



Australian Government

AUSTRAC

FIGHTING  
FINANCIAL  
CRIME  
TOGETHER

# 2018– 19

AUSTRAC  
ANNUAL REPORT

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Australian Government  
**AUSTRAC**

# Chief Executive Officer

13 September 2019

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

Dear Minister

I am pleased to present the annual report for the year ended 30 June 2019 on the operations of the Australian Transaction Reports and Analysis Centre (AUSTRAC), as is required by subsection 46(1) of the *Public Governance, Performance and Accountability Act 2013*.

The report has been prepared pursuant to the requirements for annual reports approved by the Joint Committee of Public Accounts and Audit and as prescribed in the Public Governance, Performance and Accountability Rule 2014.

As the accountable authority for AUSTRAC, I certify the agency has prepared fraud and corruption risk assessments and a fraud and corruption control plan that comply with the requirements of section 10 of the Public Governance, Performance and Accountability Rule 2014, and the Commonwealth Fraud Control Policy. We have fraud prevention, detection, investigation, reporting and data collection procedures and processes in place that align with the requirements of the Commonwealth Fraud Control Framework 2017.

We have taken reasonable measures to minimise the incidence of fraud within the agency and to investigate and recover the proceeds of fraud against the agency.

Yours sincerely

Nicole Rose PSM  
Chief Executive Officer

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# AUSTRAC YEAR IN REVIEW

2018-19



Number of  
reporting entities

Partner agency  
searches of AUSTRAC's  
intelligence systems



Department of Human  
Services data sharing and matching



47 domestic MOUs  
(+2 from last year)



1,513 cases  
\$16.2M saved

Total savings  
(over 4 year collaboration)

525 AUSTRAC  
intelligence  
reports produced



327 Financial Intelligence  
Analyst Course (FIAC)  
personnel hosted from  
29 agencies (since Feb 2017)



708 domestic partner  
requests for information

Joint Agency Task Force - Money Laundering  
AUSTRAC, AFP, ABF and Western Australia Police

Top 3 users of  
AUSTRAC database



10  
arrests



163 bank  
transactions



Reports to AUSTRAC

246,458  
suspicious  
matter reports  
(▲ 96% from 2017-18)

2.6m  
threshold  
transactions  
reports

155m  
International  
funds transfer  
instructions

45,250  
Cross-  
border  
movements



25th Egmont Plenary  
Hosted by AUSTRAC  
Sydney, September 2018

50 MOUs signed  
400 delegates from FIUs worldwide



4th Counter-Terrorism  
Financing Summit  
Co-hosted by AUSTRAC  
Thailand, November 2018

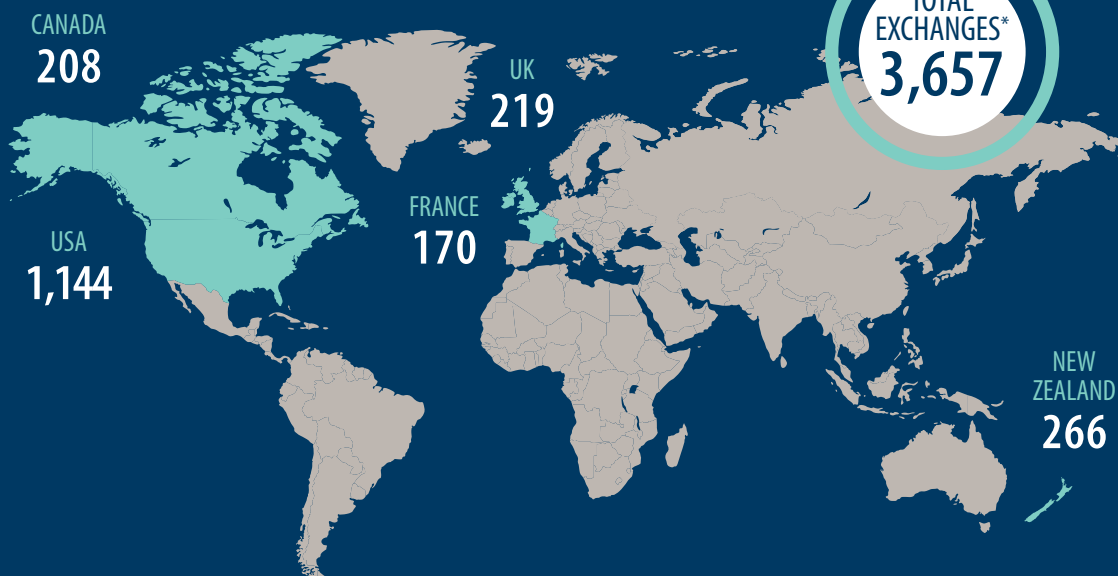
350+ global leaders and financial  
intelligence specialists  
31 countries represented

#### AUSTRAC staff deployment



96 International MOUs  
(+2 from last year)

#### International Exchanges - 2018-19 Top 5 countries AUSTRAC exchanged with



#### 2018-19 top 5 crime types related to:



1,129  
National  
Security

234  
Money  
laundering

140  
Fraud

109  
Tax evasion/  
avoidance

66  
Fraud -  
Scams

\* Exchanges of financial intelligence, both incoming and outgoing, with AUSTRAC's counterpart financial intelligence units (FIU's)

AUSTRAC is at the heart  
of the framework designed to  
protect Australia's financial system,  
businesses and the wider community  
from criminal abuse.





## NICOLE ROSE, CEO

Nicole Rose PSM commenced as the Chief Executive Officer (CEO) of AUSTRAC in November 2017.

As AUSTRAC CEO, Nicole leads Australia's financial intelligence unit and anti-money laundering/counter-terrorism financing regulator. AUSTRAC builds resilience in the financial system and disrupts money laundering, terrorism financing and other serious crime.

Nicole has an extensive and diverse career in Australia's law enforcement, criminal justice and intelligence agencies. Her expertise includes criminal justice policy and programs, legislative development, forensic intelligence and offender management.

Before joining AUSTRAC, Nicole was Deputy Secretary Criminal Justice Group in the Attorney-General's Department. Prior to that she was Deputy CEO of the Australian Criminal Intelligence Commission, CEO of CrimTrac, and Director of the Office of the NSW Police Commissioner. Nicole also held senior roles in the NSW Premier's Department, Ministry for Police, and Serious Offenders' Review Council (NSW Department of Corrective Services).

Nicole was awarded a Public Service Medal in 2013, for her services to policing.

As CEO, Nicole served as AUSTRAC's accountable authority for the duration of 2018-19.

## CEO REVIEW

### 2018-19 AT AUSTRAC

Over the last 12 months, AUSTRAC has made significant strides in increasing operational efficiencies. As reported last year, AUSTRAC led enforcement action resulting in a \$700 million penalty against the Commonwealth Bank of Australia—representing the largest civil penalty in Australia's corporate history. This, combined with the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry, has seen the number of self-disclosed reports by AUSTRAC's regulated entities soar.

In response to the increasing volume of reports, we are continually looking for new efficiencies and innovations to monitor compliance, identify and act on non-compliance, and generate actionable, meaningful intelligence for our partners and us.

### PARTNER OF CHOICE

AUSTRAC recognises that to be effective at protecting Australia from crime, we must be a partner of choice. We prioritise working with our domestic and international partners to detect, disrupt and prevent criminal exploitation of Australia's financial sector.

Our inclusion in the expanded National Intelligence Community and Home Affairs portfolio demonstrates the value of AUSTRAC's intelligence to Australia's national security priorities, including the following.

- Participation in many cross-agency task forces—for example, with the Australian Federal Police, Australian Border Force and Western Australian Police, AUSTRAC intelligence played a key role in tracking hundreds of bank transactions estimated to be worth \$29.5 million. This resulted in 10 arrests made on money laundering and drug charges.
- Expansion of Fintel Alliance, AUSTRAC's established public-private partnership. Over the 2018-19 period, Fintel Alliance continued to mature, expanding to 25 private sector and government members. There were many operational highlights, including Fintel Alliance intelligence contributing to the arrest of over 100 persons of interest and the protection of over 170 victims of child exploitation.
- To support our Government partners, we launched a new Financial Forensics tool for analysts, which allows our partners to undertake more complex analysis of larger data sets in a more timely way.

## INTERNATIONAL ENGAGEMENT AND STRENGTHENING OUR REGION

Internationally, AUSTRAC works with intelligence partners to share insights, trends and data to disrupt transnational organised crime and terrorism threats. We also regularly engage with our valued neighbours, working together to strengthen the South-East Asian financial sector.

Over 2018-19 we continued to collaborate with our international partners. Highlights include:

- hosting and chairing the 25th Egmont Plenary in Sydney, with over 400 delegates from financial intelligence units from around the world
- chairing the fourth Counter-Terrorism Financing Summit held in Thailand
- hosting seven anti-money laundering/counter-terrorism financing regulators as part of the International Supervisors forum in Melbourne
- delivering financial intelligence and regulatory training in Brunei, Cambodia, Indonesia, Malaysia, Papua New Guinea and the Philippines, to continue to harden our region against financial crime.

AUSTRAC's international presence grew beyond Indonesia, Malaysia and the Philippines in 2018-19, with staff commencing deployments in China, the United Kingdom and the United States of America. Like our contributions to international forums, outposted staff are vital in forging new

international partnerships. Through our relationships, we enhance information sharing and build financial regulation and intelligence capabilities across the region and globally, to protect Australia from transnational threats including organised crime and terrorism.

## STREAMLINING COMPLIANCE AND INCREASING EFFICIENCY

In 2018-19, we worked at enhancing our relationship with more than 14,800 reporting entities. Throughout the year, we published a range of guidance papers designed to equip businesses with the knowledge to identify patterns of criminal behaviour and protect their business from criminal exploitation.

This work complements AUSTRAC's regulatory education and outreach activities, tailored to each industry sector. Since we began regulating the digital currency exchange (DCE) industry last year, we have made a special effort to inform DCEs of their obligations.

AUSTRAC's approach to regulation is one of collaboration. We are committed to enhancing our regulatory functions and providing tools and guidance that assist regulated entities to understand and meet their obligations. In 2018-19, this included:

- releasing our 'Approach to regulation' paper and a number of new informative resources to support the sector

- following feedback from a range of reporting entities, we designed and launched a new AUSTRAC website with improved language, navigation, and search function
- introducing a new regulatory triage process, reducing processing time frames in some cases from several months or years, down to hours.

## THE YEAR AHEAD

In the evolving financial environment in which we operate, we continue to embrace innovation and technological advancements to optimise our capabilities and manage the exponential growth of the data we are required to ingest and analyse.

We are aiming to continue to increase enforcement and further streamline compliance.

As the Fintel Alliance continues to mature and expand, we will have increased opportunities to work more closely with our partners through collaborative sharing of information, intelligence, capability and technology.


We are also expanding our international connections, working with more international partners to better respond to offshore criminal activities impacting Australia.

I look forward to continuing to lead this dynamic agency to harness our capabilities and strengthen the financial system against serious and organised crime.

# 04

## AGENCY OVERVIEW

Our vision: A financial  
system free from  
criminal abuse



## ROLE AND FUNCTIONS

The Australian Transaction Reports and Analysis Centre (AUSTRAC) is Australia's financial intelligence unit (FIU), with regulatory responsibility for anti-money laundering and counter-terrorism financing (AML/CTF).

We use financial intelligence and regulation to:

- prevent criminal abuse of the financial sector
- generate and share intelligence and insights to mitigate risk in the financial system
- help our government and law enforcement partners detect, deter and disrupt money laundering, terrorism financing and other serious crime
- build and maintain trust and integrity in Australia's financial system as part of the global community.

**AUSTRAC's purpose**, as stated in our corporate plan 2018-22, is to build resilience in the financial system and use financial intelligence and regulation to disrupt money laundering, terrorism financing and other serious crime.

We do this by:

- **Discovering** new and emerging risks. Identifying risks posed by criminal actors seeking to exploit the financial system.
- **Understanding** our environment. Developing and sharing a comprehensive understanding of vulnerabilities within the global financial system at risk of criminal exploitation.
- **Strengthening** the financial system. Ensuring that risks within the financial system are minimised through effective controls deployed by an engaged, capable and collaborative community.
- **Disrupting** criminal abuse of the financial system. Collaborating with our partners to detect, understand and disrupt criminal exploitation of the financial system.
- **Optimising** our business. Continuously evolving and adapting our business operations to improve efficiency, effectiveness and sustainability in a dynamic operating environment.

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

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

As Australia's AML/CTF regulator, AUSTRAC oversees the compliance of more than 14,000 Australian businesses with the requirements of the AML/CTF Act and *Financial Transaction Reports Act 1988*.

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

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

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

AUSTRAC is an independent statutory agency in the Home Affairs portfolio. This creates opportunities to work more closely with our partner agencies to better protect Australia against evolving security concerns. Being part of the portfolio since 2017 has enhanced AUSTRAC's ability to perform our role as a conduit of intelligence between the financial sector and Australia's law enforcement and National Intelligence Community.

As Australia's FIU, we assist with the investigation and prosecution of serious criminal activity. We do this by collecting, collating, analysing and disseminating information from reports on financial transactions and suspicious matters, submitted by reporting entities. We provide actionable intelligence to partner agencies including law enforcement, national security, human services and revenue protection agencies, as well as international counterparts.

## OUTCOME AND PROGRAM

AUSTRAC's **outcome** in the 2018-19 Portfolio Budget Statement is:

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

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

## Key priorities for 2018-19

The Portfolio Budget Statement identifies key priorities for AUSTRAC, including:

- continue to build the effective operation of the Fintel Alliance—a world-first private-public partnership
- develop new intelligence and regulatory insights by enhancing the quality and value of our data, including new systems, data sets and sources, enabling the discovery of new and emerging threats
- through the Smarter Regulation Program, continue to co-design with industry a more efficient, effective and collaborative regulatory framework, which will support the regulated community to improve their AML/CTF risk management
- continue our strong involvement in international forums, including the Financial Action Task Force, Asia/Pacific Group on Money Laundering and Egmont Group of Financial Intelligence Units.

## Our performance framework

AUSTRAC is governed by the *Public Governance, Performance and Accountability Act 2013*. Our performance framework measures our ability to deliver on our purpose. It joins our purpose and performance criteria and aligns with our 2018-19 Portfolio Budget Statement and performance information.

The annual performance statements in this report (see pages 20-56) detail our progress against the performance criteria in our 2018-22 corporate plan.

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



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## OUR CAPABILITIES

We place a high priority  
on effective partnerships  
and timely, accurate  
and actionable financial  
intelligence

# Organisational structure as at 30 June 2019



AUSTRAC's performance relies on several key capabilities. As outlined in the 2018-22 corporate plan, the agency's operations are centred around our regulatory and intelligence capabilities, our work in the international arena, data and innovation, and our people and corporate enablers.

## REGULATION

As Australia's anti-money laundering and counter-terrorism financing (AML/CTF) regulator, AUSTRAC regulates more than 14,000 individuals, businesses and organisations. We make sure they are complying with their obligations under the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (AML/CTF Act) and the *Financial Transaction Reports Act 1988*. We do this to protect them, and the financial sector, from criminal abuse.

Reporting entities' obligations include reporting financial transactions and suspicious activity to AUSTRAC, through suspicious matter reports, threshold transaction reports and international funds transfer instruction reports.

Our regulatory activities also include:

- identifying new and emerging risks
- identifying and collecting data to generate regulatory insights
- using regulatory insights and financial intelligence to assess industry vulnerabilities and threats to Australia's financial sector
- collaborating with industry to improve risk management, help them comply, and educate them on risks and compliance
- supporting national security and law enforcement operations
- taking a risk-based approach to how we handle non-compliant reporting entities
- taking enforcement action against reporting entities for serious and/or systemic breaches of the AML/CTF Act.

In 2018-19 our regulatory function was undertaken by AUSTRAC's Regulatory Strategy Division.



### **Peter Soros** Deputy CEO, Regulatory Strategy

Peter commenced at AUSTRAC in June 2018. He is responsible for the regulatory and compliance operations of AUSTRAC. He also has responsibility for AUSTRAC's legal and policy functions. A key element of his work is overseeing AUSTRAC's enforcement work.

Peter worked in government between 2013 and 2018. He brings a strong understanding of law enforcement, intelligence and national security, with an exceptional ability to navigate through the Home Affairs portfolio and government more broadly. Peter's extensive public sector experience includes working in AusIndustry, Human Services, Finance and Deregulation.



### **Dr Nathan Newman** National Manager, Regulatory Operations

Nathan joined AUSTRAC in April 2016 and is now responsible for the agency's regulatory compliance program. This includes monitoring and supporting industry compliance with their obligations under the AML/CTF framework. Nathan has worked across the Australian law enforcement and national security community for more than a decade, including with the Department of Defence, Attorney-General's Department and the then Australian Crime Commission.



### **Kathryn Haigh** National Manager, Legal and Policy (General Counsel)

Kathryn joined AUSTRAC as General Counsel in September 2016. She is responsible for AUSTRAC's legal, policy, rules, exemptions and enforcement functions.

Kathryn has a background in law enforcement and litigation. She previously worked for the Commonwealth Director of Public Prosecutions, leading a range of prosecutions targeting transnational and serious organised crime. Kathryn has extensive experience working in private practice, acting on behalf of clients defending civil penalty proceedings and other regulatory matters.

## INTELLIGENCE

As Australia's financial intelligence unit (FIU), AUSTRAC collects information from the thousands of entities we regulate. Our financial intelligence analysts use this information to identify financial transactions linked to crimes including money laundering, terrorism financing, and other forms of serious and organised crime.

AUSTRAC's work forms part of a wider landscape of intelligence and national security agencies that work together to protect Australia from those who might do us harm. We place a high priority on effective partnerships and timely, accurate and actionable financial intelligence. We share our expertise with a wide range of domestic and international partner agencies. Over the past year, we have strengthened the contribution of our intelligence to broader government national security priorities, through our inclusion in the Home Affairs portfolio and the National Intelligence Community.

Since its establishment in 2017, the Fintel Alliance has transformed our capability to tackle a broad range of threats to Australia. These include terrorism financing, money laundering, drug trafficking, child exploitation, cybercrime, and other serious and organised crime. It has proved to be a world-class example of the power of public-private partnerships in the financial intelligence sector. The Fintel Alliance has enhanced the way we communicate and exchange knowledge and ideas between industry partners and government agencies.

## INTERNATIONAL CAPABILITY

As new and developing technologies make moving money around the world faster and easier, organised crime has been quick to take advantage of these opportunities. To combat money laundering, terrorism financing and other serious financial crime threats, a powerful global response is needed. AUSTRAC makes a significant contribution to international efforts by:

- exchanging information and intelligence with other FIUs and AML/CTF regulators around the world
- playing an active role in international AML/CTF organisations, including the Financial Action Task Force, the Egmont Group of FIUs and the Asia/Pacific Group on Money Laundering
- delivering regional solutions to terrorism financing and money laundering issues and risks, through our support for the annual CTF Summit
- supporting international partners through technical assistance and training.

In 2018-19, we expanded our international footprint by deploying additional staff overseas.



**Chris Collett**  
**Deputy CEO**  
**Intelligence and International**

Chris joined AUSTRAC in June 2018 from the Department of Home Affairs. Throughout 2018-19, Chris was responsible for AUSTRAC's intelligence functions, operational engagement, strategic risk assessments and international operations. Chris is the co-chair of the regional Financial Intelligence Consultative Group and represents AUSTRAC on the Fintel Alliance Strategic Advisory Board.

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



**Bradley Brown**  
**National Manager, Intelligence and International Partnerships**

Bradley leads AUSTRAC's contribution to key intelligence and operational task forces in Australia, including the Fintel Alliance. In 2018-19, his branch supported AUSTRAC's international strategy and engagement, as well as our multilateral and bilateral engagements. Bradley also oversees AUSTRAC's risk assessment program, which is aimed at building a deep understanding of money laundering and terrorism financing risks in particular sectors and products.

Bradley joined AUSTRAC in 2004 as the Manager Strategic Analysis, after a 15-year career with the Queensland Police Service. He has performed leadership roles across AUSTRAC in Intelligence, Program Management, Government Relations and Policy. He holds a Masters in Policing, Intelligence and Counter-Terrorism.



**Richard Chin**  
**National Manager, Intelligence Operations**

Richard is responsible for leadership of AUSTRAC's intelligence capabilities and proactive intelligence operations, working closely with domestic and international partners.

Richard joined AUSTRAC in October 2018 after a 21-year career as a police officer—most recently as a Detective Superintendent in the Australian Federal Police and National Coordinator of the Criminal Assets Confiscation Taskforce. In this role, he coordinated national and international operations and partnerships, and drove the capability of multi-agency teams to disrupt and take the profit out of serious and organised crime.

## OUR DATA AND INNOVATION

AUSTRAC's ability to manage and leverage data provided from industry and other partners is critical to our performance and the value of our intelligence. The growth in money laundering and terrorism financing activities globally, requires collecting more detailed information, searching for new data sources and developing advanced tools to analyse and correlate high-volume, high-variety information quickly.

Our regulatory operations have significantly invested in using data analysis and advanced analytics to: increase our understanding of compliance and risk across the financial sector; and apply near real-time monitoring to identify and respond to non-compliance. This enables AUSTRAC to respond rapidly and intervene early, preventing further non-compliance and extending our operational reach with existing resources. We also leverage user-friendly and agile technology to minimise the regulatory burden on reporting entities. This also enables us to provide accurate and actionable financial intelligence, generate insights and provide raw data to partners in near real-time.

AUSTRAC continuously refines and standardises the data received from reporting entities. Our data scientists, in collaboration with researchers from Data 61 and the Australian National University, have created state-of-the-art algorithms to manage inconsistencies between data sets and recognise linkages between them to identify persons of interest.

We cooperate closely with other government agencies by sharing data and matching data sets. We are developing techniques for sharing our data with our Fintel Alliance partners and overseas FIUs.

AUSTRAC is focused on being adaptable to meet future technological challenges. We are shifting to open-source, component-based platforms and systems to join various data silos, enable faster operational response, greater data access and enhanced sharing capabilities. This includes the development of a specialised case management system, and deployment of a mobility solution for staff.



**Dr John Moss**  
**Deputy CEO Corporate Operations**  
**(Chief Operations Officer)**

Having previously served as National Manager for Intelligence, in July 2018 John commenced as Deputy CEO leading the Corporate Operations Division. John has senior leadership of the people and integrity, innovation, capability, technology, finance, property, security, governance and risk, and audit functions of the agency.

John has over 25 years' experience in intelligence and security-related positions in New Zealand and Australia. These include leadership positions with an emphasis on national security and law enforcement, with associated private sector, security, border, regulatory and revenue agency collaboration. This has included senior executive leadership positions with the Australian Criminal Intelligence Commission and AUSTRAC.



**Leanne Fry**  
**National Manager, Innovation and Technology Solutions**  
**(Chief Information Officer)**

Leanne is the Chief Innovation Officer and Chief Information Officer at AUSTRAC, and leads the Analytics, Innovation, Development, Information and Infrastructure teams. Her remit is to ensure that advanced analytics and customer service capability is in place to enable AUSTRAC to innovate, working closely with industry and partners. She leads advanced innovation for AUSTRAC for processes and products. Leanne joined AUSTRAC in November 2015 to deliver the Fintel Alliance.

Formerly Chief Information Officer and Chief Digital Officer at the Office of the Fair Work Ombudsman, Leanne has extensive senior executive experience in the private sector in financial services, property and legal information and services. She has delivered innovation and transformation across both private and public sectors, in digital services and delivery, governance, information and communications technology, marketing and communications, business processes and web science.



**Gilly Neeley**  
**National Manager, People and Business Solutions**

Gilly is responsible for corporate functions including all aspects of managing people, property and risk at AUSTRAC. This covers all human resources functions including industrial relations, security and integrity, and organisational development including workforce planning, and learning and development. She is also responsible for managing AUSTRAC's property and offices. She has a key role in driving AUSTRAC's culture through strategies and workplace initiatives.

Gilly has held similar roles in the Australian Financial Security Authority, Australian Public Service Commission, and Department of Families, Community Services and Indigenous Affairs (now Department of Social Services). She holds a Bachelor of Arts and a Diploma in Government.

Gilly is a member of the Australian Human Resource Institute, Australian Institute of Company Directors and Institute of Public Administration Australia. She is also on the Women in Law Enforcement Strategy steering committee.



## OUR WORKFORCE AND CORPORATE OPTIMISATION

To be agile and prepared for changes in our complex operating environment, we rely on our skilled, innovative people, and the resilience and responsiveness of our corporate enabling functions. Workforce capability and agency culture are the cornerstone to AUSTRAC's capabilities. We will continue to invest in best-practice initiatives to support and enable a flexible workforce.

AUSTRAC is also focused on developing fit-for-purpose corporate capabilities and business improvement programs, to support the current and future needs of our regulatory and intelligence roles. We continually look for opportunities to align and integrate functions to increase our efficiency and effectiveness.

In 2018-19, the Corporate Operations Division delivered the core enabling functions of people and integrity, finance, property, information management and technology services, internal audit and risk management

In addition to the work of the three divisions, the Strategy and Communications branch led strategic initiatives and business transformation projects, as well as supporting AUSTRAC by delivering communications, media, governance and performance functions.



**Workforce capability  
and agency culture are  
the cornerstone to  
AUSTRAC's capabilities**

**Dr Rachel Challis**

Acting National Manager Strategy  
and Communications

Reporting directly to the CEO, Rachel led the Strategy and Communications branch during 2018-19. She was responsible for strategic communications, performance planning and governance and business transformation.

In this role she led a number of reform projects including a new website, new governance and planning frameworks and a co-design process with staff to enhance AUSTRAC's internal communications.

Prior to this role, she led AUSTRAC's compliance branch and has extensive experience in regulation, policy design and implementation, data analytics and national security. With formal qualifications in data analytics and social sciences, Rachel has a passion for intelligence-led, evidence-based government services. Rachel holds a Masters in Public Administration.

# 20

## OUR PERFORMANCE

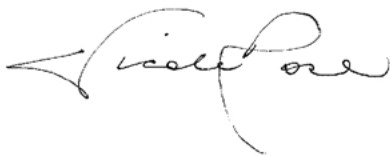
We anchor our  
performance reporting  
against our four strategic  
objectives discover,  
understand, strengthen  
and disrupt

# ANNUAL PERFORMANCE STATEMENTS 2018-19

## Introductory statement

I, Nicole Rose PSM, as AUSTRAC's accountable authority, present the 2018-19 annual performance statements for AUSTRAC as required under paragraph 39(1)(a) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act). These results are reported against the performance measures outlined in the AUSTRAC corporate plan 2018-22 and the agency's 2018-19 Portfolio Budget Statement (PBS).

In my opinion, these annual performance statements comply with subsection 39(2) of the PGPA Act, are based on properly maintained records and accurately reflect the performance of AUSTRAC for the year ending 30 June 2019.



Nicole Rose PSM  
Chief Executive Officer

## Overview of performance framework

To measure our performance against our purpose, we report on our achievements against the AUSTRAC performance criterion in the 2018-19 PBS. As outlined in our corporate plan 2018-22, we anchor our performance reporting against our four strategic objectives: discover, understand, strengthen and disrupt. These collectively contribute to the realisation of our purpose to:

**Build resilience in the financial system and use financial intelligence and regulation to disrupt money laundering, terrorism financing and other serious crime.**

The alignment of our performance measures with the performance criterion in the 2018-19 Portfolio Budget Statement is shown in the table below. The annual performance statements use a range of qualitative and quantitative measurement methods to demonstrate our performance, including case studies and statistics.




PBS performance criterion	Objective	Performance measurement method
AUSTRAC contributes to mitigating risk in the financial system by using its regulatory capability, and generating and sharing intelligence and insights, to support the mission of our public and private partners.	<b>Discover</b>  AUSTRAC identifies new and emerging risks posed by criminal actors seeking to abuse the financial system	Evidence of AUSTRAC enriching and linking data
		Evidence of more effective and proactive information and typology sharing
	<b>Understand</b>  AUSTRAC develops and shares a comprehensive understanding of vulnerabilities to criminal abuse within domestic and international financial systems	Evidence of partner agencies using AUSTRAC data and intelligence products
		Contributions to intelligence task forces and interagency forums
	<b>Strengthen</b>  AUSTRAC ensures risks within the financial system are identified, mitigated and managed effectively	Evidence of regulatory efficiencies
		Evidence of positive behavioural change in the reporting entity population
	<b>Disrupt</b>  AUSTRAC collaborates with partners to disrupt criminal abuse of the financial system	Evidence of AUSTRAC's contribution to disrupting criminal abuse of the financial system
		Evidence of strengthening the Fintel Alliance


## Results

Our results against the criterion above are evidenced by our achievements and outcomes reported below, in line with the performance information published in the AUSTRAC corporate plan 2018-22.

The icons below have been used demonstrate the overall result for the relevant performance measure.

### RESULTS LEGEND

		
Fully Achieved	Partially achieved	Not achieved

Strategic Objective	Performance Measure	Source	Result
<b>Discover</b>  AUSTRAC identifies new and emerging risks posed by criminal actors seeking to abuse the financial system	Evidence of AUSTRAC enriching and linking data.	Corporate plan 018-22, p16.	

For AUSTRAC to be effective in our role, it is critical that we proactively uncover new and emerging risks facing the financial system. In a complex and evolving environment, we need to continually assess the insights we get from our data. We also explore opportunities to unlock the potential of our vast data sets and information. During 2018-19 we continued to enrich and link our data with our partners, with valuable lessons learnt to identify new risks and for future innovation in data and information sharing more broadly.

## LINKING AND SHARING DATA WITH PARTNER AGENCIES

AUSTRAC works with the Department of Human Services (DHS) on data sharing and matching, to strengthen the integrity of welfare payments. DHS data assists us to verify information, such as entity details in transaction reports, and expand on the financial analysis we perform.

In 2018-19 we developed automated bulk data matching, which allows us to realise the value of combined data sets. This enhanced our ability to successfully detect and prevent welfare fraud, with DHS. In 2018-19 we contributed to more than 1,510 cases and more than \$16 million in savings achieved by DHS in its increased detection of welfare fraud.

We also continued to collaborate with the Australian Taxation Office (ATO) to provide high-volume transaction report data. This enables the ATO to identify undeclared foreign source income and serious non-compliance, which drives revenue savings. In the ATO's analysis for 2018-19, it was found that more than 4,500 ATO cases used AUSTRAC's financial intelligence capability. These cases contributed to the ATO's raised revenue of more than \$210 million for the financial year.

## ENTITY RESOLUTION ALGORITHM

AUSTRAC has developed an innovative algorithm as a solution to the problem of data matching or linking millions of entities across disparate data sets. This represents a significant advance in our financial intelligence capability. Testing has shown that the algorithm performs better than previously reported state-of-the-art algorithms. It uses 'big data' to take advantage of parallel processing, and is robust in dealing with messy, misleading or incomplete data. It also offers improved accuracy while cutting the processing time for resolving more than five billion transactions from months to around three-and-a-half hours.

Many partner agencies have expressed interest in implementing our entity resolution algorithm. Research work with CSIRO's Data61 and the Australian National University is well underway, to extend the core algorithm to become privacy preserving to allow analysis to take place while ensuring the privacy of entity data. This work will open up new possibilities for data sharing with partner agencies and reporting entities.


## CO-DESIGNING INFORMATION SOLUTIONS WITH BUSINESS

Both AUSTRAC and the Australian Criminal Intelligence Commission (ACIC) are facing an increase in the scope and volume of information collected, analysed and shared in numerous sectors, nationally and internationally. To look at new and innovative ways to solve the associated policy and service delivery problems, AUSTRAC and the ACIC turned to the Australian Government's Business Research and Innovation Initiative program.

The program provides opportunities for small-to-medium enterprises to work with government to develop innovative products and services with genuine commercial potential. A joint AUSTRAC-ACIC proposal was one of the winners in the first round of the program, with solutions to the challenge of 'tracking the effect and value of information products'. The solutions offer interesting opportunities for us to explore how we could use technologies like blockchain for sharing, tracking and machine learning to support valuation tools, to potentially track performance of information products. A pilot solution for a secure, decentralised information-sharing platform was developed in November 2018. Features include blockchain power, search, tracking, collaboration and performance tools.

Working alongside the vendors has helped us to understand the challenges associated with developing and implementing tools to collect feedback on intelligence products, as well as indicative costs. Learnings from our participation in the program have also informed ongoing projects, including: the creation of an international sharing platform pilot between AUSTRAC and our international counterparts Pusat Pelaporan Dan Analisis Transaksi Keuangan (PPATK) and Bank Negara Malaysia to address some of challenges with information sharing; and a secure sharing platform being developed by the Fintel Alliance.



Strategic Objective	Performance Measure	Source	Result
<b>Discover</b>  AUSTRAC identifies new and emerging risks posed by criminal actors seeking to abuse the financial system	Evidence of more effective and proactive information and typology sharing.	Corporate plan 2018-22, p16.	

AUSTRAC takes a collaborative approach to support businesses and partner agencies to become more knowledgeable, vigilant, and capable of discovering and communicating threats of criminal exploitation. We educate, monitor and promote compliance with money laundering/terrorism financing (ML/TF) legislation, to strengthen the financial sector and build resilience.

AUSTRAC uses a range of mechanisms to collect and share information and practices, to improve information sharing among our domestic and international partners. This is in addition to our ongoing participation in various interagency task forces and international forums (see pages 27).

## ML/TF risk assessments

ML/TF risk assessments are one form of industry-specific, tailored guidance we provide to help keep our regulated population informed of new and emerging ML/TF risks in the financial system.

## ON-COURSE BOOKMAKERS

In December 2018 we published our on-course bookmakers ML/TF risk assessment. This was the result of engagement with partner agencies, feedback and professional insights by industry stakeholders, and analysis of transaction reports submitted to AUSTRAC.

The risk assessment identified that the risk of criminal exploitation of the on-course bookmaking sector has significantly decreased since 2008. However, it is likely the sector will continue to be exploited for money laundering and predicate offence purposes. By publishing the risk assessment, AUSTRAC advised the sector of potential risks and compliance obligations, to increase the quality and quantity of suspicious matter reports (SMRs) submitted to us.

## SUPERANNUATION SECTOR

In December 2018 we also released guidance to inform Australia's superannuation sector of potential risks they may face from criminal exploitation. The guidance focuses on specific risks and potential scenarios relating to ML/TF and serious financial crime specific to the sector. It also gives examples of methods these organisations can use to mitigate the risks, and how they can proactively combat financial crime.

The new guidance is the latest in our suite of sector-specific guidance to identify and address ML/TF vulnerability in the industry. While the superannuation sector is not traditionally associated with financial crime exploitation, our assessments show there is a higher than perceived risk. It is important that the sector understands these risks, so they can combat potential threats.

Based on the risk assessment's preliminary findings regarding significant non-enrolment in the sector, AUSTRAC subsequently conducted an enrolment campaign. This increased enrolment numbers in the sector from 257 to 293 by 30 June 2019.

## TRAVELLER'S CHEQUES

In September 2018 we published an assessment of the ML/TF risks associated with traveller's cheques. The assessment will help businesses that provide traveller's cheque services to identify and manage the ML/TF risks they face.

The purchase of traveller's cheques is likely to be vulnerable to ML risk, as customers can buy traveller's cheques using cash. The very significant reduction in recent years in the number of outlets in Australia where traveller's cheques can be purchased, has reduced this risk. The decline in demand for traveller's cheques comes as the uptake of travel money cards, or stored value cards, increases. These cards have many features that make them a more attractive way of funding travel activity than traveller's cheques. However, they are also highly vulnerable to criminal misuse.

AUSTRAC will continue to release information to inform industry about the ML/TF risks they may face, with a mutual banking sector ML/TF risk assessment scheduled to be published in early 2019-20. Funding was announced in late 2018 for AUSTRAC, with the assistance of the Fintel Alliance, to undertake a series of targeted risk assessments on the banking, gambling and remittance sectors. These will be developed with industry over the next three years. The funding enables the establishment of a focused risk assessment program to provide greater identification of risks and insights into the financial industry. It has already increased our capacity to manage the consultation and data collection activities needed to produce meaningful ML/TF risk assessments for target sectors.

# Memoranda of understanding

AUSTRAC takes the utmost care and responsibility in ensuring the security of our data and information. We are bound by privacy and other disclosure provisions that ensure data is collected, stored and shared appropriately. Sharing data and intelligence is, however, critical to the global fight against money laundering, terrorism financing and other serious crimes.

Memoranda of understanding (MOUs) enable us to exchange financial intelligence and regulatory information with our overseas counterparts, while governing the access and use of the information exchanged. MOUs are vital to our ability to understand the broader environment and effectively combat ML/TF and other financial crimes.

In 2018-19 we continued to increase the span of our formalised information-sharing relationships, with five new MOUs signed. Two of these were domestic, with the Australian Charities and Not-for-profits Commission and the ACT Gambling and Racing Commission. Three were with international partners: the Seychelles and Saudi Arabia to exchange financial intelligence; and our United States counterpart, the Financial Crimes Enforcement Network, to exchange regulatory intelligence.

	2017-18	2018-19	Comparison (%)
Active domestic MOUs	45	47	4.4% increase
Active MOUs with international partners	93	96	3.2% increase

## International technical assistance and training

AUSTRAC's international technical assistance and training programs are delivered to financial intelligence units (FIUs) and anti-money laundering and counter-terrorism financing (AML/CTF) regulators. Our programs strengthen the institutional capacity and governance of recipients, and facilitate improved compliance with international standards.

Through sharing our knowledge, skills and experience in implementing international best practice, we improve domestic and regional cooperation. This enhances the exchange of intelligence between partners and strengthens our relationships with counterpart FIUs and domestic and international AML/CTF stakeholders.

In 2018-19 we continued to deliver technical assistance and training programs to regional partners including Indonesia, the Philippines and Papua New Guinea. We also provide a suite of training and operational engagement activities in collaboration with South-East Asian partners (see pages 34-35).

## New AUSTRAC website

AUSTRAC's website is our primary channel to inform reporting entities of their compliance obligations and how to build their resilience against criminal exploitation. Through our website, entities can access enrolment and registration forms, check their legislative obligations, find detailed information on the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (AML/CTF Act) and AML/CTF Rules, and industry-specific guidance about threats, risks and vulnerabilities. We also publish information about upcoming events that generate knowledge transfer and networking opportunities for reporting entities.

In 2018-19 we consulted 32 reporting entities and industry bodies to redesign our website and ensure content is user-centred and high quality. We also evaluated website analytics, interviewed our Contact Centre staff and held workshops with internal stakeholders to inform the redesign. In addition to addressing users' feedback, the new website uses plain English to suit all audiences, complies with the government's Digital Service Standard, offers mobile responsiveness and adaptability, and has improved accessibility with a strong governance structure. The new AUSTRAC website will be available from the beginning of 2019-20.


## Enhancing our Contact Centre

The AUSTRAC Contact Centre assists internal and external stakeholders with all facets of AML/CTF legislation and obligations. In 2018-19 we commenced a program of work to upgrade our Contact Centre, focusing on areas where inefficiency gaps were identified.

The Contact Centre is a key channel through which we engage with the public, partner agencies and reporting entities. In 2018-19 we handled 23,166 enquiries. As part of ongoing improvements, we will analyse operations and functionality to determine how existing Contact Centre training and technology can be enhanced and the user experience improved.

As part of the upgrade we reviewed the training provided to Contact Centre staff, to ensure new staff in the Contact Centre have a high level of confidence when starting out. The review of the training resulted in the development of a five-week theory and practical training package with a staggered approach, incorporating subject matter experts from across AUSTRAC. The improvements to this training package will add value to AUSTRAC stakeholders and regulated entities in the long term.

Other improvements to be rolled out in 2019-20 as part of the Contact Centre upgrade include new quality and timeliness benchmarks. There will also be a transition to an improved interactive voice response method to allow phone enquiries to be more easily directed to relevant subject matter experts in AUSTRAC, streamlining the customer experience and alleviating call wait times.

Strategic Objective	Performance Measure	Source	Result
<b>Understand</b>  AUSTRAC develops and shares a comprehensive understanding of vulnerabilities to criminal abuse within domestic and international financial systems.	Evidence of partner agencies using AUSTRAC data and intelligence products.	Corporate plan 2018-22, p17.	

AUSTRAC analyses financial transaction reports and data to produce client-focussed, actionable intelligence for use by our broad range of partners. By developing and sharing our intelligence products, we contribute our expertise and insights to domestic partner agencies and international counterpart FIUs. This establishes a more complete, shared picture of vulnerabilities and crime across financial systems.

Beyond data and intelligence sharing, AUSTRAC plays an important role in establishing and maintaining relationships and building capabilities among our counterpart FIUs. These relationships are key to our ability to assist with improving compliance with international standards, and develop a more universal understanding of vulnerabilities and criminal abuse in regional and international financial systems. With the assistance of agencies including the Department of Foreign Affairs and Trade we have pursued a range of educational and developmental programs to achieve this.

## Financial intelligence

Monitoring our intelligence products allows us to understand the volume of products we generate, as well as how our intelligence is being shared and used, and by whom. Being aware of how our intelligence is being used to inform partner agencies and support them in their work, is critical to our ability to produce fit-for-purpose, valuable intelligence.

We introduced a new analytical tool to allow our analysts to conduct more complex analysis of larger data sets and improve triaging of incoming reports. As a result, we can identify more complex networks and activities, and produce higher quality and more complex intelligence products.

While the number of reports produced in 2018-19 is lower than the previous year, these reports are of a higher quality and more sophisticated and better targeted at the needs of our partners than those produced in 2017-18.

The value of our intelligence products can also be demonstrated by the number of requests for information we receive from our partners. In 2018-19, AUSTRAC received 708 requests, with the Australian Federal Police (AFP), the Department of Home Affairs and the ATO among those submitting the most requests.

Intelligence products	2017-18	2018-19	Comparison (%)
Number of intelligence products produced	628	525	16.4% decrease
External users who access AUSTRAC systems	4,884	5,102	4.5% increase
Partner agency activity in AUSTRAC database	2,959,871	2,107,666	28.7% decrease

## Analyst Workbench project

Analyst Workbench is a suite of tools used by AUSTRAC for real-time analytics and actionable intelligence for our agency. The suite is planned to be shared with our partner agencies and trusted industry partners over time. Analyst Workbench has transformed our analytics capabilities in both technology offerings and business/partnership models and will reduce manual work processes over time.

Analyst Workbench tools allow our analysts to conduct more complex analysis on larger data sets, faster than was possible in our old systems. This has led to significant efficiencies for AUSTRAC's intelligence capability. Using the Analyst Workbench triage application, our analysts identified 316 alert detections for further assessment, between its launch in March 2019 and 30 June 2019.

Another focus for 2018-19 was commencing the rollout of the Analyst Workbench Financial Forensics tool to partner agencies. The ATO is the first agency to pilot the service, as the largest user of AUSTRAC data (with over 1,300 users). The first of the ATO pilot users will transition to the system in early 2019-20.

## Financial Intelligence Analyst Course

AUSTRAC's Financial Intelligence Analyst Course (FIAC) is a globally innovative course that builds high-quality financial intelligence analyst skills, capability and tradecraft to prevent, detect and disrupt financial crime and terrorism financing. At the same time, it enhances participants' knowledge about the financial and criminal environments in which they work. FIAC provides a world-first baseline and common financial intelligence definition and language, alongside consistent financial analytical approaches.

A unique feature of FIAC is the different perspectives and insights of money laundering, serious and organised crime, and terrorism financing threats and risks, delivered by international experts from industry, academia and law enforcement agencies. FIAC is a key response to the Fintel Alliance's plan to develop a shared approach to building skills, capability and tradecraft to prevent, discover, understand and disrupt financial crime.

Since Charles Sturt University accredited FIAC in February 2017, the course has hosted 327 personnel from 29 agencies, departments and industry (banks), domestically and internationally. In 2018-19, 165 personnel participated in six courses. FIAC has been expanded to include a second and more advanced module, which has been delivered since September 2018.



In cooperation with the Department of Foreign Affairs and Trade, AUSTRAC designed and delivered FIAC to our international partners, creating a regional FIAC. This was based on the original FIAC design and tailored, with valuable input from all the FIUs of the Association of Southeast Asian Nations (ASEAN). Two courses have been delivered to 10 of our ASEAN partners, with the most recent course delivered in Manila, the Philippines, in September 2018.

Feedback from each course and attendee is collected, consolidated and analysed, to continuously improve and ensure content stays meaningful and relevant to the evolving environment of financial intelligence. The overwhelmingly positive feedback from participants of FIAC and the regional FIAC has highlighted the invaluable new relationships formed, cooperation, collaboration and a better understanding of other FIUs' capabilities. Past FIAC participants have also remarked on how much they learnt across intelligence fundamentals, financial intelligence methodologies, and the organised crime and terrorist groups operating in the region, as well as new and ever-evolving digital technology and cryptocurrencies.

## Multilateral exchange programs

Analyst exchange programs give AUSTRAC the opportunity to collaborate with our regional partners. This increases the level of proactive analysis and information exchange between participating jurisdictions, through spontaneous disclosures, and strengthens operational cooperation.

### INDONESIA

AUSTRAC's strong partnership with Indonesia's PPATK was a continued focus in 2018-19. More than 40 key activities were delivered in partnership with PPATK in 2018 alone. AUSTRAC's deployed representatives in Jakarta collaborated with teams in-country and regionally to develop, design and deliver on new innovations in the international partnership space.

The first-ever quadrilateral analyst exchange program with Indonesia, Malaysia and the Philippines was held in 2018. This activity built on the analyst exchange concept that was first rolled out in Jakarta in 2013. It continues to provide operational outcomes derived from close collaboration and increasing trust between FIUs in our region.

A three-month secondment to the Fintel Alliance was another first for the PPATK-AUSTRAC partnership. Two PPATK representatives worked with us and our partners on live cases, where for the first time, AUSTRAC and PPATK entrusted each other with exchanges on the most sensitive target lists.

## THE PHILIPPINES

In the Philippines, AUSTRAC works closely with our counterpart agency, the Anti-Money Laundering Council (AMLC). The final part of the AMLC–AUSTRAC Partnership Program was delivered in 2018-19. Funded by the Department of Foreign Affairs and Trade, this program delivered notable outcomes including:


- ‘Intelligence Fundamentals’ training delivered to all AMLC analysts, and analysts from relevant partner agencies, ensuring standard baseline skills
- operational outcomes from a multilateral analyst exchange, which focused on terrorism financing
- enhanced preparation for the Philippines’ mutual evaluation by the Financial Action Task Force
- development of a strategy to increase engagement and registration among certain sectors
- support with identification of information technology solutions.

## MALAYSIA

In April and May 2019, AUSTRAC led the second multilateral analyst exchange program in Kuala Lumpur. This initiative brought together representatives from nine ASEAN members—Brunei, Cambodia, Lao PDR, Indonesia, Malaysia, Myanmar, Philippines, Singapore and Thailand—and New Zealand.

These ‘analyst hubbing’ exercises, like the regional FIAC, represent an outcome of the CTF Conference, held in Sydney in March 2018 on the sidelines of the ASEAN-Australia Special Summit (as reported on in 2017-18).

In addition to improved relations and capability uplift across the region, benefits for AUSTRAC include a better understanding of the remittance sector in the region, and increased information and intelligence exchange. We also developed a new appreciation for the regional FIUs’ commitment to support common initiatives.

Strategic Objective	Performance Measure	Source	Result
<b>Understand</b>  AUSTRAC develops and shares a comprehensive understanding of vulnerabilities to criminal abuse within domestic and international financial systems.	Contributions to intelligence task forces and interagency forums.	Corporate plan 2018-22, p17.	

AUSTRAC continues to participate in and contribute to task forces and forums. This is crucial for us to understand vulnerabilities and threats to financial systems, and influence and advance the quality of our financial intelligence capabilities.

Serious and organised crime transcends borders and poses an ongoing threat to financial systems in Australia and overseas. As a result, our international engagement and involvement with international forums are crucial in collecting and sharing information and intelligence.

In 2018-19 we made significant contributions to the continued success of international AML/CTF forums by hosting, presenting and chairing various forums, and contributing our expertise with our many international partners.

## International forums

### THE EGMONT GROUP

AUSTRAC hosted and chaired the 25th Egmont Plenary in Sydney in September 2018. More than 400 delegates from FIUs around the globe attended. The Plenary focused on public-private partnerships and the work of FIUs with law enforcement and prosecutors.

The Plenary was especially valuable for Egmont members in furthering their bilateral and multilateral working relationships. More than 50 MOUs were signed among the jurisdictions and almost 30 bilateral engagements agreed, including two new MOUs for AUSTRAC (see page 28).

Since the establishment of the Egmont Group in 1995, AUSTRAC has helped the forum to mature into an effective platform for members to exchange information and experience in the global fight against ML/TF and proliferation financing, and improve the understanding of ML/TF risks among its stakeholders.

### COUNTER-TERRORISM FINANCING SUMMIT

AUSTRAC co-hosted the fourth CTF Summit in November 2018 in Thailand. The Summit was jointly hosted by Thailand's Anti-Money Laundering Office in partnership with co-founding FIUs, AUSTRAC and PPATK. The Summit brought together more than 350 global leaders and specialists in financial intelligence from 31 countries.

This year's CTF Summit theme was 'Regional Synergies for Regional Solutions', which epitomises the Summit's role in bringing together relevant parties to deepen their understanding, and identify and address gaps in collaboration. The CTF Summit gives AUSTRAC the opportunity to improve our products and strengthen our partnerships, in the interests of understanding and ultimately addressing the risks faced across the financial system.

### FINANCIAL INTELLIGENCE CONSULTATIVE GROUP

The Financial Intelligence Consultative Group (FICG) is the operational arm of the CTF Summit and comprises Australia, Brunei Darussalam, Cambodia, Indonesia, Laos PDR, Malaysia, Myanmar, New Zealand, the Philippines, Singapore, Thailand and Vietnam. Since its establishment, the FICG has evolved into a valuable forum for improving the understanding of key regional CTF risks, and strengthening collaboration on mutually agreed transnational crime priorities. Together with PPATK AUSTRAC co-chaired the FICG meetings in August and November 2018 and April 2019.

The FICG facilitates the South East Asia Counter Terrorism Financing Working Group (SEACTFWG), which was established to provide practical mechanisms for regional FIUs to progress strategic priorities and coordinate operational work to combat regional terrorism financing. In 2019, the members of the SEACTFWG progressed efforts on terrorism financing disruption in the South-East Asian region.

## INTERNATIONAL SUPERVISORS FORUM

AUSTRAC, as current Chair, hosted seven AML/CTF regulators as part of the International Supervisors Forum, in Melbourne in November 2018. The focus included the identification of unregistered businesses, regulation of digital currency exchanges and sharing alternative approaches to influencing behaviour. Interactions between AUSTRAC and these regulators has continued through ongoing sharing of information to support one another in the global effort to fight financial crime.

## GLOBAL SUPERVISORY COLLEGE

In 2018-19 we participated for the first time in the Global Supervision College, co-hosted by the Australian Prudential Regulation Authority and Australian Securities and Investments Commission. The College is a forum for supervisors from across the globe to meet and discuss common issues and themes about a particular organisation.

Regulators including the Financial Industry Regulatory Authority (USA), National Futures Association (USA), Japan Financial Services Agency, and Monetary Authority of Singapore also participated. The College increased our knowledge of the entity, and developed stronger ties with our domestic and international regulatory partners.

## OTHER INTERNATIONAL FORUMS

In addition to our ongoing participation in numerous government and industry forums, AUSTRAC also provided leadership to international partners in the following meetings.

- The Human Trafficking and People Smuggling Workshop in Indonesia, with PPATK and the Asia/Pacific Group on Money Laundering. The workshop brought together: enforcement officers from Indonesia, Australia, Canada, New Zealand, United Kingdom; FIUs from most ASEAN countries; the Department of Home Affairs; bankers from major international banks; and representatives from numerous non-government organisations working in this area.
- The Financial Action Task Force in October 2018 and February 2019 at the Organisation for Economic Co-operation and Development's headquarters in Paris France. Then in June 2019 at Orlando, Florida.

## Task force contributions

AUSTRAC plays an increasingly important role in providing intelligence to partners in Australia and internationally, through our participation on counter-terrorism and law enforcement task forces. Our participation provides us with the opportunity to provide valuable, actionable intelligence and more effectively engage with our partners to share information and to disrupt serious crimes.

Since joining the National Intelligence Community in December 2018, we have increasingly sought to align our intelligence products to whole-of-government priorities on national security, serious organised and financial crime.

## SUPPORTING NATIONAL AND STATE-BASED TASK FORCES

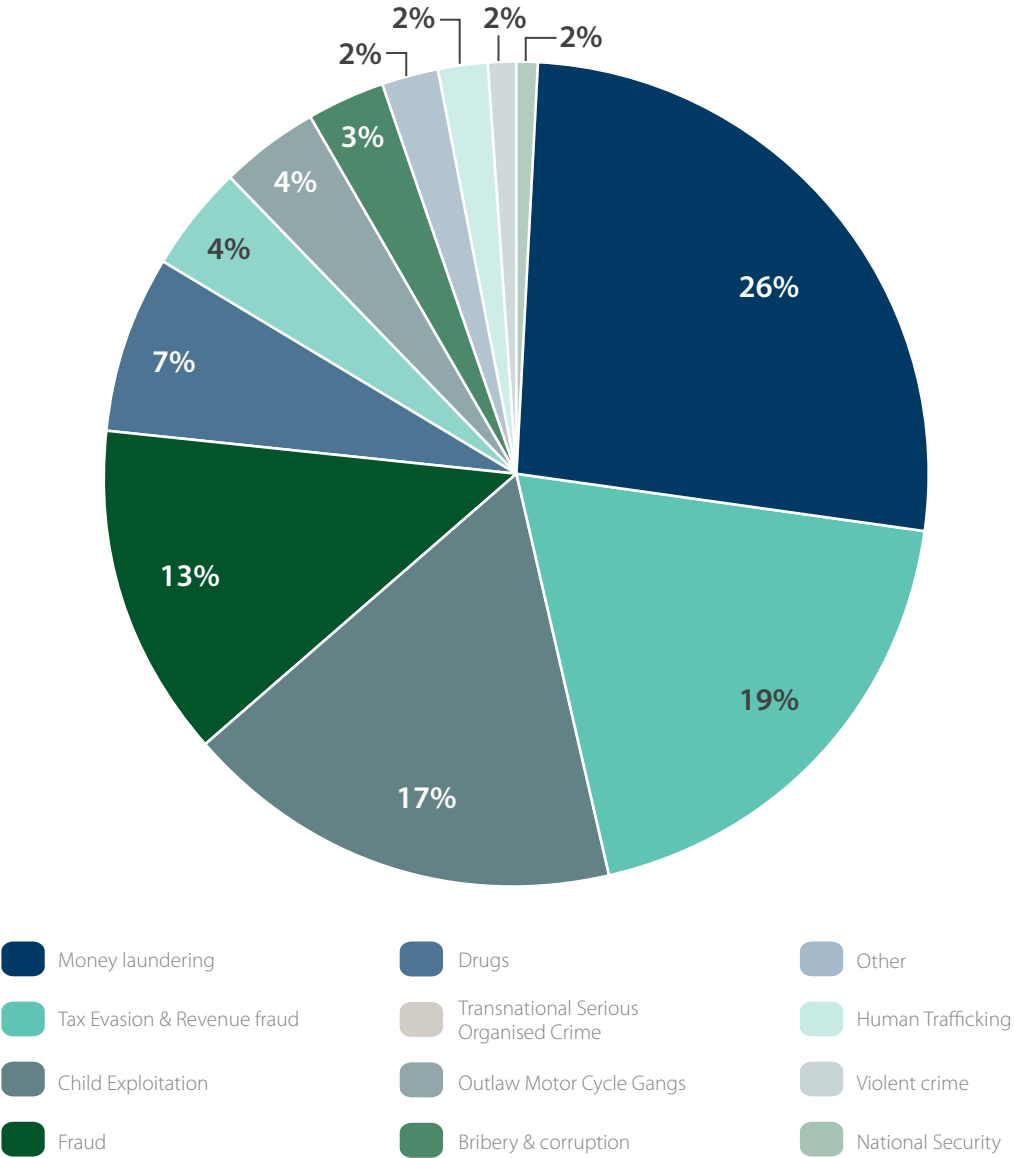
During 2018-19 we provided specialist financial intelligence to help combat serious criminal activity, including ML/TF, organised crime and tax evasion, through 53 multi-agency collaborations. In a task force environment we support operational outcomes and identify opportunities to disrupt financial crime. We do this by bringing the capabilities of each agency together with our specialist financial intelligence capabilities.

AUSTRAC is an active member and contributor to national priority criminal task forces, focused on: outlaw motorcycle gangs; methamphetamine, fentanyl and other illicit drugs; combating child exploitation; and illicit firearms.

We also contribute to national economic disruption task forces, including: the Serious Financial Crime Taskforce to address serious tax evasion and international facilitation; Black Economy Standing Taskforce; Illicit Tobacco Taskforce; and the Phoenix Taskforce focusing on illegal business rebirthing.

AUSTRAC supports a number of Australian Government lead programs focused on fraud and the exploitation of Commonwealth welfare and assistance programs. In addition, AUSTRAC was a member of the Fraud and Anti-Corruption Centre overseen by the AFP to lead national efforts to target fraudulent and corrupt activity.

AUSTRAC's task force collaborations are diverse, with a focus on embedding financial intelligence to identify and disrupt crime. In 2018-19 we produced more than 130 intelligence products to support various task forces in response to a broad range of crimes.



## JOINT AGENCY TASK FORCE— MONEY LAUNDERING

In addition to lending our expertise and intelligence to established task forces, AUSTRAC intelligence is also able to initiate investigations into serious financial crimes. Following our identification of a suspected international money laundering syndicate, a joint agency task force was established with AUSTRAC, AFP, Australian Border Force and Western Australia Police, to identify the source of the deposited funds and disrupt the money laundering.

A total of 163 bank transactions were made, estimated to be worth \$29.5 million, with 10 arrests by the task force, on money laundering and drug charges. AUSTRAC's financial intelligence and expertise were pivotal in helping law enforcement understand the syndicate's sophisticated money laundering methodologies and identifying new suspects throughout the investigation.

### International footprint


In addition to our work with multilateral bodies, we continued to expand our international footprint in 2018-19. Our staff deployed overseas complement our existing networks to foster closer financial intelligence collaboration, increase information sharing and generate intelligence leads for domestic and international partners to disrupt terrorist groups and organised crime. As at 30 June 2019, AUSTRAC has:

- two officers located with our FIU counterpart PPATK, in Jakarta, Indonesia
- an officer in Kuala Lumpur, Malaysia, to deepen multilateral cooperation across the region
- an officer at the Philippines' FIU, AMLC, in Manila
- an officer in Guangzhou, China, to enhance relationships with Chinese financial intelligence and regulatory counterparts
- officers in Washington DC, USA, and London, United Kingdom, to deepen our partnerships in those jurisdictions.

In 2018-19 our internationally deployed staff undertook a wide range of activities to build greater regional and international collaboration on terrorism financing and financial intelligence. These included delivering training and education initiatives in Malaysia and the Philippines (see page 34-35) and fostering AUSTRAC's relationships with Chinese counterparts and Hong Kong's Joint FIU, to identify areas of future collaboration.

While these deployments represent opportunities to enhance information sharing, they also enable both parties to learn from one another, collaborate and develop best practices across AML/CTF and FIU operations more broadly.



Strategic Objective	Performance Measure	Source	Result
<b>Strengthen</b>  AUSTRAC ensures risks within the financial system are identified, mitigated and managed effectively.	Evidence of regulatory efficiencies.	Corporate plan 2018-22, p17.	

AUSTRAC acknowledges the importance of minimising the impost on regulated entities, and maximising regulatory efficiencies, in performing our regulatory functions. We undertake a range of regulatory activities that do not constitute a compliance assessment, but still provide us with assurance about the entity, and influence the entity's level of compliance.

We work in partnership with our key stakeholders to prevent serious financial crime and ML/TF risks. This involves regular engagement with industry to improve collaboration, compliance and reporting. We actively engage our reporting entities through workshops, email campaigns and one-on-one engagement. In addition to engaging with industry partners, we work closely with the Department of Home Affairs to look at policy and legislative reforms to the AML/CTF regime.

## Publishing our approach to regulation

We take a collaborative approach to our regulatory role. We recognise that reporting entities are our partners and play a critical role in building resilience across the financial system. In October 2018 we published, on our website, our 'approach to regulation'. It provides reporting entities and other stakeholders with useful insights into how we view and fulfil our regulatory role, and outlines our commitment to collaboration, outcome orientation, efficiency and continuous improvement. It also provides insight into how we exercise our enforcement powers when we identify serious or systemic non-compliance, including the factors we take into account when choosing an intervention.

## Annual compliance report

Under the AML/CTF Act, reporting entities are required to lodge a report each year relating to their compliance with their obligations. Last reporting year we collaborated with industry to redesign the annual AML/CTF compliance report. This was to improve the value of information received from reporting entities and reduce the associated costs and effort for reporting entities and AUSTRAC.

The previous version of the compliance report was based on PDF format, but is now provided in a more user-friendly online version. Industry engagement on the new report included workshops, surveys and one-on-one interactions. This was valuable as it provided us with a better understanding of the challenges faced by entities in meeting their obligations.

## Regulatory monitoring capability

In April 2019 we implemented our new regulatory monitoring and alerting capability, which analyses our extensive data holdings to generate alerts that may indicate non-compliance with legislation. Alerts are then assigned to analysts, who assess and respond in accordance with our approach to regulation.

This new system has been integrated with our existing systems and external data, to provide analysts with a comprehensive picture of potential non-compliance. Combined with new policies and procedures, this has enabled us to identify and respond to specific regulatory issues in a far more efficient manner than previously possible. Issues that previously took as much as three hours to resolve can now be completed in as little as 30 minutes.

Initial alerting profiles focussed on late reporting and enrolment by reporting entities, as well as issues arising from 2018 compliance reports. The new process has been successful in allowing us to efficiently achieve regulatory outcomes. The range of profiles will be expanded in 2019-20 to focus on a wider range of regulatory issues.

## Regulatory triage

In addition to enhancements to our regulatory monitoring capability, we also implemented a new, centralised process for responding to non-compliance. This allows us to more efficiently make risk-based decisions about how to respond to potential non-compliance, in a way that is consistent, transparent and defensible.


Under this process, all new reactive regulatory matters that involve non-compliance (such as referrals, self-disclosures and tip-offs) are centrally received, recorded, assessed and escalated before being reviewed by a cross-agency board.

The implementation of this process has allowed non-compliance to be handled in a more efficient and timely manner. This has been important in enabling us to handle the increased volumes of self-disclosure reporting and other forms of disclosed non-compliance since enforcement action taken against the Commonwealth Bank of Australia in June 2018.

## Legislative reforms

AUSTRAC continues to work closely with, and support, the Department of Home Affairs to implement the recommendations from the 2016 Report on the Statutory Review of the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 and Associated Rules and Regulations. The current phase of legislative reforms will improve the framework for accessing and sharing AUSTRAC information, deliver regulatory efficiencies, align correspondent banking requirements with international banking practice, and consolidate cross-border reporting of movements of currency and bearer negotiable instruments.

The next phase is likely to implement broader reforms to streamline, simplify and strengthen the AML/CTF framework. AUSTRAC will contribute as a key stakeholder to the Department of Home Affairs-led reform process and participate in industry engagement. We will also support the legislative reform process with risk assessments to inform an evidence-based approach to policy development and new AML/CTF Rules.

Strategic Objective	Performance Measure	Source	Result
<b>Strengthen</b>  AUSTRAC ensures risks within the financial system are identified, mitigated and managed effectively.	Evidence of positive behavioural change in the reporting entity population.	Corporate plan 2018-22, p17.	

AUSTRAC recognises the valuable role that regulatory technology ('RegTech') and AML service providers play in improving the standards of reporting entities, and strengthening their role as the first line of defence against financial crime. Greater compliance from reporting entities translates to better reporting and intelligence for AUSTRAC and in turn, our domestic and international partners' ability to fight financial and other crimes.

## Regulatory education and outreach

We engage with the regulated population to provide support and understanding of the AML/CTF Act. This ensures businesses comply with their AML/CTF obligations and are also resilient to the AML/CTF threats they may face themselves.

We tailor education and outreach activities to the needs of particular industries to enhance their understanding and capability to meet requirements. We also seek feedback from industry via surveys and workshops, to understand their needs and how we can best provide the support and education they require. Some examples of our regulatory education and outreach work in 2018-19 include the following.

- As part of our capability to identify trends in non-compliance, we communicated areas of weakness that were particularly vulnerable to financial crime, to affected reporting entities. For example, following reports of scams relying on cryptocurrency ATMs, we contacted reporting entities to alert them to the scams and how to prevent them from being exploited.
- We worked with a number of large reporting entities in the remittance, gambling and superannuation industries, to improve the quality and quantity of SMR reporting. This included highlighting low reporting volumes occurring in comparison to their peers, and the areas they are falling short. We also gave feedback on the quality of reporting and improvements that can be made.
- We undertook a campaign to increase the enrolment numbers of on-course bookmakers, resulting in 36 new enrolments. This included an outbound call campaign and a presentation to Australian Bookmakers Association members, to outline the importance of meeting AML/CTF obligations.
- To raise awareness of SMR reporting, we developed our first short animation. From November 2018 to the end of the reporting year, the animation had more than 5,000 views. Given its success, we are developing more animations to promote the importance of AML/CTF obligations.
- AUSTRAC staff presented at a number of conferences and forums to promote the work we are doing and communicate key messages to reporting entities, industry associations, regulators and AML service providers. This included industry forums such as the Australian Superannuation Funds Association and various conferences that focussed on AML/CTF.
- Following external consultation, we changed our policy involving the authorisation of external auditors under the AML/CTF Act. This allows for a more streamlined process when a reporting entity is required to appoint an external auditor. The new process reduces the burden to auditors in maintaining authorisation and is now only relied upon when AUSTRAC decides to direct a reporting entity to appoint an external auditor.

## Digital currency exchange providers

On 3 April 2018 new AML/CTF requirements came into effect for digital currency exchange (DCE) providers. We engaged heavily with the DCE industry to ensure they are capable of meeting their obligations and managing ML/TF risk. During 2018-19 we provided education and engagement activities to support DCE providers in establishing mechanisms to achieve compliance.

In August 2018 we facilitated five workshops focusing on ML/TF risk assessment, mitigation and management. These workshops brought together 42 DCE providers to learn about important risk management concepts. They also provided opportunities for DCE providers to share the risks they identified in their own businesses and learn from each other. Following a survey of DCE providers, risk was selected as the key topic identified as needing assistance and assessment by AUSTRAC to build capability in the industry.

In addition to the workshops, fact sheets were made available to DCE providers to help with their ML/TF risk management processes. The fact sheets contain insights shared by businesses in the workshops, as well as information from AUSTRAC intelligence and learnings from our regulatory activities, to provide real examples of risks and suggested controls. A one-hour webinar was also provided on our website to help DCE providers understand suspicious matter reporting and their obligations.

## RegTech engagement

In the first half of 2019 we focused on engagement with RegTechs whose tools can be used to enhance regulatory processes and support the reporting population in complying with AML/CTF obligations. Since March 2019, 47 one-on-one sessions have been held with RegTechs across Sydney, Melbourne and Brisbane.

These sessions allow AUSTRAC to understand the products under development by the RegTechs, and how they will meet the needs of our regulated population in understanding our legislation and requirements. It also provides the opportunity for us to educate the RegTechs about AML/CTF legislation, the types of industries we regulate and how RegTech products can best be adapted to provide robust compliance solutions that will meet AML/CTF needs.

In another new initiative, in May 2019 we held the inaugural 'RegTech Collab TechSprint' with the RegTech Association. These are designed to present RegTech participants with a problem our reporting entities are facing, with the goal to build solutions or tools that maximise regulatory outcomes and serve user needs. This is an opportunity for the RegTechs to receive firsthand insight into our expectations and hear from our reporting population about their needs. The event brought together reporting entities across the superannuation, remittance, online bookmaking and digital currency industries, with both Australian and international RegTech providers and AUSTRAC staff. We received overwhelmingly positive feedback from the reporting entities and RegTechs. Given the popularity and high level of interest from RegTechs to take part in the event, we will hold more TechSprints in the future.


## Serious non-compliance

We adopted a risk-based approach to review compliance report responses where a reporting entity indicated that they might be in breach of their AML/CTF obligations. This approach took into account the size of the entity, as well as the nature of the potential non-compliance.

Many of the entities we engaged with were able to resolve the concerns about potential non-compliance.

As a result of our engagement, entities have advised us of steps they are taking to develop and adopt an AML/CTF program. This is key to ensuring those reporting entities more effectively identify, mitigate and manage the ML/TF risks they face going forward.

We will undertake further work focusing on the results of the 2018 compliance report in 2019-20, as well as following up with entities engaged as part of the process above.

Strategic Objective	Performance Measure	Source	Result
<b>Disrupt</b>  AUSTRAC collaborates with partners to disrupt criminal abuse of the financial system.	Evidence of AUSTRAC's contribution to disrupting criminal abuse of the financial system.	Corporate plan 2018-22, p19.	

AUSTRAC has compliance, education and enforcement tools to disrupt criminal abuse of the financial system, while also serving to safeguard regulated entities from abuse themselves. In addition to the contributions made to law enforcement through our intelligence products and ongoing participation in task forces (see pages 39-41), we have our own enforcement powers to address serious or systematic non-compliance with AML/CTF legislation. We use these powers to take action where regulated entities fail to protect themselves or the Australian financial system from criminal activity.

## Enforcement actions

Under the AML/CTF Act, it is an offence for a business to provide designated remittance or digital currency exchange services without being registered with AUSTRAC. We can refuse, cancel or suspend the registration of remittance service and digital currency exchange providers if they pose an unacceptable risk of ML/TF or other serious crimes.

In 2018-19 we refused the registration of two digital currency exchange providers and suspended another two due to risks posed by serious crime. In addition, we cancelled the registration of three remitters and suspended one due to ML/TF risks. Registration of remitters will continue to be a focus for us in 2019-20, with a remitter education campaign to be rolled out from August 2019.

During 2018-19 we made reviewable decisions concerning remittance service providers: five refusals of registration, five cancellations, three suspensions and one refusal of renewal.

As part of our supervisory powers, we can issue written notices to businesses to appoint an external auditor, on suspicion that they had contravened, are contravening, or are proposing to contravene, the AML/CTF Act, regulations or AML/CTF Rules. Following a period of ongoing engagement, in June 2019 we ordered Afterpay Pty Ltd to appoint an independent external auditor. The audit will be used to determine the extent of any compliance issues and whether further regulatory action concerning Afterpay is required.



Strategic Objective	Performance Measure	Source	Result
<b>Disrupt</b>  AUSTRAC collaborates with partners to disrupt criminal abuse of the financial system.	Evidence of strengthening the Fintel Alliance.	Corporate plan 2018-22, p19.	

AUSTRAC established the Fintel Alliance in March 2017. It is a public-private partnership created to develop shared intelligence and deliver innovative solutions, contribute to the growth of the Australian economy, and help protect the Australian financial system from criminal abuse.

Through its Operations Hub, the Fintel Alliance produces publicly available intelligence products to inform industry, and targeted intelligence reports to support investigations by law enforcement agencies and task forces. The Innovation Hub is also vital to the maturation of the Fintel Alliance. It develops improved and faster detection capabilities through its co-design approach to new and innovative products, services, systems and processes.

The Fintel Alliance is a collaborative structure where participating private sector, government and law enforcement entities join together to confront the challenges of ML/TF criminal activities. The Fintel Alliance provides the vehicle where operational and tactical intelligence can be developed in close to real-time, while at the same time developing new ways to lift the cloak of darkness that may hinder the identification of serious criminal activities.

As such, the Fintel Alliance undertakes operations that are core to national intelligence priorities, to identify opportunities to deliver and present outcomes. This collaborative approach creates an environment to develop and test risk identification and mitigation programs, which deliver operational outcomes leading to new insights.

## Expansion of the Fintel Alliance

In its second full year of operation, we focused on expanding and maturing the Fintel Alliance. In 2018-19, the Fintel Alliance partnership increased from 18 to 25 members spanning Australian and international government and private sector organisations. AUSTRAC takes a measured approach to how we expand the Fintel Alliance partnership. New partners are invited to join where they fill a gap in intelligence objectives, or add a particular value to the existing membership cohort.

There were significant increases in the products delivered from 2017-18 to 2018-19. This demonstrates the continued demand and relevance of the Fintel Alliance intelligence and products for intelligence and law enforcement activities. It also displays a maturing of the Fintel Alliance in its ability to produce more than double its output in only its second full year of operation.

While the Fintel Alliance delivered an increased number of intelligence products in 2018-19, interventions and operational outcomes may not be realised in the same financial year. This is shown by the decrease in the number of interventions in the table below. This number can also fluctuate based on the type of outcomes—for example, a large number (approximately 2,500) of incidents were recorded in 2017-18 as the result of a credit card operation, compared to 16 more complex interventions related to child exploitation in 2018-19.

Intelligence products	2017-18	2018-19
Number of Fintel Alliance produced/branded intelligence products	41	90
Publicly disseminated products (non-intelligence reports)	1	3
The Fintel Alliance intelligence activities/operations*	12	37
Persons of interest detained/prosecuted**	68	131
Interventions***	2,571	16

\* An operation is a formal activity where Fintel Alliance resources are engaged to produce an intelligence outcome.

\*\* Potential suspected criminals identified by Fintel Alliance intelligence products.

\*\*\* Potential victims of crime identified by Fintel Alliance intelligence products.

With our Fintel Alliance partners, AUSTRAC continued to disrupt the ability of criminal networks including the recruitment of money mules and outlaw motorcycle gangs, and harden the financial sector to identify and disrupt child sexual exploitation. The Fintel Alliance operations are intelligence-gathering and dissemination exercises that support law enforcement investigations and task forces, and the detection and disruption of serious crime.

The Fintel Alliance contribution to task forces has increased from 2017-18 to 2018-19, particularly concerning operations responding to regional and community harms, including localised crime, detection of scams, and child exploitation materials. The Fintel Alliance's work in detecting and disrupting child exploitation is profiled below.

## Child exploitation

Through the Fintel Alliance, we provide advice to the financial industry to help them identify and report suspicious activity that may unveil payments for child exploitation. The Fintel Alliance analyses financial transactions to identify Australians sending small payments offshore for the purchase of live-distance child abuse material. Analysis includes examining traditional international transfers, remittance payments and transactions made through other payment service providers.

Enhanced financial intelligence identified a 52-year-old Australian man conducting financial activity consistent with the purchase of child exploitation material from another country. With the support of this financial intelligence, the AFP identified and charged the man with child exploitation offences including grooming and procuring a child to engage in sexual activity. The man was sentenced to seven years imprisonment and will be on the Sex Offenders Registry for life.

The collaboration of public-private participants through the Fintel Alliance, and the development of financial methodologies used, has seen a significant increase in reports received by AUSTRAC identifying suspicious activity related to child exploitation. This increase in intelligence collection has resulted in more than 40 referrals to law enforcement agencies, producing outcomes including the interception and arrest of a number of offenders. The Fintel Alliance has also supported international investigations by providing financial intelligence through transactions of interest to partner countries such as Indonesia and the Philippines.

In 2018-19, Fintel Alliance representatives attended and presented their work to international groups, including the Asia Pacific Financial Coalition against Child Pornography in the Philippines and Australia. The Fintel Alliance work was further shared through an invitation from the French Police Attaché to present at the Regional Seminar on the Fight Against Child Sexual Exploitation, in Singapore, the Fintel Alliance also engaged with the Philippines-Australia Investigator Exchange Program Leadership visit to Australia on 20 June 2019.

The outcomes from the operations this year showcase the ongoing necessity and effectiveness of the Fintel Alliance in the fight against financial crime. As the Fintel Alliance continues to mature, AUSTRAC and industry hope to contribute to more operations, support government initiatives and protect Australians.

## Continued innovation by the Fintel Alliance

The 'Alerting Project' is a core Fintel Alliance Innovation Hub initiative, to improve detection of financial crime through the development of new systems, processes and skill sets. The project will enable the discovery of financial crime risks that only become visible by joining disparate and distributed data sources from multiple reporting entities. The long-term goal is to enable real-time detection and alerting of criminal activities, using a secure system that supports privacy-preserving data matching and machine learning.

The project progressed in 2018-19 with ongoing work between AUSTRAC and the Fintel Alliance partners in developing and executing proof-of-concepts, as well as research and development activities with the Australian National University and CSIRO's Data61.

AUSTRAC and the Fintel Alliance derived valuable lessons from project work undertaken in the past year. Work will continue with the Fintel Alliance and other project partners, to build the necessary capabilities and technologies to deliver the alerting platform in future years.

## OVERALL ANALYSIS OF PERFORMANCE

2018-19 was an important year for AUSTRAC. We continued to enhance our regulatory capability and develop client-focused, actionable intelligence to support our purpose, as well as the outcomes of our public and private partners.

We remained committed to improving and sharing our high-quality data and technological capabilities with our partners, to continue to derive mutually beneficial outcomes. We pursued new and innovative ways to partner with government and private partners, like CSIRO, Australian National University and the Fintel Alliance, to uncover new insights. By investing in our technological capabilities and working with partners, we continued to identify new risks and actively share advice on mitigating these risks, through channels such as our website, industry guidance and risk assessments.

Through our strong collaborative network of domestic and international partners, we heavily contributed to the development of a more informed, shared understanding of our environment and the threats financial crime poses to the community. Using this knowledge, we contributed our expertise to numerous task forces and international forums, and disseminated intelligence products to detect and disrupt criminal activities including illicit drugs, firearms and serious and organised crime.

Joining the National Intelligence Community and Home Affairs portfolio solidified the relevance and impact of our work in contributing to whole-of-government priorities. This is also demonstrated by the diverse and far reach of our intelligence and engagement efforts across Australia, the region and the globe.

As AUSTRAC's presence becomes more relevant to our domestic and international partners, we are conscious of the need to continue to support the source of our intelligence—our reporting entities and other private sector partners—and strengthen their abilities to identify and mitigate the risks they face.

Through our regulatory function, we continue to drive legislative reform and streamline processes to help our regulated population to better understand their obligations. We have also generated positive outcomes through our education and engagement work with regulated entities, as demonstrated by the high compliance reporting rate (95 per cent of entities) and feedback received on activities like our RegTech events, DCE workshops and published guidance materials.

Collaboration with partners is critical to our ability to disrupt criminal activity. Our valuable intelligence enables law enforcement agencies and task forces to detect and disrupt criminal activities, including serious and organised criminal syndicates related to child exploitation and outlaw motorcycle gangs.

Operations with our Fintel Alliance partners continued to provide us with enhanced capabilities to disrupt, intervene and counteract crimes and threats to Australia's interests. We also exercised our own enforcement powers to deter and respond to non-compliance, and ensure entities are complying with their AML/CTF obligations and playing their part in mitigating risk in the financial system.

Overall, our achievements throughout 2018-19 supported our strong performance against the criteria in our 2018-22 corporate plan and the high-level criterion in the 2018-19 PBS. We will continue to build on our successes to ensure we deliver outcomes that build resilience and protect the Australian community from financial crime.

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## MANAGEMENT AND ACCOUNTABILITY

AUSTRAC continually  
improves our tailored  
integrity framework  
to ensure it supports  
an honest, professional  
and fair workforce

## CORPORATE GOVERNANCE

### Fraud and risk

AUSTRAC's fraud and corruption control framework complies with the requirements of section 10 of the Public Governance, Performance and Accountability Rule 2014, and the Commonwealth Fraud Control Policy. Our fraud prevention, detection, investigation, reporting and data collection procedures and processes align with the requirements of the Commonwealth Fraud Control Framework 2017.

We have taken reasonable measures to minimise the incidence of fraud within the agency and to investigate and recover the proceeds of fraud against the agency. In partnership with our internal audit provider, AUSTRAC developed a revised fraud and corruption control plan in 2019. It outlines the roles, responsibilities and processes AUSTRAC has in place with respect to fraud and corruption, as well as the critical roles that all AUSTRAC staff have in managing potential, perceived and actual fraud and corruption risks. This work identified 10 recommendations for improving our fraud and corruption control posture that will be progressed in 2019-20.

### Integrity framework

As Australia's anti-money laundering and counter-terrorism financing regulator and specialist financial intelligence unit, AUSTRAC's integrity is vital in maintaining the confidence of the Australian public, partner agencies and international partners. AUSTRAC continually improves our tailored integrity framework to ensure it supports an honest, professional and fair workforce that embodies the Australian Public Service (APS) Values and Code of Conduct.

In 2017 we partnered with the Australian Commission for Law Enforcement Integrity (ACLEI) on a self-assessment of the development of AUSTRAC's integrity maturity. ACLEI published the resulting report on its website on 9 July 2018. The work represented a collaborative effort to develop a new methodology for the assessment of AUSTRAC's corruption risk environment. The report has resulted in the formulation of an action plan to further strengthen the agency's fraud and corruption detection and resilience.





**We have strengthened  
our processes and  
documentation by taking  
a more integrated  
approach to planning,  
performance reporting  
and budget setting**

## **Corporate governance**

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

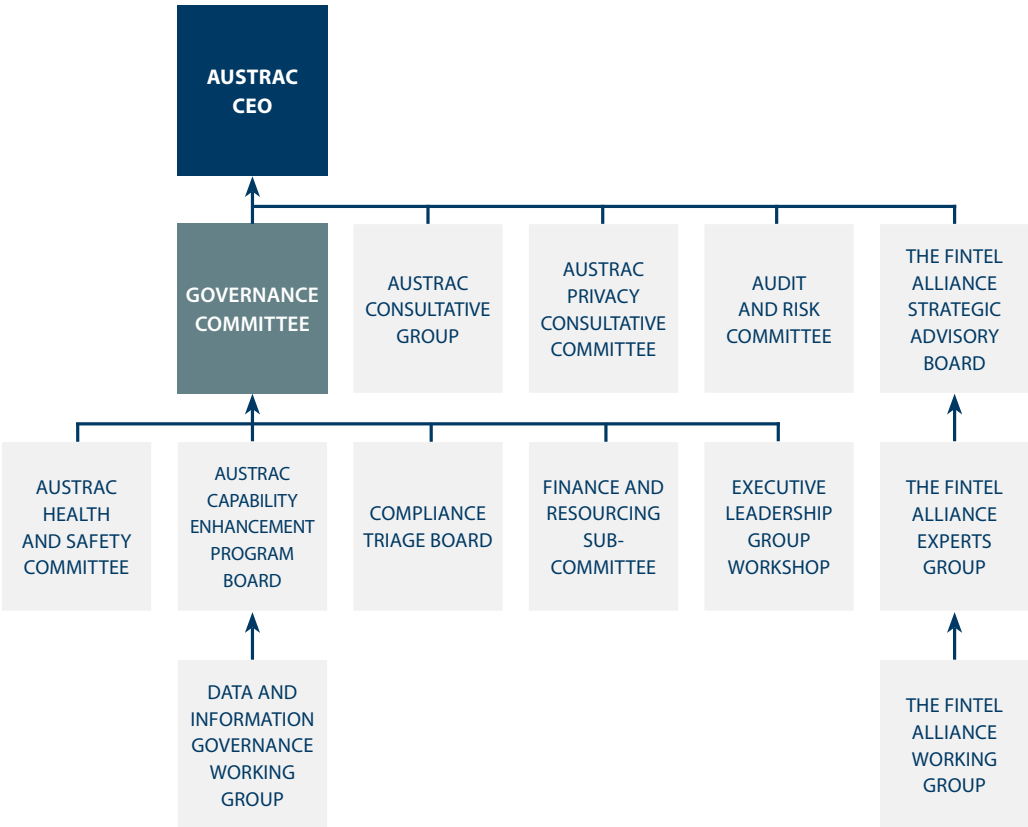
## **Senior management committees**

Following a review of governance arrangements in late 2018, AUSTRAC adopted a revised, simplified governance framework in April 2019. Changes included an overhaul of the agency's senior management committees to ensure they remain fit-for-purpose and effective in overseeing the management and performance of AUSTRAC.

Prior to the changes, agency strategy and operations were overseen by AUSTRAC's Executive Committee, Operations Committee and Organisational Health Committee. The agency's committees were streamlined in 2018-19 as outlined below.

## GOVERNANCE COMMITTEE

The Governance Committee comprises the AUSTRAC Chief Executive Officer (CEO), the Deputy CEOs and one National Manager on a rotating basis. The Governance Committee is responsible for the day-to-day operations of the agency, and supports agency governance by making decisions and providing advice and oversight in relation to agency-wide issues.



## AUDIT AND RISK COMMITTEE

The Governance Committee also serves as an escalation point to subcommittees and working groups including:

- AUSTRAC Health and Safety Committee—acts as a formal mechanism to facilitate cooperation between AUSTRAC management and employees regarding work health and safety.
- AUSTRAC Capability Enhancement Program Board—ensures that investment in new or enhanced capabilities align to AUSTRAC’s strategic direction, as well as government and industry commitments.
- Compliance Triage Board—makes decisions in relation to reporting entity non-compliance and regulatory risks.
- Finance and Resourcing Sub-Committee—established in 2018-19 to provide the Governance Committee with advice and assurance regarding the allocation of resources for operational and capital activities, to promote long-term financial sustainability consistent with AUSTRAC’s priorities, risks and legislative obligations.
- Executive Leadership Group workshops—held bimonthly with all AUSTRAC executives to enable information sharing, strategic discussions and deeper consideration of operational matters.

The Audit and Risk Committee gives the AUSTRAC CEO independent assurance on the agency’s financial and performance reporting responsibilities, oversight and management of risk, and internal control systems. In 2018–19 the committee met five times.

## PRIVACY CONSULTATIVE COMMITTEE

The Privacy Consultative Committee (PCC) provides feedback and advice to the AUSTRAC CEO on AUSTRAC activities, initiatives or projects that have privacy implications. The PCC is chaired by AUSTRAC and includes members from the Office of the Australian Information Commissioner, Liberty Victoria, University of NSW, Department of Home Affairs, Australian Criminal Intelligence Commission, Australian Taxation Office, Australian Privacy Foundation and Australian Federal Police.

The PCC met four times in 2018–19. Matters considered included: emerging privacy trends and issues; AUSTRAC’s standard operating procedure for managing notifiable data breaches; and the proof-of-concept for money laundering and terrorism financing alerting process.

## Planning and performance reporting

Each year, AUSTRAC considers its strategic direction and key initiatives for the years ahead through the development of our corporate plan. The plan articulates our purpose, performance measures and the key short- and medium-term initiatives we will deliver to build our capabilities in regulation, intelligence, data and analytics and our people.

The initiatives are developed as part of our annual internal planning process and the development of branch plans. Each branch plan considers its business-as-usual work, risks and delivery of key projects, in line with the pillars of our strategic direction.

This ensures agency work is conducted with clear line of sight to our purpose, and whole-of agency performance can be monitored and reported. Regular branch reports align to the requirements of the annual performance statement and provide assurance to the Governance Committee of the progress against branch plans and the corporate plan performance measures.

In 2018-19, AUSTRAC undertook to mature the agency's planning capabilities, to enable us to deliver on longer term outcomes, capability resourcing and sustainability. We have strengthened our processes and documentation by taking a more integrated approach to planning, performance reporting and budget setting. This work will progress into the future, through the collocation of these functions in a new branch that will further integrate capital investment planning with capability delivery and project and performance reporting.

## Internal audit

As the accountable authority, the AUSTRAC CEO relies on the agency's internal audit function to provide assurance that the agency's financial and operational controls are efficient, effective, economical and ethical. By undertaking regular reviews and providing recommendations, the internal audits performed contribute to improving AUSTRAC's performance.

Our Audit, Integrity and Risk team works with the Governance Committee to prepare the annual audit plan, in which assurance activities are focused on key risk areas for AUSTRAC. Audit reports and updates are submitted to the Audit and Risk Committee to provide independent, objective assessments on arrangements in place to manage risks across the agency.

## Finance law compliance

During 2018-19 AUSTRAC did not identify any significant issues relating to non-compliance with the finance law. As such the accountable authority did not report to the responsible Minister any serious non-compliance as required by paragraph 19(1) (e) of the *Public Governance, Performance and Accountability Act 2013*.

## EXTERNAL SCRUTINY

In 2018-19, the AUSTRAC CEO reported on the agency's operations to the Minister for Home Affairs and for the period 1 July 2018 to 28 August 2018 the Minister for Law Enforcement and Cyber Security. In addition, AUSTRAC's transparency and accountability to Parliament includes responding to questions on notice, publishing information required by Senate Orders, and appearing before Parliamentary Committees when required. During 2018-19 AUSTRAC did not appear before any Parliamentary Committees.

In 2018-19 there were no judicial decisions, decisions of administrative tribunals, or decisions by the Australian Information Commissioner that had a significant impact on AUSTRAC's operations.

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

## ASSET MANAGEMENT

Asset management is not a significant part of AUSTRAC's activities. However, in 2018-19 AUSTRAC commenced development of a 10-year capital management plan to be delivered early in 2019-20. This will enhance decision making in relation to the ongoing management of AUSTRAC's asset base.

## PURCHASING

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

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

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

## CONSULTANTS AND CONTRACTS

During 2018-19, three new consultancy contracts were entered into involving total actual expenditure of \$145,435.25. In addition, two ongoing consultancy contracts were active during the period, involving total actual expenditure of \$178,586.17.

	Total
Number of new contracts entered into during 2018-19	3
Total actual expenditure during the period on new contracts (inc. GST)	\$145,435.25
No. of ongoing contracts engaging consultants that were entered into during a previous period	2
Total actual expenditure during 2018-19 on ongoing contracts (inc. GST)	\$178,586.17

Annual reports contain information about actual expenditure on contracts for consultancies. Information on the value of contracts and consultancies is available on the AusTender website ([www.tenders.gov.au](http://www.tenders.gov.au)).

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

Decisions to engage consultants in 2018–19 were made in accordance with the PGPA Act, Commonwealth Procurement Rules and relevant internal policies.

During 2018–19 AUSTRAC did not exempt any contracts valued at more than \$10,000 (GST inclusive) from publication on AusTender.

## AUSTRALIAN NATIONAL AUDIT OFFICE ACCESS CLAUSES

In 2018–19 AUSTRAC entered into six contracts with a value of \$100,000 or more (GST inclusive) that did not provide for the Auditor-General to have access to the contractor's premises. These contracts are detailed below.

Entity name	Contract value (GST inclusive) \$	Contract purpose	Reason for standard access clause not included
ICC Sydney Pty Ltd	<b>450,630.00</b>	Venue hire	Supplier contract
The Council of the City of Sydney	<b>166,551.00</b>	Venue hire	Supplier contract
Gulanga Group Pty Ltd	<b>262,496.54</b>	Provision of IT licenses subscription	Supplier contract
E41 Pty Ltd	<b>303,707.30</b>	Provision of IT hardware	Supplier contract
Pivotal Software Australia Pty Ltd	<b>125,072.64</b>	Provision of IT licenses subscription	Supplier contract
Gulanga Group Pty Ltd	<b>191,246.00</b>	Provision of IT software	Supplier contract

## PROCUREMENT INITIATIVES TO SUPPORT SMALL BUSINESS

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

Our procurement practices support small and medium business enterprises by:

- promoting use of the Commonwealth Contracting Suite for low-risk procurements valued under \$200,000 (GST inclusive)
- promoting the relevant consideration of the Indigenous Procurement Policy for procurements between \$80,000 and \$200,000 (GST inclusive)
- encouraging credit card payments for procurements valued under \$10,000 (GST inclusive)
- motivating competitive participation by using standard documentation and conditions
- ensuring offers are clear, in plain English and accessible.

AUSTRAC recognises the importance of ensuring that small businesses are paid on time. The results of the Survey of Australian Government Payments to Small Business are available on Treasury's website, [www.treasury.gov.au](http://www.treasury.gov.au).

## ADVERTISING AND MARKET RESEARCH

During 2018-19, AUSTRAC did not conduct any advertising campaigns. The following payments were made to media advertising agencies in 2018-19:

- \$44,318.16 to Isentia for media monitoring services
- \$38,384.12 to Media Brands Australia Pty Ltd for recruitment advertising.

AUSTRAC did not make any payments to direct mail, market research or polling organisations.

## GRANTS

Information on grants awarded by AUSTRAC during 2018-19 is available at: [www.austrac.gov.au/about-us/corporate-information-and-governance/reports-and-accountability/grants-awarded-austrac](http://www.austrac.gov.au/about-us/corporate-information-and-governance/reports-and-accountability/grants-awarded-austrac).



## FREEDOM OF INFORMATION

Entities subject to the *Freedom of Information Act 1982* (FOI Act) are required to publish information to the public as part of the Information Publication Scheme (IPS). This requirement is in Part II of the FOI Act and has replaced the former requirement to publish a 'section 8' statement in an annual report. Each agency must display on its website a plan showing what information it publishes in accordance with the IPS requirements.

AUSTRAC's IPS plan is at [www.austrac.gov.au/about-us/corporate-information-and-governance/foi-and-information-publishing-scheme/information-publication-scheme-plan](http://www.austrac.gov.au/about-us/corporate-information-and-governance/foi-and-information-publishing-scheme/information-publication-scheme-plan).

In 2018–19 AUSTRAC received 509 FOI requests for 6,720 pages.

Financial year	Requests received	Number of pages considered during the period
<b>2018–19</b>	509	6,720
<b>2017–18</b>	416	50,278
<b>2016–17</b>	166	11,290
<b>2015–16</b>	140	9,847
<b>2014–15</b>	105	24,966

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

## ECOLOGICALLY SUSTAINABLE DEVELOPMENT AND ENVIRONMENTAL PERFORMANCE

We are committed to meeting our obligations under the *Environment Protection and Biodiversity Conservation Act 1999*. We continually improve our environmental performance and sustainable business practices. Our green office principles help to reduce the impact of AUSTRAC's ecological footprint, including:

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

## CORRECTION OF MATERIAL ERRORS IN PREVIOUS ANNUAL REPORT

The AUSTRAC annual report 2017-18 contained an error in the reporting figures shown on page 7. The figure of 136,225,100 total reports received for 2017-18 should have been 136,178,900, which represented a 21 per cent increase on the 2016-17 figures—not 22 per cent as published.

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## MANAGEMENT OF HUMAN RESOURCES

A strong focus was  
placed on strengthening  
leadership and  
management capabilities

## MANAGING AND DEVELOPING EMPLOYEES

In 2018-19 104 employees were recruited to AUSTRAC. Of these:

- **84** are ongoing
- **14** are non-ongoing
- **6** are temporary transfers
- **70** came from other government departments/agencies.

There were 52 employees who left AUSTRAC. Of these:

- **45** were ongoing
- **7** were non-ongoing
- **40** left the Australian Public Service (APS)
- **12** transferred within the APS or to a Commonwealth non-APS employer.

Our attrition rate in 2018-19 was 13.3 per cent, compared with 23 per cent in 2017-18.

## AUSTRAC Enterprise Agreement

The AUSTRAC Enterprise Agreement 2016-2019, covering all non-Senior Executive Service (SES) AUSTRAC employees, was due to expire in March 2019. At the end of 2018, AUSTRAC staff were asked to consider the following options:

1. bargaining for a new agreement, developed in accordance with the APS Workplace Bargaining Policy 2018
2. a determination under subsection 24(1) of the *Public Service Act 1999*, as an alternative to a new enterprise agreement.

Sixty-seven per cent of AUSTRAC employees responded to these options through a survey issued to all staff. Of those, 90.27 per cent were in favour of the subsection 24(1) determination.

As a result, the AUSTRAC CEO made a subsection 24(1) determination. This included supplementing the AUSTRAC Enterprise Agreement 2016-2019 to provide agency-wide remuneration increases during the period 2019-21.

## Executive remuneration

The terms and conditions of employment for AUSTRAC's SES are established under subsection 24(1) of the *Public Service Act 1999*, and outlined in the respective employee's determination. The majority of employment conditions are similar to those set out in AUSTRAC's Enterprise Agreement and comply with the APS Executive Remuneration Policy.

In 2018-19, AUSTRAC implemented an 'SES Remuneration Policy' to ensure a more consistent approach in determining SES remuneration. As at 30 June 2019, such determinations were in operation for 11 SES employees.

AUSTRAC benchmarks SES remuneration against the annual APS remuneration surveys. The AUSTRAC CEO is responsible for setting the appropriate remuneration for SES employees upon engagement, move or promotion. The CEO also reviews SES salaries regularly to ensure SES base salaries remain competitive.

SES base salary generally increases in line with those that apply to non-SES employees. This is in accordance with the agency's enterprise agreement or other applicable mechanisms, such as an agency wide subsection 24(1) determination. No incentive payments were made to SES employees during 2018-19.

## Employment conditions

The terms and conditions of employment for AUSTRAC's non-SES employees are governed by the AUSTRAC Enterprise Agreement 2016-2019. This remains in force under the subsection 24(1) determination, but can be varied through a written individual flexibility arrangement (IFA).

The AUSTRAC IFA policy outlines the underlying principles whereby an IFA may be established. It also sets out the approval process and governance of IFAs. AUSTRAC's Governance Committee approves IFAs, and these are reviewed annually to ensure they continue to support AUSTRAC's operational requirements.

At 30 June 2019 there were 34 IFAs in effect and they related to salary or leave arrangements. No incentive payments were made to staff during the reporting period.

No AUSTRAC employees were covered by common law contracts in 2018-19. Performance pay was also not applicable.

# ONE AUSTRAC

TRUSTED • COURAGEOUS • FOCUSSED

UNITED	ACCOUNTABLE	EMPOWERED	COURAGEOUS	INCLUSIVE
				
<p>We work together as one AUSTRAC and have high expectations of ourselves and others. We embrace change and collaborate internally and with our partners to serve the community.</p>	<p>We are transparent and accountable for our actions. We are honest and consistent, which builds trust and earns us credibility.</p>	<p>We empower our people to share new ideas without fear. This empowerment upholds our high performing reputation across the community and with our partners.</p>	<p>We are innovative, flexible and embrace new ideas. We are bold enough to take risks and test new ideas to solve problems, but we are never reckless.</p>	<p>We recognise and celebrate our differences. We embrace diversity and are respected for it. People are our strength, we care for and support each other.</p>

## OUR CULTURE

In 2018-19 AUSTRAC staff worked together to develop a new culture statement. Our approach to culture is underpinned by our 'One AUSTRAC' philosophy that recognises we are stronger together than we are as individuals.

This means we are:

### TRUSTED

We are a trusted leader and partner and are widely respected for our expertise in financial intelligence and regulation.

### FOCUSSED

We are individually and collectively responsible for delivering AUSTRAC's purpose and realising our vision. We are committed and set out to complete what we start.

### COURAGEOUS

We foster growth and self-development. We have the right tools to support an innovative and flexible workplace. Our environment encourages curiosity and courage. We take measured risks in pursuit of our purpose of fighting financial crime.

## DISABILITY REPORTING MECHANISM

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

The Commonwealth Disability Strategy has been overtaken by the National Disability Strategy 2010–2020, which sets out a 10-year national policy framework to improve the lives of people with disability, promote participation and create a more inclusive society.

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

AUSTRAC also has in place a 'Workplace diversity and inclusion program 2019-23'. Which sets out our objectives and goals over the next four years as we continue to cultivate an organisational culture where all voices are heard, respected, and valued.

## TRAINING AND DEVELOPMENT

AUSTRAC continued investing in building the capability of our people in 2018-19. A strong focus was placed on strengthening leadership and management capabilities. Forty-six staff at the APS 6 to Executive Level (EL) 2 levels, as well as six SES, participated in identified leadership programs, including programs offered by the Australian Public Service Commission and Australian Institute of Police Management. Developing core agency capabilities and skills also remained a priority, with 180 staff members accessing more than 80 different external training opportunities.

Initiatives were developed and implemented to streamline and optimise processes related to on boarding, capability mapping, studies assistance, management of external training requests, and improved communication for upcoming development opportunities.

AUSTRAC continued to offer customisable development opportunities through our online learning platform, Learnhub. This allows bookings for face-to-face programs and access to e-learning programs and learning tools, including Lynda.com. Development of e-learning programs continued, with new modules released for risk and health, safety and wellbeing. Development and release of additional e-learning compliance modules will continue in 2019-20.

Development of a program of required training for all staff is underway. The first two training sessions, for security and privacy awareness, were delivered during 2018-19.

Mentoring continued to be supported through our in-house six month mentoring program, which saw participation double in 2018-19 to 24 mentoring pairs.

Our Studies Assistance Program supports employees to access external professional development opportunities. This continued to grow, with 36 employees accessing studies assistance in 2018-19.

Our Financial Intelligence Analyst Course (FIAC) aims to build high quality analyst skills, capability and tradecraft, to prevent, detect and disrupt financial crime. In 2018-19 five FIACs were offered domestically to 91 staff and 71 external partner agency employees. Regional FIACs were expanded to four programs during 2018-19, hosted in Indonesia, the Philippines and Brunei.



## WORK HEALTH AND SAFETY

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

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

There was one notifiable WHS incident reported to Comcare in 2018-19.

In 2018-19 AUSTRAC did not have any:

- WHS investigations by Comcare
- compensation claims accepted by Comcare
- improvement notices issued by Health and Safety Representatives (section 90 of the WHS Act)
- improvement notices issued by Comcare (section 191 of the WHS Act)
- non-disturbance notices issued by Comcare (section 198 of the WHS Act).

AUSTRAC's Comcare premium for 2018-19 was 0.26 per cent of payroll, well below the overall scheme rate of 1.23 per cent.

## EMPLOYEE STATISTICS

ALL ONGOING EMPLOYEES CURRENT REPORT PERIOD (2018-19)

	Male			Female			Indeterminate			Total
	Full-time	Part time	Total Male	Full-time	Part time	Total Female	Full-time	Part time	Total Indeterminate	
<b>NSW</b>	58	1	59	69	19	88	-	-	-	<b>147</b>
<b>QLD</b>	8	-	8	13	2	15	-	-	-	<b>23</b>
<b>SA</b>	-	-	-	-	-	-	-	-	-	<b>-</b>
<b>TAS</b>	-	-	-	-	-	-	-	-	-	<b>-</b>
<b>VIC</b>	46	2	48	33	12	45	-	-	-	<b>93</b>
<b>WA</b>	-	-	-	2	1	3	-	-	-	<b>3</b>
<b>ACT</b>	34	1	35	37	6	43	-	-	-	<b>78</b>
<b>NT</b>	-	-	-	-	-	-	-	-	-	<b>-</b>
<b>O/S</b>	3	-	3	4	-	4	-	-	-	<b>7</b>
<b>Total</b>	<b>149</b>	<b>4</b>	<b>153</b>	<b>158</b>	<b>40</b>	<b>198</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>351</b>

Note: Figures are based on actual head count of employees engaged under subsections 22(2)(a) and 22(2)(b) of the Public Service Act 1999 and include staff on long-term leave.

The ASTRAC CEO is not included in this table as the CEO is not engaged under section 22 or section 72.

## ALL NON-ONGOING EMPLOYEES CURRENT REPORT PERIOD (2018-19)

	Male			Female			Indeterminate			Total
	Full-time	Part time	Total Male	Full-time	Part time	Total Female	Full-time	Part time	Total Indeterminate	
<b>NSW</b>	10	1	11	3	6	9	-	-	-	<b>20</b>
<b>QLD</b>	-	-	-	-	-	-	-	-	-	-
<b>SA</b>	-	-	-	1	-	1	-	-	-	<b>1</b>
<b>TAS</b>	-	-	-	-	-	-	-	-	-	-
<b>VIC</b>	5	-	5	1	-	1	-	-	-	<b>6</b>
<b>WA</b>	-	-	-	-	-	-	-	-	-	-
<b>ACT</b>	2	-	2	1	1	2	-	-	-	<b>4</b>
<b>NT</b>	-	-	-	-	-	-	-	-	-	-
<b>O/S</b>	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>17</b>	<b>1</b>	<b>18</b>	<b>6</b>	<b>7</b>	<b>13</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>31</b>

Note: Figures are based on actual head count of employees engaged under subsection 22(2) of the Public Service Act 1999 but do not include irregular/intermittent employees.

## ALL ONGOING EMPLOYEES PREVIOUS REPORT PERIOD (2017-18)

	Male			Female			Indeterminate			Total
	Full-time	Part time	Total Male	Full-time	Part time	Total Female	Full-time	Part time	Total Indeterminate	
<b>NSW</b>	55	1	56	67	15	82	-	-	-	<b>138</b>
<b>QLD</b>	5	-	5	11	1	12	-	-	-	<b>17</b>
<b>SA</b>	-	-	-	1	-	1	-	-	-	<b>1</b>
<b>TAS</b>	-	-	-	-	-	-	-	-	-	<b>-</b>
<b>VIC</b>	38	1	39	27	12	39	-	-	-	<b>78</b>
<b>WA</b>	-	-	-	3	-	3	-	-	-	<b>3</b>
<b>ACT</b>	28	1	29	27	3	30	-	-	-	<b>59</b>
<b>NT</b>	-	-	-	-	-	-	-	-	-	<b>-</b>
<b>O/S</b>	4	-	4	2	-	2	-	-	-	<b>6</b>
<b>Total</b>	<b>130</b>	<b>3</b>	<b>133</b>	<b>138</b>	<b>31</b>	<b>169</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>302</b>

Note: Figures are based on actual head count of employees engaged under subsection 22(2)(a) of the Public Service Act 1999 and include staff on long-term leave.

The AUSTRAC CEO is not included in this table as the CEO is not engaged under section 22 or section 72.

## ALL NON-ONGOING EMPLOYEES PREVIOUS REPORT PERIOD (2017-18)

	Male			Female			Indeterminate			Total
	Full-time	Part time	Total Male	Full-time	Part time	Total Female	Full-time	Part time	Total Indeterminate	
<b>NSW</b>	13	1	14	4	2	6	-	-	-	<b>20</b>
<b>QLD</b>	-	-	-	1	-	1	-	-	-	<b>1</b>
<b>SA</b>	-	-	-	-	-	-	-	-	-	<b>-</b>
<b>TAS</b>	-	-	-	-	-	-	-	-	-	<b>-</b>
<b>VIC</b>	1	-	1	1	1	2	-	-	-	<b>3</b>
<b>WA</b>	-	-	-	-	-	-	-	-	-	<b>-</b>
<b>ACT</b>	4	-	4	-	-	-	-	-	-	<b>4</b>
<b>NT</b>	-	-	-	-	-	-	-	-	-	<b>-</b>
<b>O/S</b>	-	-	-	-	-	-	-	-	-	<b>-</b>
<b>Total</b>	<b>18</b>	<b>1</b>	<b>19</b>	<b>6</b>	<b>3</b>	<b>9</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>28</b>

Note: Figures are based on actual head count of employees engaged under subsection 22(2)(b) of the Public Service Act 1999 but do not include irregular/intermittent employees.

AUSTRALIAN PUBLIC SERVICE ACT ONGOING EMPLOYEES  
CURRENT REPORT PERIOD (2018-19)

	Male			Female			Indeterminate			Total
	Full-time	Part time	Total Male	Full-time	Part time	Total Female	Full-time	Part time	Total Indeterminate	
<b>SES 3</b>	-	-	-	-	-	-	-	-	-	-
<b>SES 2</b>	3	-	3	-	-	-	-	-	-	<b>3</b>
<b>SES 1</b>	4	-	4	3	-	3	-	-	-	<b>7</b>
<b>EL 2</b>	19	3	22	15	2	17	-	-	-	<b>39</b>
<b>EL 1</b>	34	-	34	26	17	43	-	-	-	<b>77</b>
<b>APS 6</b>	63	1	64	66	16	82	-	-	-	<b>146</b>
<b>APS 5</b>	19	-	19	34	3	37	-	-	-	<b>56</b>
<b>APS 4</b>	5	-	5	14	1	15	-	-	-	<b>20</b>
<b>APS 3</b>	2	-	2	-	1	1	-	-	-	<b>3</b>
<b>APS 2</b>	-	-	-	-	-	-	-	-	-	-
<b>APS 1</b>	-	-	-	-	-	-	-	-	-	-
<b>Other</b>	-	-	-	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>149</b>	<b>4</b>	<b>153</b>	<b>158</b>	<b>40</b>	<b>198</b>	-	-	-	<b>351</b>

Note: Figures are based on substantive classification as at 30 June 2019.

AUSTRALIAN PUBLIC SERVICE ACT NON-ONGOING EMPLOYEES  
CURRENT REPORT PERIOD (2018-19)

	Male			Female			Indeterminate			Total
	Full-time	Part time	Total Male	Full-time	Part time	Total Female	Full-time	Part time	Total Indeterminate	
<b>SES 3</b>	-	-	-	-	-	-	-	-	-	-
<b>SES 2</b>	-	-	-	-	-	-	-	-	-	-
<b>SES 1</b>	-	-	-	1	-	1	-	-	-	<b>1</b>
<b>EL 2</b>	2	1	3	-	-	-	-	-	-	<b>3</b>
<b>EL 1</b>	2	-	2	1	2	3	-	-	-	<b>5</b>
<b>APS 6</b>	7	-	7	3	4	7	-	-	-	<b>14</b>
<b>APS 5</b>	6	-	6	1	-	1	-	-	-	<b>7</b>
<b>APS 4</b>	-	-	-	-	1	1	-	-	-	<b>1</b>
<b>APS 3</b>	-	-	-	-	-	-	-	-	-	-
<b>APS 2</b>	-	-	-	-	-	-	-	-	-	-
<b>APS 1</b>	-	-	-	-	-	-	-	-	-	-
<b>Other</b>	-	-	-	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>17</b>	<b>1</b>	<b>18</b>	<b>6</b>	<b>7</b>	<b>13</b>	-	-	-	<b>31</b>

Note: Figures are based on substantive classification as at 30 June 2019.

AUSTRALIAN PUBLIC SERVICE ACT ONGOING EMPLOYEES  
PREVIOUS REPORT PERIOD (2017-18)

	Male			Female			Indeterminate			Total
	Full-time	Part time	Total Male	Full-time	Part time	Total Female	Full-time	Part time	Total Indeterminate	
<b>SES 3</b>	-	-	-	-	-	-	-	-	-	-
<b>SES 2</b>	4	-	4	-	-	-	-	-	-	<b>4</b>
<b>SES 1</b>	4	-	4	3	-	3	-	-	-	<b>7</b>
<b>EL 2</b>	21	3	24	13	4	17	-	-	-	<b>41</b>
<b>EL 1</b>	37	-	37	32	11	43	-	-	-	<b>80</b>
<b>APS 6</b>	47	-	47	59	12	71	-	-	-	<b>118</b>
<b>APS 5</b>	12	-	12	19	3	22	-	-	-	<b>34</b>
<b>APS 4</b>	3	-	3	10	1	11	-	-	-	<b>14</b>
<b>APS 3</b>	2	-	2	2	-	2	-	-	-	<b>4</b>
<b>APS 2</b>	-	-	-	-	-	-	-	-	-	-
<b>APS 1</b>	-	-	-	-	-	-	-	-	-	-
<b>Other</b>	-	-	-	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>130</b>	<b>3</b>	<b>133</b>	<b>138</b>	<b>31</b>	<b>169</b>	-	-	-	<b>302</b>

Note: Figures are based on substantive classification as at 30 June 2018.



AUSTRALIAN PUBLIC SERVICE ACT NON-ONGOING EMPLOYEES  
PREVIOUS REPORT PERIOD (2017-18)

	Male			Female			Indeterminate			Total
	Full-time	Part time	Total Male	Full-time	Part time	Total Female	Full-time	Part time	Total Indeterminate	
<b>SES 3</b>	-	-	-	-	-	-	-	-	-	-
<b>SES 2</b>	-	-	-	-	-	-	-	-	-	-
<b>SES 1</b>	-	-	-	1	-	1	-	-	-	<b>1</b>
<b>EL 2</b>	3	1	4	-	-	-	-	-	-	<b>4</b>
<b>EL 1</b>	2	-	2	1	1	2	-	-	-	<b>4</b>
<b>APS 6</b>	7	-	7	1	1	2	-	-	-	<b>9</b>
<b>APS 5</b>	4	-	4	1	-	1	-	-	-	<b>5</b>
<b>APS 4</b>	1	-	1	1	1	2	-	-	-	<b>3</b>
<b>APS 3</b>	1	-	1	1	-	1	-	-	-	<b>2</b>
<b>APS 2</b>	-	-	-	-	-	-	-	-	-	-
<b>APS 1</b>	-	-	-	-	-	-	-	-	-	-
<b>Other</b>	-	-	-	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>18</b>	<b>1</b>	<b>19</b>	<b>6</b>	<b>3</b>	<b>9</b>	-	-	-	<b>28</b>

Note: Figures are based on substantive classification as at 30 June 2018.

# AUSTRALIAN PUBLIC SERVICE ACT EMPLOYEES BY FULL TIME AND PART TIME STATUS CURRENT REPORT PERIOD (2018-19)

	Ongoing			Non-ongoing			Total
	Fulltime	Part time	Total Ongoing	Fulltime	Part time	Total Non-Ongoing	
<b>SES 3</b>	-	-	-	-	-	-	-
<b>SES 2</b>	3	-	3	-	-	-	<b>3</b>
<b>SES 1</b>	7	-	7	1	-	1	<b>8</b>
<b>EL 2</b>	34	5	39	2	1	3	<b>42</b>
<b>EL 1</b>	60	17	77	3	2	5	<b>82</b>
<b>APS 6</b>	129	17	146	10	4	14	<b>160</b>
<b>APS 5</b>	53	3	56	7	-	7	<b>63</b>
<b>APS 4</b>	19	1	20	-	1	1	<b>21</b>
<b>APS 3</b>	2	1	3	-	-	-	<b>3</b>
<b>APS 2</b>	-	-	-	-	-	-	-
<b>APS 1</b>	-	-	-	-	-	-	-
<b>Other</b>	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>307</b>	<b>44</b>	<b>351</b>	<b>23</b>	<b>8</b>	<b>31</b>	<b>382</b>

Note: Figures are based on substantive classification as at 30 June 2019.

AUSTRALIAN PUBLIC SERVICE ACT EMPLOYEES BY FULL TIME  
AND PART TIME STATUS PREVIOUS REPORT PERIOD (2017-18)

	Ongoing			Non-ongoing			Total
	Fulltime	Part time	Total Ongoing	Fulltime	Part time	Total Non-Ongoing	
<b>SES 3</b>	-	-	-	-	-	-	-
<b>SES 2</b>	4	-	4	-	-	-	<b>4</b>
<b>SES 1</b>	7	-	7	1	-	1	<b>8</b>
<b>EL 2</b>	34	7	41	3	1	4	<b>45</b>
<b>EL 1</b>	69	11	80	3	1	4	<b>84</b>
<b>APS 6</b>	106	12	118	8	1	9	<b>127</b>
<b>APS 5</b>	31	3	34	5	-	5	<b>39</b>
<b>APS 4</b>	13	1	14	2	1	3	<b>17</b>
<b>APS 3</b>	4	-	4	2	-	2	<b>6</b>
<b>APS 2</b>	-	-	-	-	-	-	-
<b>APS 1</b>	-	-	-	-	-	-	-
<b>Other</b>	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>268</b>	<b>34</b>	<b>302</b>	<b>24</b>	<b>4</b>	<b>28</b>	<b>330</b>

Note: Figures are based on substantive classification as at 30 June 2018.

AUSTRALIAN PUBLIC SERVICE ACT EMPLOYMENT TYPE BY LOCATION  
CURRENT REPORT PERIOD (2018-19)

	Ongoing	Non-ongoing	Total
<b>NSW</b>	147	20	<b>167</b>
<b>QLD</b>	23	-	<b>23</b>
<b>SA</b>	-	1	<b>1</b>
<b>TAS</b>	-	-	<b>-</b>
<b>VIC</b>	93	6	<b>99</b>
<b>WA</b>	3	-	<b>3</b>
<b>ACT</b>	78	4	<b>82</b>
<b>NT</b>	-	-	<b>-</b>
<b>O/S</b>	7	-	<b>7</b>
<b>TOTAL</b>	<b>351</b>	<b>31</b>	<b>382</b>

AUSTRALIAN PUBLIC SERVICE ACT EMPLOYMENT TYPE  
BY LOCATION PREVIOUS REPORT PERIOD (2017-18)

	Ongoing	Non-ongoing	Total
<b>NSW</b>	138	20	<b>158</b>
<b>QLD</b>	17	1	<b>18</b>
<b>SA</b>	1	-	<b>1</b>
<b>TAS</b>	-	-	<b>-</b>
<b>VIC</b>	78	3	<b>81</b>
<b>WA</b>	3	-	<b>3</b>
<b>ACT</b>	59	4	<b>63</b>
<b>NT</b>	-	-	<b>-</b>
<b>O/S</b>	6	-	<b>6</b>
<b>TOTAL</b>	<b>302</b>	<b>28</b>	<b>330</b>

AUSTRALIAN PUBLIC SERVICE ACT INDIGENOUS EMPLOYMENT  
CURRENT REPORT PERIOD (2018-19)

	Total
Ongoing	1
Non-Ongoing	0
<b>TOTAL</b>	<b>1</b>

AUSTRALIAN PUBLIC SERVICE ACT INDIGENOUS EMPLOYMENT  
PREVIOUS REPORT PERIOD (2017-18)

	Total
Ongoing	1
Non-Ongoing	0
<b>TOTAL</b>	<b>1</b>

EMPLOYMENT ARRANGEMENTS OF SES AND NON-SES EMPLOYEES  
AUSTRALIAN PUBLIC SERVICE ACT EMPLOYMENT ARRANGEMENTS  
CURRENT REPORT PERIOD (2018-19)

	SES	Non-SES	Total
<b>S24(1) Determination</b>	11	-	<b>11</b>
<b>Individual Flexibility Arrangement</b>	-	34	<b>34</b>
<b>AUSTRAC Enterprise Agreement 2016-19</b>	-	337	<b>337</b>
<b>Total</b>	<b>11</b>	<b>371</b>	<b>382</b>

AUSTRALIAN PUBLIC SERVICE ACT EMPLOYMENT SALARY RANGES  
BY CLASSIFICATION LEVEL (MINIMUM/MAXIMUM)  
CURRENT REPORT PERIOD (2018-19)

	Minimum Salary (\$)	Maximum Salary (\$)
<b>SES 3</b>	-	-
<b>SES 2</b>	286,396	286,396
<b>SES 1</b>	231,151	265,823
<b>EL 2</b>	122,411	182,755
<b>EL 1</b>	105,022	145,335
<b>APS 6</b>	85,936	133,926
<b>APS 5</b>	76,697	84,090
<b>APS 4</b>	68,380	75,774
<b>APS 3</b>	61,910	67,445
<b>APS 2</b>	55,443	60,988
<b>APS 1</b>	48,976	53,596
<b>Other</b>	-	-
<b>TOTAL</b>	-	-

Note: This table outlines employee salary ranges as at 30 June 2019, including individual flexibility arrangements.  
The minimum amount is the first pay point under the Enterprise Agreement.



## INFORMATION ABOUT REMUNERATION FOR KEY MANAGEMENT PERSONNEL

Name	Short-term Benefits			
	Position Title	Base Salary (\$)	Bonuses (\$)	Other benefits and allowances (\$)
Nicole Rose	CEO	484,286	0	1,839
Peter Soros	DCEO	295,582	0	1,411
Christopher Collett	DCEO	290,367	0	1,517
John Moss	DCEO	290,305	0	1,462
<b>Total</b>		<b>1,360,540</b>	<b>0</b>	<b>6,228</b>

AUSTRAC Deputy CEOs have equal base salaries. Variations in the above totals reflect individual variations in tenure, leave taken and superannuation schemes. CEO remuneration is set by the Remuneration Tribunal (see Remuneration Tribunal (Remuneration and Allowances for Holders of Full-time Public Office) Determination 2018).

Post-employment	Other long-term Benefits		Termination Benefits	Total Remuneration
<i>Superannuation Contributions</i> (\$)	<i>Long Service Leave</i> (\$)	<i>Other long-term benefits</i> (\$)	(\$)	(\$)
36,762	11,604	0	0	<b>534,491</b>
48,939	7,160	0	0	<b>353,092</b>
42,205	6,096	0	0	<b>340,184</b>
35,121	7,155	0	0	<b>334,043</b>
<b>163,027</b>	<b>32,015</b>	<b>0</b>	<b>0</b>	<b>1,561,810</b>

## INFORMATION ABOUT REMUNERATION FOR SENIOR EXECUTIVES

Remuneration Band	Short-term Benefits			
	<i>Number of Senior Executives</i>	<i>Average Base Salary (\$)</i>	<i>Average Bonuses (\$)</i>	<i>Average Other benefits and allowances (\$)</i>
<b>\$0 - \$220,000</b>	4	56,139	0	225
<b>\$245,001 - \$270,000</b>	2	232,248	0	1,920
<b>\$270,001 - \$295,000</b>	2	243,020	0	2,311
<b>\$295,001 - \$320,000</b>	2	217,117	0	1,059

Post-employment	Other long-term Benefits		Termination Benefits	Total Remuneration
<i>Average Superannuation Contributions (\$)</i>	<i>Average Long Service Leave (\$)</i>	<i>Average Other long-term benefits (\$)</i>	<i>Average Termination Benefits (\$)</i>	<i>Average Total Remuneration (\$)</i>
7,978	1,285	0	0	<b>65,628</b>
42,603	5,775	0	0	<b>282,545</b>
37,301	5,775	0	0	<b>288,407</b>
32,241	5,127	0	60,364	<b>315,908</b>

## INFORMATION ABOUT REMUNERATION FOR OTHER HIGHLY PAID STAFF

Remuneration Band	Short-term Benefits			
	<i>Number of other highly paid staff</i>	<i>Average Base Salary (\$)</i>	<i>Average Bonuses (\$)</i>	<i>Average Other benefits and allowances (\$)</i>
<b>\$220,000 - \$245,000</b>	1	182,002	0	0
<b>\$270,001 - \$295,000</b>	1	183,952	0	67,467
<b>\$295,001 - \$320,000</b>	1	221,434	0	75,541

Post-employment	Other long-term Benefits		Termination Benefits	Total Remuneration
<i>Average Superannuation Contributions (\$)</i>	<i>Average Long Service Leave (\$)</i>	<i>Average Other long-term benefits (\$)</i>	<i>Average Termination Benefits (\$)</i>	<i>Average Total Remuneration (\$)</i>
34,429	4,570	0	0	<b>221,001</b>
25,190	3,446	0	0	<b>280,056</b>
18,640	2,994	0	0	<b>318,609</b>

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## REPORT ON FINANCIAL PERFORMANCE



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

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

In 2018–19 we produced a net operating loss of **\$5.4 million**, compared with a net operating surplus of **\$2.2 million** in 2017–18. The net operating loss includes **\$5.4 million** of unfunded depreciation and amortisation expenses.

Total revenue for 2018–19 was **\$76.3 million**: a **\$6.3 million** increase over the previous year.

Our financial position at 30 June 2019 is shown in the Statement of Financial Position. This takes into account movements in assets, liabilities and equity. Total equity has increased to **\$35.0 million** (2017–18: \$30.3 million).

## Events occurring after balance date

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

## Legal Services expenditure

The total expenditure on legal services for the financial year ended 30 June 2019 was **\$1,988,138** (exclusive of GST). In accordance with Office of Services Coordination reporting requirements, this includes the cost of providing internal and external legal services.

**\$736,696** (exclusive of GST) was spent on purchasing external legal services.

**\$1,251,442** (exclusive of GST) was spent on purchasing internal legal services.



## Agency resource statements 2018-19

	Actual available appropriations for 2018-19	Payments Made 2018-19	Balance Remaining
	\$	\$	\$
	(a)	(b)	(a+b)
<b>Ordinary Annual Services</b>			
Prior year appropriation <sup>1 &amp; 2</sup>	18,331,586	(18,331,586)	-
Departmental appropriation <sup>3 &amp; 4</sup>	71,459,000	(49,912,893)	21,546,107
Section 74 Agency receipts per 2018-19 Portfolio Budget Statements	5,328,000	(5,328,000)	-
Additional section 74 receipts	5,240,226	(5,240,226)	-
<b>Total</b>	100,358,812	(78,812,705)	21,546,107
<b>Total ordinary annual services</b>	100,358,812	(78,812,705)	21,546,107
<b>Departmental non-operating</b>			
Equity injections	7,300,000	(1,970,167)	5,329,833
Previous years inputs	1,437,881	(1,437,881)	-
<b>Total</b>	<b>8,737,881</b>	<b>(3,408,048)</b>	<b>5,329,833</b>
<b>Total Resourcing and Payments</b>	<b>109,096,693</b>	<b>(82,220,752)</b>	<b>26,875,940</b>

1 Appropriation Act No.1 2017-18

2 Appropriation Act No.1 DCB 2017-18

3 Appropriation Act No.1 2018-19

4 Appropriation Act No.1 DCB 2018-19

## Expenses and Resources for Outcome for 2018-19

Outcome 1: To protect the Australian community from money laundering, terrorism financing and other serious crime , by collaborating with our partners to strengthen Australia's financial sector through our regulatory and intelligence programs.

	Budget 2018-19 \$ '000	Actual expenses 2018-19 \$ '000	Variation \$ '000
	(a)	(b)	(a-b)
<b>Administered expenses</b>			
Expenses not requiring appropriation in the Budget year	-	87	(87)
<b>Departmental expenses</b>			
Ordinary annual services (Appropriation Bill No.1)	71,459	76,463	(5,004)
Revenues from independent sources (section 74)	5,328	10,568	(5,240)
Expenses not requiring appropriation in the Budget year	6,626	5,431	1,195
<b>Subtotal for Outcome 1</b>	<b>83,413</b>	<b>92,549</b>	<b>(9,136)</b>
<b>Total for Outcome 1</b>			
Departmental	<b>83,413</b>	<b>92,462</b>	<b>(9,049)</b>
Administered		<b>87</b>	<b>(87)</b>
		<b>2018-19</b>	2017-18
<b>Average staffing level (number)</b>		<b>336</b>	300

# FINANCIAL STATEMENTS

## Auditors report Certification

### Primary financial statement

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

### Overview

#### Notes to the financial statements:

#### 1. Departmental Financial Performance

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

#### 2. Departmental Financial Position

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

#### 3. Funding

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

#### 4. People and relationships

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

#### 5. Managing uncertainties

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

#### 6. Other

- Aggregate assets and liabilities



## INDEPENDENT AUDITOR'S REPORT

To the Minister for Home Affairs

### Opinion

In my opinion, the financial statements of the Australian Transaction Reports and Analysis Centre for the year ended 30 June 2019:

- (a) comply with Australian Accounting Standards – Reduced Disclosure Requirements and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and
- (b) present fairly the financial position of the Australian Transaction Reports and Analysis Centre as at 30 June 2019 and its financial performance and cash flows for the year then ended.

The financial statements of the Australian Transaction Reports and Analysis Centre, which I have audited, comprise the following statements as at 30 June 2019 and for the year then ended:

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

### Basis for opinion

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

### Accountable Authority's responsibility for the financial statements

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

In preparing the financial statements, the Chief Executive Officer is responsible for assessing the Australian Transaction Reports and Analysis Centre's ability to continue as a going concern, taking into account whether the Australian Transaction Reports and Analysis Centre's operations will cease as a

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

#### **Auditor's responsibilities for the audit of the financial statements**

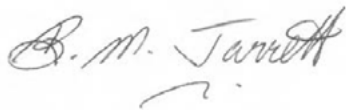
My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that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

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

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

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

Australian National Audit Office



Brandon Jarrett  
Senior Executive Director  
Delegate of the Auditor-General

Canberra  
3 September 2019

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

In our opinion, the attached financial statements for the year ended 30 June 2019 comply with subsection 42(2) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and are based on properly maintained financial records as per subsection 41(2) of the PGPA Act.

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

Signed.....



Nicole Rose RSM  
Chief Executive Officer

3 September 2019

Signed.....



Ben Skaines  
Chief Finance Officer

3 September 2019

**Australian Transaction Reports and Analysis Centre**  
**STATEMENT OF COMPREHENSIVE INCOME**  
*for the period ended 30 June 2019*

	Notes	2019 \$'000	2018 \$'000	Original Budget \$'000
<b>EXPENSES</b>				
Employee benefits	1.1A	45,396	40,429	45,853
Suppliers	1.1B	30,995	21,860	28,048
Grants - universities		40	-	0
Depreciation and amortisation		5,431	4,928	6,626
Losses from asset sales and disposals		20	18	-
Impairment loss on financial instruments		12	-	-
Write-down and impairment of intangible assets		-	528	-
<b>Total expenses</b>		<b>81,894</b>	<b>67,763</b>	<b>80,527</b>
<b>LESS:</b>				
<b>OWN-SOURCE INCOME</b>				
<b>Own-source revenue</b>				
Rendering of services		7,788	6,391	5,328
Remuneration of Auditors		135	135	160
<b>Total own-source revenue</b>		<b>7,923</b>	<b>6,526</b>	<b>5,488</b>
Other revenue		-	801	-
<b>Total own-source revenue</b>		<b>7,923</b>	<b>7,327</b>	<b>5,488</b>
<b>Net (cost of) services</b>		<b>(73,971)</b>	<b>(60,436)</b>	<b>(75,039)</b>
Revenue from Government - departmental appropriation		68,413	62,662	68,413
<b>Surplus/(Deficit) attributable to the Australian Government</b>		<b>(5,558)</b>	<b>2,226</b>	<b>(6,626)</b>
<b>OTHER COMPREHENSIVE INCOME</b>				
Changes in asset revaluation reserves		148	-	-
<b>Total comprehensive income/(loss)</b>		<b>148</b>	<b>-</b>	<b>-</b>
<b>attributable to the Australian Government</b>		<b>(5,410)</b>	<b>2,226</b>	<b>(6,626)</b>

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

**Budget Variances Commentary**

**Statement of Comprehensive Income**

The variance in suppliers expenses is mainly due to:

- a higher than expected utilisation of contractors and consultants to implement IT projects and investigative work on business units
- unbudgeted travel services
- higher than budgeted training services
- additional IT maintenance contracts with suppliers.

As a result, supplier expenses were higher than expected.

The variance in depreciation is due to timing changes for completion of work in progress assets. Project timelines were extended for certain assets, which affected the dates on which those assets were ready for use.

The variance in own-source income rendering of services is due to higher than budgeted receipts from partner agencies requesting additional services from AUSTRAC, and new services unknown at budget setting time.

**Australian Transaction Reports and Analysis Centre**  
**STATEMENT OF FINANCIAL POSITION**  
*as at 30 June 2019*

	Notes	2019 \$'000	2018 \$'000	Original Budget \$'000
<b>ASSETS</b>				
<b>Financial Assets</b>				
Cash and cash equivalents	2.1A	2,374	1,859	2,798
Trade and other receivables	2.1B	25,535	21,254	7,266
<b>Total financial assets</b>		<b>27,909</b>	<b>23,113</b>	<b>10,064</b>
<b>Non-Financial Assets</b>				
Leasehold improvements	2.2A	6,271	6,487	-
Property, plant and equipment	2.2A	5,857	5,559	13,198
Intangibles	2.2A	15,853	14,993	20,755
Prepayments	2.2B	3,000	2,172	3,241
<b>Total non-financial assets</b>		<b>30,981</b>	<b>29,211</b>	<b>37,194</b>
<b>Total assets</b>		<b>58,890</b>	<b>52,324</b>	<b>47,258</b>
<b>LIABILITIES</b>				
<b>Payables</b>				
Suppliers	2.3A	6,248	4,899	8,180
Other payables	2.3B	4,711	6,337	745
<b>Total payables</b>		<b>10,959</b>	<b>11,236</b>	<b>8,925</b>
<b>Provisions</b>				
Employee provisions	4.1	12,834	10,385	12,267
Other provisions	2.4	54	448	448
<b>Total provisions</b>		<b>12,888</b>	<b>10,833</b>	<b>12,715</b>
<b>Total liabilities</b>		<b>23,847</b>	<b>22,069</b>	<b>21,640</b>
<b>Net assets</b>		<b>35,043</b>	<b>30,255</b>	<b>25,618</b>
<b>EQUITY</b>				
Contributed equity		97,440	87,094	97,440
Reserves		2,785	2,933	3,116
Retained surplus (accumulated deficit)		(65,182)	(59,772)	(74,938)
<b>Total Equity</b>		<b>35,043</b>	<b>30,255</b>	<b>25,618</b>

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

**Budget Variances Commentary**

**Statement of Financial Position**

The variance in trade and other receivables mainly relates to appropriations receivable retained at year-end due to delays in capital projects that were in initiation stage and not capitalisable. Also reserves of Act 1 appropriations retained were \$5.000 million more than in 2018.

The variance in intangibles is due to the delays in capital projects.

The variance in suppliers is in line with the overall increase in supplier expenditure.

The variance in other payables is due to the reporting of the lease liability attached to the lease incentive for office fitout consistent with last year.



**Australian Transaction Reports and Analysis Centre**  
**STATEMENT OF CHANGES IN EQUITY**  
*for the period ended 30 June 2019*

	<b>2019</b>	2018	Original
	<b>\$'000</b>	<b>\$'000</b>	Budget
			<b>\$'000</b>
<b>CONTRIBUTED EQUITY</b>			
<b>Opening balance</b>			
Balance carried forward from previous period	<b>87,094</b>	80,433	87,094
<b>Adjusted opening balance</b>	<b>87,094</b>	80,433	87,094
<b>Transactions with owners</b>			
<b>Contributions by owners</b>			
Equity injection - Appropriations	<b>7,300</b>	3,600	7,300
Departmental capital budget	<b>3,046</b>	3,061	3,046
<b>Total transactions with owners</b>	<b>10,346</b>	6,661	10,346
Transfers between equity components	-	-	-
<b>Closing balance as at 30 June</b>	<b>97,440</b>	87,094	97,440
<b>RETAINED EARNINGS</b>			
<b>Opening balance</b>			
Balance carried forward from previous period	<b>(59,772)</b>	(62,182)	(68,312)
<b>Adjusted opening balance</b>	<b>(59,772)</b>	(62,182)	(68,312)
<b>Comprehensive income</b>			
Surplus/(Deficit) for the period	<b>(5,558)</b>	2,226	(6,626)
<b>Total comprehensive income</b>	<b>(5,558)</b>	2,226	(6,626)
Transfers between equity components	<b>148</b>	184	-
<b>Closing balance as at 30 June</b>	<b>(65,182)</b>	(59,772)	(74,938)
<b>ASSET REVALUATION RESERVE</b>			
<b>Opening balance</b>			
Balance carried forward from previous period	<b>2,933</b>	3,117	3,116
<b>Adjusted opening balance</b>	<b>2,933</b>	3,117	3,116
Transfers between equity components	-	(184)	-
Adjustments in asset revaluation reserve	<b>(148)</b>	-	-
<b>Closing balance as at 30 June</b>	<b>2,785</b>	2,933	3,116

**Australian Transaction Reports and Analysis Centre**  
**STATEMENT OF CHANGES IN EQUITY (continued)**  
*for the period ended 30 June 20*

	<b>2019</b>	2018	Original Budget
	<b>\$'000</b>	\$'000	\$'000
<b>TOTAL EQUITY</b>			
<b>Opening balance</b>			
Balance carried forward from previous period	<b>30,255</b>	21,368	21,898
<b>Adjusted opening balance</b>	<b>30,255</b>	21,368	21,898
<b>Comprehensive income</b>			
Surplus/(Deficit) for the period	<b>(5,558)</b>	2,226	(6,626)
<b>Total comprehensive income</b>	<b>(5,558)</b>	2,226	(6,626)
<b>Contributions by owners</b>			
Equity injection			
Equity injection - appropriations	<b>7,300</b>	3,600	7,300
Departmental capital budget	<b>3,046</b>	3,061	3,046
<b>Total transactions with owners</b>	<b>10,346</b>	6,661	10,346
Adjustments in asset revaluation reserve		-	-
<b>Closing balance as at 30 June</b>	<b>35,043</b>	30,255	25,618

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

**Accounting Policy**

Equity Injections

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

**Budget Variances Commentary**

**Statement of Changes in Equity**

The variance in retained earnings is due to the recognition of the operating result for the year and is in line with the commentary for the statement of comprehensive income.

# Australian Transaction Reports and Analysis Centre

## CASH FLOW STATEMENT

for the period ended 30 June 2019

	Notes	2019 \$'000	2018 \$'000	Original Budget \$'000
<b>OPERATING ACTIVITIES</b>				
<b>Cash received</b>				
Appropriations		65,692	54,732	68,413
Rendering of services		10,515	7,204	5,328
GST received		3,245	2,901	2,200
<b>Total cash received</b>		<b>79,452</b>	<b>64,837</b>	<b>75,941</b>
<b>Cash used</b>				
Employees		43,258	41,398	45,853
Suppliers		35,740	23,836	27,888
GST paid		14	254	2,200
<b>Total cash used</b>		<b>79,012</b>	<b>65,488</b>	<b>75,941</b>
<b>Net cash from operating activities</b>		<b>440</b>	<b>(651)</b>	<b>-</b>
<b>INVESTING ACTIVITIES</b>				
<b>Cash used</b>				
Purchase of property, plant and equipment		3,109	3,699	10,346
Purchase of internally developed software		3,291	9,458	-
<b>Total cash used</b>		<b>6,400</b>	<b>13,157</b>	<b>10,346</b>
<b>Net cash (used by) investing activities</b>		<b>(6,400)</b>	<b>(13,157)</b>	<b>( 10,346)</b>
<b>FINANCING ACTIVITIES</b>				
<b>Cash received</b>				
Contributed equity		6,475	12,869	10,346
<b>Total cash received</b>		<b>6,475</b>	<b>12,869</b>	<b>10,346</b>
<b>Net cash from financing activities</b>		<b>6,475</b>	<b>12,869</b>	<b>10,346</b>
<b>Net (decrease)/increase in cash held</b>		<b>515</b>	<b>(939)</b>	<b>-</b>
Cash and cash equivalents at the beginning of the reporting period		1,859	2,798	2,798
Cash and cash equivalents at the end of the reporting period	2.1A	2,374	1,859	2,798

### Budget Variances Commentary

#### Cash Flow Statement

Commentary on the major variances between the actual and original budgeted amounts for 2018-19 is provided in the statement of comprehensive income and the statement of financial position.

## Australian Transaction Reports and Analysis Centre

## ADMINISTERED SCHEDULE OF COMPREHENSIVE INCOME

for the period ended 30 June 2019

	2019 \$'000	2018 \$'000	Original Budget \$'000
<b>EXPENSES</b>			
Impairment of receivables	5	-	-
Waivers	540	204	-
<b>Total expenses</b>	<b>545</b>	<b>204</b>	<b>-</b>
<b>LESS:</b>			
<b>Non-taxation revenue</b>			
Industry contribution levies	75,584	65,568	78,325
Fines	188	700,282	150
<b>Total non-taxation revenue</b>	<b>75,772</b>	<b>765,850</b>	<b>78,475</b>
<b>Total revenue</b>	<b>75,772</b>	<b>765,850</b>	<b>78,475</b>
<b>Total income</b>	<b>75,772</b>	<b>765,850</b>	<b>78,475</b>
<b>Net contribution by services</b>	<b>75,227</b>	<b>765,646</b>	<b>78,475</b>
<b>Surplus</b>	<b>75,227</b>	<b>765,646</b>	<b>78,475</b>

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

## Budget Variances Commentary

## Schedule of Administrative Comprehensive Income

The variance from budget in collections is a result of a reduction in costs to be recovered relating to legal fees refunded in AUSTRAC's Departmental accounts occurring after the budget was finalised.

## ADMINISTERED SCHEDULE OF ASSETS AND LIABILITIES

as at 30 June 2019

	2019 \$'000	2018 \$'000	Original Budget \$'000
<b>Assets administered on behalf of Government</b>			
<b>Financial assets</b>			
Cash and cash equivalents	-	-	1
Other receivables	-	700,001	-
<b>Total financial assets</b>	<b>-</b>	<b>700,001</b>	<b>1</b>
<b>Total assets administered on behalf of Government</b>	<b>-</b>	<b>700,001</b>	<b>1</b>

## Administered Schedule of Liabilities

As at 30 June 2019, there are no liabilities administered on behalf of Government (2018: Nil).

## Australian Transaction Reports and Analysis Centre

### ADMINISTERED RECONCILIATION SCHEDULE

for the period ended 30 June 2019

	2019 \$'000	2018 \$'000
<b>Opening assets less liabilities as at 1 July</b>	<b>700,001</b>	<b>1</b>
Surplus items:		
Net cost of services	75,227	765,646
Administered transfers to/from Australian Government:		
Special appropriation (unlimited)	87	57
Transfers to OPA	(775,315)	(65,703)
<b>Closing administered assets less administered liabilities as at 30 June</b>	<b>-</b>	<b>700,001</b>

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

### ADMINISTERED CASH FLOW STATEMENT

for the period ended 30 June 2019

	2019 \$'000	2018 \$'000	Original Budget \$'000
<b>Administered Cash Flows</b>			
<b>OPERATING ACTIVITIES</b>			
<b>Cash received</b>			
Fees and levies	75,128	65,421	78,325
Fines	700,187	282	150
<b>Total Cash received</b>	<b>775,315</b>	<b>65,703</b>	<b>78,475</b>
<b>Cash used</b>			
Refunds of fees and levies	(87)	(57)	-
<b>Total cash used</b>	<b>(87)</b>	<b>(57)</b>	<b>-</b>
<b>Net cash flows from (used by) operating activities</b>	<b>775,228</b>	<b>65,646</b>	<b>78,475</b>
<b>Net increase in Cash Held</b>	<b>775,228</b>	<b>65,646</b>	<b>78,475</b>
Cash and cash equivalents at the beginning of the reporting period	-	-	1
Cash from the Official Public Account for:			
Special appropriation (unlimited)	87	57	-
Cash to Official Public Account for:			
Administered receipts	(775,315)	(65,703)	(78,475)
	(775,228)	(65,646)	(78,475)
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>-</b>	<b>-</b>	<b>1</b>

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

#### Accounting Policy

##### Administered Cash Transfers to and from the Official Public Account

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

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

These transfers to and from the OPA are adjustments to the administered cash held by AUSTRAC on behalf of the Government and are reported as such in the schedule of administered cash flows.

## OVERVIEW

### Objectives of AUSTRAC

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

AUSTRAC is Australia's financial intelligence unit and anti-money laundering and counter-terrorism financing (AML/CTF) regulator. AUSTRAC's purpose is to build resilience in the financial system and use financial intelligence and regulation to disrupt money laundering, terrorism financing and other serious crime.

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

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

### Basis of Preparation of the Financial Statements

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

The financial statements have been prepared in accordance with:

- a) the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015* (FRR); and
- b) Australian Accounting Standards – Reduced Disclosure Requirements issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

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

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

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

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

### Recognition of Revenue

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

Funding received from external parties for services to be provided by AUSTRAC is recognised as revenue from rendering of services in accordance with AASB 1004 *Contributions*. For the period ended 30 June 2019, \$0.430 million has been recognised as revenue for which there is no matching expenditure (2018: \$2.263 million). The expenditure associated with delivery of the affected programs will be incurred and reported in future accounting periods.

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

### Significant Accounting Judgements and Estimates

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

### New Australian Accounting Standards

#### Adoption of New Australian Accounting Standards Requirements

There were no new, revised or amended standards and interpretations that were issued prior to the signing of the Statement by the Chief Executive Officer and Chief Finance Officer that were applicable to the current reporting period and that had a material effect on AUSTRAC's financial statements. AASB 9 came into effect after 1 July 2018 and has been assessed by management as having no material impact on the retrospective year. The standard has been applied for 2019.

#### Future Australian Accounting Standards Requirements

The following new standards were issued by the AASB prior to the sign-off date, which may have a financial impact on AUSTRAC for future reporting periods:

Accounting Standard	Application date	Nature of change
AASB 15 Revenue from contracts with customers	1 July 2019	For AUSTRAC, AASB 15 becomes mandatory for annual reporting periods beginning on or after 1 January 2019. The standard uses a five-step model to determine revenue recognition, which reinstates the principle of revenue recognition when a contracted performance obligation is satisfied.
AASB 16 Leases	1 July 2019	AUSTRAC expects to apply AASB 16 <i>Leases</i> from 2019–20. This Standard will require the net present value of payments under most operating leases to be recognised as assets and liabilities. The application of AASB 16 will have a material impact on the statement of financial position currently estimated at \$21.323 million in operating lease commitments as at 1 July 2019.

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

#### **Taxation**

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

#### **Events after the reporting period**

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

#### **Budget Variances**

The original budget shown in the financial statements is the budget first presented to Parliament in respect of the reporting period. For the year ended 30 June 2019, the budget is contained in AUSTRAC's 2018-19 Portfolio Budget Statements (PBS). Disclosure of budget variances has been made at management discretion.

#### **Reporting of Administered Activities**

Administered revenues, expenses, assets, liabilities and cash flows are disclosed in the schedule of administered items and related notes.

Except where otherwise stated below, administered items are accounted for on the same basis and using the same policies as for departmental items, including the application of Australian Accounting Standards.

#### Administered Revenue

Administered revenues comprise:

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

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

## 1. DEPARTMENTAL FINANCIAL PERFORMANCE

This section analyses AUSTRAC's financial performance for the year ended 30 June 2019

### 1.1 Expenses

	2019 \$'000	2018 \$'000
<b>1.1A Employee benefits</b>		
Wages and salaries	32,217	28,424
Superannuation:		
Defined contribution plans	1,646	1,891
Defined benefit plans	4,315	3,694
Leave and other entitlements	6,194	4,813
Separation and redundancies	761	1,607
Other	263	-
<b>Total employee benefits</b>	<b>45,396</b>	<b>40,429</b>

#### Accounting Policy

Accounting policies for employee related expenses are contained in the People and Relationships section.

### 1.1B Suppliers

#### Goods and services

Contracted services - Contractors	7,032	3,302
Contracted services - Consultants	3,926	1,475
IT maintenance	3,368	3,976
Travel	4,716	3,122
Property and office maintenance	2,718	2,048
Telecommunications	1,061	1,238
Other	2,933	1,649
<b>Total goods and services</b>	<b>25,754</b>	<b>16,810</b>

#### Goods and services are made up of:

Goods supplied	2,134	1,104
Services rendered	23,620	15,706
<b>Total goods and services</b>	<b>25,754</b>	<b>16,810</b>

#### Other supplier expenses

##### Operating lease rentals – external parties:

Minimum lease payments	5,135	4,915
Workers compensation expenses	106	135
<b>Total other supplier expenses</b>	<b>5,241</b>	<b>5,050</b>
<b>Total supplier expenses</b>	<b>30,995</b>	<b>21,860</b>

#### Leasing commitments

In its capacity as a lessee, AUSTRAC is engaged in four leasing arrangements for office premises. There are renewal options on all arrangements.

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

Within 1 year	5,590	5,382
Between 1 to 5 years	12,282	19,325
More than 5 years	9,295	14,271
<b>Total operating lease commitments</b>	<b>27,167</b>	<b>38,978</b>

Commitments are GST inclusive where relevant.

#### Accounting Policy

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



## 2. DEPARTMENTAL FINANCIAL POSITION

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

### 2.1 Financial Assets

	2019	2018
	\$'000	\$'000

#### 2.1A Cash and Cash Equivalents

Cash on hand or on deposit	2,374	1,859
<b>Total cash and cash equivalents</b>	<b>2,374</b>	<b>1,859</b>

#### 2.1B Trade and Other Receivables

Goods and services	408	2,711
<b>Total receivables for goods and services</b>	<b>408</b>	<b>2,711</b>

#### **Appropriations receivable:**

For existing programs	24,502	17,910
<b>Total appropriations receivable</b>	<b>24,502</b>	<b>17,910</b>

#### **Other receivables:**

GST receivable from the Australian Taxation Office	637	633
<b>Total other receivables</b>	<b>637</b>	<b>633</b>
<b>Total trade and other receivables (gross)</b>	<b>25,547</b>	<b>21,254</b>
<b>Less impairment loss allowance</b>	<b>(12)</b>	<b>-</b>
<b>Total trade and other receivables (net)</b>	<b>25,535</b>	<b>21,254</b>

#### **Receivables are expected to be recovered in:**

No more than 12 months	25,535	21,254
<b>Total trade and other receivables (net)</b>	<b>25,535</b>	<b>21,254</b>

#### **Trade and other receivables are aged as follows:**

Not overdue	25,129	20,834
Overdue by:		
0 to 30 days	357	280
31 to 60 days	35	95
61 to 90 days	1	11
More than 90 days	13	34
<b>Total trade and other receivables (net)</b>	<b>25,535</b>	<b>21,254</b>

Financial assets were assessed for impairment in accordance with the impairment policy stated below. No indicators of impairment were identified at 30 June 2019.

#### **Accounting Policy**

##### **Financial assets**

Financial assets are classified as loans and receivables and are assessed for impairment at the end of each reporting period. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Financial assets are recognised and derecognised upon trade date and are assessed for impairment at the end of each reporting period. AASB 9 classification treatment has not materially changed the impairment of receivables. Under AASB 9 expected credit losses are \$0.012 million (2018 Nil).

##### **Loans and Receivables**

Where loans and receivables are not subject to concessional treatment, they are carried at amortised cost using the effective interest method. Gains and losses due to impairment, derecognition and amortisation are recognised through the statement of comprehensive income.

## 2.2 Non-Financial Assets

### 2.2A Reconciliation of the Opening and Closing Balances of Property, Plant and Equipment and Intangibles

	Leasehold improvements \$'000	Property, plant and equipment \$'000	Intangibles <sup>1</sup> \$'000	Total \$'000
As at 1 July 2018				
Gross book value	8,252	18,407	30,077	56,736
Accumulated depreciation and impairment	( 1,765)	( 12,848)	( 15,083)	( 29,696)
<b>Total as at 1 July 2018</b>	<b>6,487</b>	<b>5,559</b>	<b>14,994</b>	<b>27,040</b>
Additions				
By purchase	635	2,466	500	3,601
Internally developed	-	-	2,791	2,791
Depreciation expense	( 851)	( 2,148)	( 2,432)	( 5,431)
Asset cost on assets disposed	-	( 1,232)	( 5,332)	( 6,564)
Accumulated depreciation on assets disposed	-	1,212	5,332	6,544
<b>Total as at 30 June 2019</b>	<b>6,271</b>	<b>5,857</b>	<b>15,853</b>	<b>27,981</b>
Totals as at 30 June 2019 are represented by:				
Gross book value	8,887	19,641	28,036	56,564
Accumulated depreciation and impairment	( 2,616)	( 13,784)	( 12,183)	( 28,583)
<b>Total as at 30 June 2019</b>	<b>6,271</b>	<b>5,857</b>	<b>15,853</b>	<b>27,981</b>

<sup>1</sup> The carrying amount of intangibles comprises additions of \$2.791 million of internally generated software (2018: \$3.908 million) and \$0.500 million of purchased software (2018: \$5,551 million).

Intangible assets were assessed for impairment in accordance with the impairment policy stated below. There were no impairments in 2019 (2018: Nil).

#### Revaluations of non-financial assets

All revaluations are conducted in accordance with the revaluation policy stated below. Leasehold improvements were not revalued in 2019 (2018: Nil). Property plant and equipment was not revalued in 2019 (2018: Nil).

#### Contractual commitments for the acquisition of property, plant, equipment and intangible assets

Contractual commitments for the acquisition of software maintenance for intangible assets includes \$1.000 million (inclusive of GST) over 2 years for a software supplier (2018: \$2.200 million inclusive of GST).

## Accounting Policy

Assets are recorded at cost of acquisition, except where stated below.

The cost of acquisition includes the fair value of assets transferred in exchange and liabilities undertaken. Financial assets are initially measured at their fair value plus transaction costs where appropriate.

### Asset Recognition Threshold

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

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

### Revaluations

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

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

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

Following initial recognition at cost, items of property, plant and equipment are carried at fair value less subsequent accumulated depreciation and accumulated impairment losses. Independent valuations are conducted with sufficient frequency to ensure that the carrying amounts of assets do not differ materially from the assets' fair values as at the reporting date. The frequency of independent valuations is dependent upon the volatility of movements in market values for relevant assets.

The most recent independent valuation was conducted during June 2017. The carrying values of assets were assessed by management at 30 June 2019 and no material differences between carrying values and fair values were identified.

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

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

### Depreciation

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

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

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

Asset class	2019	2018
Leasehold improvements	Lease term	Lease term
Property, plant and equipment	3 to 10 years from date of purchase	3 to 10 years from date of purchase

### Impairment

All assets were assessed for indications of impairment at 30 June 2019. Where indications of impairment exist, the recoverable amount of an asset is estimated and an impairment adjustment made if the recoverable amount is less than the carrying amount.

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

Derecognition

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

Intangibles

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

Software is amortised on a straight-line basis over its anticipated useful life. The useful lives of AUSTRAC's software are 1 to 10 years (2017-18: 1 to 10 years).

All software assets were assessed for indications of impairment as at 30 June 2019.

	2019 \$'000	2018 \$'000
<b><u>2.2B Other Non-Financial Assets</u></b>		
Prepayments	<u>3,000</u>	<u>2,172</u>
<b>Total other non-financial assets</b>	<u>3,000</u>	<u>2,172</u>

No indicators of impairment were found for other non-financial assets (2018: Nil).

## 2.3 Payables

	2019 \$'000	2018 \$'000
<b>2.3A Suppliers</b>		
Trade creditors and accruals	6,248	4,899
<b>Total suppliers</b>	<b>6,248</b>	<b>4,899</b>

Financial liabilities are assessed for impairment at the end of each reporting period based on expected credit losses. Refer to Note Overview for details.

Supplier payables are made within 30 days (2018: 30 days)

### Suppliers are expected to be settled in:

No more than 12 months <sup>1</sup>	6,248	3,412
More than 12 months	-	1,487
<b>Total suppliers</b>	<b>6,248</b>	<b>4,899</b>

<sup>1</sup>. Lease straightlining under AASB 16 will be written to equity on 1 July 2019. (Accruals contains \$1.861 million lease accruals).

## 2.3B Other Payables

Salaries and wages	507	855
Superannuation	57	59
Prepayments received/unearned income	-	874
Lease incentives <sup>1</sup>	4,074	4,524
Other	73	25
<b>Total other payables</b>	<b>4,711</b>	<b>6,337</b>

<sup>1</sup>. Lease incentives under AASB 16 will be written to equity on 1 July 2019. Refer to Note Overview for details.

## 2.4 Other Provisions

Provision for contracted services	54	448
<b>Total other provisions</b>	<b>54</b>	<b>448</b>

### Other provisions are expected to be settled in:

No more than 12 months	54	394
More than 12 months	-	54
<b>Total other provisions</b>	<b>54</b>	<b>448</b>

	Provision for contracted services \$'000	Total \$'000
<b>Total as at 1 July 2018</b>	448	448
Amounts Used	( 394)	(394)
<b>Total as at 30 June 2019</b>	54	54

AUSTRAC currently has no agreement for the leasing of premises which requires AUSTRAC to restore the premises to its original condition.

### 3. FUNDING

This section identifies AUSTRAC's funding structure.

#### 3.1 Appropriations

##### 3.1A Annual Appropriations (Recoverable GST exclusive)

2019 Appropriations					
	Annual Appropriation <sup>1,3</sup> \$'000	Adjustment to Appropriations <sup>2</sup> \$'000	Total appropriation \$'000	Appropriation applied in 2018 (current and prior years) \$'000	Variance <sup>4,5</sup> \$'000
<b>DEPARTMENTAL</b>					
Ordinary annual services	68,413	10,568	78,981	72,936	6,045
Capital budget <sup>3</sup>	3,046	-	3,046	3,067	(21)
Other services					
Equity	7,300	-	7,300	3,408	3,892
<b>Total departmental</b>	<b>78,759</b>	<b>10,568</b>	<b>89,327</b>	<b>79,411</b>	<b>9,916</b>

<sup>1</sup> In 2018-19 there were no adjustments that met the recognition criteria of a formal reduction in revenue (2018: Nil).

<sup>2</sup> Section 74 increase in revenue \$10.568 million (2018: \$6.964 million).

<sup>3</sup> Departmental capital budgets are appropriated through Appropriation Acts (No1,3,5). They form part of ordinary annual services, and are not separately identified in the Appropriation Acts.

<sup>4</sup> The variance relates to appropriation drawn down in the prior year and cash balances on hand at year end.

<sup>5</sup> The equity variance relates to planned project expenditure that had not been made at balance date.

2018 Appropriations					
	Annual Appropriation <sup>1,3</sup> \$'000	Adjustment to Appropriations <sup>2</sup> \$'000	Total appropriation \$'000	Appropriation applied in 2018 (current and prior years) \$'000	Variance <sup>4,5</sup> \$'000
<b>DEPARTMENTAL</b>					
Ordinary annual services	62,662	6,964	69,626	62,824	6,802
Capital budget <sup>3</sup>	3,061	-	3,061	361	2,700
Other services					
Equity	3,600	-	3,600	12,508	(8,908)
<b>Total departmental</b>	<b>69,323</b>	<b>6,964</b>	<b>76,287</b>	<b>75,693</b>	<b>594</b>

<sup>1</sup> In 2017-18 there was no adjustment that met the recognition criteria of a formal reduction in revenue (2017: \$0.007 million).

<sup>2</sup> Section 74 increase in revenue \$6.964 million (2017: \$9.866 million).

<sup>3</sup> Departmental Capital Budgets are appropriated through Appropriation Acts (No1,3,5). They form part of ordinary annual services, and are not separately identified in the Appropriation Acts.

<sup>4</sup> The variance relates to appropriation drawn down in the prior year and cash balances on hand at year end.

<sup>5</sup> The equity variance relates to planned project expenditure that had not been made at balance date.

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

	2019	2018
Authority	\$'000	\$'000
<i>Appropriation Act No.1 2015-16</i> <sup>1</sup>	-	21
<i>Appropriation Act No.1 2016-17</i> <sup>2</sup>	7	7
<i>Appropriation Act No.1 2017-18 Cash at bank and on hand</i>	-	1,859
<i>Appropriation Act No.1 2017-18</i>	-	13,772
<i>Appropriation Act No.1 2017-18 Departmental Capital Budget</i>	-	2,700
<i>Appropriation Act No.2 2017-18</i>	-	1,438
<i>Appropriation Act No.1 2018-19 Cash at bank and on hand</i>	2,374	
<i>Appropriation Act No.1 2018-19</i>	16,493	
<i>Appropriation Act No.1 2018-19 Departmental Capital Budget</i>	2,679	
<i>Appropriation Act No.2 2018-19</i>	5,330	
<b>Total</b>	<b>26,883</b>	<b>19,797</b>

<sup>1</sup> The full amount of this balance is quarantined under *Appropriation Act No.1 2015-16*.

<sup>2</sup> The full amount of this balance is quarantined under *Appropriation Act No 1 2016-17*.  
The 2018-19 appropriation acts are not affected by any quarantine arrangements.

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

Authority	Type	Purpose	Appropriation applied	2018
			2019	\$'000
Section 77, <i>Public Governance, Performance and Accountability Act 2013</i>	Refund	To provide an appropriation where an Act or other law requires or permits the repayment of an amount received by the Commonwealth and apart from this section there is no specific appropriation for the repayment	87	57
<b>Total special appropriations applied</b>			<b>87</b>	<b>57</b>

**3.2 Net Cash Appropriation Arrangements**

	2019	2018
	\$'000	\$'000
<b>Total comprehensive income/(loss) less depreciation and amortisation expenses previously funded through revenue appropriations<sup>1</sup></b>	<b>21</b>	<b>7,154</b>
Plus: depreciation/amortisation expenses previously funded through revenue appropriation	(5,431)	(4,928)
<b>Total comprehensive income/(loss) - as per statement of comprehensive income</b>	<b>(5,410)</b>	<b>2,226</b>

<sup>1</sup> 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.



## 4. PEOPLE and RELATIONSHIPS

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

	2019 \$'000	2018 \$'000
<b>4.1 Employee Provisions</b>		
Leave	<b>12,834</b>	10,385
<b>Total employee provisions</b>	<b>12,834</b>	10,385
<b>Employee provisions are expected to be settled in:</b>		
No more than 12 months	<b>10,843</b>	9,360
More than 12 months	<b>1,991</b>	1,025
<b>Total employee provisions</b>	<b>12,834</b>	10,385

### Accounting Policy

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

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

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

#### Leave

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

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

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

#### Superannuation

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

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

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

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

The liability for superannuation recognised as at 30 June 2019 represents outstanding contributions for the final fortnight of the year.

#### 4.2 Key Management Personnel Remuneration

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of AUSTRAC, directly or indirectly. AUSTRAC has determined the key management personnel to be the Minister for Home Affairs, the Minister for Law Enforcement and Cyber Security, the Chief Executive Officer and the three Deputy Chief Executive Officers.

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

	2019 \$	2018 \$
<b>Short-term employee benefits:</b>		
Salary	1,360,540	1,303,965
Other benefits and allowances - car parking	6,228	6,274
Short-term employee benefits	<u>1,366,768</u>	<u>1,310,239</u>
<b>Post-employment benefits:</b>		
Superannuation	163,027	189,046
Post-employment benefits	<u>163,027</u>	<u>189,046</u>
<b>Other long-term employee benefits:</b>		
Long-service leave	32,015	26,111
Other long-term employee benefits	<u>32,015</u>	<u>26,111</u>
<b>Termination benefits:</b>		
Eligible termination payments	-	48,548
Voluntary redundancy payments	-	55,857
Termination benefits	<u>-</u>	<u>104,405</u>
<b>Total key management personnel remuneration expenses</b>	<u>1,561,810</u>	<u>1,629,800</u>

The total number of key management personnel included in the above table is 4 (2018: 6 including part year arrangements).

#### 4.3 Related Party Disclosures

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

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

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

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

## **5. Managing Uncertainties**

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

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### **5.1 Contingent assets and liabilities**

#### **Quantifiable contingencies**

There are no departmental or administered quantifiable contingencies as at 30 June 2019 (2018: Nil).

#### **Unquantifiable contingencies**

There are no departmental unquantifiable contingencies as at 30 June 2019 (2018: Nil).

AUSTRAC has one administered unquantifiable matter subject to litigation through the Administrative Appeals Tribunal. The matter involves a reporting entity's dispute of their 2018-19 levy invoice. AUSTRAC is defending the matter. At the date of this report, AUSTRAC does not consider the outcome of this matter likely to have a significant effect on its operations or financial position.

#### **Significant Remote Contingencies**

There are no departmental or administered remote contingencies as at 30 June 2019 (2018: Nil).

#### **Accounting policy**

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

#### **Significant accounting judgements and estimates**

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

	2019 \$'000	2018 \$'000
<b>5.2 Categories of Financial Instruments</b>		
<b>Financial Assets under AASB 139</b>		
<b>Loans and receivables</b>		
Cash and cash equivalents		1,859
Goods and services receivable		2,711
<b>Total financial assets</b>		4,570
<b>Financial Assets under AASB 9</b>		
<b>Financial assets at amortised cost</b>		
Loans and receivables		
Cash and cash equivalents	2,374	
Goods and services receivable	408	
<b>Total financial assets at amortised cost</b>	2,782	
<b>Financial Liabilities</b>		
<b>Financial liabilities measured at amortised cost</b>		
Trade creditors at amortised cost	6,248	4,899
<b>Total financial liabilities measured at amortised cost</b>	6,248	4,899

**Classification of financial assets on the date of initial application of AASB 9**

		AASB 139 original classification	AASB 9 new classification	AASB 139 carrying amount at 1 July 2018 \$'000	AASB 9 carrying amount at 1 July 2018 \$'000
<b>Financial assets class</b>	<b>Note</b>				
Cash and Cash Equivalents	2.1A	Loans and receivables	Amortised Cost	1,859	1,859
Goods and services receivable	2.1B	Loans and receivables	Amortised Cost	2,711	2,711
				4,570	4,570

## **Accounting Policy**

### **Financial assets**

With the implementation of AASB 9 *Financial Instruments* for the first time in 2019, AUSTRAC classifies its financial assets at amortised cost.

Financial assets are recognised when the entity becomes a party to the contract and, as a consequence, has a legal right to receive or a legal obligation to pay cash and derecognised when the contractual rights to the cash flows from the financial asset expire or are transferred upon trade date.

Comparatives have not been restated on initial application.

#### *Financial Assets at Amortised Cost*

Financial assets included in this category are held in order to collect the contractual cash flows and the cash flows are solely payments of principal and interest (SPPI) on the principal outstanding amount.

Amortised cost is determined using the effective interest method.

#### *Impairment of Financial Assets*

Financial assets are assessed for impairment at the end of each reporting period based on Expected Credit Losses.

The simplified approach for trade receivables is used. This approach always measures the loss allowance as the amount equal to the lifetime expected credit losses.

A write-off constitutes a derecognition event where the write-off directly reduces the gross carrying amount of the financial asset.

### **Financial liabilities**

Financial liabilities are recognised and derecognised upon 'trade date'.

#### *Financial Liabilities at Amortised Cost*

Financial liabilities are initially measured at fair value, net of transaction costs. These liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective interest basis.

Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced).

**6. Other Information****Aggregate assets and liabilities**

<b>Aggregate assets and liabilities</b>	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Assets expected to be recovered in:</b>		
No more than 12 months	<b>30,674</b>	24,777
More than 12 months	<b>28,215</b>	27,547
<b>Total assets</b>	<b>58,889</b>	52,324
<b>Liabilities expected to be settled in:</b>		
No more than 12 months	<b>21,855</b>	15,429
More than 12 months	<b>1,991</b>	6,640
<b>Total liabilities</b>	<b>23,846</b>	22,069

**Administered aggregate assets**

	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Assets expected to be recovered in:</b>		
No more than 12 months	-	1
<b>Total assets</b>	-	1

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## APPENDICES



# LIST OF REQUIREMENTS

Below is the table set out in Schedule 2 of the PGPA Rule. Section 17AJ(d) requires this table be included in entities annual reports as an aid to access.

PGPA Rule Reference	Page of Report	Description	Requirement
17AD(g)	<b>Letter of transmittal</b>		Mandatory
17AI	ii	A copy of the letter of transmittal signed and dated by accountable authority on date final text approved, with statement that the report has been prepared in accordance with section 46 of the Act and any enabling legislation that specifies additional requirements in relation to the annual report.	Mandatory
17AD(h)	<b>Aids to access</b>		
17AJ(a)	iii	Table of contents.	Mandatory
17AJ(b)	144	Alphabetical index.	Mandatory
17AJ(c)	142-143	Glossary of abbreviations and acronyms.	Mandatory
17AJ(d)	129-142	List of requirements.	Mandatory
17AJ(e)	i	Details of contact officer.	Mandatory
17AJ(f)	i	Entity’s website address.	Mandatory
17AJ(g)	i	Electronic address of report.	Mandatory



PGPA Rule Reference	Page of Report	Description	Requirement
17AD(a)	<b>Review by accountable authority</b>		
17AD(a)	1-4	A review by the accountable authority of the entity.	Mandatory
17AD(b)	<b>Overview of the entity</b>		
17AE(1)(a)(i)	5	A description of the role and functions of the entity.	Mandatory
17AE(1)(a)(ii)	11	A description of the organisational structure of the entity.	Mandatory
17AE(1)(a)(iii)	7	A description of the outcomes and programmes administered by the entity.	Mandatory
17AE(1)(a)(iv)	4-7	A description of the purposes of the entity as included in corporate plan.	Mandatory
17AE(1)(aa)(i)	1	Name of the accountable authority or each member of the accountable authority	Mandatory
17AE(1)(aa)(ii)	1	Position title of the accountable authority or each member of the accountable authority	Mandatory
17AE(1)(aa)(iii)	1	Period as the accountable authority or member of the accountable authority within the reporting period	Mandatory
17AE(1)(b)	N/A	An outline of the structure of the portfolio of the entity.	Portfolio departments mandatory

PGPA Rule Reference	Page of Report	Description	Requirement
17AE(2)	N/A	Where the outcomes and programs administered by the entity differ from any Portfolio Budget Statement, Portfolio Additional Estimates Statement or other portfolio estimates statement that was prepared for the entity for the period, include details of variation and reasons for change.	If applicable, Mandatory
17AD(c)	<b>Report on the Performance of the entity</b>		
	<b><i>Annual Performance Statements</i></b>		
17AD(c)(i); 16F	20-56	Annual performance statements in accordance with paragraph 39(1)(b) of the Act and section 16F of the Rule.	Mandatory
17AD(c)(ii)	<b><i>Report on Financial Performance</i></b>		
17AF(1)(a)	96-127	A discussion and analysis of the entity's financial performance.	Mandatory
17AF(1)(b)	99	A table summarising the total resources and total payments of the entity.	Mandatory

PGPA Rule Reference	Page of Report	Description	Requirement
17AF(2)	97	If there may be significant changes in the financial results during or after the previous or current reporting period, information on those changes, including: the cause of any operating loss of the entity; how the entity has responded to the loss and the actions that have been taken in relation to the loss; and any matter or circumstances that it can reasonably be anticipated will have a significant impact on the entity's future operation or financial results.	If applicable, Mandatory.
17AD(d)	<b>Management and Accountability</b>		
	<b>Corporate Governance</b>		
17AG(2)(a)	ii,57	Information on compliance with section 10 (fraud systems)	Mandatory
17AG(2)(b)(i)	ii	A certification by accountable authority that fraud risk assessments and fraud control plans have been prepared.	Mandatory
17AG(2)(b)(ii)	ii,57	A certification by accountable authority that appropriate mechanisms for preventing, detecting incidents of, investigating or otherwise dealing with, and recording or reporting fraud that meet the specific needs of the entity are in place.	Mandatory

PGPA Rule Reference	Page of Report	Description	Requirement
17AG(2)(b) (iii)	ii,57	A certification by accountable authority that all reasonable measures have been taken to deal appropriately with fraud relating to the entity.	Mandatory
17AG(2)(c)	58-61	An outline of structures and processes in place for the entity to implement principles and objectives of corporate governance.	Mandatory
17AG(2)(d) – (e)	62	A statement of significant issues reported to Minister under paragraph 19(1)(e) of the Act that relates to noncompliance with Finance law and action taken to remedy noncompliance.	If applicable, Mandatory
<b>External Scrutiny</b>			
17AG(3)	62	Information on the most significant developments in external scrutiny and the entity's response to the scrutiny.	Mandatory
17AG(3)(a)	62	Information on judicial decisions and decisions of administrative tribunals and by the Australian Information Commissioner that may have a significant effect on the operations of the entity.	If applicable, Mandatory

PGPA Rule Reference	Page of Report	Description	Requirement
17AG(3)(b)	62	Information on any reports on operations of the entity by the Auditor-General (other than report under section 43 of the Act), a Parliamentary Committee, or the Commonwealth Ombudsman.	If applicable, Mandatory
17AG(3)(c)	62	Information on any capability reviews on the entity that were released during the period.	If applicable, Mandatory
<b>Management of Human Resources</b>			
17AG(4)(a)	68-95	An assessment of the entity's effectiveness in managing and developing employees to achieve entity objectives.	Mandatory
17AG(4)(aa)	75-90	Statistics on the entity's employees on an ongoing and non-ongoing basis, including the following:  (a) statistics on fulltime employees;  (b) statistics on parttime employees;  (c) statistics on gender  (d) statistics on staff location	Mandatory

PGPA Rule Reference	Page of Report	Description	Requirement
17AG(4)(b)	75-90	<p>Statistics on the entity's APS employees on an ongoing and non-ongoing basis; including the following:</p> <ul style="list-style-type: none"> <li>Statistics on staffing classification level;</li> <li>Statistics on fulltime employees;</li> <li>Statistics on parttime employees;</li> <li>Statistics on gender;</li> <li>Statistics on staff location;</li> <li>Statistics on employees who identify as Indigenous.</li> </ul>	Mandatory
17AG(4)(c)	69-70	Information on any enterprise agreements, individual flexibility arrangements, Australian workplace agreements, common law contracts and determinations under subsection 24(1) of the <i>Public Service Act 1999</i> .	Mandatory
17AG(4)(c)(i)	70	Information on the number of SES and non-SES employees covered by agreements etc identified in paragraph 17AG(4)(c).	Mandatory
17AG(4)(c)(ii)	89	The salary ranges available for APS employees by classification level.	Mandatory
17AG(4)(c)(iii)	70	A description of nonsalary benefits provided to employees.	Mandatory

PGPA Rule Reference	Page of Report	Description	Requirement
17AG(4)(d)(i)	70	Information on the number of employees at each classification level who received performance pay.	If applicable, Mandatory
17AG(4)(d)(ii)	N/A	Information on aggregate amounts of performance pay at each classification level.	If applicable, Mandatory
17AG(4)(d)(iii)	N/A	Information on the average amount of performance payment, and range of such payments, at each classification level.	If applicable, Mandatory
17AG(4)(d)(iv)	N/A	Information on aggregate amount of performance payments.	If applicable, Mandatory
	<b><i>Assets Management</i></b>		
17AG(5)	62	An assessment of effectiveness of assets management where asset management is a significant part of the entity's activities	If applicable, mandatory
	<b><i>Purchasing</i></b>		
17AG(6)	62	An assessment of entity performance against the Commonwealth Procurement Rules.	Mandatory

PGPA Rule Reference	Page of Report	Description	Requirement
	<b>Consultants</b>		
17AG(7)(a)	63	A summary statement detailing the number of new contracts engaging consultants entered into during the period; the total actual expenditure on all new consultancy contracts entered into during the period (inclusive of GST); the number of ongoing consultancy contracts that were entered into during a previous reporting period; and the total actual expenditure in the reporting year on the ongoing consultancy contracts (inclusive of GST).	Mandatory
17AG(7)(b)	63	A statement that “During [reporting period], [specified number] new consultancy contracts were entered into involving total actual expenditure of \$[specified million]. In addition, [specified number] ongoing consultancy contracts were active during the period, involving total actual expenditure of \$[specified million].”	Mandatory
17AG(7)(c)	63	A summary of the policies and procedures for selecting and engaging consultants and the main categories of purposes for which consultants were selected and engaged.	Mandatory



PGPA Rule Reference	Page of Report	Description	Requirement
17AG(7)(d)	63	A statement that "Annual reports contain information about actual expenditure on contracts for consultancies. Information on the value of contracts and consultancies is available on the AusTender website."	Mandatory
<b>Australian National Audit Office Access Clauses</b>			
17AG(8)	64	If an entity entered into a contract with a value of more than \$100 000 (inclusive of GST) and the contract did not provide the AuditorGeneral with access to the contractor's premises, the report must include the name of the contractor, purpose and value of the contract, and the reason why a clause allowing access was not included in the contract.	If applicable, Mandatory
<b>Exempt contracts</b>			
17AG(9)	63	If an entity entered into a contract or there is a standing offer with a value greater than \$10 000 (inclusive of GST) which has been exempted from being published in AusTender because it would disclose exempt matters under the FOI Act, the annual report must include a statement that the contract or standing offer has been exempted, and the value of the contract or standing offer, to the extent that doing so does not disclose the exempt matters.	If applicable, Mandatory

PGPA Rule Reference	Page of Report	Description	Requirement
	<b><i>Small business</i></b>		
17AG(10)(a)	65	A statement that “[Name of entity] supports small business participation in the Commonwealth Government procurement market. Small and Medium Enterprises (SME) and Small Enterprise participation statistics are available on the Department of Finance’s website.”	Mandatory
17AG(10)(b)	65	An outline of the ways in which the procurement practices of the entity support small and medium enterprises.	Mandatory
17AG(10)(c)	65	If the entity is considered by the Department administered by the Finance Minister as material in nature—a statement that “[Name of entity] recognises the importance of ensuring that small businesses are paid on time. The results of the Survey of Australian Government Payments to Small Business are available on the Treasury’s website.”	If applicable, Mandatory
	<b><i>Financial Statements</i></b>		
17AD(e)	100-127	Inclusion of the annual financial statements in accordance with subsection 43(4) of the Act.	Mandatory

PGPA Rule Reference	Page of Report	Description	Requirement
	<b><i>Executive Remuneration</i></b>		
17AD(da)	90-95	Information about executive remuneration in accordance with Subdivision C of Division 3A of Part 23 of the Rule.	Mandatory
17AD(f)	<b><i>Other Mandatory Information</i></b>		
17AH(1)(a)(i)	70	If the entity conducted advertising campaigns, a statement that “During [reporting period], the [name of entity] conducted the following advertising campaigns: [name of advertising campaigns undertaken]. Further information on those advertising campaigns is available at [address of entity’s website] and in the reports on Australian Government advertising prepared by the Department of Finance. Those reports are available on the Department of Finance’s website.”	If applicable, Mandatory
17AH(1)(a)(ii)	65	If the entity did not conduct advertising campaigns, a statement to that effect.	If applicable, Mandatory
17AH(1)(b)	65	A statement that “Information on grants awarded by [name of entity] during [reporting period] is available at [address of entity’s website].”	If applicable, Mandatory
17AH(1)(c)	72	Outline of mechanisms of disability reporting, including reference to website for further information.	Mandatory

PGPA Rule Reference	Page of Report	Description	Requirement
17AH(1)(d)	66	Website reference to where the entity's Information Publication Scheme statement pursuant to Part II of FOI Act can be found.	Mandatory
17AH(1)(e)	67	Correction of material errors in previous annual report	If applicable, mandatory
17AH(2)	66, 74, 97	Information required by other legislation	Mandatory

## GLOSSARY

Abbreviation/acronym	Description
ACLEI	Australian Commission for Law Enforcement Integrity
AML/CTF	anti-money laundering and counter-terrorism financing
AML/CTF Act	<i>Anti-Money Laundering and Counter-Terrorism Financing Act 2006</i>
AMLC	Anti-Money Laundering Council (the Philippines' FIU)
APG	Asia/Pacific Group on Money Laundering
APS	Australian Public Service
ASEAN	Association of Southeast Asian Nations
AUSTRAC	Australian Transaction Reports and Analysis Centre
CEO	Chief Executive Officer
DCE	digital currency exchange
Egmont	The Egmont Group (a united body of FIUs)
FIAC	Financial Intelligence Analyst Course
FinTech	financial technology
FIU	financial intelligence unit
FOI Act	<i>Freedom of Information Act 1988</i>

Abbreviation/acronym	Description
<b>FTR Act</b>	<i>Financial Transaction Reports Act 1988</i>
<b>IFA</b>	Individual flexibility arrangement
<b>IPS</b>	Information Publication Scheme
<b>ML/TF</b>	money laundering/terrorism financing
<b>MOU</b>	memorandum of understanding
<b>PBS</b>	Portfolio Budget Statement
<b>PCC</b>	Privacy Consultative Committee
<b>PGPA Act</b>	<i>Public Governance, Performance and Accountability Act 2013</i>
<b>PGPA Rule</b>	Public Governance, Performance and Accountability Rule 2014
<b>PPATK</b>	Pusat Pelaporan dan Analisis Transaksi Keuangan (the Indonesian FIU)
<b>RegTech</b>	regulatory technology
<b>SES</b>	Senior Executive Service (in the APS)
<b>SMR</b>	suspicious matter report (under the AML/CTF Act)
<b>WHS Act</b>	<i>Work Health and Safety Act 2011</i>

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