2,362                                 | 28,927          |
| Accumulated amortisation and impairment   | (9,104)  | (1,883)                               | (10,987)        |
| <b>Net book value 1 July 2013</b>   | <b>17,461</b>                                    | <b>479</b>                            | <b>17,940</b>   |
| Additions   |  |                                       |                 |
| By purchase or internally developed   | 5,921  | -                                     | 5,921           |
| Additions capitalised   | 938  | -                                     | 938             |
| Amortisation  | (2,036)  | (479)                                 | (2,515)         |
| <b>Net book value 30 June 2014</b>  | <b>22,284</b>                                    | <b>-</b>                              | <b>22,284</b>   |
|   |  |                                       |                 |
| <b>Net book value as of 30 June 2014 is represented by:</b>                                 |  |                                       |                 |
| Gross book value  | 33,424   | 2,362                                 | 35,786          |
| Accumulated amortisation and impairment   | (11,140)   | (2,362)                               | (13,502)        |
|   | 22,284   | -                                     | 22,284          |

## NOTE 6

### Non-Financial Assets (cont'd)

#### Note 6E (Cont'd): Reconciliation of the Opening and Closing Balances of Intangibles (2012–13)

|  | Computer software internally developed \$'000 | Computer software purchased \$'000 | Total \$'000 |
|--|---|------------------------------------|--------------|
| <b>As at 1 July 2012</b>   |   |                                    |              |
| Gross book value   | 20,198  | 2,362                              | 22,560       |
| Accumulated amortisation and impairment  | (7,513)                                       | (1,197)                            | (8,710)      |
| <b>Net book value 1 July 2012</b>  | 12,685  | 1,165                              | 13,850       |
| Additions  |   |                                    |              |
| By purchase or internally developed  | 880   | -                                  | 880          |
| Additions capitalised  | 5,488   | -                                  | 5,488        |
| Amortisation   | (1,591)                                       | (686)                              | (2,277)      |
| <b>Net book value 30 June 2013</b>   | 17,461  | 479                                | 17,940       |
|  |   |                                    |              |
| <b>Net book value as of 30 June 2013 is represented by:</b>                        |   |                                    |              |
| Gross book value   | 26,565  | 2,362                              | 28,927       |
| Accumulated amortisation and impairment  | (9,104)                                       | (1,883)                            | (10,987)     |
|  | 17,461  | 479                                | 17,940       |
|  |   |                                    |              |
|  | <b>2014 \$'000</b>                            | 2013 \$'000                        |              |
| <b>Note 6F: Other Non-Financial Assets</b>   |   |                                    |              |
| Prepayments  | <b>2,761</b>                                  | 2,864                              |              |
| <b>Total other non-financial assets</b>  | <b>2,761</b>                                  | 2,864                              |              |
|  |   |                                    |              |
| <b>Total other non-financial assets - are expected to be recovered in:</b>         |   |                                    |              |
| No more than 12 months   | <b>2,086</b>                                  | 2,478                              |              |
| More than 12 months  | <b>675</b>                                    | 386                                |              |
| <b>Total other non-financial assets</b>  | <b>2,761</b>                                  | 2,864                              |              |
| No indicators of impairment were found for other non-financial assets (2013: Nil). |   |                                    |              |

# NOTE 7

## Fair Value Measurements

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

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

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

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

**Level 3:** Unobservable inputs for the asset or liability.

### Note 7A: Fair Value Measurements

#### Fair value measurements at the end of the reporting period by hierarchy for assets in 2014

|   | Ref            | Fair value measurements at the end of the reporting period using |                             |                             |                             |
|---|----------------|--|-----------------------------|-----------------------------|-----------------------------|
|   |                | Fair value<br>\$'000   | Level 1<br>inputs<br>\$'000 | Level 2<br>inputs<br>\$'000 | Level 3<br>inputs<br>\$'000 |
| <b>Financial assets</b>   |                | -  | -                           | -                           | -                           |
| <b>Total financial assets</b>   |                | -  | -                           | -                           | -                           |
| <b>Non-financial assets</b>   |                |  |                             |                             |                             |
| Fitout leasehold improvements - recurring   | <b>Note 6A</b> | <b>2,236</b>   | -                           | -                           | <b>2,236</b>                |
| Hardware - recurring  |                | <b>7,163</b>   | -                           | -                           | <b>7,163</b>                |
| Software - recurring  |                | <b>4,383</b>   | -                           | -                           | <b>4,383</b>                |
| Office equipment - recurring  |                | <b>225</b>   | -                           | -                           | <b>225</b>                  |
| Security equipment - recurring  |                | <b>120</b>   | -                           | -                           | <b>120</b>                  |
|   | <b>Note 6B</b> | <b>11,891</b>  | -                           | -                           | <b>11,891</b>               |
| <b>Total non-financial assets</b>   |                | <b>14,127</b>  | -                           | -                           | <b>14,127</b>               |
| <b>Total fair value measurements of assets in the statement of financial position</b> |                | <b>14,127</b>  | -                           | -                           | <b>14,127</b>               |

#### Fair value measurements - highest and best use differs from current use for non-financial assets.

All non-financial assets, including leasehold improvements, were considered to be measured at their 'highest and best use'. Whilst there may have been other uses that could be physically possible and financially feasible, they were not legally permissible.



# NOTE 7

## Fair Value Measurements (cont'd)

### Note 7B: Valuation Technique and Inputs for Level 2 and Level 3 Fair Value Measurements

| Level 2 and 3 fair value measurements - valuation technique and the inputs used for assets and liabilities in 2014   |                       |                      |  |  |   |
|--|-----------------------|----------------------|--|--|---|
|  | Category<br>(Level 3) | Fair value<br>\$'000 | Valuation<br>technique(s) <sup>1</sup> | Inputs used  | Range<br>(weighted<br>average) <sup>2</sup><br>\$ |
| <b>Financial assets</b>  |                       |                      |  |  |   |
| <b>Non-financial assets</b>  |                       |                      |  |  |   |
| Fitout leasehold improvements - recurring  | Level 3               | 2,236                | Cost approach                          | Estimated replacement cost of similar assets adjusted for remaining useful life. | \$0 - \$945,971<br>(\$248,395)                    |
| Hardware - recurring   | Level 3               | 7,163                | Cost approach                          | Estimated replacement cost of similar assets adjusted for remaining useful life. | \$0 - \$954,739<br>(\$3,838)                      |
| Software - recurring   | Level 3               | 4,383                | Cost approach                          | Estimated replacement cost of similar assets adjusted for remaining useful life. | \$291 - \$584,109<br>(\$89,456)                   |
| Office equipment - recurring   | Level 3               | 225                  | Cost approach                          | Estimated replacement cost of similar assets adjusted for remaining useful life. | \$0 - \$70,524<br>(\$2,265)                       |
| Security equipment - recurring   | Level 3               | 120                  | Cost approach                          | Estimated replacement cost of similar assets adjusted for remaining useful life. | \$0 - \$43,397<br>(\$2370)                        |
| <p>1. No change in valuation technique occurred during the period.</p> <p>2. Significant unobservable inputs only. Not applicable for assets or liabilities in the Level 2 category.</p> |                       |                      |  |  |   |

## NOTE 7

### *Fair Value Measurements (cont'd)*

#### **Recurring and non-recurring Level 3 fair value measurements - valuation processes**

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

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

#### **Recurring Level 3 fair value measurements - sensitivity of inputs**

At each valuation date, the depreciated replacement cost analysis is updated relative to the then current replacement cost for the asset in question. This includes consideration of the then expended useful life in order to establish an appropriate estimated fair value as at the relevant reporting date. For comprehensive revaluations, replacement cost estimates are repriced and assessed, whereas for desktop updates at a particular reporting date, replacement cost estimates are revised based on adjustments to reliable cost indices, expended useful life and remaining useful life are adjusted to reflect the nominated reporting date, the initial capitalisation date of the asset and the adopted useful life for the asset.

Significant increases (decreases) in any of these inputs in isolation would result in a significantly lower (higher) fair value measurement.

#### **Recurring Level 3 fair value measurements - sensitivity analysis for financial assets**

Fair value was determined using the cost approach, which comprises the price the market would pay to acquire or construct a substitute asset with adjustment for obsolescence. Had the leasehold improvements been measured on a historical cost basis, their carrying amount would have been reduced by \$0.421m. For all other assets the amount of the reduction would have been \$1.806m. There would have been no change in the value of intangibles.

# NOTE 7

## Fair Value Measurements (cont'd)

### Note 7C: Reconciliation for Recurring Level 3 Fair Value Measurements for the period ended 30 June 2014

| Recurring Level 3 fair value measurements - reconciliation for assets   |  |                             |                             |                                     |                                       |               |
|---|--|-----------------------------|-----------------------------|-------------------------------------|---------------------------------------|---------------|
|   | Non-Financial assets 2014                        |                             |                             |                                     |                                       |               |
|   | Fitout leasehold improvements - recurring \$'000 | Hardware - recurring \$'000 | Software - recurring \$'000 | Office equipment - recurring \$'000 | Security equipment - recurring \$'000 | Total \$'000  |
| <b>Opening balance</b>  | <b>1,746</b>                                     | <b>5,036</b>                | <b>2,647</b>                | <b>225</b>                          | <b>47</b>                             | <b>9,701</b>  |
| Total gains/ (losses) recognised in other comprehensive income <sup>1</sup>   | -  | (382)                       | (18)                        | (12)                                | -                                     | (412)         |
| Purchases   | 392  | 3,508                       | 2,053                       | 25                                  | 54                                    | 6,032         |
| Depreciation  | (308)  | (2,422)                     | (1,001)                     | (68)                                | (12)                                  | (3,811)       |
| Internal transfers  | (16)   | -                           | -                           | 2                                   | 14                                    | -             |
| Disposals   | -  | (5)                         | -                           | (17)                                | -                                     | (22)          |
| Revaluation <sup>2</sup>  | 422  | 1,428                       | 702                         | 70                                  | 17                                    | 2,639         |
| Transfers into Level 3  | -  | -                           | -                           | -                                   | -                                     | -             |
| Transfers out of Level 3  | -  | -                           | -                           | -                                   | -                                     | -             |
| <b>Closing balance</b>  | <b>2,236</b>                                     | <b>7,163</b>                | <b>4,383</b>                | <b>225</b>                          | <b>120</b>                            | <b>14,127</b> |
| Changes in unrealised gains/ (losses) recognised in net cost of services for assets held at the end of the reporting period | 424  | 1,045                       | 684                         | 17                                  | 58                                    | 2,227         |

1. These gains/(losses) are presented in the Statement of Comprehensive Income under Note 3E - Write down and impairment of assets.

2. These gains/(losses) are presented in the Statement of Comprehensive Income changes in asset revaluation reserves.

## NOTE 8

### Payables

|   | 2014<br>\$'000 | 2013<br>\$'000 |
|---|----------------|----------------|
| <b>Note 8A: Suppliers</b>   |                |                |
| Trade creditors and accruals                                      | 1,586          | 2,649          |
| <b>Total supplier payables</b>                                    | <b>1,586</b>   | <b>2,649</b>   |
|   |                |                |
| <b>Supplier payables expected to be settled within 12 months:</b> |                |                |
| Related entities  | 98             | 472            |
| External parties  | 1,488          | 2,177          |
| <b>Total</b>  | <b>1,586</b>   | <b>2,649</b>   |
|   |                |                |
| Settlement was usually made within 30 days (2013: 30 days)        |                |                |
|   |                |                |
| <b>Note 8B: Other Payables</b>                                    |                |                |
| Salaries and wages  | 950            | 879            |
| Superannuation  | 151            | 155            |
| Prepayments received/unearned income                              | 5,500          | 2,460          |
| Lease Incentives  | 402            | -              |
| Other   | 14             | 15             |
| <b>Total other payables</b>                                       | <b>7,017</b>   | <b>3,509</b>   |
|   |                |                |
| <b>Total other payables are expected to be settled in:</b>        |                |                |
| No more than 12 months  | 6,458          | 3,509          |
| More than 12 months   | 559            | -              |
| <b>Total other payables</b>                                       | <b>7,017</b>   | <b>3,509</b>   |

# NOTE 9

## Provisions

|  | 2014<br>\$'000                    | 2013<br>\$'000          |
|--|-----------------------------------|-------------------------|
| <b>Note 9A: Employee Provisions</b>  |                                   |                         |
| Leave  | 8,839                             | 8,939                   |
| <b>Total employee provisions</b>   | <b>8,839</b>                      | <b>8,939</b>            |
| <b>Employee provisions are expected to be settled in:</b>  |                                   |                         |
| No more than 12 months   | -                                 | 3,265                   |
| More than 12 months  | 8,839                             | 5,674                   |
| <b>Total employee provisions</b>   | <b>8,839</b>                      | <b>8,939</b>            |
| <b>Note 9B: Other Provisions</b>   |                                   |                         |
| Other  | 514                               | 514                     |
| <b>Total other provisions</b>  | <b>514</b>                        | <b>514</b>              |
| <b>Other provisions are expected to be settled in:</b>   |                                   |                         |
| No more than 12 months   | -                                 | -                       |
| More than 12 months  | 514                               | 514                     |
| <b>Total other provisions</b>  | <b>514</b>                        | <b>514</b>              |
|  | <b>Other provision<br/>\$'000</b> | <b>Total<br/>\$'000</b> |
| <b>Carrying amount 1 July 2013</b>   | <b>514</b>                        | <b>514</b>              |
| Additional provisions made   | -                                 | -                       |
| Amounts used   | -                                 | -                       |
| Provision no longer required   | -                                 | -                       |
| Amounts offset against asset value   | -                                 | -                       |
| <b>Closing balance 2014</b>  | <b>514</b>                        | <b>514</b>              |
| The agency currently has no agreement for the leasing of premises which requires the entity to restore the premises to its original condition (2013: no agreements). |                                   |                         |

## NOTE 10

### Cash Flow Reconciliation

|   | 2014<br>\$'000 | 2013<br>\$'000 |
|---|----------------|----------------|
| Reconciliation of cash and cash equivalents as per Statement of Financial Position to Cash Flow Statement |                |                |
|   |                |                |
| <b>Cash and cash equivalents as per:</b>  |                |                |
| Cash flow statement   | 1,714          | 1,950          |
| Statement of Financial Position   | 1,714          | 1,950          |
| <b>Difference</b>   | -              | -              |
|   |                |                |
| <b>Reconciliation of net cost of services to net cash from operating activities:</b>                      |                |                |
| Net cost of services  | (59,946)       | (59,497)       |
| Add revenue from Government   | 53,142         | 53,765         |
| <b>Adjustments for non-cash items</b>   |                |                |
| Depreciation / amortisation   | 6,326          | 6,168          |
| Loss on disposal of assets  | 22             | 34             |
| Write-down and impairment of assets   | 412            | -              |
|   |                |                |
| <b>Changes in assets / liabilities</b>  |                |                |
| Decrease / (Increase) in net receivables  | (2,675)        | 5,835          |
| (Increase) / decrease in prepayments  | 103            | (1,309)        |
| (Decrease) / increase in employee provisions  | (100)          | (746)          |
| (Decrease) / increase in supplier payables  | (1,063)        | (1,631)        |
| (Decrease) / increase in other payables   | 3,507          | (2,031)        |
| (Decrease) / increase in other provisions   | -              | (351)          |
| <b>Net cash from (used by) operating activities</b>   | <b>(272)</b>   | <b>237</b>     |

## NOTE 11

### *Contingent Liabilities and Assets*

|   |
|---|
| <b>Quantifiable contingencies</b>   |
| There are no quantifiable contingencies as at 30 June 2014 (2013 Nil).    |
| <b>Unquantifiable contingencies</b>                                       |
| There are no unquantifiable contingencies as at 30 June 2014 (2013: Nil). |
| <b>Significant Remote Contingencies</b>                                   |
| There are no remote contingencies as at 30 June 2014 (2013: Nil).         |

## NOTE 12

### Senior Executive Remuneration

#### Note 12A: Senior Executive Remuneration Expenses for the Reporting Period

|   | 2014<br>\$       | 2013<br>\$       |
|---|------------------|------------------|
| <b>Short-term employee benefits:</b>                |                  |                  |
| Salary  | 2,600,788        | 2,431,563        |
| Performance bonuses                                 | -                | -                |
| Other allowances                                    | 24,079           | 24,288           |
| <b>Total short-term employee benefits</b>           | <b>2,624,867</b> | <b>2,455,851</b> |
| <b>Post-employment benefits:</b>                    |                  |                  |
| Superannuation                                      | 495,387          | 498,346          |
| <b>Total post-employment benefits</b>               | <b>495,387</b>   | <b>498,346</b>   |
| <b>Other long-term employee benefits:</b>           |                  |                  |
| Long-service leave                                  | 77,984           | 70,829           |
| Annual leave accrued                                | 219,869          | 199,812          |
| <b>Total other long-term employee benefits</b>      | <b>297,853</b>   | <b>270,641</b>   |
| <b>Termination benefits:</b>                        |                  |                  |
| Eligible Termination Payment                        | -                | 47,553           |
| Voluntary redundancy payments                       | -                | 74,866           |
| <b>Total termination benefits</b>                   | <b>-</b>         | <b>122,419</b>   |
| <b>Total senior executive remuneration expenses</b> | <b>3,418,107</b> | <b>3,347,257</b> |

1. Note 12A is prepared on an accrual basis.

2. Note 12A excludes acting arrangements and part-year service where total remuneration expensed as a senior executive was less than \$195,000.



## NOTE 12

### Senior Executive Remuneration (cont'd)

#### Note 12B: Average Annual Reportable Remuneration Paid to Substantive Senior Executives during the Reporting Period

| 2014   |                                   |                                   |   |                                       |                            |                                  |
|--|-----------------------------------|-----------------------------------|---|---------------------------------------|----------------------------|----------------------------------|
| Average annual reportable remuneration <sup>1</sup>                      | Substantive senior executives No. | Reportable salary <sup>2</sup> \$ | Contributed super-annuation <sup>3</sup> \$ | Reportable allowances <sup>4</sup> \$ | Bonus paid <sup>5</sup> \$ | Total reportable remuneration \$ |
| <b>Total reportable remuneration (including part-time arrangements):</b> |                                   |                                   |   |                                       |                            |                                  |
| Less than \$195,000  | 1                                 | 96,303                            | 37,174                                      | -                                     | -                          | 133,477                          |
| \$195,000 to \$224,999   | 1                                 | 168,071                           | 31,511                                      | -                                     | -                          | 199,582                          |
| \$225,000 to \$254,999   | 2                                 | 215,238                           | 32,499                                      | -                                     | -                          | 247,737                          |
| \$255,000 to \$284,999   | 4                                 | 219,090                           | 42,733                                      | -                                     | -                          | 261,822                          |
| \$315,000 to \$344,999   | 2                                 | 274,580                           | 53,815                                      | -                                     | -                          | 328,395                          |
| \$435,000 to \$464,999   | 1                                 | 399,788                           | 49,643                                      | -                                     | -                          | 449,431                          |
| <b>Total number of substantive senior executives</b>                     | 11                                |                                   |   |                                       |                            |                                  |
| 2013   |                                   |                                   |   |                                       |                            |                                  |
| Average annual reportable remuneration <sup>1</sup>                      | Substantive senior executives No. | Reportable salary <sup>2</sup> \$ | Contributed super-annuation <sup>3</sup> \$ | Reportable allowances <sup>4</sup> \$ | Bonus paid <sup>5</sup> \$ | Total reportable remuneration \$ |
| <b>Total reportable remuneration (including part-time arrangements):</b> |                                   |                                   |   |                                       |                            |                                  |
| Less than \$195,000  | 2                                 | 95,406                            | 19,833                                      | -                                     | -                          | 115,239                          |
| \$225,000 to \$254,999   | 3                                 | 207,963                           | 34,411                                      | 156                                   | -                          | 242,530                          |
| \$255,000 to \$284,999   | 4                                 | 220,039                           | 44,749                                      | -                                     | -                          | 264,788                          |
| \$285,000 to \$314,999   | 1                                 | 262,796                           | 49,094                                      | 108                                   | -                          | 311,998                          |
| \$315,000 to \$344,999   | 1                                 | 273,041                           | 65,865                                      | -                                     | -                          | 338,906                          |
| \$405,000 to \$434,999   | 1                                 | 365,625                           | 46,044                                      | -                                     | -                          | 411,669                          |
| <b>Total number of substantive senior executives</b>                     | 12                                |                                   |   |                                       |                            |                                  |

## NOTE 12

### Senior Executive Remuneration (cont'd)

1. This table reports substantive senior executives who received remuneration during the reporting period. Each row is an averaged figure based on headcount for individuals in the band.

2. 'Reportable salary' includes the following:

- a) gross payments (less any bonuses paid, which are separated out and disclosed in the 'bonus paid' column);
- b) reportable fringe benefits (at the net amount prior to 'grossing up' for tax purposes);
- c) exempt foreign employment income; and
- d) reportable employer superannuation contributions.

3. The 'contributed superannuation' amount is the average cost to the entity for the provision of superannuation benefits to substantive senior executives in that reportable remuneration band during the reporting period.

4. 'Reportable allowances' are the average actual allowances paid as per the 'total allowances' line on individuals' payment summaries.

5. 'Bonus paid' represents average actual bonuses paid during the reporting period in that reportable remuneration band. The 'bonus paid' within a particular band may vary between financial years due to various factors such as individuals commencing with or leaving the entity during the financial year.

#### **Note 12C: Average Annual Reportable Remuneration Paid to Other Highly Paid Staff during the Reporting Period**

2014

| Average annual reportable remuneration <sup>1</sup>                      | Other highly paid staff No. | Reportable salary <sup>2</sup> \$ | Contributed super-annuation <sup>3</sup> \$ | Reportable allowances <sup>4</sup> \$ | Bonus paid <sup>5</sup> \$ | Total reportable remuneration \$ |
|--|-----------------------------|-----------------------------------|---|---------------------------------------|----------------------------|----------------------------------|
| <b>Total reportable remuneration (including part-time arrangements):</b> |                             |                                   |   |                                       |                            |                                  |
| \$195,000 to \$224,999   | 1                           | 175,065                           | 31,619                                      | -                                     | -                          | 206,685                          |
| \$225,000 to \$254,999   | 2                           | 210,982                           | 29,691                                      | -                                     | -                          | 240,673                          |
| \$255,000 to \$284,999   | 1                           | 227,690                           | 31,800                                      | -                                     | -                          | 259,490                          |
| <b>Total number of other highly paid staff</b>                           | 4                           |                                   |   |                                       |                            |                                  |

## NOTE 12

### Senior Executive Remuneration (cont'd)

2013

| Average annual reportable remuneration <sup>1</sup>                      | Other highly paid staff No. | Reportable salary <sup>2</sup> \$ | Contributed super-annuation <sup>3</sup> \$ | Reportable allowances <sup>4</sup> \$ | Bonus paid <sup>5</sup> \$ | Total reportable remuneration \$ |
|--|-----------------------------|-----------------------------------|---|---------------------------------------|----------------------------|----------------------------------|
| <b>Total reportable remuneration (including part-time arrangements):</b> |                             |                                   |   |                                       |                            |                                  |
| \$195,000 to \$224,999   | 2                           | 163,388                           | 35,168                                      | -                                     | 2,200                      | 200,756                          |
| \$225,000 to \$254,999   | 3                           | 205,074                           | 32,915                                      | -                                     | 2,033                      | 240,022                          |
| <b>Total number of other highly paid staff</b>                           | 5                           |                                   |   |                                       |                            |                                  |

1. This table reports staff:

- a) who were employed by the entity during the reporting period;
- b) whose reportable remuneration was \$195,000 or more for the reporting period; and
- c) were not required to be disclosed in Table B.

Each row is an averaged figure based on headcount for individuals in the band.

2. 'Reportable salary' includes the following:

- a) gross payments (less any bonuses paid, which are separated out and disclosed in the 'bonus paid' column);
- b) reportable fringe benefits (at the net amount prior to 'grossing up' for tax purposes);
- c) exempt foreign employment income; and
- d) reportable employer superannuation contributions.

3. The 'contributed superannuation' amount is the average cost to the entity for the provision of superannuation benefits to other highly paid staff in that reportable remuneration band during the reporting period.

4. 'Reportable allowances' are the average actual allowances paid as per the 'total allowances' line on individuals' payment summaries.

5. 'Bonus paid' represents average actual bonuses paid during the reporting period in that reportable remuneration band. The 'bonus paid' within a particular band may vary between financial years due to various factors such as individuals commencing with or leaving the entity during the financial year.

## NOTE 13

### Remuneration of Auditors

|   | 2014<br>\$'000 | 2013<br>\$'000 |
|---|----------------|----------------|
| Financial statement audit services were provided free of charge to the entity by the Australian National Audit Office (ANAO). |                |                |
|   |                |                |
| <b>Fair value of the services provided:</b>   |                |                |
| Financial statement audit services  | 160            | 135            |
| <b>Total</b>  | <b>160</b>     | <b>135</b>     |
| No other services were provided by the auditors of the financial statements.  |                |                |

## NOTE 14

### Financial Instruments

#### Note 14A: Categories of Financial Instruments

|  | 2014<br>\$'000 | 2013<br>\$'000 |
|--|----------------|----------------|
| <b>Financial Assets</b>  |                |                |
| <b>Held-to-maturity:</b>   |                |                |
| Cash and cash equivalents  | 1,714          | 1,950          |
| <b>Total</b>   | <b>1,714</b>   | <b>1,950</b>   |
| <b>Loans and receivables:</b>  |                |                |
| Goods and services   | 399            | 1,041          |
| <b>Total</b>   | <b>399</b>     | <b>1,041</b>   |
| <b>Carrying amount of financial assets</b>   | <b>2,113</b>   | <b>2,991</b>   |
|  |                |                |
| <b>Financial Liabilities</b>   |                |                |
| <b>At amortised cost:</b>  |                |                |
| Trade creditors  | 1,586          | 2,649          |
| <b>Total</b>   | <b>1,586</b>   | <b>2,649</b>   |
| <b>Carrying amount of financial liabilities</b>  | <b>1,586</b>   | <b>2,649</b>   |
| No Financial assets or liabilities are held at fair value (loans and receivables are at amortised cost; financial liabilities are held at amortised cost). |                |                |

# NOTE 14

## Financial Instruments (cont'd)

### Note 14B: Credit Risk

AUSTRAC's exposure to credit risk was minimal as loans and receivables were cash and trade receivables. The following table illustrates the entity's gross exposure to credit risk, excluding any collateral or credit enhancements.

|                                  | 2014<br>\$'000 | 2013<br>\$'000 |
|----------------------------------|----------------|----------------|
| <b>Financial assets</b>          |                |                |
| Cash and cash equivalents        | 1,714          | 1,950          |
| Receivables - goods and services | 399            | 1,041          |
| <b>Total</b>                     | <b>2,113</b>   | <b>2,991</b>   |
| <b>Financial liabilities</b>     |                |                |
| Trade Creditors                  | 1,586          | 2,649          |
| <b>Total</b>                     | <b>1,586</b>   | <b>2,649</b>   |

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

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

|                                     | Not past due or<br>impaired<br>2014<br>\$'000 | Not past due or<br>impaired<br>2013<br>\$'000 | Past due or<br>impaired<br>2014<br>\$'000 | Past due or<br>impaired<br>2013<br>\$'000 |
|-------------------------------------|---|---|---|---|
| Cash and cash equivalents           | 1,714   | 1,950   | -   | -   |
| Receivables - goods and<br>services | 374   | 1,041   | 25  | 25  |
| <b>Total</b>                        | <b>2,088</b>                                  | <b>2,991</b>                                  | <b>25</b>                                 | <b>25</b>                                 |

### Ageing of financial assets that were past due but not impaired for 2014

|                                     | 0 to 30<br>days<br>\$'000 | 31 to 60<br>days<br>\$'000 | 61 to 90<br>days<br>\$'000 | 90+<br>days<br>\$'000 | Total<br>\$'000 |
|-------------------------------------|---------------------------|----------------------------|----------------------------|-----------------------|-----------------|
| Receivables - goods and<br>services | -                         | 25                         | -                          | -                     | 25              |
| <b>Total</b>                        | <b>-</b>                  | <b>25</b>                  | <b>-</b>                   | <b>-</b>              | <b>25</b>       |

### Ageing of financial assets that were past due but not impaired for 2013

|                                     | 0 to 30<br>days<br>\$'000 | 31 to 60<br>days<br>\$'000 | 61 to 90<br>days<br>\$'000 | 90+<br>days<br>\$'000 | Total<br>\$'000 |
|-------------------------------------|---------------------------|----------------------------|----------------------------|-----------------------|-----------------|
| Receivables - goods and<br>services | -                         | 2                          | 23                         | -                     | 25              |
| <b>Total</b>                        | <b>-</b>                  | <b>2</b>                   | <b>23</b>                  | <b>-</b>              | <b>25</b>       |

## NOTE 14

### Financial Instruments (cont'd)

#### Note 14C: Liquidity Risk

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

#### Maturities for non-derivative financial liabilities 2014

|                 | On demand<br>\$'000 | within 1<br>year<br>\$'000 | 1 to 2<br>years<br>\$'000 | 2 to 5<br>years<br>\$'000 | > 5<br>years<br>\$'000 | Total<br>\$'000 |
|-----------------|---------------------|----------------------------|---------------------------|---------------------------|------------------------|-----------------|
| Trade Creditors | -                   | 1,586                      | -                         | -                         | -                      | 1,586           |
| <b>Total</b>    | -                   | 1,586                      | -                         | -                         | -                      | 1,586           |

#### Maturities for non-derivative financial liabilities 2013

|                 | On demand<br>\$'000 | within 1<br>year<br>\$'000 | 1 to 2<br>years<br>\$'000 | 2 to 5<br>years<br>\$'000 | > 5<br>years<br>\$'000 | Total<br>\$'000 |
|-----------------|---------------------|----------------------------|---------------------------|---------------------------|------------------------|-----------------|
| Trade Creditors | -                   | 2,649                      | -                         | -                         | -                      | 2,649           |
| <b>Total</b>    | -                   | 2,649                      | -                         | -                         | -                      | 2,649           |

AUSTRAC has no derivative financial liabilities in both the current and prior year.

## NOTE 15

### Financial Assets Reconciliation

|   | Notes | 2014<br>\$'000 | 2013<br>\$'000 |
|---|-------|----------------|----------------|
| <b>Financial assets</b>   |       |                |                |
|   |       |                |                |
| <b>Total financial assets as per balance sheet</b>              |       | <b>15,914</b>  | 14,955         |
| Less: non-financial instrument components:                      |       |                |                |
| Appropriations receivables                                      | 5B    | <b>13,309</b>  | 11,079         |
| GST Receivable  | 5B    | <b>492</b>     | 885            |
| <b>Total non-financial instrument components</b>                |       | <b>13,801</b>  | 11,965         |
| <b>Total financial assets as per financial instruments note</b> |       | <b>2,113</b>   | 2,990          |

## Administered – Expenses

|                                | 2014<br>\$'000 | 2013<br>\$'000 |
|--------------------------------|----------------|----------------|
| <b>Expenses</b>                |                |                |
|                                |                |                |
| <b>Other Expenses</b>          |                |                |
| Bad and doubtful debts expense | 13             | 18             |
| Other expenses                 | 121            | 43             |
|                                |                |                |
| <b>Total expenses</b>          | <b>134</b>     | 61             |

## Administered – Income

|                                  | 2014<br>\$'000 | 2013<br>\$'000 |
|----------------------------------|----------------|----------------|
| <b>OWN-SOURCE REVENUE</b>        |                |                |
|                                  |                |                |
| <b>Taxation Revenue</b>          |                |                |
|                                  |                |                |
| <b>Levies and Fines</b>          |                |                |
| Supervisory Cost Recovery levies | <b>27,728</b>  | 30,422         |
| Fines                            | <b>320</b>     | 36             |
| <b>Total fees and fines</b>      | <b>28,048</b>  | 30,458         |

## NOTE 18

### *Administered – Financial Assets*

|   | 2014<br>\$'000 | 2013<br>\$'000 |
|---|----------------|----------------|
| <b>FINANCIAL ASSETS</b>                         |                |                |
|   |                |                |
| <b>Taxation Receivables</b>                     |                |                |
|   |                |                |
| <b>Other receivables:</b>                       |                |                |
| Supervisory levies                              | -              | 1,775          |
| Fines - Infringement Notice Scheme              | -              | -              |
| <b>Total other receivables</b>                  | -              | 1,775          |
| <b>Total trade and other receivables</b>        | -              | 1,775          |
|   |                |                |
| <b>Total trade and other receivables</b>        | -              | 1,775          |
|   |                |                |
| <b>Receivables are expected to be recovered</b> |                |                |
| No more than 12 months                          | -              | 1,775          |
| <b>Total trade and other receivables</b>        | -              | 1,775          |
|   |                |                |
| <b>Receivables were aged as follows:</b>        |                |                |
| Overdue by:                                     |                |                |
| More than 90 days                               | -              | 1,775          |
| <b>Total receivables</b>                        | -              | 1,775          |



## NOTE 19

### *Administered – Financial Liabilities*

|   | 2014<br>\$'000 | 2013<br>\$'000 |
|---|----------------|----------------|
| <b>FINANCIAL LIABILITIES</b>                            |                |                |
| <b>Payables</b>   |                |                |
| Supervisory Levy  | -              | -              |
| <b>Total Payables</b>                                   | -              | -              |
| <b>Payables expected to be settled within 12 months</b> |                |                |
| External parties  | -              | -              |
| <b>Total</b>  | -              | -              |

## NOTE 20

### *Administered – Cash Flow Reconciliation*

|   | 2014<br>\$'000 | 2013<br>\$'000 |
|---|----------------|----------------|
| <b>Reconciliation of cash and cash equivalents as per Administered Schedule of Assets and Liabilities to Administered Cash Flow Statement</b> |                |                |
| <b>Cash and cash equivalents as per:</b>  |                |                |
| Schedule of administered cash flows   | -              | -              |
| Schedule of administered assets and liabilities   | -              | -              |
| <b>Difference</b>   | -              | -              |
| <b>Reconciliation of net cost of services to net cash from operating activities:</b>  |                |                |
| Net cost of services  | 28,048         | 30,458         |
| <b>Adjustment for non cash items</b>  |                |                |
| Net write down of financial assets  | (134)          | (61)           |
| <b>Changes in assets / liabilities</b>  |                |                |
| (Increase)/decrease in net receivables  | 1,775          | (662)          |
| Increase/(decrease) in net payables   | -              | (192)          |
|   | <b>29,689</b>  | <b>29,543</b>  |

## NOTE 21

### *Administered – Contingent Assets and Liabilities*

#### **Quantifiable contingencies**

There are no quantifiable contingencies as at 30 June 2014 (2013: Nil).

#### **Unquantifiable contingencies**

There are no unquantifiable contingencies as at 30 June 2014 (2013: Nil).

#### **Significant Remote Contingencies**

There are no remote contingencies as at 30 June 2014 (2013: Nil).

## NOTE 22

### *Administered – Financial Instruments*

AUSTRAC did not have any financial instruments in 2014 (2013: Nil)

## NOTE 23

### *Administered – Assets Reconciliation*

|  | Notes | 2014<br>\$'000 | 2013<br>\$'000 |
|--|-------|----------------|----------------|
| <b>Financial assets</b>  |       |                |                |
|  |       |                |                |
| <b>Total financial assets as per Schedule of Administered Assets and Liabilities</b> | 18    | -              | 1,775          |
| Less: non-financial instrument components Supervisory Levy                           |       | -              | (1,775)        |
| Total non-financial instrument components  |       | -              | (1,775)        |
| <b>Total financial assets as per financial instruments note</b>                      |       | -              | -              |

## NOTE 24

### Cost Recovery Summary

|   | 2014<br>\$'000 | 2013<br>\$'000 |
|---|----------------|----------------|
| <b>Expenses</b>   |                |                |
| Departmental  | 31,853         | 31,691         |
| Administered  | 134            | 61             |
| <b>Total expenses</b>   | <b>31,987</b>  | 31,752         |
| <b>Revenue</b>  |                |                |
| Departmental  | -              | -              |
| Administered  | 28,048         | 30,458         |
| <b>Total revenue</b>  | <b>28,048</b>  | 30,458         |
| <b>Receivables</b>  |                |                |
| Departmental Not overdue  | -              | -              |
| Administered Overdue by:  |                |                |
| More than 90 days   | -              | 1,775          |
| <b>Total receivables</b>  | -              | 1,775          |
| <b>Amounts written off</b>  |                |                |
| Departmental  | -              | -              |
| Administered  | 13             | 18             |
| <b>Total amounts written off</b>  | <b>13</b>      | 18             |
| <b>Cost recovered activities:</b>   |                |                |
| Australia's anti-money laundering and counter-terrorism finance regulator.  |                |                |
| The entity's Cost Recovery Impact Statements for the above activities are available at:   |                |                |
| <a href="http://www.austrac.gov.au/cost_recovery.html">http://www.austrac.gov.au/cost_recovery.html</a>   |                |                |
| <b>Cost recovered expenses and revenue</b>  |                |                |
| AUSTRAC does not receive an Administered appropriation. Cost recovered activities are funded through AUSTRAC's annual Departmental appropriation. The amount of departmental appropriation used to fund cost recovered activities is represented by the total amount of supervisory levy invoiced to leviable entities for the financial year.  |                |                |
| Revenue is stated net of waiver applications that have been approved by the AUSTRAC Chief Executive Officer. The revenue in this note reflects adjustments for waivers granted and processed during the year ended 30 June 2014, irrespective of the financial year to which a waiver relates.  |                |                |
| <b>Changes to the AUSTRAC Supervisory Levy</b>  |                |                |
| In the 2014 Budget, the Australian Government announced that the AUSTRAC Supervisory Levy will be replaced with an industry contribution to fund AUSTRAC's regulatory and intelligence functions. The revenue collected under the new industry contribution arrangements will not be subject to the Australian Government's Cost Recovery Guidelines. The AUSTRAC Industry Contribution will commence from 1 July 2014. |                |                |

# NOTE 25

## Appropriations

**Table A: Annual Appropriations ('Recoverable GST exclusive')**

|                                      | 2014 Appropriations  |  |                           |                   |                   |                            | Appropriation applied in 2014 (current and prior years) \$'000 | Variance \$'000 |
|--------------------------------------|--|--|---------------------------|-------------------|-------------------|----------------------------|--|-----------------|
|                                      | Appropriation Act  |  | AFM <sup>(b)</sup> \$'000 | FMA Act           |                   | Total appropriation \$'000 |  |                 |
|                                      | Annual Appropriation \$'000  | Appropriations reduced <sup>(a)</sup> \$'000 |                           | Section 31 \$'000 | Section 32 \$'000 |                            |  |                 |
| DEPARTMENTAL                         |  |  |                           |                   |                   |                            |  |                 |
| Ordinary annual services             | 56,114   | -  | -                         | 11,812            | -                 | 67,926                     | 65,021   | 2,905           |
| Other services                       |  |  |                           |                   |                   |                            |  |                 |
| Equity                               | 8,565  | -  | -                         | -                 | -                 | 8,565                      | 10,044   | (1,479)         |
| Loans                                | -  | -  | -                         | -                 | -                 | -                          | -  | -               |
| Total departmental                   | 64,679   | -  | -                         | 11,812            | -                 | 76,491                     | 75,065   | 1,426           |
| ADMINISTERED                         |  |  |                           |                   |                   |                            |  |                 |
| Ordinary annual services             |  |  |                           |                   |                   |                            |  |                 |
| Administered items                   | -  | -  | -                         | -                 | -                 | -                          | -  | -               |
| Payments to CAC Act bodies           | -  | -  | -                         | -                 | -                 | -                          | -  | -               |
| Other services                       |  |  |                           |                   |                   |                            |  |                 |
| States, ACT, NT and Local government | -  | -  | -                         | -                 | -                 | -                          | -  | -               |
| New administered outcomes            | -  | -  | -                         | -                 | -                 | -                          | -  | -               |
| Administered assets and liabilities  | -  | -  | -                         | -                 | -                 | -                          | -  | -               |
| Payments to CAC Act bodies           | -  | -  | -                         | -                 | -                 | -                          | -  | -               |
| Total administered                   | -  | -  | -                         | -                 | -                 | -                          | -  | -               |
| Notes:                               |  |  |                           |                   |                   |                            |  |                 |
| a)                                   | Appropriations reduced under Appropriation Acts (No.1,3,5) 2013-14: sections 10, 11, 12 and 15 and under Appropriation Acts (No.2,4,6) 2013-14: sections 12,13, 14. Departmental appropriations do not lapse at financial year-end. However, the responsible Minister may decide that part or all of a departmental appropriation is not required and request that the Finance Minister reduce that appropriation. The reduction in the appropriation is effected by the Finance Minister's determination and is disallowable by Parliament. In 2014 there was no reduction in departmental and non-operating departmental appropriation (2013 Nil). |  |                           |                   |                   |                            |  |                 |
| b)                                   | Advance to the Finance Minister (AFM) - Appropriation Acts (No.1,3,5) 2012-13: section 13 and Appropriation Acts (No.2,4,6) 2012-13: section 15. Variance relates to prior year drawn Appropriation and cash balances on hand at year end.   |  |                           |                   |                   |                            |  |                 |

**Notes:**

- a) Appropriations reduced under Appropriation Acts (No.1,3,5) 2013-14: sections 10, 11, 12 and 15 and under Appropriation Acts (No.2,4,6) 2013-14: sections 12,13, 14. Departmental appropriations do not lapse at financial year-end. However, the responsible Minister may decide that part or all of a departmental appropriation is not required and request that the Finance Minister reduce that appropriation. The reduction in the appropriation is effected by the Finance Minister's determination and is disallowable by Parliament. In 2014 there was no reduction in departmental and non-operating departmental appropriation (2013 Nil).
- b) Advance to the Finance Minister (AFM) - Appropriation Acts (No.1,3,5) 2012-13: section 13 and Appropriation Acts (No.2,4,6) 2012-13: section 15.
- Variance relates to prior year drawn Appropriation and cash balances on hand at year end.

# NOTE 25

## Appropriations (cont'd)

**Table A: Annual Appropriations ('Recoverable GST exclusive')**

|   | 2013 Appropriations   |  |            |                   |                   |                            |                   | Appropriation applied in 2013 (current and prior years) \$'000 | Variance \$'000 |
|---|---|--|------------|-------------------|-------------------|----------------------------|-------------------|--|-----------------|
|   | Appropriation Act   |  | FMA Act    |                   |                   | Total appropriation \$'000 |                   |  |                 |
|   | Annual Appropriation \$'000   | Appropriations reduced <sup>(c)</sup> \$'000 | AFM \$'000 | Section 30 \$'000 | Section 31 \$'000 |                            | Section 32 \$'000 |  |                 |
| <b>DEPARTMENTAL</b>   |   |  |            |                   |                   |                            |                   |  |                 |
| Ordinary annual services  | 56,833  | (201)  | -          | -                 | 1,806             | -                          | 58,438            | 67,478   | (9,040)         |
| Other services  |   |  |            |                   |                   |                            |                   |  |                 |
| Equity  | 5,361   | -  | -          | -                 | -                 | -                          | 5,361             | 5,361  | -               |
| <b>Total departmental</b>   | 62,194  | (201)  | -          | -                 | 1,806             | -                          | 63,799            | 72,839   | (9,040)         |
| <b>ADMINISTERED</b>   |   |  |            |                   |                   |                            |                   |  |                 |
| Ordinary annual services  |   |  |            |                   |                   |                            |                   |  |                 |
| Administered items  | -   | -  | -          | -                 | -                 | -                          | -                 | -  | -               |
| Payments to CAC Act bodies  | -   | -  | -          | -                 | -                 | -                          | -                 | -  | -               |
| Other services  | -   | -  | -          | -                 | -                 | -                          | -                 | -  | -               |
| States, ACT, NT and Local government  | -   | -  | -          | -                 | -                 | -                          | -                 | -  | -               |
| New administered outcomes   | -   | -  | -          | -                 | -                 | -                          | -                 | -  | -               |
| Administered assets and liabilities   | -   | -  | -          | -                 | -                 | -                          | -                 | -  | -               |
| Payments to CAC Act bodies  | -   | -  | -          | -                 | -                 | -                          | -                 | -  | -               |
| <b>Total administered</b>   | -   | -  | -          | -                 | -                 | -                          | -                 | -  | -               |
| <b>Notes:</b>   |   |  |            |                   |                   |                            |                   |  |                 |
| c)  | Appropriations reduced under Appropriation Acts (No.1,3,5) 2013-14: sections 10, 11, 12 and 15 and under Appropriation Acts (No.2,4,6) 2013-14: sections 12,13, 14. Departmental appropriations do not lapse at financial year-end. However, the responsible Minister may decide that part or all of a departmental appropriation is not required and request that the Finance Minister reduce that appropriation. The reduction in the appropriation is effected by the Finance Minister's determination and is disallowable by Parliament. On 5 Day August 2013, the Finance Minister issued a determination to reduce departmental appropriations following a request by the Minister for Home Affairs and Justice. The amount of the reduction under Appropriation Act 1 2012-13 was: \$201,000 (2013 Nil). |  |            |                   |                   |                            |                   |  |                 |
| Variance relates to prior year drawn Appropriation and cash balances on hand at year end. |   |  |            |                   |                   |                            |                   |  |                 |

# NOTE 25

## Appropriations (cont'd)

**Table B: Departmental and Administered Capital Budgets ('Recoverable GST exclusive')**

|  | 2014 Capital Budget Appropriations |  |                   |   | Capital Budget Appropriations applied in 2014 |   |                                    | Variance \$'000 |
|--|------------------------------------|--|-------------------|---|---|---|------------------------------------|-----------------|
|  | Appropriation Act                  |  | FMA Act           |   | Total Capital Budget Appropriations \$'000    | Payments for non-financial assets <sup>3</sup> \$'000 | Payments for other purposes \$'000 |                 |
|  | Annual Capital Budget \$'000       | Appropriations reduced <sup>2</sup> \$'000 | Section 32 \$'000 |   |   |   |                                    |                 |
| DEPARTMENTAL   |                                    |  |                   |   |   |   |                                    |                 |
| Ordinary annual services -<br>Departmental Capital Budget <sup>1</sup> | 2,881                              | -  |                   | - | 2,881   | 2,881   | -                                  | 2,881           |
| ADMINISTERED   |                                    |  |                   |   |   |   |                                    |                 |
| Ordinary annual services -<br>Administered Capital Budget <sup>1</sup> | -                                  | -  |                   | - | -   | -   | -                                  | -               |

### Notes:

1. Departmental and Administered 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*. For more information on ordinary annual services appropriations, please see Table A: Annual appropriations.
2. Appropriations reduced under *Appropriation Acts* (No. 1,3,5) 2013-14: sections 10, 11, 12 and 15 or via a determination by the Finance Minister.
3. Payments made on non-financial assets include purchases of assets, expenditure on assets which has been capitalised, costs incurred to make good an asset to its original condition, and the capital repayment component of finance leases.

Variance relates to prior year drawn Appropriation and cash balances on hand at year end.

# NOTE 25

## Appropriations (cont'd)

**Table B: Departmental and Administered Capital Budgets ('Recoverable GST exclusive')**

|  | 2013 Capital Budget Appropriations |  |                   |   | Capital Budget Appropriations applied in 2013 |   |                                    | Variance \$'000 |                       |
|--|------------------------------------|--|-------------------|---|---|---|------------------------------------|-----------------|-----------------------|
|  | Appropriation Act                  |  | FMA Act           |   | Total Capital Budget Appropriations \$'000    | Payments for non-financial assets <sup>3</sup> \$'000 | Payments for other purposes \$'000 |                 | Total payments \$'000 |
|  | Annual Capital Budget \$'000       | Appropriations reduced <sup>2</sup> \$'000 | Section 32 \$'000 |   |   |   |                                    |                 |                       |
| <b>DEPARTMENTAL</b>                      |                                    |  |                   |   |   |   |                                    |                 |                       |
| <b>Ordinary annual services -</b>        |                                    |  |                   |   |   |   |                                    |                 |                       |
| Departmental Capital Budget <sup>1</sup> | 2,867                              | -  |                   | - | 2,867   | 2,893   | -                                  | 2,893           |                       |
| <b>ADMINISTERED</b>                      |                                    |  |                   |   |   |   |                                    |                 |                       |
| <b>Ordinary annual services -</b>        |                                    |  |                   |   |   |   |                                    |                 |                       |
| Administered Capital Budget <sup>1</sup> | -                                  | -  |                   | - | -   | -   | -                                  | -               |                       |

### Notes:

1. Departmental and Administered 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*. For more information on ordinary annual services appropriations, please see Table A: Annual appropriations.
2. Appropriations reduced under *Appropriation Acts* (No. 1,3,5) 2013-14: sections 10, 11, 12 and 15 or via a determination by the Finance Minister.
3. Payments made on non-financial assets include purchases of assets, expenditure on assets which has been capitalised, costs incurred to make good an asset to its original condition, and the capital repayment component of finance leases.

## NOTE 25

### Appropriations (cont'd)

**Table C: Unspent Departmental Annual Appropriations ('Recoverable GST exclusive')**

|   | 2014<br>\$'000 | 2013<br>\$'000 |
|---|----------------|----------------|
| <b>Authority</b>                                  |                |                |
| <i>Appropriation Act No.2 2012-13</i>             | -              | 1,479          |
| <i>Appropriation Act No.2 2012-13</i>             | -              | 11,549         |
| <i>Appropriation Act No.1 2013-14<sup>1</sup></i> | 15,023         | -              |
| <b>Total</b>                                      | 15,023         | 13,028         |

**Notes:**

- The balances for *Appropriation Act No.1 2013-14* include cash at bank, which is treated as appropriations unspent and available for use.

**Table D: Special Appropriations ('Recoverable GST exclusive')**

| Authority   | Type   | Purpose  | Appropriation applied |                |
|---|--------|--|-----------------------|----------------|
|   |        |  | 2014<br>\$'000        | 2013<br>\$'000 |
| <i>Financial Management and Accountability Act 1997 s.28(2), Administered</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 | 2,000                 | 2,000          |
| <b>Total</b>  |        |  | 2,000                 | 2,000          |



## NOTE 26

### Compensation and Debt Relief

|   | 2014<br>\$ | 2013<br>\$ |
|---|------------|------------|
| <b>Compensation and Debt Relief - Departmental</b>  |            |            |
| No 'Act of Grace payments' were expended during the reporting period. (2013: Nil expenses)  | -          | -          |
| No waivers of amounts owing to the Australian Government were made pursuant to subsection 34(1) of the <i>Financial Management and Accountability Act 1997</i> . (2013: Nil waivers)  | -          | -          |
| No payments were provided under the Compensation for Detriment caused by Defective Administration (CDDA) Scheme during the reporting period. (2013: Nil payments)   | -          | -          |
| No ex-gratia payments were provided for during the reporting period. (2013: Nil payments)   | -          | -          |
| No payments were provided in special circumstances relating to APS employment pursuant to section 73 of the <i>Public Service Act 1999</i> during the reporting period. (2013: Nil payments)  | -          | -          |
|   |            |            |
|   | 2014<br>\$ | 2013<br>\$ |
| <b>Compensation and Debt Relief - Administered</b>  |            |            |
| No 'Act of Grace' payments were expended during the reporting period. (2013: No payments)   | -          | -          |
| 119 waivers of amounts owing to the Australian Government were made pursuant to clause 11 of the <i>Australian Transaction Reports and Analysis Centre Supervisory Cost Recovery Levy (Collection) Act 2011</i> . (2013: 50 waivers \$1,384,387.00) | 4,327,708  | 1,384,387  |
| No waivers of amounts owing to the Australian Government were made pursuant to subsection 34(1) of the <i>Financial Management and Accountability Act 1997</i> . (2013: Nil waivers)  | -          | -          |
| No payments were provided under the Compensation for Detriment caused by Defective Administration (CDDA) Scheme during the reporting period. (2013: No payments)  | -          | -          |
| No ex-gratia payments were provided for during the reporting period. (2013: No payments)  | -          | -          |
| No payments were provided in special circumstances relating to APS employment pursuant to section 73 of the <i>Public Service Act 1999</i> during the reporting period. (2013: No payments)   | -          | -          |

## NOTE 27

### Reporting of Outcomes

#### Net Cost of Outcome Delivery

|   | Outcome 1       |                 | Total           |                 |
|---|-----------------|-----------------|-----------------|-----------------|
|   | 2014<br>\$'000  | 2013<br>\$'000  | 2014<br>\$'000  | 2013<br>\$'000  |
| <b>Departmental</b>   |                 |                 |                 |                 |
| Expenses  | (68,135)        | (63,895)        | (68,135)        | (63,895)        |
| Own source income   | 8,029           | 4,049           | 8,029           | 4,049           |
| Other Gains   | 160             | 349             | 160             | 349             |
| <b>Administered</b>   |                 |                 |                 |                 |
| Expenses  | (134)           | (61)            | (134)           | (22)            |
| Other   | 28,048          | 30,458          | 28,048          | 30,458          |
| <b>Net cost/(contribution) of outcome delivery</b>  | <b>(32,032)</b> | <b>(29,100)</b> | <b>(32,032)</b> | <b>(29,061)</b> |
| Outcome 1 is described in Note 1.1. Net costs shown included intra-government costs that were eliminated in calculating the actual Budget Outcome. Refer to Outcome 1 Resourcing Table on page 178 of this annual report. |                 |                 |                 |                 |

## NOTE 28

### Net Cash Appropriation Arrangements

|  | 2014<br>\$'000 | 2013<br>\$'000 |
|--|----------------|----------------|
| <b>Total comprehensive income / (loss) less depreciation/ amortisation expenses previously funded through revenue appropriations<sup>1</sup></b>   | <b>2,161</b>   | <b>437</b>     |
| Plus: depreciation/amortisation expenses previously funded through revenue appropriation   | (6,326)        | (6,168)        |
| <b>Total comprehensive income (loss) - as per the Statement of Comprehensive Income</b>  | <b>(4,165)</b> | <b>(5,732)</b> |
| <p>1. From 2010-11, the Government introduced net cash appropriation arrangements, where revenue appropriations for depreciation/amortisation expense ceased. Entities now receive a separate capital budget provided through equity appropriations. Capital budgets are to be appropriated in the period when cash payment for capital expenditure is required.</p> |                |                |

## NOTE 29

### *Competitive Neutrality and Cost Recovery*

#### *Administered Cash Subject to Cost Recovery Policy*

|  | 2014<br>\$'000 | 2013<br>\$'000 |
|--|----------------|----------------|
| <b>Significant cost recovery arrangements</b>  |                |                |
| Recovery of AUSTRAC's costs of regulating reporting entities -<br>total amount collected | <b>30,354</b>  | 26,912         |
| <b>Total administered receipts subject to Cost Recovery Policy</b>                       | <b>30,354</b>  | 26,912         |



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# APPENDIX A

## *Designated agencies*

In working to combat money laundering and terrorism financing, it is vital for AUSTRAC to develop and maintain effective relationships with its partner agencies. AUSTRAC's domestic partner agencies are all those that are listed as 'designated agencies' under section 5 of the AML/CTF Act, as well as the Australian Taxation Office, which is entitled under the Act to access AUSTRAC information for any purpose relating to the facilitation of the administration or enforcement of a taxation law. AUSTRAC's partner agencies in 2013–14 are listed below.

### ***Australian Government agencies***

- Australian Commission for Law Enforcement Integrity
- Australian Competition and Consumer Commission
- Australian Crime Commission
- Australian Customs and Border Protection Service
- Australian Federal Police
- Australian Prudential Regulation Authority
- Australian Secret Intelligence Service
- Australian Securities and Investments Commission
- Australian Security Intelligence Organisation
- Australian Signals Directorate<sup>1</sup>
- Australian Taxation Office
- Clean Energy Regulator
- Defence Imagery and Geospatial Organisation
- Defence Intelligence Organisation
- Department of Foreign Affairs and Trade
- Department of Human Services

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1 Formerly the Defence Signals Directorate

- Department of Immigration and Border Protection<sup>2</sup>
- Foreign Investment and Trade Policy Division, Department of Treasury
- Inspector-General of Intelligence and Security<sup>3</sup>
- Office of National Assessments

### ***State and territory agencies***

- ACT Revenue Office
- Corruption and Crime Commission (WA)
- Crime and Corruption Commission (Queensland)<sup>4</sup>
- Independent Commission Against Corruption (NSW)
- Integrity Commission (Tasmania)
- New South Wales Crime Commission
- Northern Territory Police
- NSW Police Force
- Office of State Revenue (NSW)
- Office of State Revenue (Queensland)
- Office of State Revenue (WA)
- Police Integrity Commission (NSW)
- Queensland Police Service
- RevenueSA
- South Australia Police
- State Revenue Office (Tasmania)
- State Revenue Office (Victoria)
- Tasmania Police
- Territory Revenue Office (NT)
- Victoria Police
- Western Australia Police

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2 Formerly the Department of Immigration and Citizenship

3 Special partner agency only able to access AUSTRAC information for auditing purposes

4 Formerly the Crime and Misconduct Commission

# APPENDIX B

## Staffing statistics

Provided below are AUSTRAC's human resource statistics, showing operative and paid inoperative employees, and unpaid inoperative employees as at 30 June for each year from 2009 to 2014.

In relation to the method of recording:

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

| <b>Operative and paid inoperative employees 2009–14</b> |         |         |         |         |            |
|---|---------|---------|---------|---------|------------|
|   | 2009–10 | 2010–11 | 2011–12 | 2012–13 | 2013–14    |
| Central office (NSW)                                    | 172     | 183     | 188     | 159     | <b>156</b> |
| Vic. office   | 88      | 88      | 87      | 74      | <b>69</b>  |
| ACT office  | 19      | 25      | 22      | 19      | <b>19</b>  |
| Qld office  | 21      | 21      | 18      | 21      | <b>17</b>  |
| WA office   | 2       | 3       | 2       | 2       | <b>3</b>   |
| SA office   | 2       | 2       | 2       | 2       | <b>2</b>   |
| <b>Total</b>  | 304     | 322     | 319     | 277     | <b>266</b> |

| <b>Unpaid inoperative employees 2009–14</b> |         |         |         |         |          |
|---|---------|---------|---------|---------|----------|
|   | 2009–10 | 2010–11 | 2011–12 | 2012–13 | 2013–14  |
| Central office (NSW)                        | 7       | 4       | 6       | 2       | <b>1</b> |
| Vic. office                                 | 5       | 3       | 5       | 2       | <b>1</b> |
| ACT office                                  | -       | -       | -       | -       | <b>0</b> |
| Qld office                                  | -       | -       | 1       | -       | <b>0</b> |
| WA office                                   | -       | -       | -       | -       | <b>0</b> |
| SA office                                   | -       | -       | -       | -       | <b>0</b> |
| <b>Total</b>                                | 12      | 7       | 12      | 4       | <b>2</b> |

# APPENDIX B

## Staffing statistics (cont'd)

### Employee figures at 30 June 2014

The following table shows details of employees engaged under the Public Service Act and provides a summary by classification. The table includes full-time and part-time employees, and non-ongoing and casual employees, as well as paid inoperative employees and those acting in a higher position at 30 June 2014. It also includes the AUSTRAC CEO, who is engaged under the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006*.

#### Employee figures at 30 June 2014

|                      | Public office holder |          | Senior Executive Service |          | AUSTRAC Band 2 (EL2) |           | AUSTRAC Band 1 (EL1) |           | AUSTRAC Broadband 2 (APS levels 5–6) |           | AUSTRAC Broadband 1 (APS levels 1–4) |           | Total      |
|----------------------|----------------------|----------|--------------------------|----------|----------------------|-----------|----------------------|-----------|--------------------------------------|-----------|--------------------------------------|-----------|------------|
|                      | M                    | F        | M                        | F        | M                    | F         | M                    | F         | M                                    | F         | M                                    | F         |            |
| Central office (NSW) | 1                    | -        | 5                        | 6        | 17                   | 10        | 14                   | 25        | 28                                   | 34        | 4                                    | 12        | 156*       |
| Vic. office          | -                    | -        | 1                        | 1        | 6                    | 5         | 3                    | 12        | 18                                   | 17        | 2                                    | 4         | 69         |
| ACT office           | -                    | -        | 1                        | -        | 4                    | 2         | 2                    | 5         | 2                                    | 2         | -                                    | 1         | 19         |
| Qld office           | -                    | -        | -                        | -        | 1                    | 1         | 1                    | 1         | 5                                    | 6         | -                                    | 2         | 17         |
| WA office            | -                    | -        | -                        | -        | -                    | -         | -                    | -         | -                                    | 3         | -                                    | -         | 3          |
| SA office            | -                    | -        | -                        | -        | -                    | -         | -                    | -         | 1                                    | 1         | -                                    | -         | 2          |
| <b>Total</b>         | <b>1</b>             | <b>0</b> | <b>7</b>                 | <b>7</b> | <b>28</b>            | <b>18</b> | <b>20</b>            | <b>43</b> | <b>54</b>                            | <b>63</b> | <b>6</b>                             | <b>19</b> | <b>266</b> |

\* Two employees from AUSTRAC's NSW office were stationed in Indonesia for a substantial part of 2013–14 as part of the Indonesian FIU/AUSTRAC Partnership Program. Read more about the program on page 83 of this report.

**APS** Australian Public Service

**EL** Executive Level



# APPENDIX B

## Staffing statistics (cont'd)

### Part-time and non-ongoing employees at 30 June 2014

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

| <i>Part-time and non-ongoing employees at 30 June 2014</i> |                                      |                   |           |           |                     |          |          |
|--|--------------------------------------|-------------------|-----------|-----------|---------------------|----------|----------|
| State  | Classification group                 | Part-time 2013–14 |           |           | Non-ongoing 2013–14 |          |          |
|  |                                      | M                 | F         | Total     | M                   | F        | Total    |
| Central office (NSW)                                       | Senior Officer Grades and equivalent | 3                 | 10        | 13        | -                   | 1        | 1        |
|  | APS 1–6 and equivalent               | -                 | 10        | 10        | 1                   | -        | 1        |
| Vic. office  | Senior Officer Grades and equivalent | -                 | 4         | 4         | -                   | -        | -        |
|  | APS 1–6 and equivalent               | 1                 | 5         | 6         | 1                   | -        | 1        |
| ACT office   | Senior Officer Grades and equivalent | -                 | 1         | 1         | -                   | 1        | 1        |
|  | APS 1–6 and equivalent               | -                 | 1         | 1         | -                   | -        | -        |
| Qld office   | Senior Officer Grades and equivalent | -                 | -         | -         | -                   | 1        | 1        |
|  | APS 1–6 and equivalent               | -                 | -         | -         | -                   | 2        | 2        |
| WA office  | Senior Officer Grades and equivalent | -                 | -         | -         | -                   | -        | -        |
|  | APS 1–6 and equivalent               | -                 | -         | -         | -                   | 1        | 1        |
| SA office  | Senior Officer Grades and equivalent | -                 | -         | -         | -                   | -        | -        |
|  | APS 1–6 and equivalent               | -                 | -         | -         | -                   | -        | -        |
| <b>Total</b>   |                                      | <b>4</b>          | <b>31</b> | <b>35</b> | <b>2</b>            | <b>6</b> | <b>8</b> |

### *Substantive Senior Executive Service Officers at 30 June 2014*

| Band  | NSW      | Vic.     | ACT      |
|---|----------|----------|----------|
| SES 2 male  | 1        |          |          |
| SES 2 female  | 1        |          |          |
| SES 1 male  | 2        | 1        | 1        |
| SES 1 female  | 2        | 1        |          |
| <b>Total</b>  | <b>6</b> | <b>2</b> | <b>1</b> |
| This table does not include non-ongoing and unpaid inoperative SES employees<br>Number of SES employee separations in 2013–14: Nil<br>Number of ongoing SES employees commenced in 2013–14: Nil |          |          |          |

# APPENDIX B

## Staffing statistics (cont'd)

### Contracted staff at AUSTRAC

In addition to the APS employees reported, AUSTRAC engaged 58 contractors as at 30 June 2014.

### Equal employment opportunities in engagements at 30 June 2014

The following table summarises the representation of equal employment opportunity (EEO) groups within AUSTRAC. The table includes ongoing employees only, and records the total number of AUSTRAC employees (including full-time and part-time) at 30 June 2014.

| Total no. of employees | EEO data recorded (% of total)                | Female staff (% of total) | Male staff (% of total) | NESB (% of total) | ATSI (% of total) | PWD (% of total) |
|------------------------|---|---------------------------|-------------------------|-------------------|-------------------|------------------|
| 269                    | 99%   | 59%                       | 41%                     | 40%               | 0.4%              | 3%               |
| NESB                   | People from a non-English speaking background |                           |                         |                   |                   |                  |
| ATSI                   | Aboriginal or Torres Strait Islander          |                           |                         |                   |                   |                  |
| PWD                    | Person with a disability                      |                           |                         |                   |                   |                  |

### Workplace relations

The following table shows salary ranges for non-SES employees at 30 June 2014 under AUSTRAC's Enterprise Agreement, including arrangements made under individual flexibility arrangements.

| <i>Salary ranges for non-SES employees at 30 June 2014</i> |                 |
|--|-----------------|
| Classification or equivalent                               | Salary range    |
| APS1   | 45,251–49,519   |
| APS2   | 51,226–56,349   |
| APS3   | 57,201–62,324   |
| APS4   | 63,178–70,010   |
| APS5   | 70,863–81,107   |
| APS6   | 79,399–117,437  |
| EL1  | 97,034–130,485  |
| EL2  | 113,100–218,232 |

### Performance pay

No performance pay was payable to SES or non-SES employees during 2013–14.

# APPENDIX C

## Agency Resource Statements 2013–14

|  | Actual<br>available<br>appropriations<br>for 2013–14<br>\$'000<br>(a) | Payments<br>made 2013–14<br>\$'000<br>(b) | Balance<br>remaining<br>\$'000<br>(a-b) |
|--|---|---|---|
| <b>Ordinary Annual Services</b>  |   |   |   |
| Prior year appropriation   | 12,118  | (12,118)                                  | -                                       |
| Departmental appropriation <sup>1 &amp; 3</sup>  | 56,114  | (41,091)                                  | 15,023                                  |
| Section 31 Agency receipts per 2013–14<br>Portfolio Budget Statements  | 6,424   | (6,424)                                   | -                                       |
| Additional section 31 receipts   | 5,388   | (5,388)                                   | -                                       |
| <b>Total</b>   | <b>80,044</b>   | <b>(65,021)</b>                           | <b>15,023</b>                           |
|  |   |   |   |
| <b>Total ordinary annual services</b>  | <b>80,044</b>   | <b>(65,021)</b>                           | <b>15,023</b>                           |
|  |   |   |   |
| <b>Departmental non-operating</b>  |   |   |   |
| Equity injections <sup>2</sup>   | 8,565   | (8,565)                                   | -                                       |
| Previous years inputs <sup>4</sup>   | 1,479   | (1,479)                                   | -                                       |
| <b>Total</b>   | <b>10,044</b>   | <b>(10,044)</b>                           | <b>-</b>                                |
|  |   |   |   |
| <b>Total Resourcing and Payments</b>   | <b>90,088</b>   | <b>(75,065)</b>                           | <b>15,023</b>                           |
| 1. Appropriation Act No.1 2013–14<br>2. Appropriation Act No.2 2013–14<br>3. Appropriation Act No.1 DCB 2013–14<br>4. Appropriation Act No.2 2011–12 |   |   |   |

# APPENDIX D

## Expenses and Resources for Outcome for 2013–14

| Outcome 1: A financial environment hostile to money laundering, financing of terrorism, major crime and tax evasion through industry regulation and the collection, analysis and dissemination of financial intelligence | *Budget<br>2013–14<br>\$'000<br>(a) | Actual<br>expenses<br>2013–14<br>\$'000<br>(b) | Variation<br>\$'000<br>(a)-(b) |
|--|-------------------------------------|--|--------------------------------|
|  |                                     |  |                                |
| Administered expenses  |                                     |  |                                |
| Expenses not requiring appropriation in the Budget year  | -                                   | 134  | (134)                          |
| Departmental expenses  |                                     |  |                                |
| Ordinary annual services (Appropriation Bill No.1)   | 55,913                              | 49,403   | 6,510                          |
| Revenues from independent sources (section 31)   | 6,424                               | 11,812   | (5,388)                        |
| Expenses not requiring appropriation in the Budget year  | 8,045                               | 6,920  | 1,125                          |
|  |                                     |  |                                |
| <b>Subtotal for Outcome 1</b>  | 70,382                              | 68,269   | 2,113                          |
|  |                                     |  |                                |
| <b>Total for Outcome 1</b>   |                                     |  |                                |
| Departmental   | 70,382                              | 68,135   | 2,247                          |
| Administered   | -                                   | 134  | (134)                          |

|  | 2012–13 | 2013–14 |
|--|---------|---------|
|  |         |         |
| <b>Average staffing level (number)</b>                                 | 293     | 262     |
|  |         |         |
| * Full year budget including any subsequent made to the 2013–14 budget |         |         |
|  |         |         |

# ABBREVIATIONS

| <b>Abbreviation</b> | <b>Description</b>  |
|---------------------|---|
| ABN                 | Australian Business Number  |
| ACBPS               | Australian Customs and Border Protection Service                      |
| ACC                 | Australian Crime Commission   |
| ACLEI               | Australian Commission for Law Enforcement Integrity                   |
| ACN                 | Australian Company Number   |
| ADI                 | authorised deposit-taking institution                                 |
| AFP                 | Australian Federal Police   |
| AGD                 | Attorney-General's Department   |
| AHA                 | Australian Hotels Association   |
| AI                  | AUSTRAC Intelligence (system)   |
| AML IDC             | Anti-Money Laundering Interdepartmental Committee                     |
| AML/CTF             | anti-money laundering and counter-terrorism financing                 |
| AML/CTF Act         | <i>Anti-Money Laundering and Counter-Terrorism Financing Act 2006</i> |
| ANAO                | Australian National Audit Office                                      |
| APEC                | Asia-Pacific Economic Cooperation                                     |
| APG                 | Asia/Pacific Group on Money Laundering                                |
| APRA                | Australian Prudential Regulation Authority                            |
| APS                 | Australian Public Service   |
| APSC                | Australian Public Service Commission                                  |
| ARBN                | Australian Registered Body Number                                     |
| ARMS                | AUSTRAC Relationship Management System                                |
| ASIC                | Australian Securities and Investments Commission                      |
| ASLO                | AUSTRAC Senior Liaison Officer  |
| ATO                 | Australian Taxation Office  |
| ATSI                | Aboriginal or Torres Strait Islander person                           |
| AUSTRAC             | Australian Transaction Reports and Analysis Centre                    |
| CBM-BNI             | cross-border movement of bearer negotiable instrument                 |
| CBM-PC              | cross-border movement of physical currency                            |
| CDD                 | customer due diligence  |
| CEO                 | Chief Executive Officer   |
| CRIS                | cost recovery impact statement  |
| DESP                | Developing Economic Security in Pakistan program                      |
| DFAT                | Department of Foreign Affairs and Trade                               |
| DIBP                | Department of Immigration and Border Protection                       |
| DPMC                | Department of the Prime Minister and Cabinet                          |
| EAC project         | Enhanced Analytical Capability project                                |
| EDRMS               | electronic document and records management system                     |
| EEO                 | equal employment opportunity  |
| EGM                 | Executive General Manager   |

# ABBREVIATIONS *(cont'd)*

| <b>Abbreviation</b> | <b>Description</b>  |
|---------------------|---|
| ExCom               | Executive Committee (of AUSTRAC)  |
| FATF                | Financial Action Task Force   |
| FIAT                | Financial Intelligence Assessment Team (of the Australian Crime Commission) |
| FIU                 | financial intelligence unit   |
| FMA Act             | <i>Financial Management and Accountability Act 1997</i>                     |
| FOI Act             | <i>Freedom of Information Act 1982</i>                                      |
| FTR Act             | <i>Financial Transaction Reports Act 1988</i>                               |
| GM                  | General Manager   |
| GST                 | Goods and Services Tax  |
| HOCOLEA             | Heads of Commonwealth Operational Law Enforcement Agencies                  |
| ICT                 | information and communications technology                                   |
| IFA                 | individual flexibility arrangement  |
| IFTI                | international funds transfer instruction                                    |
| IOA                 | instrument of authorisation   |
| IPS                 | Information Publication Scheme  |
| IT                  | information technology  |
| KPI                 | key performance indicator   |
| ML/TF               | money laundering/terrorism financing  |
| MOU                 | memorandum of understanding   |
| NAIDOC              | National Aborigines and Islanders Day Observance Committee                  |
| NESB                | non-English speaking background   |
| OAIC                | Office of the Australian Information Commissioner                           |
| PBS                 | Portfolio Budget Statements   |
| PEP                 | politically exposed person  |
| PPATK               | Pusat Pelaporan dan Analisis Transaksi Keuangan (Indonesian FIU)            |
| Privacy Act         | <i>Privacy Act 1988</i>   |
| PSPF                | Protective Security Policy Framework  |
| PWD                 | person with a disability  |
| SCTR                | significant cash transaction report   |
| SES                 | Senior Executive Service  |
| SMR                 | suspicious matter report  |
| SUSTR               | suspect transaction report  |
| TA&T                | technical assistance and training   |
| TES                 | TRAQ Enquiry System   |
| TRAQ database       | Transaction Reports Analysis and Query (TRAQ) database                      |
| TTR                 | threshold transaction report  |
| WCAG 2.0            | Web Content Accessibility Guidelines  |
| WHS                 | work health and safety  |
| WHS Act             | <i>Work Health and Safety Act 2011</i>                                      |

# INDEX TO ANNUAL REPORT REQUIREMENTS

This index shows the location in this report of the mandatory information, and some suggested information, specified by the *Requirements for Annual Reports for Departments, Executive Agencies and FMA Act Bodies* as at 29 May 2014.

| Description of information   | Requirement                       | Location (page) |
|--|-----------------------------------|-----------------|
| <b><i>Letter of transmittal</i></b>  | Mandatory                         | 3               |
| <b><i>Aids to access</i></b>   |                                   |                 |
| Table of contents  | Mandatory                         | 4–5             |
| Index  | Mandatory                         | 184–87          |
| Glossary/list of abbreviations   | Mandatory                         | 179–80          |
| Contact officer(s)   | Mandatory                         | 188             |
| Internet home page address and internet address for report   | Mandatory                         | 188             |
| <b><i>Review by Chief Executive Officer</i></b>  | Mandatory                         | 6–9             |
| Summary of significant issues and developments   | Suggested                         | 6–9             |
| Overview of department's performance and financial results   | Suggested                         | 6–9, 93         |
| Outlook for following year   | Suggested                         | 6–9             |
| Significant issues and developments – portfolio  | Portfolio departments – suggested | Not applicable  |
| <b><i>Agency overview</i></b>  |                                   |                 |
| Role and functions   | Mandatory                         | 12              |
| Organisational structure   | Mandatory                         | 15              |
| Outcome and program structure  | Mandatory                         | 13              |
| Where outcome and program structures differ from PB Statements, details of variation and reasons for change                  | Mandatory                         | Not applicable  |
| Portfolio structure  | Portfolio departments – mandatory | Not applicable  |
| <b><i>Report on performance</i></b>  |                                   |                 |
| Review of performance during the year in relation to programs and contribution to outcomes                                   | Mandatory                         | 16–85           |
| Actual performance in relation to deliverables and KPIs set out in PB Statements   | Mandatory                         | 18–24, 54–57    |
| Where performance targets differ from the PBS, details of both former and new targets, and reasons for the change            | Mandatory                         | Not applicable  |
| Narrative discussion and analysis of performance   | Mandatory                         | 16–85           |
| Trend information  | Mandatory                         | 16–85           |
| Significant changes in nature of principal functions/services  | Suggested                         | Not applicable  |
| Performance of purchaser/provider arrangements   | If applicable, suggested          | Not applicable  |
| Factors, events or trends influencing departmental performance   | Suggested                         | 16–85           |
| Contribution of risk management in achieving objectives  | Suggested                         | 106             |
| Performance against service charter customer service standards, complaints data, and the department's response to complaints | If applicable, mandatory          | 111             |

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# ANNUAL REPORT REQUIREMENTS *(cont'd)*

| Description of information  | Requirement | Location (page)     |
|---|-------------|---------------------|
| Discussion and analysis of the department's financial performance   | Mandatory   | 93–7                |
| Discussion of any significant changes in financial results from the prior year, from budget or anticipated to have a significant impact on future operations                            | Mandatory   | Not applicable (93) |
| Agency resource statement and summary resource tables by outcomes   | Mandatory   | 177–8               |
| <b>Management and accountability</b>  |             |                     |
| <b>Corporate governance</b>   |             |                     |
| Certification by agency head that their agency complies with the 'Commonwealth Fraud Control Guidelines'  | Mandatory   | 107                 |
| Statement of the main corporate governance practices in place   | Mandatory   | 104–7               |
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| Senior management committees and their roles  | Suggested   | 104–6               |
| Corporate and operational plans and associated performance reporting and review   | Suggested   | 104–7               |
| Internal audit arrangements including approach adopted to identifying areas of significant financial or operational risk and arrangements to manage those risks                         | Suggested   | 106                 |
| Policy and practices on the establishment and maintenance of appropriate ethical standards  | Suggested   | 90                  |
| How nature and amount of remuneration for SES officers is determined  | Suggested   | –                   |
| <b>External scrutiny</b>  |             |                     |
| Significant developments in external scrutiny   | Mandatory   | 107–8               |
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| <b>Management of human resources</b>  |             |                     |
| Assessment of effectiveness in managing and developing human resources to achieve departmental objectives   | Mandatory   | 89–92               |
| Workforce planning, staff retention and turnover  | Suggested   | 89                  |
| Impact and features of enterprise or collective agreements, individual flexibility arrangements (IFAs), determinations, common law contracts and Australian Workplace Agreements (AWAs) | Suggested   | 89                  |
| Training and development undertaken and its impact  | Suggested   | 90                  |
| Work health and safety performance  | Suggested   | 91–2                |
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| Statistics on staffing  | Mandatory   | 173–6               |
| Enterprise or collective agreements, IFAs, determinations, common law contracts and AWAs  | Mandatory   | 89, 176             |



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# ANNUAL REPORT REQUIREMENTS (cont'd)

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| Assessment of effectiveness of assets management   | If applicable, mandatory | 97              |
| <b>Purchasing</b>  |                          |                 |
| Assessment of purchasing against core policies and principles  | Mandatory                | 96              |
| <b>Consultants</b>   |                          |                 |
| Summary statement detailing the number of new consultancy services contracts let during the year; the total actual expenditure on all new consultancy contracts let during the year (inclusive of GST); the number of ongoing consultancy contracts that were active in the reporting year; and the total actual expenditure in the reporting year on the ongoing consultancy contracts (inclusive of GST). The annual report must include a statement noting that information on contracts and consultancies is available through the AusTender website | Mandatory                | 93–6            |
| <b>Australian National Audit Office access clauses</b> – Absence of provisions in contracts allowing access by the Auditor-General   | Mandatory                | 95              |
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| Ecologically sustainable development and environmental performance (Section 516A of the <i>Environment Protection and Biodiversity Conservation Act 1999</i> )   | Mandatory                | 110–1           |
| Compliance with the agency's obligations under the <i>Carer Recognition Act 2010</i>   | If applicable, mandatory | Not applicable  |
| Grant programs   | Mandatory                | Not applicable  |
| Disability reporting – explicit and transparent reference to agency-level information available through other reporting mechanisms   | Mandatory                | 109             |
| Information Publication Scheme statement   | Mandatory                | 108             |
| Correction of material errors in previous annual report  | If applicable, mandatory | Not applicable  |
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All annual report, media and communications enquiries should be directed to Stakeholder Relations.

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

This report (*AUSTRAC annual report 2013–14*) is available online at: [www.austrac.gov.au/annual\\_report.html](http://www.austrac.gov.au/annual_report.html).

### **AUSTRAC Help Desk**

Enquiries concerning AUSTRAC, the legislation it administers, or other related information, should be directed to the AUSTRAC Help Desk:

PO Box 13173, Law Courts PO  
Melbourne VIC 8010

Ph: 1300 021 037 (local call cost in Australia)  
Fax: 03 8636 0508

Email: [help\\_desk@austrac.gov.au](mailto:help_desk@austrac.gov.au)

Help Desk operating hours are 8.30am to 5.00pm, Monday to Friday.

Information is also available on the AUSTRAC website: [www.austrac.gov.au](http://www.austrac.gov.au).

### **National Relay Service**

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

TTY or computer with modem users:  
Phone 133 677 and then ask for '1300 021 037'.

Speak and listen (speech-to-speech relay) users:  
Phone 1300 555 727 and then ask for '1300 021 037'.

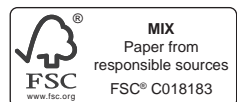
### **Freedom of Information**

Contact details and procedures for applications made under the *Freedom of Information Act 1982* are in the 'Management and accountability' chapter of this report.

Information is also available on the AUSTRAC website: [www.austrac.gov.au/freedom\\_of\\_information.html](http://www.austrac.gov.au/freedom_of_information.html).



ISO 14001.  
Environmental  
Management  
System in use.





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