



Australian Government

AUSTRAC

FIGHTING
FINANCIAL
CRIME
TOGETHER



2020–
21 AUSTRAC
ANNUAL REPORT

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Australian Government

AUSTRAC

Chief Executive Officer

13 September 2021

The Hon Karen Andrews 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 2021 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

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

Nicole Rose PSM
Chief Executive Officer

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AUSTRAC YEAR IN REVIEW 2020-21

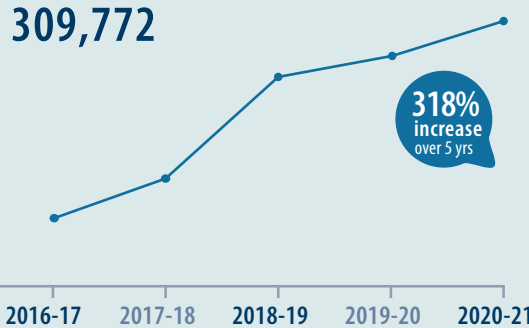
DISCOVER



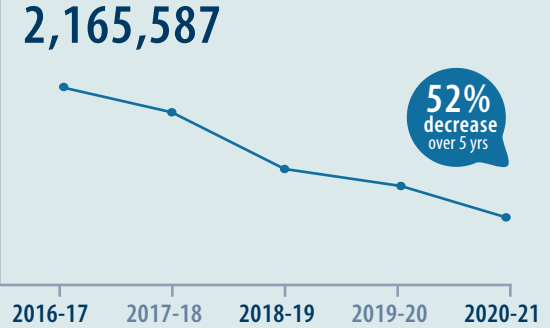
Number of
reporting
entities

16,435

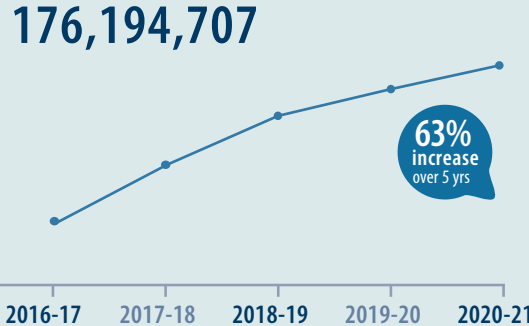
Suspicious Matter Reports
309,772



Threshold Transaction Reports
2,165,587



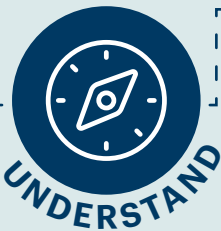
International Funds Transfer Instruction
176,194,707



Total international information exchanges = 1,200

UK	USA	New Zealand	Singapore	Malaysia
199	134	125	63	39

102 International MOUs



TOP FIVE AUSTRAC intelligence products



Important note: As an intelligence product may cover one or more crime types, crime type reporting volumes will always be greater than the sum of actual products.

2,355

ATO cases used
AUSTRAC's financial
intelligence capability

\$38
MILLION
revenue



200

Learning and
development
opportunities

88 PROVIDERS

AUSTRAC STUDIES ASSISTANCE PROGRAM

18

Employees
commenced
study



STREAMLINING
OPPORTUNITIES

OPTIMISE



100%

STREAMLINING
OPPORTUNITIES
REALISED AN EFFICIENCY

DISRUPT



FINTEL ALLIANCE

29 Partners

5,258 SMRs lodged on
Fintel Alliance
areas of focus

243 intelligence
products



\$1.3
BILLION
PENALTY



WESTPAC

23 MILLION BREACHES

FAILING TO REPORT
19.5 MILLION IFTIS
WORTH \$11B

STRENGTHEN



ANALYST WORK BENCH (AWB)



6,355,212 SEARCHES
(13,000 QUERIES PER DAY)



4,600+ users

ACROSS 35 AGENCIES

235%
increase

143

TRAINING
COURSES



Financial Intelligence
Analyst Course



Open source
intelligence training



AML/CTF Act Phase 1.5
amendments training

1,200 PARTICIPANTS





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CEO
REVIEW

2020-21 AT AUSTRAC

The past year has been one of transformation for AUSTRAC. Despite the challenges posed by the ongoing COVID-19 pandemic, AUSTRAC has leveraged the benefits of our dual function as Australia's financial intelligence unit (FIU) and anti-money laundering and counter-terrorism financing (AML/CTF) regulator to evolve and ensure we are fit-for-purpose for the future whilst continuing to deliver positive outcomes in protecting the Australian community and securing Australia's financial system.

Through this year, AUSTRAC has raised awareness of the harm money laundering poses to the community, disrupted serious and organised crime, supported our regulated population detect and counter criminal exploitation of the financial system, and contributed to significant multi-agency operations and task forces.

RESPONSE TO COVID-19

Adapting to the challenges posed by the COVID-19 pandemic, including through recognising the benefits flexible work arrangements provide to our geographically diverse workforce, we have been able to continue to meet the expectations of the Australian community in safeguarding the financial system and deliver strong operational results. We strive to remain an employer of choice and against the backdrop of restrictions, stay-at-home orders and varying return-

to-work stages across our offices, we have embedded flexible work arrangements within our workplace culture. Meeting the needs of our diverse workforce, we have provided employees with flexibility and balanced their wellbeing and productivity with innovation and collaboration benefits that face-to-face interactions in the office brings.

Unfortunately, the COVID-19 pandemic has brought out elements of society that try to take advantage of the range of support payments implemented by the Government. Working with a range of non-traditional partners such as Services Australia and the National Disability Insurance Agency, AUSTRAC information facilitated the identification and disruption of fraudulent claims and requests for assistance. Over the coming year, we will continue to support the Australian community, particularly those more vulnerable, during this time of hardship, supporting our partners in delivering payments to those that genuinely need them, whilst delivering guidance and support to our regulated population to ensure they continue to meet their AML/CTF obligations.



FIGHTING FINANCIAL CRIME WITH DOMESTIC AND INTERNATIONAL PARTNERS

AUSTRAC remains a trusted, reliable and valuable partner to law enforcement and National Intelligence Community agencies. Through our specialist advice and experience, we provide a unique perspective to law enforcement and national security operations. The cooperation, collaboration and commitment AUSTRAC has with industry, government and international partners has driven AUSTRAC's operational outcomes this year. Through our collaborative efforts, AUSTRAC's unique and valued intelligence and regulatory information has assisted our partners in combatting a large number of threats to the Australian and international community.

AUSTRAC provided unique, specialist, multi-disciplinary capabilities in support of Operation Ironside – the Australian component of a long-term, international, covert investigation into organised crime using encrypted communications, resulting in over 200 arrests and the seizure of more than 3 tonnes of drugs, 100 weapons and in excess of \$44.9 million in cash at the time of reporting. In addition to AUSTRAC's specialist expertise, industry and government partners within AUSTRAC's public-private partnership, Fintel Alliance, provided unique real-time insights that assisted in the identification of a large value of assets that would otherwise have gone undetected.

Fintel Alliance continues to be the world class in protecting Australians and highlights the unique nature of AUSTRAC's dual role as regulator and FIU. In 2020-21, Fintel Alliance demonstrated enhanced collaboration by acting as the lynchpin

in a child sexual abuse investigation in the Philippines by identifying the flow of funds from Australian citizens to disrupt child sexual abuse occurring there. This contribution by Fintel Alliance was directly responsible for the rescue of victims of child sexual abuse.

We have continued solidifying our relationships with international partners despite challenges posed by travel restrictions. We have worked with our Pacific Island partners to provide them training and resources to improve their AML/CTF capabilities, and AUSTRAC received funding for the ongoing deployment of officers to the United Kingdom, the United States of America, Malaysia and China. We will continue building on the strong relationships with our global partners, particularly those in the Asia-Pacific and Five Eyes, to deliver positive strategic and operational outcomes for Australia.

DETERRING NON-COMPLIANCE THROUGH SUCCESSFUL REGULATORY AND ENFORCEMENT ACTIONS

The severe consequences facing businesses who fail to comply and appropriately manage their money laundering and terrorism risks were clearly demonstrated through AUSTRAC's enforcement activities this year. Following Westpac's admission of breaching the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (AML/CTF Act) on over 23 million occasions, the Federal Court of Australia ordered a civil penalty totalling \$1.3 billion—the highest civil penalty in Australian history. The magnitude of the penalty illustrates the seriousness of the risks posed by criminal exploitation of Australians and Australian

businesses, and the importance of regulated businesses serving as the first line of defence against criminal abuse of our financial system. It is imperative we engage with and ensure our Industry partners are in lockstep with AUSTRAC's fight against financial abuse.

In addition to the outcomes achieved through successful civil penalty proceedings in 2020-21, AUSTRAC drew upon various regulatory interventions and enforcement powers to address non-compliance and encourage the appropriate management of money laundering risks by our regulated population. We have also ensured our regulatory outreach and education programs foster a culture of understanding and voluntary compliance to reduce the need for us to utilise the regulatory and enforcement powers we have.

Whilst deterrence of non-compliance is required, we also understand the AML/CTF Act can be complex and difficult to understand. This year we commenced our legislative reform program that seeks to strengthen and simplify Australia's AML/CTF regulatory regime. These reforms make compliance obligations clearer, and help protect businesses and the community from the harms of money laundering, terrorism financing and other serious crimes.

INVESTING IN UPLIFTING OUR CAPABILITIES FOR IMPROVED REGULATORY OUTCOMES

AUSTRAC has benefited from a \$104.9 million injection of funding to strengthen our capacity to combat serious financial crime and to protect Australia's financial system from criminal activities. We are using this funding to deliver a modern, industry reporting and engagement

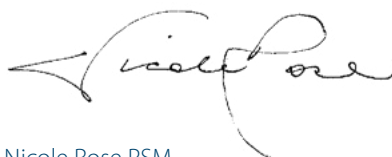
system and bolster our expert regulatory and enforcement staff to more proactively target and treat non-compliance amid the large and increasing numbers of reports submitted to the agency by industry.

The development of the new industry reporting system will result in AUSTRAC's more than 16,000 reporting entities being able to more easily submit reports and comply with their AML/CTF obligations. The system is being developed in close consultation with our reporting entities as we ensure user needs are at the centre of the system design and build.

LOOKING AHEAD

The year ahead is an exciting one for AUSTRAC, as we continue the implementation of our capability uplift to support our industry partners in meeting their AML/CTF obligations, consider opportunities for further legislative reform to simplify the AML/CTF Act, and continue to provide our unique expertise to our private and public partners, both in Australia and overseas.

I am proud of the professionalism and resilience AUSTRAC staff have demonstrated during these uncertain and disruptive times, having remained committed to AUSTRAC's mission and delivering such meaningful outcomes to protect Australia's financial system.



Nicole Rose PSM
Chief Executive Officer
AUSTRAC

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10






AGENCY
OVERVIEW

Our vision: A financial system free from criminal abuse.

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

Our purpose: To build resilience in the financial system, and use financial intelligence and regulation to disrupt money laundering, terrorism financing, and other serious and organised crime.

To execute our purpose, AUSTRAC focuses on five strategic pillars:

DISCOVER	UNDERSTAND	STRENGTHEN	DISRUPT	OPTIMISE
				
Identify new and emerging risks posed by criminals who seek to exploit our financial system.	Develop and share a comprehensive understanding of vulnerabilities to criminal exploitation within our financial system.	Ensure risks within our financial system are mitigated with effective prevention and monitoring controls.	Collaborate with our partners to disrupt criminal abuse of the financial system.	Continuously evolve and adapt our business operations to improve our efficiency, effectiveness and sustainability in a dynamic operating environment.

ROLE AND FUNCTIONS

As Australia's anti-money laundering and counter-terrorism financing (AML/CTF) regulator and financial intelligence unit (FIU), the Australian Transaction Reports and Analysis Centre (AUSTRAC) is responsible for detecting, deterring, and disrupting criminal abuse of the Australian financial system to protect the Australian community from serious and organised crime. AUSTRAC's unique value is its dual, interconnected regulation and intelligence functions, and its collaboration with industry and government partners in working toward the vision of a financial system free from criminal abuse. AUSTRAC's regulation hardens the financial sector against criminal exploitation, while its intelligence provides crucial information to national security and law enforcement partners.

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.

AUSTRAC regulates more than 16,000 individuals, businesses and organisations to ensure they have robust AML/CTF processes and systems in place and can effectively identify and mitigate the risks associated with criminal exploitation of the financial system. We analyse and generate financial intelligence based on suspicious matter and other reports provided by our reporting entities every day.

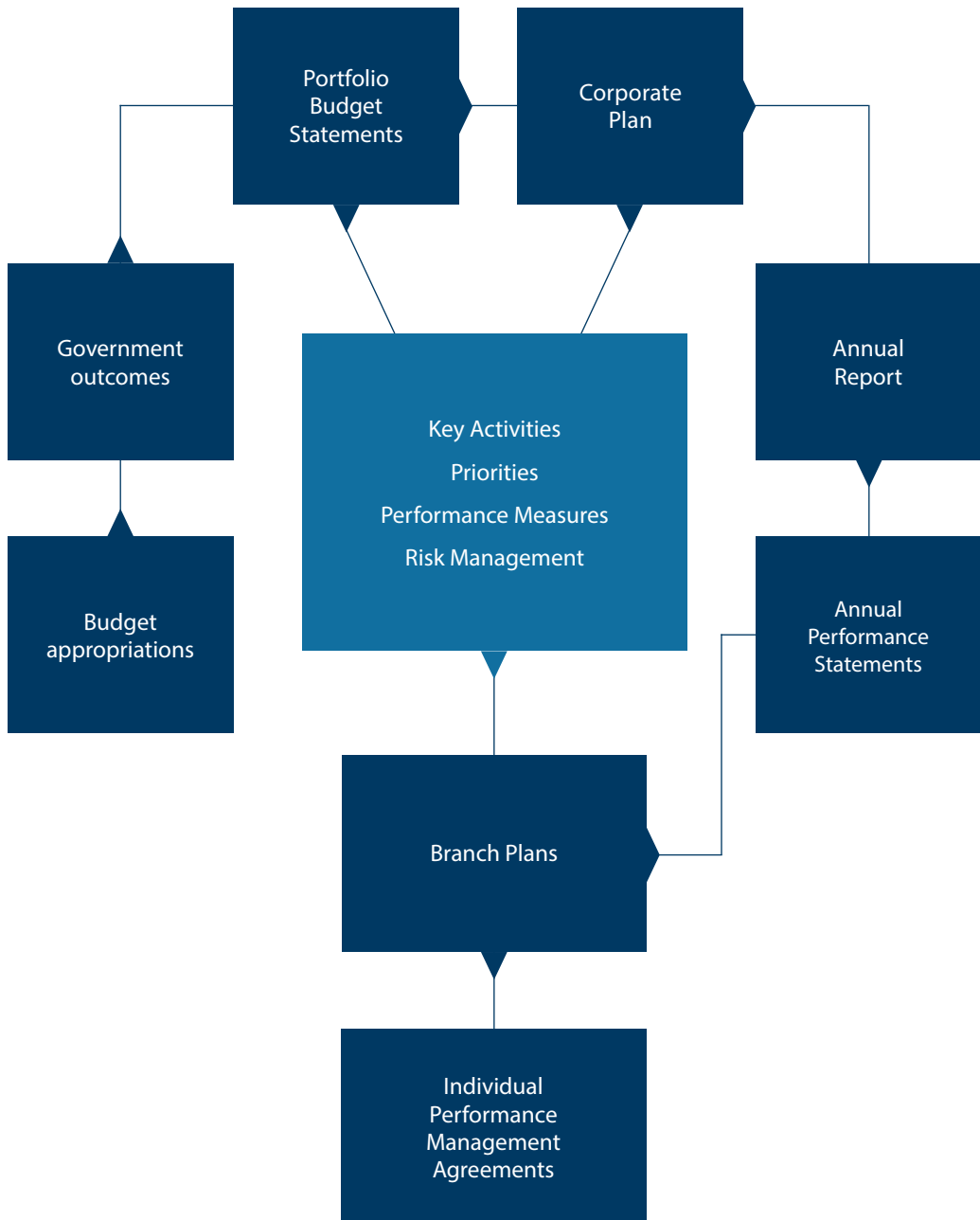
Our intelligence analysts draw upon these transaction reports, combined with other information sources, to identify risks and threats. Our unique financial intelligence expertise enables us to develop targeted intelligence products to support the investigation and prosecution of serious criminal activity by law enforcement and national security agencies. We also use this information to educate industry to help build the resilience of Australian businesses in detecting and mitigating criminal abuse of the financial system.

AUSTRAC remains committed to optimising the way we work through generating long-term efficiencies and uplifting agency capability. These efforts will be undertaken in close collaboration with the Home Affairs Portfolio to ensure all agencies derive the benefits associated with aligning common administrative services and maximising the collective advantage of working towards the Portfolio's outcomes.

OUR PLANNING AND PERFORMANCE FRAMEWORKS

AUSTRAC's strategic planning and performance reporting frameworks are governed by the *Public Governance, Performance and Accountability Act 2013*. Our performance reporting framework uses agency-wide internal reporting processes to measure AUSTRAC's ability to deliver on our purpose and report this in our annual performance statements in each annual report. Together our planning and performance frameworks link our purpose, priorities and performance measures and ensure alignment between the performance information in our Portfolio Budget Statements, corporate plans and internal plans and reports.

The annual performance statements in this report (see pages 30-91) detail our progress against the performance measures in our 2020-24 corporate plan.





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OUR
CAPABILITIES



KEY CAPABILITIES

As outlined in the 2020-24 corporate plan, AUSTRAC's effectiveness relies upon several key capabilities—our regulatory and intelligence capabilities, our work internationally, our expertise with data and analytics, and our people and corporate enablers. These capabilities are structured into three divisions as shown in the organisation chart on page 22.

Regulation

As Australia's anti-money laundering and counter-terrorism financing regulator, AUSTRAC regulates more than 16,000 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.

Our approach is risk-based, ensuring that our resources are allocated to best manage money laundering and terrorism financing risks across the Australian financial system, and that our interactions with regulated entities are aligned to their needs and circumstances.

Reporting entities' obligations include identifying, understanding and mitigating money laundering and terrorism financing risks, and reporting financial transactions and suspicious activity to AUSTRAC.

Our regulatory activities also include:

- identifying new and emerging risks
- identifying and collecting data to generate regulatory insights
- using regulatory insights to assess industry vulnerabilities and threats to Australia's financial sector
- influencing industry to improve risk identification and management
- educating entities on risks and compliance to assist them to comply
- taking a risk-based approach to how we handle non-compliant reporting entities
- taking enforcement action against reporting entities that is proportionate to the nature of, and harm resulting from, the non-compliance with the AML/CTF Act.

Following the \$104.9 million funding boost received by AUSTRAC in the 2020-21 Federal Budget, we are now able to dedicate more resources to ensuring regulated businesses comply with their anti-money laundering and counter-terrorism financing obligations, and increase the detection of non-compliance. The funding will also allow AUSTRAC to deliver an enhanced reporting and engagement system, making it easier for our reporting entities to fulfil their compliance obligations.

In 2020-21 our regulatory functions were undertaken by AUSTRAC's Regulation, Education and Policy Division. In addition to the agency's regulatory functions, Strategic Communications are also part of this division.

Intelligence

As Australia's financial intelligence unit (FIU), AUSTRAC collects, collates and analyses information from the thousands of entities we regulate to disseminate actionable financial intelligence and insights to partners. Our financial intelligence analysts use this information in conjunction with a range of other data sources and specialised analytical tools and methodologies to enhance financial intelligence and reporting related to the most significant threats against Australia's national security and crimes including money laundering, terrorism financing, drug trafficking, child exploitation, cybercrime, fraud and other forms of serious and organised crime.

AUSTRAC is a member of the National Intelligence Community and the Home Affairs Portfolio. We work seamlessly with Commonwealth, State and Territory law enforcement, revenue, border and national security intelligence agencies to protect Australia from those who might do us harm. In addition to specialised financial intelligence, we also supply those partners with near-real time feeds of financial indicators.

Effective partnerships are critical in the provision of timely, accurate and actionable financial intelligence. We draw extensively on our relationships with domestic partners, industry, and our international counterpart FIUs. We work with industry primarily through the Fintel Alliance (AUSTRAC's public-private partnership), which has proven to be a world-class example of the benefit of collaboration and information sharing between public and private partners. Harnessing the capabilities of Fintel Alliance members continues to improve our understanding of money laundering and terrorism financing risks, enrich AUSTRAC's risk assessments, enhance the value of industry reporting and make valuable contributions to operational and law enforcement outcomes.

AUSTRAC's intelligence capability is also deeply integrated with, and enabled by, our international partnerships. Working with international partners continues to realise strategic and operational value for AUSTRAC in understanding new and evolving threats quickly and generating timely and actionable financial intelligence. This work is enabled by overseas posted staff, international networks and our strong presence in regional and international forums, including the Financial Action Task Force, the Global Coalition to Fight Financial Crime, Egmont Group of FIUs and Asia Pacific Group on Money Laundering.

Our intelligence functions and international partnerships were managed by AUSTRAC's Intelligence Division in 2020-21.

Our data and innovation

AUSTRAC's ability to manage and maximise the value of the financial data provided from industry and other partners is critical to achieving our mission. 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.

We have invested in 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 are also increasingly using technology solutions to minimise the regulatory burden on reporting entities. In addition, greater use of technology means we can provide accurate and actionable financial intelligence, generate insights and provide raw data to partners in near real-time.

To maximise the benefit of our data holdings, we cooperate with other government agencies to share data and match data sets to most effectively combat money laundering, terrorism financing, fraud and other financial crime. We recognise the importance of our role as custodians of this data on behalf of the Australian Government and remain committed to ensure data is stored, accessed and shared appropriately. We are developing techniques for sharing information and our data with our Fintel Alliance partners and overseas FIUs, putting in place collaboration platforms to enhance how we work together.

AUSTRAC is focused on being adaptable to meet future technological challenges. Our staff are completely mobile. 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. The significant capability uplifts in the next year include the development of a specialised case management system, and the transformation of our Reporting Entity Systems.

Our people and corporate optimisation

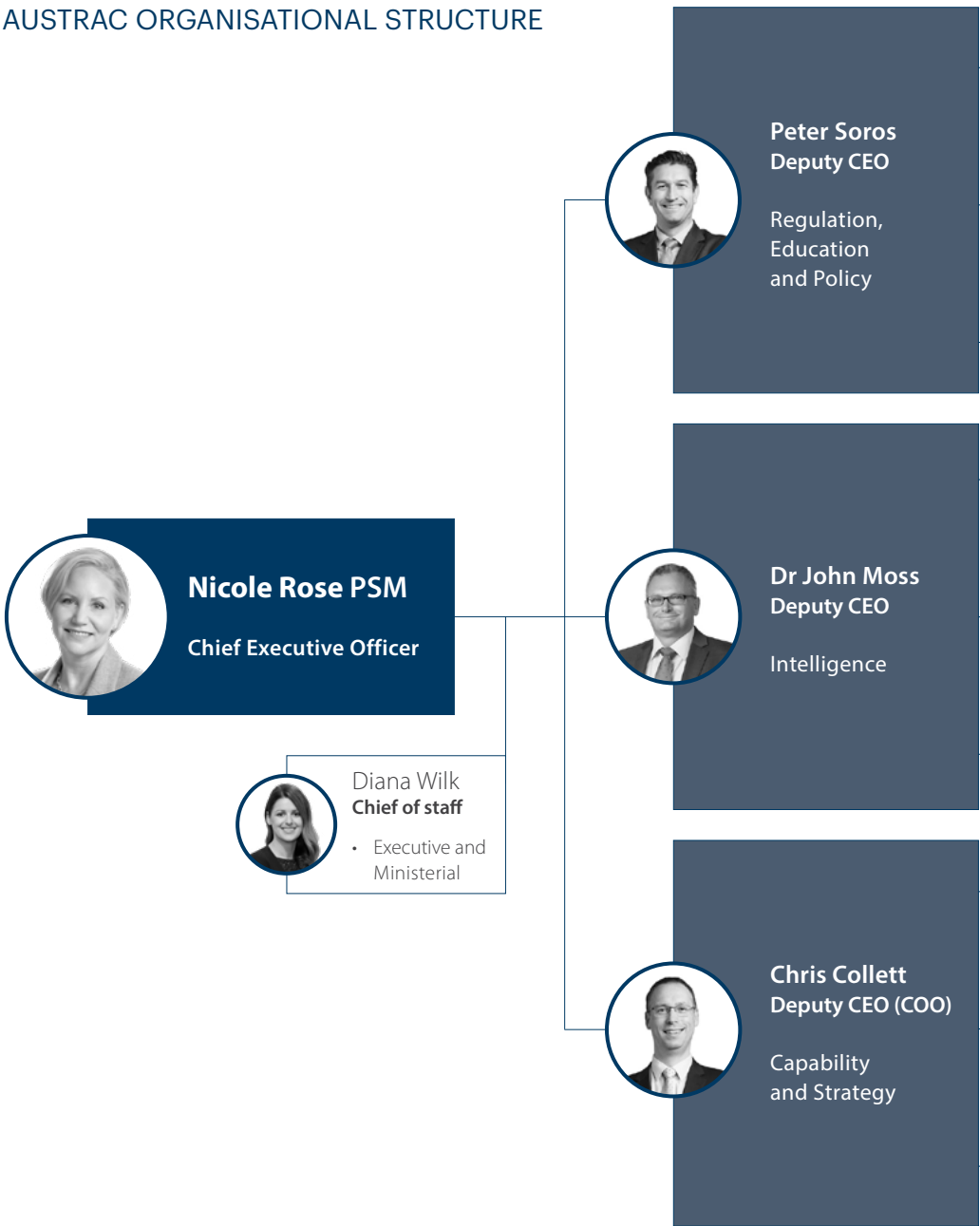
AUSTRAC's trusted, dependable and innovative enabling capabilities are relied upon to ensure the agency can effectively and efficiently deliver on our purpose. We rely on our skilled, innovative people, and the expertise and

agility of our specialist enabling functions to be responsive to changes in our complex operating environment. We also recognise that our workforce strength and agency culture underpin AUSTRAC's capabilities and make a significant contribution to our effectiveness.

AUSTRAC is also focused on optimising the agency's operations by uplifting agency capability, undertaking business improvement programs and exploring opportunities to generate efficiencies. This ensures our functions, processes and products remain fit-for-purpose and support the current and future needs of the agency. This year, the commencement of the Reporting Entity System Transformation has particularly highlighted the value of the capabilities underpinning AUSTRAC's regulatory and intelligence functions, through the early stages of system planning and design, recruitment and onboarding of additional staff, and internal and external program assurance.

In 2020-21, the Capability and Strategy Division delivered the core functions of people and integrity, finance, property and security, information management and technology services, governance, internal audit and risk management.

AUSTRAC ORGANISATIONAL STRUCTURE





Dr Nathan Newman

National ManagerRegulatory
Operations

- Regulatory Supervision 1
- Regulatory Supervision 2
- Regulatory Supervision 3
- Organisational Governance and Regulatory Development
- Risk and Insights



Katie Miller

National ManagerLegal and Enforcement
(General Counsel)

- Rules, Exemptions and MOUs
- Legal
- Enforcement 1
- Enforcement 2
- Enforcement 3



Brad Brown

National ManagerEducation, Capability
and Communications

- Strategic Communications
- Industry Education and Outreach
- Regulatory Capability
- Policy



Jon Brewer

National ManagerIntelligence
Partnerships

- Intelligence Collaboration
- Intelligence Analytics and Statistics
- Fintel Alliance Operations
- Serious Financial Crime Taskforce
- Risk Assessments



Michael Tink

National ManagerIntelligence
Operations

- Money Laundering Intelligence
- National Security and Cyber
- Pacific Operations
- International Operations
- Southeast Asia Operations
- Overseas Posted Officers



Carl Herse

Special AdviserIntelligence
Coordination

- Intelligence Capability and Governance



Leanne Fry

National ManagerInnovation and
Technology Solutions (CIO)

- Information Security
- Technology Platform Solutions
- Information Knowledge and Products
- Business Products
- Enterprise Analytics
- REST Program



Gilly Neeley

National ManagerPeople and Business
Solutions

- Human Resources
- Organisational Development
- Integrity and Personnel Security
- Property, Security and International Deployments



Ben Skaines

National ManagerStrategic Planning, Finance
and Performance (CFO)

- Finance
- Planning and Performance
- Capability and Assurance

The Executive Team

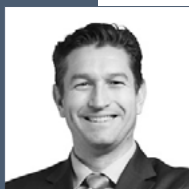


Nicole Rose PSM, Chief Executive Officer

Nicole commenced as the CEO for AUSTRAC in November 2017.

As AUSTRAC CEO, Nicole leads Australia's anti-money laundering and counter-terrorism financing (AML/CTF) regulator and Financial Intelligence Unit.

As CEO, Nicole served as accountable authority for AUSTRAC for the duration of 2020-21.



Peter Soros, Deputy CEO

Regulation, Education and Policy

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, policy and communication functions.

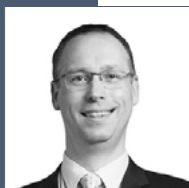
A key element of his work is overseeing AUSTRAC's enforcement activities.



Dr John Moss, Deputy CEO

Intelligence

Having previously served as Deputy CEO Capability and Strategy and National Manager Intelligence, John assumed the role of Deputy CEO Intelligence on 29 March 2021. John is responsible for AUSTRAC's intelligence capability, operational engagement, strategic risk assessments and international operations. John is the co-chair of the regional Financial Intelligence Consultative Group and Pacific Financial Intelligence Committee, and represents AUSTRAC on Fintel Alliance's Strategic Advisory Board.



Chris Collett, Deputy CEO

Capability and Strategy (Chief Operating Officer)

In March 2021 Chris took on the position of Chief Operating Officer. He is responsible for AUSTRAC's corporate and enabling functions including human resources, integrity, planning and performance, technology, finance, property, security, governance, risk and audit. Chris previously served as AUSTRAC's Deputy CEO for Intelligence.

REGULATION, EDUCATION AND POLICY

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

Nathan joined AUSTRAC in April 2016 and is responsible for leading the agency's supervision and risk insight functions to detect, understand and monitor compliance by industry with their obligations under the AML/CTF framework.

**Katie Miller, National Manager****Legal and Enforcement (General Counsel)**

Katie commenced with AUSTRAC on 11 January 2021. In addition to her role as AUSTRAC's General Counsel, Katie is responsible for functions involving the exercise of legislative powers and legal services, including AUSTRAC's enforcement program, regulatory relief through the AML/CTF Rules and exemptions and applications from agencies to access AUSTRAC information.

**Bradley Brown, National Manager****Education, Communications and Capability**

Brad is the National Manager Education, Communications and Capability. This branch established in October 2020 is focussed upon educating reporting entities of their AML/CTF obligations and building their understanding of financial crime risks. Brad is responsible for leading AUSTRAC's policy, strategic communications, industry education and outreach and regulatory capability functions. Brad commenced in AUSTRAC in September 2004 and has led various intelligence, policy, project and regulatory functions.

INTELLIGENCE



Jon Brewer, National Manager

Intelligence Partnerships

Jon leads AUSTRAC's contribution to key intelligence and operational task forces nationally, across a diverse range of crime types. Jon also oversees the Fintel Alliance, the AUSTRAC-led public-private partnership that works closely with government, law enforcement and industry to build resilience in the financial system and like the rest of the Branch's efforts, disrupts money laundering, terrorism financing and other serious crime. Additionally, Jon oversees AUSTRAC's risk assessment program, which is aimed at building a deeper understanding of money laundering and terrorism financing risks in particular sectors and products.



Michael Tink, National Manager

Intelligence Operations

Michael is responsible for leadership of AUSTRAC's proactive intelligence operations on money laundering, national security and cybercrime, international engagement and intelligence sharing, and regional development and intelligence capabilities.



Carl Herse, Special Advisor

Intelligence Coordination

Carl joined AUSTRAC on 1 February 2021 as part of a National Intelligence Community program that provides mobility opportunities to SES across the Community. Carl has responsibility for intelligence coordination, including uplifting AUSTRAC's intelligence capability and governance arrangements, including in relation to Analyst Work Bench, AUSTRAC's data sharing platform.

CAPABILITY AND STRATEGY

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

Leanne is the 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.

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

Gilly is responsible for corporate functions including all aspects of managing people and property 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 office space. She has a key role in driving AUSTRAC's culture through strategies and workplace initiatives.

**Ben Skaines, National Manager****Strategic Planning, Finance and Performance (Chief Finance Officer)**

Ben joined AUSTRAC in May 2019 as the agency's Chief Finance Officer and leads the Strategic Planning, Finance and Performance Branch. In 2020-21, Ben's responsibilities spanned the finance, planning, performance, risk, internal audit, procurement, travel and agency governance and program management functions.



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OUR
PERFORMANCE

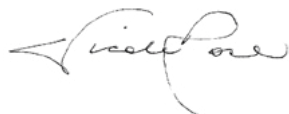


ANNUAL PERFORMANCE STATEMENTS 2020-21

Introductory statement

I, Nicole Rose PSM, as AUSTRAC's accountable authority, present the 2020-21 annual performance statements for AUSTRAC as required under paragraph 29(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 2020-24 and the agency's 2020-21 Portfolio Budget Statements.

In my opinion, these annual performance statements comply with subsection 30(2) of the PGPA Act, are based on properly maintained records and accurately reflect the performance of AUSTRAC for the year ending 30 June 2021.



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 criteria in the 2020-21 Portfolio Budget Statements and Corporate Plan 2020-24. As outlined in our Corporate Plan 2020-24, we anchor our performance reporting against our five strategic objectives: discover, understand, strengthen, disrupt and optimise. 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.




Summary of Results









Achieved means AUSTRAC achieved against both the relevant performance measure and target.






Partially achieved means while AUSTRAC demonstrated achievement towards some or most of the measure and target, it did not meet the target completely.

Not achieved means AUSTRAC failed to demonstrate achievement against the target.

RESULTS LEGEND

		
Achieved	Partially achieved	Not achieved

Performance measure	Target	Achieved
 Discover		
1.1. Improved detection of new and emerging risks through enriching and linking AUSTRAC data.	AUSTRAC increases the number of monitoring profiles in use and its response to alerts to improve its detection of risks.	
1.2. Increased information sharing.	AUSTRAC increasingly provides financial intelligence to international partners.	
 Understand		
2.1. Improved collective understanding of risks through the use of AUSTRAC data and intelligence products by partner agencies.	AUSTRAC increases the number of monitoring profiles in use and its response to alerts to improve its detection of risks.	
2.2. Build understanding between AUSTRAC and partner agencies through task forces and interagency forums.	AUSTRAC intelligence and expertise is valued and used to support Government and international priorities to better harden the global financial system against money laundering, terrorism financing (ML/TF) and other serious crimes..	
 Strengthen		
3.1. Drive positive behavioural change by reporting entities.	AUSTRAC compliance, enforcement and education activities improve anti-money laundering and counter-terrorism financing (AML/CTF) compliance and capability.	

Performance measure	Target	Achieved
3.2. Improved regulatory efficiency of reporting entities.	AUSTRAC takes continual actions to reduce regulatory costs of reporting entities.	
 Disrupt		
4.1. Contribute to the disruption of financial and other serious crime in line with Government priorities.	AUSTRAC's contribution to law enforcement and national security operations generates positive disruption outcomes.	
4.2. Enhanced Fintel Alliance effectiveness.	The collaboration of Fintel Alliance partners supports the increased detection, prevention and/or disruption of criminal activities.	
 Optimise		
5.1. Provide innovative, co-designed technological solutions to drive business productivity and address operational challenges.	Completed ICT projects deliver proposed benefits.	
5.2. Deliver improvements that generate long-term efficiencies and uplift capability.	AUSTRAC optimises the effectiveness of its operations.	



DISCOVER - AUSTRAC identifies new and emerging risks posed by criminal actors seeking to abuse the financial system.

Performance measure:

1.1. Improved detection of new and emerging risks through enriching and linking AUSTRAC data.

Result

Methodology:

1.1.1. The number of monitoring profiles implemented by AUSTRAC.¹

1.1.2. The percentage of monitoring alerts actioned by AUSTRAC.²

Target:

AUSTRAC increases the number of monitoring profiles in use and its response to alerts to improve its detection of risks.



Source:

AUSTRAC Corporate Plan 2020-24 p25; Portfolio Budget Statements 2020-21, Program 1.1. p197

- 1 During the reporting period, AUSTRAC slightly amended the wording for this measure from that published in the Corporate Plan 2020-24. The original wording was "Number of monitoring profiles implemented." This amendment was made to meet performance measure better practice while clarifying the purpose and intention of the original wording.
- 2 During the reporting period, AUSTRAC slightly amended the wording for this measure from that published in the Corporate Plan 2020-24. The original wording was "Ratio of monitoring alerts actioned of those generated." This amendment was made to meet performance measure better practice while clarifying the purpose and intention of the original wording.

1.1.1. MONITORING PROFILES

Over the reporting period 28 profiles were active, with four new monitoring profiles implemented by AUSTRAC's Intelligence Division and many updates made to existing profiles.

Reporting entities (REs) are legally required to provide AUSTRAC with transaction data, including the following:

- International Funds Transfer Instructions (IFTIs) – international transactions to or from Australia;
- Threshold Transaction Reports (TTRs) - any cash transaction over \$10,000 limit;
- Cross Border Movement (CBMs) – reporting cash movement across the Australian border;
- Suspicious matter reports (SMRs) – bank generated reports that advise AUSTRAC of potentially criminal behaviour.

With more than 16,000 REs obliged to provide these reports, AUSTRAC received 167 million reports last financial year. AUSTRAC uses profiles to monitor these reports, estimating risk to the financial system and identifying entities (people or companies) of interest which trigger alerts when identified.

Monitoring profiles refer to an automated algorithm created by AUSTRAC data scientists to detect potentially criminal activity. These profiles are based on existing trends in money laundering, terrorism financing and organised crime transaction data. The transaction data feeds into the AUSTRAC system, and if the data meets the requirements of one of our profiles then an alert is generated.

Fintel Alliance operations provide great examples of monitoring profiles being effectively utilised for operational outcomes.³ During the reporting period the Fintel Alliance effectively used profiles to discover data which indicated criminal activity related to environmental crime, child sexual exploitation, scam activity, and fraud against the Commonwealth. The analysis resulting from the profile collection allowed for substantial law enforcement activity to take place both in Australia and overseas to prevent criminal offending and exploitation of the financial system.

³ A full account of these case studies can be found under Measure 4.2.

AUSTRAC measures and monitors these profiles on a continual basis – making regular adjustments - to ensure they remain accurate, contemporary and efficient, by minimising false positives and staying ahead of changes in money laundering trends. Profiles are activated and deactivated in accordance with the strategic priorities of AUSTRAC and the rapidly changing nature of the criminal landscape. This enables AUSTRAC to make accurate intelligence assessments on new and emerging threats and to effectively work with law enforcement partners through the sharing of this intelligence.

REGULATORY FUNCTION USE OF PROFILES

AUSTRAC's monitoring profiles also supported our regulatory work during the reporting period, in particular:

- Profiles have supported the identification of non-compliance by REs, enabling remediation of issues following engagement by AUSTRAC with the RE. For example, during the reporting period, AUSTRAC assessed 1,592 monitoring alerts, in accordance with its standard procedure for assessing and responding to actual or potential non-compliance. As a result of this, AUSTRAC issued 356 warning letters to REs and escalated 22 matters for further assessment.
- The use of monitoring profiles also resulted in more than 260 REs being removed from the Reporting Entity Roll, therefore ensuring the integrity of the reporting roll. Maintenance of the reporting entity roll is a requirement of AUSTRAC under Part 3A of the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (AML/CTF Act), with all providers of designated services to be entered on the roll.

1.1.2. ACTIONING MONITORING ALERTS

For the period of 2020-21, 72 per cent of Intelligence Division monitoring alerts were actioned - that is assessed and either referred to a partner agency or closed - by AUSTRAC. Divisional prioritisation around thematic activities and resourcing allocations determines which alerts are actively managed by the Intelligence Division.


Whenever there is a match on a monitoring profile, an alert is generated and referred to triage analysts within AUSTRAC. From that point our highly skilled analysts review the information in the alert to see if it is a false positive or genuine match. If the match is genuine, the triage analyst conducts preliminary research on the alert, before referring it to an operational team for detailed investigation. If the match is a false positive, the alert is closed. This process is otherwise known as actioning.

CASE STUDY: SERIOUS FINANCIAL CRIME TEAM

The Serious Financial Crime (SFC) team has alerts set across our monitoring profiles, which aim to identify suspicious activity that may be of interest to our partners. This includes members of the multi-agency Serious Financial Crime Taskforce (SFCT) and Black Economy Standing Taskforce (BEST). As a result of SMR triaging, AUSTRAC's SFC team was alerted to suspicious activity connecting two previously unconnected high risk companies operating in the gold bullion sector.

Preliminary analysis identified a recurring, ongoing pattern of suspicious activity linked to the primary company, which was previously identified as being of interest to our law enforcement partners. Further analysis determined the recent link between the two companies accompanied a significant spike in the suspicious activity. The SFC deemed this to be of particular interest to our partners and proactively disseminated a Tactical Intelligence Report (TIR) to partner agencies, including ASIC and NSW Police Force. In response to the product, positive feedback was received from ASIC, who indicated the report identified previously unknown information and links.

This product was an example of the value of proactive work – identifying previously unidentified intelligence and connections, utilising AUSTRAC's unique capabilities.

Performance measure: 1.2. Increased information sharing.		Result
Methodology: 1.2.1. Number of exchanges of financial intelligence, both incoming and outgoing, with AUSTRAC's counterpart international financial intelligence units.	Target: AUSTRAC increasingly provides financial intelligence to international partners.	
Source: AUSTRAC Corporate Plan 2020-24, p25; Portfolio Budget Statements 2020-21, Program 1.1. p197		

During the reporting period, AUSTRAC undertook approximately 1,200 exchanges of financial intelligence, both incoming and outgoing, with our counterpart international financial intelligence units (FIUs).

While AUSTRAC has continued to share financial intelligence with partner FIUs, COVID-19 and the conclusion of an International Exchange Working Group in recent years has reduced the volume of incoming information received by AUSTRAC. Changes in the geopolitical environment, in particular a somewhat lessening of the focus on Islamic State of Iraq and the Levant (ISIL) foreign fighters and thus a reduction on the reporting by AUSTRAC and other FIUs on this and related topics, have

led to a decrease in the overall number of exchanges on those of last year (continuing a trend over the past few years). Noting the number of incoming exchanges is outside of AUSTRAC's control, this decrease has driven this year's result of Not Achieved. In developing performance measures for 2021-22, AUSTRAC has considered it not practicable to set a target for this measure given the limited control AUSTRAC has over the number of incoming exchanges initiated by our international counterparts (see AUSTRAC Corporate Plan 2021-25).

Over the past year AUSTRAC exchanges have remained largely consistent crime type-wise, with money laundering, fraud, national security, drugs and corruption being regularly reported on.

For the purposes of this measure, an exchange is defined as the transfer of AUSTRAC information and/or intelligence to a partner FIU – and vice versa – through the Egmont secure sharing platform or other agreed mechanisms where the partner is not a user of the Egmont secure sharing platform. The information shared consists of raw data, value-added intelligence products, and joint projects.

AUSTRAC has an important role sharing financial-related information with domestic and international partners. AUSTRAC, as Australia's FIU and financial crime specialist, frequently exchanges information with international partners to obtain a robust understanding of financial crime in Australia and offshore. A breakdown of financial intelligence exchanges by country can be found at page 4.

Through the establishment and use of Memorandums of Understanding (MoUs) and the use of the Egmont Group of Financial Intelligence Units (Egmont Group), AUSTRAC actively engages in international exchanges of information and intelligence produced by AUSTRAC. This formal exchange function allows AUSTRAC to proactively share pertinent financial information to partner FIUs in a secure manner. AUSTRAC may also receive information via this exchange process that is relevant to Australia and the work of its law enforcement and national security agencies.

MoUs formalise the terms of the relationships between AUSTRAC and the relevant partner agency and establish the framework for the exchange and handing of information. In order to facilitate exchanges, AUSTRAC makes extensive use of MoUs to build relationships with domestic and international partners across the public and private systems. As at the end of the reporting period, AUSTRAC had 102 active MOUs with international partners, up from 98 in 2019-20.



UNDERSTAND - AUSTRAC develops and shares a comprehensive understanding of vulnerabilities to exploit criminal exploitation within our financial system.

Performance measure:

2.1. Improved collective understanding of risks through the use of AUSTRAC data and intelligence products by partner agencies.

Result

Methodology:

2.1.1. Average time for non-priority transaction data reported to AUSTRAC to be made available to domestic partners.⁴

2.1.2. The number of partner agencies searches of AUSTRAC data via AWB and TES.⁵

2.1.3. Number of intelligence products disseminated to partner agencies (industry) and government.

Target:

Improve the access and value of AUSTRAC's data and financial intelligence to partner agencies.



Source:

AUSTRAC Corporate Plan 2020-24, p25; Portfolio Budget Statements 2020-21, Program 1.1. p. 197

4 During the reporting period, AUSTRAC slightly amended the wording for this measure from that published in the Corporate Plan 2020-24. The original wording was "Average time for transaction data reported to AUSTRAC to be made available to domestic partners." This amendment was made to meet performance measure better practice while clarifying the purpose and intention of the original wording.

5 During the reporting period, AUSTRAC slightly amended the wording for this measure from that published in the Corporate Plan 2020-24. The original wording was "Number of partner agencies searches of AUSTRAC data." This amendment was made to meet performance measure better practice while clarifying the purpose and intention of the original wording.

2.1.1. AVAILABILITY OF TRANSACTION DATA

During the reporting period, the average time it took for non-priority transaction data reported to AUSTRAC to be made available to domestic partners was 6-12 hours on weekdays, and on weekends every ~24 hours.

AUSTRAC ingests data from two main sources. REs submit their legislatively obligated reports through AUSTRAC Online, which is then made available to AUSTRAC analysts and partner agencies through Analyst Work Bench (AWB). The second source is ingested datasets from partner agencies. This allows AUSTRAC members to query third party data and cross reference it with our own for greater insights.

When RE transaction data is reported through AUSTRAC Online, it is automatically run through entity resolution processes that data match against existing AUSTRAC information to eliminate duplicates, merge known aliases and generally avoid duplication of data that may compromise future analysis. This 'value-add' seeks to enable the analyst to get the most out of the data – but it does take time.

AUSTRAC's operational level timeframe for making the data available is within 6-12 hours, though this is subject to service management requirements, for example, scheduled and unscheduled outages and maintenance to the system and IT infrastructure. This timeframe does not, however, apply to national security matters that are fast tracked.

2.1.2. PARTNER AGENCY SEARCHES

Over 2020-21, 6,355,212 partner agency searches of AUSTRAC data via AWB were made, and 686,121 partner agency searches of AUSTRAC data via Traq Enquiry System (TES) were made.⁶

AUSTRAC's transaction data – provided by REs – is made available to domestic partner agencies to improve the collective understanding of risks to the Australian financial system.

During 2020-21, access to this data was provided via two systems; the AWB platform, and TES, as AUSTRAC and its partner agencies transition off TES and onto AWB. These systems store SMRs, TTRs, IFTIs, and CBMs,⁷ which, when analysed allow for intelligence production.

⁶ TRAQ is an abbreviation for "Transaction Reports Analysis Query".

⁷ See measure 1.1 for further information on these types of reports.

Table 1: Number of partner agency searches⁸

2019-20	2020-21
1,146,759 ⁹ – AWB	6,355,212 – AWB
1,894,309 – TES	686,121 – TES

Both systems utilise direct pipelines of AUSTRAC data to conduct complex queries and facilitate analysis, but AWB incorporates a broad set of tools to allow analysts to map data, cross-reference information and utilise third party data from other agencies to enrich assessments. With the introduction and roll-out of AWB to 35 partner agencies, TES has been phased out of use by all partner agencies during this reporting period. This transition of agencies from TES to AWB is demonstrated in the number of searches via each system over 2020-21.

Part 11 of the AML/CTF Act dictates what AUSTRAC information can be accessed by partner agencies, and under what circumstances. If an agency is eligible to access one of these two AUSTRAC systems, a Memorandum of Understanding will be drafted outlining the agreement, together with an Instrument of Authorisation, which dictates the legal requirements of the use of AUSTRAC data, alongside user numbers, super users and audit requirements.

2.1.3. DISSEMINATION OF INTELLIGENCE PRODUCTS

For the period covered by these annual performance statements, AUSTRAC disseminated 575 intelligence products to partner agencies (industry and government).

AUSTRAC disseminates intelligence product domestically to provide our unique data and analytical expertise in support of law enforcement and intelligence operations. Through our contributions from our specialised teams such as Money Laundering Intelligence, Fintel Alliance, and National Security, AUSTRAC has a dramatic effect on the criminal landscape and contributes to a secure financial system.

8 Data between TES and AWB is not directly comparable due to the different ways in which searches are conducted and is required to be reported separately. Given the transition of users from TES to AWB over 2019-20 and 2020-21, the annual figures are not directly comparable.

9 The 2019-20 AWB search figure covers AWB searches completed during the transitional period of on-boarding partner agencies onto AWB. Searches completed during this transitional period includes pilot user searches. Any non-meaningful search events (<1% variance) were removed from this figure.

During the reporting period AUSTRAC provided the following types of product:


- Financial Crime Guides;
- Operational intelligence reports;
- Tactical Intelligence reports;
- Information reports;
- Intelligence briefs;
- Indicators reports; and,
- Methodologies.

Topics reported in these products included fraud against the Commonwealth, child sexual exploitation, serious financial crime, fraud related to COVID-19, tax evasion, firearms, superannuation fraud, money laundering, cybercrime and terrorism financing.

Alongside actionable intelligence, AUSTRAC seeks to lead an intelligence capability uplift of both AUSTRAC analysts and partners. During the reporting period AUSTRAC delivered 143 training courses internally and externally. These courses included the Financial Intelligence Analyst Course modules, open source intelligence training, and AML/CTF Act Phase 1.5 amendments training. Training was via face-to-face learning when practicable, and online when pandemic lockdowns remained in place. These courses were delivered across Australia and overseas to 1,200 employees from AUSTRAC, partners in law enforcement, industry and international FIUs.

Table 2: Number of intelligence products produced

2018-19	2019-20	2020-21
525	476	575

Performance measure:		Result
2.2. Build understanding between AUSTRAC and partner agencies through task forces and interagency forums.		
Methodology: 2.2.1. Number of intelligence products generated in contribution to law enforcement and national security task forces by crime type. 2.2.2. Case studies reflecting AUSTRAC's contribution to international multilateral and bilateral forums and international outcomes.	Target: AUSTRAC intelligence and expertise is valued and used to support Government and international priorities to better harden the global financial system against the ML/TF and other serious crimes.	
Source: AUSTRAC Corporate Plan 2020-24, p26; Portfolio Budget Statements 2020-21, Program 1.1. p. 197		

2.2.1 INTELLIGENCE PRODUCTS

Over the reporting period AUSTRAC generated intelligence products across 36 crime types in contribution to law enforcement and national security task forces.¹⁰ A breakdown of these products by crime type can be seen in Table 3 below. Approximately 80 per cent of AUSTRAC's total intelligence products were generated in contribution to law enforcement and national security task forces. We note as an intelligence product may cover one or more crime types, crime type reporting volumes, as set out in the table below, will always be greater than the sum of actual products.

As a member of a number of task forces - focussed on money laundering, terrorism financing, countering foreign interference, fraud, cyber-enabled crime, child sexual offending and tax evasion - AUSTRAC contributed to investigations via intelligence reporting, out-posted analysts and specialist financial intelligence capabilities. AUSTRAC also provided specialist advice and experience to partners by demonstrating the nuances of international money flows, how money movements work in different countries and what may be considered normal or suspicious

activity for a particular region. This invaluable advice can save time spent pursuing false positives, and discover new leads that may otherwise go undetected by untrained eyes. The combination of expert analysis and real-time advice is invaluable for stakeholders and deepening interagency relationships.

AUSTRAC used available multi-source intelligence to develop new insights into criminal activity when working with partner agencies. Together with partners, AUSTRAC fused its unique intelligence capabilities to achieve the following:

- Combined Australian Criminal Intelligence Commission (ACIC) and AUSTRAC information in a data matching exercise to identify organised criminal money laundering through cryptocurrency;
- Worked with Australian Border Force (ABF) to identify suspect cargo containers which were then intercepted via ABF cargo alerts;
- Conducted blockchain analysis to identify illegal wildlife trafficking with the Department of Agriculture, Water and the Environment (DAWE).

¹⁰ See measures 1.2.1. and 2.1.3. for definitions concerning information exchanges (with international partners) and intelligence product (released to domestic stakeholders).

Table 3: AUSTRAC intelligence products, in contribution to task forces, by crime type

Crime type	No. of products	Crime type	No. of products
Child exploitation material	158	Fraud - Identity crime	5
Child exploitation	138	Fraud - Tax	4
Money laundering	114	Phoenix	4
Organised crime	20	Drugs - Amphetamines	3
Counter Espionage / Foreign Interference	19	Firearms trafficking	3
Drugs	18	Fraud - Investment	3
Tax evasion/avoidance	18	Illegal firearms/weapons	2
Fraud	17	Sexual servitude	2
Corruption	15	Drugs - Heroin	1
Labour Hire	14	Fraud - Credit/Debit Card	1
Cigarettes/tobacco	13	Fraud - Mortgage/loan	1
Fraud - Scams	12	Fraud - Revenue, duty and excise	1
Trade-based money laundering	10	Fraud - Social security	1
Outlaw Motor Cycle Gangs	8	Fraud - cyber	1
Serious financial crime	7	Homicide	1
Violent Extremism (non-Islamic)	7	Human trafficking	1
COVID-19 restrictions/fraud	6	Intellectual property crime	1
Drugs - Methamphetamines	6	Structuring	1

2.2.2. CONTRIBUTION TO INTERNATIONAL FORUMS AND OUTCOMES

During 2020-21 AUSTRAC supported the hardening of the global financial system against money laundering and terrorism financing and other serious crimes through the continued sharing of AUSTRAC's expertise with international multilateral and bilateral forums and towards international outcomes. This engagement ranged from intelligence-related research projects seeking to identify indicators of finance system-related criminal behaviour to policy development impacting the Australian financial system through to engagement with international counterparts on their approach to regulation.

EGMONT GROUP

AUSTRAC is heavily engaged within the Egmont Group framework. AUSTRAC works with the Egmont Group to understand the operating environment of foreign FIUs, influence regulatory outcomes and establish close relationships with foreign counterparts. The Egmont Group's membership is divided into eight regional groups, taking into consideration geographic distribution, strategic consideration in light of the growth in the Egmont Group's membership, and regional ongoing cooperation between FIUs. AUSTRAC is a member of the Asia and Pacific regional group, of which the Deputy CEO Capability and Strategy is a co-regional representative. This sees AUSTRAC assume a position on the Egmont Committee, overseeing the strategic operations of the forum.

During the reporting period, AUSTRAC engaged in the following Egmont Group related activities:

- AUSTRAC attended the Egmont Group intersessional meeting and working group meetings to analyse such issues as membership, support and compliance.
- We contributed as a member of the Egmont Extreme Right Wing Terror Financing project, where collection plans and case studies were shared and shaped by AUSTRAC.

- AUSTRAC, as vice-chair of Information Exchange Working Group, continued to oversee work on Asset-Recovery, Extreme Right-Wing Terrorism Funding, Large Scale Money Laundering Schemes, and an eCatalogue on Virtual Assets Service Providers projects.
- AUSTRAC, alongside the UK and the Philippines undertook a large Egmont project focusing on Child Sexual Abuse and Exploitation (CSAE). As a result of this work, Egmont published indicators of thematically-joint money laundering and CSAE crime, that was also associated with major tax crime. AUSTRAC engaged with reporting entities and law enforcement partners to update their indicators and profiles in accordance with the project results and thus to improve transaction and SMR reporting around this thematic. The successful results of the operation were broadcast through media feeds, in Australia, the United Kingdom, the Philippines and the Egmont Group secretariat more broadly.

FINANCIAL ACTION TASKFORCE

The Financial Action Taskforce (FATF) sets the international standards for how jurisdictions should implement the legal and operational framework to combat money laundering and the financing of terrorism and proliferation, including financial intelligence and regulatory efforts.

During the last 12 months, AUSTRAC retained strong links virtually with FATF and actively supported their work in emerging risk and policy areas. AUSTRAC led Australia's contribution to FATF projects on ethnically and racially motivated terrorism financing, asset recovery and trade based money laundering, providing case studies and input from across partner agencies, leading industry working group discussions and contributing to a webinar panel. AUSTRAC is a member of the FATF Virtual Asset Contact Group involved in the development of international guidance and standards in relation to cryptocurrency and related virtual assets. AUSTRAC also delivered presentations to a global audience at the FATF Joint Experts Meeting to share Australia's experience in extreme right wing terrorist financing investigations and in relation to AUSTRAC's Fintel Alliance Alerting Project.

FINANCIAL INTELLIGENCE CONSULTATIVE GROUP

The Financial Intelligence Consultative Group (FICG) is a collective regional body, consisting of heads and senior representatives of financial intelligence units (FIU) from Southeast Asia, New Zealand and Australia. The FICG is co-chaired by AUSTRAC and Pusat Pelaporan dan Analisis Transaksi Keuangan (PPATK), Indonesia's FIU.

The FICG seeks to promote and strengthen operational collaboration on significant financial crime threats in the region, including money laundering and terrorist financing. The FICG currently focuses on four themes:

- i. Southeast Asia Counter-Terrorism Financing working group – co-led by Australia and The Philippines;
- ii. Anti-Money Laundering work stream – co-led by Indonesia and Malaysia;
- iii. Private sector work stream – co-led by Indonesia and The Philippines;
- iv. Information Sharing Platform working group – co-led by Australia, Indonesia and Malaysia.

Face-to-face regional meetings and FICG capability development activities continued to be postponed due to the impacts of

COVID-19 restrictions. However, planning and work for the delivery of initiatives continued, with AUSTRAC attending virtual meetings where work priorities were finalised and future project work for each of the major work streams was developed.

ANALYST EXCHANGE PROGRAM

The 2021 Analyst Exchange Program (AEP) between AUSTRAC and Indonesia's FIU PPATK focussed on Business Email Compromise (BEC). More instances of this crime have been observed in the region, likely enabled by COVID-19 working conditions seeing an increase in working from home and virtual engagement. The 2021 AEP also included analysts from Bank Negara Malaysia (BNM), and, for the first time, analysts from the Singaporean Suspicious Transaction Reporting Office. This activity enables joint analysis by the participant FIUs with the goal of producing actionable intelligence for law enforcement partners in each country, as well as producing an indicators paper for industry to harden the relevant sectors against this criminal activity. This AEP also trialled the Regional Information Sharing Platform as a mechanism to enable rapid secure sharing of FIU data and co-authoring of Intelligence remotely. The intent is for this method of working to be normalised in regional cooperation projects.

SUPPORT TO INDONESIA'S FINANCIAL ACTION TASK FORCE MUTUAL EVALUATION (ME) PREPARATIONS

During the reporting period, AUSTRAC undertook a number of workshops and activities to support PPAATK coordinate and prepare for the FATF ME process in support of their membership process. The ME onsite has been delayed a number of times due to COVID-19. These delays have negatively impacted Indonesia's preparation activities due to the disruption caused. However, through workshops and mock onsite activities facilitated by AUSTRAC and supported by other regional partners such as BNM, we have enabled PPAATK and other AML/CTF Regulators to prepare their technical compliance report, collate and update data, statistics and case studies and update their National Risk Assessment.

PACIFIC FINANCIAL INTELLIGENCE COMMUNITY

The Pacific Financial Intelligence Community (PFIC) was established this reporting period for the purpose of building operational collaboration and sharing of financial intelligence among Pacific FIUs. The PFIC is initially made up of Australia and PNG as co-chairs, along with Fiji and New Zealand, with plans to expand membership to other South Pacific FIUs during the next reporting period. Working groups have been established focusing on technology, operations, research and training.

CAPABILITY UPLIFT PROGRAMS

During the reporting period, AUSTRAC continued to support the enhancement of PPATK's capability via the delivery of two Department of Foreign Affairs and Trade (DFAT) funded aid programs. The programs focus on capability building, operational cooperation and analytical support through the co-signed project. With COVID-19 travel restrictions, face-to-face regional meetings and capability development activities were postponed or moved to an online capacity. Notwithstanding this, AUSTRAC supported PPATK in the launch and operationalisation of their financial intelligence private-public-partnership, INTRACET.

Despite travel restrictions requiring program delivery to be continued in a virtual format, the AMLC-AUSTRAC Partnership Program 2 was maintained during the past year with the Philippines FIU, with intelligence tradecraft enhancement and intelligence strategy development workshops being delivered. AUSTRAC contributed to the delivery of Sectoral Risk Assessments on Money Services Businesses, the Real Estate Sector, and the Philippines National Terrorism and Terrorism Financing Risk Assessment. AUSTRAC also provided support for framework development under the newly implemented Anti-Terrorism Act and Anti-Money Laundering Act Amendments,

and Philippines analysts attended a Regional International Intelligence Fundamentals Course. AUSTRAC also provided specialist advice on intelligence and information management systems.

The AUSTRAC Pacific Islands Partnership program and Project Taipan, both Pacific focussed capacity building programs, commenced operations in the period under review. Despite the challenges of delivering training and systems upgrades in a period of travel restrictions both programs achieved significant progress through the use of webinar technology. Highlights include the delivery of two Intelligence Fundamentals Courses, The Pacific Cyber week and the AUSTRAC / ANZ / ADB AML/CTF webinar series. This training was provided to over ten jurisdictions, with hundreds of people in attendance.

The design and building of new FIU systems for six Pacific FIUs as part of Project Taipan has been undertaken with the installations planned for the next period under review.

In March 2021, AUSTRAC convened a webinar to assist the Malaysian Financial Intelligence Unit's understanding of best practices for disrupting financial flows associated with BEC. In addition to AUSTRAC presenters, experts from NSW Police Force, FBI, US Homeland Security Investigations and UK Her Majesty's Revenue and Customs

shared their experiences understanding and responding to BEC, associated funds flows and disruption capabilities.

In April/May 2021, AUSTRAC delivered an online intelligence fundamentals training course virtually to the FIUs of Malaysia, Indonesia and Philippines and the Malaysian National Anti-Financial Crime Centre. This is the first time AUSTRAC has delivered this course online to multiple countries in Southeast Asia. This training develops financial intelligence analysis skills and establishes a common understanding of intelligence tradecraft. Bringing together analysts from various countries and agencies also helps build connections between analysts working to combat money laundering, terrorism financing and other serious crimes and embeds a professional approach to the discipline. The training covers intelligence theory, the use of structured analytic techniques to overcome biases and challenge assumptions and culminates in an intelligence analysis task to test participants' abilities to apply their skills.

ENGAGEMENT WITH REGULATORY COUNTERPARTS

AUSTRAC attended quarterly meetings with AML/CTF regulators from Canada, New Zealand, the United Kingdom and the United States to enhance the sharing of approaches, guidance and other developments with the aim of building each of our regulatory capabilities.

AUSTRAC also held ad-hoc discussions during the reporting period with several international counterparts in order to understand their regulatory approach towards specific issues and/or entities of interest to AUSTRAC. Information obtained from this engagement has been used to inform AUSTRAC's own regulatory approach.



STRENGTHEN - AUSTRAC ensures risks within the financial system are identified, mitigated and managed effectively.

Performance measure:

3.1. Drive positive behavioural change by reporting entities.

Result

Methodology:

3.1.1. Number of findings issued by AUSTRAC as a result of compliance assessment.

3.1.2. Assessment of the quality and number of suspicious matter reports submitted to AUSTRAC in the 12 months following the publication of a Risk Assessment or AUSTRAC campaign.

3.1.3. Case studies of outcomes of regulatory and enforcement actions of non-compliance that demonstrate specific and general deterrence.

3.1.4. The number of reviewable decisions - refusal, suspension and cancellation of registration and/or imposition of conditions - taken on regulatory registration of Reporting Entities.¹¹

Target:

AUSTRAC compliance, enforcement and education activities improve AML/CTF compliance and capability.



Source:

AUSTRAC Corporate Plan 2020-24, p26; Portfolio Budget Statements 2020-21, Program 1.1. p. 197

¹¹ During the reporting period, AUSTRAC slightly amended the wording for this measure from that published in the Corporate Plan 2020-24. The original wording was "Number of reviewable decisions taken on regulatory registration of Reporting Entities (including refusal, suspension and cancellation of registration)." This amendment was made to meet performance measure better practice while clarifying the purpose and intention of the original wording

3.1.1. FINDINGS ISSUED

During the reporting period AUSTRAC issued 32 findings as a result of compliance assessment.

As part of our regulatory role, AUSTRAC may assess the compliance of reporting entities with obligations under the AML/CTF Act. A compliance assessment can be very narrow in scope to deal with specific issues under the Act, or look more holistically at the reporting entity's compliance.

At the conclusion of the compliance assessment, AUSTRAC will often issue a Compliance Assessment Report which will set out our view on the compliance of that entity. Where non-compliance is established, AUSTRAC will issue findings to the reporting entity.

Not every compliance assessment will result in findings. For example, in events of serious and/or systemic non-compliance, AUSTRAC may cease the compliance assessment process and instead progress to an enforcement investigation.

3.1.2. QUALITY AND VOLUME OF SMRs

AUSTRAC periodically conducts information and education campaigns targeting specific crime themes or industry sectors. The purpose of these campaigns is to educate REs on the risks associated with certain crimes and improve RE understanding and capability in detecting and reporting, when they have a reasonable suspicion, in the form of SMRs.

Through this, AUSTRAC seeks an improvement in the quality and quantity of SMRs submitted by REs. The information generated from SMRs is crucial in identifying potential illegal activity and assists AUSTRAC to detect and prevent the flow of illegal funds through Australia's financial system. High-quality, accurate and timely SMRs give us the best chance to detect, deter and disrupt criminal and terrorist activity.

As REs are educated and informed of new typologies, we see reporting behaviour change and the number of SMRs grow as REs recognise and report. AUSTRAC may then determine any significant changes in reporting trends over time to determine the effectiveness of our typologies, and detect more accurate trends and changes in specific crime types.

During 2020-21, three financial crime guides were released to AUSTRAC's Fintel Alliance industry and government partners:

- A guide to combat Australia's illegal wildlife trafficking trade on 8 October 2020;
- A guide released in collaboration with the National Disability Insurance Agency (NDIA) to prevent fraud against the National Disability Insurance Scheme (NDIS) on 8 December 2020; and
- A guide on the dangers of a money laundering method known as 'cuckoo smurfing' on 3 June 2021.

As a result of these financial crime guides we saw a shift in the volume and quality of SMRs relating to these issues, particularly the illegal wildlife trafficking crime guide. Following release of this guide, AUSTRAC received 140 SMRs on the topic that were analysed and provide to the DAWE to support ongoing investigations and initiate new investigations into suspected wildlife trafficking. The value of the financial intelligence has been significant with an operation established to investigate the financial activities of a number of suspected organised crime targets profiting from the illegal trafficking of Australian wildlife.

In April 2021, AUSTRAC released a suite of educational resources, with real-life examples, on how to submit more effective SMRs. The new resources feature guidance on how to write succinct, accurate and clear grounds for suspicion, and contain several SMR examples, both good and bad, to illustrate the different types of SMRs received by AUSTRAC.

The purpose of these guides is to initiate better quality SMRs leading to earlier detection in AUSTRAC's triage and prioritisation of matters of interest. Unfortunately for the purposes of evaluating increasing reporting and more specifically better quality in reporting, the time period between the release of the guidance and the preparation of this report has not enabled sufficient time to draw any meaningful conclusions. However, the guidance has been of acute interest with the page being accessed over 3,000 times in the first months of its release and the guide being downloaded on over 2,000 occasions.

AUSTRAC publishes Money laundering/Terrorism financing (ML/TF) Risk Assessments which focus on key financial services sectors (or products), bringing together insights from industry with intelligence from AUSTRAC and our partner agencies to provide a comprehensive assessment of ML/TF risks relevant to a specific sector or product. Risk Assessments aim to enhance industry's understanding of ML/TF risks and provide reporting entities with the knowledge to identify and disrupt exploitation. These educational pieces build resilience in the financial system by encouraging a culture of compliance and proactive reporting of these offences.

During the reporting period AUSTRAC published the Risk Assessment of Junket Tour Operations in Australia. It has not, however, been possible to effectively assess the quality or volume of junket-related SMRs from casinos as international travel restrictions due to COVID-19 have prevented junket tours gambling at Australian casinos.

We published a second risk assessment during the reporting period – Australia's non-bank lending and financing sector risk assessment 2021 – however, being published in late June 2021, there was not sufficient time to monitor and assess its impact on SMR volume or quality.

IMPROVING THE QUALITY OF SMRs

Improving the quality of SMRs is a broad AUSTRAC objective and many functions within the Agency contribute to it. AUSTRAC has delivered this through developing guidance (for example, the educational resources discussed above) and improving the provision of feedback to REs to build continuous improvement.

During the reporting period, a joint AUSTRAC / University of Western Australia study was commissioned to examine how REs utilise AUSTRAC guidance and how to improve the mechanisms of detecting and reporting suspicious activities. Participants in the study included public and private members of the Fintel Alliance and AUSTRAC analysts. The findings were enlightening in that all participants confirmed that detection protocols (for example, indicators) developed jointly have the most successful reporting outcomes in terms of improving timeliness and accuracy. That said, it was also recognised the structure of SMR reporting was lagging technology advances, especially the use of web-based collection and transmission processes. AUSTRAC has taken steps to incorporate the study's recommendations into its REST¹² program.

12 Reporting Entity System Transformation (REST) program – a project to transform the tools and processes used between AUSTRAC and REs.

At the operational level, the improved quality of SMRs is most evident in operations where there has been close collaboration between AUSTRAC and REs, for example, COVID-19 stimulus. In these operations, law enforcement, the reporting population and AUSTRAC collaborated to develop fine-tuned detection protocols. This has resulted in the provision of SMRs with a high accuracy in terms of targeting persons of interest and describing the potential criminal activity.

When the Australian Government’s COVID-19 stimulus was initially commenced in the second quarter of 2020, relevant SMR quality was quite good, however, we saw the quality improve further as RE understanding of what to look for and report increased. This understanding improved as a result of an indicators paper released by Fintel Alliance to government partners, REs and superannuation industry to support detection of fraud relating to COVID stimulus. The indicators were revised throughout the reporting period to incorporate findings being developed by partners, further enhancing the usefulness of the paper. Upon the cessation of stimulus measures in quarter 1 of 2021, the relevant SMRs ceased.

Table 4: Percentage of COVID-19 stimulus-related SMRs that were actioned¹³

2020 Qtr 2	2020 Qtr 3	2020 Qtr 4	2021 Qtr 1	2021 Qtr 2
77%	100%	100%	100%	0

13 See measure 1.1.2 for further information on the actioning of monitoring alerts.

3.1.3. OUTCOMES OF REGULATORY AND ENFORCEMENT ACTIONS LEADING TO DETERRENCE

Over 2020-21, AUSTRAC undertook a number of regulatory and enforcement actions against various reporting entities in response to their non-compliance with their AML/CTF Act obligations. In undertaking these activities AUSTRAC sought both specific and general deterrence – that is, to deter the specific reporting entity in question from future non-compliance, and to deter non-compliance with AML/CTF obligations by other reporting entities.

Regulatory actions available to AUSTRAC include issuing infringement notices, consideration of enforcement investigations and referrals to external auditors (in addition to those reviewable decisions that are discussed below in 3.1.4.).

- Infringement notices may be issued by authorised officers (AUSTRAC regulatory and enforcement staff), customs officers and police officers. Infringement notices are issued for activity in contravention of s184 of the AML/CTF Act. Such circumstances may include when an RE fails to enrol with AUSTRAC, a failure to notify of changes to enrolment details, failure to report on movement of physical currency or bearer negotiable instruments and a failure providing

remittance services if unregistered or in breach of conditions of registration.

- The appointment of an external auditor is authorised under sections 161 and 162 of the AML/CTF Act and is used in matters where an RE may not be taking appropriate action to identify, mitigate and manage risks of money laundering and terrorism financing or may be contravening the AML/CTF Act and Rules. The results of the audit are reported back to AUSTRAC where a determination on any further action is considered.
- Consideration of enforcement investigation is reserved for serious and systemic breaches of the AML/CTF Act which may result in enforcement action, such as civil penalty proceedings against an entity.

AUSTRAC's enforcement actions are used to improve current and future compliance by reporting entities and deter non-compliance amongst reporting entities generally. Enforcement actions can remediate a reporting entity's compliance, level the playing field with reporting entities who do comply with their obligations and send a strong public message about AUSTRAC's views of what constitutes unacceptable behaviour. Enforcement actions may take the following form:

- issuing an infringement notice, a monetary penalty issued when AUSTRAC has reasonable grounds to believe the AML/CTF Act has been breached;
- issuing remedial directions, which require a reporting entity to take specified action to ensure it does not contravene the Act;
- accepting enforceable undertakings detailing the specific actions a reporting entity will commence or cease in order to comply with the AML/CTF Act;
- seeking injunctions and/or civil penalty orders in the Federal Court.

CASE STUDY: AUSTRALIAN MILITARY BANK

In May 2021, AUSTRAC issued a remedial direction to Australian Military Bank Ltd requiring the bank to review and uplift its compliance with Australia's AML/CTF laws. The direction aims to ensure that Australian Military Bank, with external assistance, complies with its AML/CTF obligations and addresses the risks that criminals may pose to the business. A media release issued by AUSTRAC on this matter was viewed 2,122 times with 1,873 unique views. Given the broad level of interest in the announcement, we anticipate the remedial direction will have a deterrent effect on the mutual bank sector. AUSTRAC has not previously taken enforcement action against smaller authorised deposit-taking institutions (ADIs) for systemic AML/CTF non-compliance.

CASE STUDY: AFTERPAY AUSTRALIA PTY LTD

On 12 June 2019, AUSTRAC ordered the appointment of an external auditor to Afterpay Australia Pty Ltd (Afterpay) to examine its compliance with the AML/CTF Act.

On 14 October 2020, AUSTRAC finalised the result of the external audit finding that Afterpay had improved its AML/CTF policies and had completed all necessary remediation to ensure compliance, and as such, no further action would be undertaken by AUSTRAC. The appointment of the external auditor to Afterpay also demonstrated the critical importance of ensuring that systems and controls that are in place to identify, mitigate and manage money laundering and terrorism financing risks evolve commensurate to the business.

CASE STUDY: WESTPAC BANKING CORPORATION

Following Westpac's self-disclosure of their failure to comply with AML/CTF obligations, AUSTRAC sought a civil penalty order in the Federal Court. On 24 September 2020, Westpac agreed to pay a \$1.3 billion civil penalty and AUSTRAC's legal costs. On 21 October 2020, the Federal Court ordered Westpac to pay this penalty and AUSTRAC's legal costs. Justice Beach accepted that a substantial penalty would be required to ensure general deterrence amongst other entities.

Significantly, in reaching the agreement, Westpac admitted to the following:

- contravening the AML/CTF Act on over 23 million occasions;
- failing to properly report over 19.5 million International Funds Transfer Instructions (IFTIs) amounting to over \$11 billion dollars to AUSTRAC;
- failing to pass on information relating to the origin of some of these international funds transfers, and to pass on information about the source of funds to other banks in the transfer chain, which these banks needed to manage their own ML/TF risks;
- failing to keep records relating to the origin of some of these international funds transfers;

- failing to appropriately assess and monitor the risks associated with the movement of money into and out of Australia through its correspondent banking relationships, including with known higher risk jurisdictions; and,
- failing to carry out appropriate customer due diligence in relation to suspicious transactions associated with possible child exploitation.

These admissions are significant in providing confidence in Westpac's intention and ability to comply with its reporting obligations in the future.

The penalty ordered by the Federal Court of Australia is the largest civil penalty imposed in Australian history and reflects the seriousness of Westpac's actions. The negotiated and agreed upon settlement demonstrates AUSTRAC's approach of working collaboratively with industry to support the financial system and keep it free from exploitation.

CASE STUDY: STATE STREET BANK AND TRUST COMPANY

On 16 September 2020, AUSTRAC issued an infringement notice to State Street Bank and Trust Company (SSBT). AUSTRAC alleged that, on 99 occasions, SSBT had failed to report international funds transfer instructions in or

out of Australia within 10 business days of the instruction being received. The infringement notice totalled \$1.247 million and reflects AUSTRAC's ability to take enforcement action which is prompt and appropriate to the nature and extent of the non-compliance.

OTHER ENGAGEMENT

During the reporting period AUSTRAC had ongoing and regular engagement with state and federal regulators in relation to regulated entities and issues of common interest. These regulators include Commonwealth regulators such as ASIC and APRA, state based gaming regulators as well as overseas based regulators such as New Zealand's Department of Internal Affairs and the Reserve Bank of New Zealand and the Victorian and Perth Royal Commissions inquiring into Crown Resorts. This engagement included sharing regulatory findings and learnings and contributed to a greater understanding of the ML/TF risks relevant to particular regulated entities and sectors and the identification of opportunities for mitigation and control of ML/TF risks. This engagement also ensures our regulatory partners understand their regulated entities AML/CTF obligations and AUSTRAC's role.

3.1.4. REVIEWABLE DECISIONS TAKEN ON REGULATORY REGISTRATION

By the conclusion of the reporting period, AUSTRAC had made 48 reviewable decisions in relation to registration of Reporting Entities.

The requirement under the AML/CTF Act for reporting entities to register with AUSTRAC is placed on remittance service providers and digital currency exchange providers.


An important function of the AUSTRAC CEO is to make decisions around the registration of such entities to ensure their registrations are approved only where it is considered appropriate to do so following an assessment of the money laundering, terrorism-financing and other relevant risks the registration of such entities might involve.

Reviewable decisions are decisions made by the AUSTRAC CEO under the AML/CTF Act, which are outlined in section 233B of the AML/CTF Act. This reporting period's decisions consisted of:

- 31 refusals – a decision made by the AUSTRAC CEO or their delegate to not register a reporting entity including a decision not to renew a reporting entity's registration;
- 6 suspensions - the person must not continue to provide designated services for a period of time;
- 5 cancellation of registrations – the person must not provide designated services;
- 6 instances of conditions being imposed – AUSTRAC imposes conditions on the provision of designated services that the reporting entity must abide by.

Table 5: AUSTRAC reviewable decisions taken on registration

Type	2019-20		2020-21	
	Remitter	DCE	Remitter	DCE
Cancellation	7	4	3	2
Suspension	2	2	5	1
Refused registration	2	1	14	17
Conditions imposed	1	0	3	3
Total	12	7	25	23

Performance measure: 3.2. Improved regulatory efficiency of reporting entities.		Result
<p>Methodology:</p> <p>3.2.1. Reports of contributions to legislative reform.</p> <p>3.2.2. Number of exemptions granted by AUSTRAC under section 248 of the <i>Anti-Money Laundering and Counter-Terrorism Financing Act 2006</i>.</p> <p>3.2.3. Feedback provided from reporting entities, AML/CTF consultants and RegTech providers on the clarity and effectiveness of AUSTRAC communications.</p>	<p>Target:</p> <p>AUSTRAC takes continual actions to reduce regulatory costs of reporting entities.</p>	
<p>Source:</p> <p>AUSTRAC Corporate Plan 2020-24, p27; Portfolio Budget Statements 2020-21, Program 1.1. p. 197</p>		

3.2.1. CONTRIBUTIONS TO LEGISLATIVE REFORM

Over the past year AUSTRAC engaged in policy reform to strengthen the AML/CTF regime and deliver regulatory efficiencies to industry. This included developing Rules to support the implementation of reforms introduced under the *Anti-Money Laundering and Counter-Terrorism Financing and other Legislation Amendment Act 2020*, which was assented to in December 2020. These Rules covered correspondent banking, customer due diligence, reliance and tipping off and were developed in close consultation with industry. The introduction of the Rules was accompanied by detailed guidance which received 5,192 unique page views in the first 12 days of its release. Furthermore, AUSTRAC identified a package of proposed technical reforms to address operational issues, which is being discussed with the Department of Home Affairs.

AUSTRAC has also examined a number of sectors which are subject to AML/CTF regulation due to the way in which they transfer or remit money to support business activities. These include payroll processing and superannuation clearing houses, and specific types of online market platforms. Proposals are being developed to provide regulatory relief to these sectors where appropriate and will be finalised during the remainder of 2021.

3.2.2. EXEMPTIONS GRANTED UNDER S248

During the reporting period AUSTRAC made 30 exemptions under s248 of the AML/CTF Act and issued 126 notices under s247 of the AML/CTF Act and Chapter 75 of the AML/CTF Rules.

As a part of our legislative obligation, AUSTRAC monitors compliance of AML/CTF obligations for all entities that meet the definition of a 'reporting entity'. These entities are diverse in nature, industry, business practices and exposure to money laundering and terrorism financing risks. To mitigate the risk of unnecessary or excessive regulatory burden, AUSTRAC has powers under sections 39, 247, 229 and 248 of the AML/CTF Act to exempt specific reporting entities from specific provisions of the Act. Exemptions are granted based on the individual circumstances of a reporting entity and can provide an interim response to new industry practice that may require a longer-term policy response.

AUSTRAC also has power to modify the application of specific provisions of the AML/CTF Act and Rules as it applies to specific reporting entities. For the purposes of this measure "exemption" means both exemptions and modifications.

On balance, the number of exemptions granted per year is increasing. This may reflect an increase in awareness by reporting entities of the scope and application of the AML/CTF Act, as well as continued innovation in the financial system resulting in business practices and models that were not contemplated when the AML/CTF Act commenced.

Table 6: Section 248 exemptions granted by AUSTRAC over past nine years

Year	2021	2020	2019	2018	2017	2016	2015	2014	2013
Number of exemptions	30	17	13	8	16	9	13	5	2

Over 2020-21, the nature of exemptions sought continued to increase in volume and complexity. Over one third (12) of exemptions involved regulatory relief from s123 of the AML/CTF Act. Commonly referred to as the “tipping off” provisions, s123 protects suspicious matter reports submitted to AUSTRAC, as well as the information on which the relevant suspicions are based. Exemptions from the tipping off provisions seek to provide sufficient protection of the information to avoid prejudice to law enforcement investigations while enabling the reporting entity to undertake actions consistent with its obligations under the

AML/CTF Act and other laws. The tipping off provisions were amended as part of the Phase 1.5 reforms (see 3.2.1 above). Future exemptions will be monitored to assess whether further amendments to the secrecy and access provisions are necessary or desirable.

Three of the 30 exemptions granted involved Crown Resorts entities and facilitated appropriate disclosure of information to the Perth and Victorian Royal Commissions and state based gaming regulators in respect of their inquiries into Crown, as well as disclosure of information in the context of the shareholder class action.

Three modifications were granted during the reporting period. In particular, a modification which had applied to PayPal for 12 years was replaced with a more confined and targeted modification consistent with new rules proposed in respect of delayed verification for banking and financial services.

AUSTRAC also grants exemptions to reporting entities following a request from law enforcement agencies pursuant to Chapter 75 of the AML/CTF Rules. Such requests and exemptions assist investigations into criminal elements abusing the financial sector. A Chapter 75 notice prevents banks from forcibly exiting customers who may be involved in criminal activity. The de-banking of a customer may alert suspects to law enforcement activity, potentially compromising cases. A Chapter 75 exemption effectively acts as a dialogue between the banks and the police, ensuring that risks are managed on both sides. In 2020-21, AUSTRAC received 74 requests and issued 126 notices under Chapter 75 of the AML/CTF Rules to support law enforcement investigations.

AUSTRAC supported the Australian Government's response to the COVID-19 pandemic by introducing Chapter 77 to the AML/CTF Rules. This measure provided reporting entities with an exemption from section 32 of the AML/CTF Act to facilitate the early release of superannuation to individuals who met relevant criteria and were approved by the Australian Taxation Office (ATO). Chapter 77 was amended in the reporting period to extend its operation until the end of 2020.

3.2.3. CLARITY AND EFFECTIVENESS OF AUSTRAC COMMUNICATIONS

During the year, AUSTRAC placed an emphasis on building the understanding of reporting entities in relation to their AML/CTF obligations and the risks they face. This has resulted in multiple guidance products being generated and published on the AUSTRAC website, targeted on occasion at specific industries or specific obligations, and others for more general awareness. The following are important guidance, outreach and communications made available:

- Two guidance products were published to support engagement with Regulatory Technology (RegTech) businesses, one outlining our expectations of RegTechs and the other for reporting entities to inform them of key areas to consider when engaging a RegTech.
- To enhance industry understanding of ML/TF risk assessments a comprehensive guide, website updates and animation were generated, with the guide being downloaded on approximately 4,000 occasions to date.
- To continue ongoing efforts to uplift remittance sector businesses, an animation was published explaining their compliance obligations.
- Guidance on beneficial ownership was updated to clarify and respond to issues raised by industry.
- A series of scenarios were published to support the online gaming industry on addressing and reporting potential suspicious activity of customers.
- Information materials were provided to all South Australian pubs and clubs alerting them to the possible ML/TF risk considerations in response to the introduction of ticket in, ticket out technology.
- Specific tailored guidance was generated for mutual banks/mid-tier banks to assist with their threshold transaction reporting and common mistakes to avoid.
- A series of resources have been provided to reporting entities focussing on uplifting suspicious matter reporting, including an SMR resource guide, checklist, animation, factsheet and FAQ to clarify the industry's common questions on SMRs. Over a short period of time there were many thousands of downloads and views with strong positive feedback from industry on the value of these resources.

- In March 2021, a series of guides concentrating on areas of regulatory focus - correspondent banking, IFTIs, governance, risk management and ongoing customer due diligence - were released.
- Additional insight and guidance was published to explain the application of the risk based approach.
- In June 2021, some of the guidance was expanded to include additional support relating to the AML/CTF legislative changes that commenced on 17 June 2021 (see 3.2.1. for further information.)

These guidance resources complemented important Risk Assessments and Financial Crime Guides (see measure 3.1.2 and Chapter 5 on the Fintel Alliance for further information) AUSTRAC published during the year.


In uplifting the understanding across reporting entities, it is more than just the provision of guidance. A presentation by AUSTRAC in August 2020 to 450 certified Anti-Money Laundering Specialists on various AML/CTF topics was rated by 84 per cent of respondents as “very good” or “excellent”. In February 2021, AUSTRAC’s Industry Education and Outreach team initiated an induction workshop for new businesses registering and enrolling with AUSTRAC. A total of 12 workshops were

delivered between February and June 2021, with 154 reporting entities learning about the fundamentals of AML/CTF regulation, risk management and quality transaction reporting. In feedback provided, 91 per cent of those surveyed indicated that, as a result of attending, they had a clearer understanding of their AML/CTF requirements.

Throughout the year an additional 18 outreach engagements were conducted with industry associations and AML/CTF focussed events which provided information to in excess of 4,500 participants. More focussed engagements were facilitated through 78 one to one sessions with reporting entities, RegTechs, AML/CTF advisers, industry associations and partner regulators.



DISRUPT - AUSTRAC collaborates with partners to disrupt criminal abuse of the financial system.

Performance measure:		Result
4.1. Contribute to the disruption of financial and other serious crime in line with Government priorities.		
Methodology:	Target:	
4.1.1. Case studies of operational outcomes from AUSTRAC contributions to law enforcement and national security task forces..	AUSTRAC's contribution to law enforcement and national security operations generates positive disruption outcomes.	
4.1.2. Demonstrated value to government revenue protection including against welfare fraud, tax evasion and related serious financial crime.		
Source:		
AUSTRAC Corporate Plan 2020-24, p28; Portfolio Budget Statements 2020-21, Program 1.1. p. 197		

4.1.1. AUSTRAC CONTRIBUTIONS TO TASKFORCES

During the reporting period AUSTRAC was a member of a number of law enforcement and national security taskforces. As Australia's FIU, AUSTRAC plays an important role in providing partner agencies with financial intelligence that supports the efforts of law enforcement and national security partners against criminal behaviour. The criminal behaviour we helped disrupt ranged from targeting fraud against the Commonwealth, drug distribution and other serious and organised criminal activity. Within taskforces AUSTRAC analysts provide specialist advice around the nature of money flows and the financial system, and how this can be applied to criminal acts. AUSTRAC speciality advice and products are highly sought after by partners and form an invaluable part of criminal investigations.

COUNTERING FOREIGN INTERFERENCE

The new Counter Foreign Interference Taskforce was officially established in July 2020, with AUSTRAC as a key founding member. AUSTRAC has contributed new value and provided insights and financial intelligence, including on an investigation that resulted in the disruption of alleged criminal activity in Australia.

COUNTERING CYBERCRIME

AUSTRAC's Financial Cybercrime team supports Australian Federal Police (AFP)-led efforts on Operation DOLOS: a taskforce targeting business email compromise. AUSTRAC has provided financial intelligence, including proactive reporting, related to BEC activities.

OPERATION IRONSIDE

An AFP-led operation charged more than two hundred offenders after developing a world-leading capability to see encrypted communications used exclusively by organised crime. AUSTRAC analysts embedded in AFP headquarters across the country provided live tactical support supplying financial intelligence to identify assets and guide the AFP's asset seizure strategy for specific targets. AUSTRAC developed specialist capability which led to the discovery and identification of Ironside targets, linked businesses and properties. The initial discovery identified over \$31 million in real property directly linked to persons of interest. The associated network discovery identified a further \$88 million in real property connected to immediate family members and companies. AUSTRAC's discovery work continues as more assets are identified and the list of persons of interest grows.

On the days of action, AUSTRAC's public-private partnership – Fintel Alliance – hosted the AFP and representatives from ANZ, Commonwealth Bank and Westpac to facilitate 49 urgent requests and identify additional assets and accounts to confirm and resolve identities for warrants and production orders for 75 persons of interest. The information brokered through Fintel Alliance led to over \$3 million held in accounts either owned or controlled by persons of interest that would have otherwise gone undetected.

HIGH VOLUME CRIME

AUSTRAC's analytical contribution to the High Volume Crime Team generated actionable intelligence and resulted in three AUSTRAC referrals becoming High Volume Crime Team (HVCT) investigations, led by the AFP. AUSTRAC's contribution to one HVCT operation supported overt disruptive activity undertaken as part of Operation Ironside and resulted in the seizure of approximately \$900,000 from a sophisticated money laundering syndicate that has been operating since 2018.

FRAUD TO OBTAIN FINANCE

Working with its partners, AUSTRAC developed a civil based restraint strategy against an organisation target. AUSTRAC's financial analysis identified the alleged criminal activity was consistent with systematic fraud to obtain finance from banks and dealing with money or property reasonably suspected of being the proceeds of crime. The matter is under current investigation by the AFP-led Criminal Assets Confiscation Taskforce (CACT).

FRAUD TARGETING TAX INFORMATION

AUSTRAC supported an investigation by the AFP-led CACT into fraudulent activity targeting the tax information of Australian companies. This allowed the suspects to make unauthorised changes to the victims' records (for example, add a money mule account to the record) and to lodge fraudulent GST Business Activity Statements to obtain fraudulent refunds. AUSTRAC provided support to the AFP through financial analysis and engagement with financial institutions to determine the number of accounts held by the person of interest. AUSTRAC's contribution allowed the AFP to obtain freezing orders and ultimately seize funds in a very compressed timeframe.

On 1 March 2021, Justice Campbell of the Supreme Court of NSW made orders pursuant to sections 18 and 19 of the *Proceeds of Crime Act* (Cth) 2002 (POC Act) restraining the following property with a total estimated value of approximately \$2.73 million:

- a) Funds seized from two St. George Bank accounts totalling approximately \$2.34 million;
- b) Funds seized from a Commonwealth Bank account totalling approximately \$360,000; and
- c) Mercedes Benz vehicle with a reported value by the purchaser of \$30,000.

Justice Campbell also made an order pursuant to section 18 of the POC Act restraining any and all of the property of the first defendant.

AFP advised the result would not have been made possible without the continued support and urgency shown by AUSTRAC and the ATO.

COUNTERING THE PROLIFERATION OF WEAPONS OF MASS DESTRUCTION

AUSTRAC, like other financial intelligence agencies around the world, is part of global efforts to counter the threat of the financing of the illicit proliferation of weapons of mass destruction (WMD). AUSTRAC works closely with key partners to detect and disrupt entities and networks of concern. Through AUSTRAC's public- private partnership, the Fintel Alliance, we have shared information with our industry partners about individuals or businesses we believe might be linked to purchasing or producing such weapons. During the reporting period, AUSTRAC identified methodologies being used by WMD networks to purchase goods and move funds globally, concealing the true intent of the purchases – and avoiding sanctions, law enforcement or financial sector interest. We shared reporting on these observed patterns of transacting with industry, to enable the identification of other WMD/Proliferation Financing activity using Australia's financial system.

ONLINE CHILD SEXUAL ABUSE

An investigation by Australian authorities into online child sexual abuse in 2020 resulted in the rescue of three children and the arrest of one woman in the Philippines. The Australian investigation was launched following the return of an Australian citizen from the Philippines in 2019. Information provided by AUSTRAC helped identify the man leading to an examination of his devices by the ABF. This resulted in him being charged with the importation of child abuse material. The ABF then provided information to the AFP regarding the man's alleged conduct offshore for further investigation, with financial intelligence provided by AUSTRAC.

The Philippine National Police and the National Bureau of Investigation subsequently conducted operational activity in Caloocan, Luzon, following a referral from the AFP to the Philippine Internet Crimes Against Children Centre.

ORGANISED CRIME

AUSTRAC contributed financial intelligence, in the form of intelligence reports, tactical analysis and profiling, to a multi-agency investigation into an organised crime group involved in drug distribution, encrypted phone sales and the importation of Border Controlled Drugs. The investigation resulted in the arrest of three individuals, and the seizure of more than \$1 million cash and three luxury vehicles valued at more than \$300,000.

MONEY LAUNDERING AND TAX FRAUD

Effective collaboration between AUSTRAC's Fintel Alliance and our money laundering team was the catalyst for a law enforcement investigation, resulting in the restraint of assets totalling more than \$5 million believed to be the proceeds of crime. The funds were restrained as part of an Australian Federal Police proceeds of crime investigation into suspected money laundering and tax fraud following AUSTRAC analysis of account activity and large funds transfers between bank accounts in Western Australia and Thailand.

USING AUSTRAC'S REGULATORY FUNCTION TO DISRUPT CRIME

AUSTRAC Regulatory Operations aid in the disruption of criminal activity through the application of risk based interventions against non-compliant reporting entities, targeted interventions and enforcement operations. During the reporting period, AUSTRAC continued to identify remitters and DCE providers that posed a serious financial crime risk and take appropriate disruption actions via the suspension, cancellation, and/or imposition of conditions on their registrations.

4.1.2. VALUE TO GOVERNMENT REVENUE PROTECTION


AUSTRAC continued to proactively work to provide value to Government through revenue protection initiatives by way of supporting the detection of tax evasion, welfare fraud and related serious financial crime. AUSTRAC's activities included supporting civil penalty proceedings and joint operations with taxation and excise agencies. Specifically, AUSTRAC:

- continued our collaboration with the ATO in 2020-21, providing them with high-volume transaction report data. This enables the ATO to identify undeclared foreign source income and serious non-compliance, which in turn drives revenue savings for government. In their analysis for 2020-21, the ATO found that 2,355 of their cases used AUSTRAC's financial intelligence capability. These cases contributed to the ATO's raised revenue of \$38 million for the financial year, and ten year total raised revenue of \$2.4 billion;
- was a member of the SFCT, a multi-agency taskforce that identifies and addresses serious and complex financial crimes. AUSTRAC intelligence contributed to the outcomes achieved

by this task force. The SFCT raised over \$120.53 million in tax liabilities, with over \$144.56 million recouped by the ATO this financial year;

- was a member, together with the ATO, ABF and ACIC, of the AFP-led CACT. The purpose of the Task Force is to remove the profit element of serious and organised criminal activity. AUSTRAC contributed specialist financial intelligence, key insights into financial habits and an understanding of the flow of money to develop detailed analysis on targets and their assets. AUSTRAC's unique input can be pivotal in determining what is and is not a criminally funded asset. During the reporting period the sum of CACT Gross restrained assets value¹⁴, which AUSTRAC data and financial intelligence have contributed to the restraint of, was in excess of \$185 million;
- partnered with the AFP, and NDIA to investigate a syndicate responsible for a multi-million dollar fraud against the NDIS.

14 The value of the asset before any consideration of encumbrances such as mortgages, loans, etc.

Performance measure: 4.2. Enhanced Fintel Alliance effectiveness.		Result
Methodology: 4.2.1. Examples of enhanced collaboration by the Fintel Alliance with new and existing partners, including through preventative action and disruptions. 4.2.2. Changes in reporting behaviour of Fintel Alliance industry partners in response to Fintel Alliance projects and operations.	Target: The collaboration of Fintel Alliance partners supports the increased detection, prevention and/or disruption of criminal activities.	
Source: AUSTRAC Corporate Plan 2020-24, p28; Portfolio Budget Statements 2020-21, Program 1.1. p. 197		

4.2.1. FINTEL ALLIANCE
ENHANCED COLLABORATION

The AUSTRAC-led Fintel Alliance brings together 29 government and private sector organisations in the fight against money laundering, terrorism financing and other serious crime. The Fintel Alliance seeks to increase the resilience of the financial sector and support law enforcement investigations into serious crime and national security matters.

The Fintel Alliance aims to enhance collaboration amongst its members by developing capability uplift and knowledge sharing amongst members. During the reporting period, the following examples of enhanced collaboration occurred:

- In response to the COVID-19 pandemic, innovative measures were undertaken to work in a collaborative fashion across agencies, states and countries. The Fintel Alliance adopted and championed the use of an information sharing platform (a digital collaboration service built for government) to meet stakeholders, plan operations and engage with industry.
- The provision of regular feedback to industry on intelligence or compliance outcomes – thereby creating a positive, reinforcing feedback loop – has become an important means of enhancing collaboration. Consolidated feedback is provided at Fintel Alliance governance forums and working groups to ensure all

levels of governance and leadership are aware of positive reporting behaviours.

- The establishment of several Fintel Alliance working groups present opportunities for AUSTRAC to engage with traditional partners alongside industry partners. These working groups have created a channel for increased feedback and insights into the value of financial intelligence being provided by other government agencies. This has included feedback on individual SMRs, data projects and recognition where financial intelligence has influenced operational decisions.
- The establishment of a Tax Crime and Evasion Working Group, co-chaired by the ATO, AUSTRAC and an industry representative. The working group has built on previous work targeting the exploitation of the COVID-19 stimulus measures, to increase focus on emerging and complex tax crime.
- The establishment of the Trade-Based Money Laundering (TBML) working group, co-chaired by AUSTRAC and the ABF. This working group provided extensive support to the FATF TBML paper released in December 2020 through the sharing of insights into the Australian operating environment.

Industry partners of the working group were further able to provide key insights in support of the final paper, identifying payment channels and processes as being vulnerable to exploitation for TBML.

- Through monthly meetings, the Fintel Alliance working group has been able to provide insights for government, law enforcement and industry partners into emerging and complex financial crimes through presentations and case studies from law enforcement and industry experts.
- In June 2021, the Fintel Alliance partnered with the AFP to release information to reporting entities and the general public on the cuckoo smurfing money laundering methodology. The educational campaign included the release of a financial crime guide to assist reporting entities with understanding and identifying cuckoo smurfing and a public factsheet released by the AFP to educate the general public on the dangers and warning signs of cuckoo smurfing.
- Through the Fintel Alliance, AUSTRAC is building engagement with non-traditional partners from DAWE, NDIA and Sport Integrity Australia. These engagements are building the capability of non-traditional partners to understand

and utilise financial information to detect and respond to different crimes.

- The publication of Financial Crime Guides, developed with non-traditional partners and released to a public audience, covering Illegal Wildlife Trafficking (developed with DAWE) and fraud against the NDIS (developed with NDIA).

4.2.2. CHANGES IN FINTEL ALLIANCE INDUSTRY PARTNERS REPORTING BEHAVIOUR

The Fintel Alliance undertakes projects - working closely with partner agencies - seeking specific operational outcomes, identification of crime types and hardening of the financial system. The knowledge gained from these projects is shared with Fintel Alliance industry partners to inform their understanding of the threat environment and support a change in their reporting behaviour as a result of this increased knowledge. Over the 2020-21 reporting period, the Fintel Alliance worked closely with the NDIA, ATO, DAWE and law enforcement to develop profiles that not only identified criminal behaviour, but also changed how our partners reported on said criminal behaviour.

AUSTRAC has detected significant uplift in reporting behaviours by Fintel Alliance industry partners. Not only has SMR reporting volumes been boosted through participation in the Fintel Alliance, but there has also been significant improvements in the narrative/descriptive quality of the reporting.

SCAM-RELATED SMRs

AUSTRAC has identified an increase in scam related SMRs following engagement between government agencies, law enforcement and financial institutions. Through the facilitation of forums and working group meetings, greater amounts of information have been shared to understand and respond to scams having the greatest impact on the Australian community. The increased information sharing has resulted in increases in reporting, referrals to law enforcement and protection of customers.

Table 7: Change in SMR generation following Fintel Alliance operations in response to Scams

FY 2019-20	FY 2020-21
7	286

MONEY LAUNDERING-RELATED SMRs

Building on operational learnings, the Fintel Alliance has focused on money laundering risks associated with cash deposits being undertaken by third parties through automatic teller machines (ATMs). This channel was identified as being exploited by professional money laundering syndicates to move the proceeds of crime. Fintel Alliance partners worked in partnership to understand how to identify and respond to the money laundering risks, with SMRs leading to increased referrals to law enforcement and the disruption of money laundering syndicates.

Table 8: Change in SMR generation following Fintel Alliance operations in response to Money Laundering

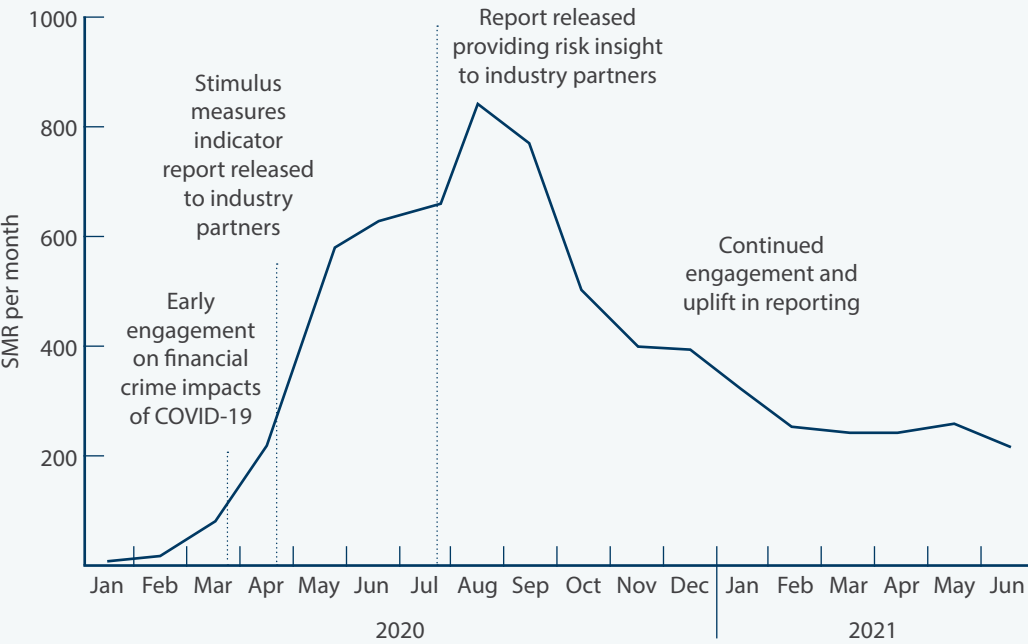
FY 2019-20	FY 2020-21
38	384

FINTEL ALLIANCE OPERATIONS SMRs PROFILE

In the early days of the COVID-19 pandemic, AUSTRAC worked with Fintel Alliance partners to identify likely impacts of the pandemic, sharing insights and reports to assist in responding to changes in the financial crime environment. This engagement led to a significant increase in SMRs submitted to AUSTRAC and subsequent referrals to law enforcement partners. Additional learnings have been shared among Fintel Alliance partners and the wider reporting population as the pandemic has had a prolonged impact on the community, with partners developing ongoing capabilities to identify and respond to financial crime.

Through the Fintel Alliance, partners have been able to share learnings and insights on how financial crime can be detected and responded to while continuing to support operational outcomes. This has included the development and sharing of algorithms, investigation guides and learnings modules to respond to emerging threats and develop enduring capabilities.

FINTEL ALLIANCE OPERATIONS SMRs PROFILE





OPTIMISE - AUSTRAC continuously evolves and adapts business operations to improve efficiency, effectiveness and sustainability in a dynamic operating environment.

Performance measure:

4.1. Provide innovative, co-designed technological solutions to drive business productivity and address operational challenges.

Result

Methodology:

4.1.1. The percentage of technology projects, closed during either the current financial year or the previous financial year, that realise their approved benefits.¹⁵

Target:

Completed ICT projects deliver proposed benefits.



Source:

AUSTRAC Corporate Plan 2020-24, p29; Portfolio Budget Statements 2020-21, Program 1.1. p. 197

¹⁵ During the reporting period, AUSTRAC slightly amended the wording for this measure from that published in the Corporate Plan 2020-24. The original wording was "Evaluations of delivery and implementation of technology projects funded to deliver system enhancements." This amendment was made to meet performance measure better practice while clarifying the purpose and intention of the original wording.

5.1.1 REALISATION OF TECHNOLOGY PROJECTS' BENEFITS

100 per cent of AUSTRAC's Information and Communications Technology (ICT)¹⁶ projects closed during this measure's reporting period (1 July 2019 – 30 June 2021) realised their approved benefits.¹⁷

Collectively, the ICT projects comprising AUSTRAC's Capability and Transformation programs ensure that AUSTRAC data, information and systems can be most effectively and efficiently leveraged to deliver regulatory and intelligence functions as well as the work of government and industry partners who rely upon AUSTRAC products and services. Project delivery is based upon Agile ways of working, whereby ICT specialists work closely with business teams to ensure the intended benefits are realised. In addition, each project is subject to AUSTRAC's project governance processes to ensure risks are managed within the context of agency priorities and legislative obligations.

Monitoring the achievement of project benefit realisation performance at a macro-level is a means of ensuring value-for-money in our project work, as well as enabling the agency to identify early any problems associated with AUSTRAC's benefits realisation process at the agency-wide level. This will support AUSTRAC's benefits realisation work by necessitating its maturing.

The adoption of the two financial years (the current financial year and the previous financial year) time period for this measure reflects the diverse nature and timeframes of every project (i.e. they do not run to financial year or corporate reporting timelines), and to reflect the real-world nature of benefits realisation, that is, the resulting benefits are not always realised upon the immediate finalisation of a project.

¹⁶ ICT projects means technological projects as defined by the AUSTRAC Capability Sub-Committee.

¹⁷ Approved benefits means those benefits identified and agreed to within Project Initiation documentation at the outset of the project.

EXAMPLES OF RECENTLY COMPLETED AUSTRAC PROJECTS THAT REALISED THEIR BENEFITS

DATA FOUNDATIONS PRODUCT TEAM

The Data Foundations product team was established to provide a highly reliable and efficient method to enhance AUSTRAC data and make it available for partner use.

Benefits identified

AUSTRAC identified the following benefits:

- Improve productivity for AUSTRAC and partners;
- Allow technological advancements to remain sustainable;
- Improve the analytical capabilities of AUSTRAC and partner analysts;
- Lower costs of internal training;
- Improve the efficiency of AUSTRAC's triage functionality;
- Provide a single point of truth for data;
- Reduced time to extract data;
- Improve collaboration with intelligence partners; and,
- Reduce costs when customising future applications.

Were the benefits realised?

The enhanced data has been used as the foundational data source to inform AUSTRAC compliance and intelligence work. The fulfilment of data foundations has enhanced the availability of data to AUSTRAC and partners, through AUSTRAC's suite of analytical tools, including the AWB, which provides access to AUSTRAC partner agencies. This is achieved by substantially reducing the processing time of information requests, and facilitating the triage of raw data in clearly defined sets of information.

Since going live the Data Foundations team have performed multiple successful releases adding additional features, while maintaining operational services for the product.

The data foundation capability delivered under this project has a tangible effect on the work outputs of AUSTRAC and partner agency analysts by reducing the need to manually extract data. This allows analysts to spend time analysing critical information and forming analysis for an actionable result.

PLATFORM AS A SERVICE

AUSTRAC's adoption of Platform as a Service (PaaS) has enabled AUSTRAC to adopt a software development environment that supports the rapid build, test, integrate and deployment of multiple digital solutions.

Benefits identified

AUSTRAC identified the following benefits:

- Rapidly develop applications in a flexible environment;
- Automatically move applications into the PROTECTED production environment for quality assurance, and integration testing;
- Effectively utilise platform services such as: security, identity management, logging, monitoring, alerting, storage - rather than implementing these over and over again;
- Rapidly move applications to the production environment;
- Better reliability and supportability due to consistent technology usage;
- Make PROTECTED applications ready for the cloud in future.

Were the benefits realised?

AUSTRAC successfully implemented a modern, automated and cloud ready platform, effectively allowing AUSTRAC to host its own internal and external applications. This allows software engineers to create and test applications across a range of environments.

WEBSITE REDEVELOPMENT

This project delivered AUSTRAC a new website based on the whole of Government GovCMS platform.

Benefits identified

AUSTRAC identified the following benefits:

- A new website with new design and content, including improved mobile responsiveness and accessibility;
- A fully supported 'software as a service' website platform;
- Improved processes for content strategy and development including writing, and content publishing;
- Creation of dedicated digital content roles to ensure the website content remains current and aligns with relevant standards.

Were the benefits realised?

AUSTRAC has a modern website that aligns with government expectations around digital content publishing that is actively managed and maintained.

SAFE UPGRADE

This project worked on upgrading AUSTRAC's internal records management system, known as SAFE.


Benefits identified

AUSTRAC identified the following benefits:

- Providing an improved interface to support better user engagement and access to information;
- Support a more sophisticated level of integration with other key systems and databases;
- Ensure software remains current and fully supported by the vendor;
- Improve systems maintenance, security and auditing capabilities.

Were the benefits realised?

The SAFE upgrade provided enhanced user capability and access to information through an improved interface and usability and information access. The software upgrades have provided demonstrated improvements with the speed of system maintenance, auditing, security and end user functionality. The software upgrade will remain supported by the vendor for the foreseeable future.

Performance measure: 5.2. Deliver improvements that generate long-term efficiencies and uplift capability.		Result
Methodology: 5.2.1. The percentage of instances a streamlining opportunity from an enabling function results in a realised efficiency, annually. ¹⁸ 5.2.2. The percentage of AUSTRAC staff who agree their workgroup has the appropriate skills, capabilities and knowledge to perform well, annually. ¹⁹	Target: AUSTRAC optimises the effectiveness of its operations.	
Source: AUSTRAC Corporate Plan 2020-24, p29; Portfolio Budget Statements 2020-21, Program 1.1. p. 197		

18 During the reporting period, AUSTRAC slightly amended the wording for this measure from that published in the Corporate Plan 2020-24. The original wording was “Examples of initiatives delivered that reduce internal red tape and generate savings to the agency.” This amendment was made to meet performance measure better practice while clarifying the purpose and intention of the original wording.

19 During the reporting period, AUSTRAC slightly amended the wording for this measure from that published in the Corporate Plan 2020-24. The original wording was “Change in proportion of AUSTRAC staff reporting their workgroup has the appropriate skills, capabilities and knowledge to perform well, as reported through the annual APSC Census.” This amendment was made to meet performance measure better practice, while clarifying the intention and purpose of the measure

5.2.1. REDUCING RED TAPE

During the reporting period, 100 per cent of streamlining opportunity instances from an enabling function resulted in a realised efficiency.

AUSTRAC is committed to identifying opportunities to reduce internal red tape and implementing efficiencies, improving work flows and generating time and cost savings for the agency. These opportunities demonstrate ways AUSTRAC has optimised business processes—both to generate efficiencies and to improve effectiveness. The internal red tape register documents these initiatives in an agency-wide accessible format creating accountability for the item submissions.

AUSTRAC's Finance and Resourcing Sub-Committee (FRSC), in its role of providing advice and assurance in relation to resource allocation, has responsibility for monitoring the identification and implementation of relevant streamlining opportunities and determining which of these have successfully delivered their planned efficiencies.

In order to ensure that our achievements in the red tape register are properly measured, we have developed a standard operating procedure (SOP). The SOP provides definitions and criteria for success, which will assist FRSC to ensure AUSTRAC meets its performance related record keeping obligations for the relevant measures.

For the purposes of this measure, the following definitions apply:

- A streamlining opportunity is an internal administrative activity seeking to improve a current business process performed or managed by an enabling function.
- An enabling function refers to corporate support function sitting within AUSTRAC's Capability and Strategy Division.
- The realised efficiency is the identified benefits of the streamlining opportunity come to fruition, with no or limited previously unidentified costs.

For a red tape reduction initiative to be determined by the FRSC a success, it must find:

- the identified benefits were achieved;
- the issues of concern were addressed; and,
- no, or limited, previously unidentified costs were incurred.

It is important to note that AUSTRAC's red tape register does not focus on large scale transformational projects. The red tape register exists to exemplify our commitment to identify and deliver daily cost and process efficiencies. These streamlining initiatives are small changes made to show enabling services are provided in AUSTRAC to generate efficiencies, without significant investment or resourcing commitments.

Moving forward, AUSTRAC would like to expand the red tape register beyond enabling functions, to find – and record – efficiencies within the operational divisions within the agency.

EARLY ENGAGEMENT POLICY

An example of a successful undertaking in the Red Tape Register is the improvement of AUSTRAC's Early Engagement (EE) policy. The revision of the EE policy enables AUSTRAC to on-board new staff with greater speed via a twofold process; waiver of clearance requirements to on-board; and on-boarding all staff at a baseline level.

Part of this initiative is the agreement to allow staff on-boarding to occur prior to the receipt of a formal security clearance from AGSVA. This involves AUSTRAC accepting the completion of an AUSTRAC suitability assessment as the barrier for entry (subject to certain access restrictions on commencement), with a formal security clearance granted afterwards.

By making the initial requirement of staff a Baseline clearance, AUSTRAC reduces the wait time to on-board new staff who would otherwise find new positions elsewhere or potentially fail a clearance, wasting time for all involved. This entry reduction allows for upgrades as required, and after the staff member has already on-boarded and become a productive member of the agency.

This change in policy has drastically reduced unnecessary red tape by ensuring personnel are on- boarded as soon as possible, ensuring productivity from new staff as quickly as possible.

ELECTRONIC ACCESS CONTROL SYSTEM

Another example of effective red tape reduction within AUSTRAC is the use of AUSTRAC's Electronic Access Control System (EACS) to manage staffing numbers which allows for enhanced compliance with COVID-19 social distancing requirements.

Prior to the configuration of the EACS to manage this, property staff had to manually count staff numbers to ensure compliance with capacity restrictions and create a buffer in staffing numbers that would enable the entry of non-planned-for staff in the instance of a work emergency that necessitated their entry into the office.

After the implementation of the new configuration, the maximum number of staff per area was programmed into the system, with alarms being raised with the security team for any breaches of the social distancing rules. This allowed for the creation of safe and compliant workspaces within AUSTRAC across various state and territory jurisdictions.

The efficiency gained here is that staff from property no longer need to conduct manual counts to ensure staff remain safe and compliant, freeing them up to complete other tasks.

5.2.2. VIEWS ON STAFFING SKILLS, CAPABILITIES AND KNOWLEDGE

Eighty-six percent of AUSTRAC employees who completed the Australian Public Service (APS) census indicated their workgroup has the appropriate skills, capability and knowledge to perform their role.

AUSTRAC is dedicated to the ongoing development of a highly capable and diverse workforce. Throughout the year AUSTRAC has demonstrated agility, foresight and sound decision making in navigating the tumultuous pandemic period. Our response to the COVID-19 pandemic, changes in the digital operating environment, and the need to reduce regulatory burden, have allowed AUSTRAC to undertake positive changes for and with our staff.

The primary mechanism for assessing this measure is through the annual employee census. The 2020 Census was provided to all AUSTRAC employees, with questions focussing on the level of contentedness at AUSTRAC, confidence in leadership, strategic direction and clarity of AUSTRAC's strategic plans and goals. The 2020 Census differed from previous years, being smaller in scope due to the impact of the fires that plagued much of Australia in early 2020 and COVID-19 during the rest of the year. As such, the impact these changes will have on our ability to compare data across years is important to note.

The 2020 Census was completed by 91 per cent of APS employees in the agency with 86 per cent indicating their workgroup has the appropriate skills, capability and knowledge to perform their role. This is an increase of 8 points compared to results from 2019 indicating improvement in this area. In comparison to the wider APS, AUSTRAC has a substantially higher completion rate, suggesting greater work satisfaction and development.

In 2020 AUSTRAC was also recognised as employer of choice by the Australian Business Awards. This award is a testament to AUSTRAC's ongoing commitment to the public, its staff and achieving excellence. Our submission to the Australian Business Awards stressed the importance AUSTRAC places on improvement of employee skills through internal and external training courses, mentorship programs, international training and personal study leave. Specifically:

- AUSTRAC offered 89 external training opportunities;
- 77 per cent of senior leadership attended training;
- 1,622 hours of study leave were utilised; and
- 74 per cent of staff attended at least one training course.

To build on its strong commitment to staff development, an agency wide review of programs and support is being undertaken to support a broad capability uplift for AUSTRAC. This will include the re-writing of existing programs and the acquisition of new programs of interest and necessity. AUSTRAC has also launched its Learning and Development Framework which identifies core, common and community skills development, together with a calendar to allow for planning and forecasting of future development opportunities for the agency. Finally, AUSTRAC has developed Individual Development Plans for staff that will allow them to realistically attain the skillsets they require to optimise their workplace functionality or seek promotion. Collectively these initiatives will serve to develop improvements to workplace planning, talent management and promote leadership and coaching in the future.

ANALYSIS OF PERFORMANCE

Our purpose is comprised of two components: (i) to build resilience in the financial system and (ii) to use financial intelligence and regulation to disrupt money laundering, terrorism financing and other serious crime. We measure our performance towards achieving this purpose via five strategic pillars. During the reporting period AUSTRAC successfully delivered outcomes across all five strategic pillars. We achieved nine of our ten performance measures, with the remaining measure being not achieved. We cannot achieve our purpose, either component of it, without the cooperation and partnership of others – be they our national security and law enforcement partners, our regulated entities and other regulators, or our policy stakeholders – and it was our continued collaboration with these stakeholders that enabled us to achieve these successful outcomes.

The first component of our purpose is to build resilience in the financial system and secure it from criminal exploitation. Throughout the reporting period AUSTRAC has sought to strengthen the financial system by (i) enhancing the understanding of our reporting entities and domestic and international partners of vulnerabilities and risks in Australia's financial system, and (ii) building the capabilities and capacity of those same entities and partners. Despite the impact COVID-19 has had on our ability to share this understanding and build this

capability in the "normal way", we continued to conduct supervisory activities, deliver education and training programs, publish guidance material, and make ourselves available to our stakeholders through a variety of both new and established mechanisms.

AUSTRAC's ability to build resilience in the financial system was given a boost during the 2020-21 reporting year with a provision of additional funding to uplift our regulatory function, improve compliance and enforcement outcomes and develop new reporting and engagement technology for our reporting entities. This funding was in recognition of the complex and changing environment surrounding the Australian financial system, following the Financial Services Royal Commission and the subsequent growth in self-disclosure and transaction reporting by reporting entities, and the need for AUSTRAC to enhance our capability so that we may continue to achieve our purpose. Rolling out this work over the coming years will enhance our ability to effectively deliver outcomes for Government and the Australian community.

The second component to our purpose is the use of financial intelligence and regulation to disrupt money laundering, terrorism financing and other serious crime. Over the past twelve months we continued to work closely with law enforcement and national security partners to inform and support their investigations, as well as search for and identify new themes or threats of potential interest to these same partners. The skill and expertise our financial intelligence analysts provide to partner investigations – a strong, nuanced understanding of the complex world that is our financial system that goes far beyond a simple sharing of financial data – continues to be recognised, and we expect our involvement in such activities will expand over coming years.

This reporting period saw the largest civil penalty imposed in Australian history following Westpac's failure to comply with their AML/CTF obligations. This enforcement action was accompanied by activity against other non-compliant reporting entities and follows similarly large civil penalties imposed in previous reporting periods. While such enforcement action is not undertaken simply for the deterrence effect on the regulated community, the effect of these outcomes – emphasising the need for reporting entities to have an appropriate AML/CTF framework in place thereby helping to build resilience in the financial system and disrupt money laundering, terrorism financing and other serious crime – is not insubstantial.

During this reporting period, AUSTRAC undertook a significant body of work to identify and develop the most appropriate and useful performance measures that not only demonstrate achievement towards our purpose, but also provide us with relevant, objective data that enables us to make performance improvement decision-making. While we acknowledge this will have some impact on the ability to assess our future performance against previous results, we believe the benefits provided by our new measures do outweigh the costs. We believe this maturing of our approach to performance measurement to be appropriate, of value and timely. We look forward to reporting on our performance via these new measures next year.



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FINTEL
ALLIANCE

THE YEAR IN REVIEW

The past year has seen the Fintel Alliance's collaborative approach enhance the fight to protect the Australian community against serious and organised crime. Fintel Alliance has been able to strengthen the role of government, law enforcement and the financial industry to disrupt and prevent financial crime in a challenging operating environment.

As serious and organised crime groups adapted to take advantage of changes in the way Australians live their lives, the Fintel Alliance has been able to leverage the public private partnership to better protect the community. This has been achieved through an increased focus on information sharing between public and private partners, with learnings from the Fintel Alliance shared with a wider audience through the release of financial crime guides.

In the 2020-21 reporting period, the Fintel Alliance has been able to regularly demonstrate the value of government, law enforcement and the financial industry working in partnership to detect, disrupt and deter financial crime impacting the Australian community.

Industry insight

"The Fintel Alliance provides significant benefit to our financial institution by offering a structured and well-coordinated way of sharing information and improving AML/CTF detection across the industry. We've benefited across our entire organisation and the fundamental premise of connecting law enforcement and financial services organisations is where we've truly been able to put our intelligence gained via Fintel into action. As a result our bank has been able to connect with the Fintel Alliance privately to provide direct references to SMR reporting on key actors that we believe may need urgent attention. Fintel has connected the Bank with the relevant law enforcement body to escalate and help resolve these cases related to tax evasion, organised crime, child exploitation and modern slavery. Furthermore, the Bank has had a channel to feed these outcomes into, so the financial crime prevention industry can all take action and learn together – ultimately disrupting illicit activity in our communities. That said, Fintel is more than a collaboration forum, it provides us all with best practice insights, thought leadership and innovation. Most importantly a way of uniting around a common goal and prioritising efforts around this goal in a meaningful and concerted way."

- Comment from Fintel Alliance industry partner

YEAR IN REVIEW - HIGHLIGHTS

- Contributed to arrests of offenders for money laundering, cuckoo smurfing, scam activity, child exploitation and fraud against different stimulus measures.
- **243** intelligence products provided to law enforcement and intelligence partners.
- Released public reports to stop the illegal trafficking of Australian wildlife, prevent fraud against the National Disability Insurance Scheme and respond to cuckoo smurfing.
- Established working groups to bring together experts, analysts and practitioners on the complex topics of trade-based money laundering and tax crime.
- **5,258** suspicious matter reports were lodged relating to Fintel Alliance areas of focus.

ABOUT FINTEL ALLIANCE

Fintel Alliance is an AUSTRAC initiative, established in 2017 as a world-leading public-private partnership to increase the resilience of the financial sector to prevent exploitation by criminals and support investigations into serious crime and national security matters.

Fintel Alliance brings together experts from financial institutions, state and commonwealth law enforcement and intelligence agencies, as well as academic and research institutions. Each partner provides a unique perspective on the financial sector. Working together, Fintel Alliance develops shared intelligence and delivers innovative solutions to detect, disrupt and prevent money laundering and terrorism financing.

Fintel Alliance has strengthened AUSTRAC's role as Australia's Financial Intelligence Unit (FIU) and anti-money laundering/counter-terrorism financing (AML/CTF) regulator. By harnessing the resources and knowledge of industry, government and international partners, our collective ability to detect crime and share information on the financial sector has been enhanced.

For more information on Fintel Alliance visit austrac.gov.au/about-us/fintel-alliance.

OPERATIONAL STRATEGY

The Fintel Alliance Operational Strategy outlines key initiatives and strategic enablers for the public private partnership, as well as how it will achieve desired outcomes and measure success.

The 2020-2023 operational strategy identifies the following strategic priorities:

- develop a stronger shared understanding of the threats posed by money laundering, terrorism financing and serious financial crime
- build resilience to serious financial crime through the activities and learnings of Fintel Alliance by enhancing the capabilities of public and private partners and the broader regulated community
- pursue improved sharing and innovative exploration of information including by building supporting infrastructure between public and private partners
- deliver the money laundering and terrorist financing risk assessments program
- identify and pursue operational activities that will deliver broader socio-economic benefits to the Australian community in addition to producing prevention and disruption outcomes

demonstrate and make visible the value of Fintel Alliance through effective performance reporting and communication of outcomes.

Fintel Alliance activities are subject to the oversight of the AUSTRAC Governance Committee and the AUSTRAC CEO, underpinned by a three-tiered governance structure consisting of the Fintel Alliance Strategic Advisory Board, Experts Group and Working Group. With an update in governance these groups were renamed in July 2021 to Executive Board, Management Committee and Working Group respectively and this will be reflected in the next annual report.

OUTCOMES AND PROGRAM OF WORK

Fintel Alliance has an established program of work based on priority themes including; crimes targeting our most vulnerable community members, exploitation of government revenue, disrupting professional money laundering, and crimes and threats to Australia's domestic and international interests.

Fintel Alliance prioritises operations that require a joint public private approach and access to the capabilities of the public-private partnership such as concentration of resources and rapid access to data, analytical and investigative tools.

Fintel Alliance operations produce a range of outcomes, including:

- intelligence products such as threat alerts and financial crime guides designed for industry to incorporate into their detection capabilities;
- targeted intelligence reports to contribute to law enforcement investigations and the broader intelligence knowledge pool about specific crime types or threats; and
- building capability and uplift across AUSTRAC's wider regulated population to identify, report and respond to money laundering and terrorism financing risks through the transfer of knowledge and insights.

Principle themes of operation

- crimes affecting our most vulnerable community members – protecting children, the elderly and people with disability
- exploitation of government revenues – protecting Australia's tax system and other government programs from abuse
- networked and complex financial crime – disrupting organised criminal enterprises that seek to exploit multiple businesses and industries
- nationally significant task forces and campaigns – supporting national operations including targeting Australia's most wanted criminals, illicit drugs, transnational and serious organised crime, illegal firearms and support to other national efforts
- responding to regional and community harms – helping to address localised crime, address regional programs, and collaborate with regional partners
- technology and sophistication – responding to the most complex money laundering efforts through innovative approaches to data and information.

CASE STUDY: OPERATION IRONSIDE

The Fintel Alliance presents an opportunity for law enforcement to engage with key industry partners in a trusted environment in support of active operations. This supports the achievement of favourable outcomes and ensures proceeds of crime are identified and restrained.

As part of Operation Ironside, the Australian Federal Police (AFP) were able to work with AUSTRAC and major bank partners in the lead up to resolution to identify any unknown assets and accounts being controlled by persons of interest. In keeping with the partnership model of the Fintel Alliance, representatives of the major banks and the AFP worked with AUSTRAC to enable the flow of information in real time through close collaboration.

On the days of action, a total of 49 urgent requests were actioned to confirm and resolve identities for warrants and production orders for 75 persons of interest. The information brokered through Fintel Alliance led to the restraint of over \$3 million that would have otherwise gone undetected.

Risk Assessment program

AUSTRAC's money laundering and terrorism financing (ML/TF) risk assessment program includes the completion of eight risk assessments focusing on the banking, remittance and gambling services sectors. This series of risk assessments is funded by the Minister for Home Affairs under the *Proceeds of Crime Act 2002*, with the aim of assisting Australia's largest financial sectors in identifying, understanding and disrupting serious criminal activity.

In December 2020, AUSTRAC published the first risk assessment in the series, examining junket tour operations in Australia, and the following seven assessments will be published in 2021-22:

- banking – four risk assessments, examining Australia's major banks, Australia's other domestic banks, foreign bank branches in Australia, and foreign subsidiaries in Australia;
- remittance – two risk assessments, examining remittance network providers and their affiliates, and independent remittance service providers; and
- gambling – one risk assessment examining Australian casinos.

INNOVATION PROJECTS

The risk assessments will enable the banking, remittance and gambling sectors to understand, identify, mitigate and manage the ML/TF risks and vulnerabilities in their sectors, enhance their transaction monitoring programs and enterprise risk assessment processes, and strengthen their Suspicious Matter Reporting (SMR).

As a genuine public private partnership, Fintel Alliance presents opportunities for government, law enforcement and financial institutions to explore new and innovative ways to detect and disrupt financial crime. Different innovation projects present the opportunity to develop new capabilities aimed at leveraging different systems and approaches in a collaborative manner.

Alerting project

The objective of the Fintel Alliance Alerting project is to deliver a capability to detect sophisticated financial crimes, where criminal networks attempt to conceal their activities by distributing them across multiple bank accounts held at Australia's major financial institutions.

This project commenced on 1 July 2019. The platform is expected to be built within the next 18 months and implemented at the participating reporting entities over the next 18-24 months.

Once delivered, the Fintel Alliance will be able to trace suspicious funds as they move through the financial system, and identify indirect financial links between different financial institutions. The platform will leverage cutting-edge privacy preserving algorithms - developed by AUSTRAC - in order to protect the privacy of innocent customers.

Information related to innocent customers will not be shared between the participating organisations or be accessible to AUSTRAC. This will represent a significant boost in capabilities for the Fintel Alliance and AUSTRAC.

Information sharing project

To enable government, law enforcement and financial institutions to communicate effectively on operational matters, an information sharing platform has been established allowing partners to collaborate in real time. The establishment and rollout of a secure information sharing platform has enabled partners to collaborate through video, chat and the co-authoring of intelligence products at a classified level.

Benefits of the information sharing project has extended to enhance government to government, and government to industry collaboration beyond the Fintel Alliance and become an integrated communication platform. This has been critical to progressing different streams of work and collaboration during the COVID-19 pandemic when the traditional approach to working in partnership was disrupted. The introduction of the platform has enabled efficiencies and the streamlining of processes to enhance the engagement of partners to combat financial crime impacting the Australian community.

The rollout of a secure information sharing platform with governance and security controls in place has further enhanced the collaboration between government, law enforcement and financial industry partners. The platform continues to support and enhance the effectiveness of the Fintel Alliance in targeting, disrupting and preventing financial crime. Learnings from the rollout of the platform are assisting the development and integration of a platform to enable information to be shared at a higher classification.

INTERNATIONAL ENGAGEMENT

Recognising the important role different public and private institutions play in the fight against financial crime, public private partnerships continue to be established and expended in countries and regions throughout the world.

Fintel Alliance plays a leading role in supporting the establishment of new public private partnerships, sharing insights around governance frameworks, challenges faced and key learnings in the formation of new partnerships.

Over the past 12 months, Fintel Alliance's international engagement has included:

- Collaboration with United Kingdom Financial Intelligence Unit and The Anti-Money Laundering Council (Philippines FIU) on a joint intelligence project and analyst exchange program focusing on child exploitation. This project led to an increase in the value of international engagement and suspicious matter reporting in the prevention of child exploitation.
- Participation in the Asia Pacific Group on Money Laundering Technical Seminar to explore key aspects of establishing successful public private partnerships.

- Representation at the J5 PPP Steering Group, a collaboration of representatives from the US, UK, Canada, The Netherlands and Australia, established to share best practice on public private partnership arrangements and collaborate internationally on specific common threats.
- Sharing tactical, operational and strategic strategies to enhance the capabilities of Asia Pacific public private partnerships to detect, deter and disrupt financial crime in the region.
- Creation of a public private partnerships roundtable with New Zealand Financial Crime Prevention Network, The UK Joint Money Laundering Intelligence Taskforce (JMLIT), the Canadian 'Project' Initiatives to Combat Financial Crimes through Partnerships, and the US FinCEN Exchange. The roundtable enables collaboration on financial crime trends, new and emerging risks whilst strengthening relationships as a public private partnership community.

Recognising the leading role being played in the promotion of public private partnerships, representatives from the Fintel Alliance have shared expertise on panels including the Wolfsberg Group Annual Forum, the Deloitte Financial Crime Symposium 2021 and Association of Certified Anti-Money Laundering Specialists (ACAMS) Australasia Anti-Financial Crime Conference.

FINTEL ALLIANCE OPERATIONS

Fintel Alliance focusses the efforts of government, law enforcement and industry partners on projects that would benefit from a public private partnership approach. In most instances, this can be due to an emerging crime or complex crime type requiring greater understanding.

AUSTRAC has a dedicated team to lead and support the operational efforts of Fintel Alliance. The Fintel Alliance Operations team is responsible for leveraging the public private partnership to develop actionable intelligence for government, law enforcement and industry partners, as well as the broader financial industry.

Fintel Alliance projects operate for a period of time allowing greater understanding of a crime type, identification and targeting of suspected offenders and the sharing of learnings with a wider audience to assist in hardening the environment. At the closure of a project, an evaluation is undertaken to capture and share learnings before the effort is transitioned into standard operational activity.

Assisting industry to protect the community

In addition to operational outcomes, the Fintel Alliance has a focus on increasing the ability for financial institutions to understand, detect and disrupt financial crime to protect the Australian community.

In the past 12 months, Fintel Alliance partners and the wider financial industry have utilised the public private partnership to:

- Enhance systems and processes to better identify and respond to money laundering risks.
- Develop algorithms and scenarios to better detect financial crimes including tax evasion, child exploitation, illegal phoenixing and exploitation of government stimulus measures.
- Tighten controls in response to identified risks associated with third party cash deposits, leading to the limiting of cash services to high risk customers.
- Enable real time support to significant national operations to identify assets and the proceeds of crime for restraint.
- Increase the understanding of risks associated with high risk customer groups resulting in enhanced customer due diligence.

- Develop agile analytics and new investigative tools to support complex network and transactional investigations.

Through the Fintel Alliance and wider engagement with AUSTRAC, reporting entities have been able to enhance suspicious matter reporting through the inclusion of narratives around suspected offending, link analysis charts and the inclusion of closed circuit television imagery. This has been achieved through regular feedback from law enforcement and government partners to the reporting entities on the effectiveness of suspicious matter reporting to initiate and support investigations into criminal offending.

CASE STUDY: CATCHING A SMURF

Fintel Alliance partnered with the Western Australia Police Force (WAPF) to commence a joint intelligence operation, targeting Perth-based syndicates suspected of laundering criminal proceeds using third parties to deposit cash via Automated Teller Machines (ATMs). This intelligence project led to the discovery of an individual making multiple, low-value cash deposits at various ATMs and bank branches across Perth.

A subsequent investigation established the individual had laundered approximately \$430,000 on behalf of an offshore money laundering syndicate. The individual was provided with cash by another Perth-based member of the syndicate, and received directions from an offshore member of the syndicate using a secure messaging service. This included specific instructions to deposit amounts of cash into bank accounts at various locations across Perth.

The individual was charged and pled guilty to four counts of property laundering under section 563A *Criminal Code Compilation Act 1913* (WA) under charges laid by the WAPF Money Laundering Squad.

Financial crime guides

Fintel Alliance publishes resources to help businesses understand, identify and report suspicious financial activity to detect and prevent criminal activities.

Financial crime guides provide detailed information about the financial aspects of different crime types. They include case studies and indicators to help the financial services sector identify and detect suspicious transactions.

DETECT AND REPORT CUCKOO SMURFING

Organised criminals use 'cuckoo smurfing' as a method of laundering money to disguise and integrate their funds across borders to profit from and further enable their illegal activities.

To protect Australia's financial system against exploitation, the Fintel Alliance developed a financial crime guide explaining how cuckoo smurfing takes place, and specific indicators to help remittance service providers, banking and financial services businesses understand, identify and report suspicious transactions related to this activity.

Help detect and report
**Cuckoo smurfing: a distinct
breed of money laundering**



NEW FINANCIAL CRIME GUIDE



STOPPING THE ILLEGAL TRAFFICKING OF AUSTRALIAN WILDLIFE

Australia boasts a diverse range of unique animals and plants that are not found anywhere else in the world. Organised criminals target our native animals for profit, removing them from their habitat and mistreating them. This cruel crime puts some of Australia's most vulnerable species at further risk and has the potential to cause significant environmental damage.

To protect Australia's native wildlife against this crime, Fintel Alliance, in partnership with the Department of Agriculture, Water and the Environment (DAWE) developed a financial crime guide on illegal wildlife trafficking. The guide detailed how illegal wildlife trafficking takes place, and specific indicators to assist financial institutions identify and report this type of activity.

The release of the Fintel Alliance's financial crime guide enabled engagement with INTERPOL's Wildlife Crime Working Group and the United for Wildlife Financial Taskforce. These forums facilitate global attention on the identification of Australia's illicit wildlife trade, how this crime can be detected through financial transactions and the benefits of public private collaboration.

NATIONAL DISABILITY INSURANCE FRAUD PREVENTION

The National Disability Insurance Scheme (NDIS) provides eligible Australians with a permanent or significant disability with funding to assist them in their daily life.

Developed in collaboration with National Disability Insurance Agency (NDIA), the financial crime guide helped financial services sector to identify, monitor and report suspected fraud against the NDIS ensuring vital financial support reaches Australians living with a disability.



CASE STUDY: PROTECTING THE COMMUNITY

The Fintel Alliance partnered with the NDIA and the AFP in Operation Pegasus to investigate fraudulent claims against the NDIS. In April 2021, the operation culminated with six arrests and seizures of over \$2 million in suspected tainted assets during the execution of search warrants across Sydney.

- **11** Search warrants executed
- **6** arrests
- **100** Investigators, forensic specialist
- **50** Partner agency members
- **8kg** of gold bullion valued at \$600,000 seized
- **\$600,000** in cash seized
- **\$636,176** in cryptocurrency seized
- **\$250,000** in luxury vehicles seized

The partnership of government, law enforcement and financial institutions assisted in identifying suspected fraudulent activity by several NDIS providers in Western Sydney. Methodologies used to obtain fraudulent NDIS funds included:

- obtaining NDIS funding for people without a genuine disability
- skimming NDIS funding from genuine NDIS participants without their knowledge
- over claiming services provided to genuine NDIS participants.

Working in partnership assisted law enforcement with the identification of key persons and locations of interest linked to the syndicate, locations of stored funds, bullion and luxury assets.

The warrants executed in April 2021 resulted in approximately \$2 million in seized assets excluding cash assets in bank accounts and 6 arrests for alleged involvement in a criminal syndicate responsible for receiving over \$10 million in NDIS funding since 2017; a significant portion of which is alleged to be the result of fraudulent claims.

The dismantling of this criminal syndicate is a demonstration of the public-private cooperation to detect and prevent the exploitation of government revenues, importantly protecting vulnerable Australians from being exploited for monetary gain. The misappropriation of these funds deprives genuine NDIS participants from receiving financial assistance.

OPERATIONAL HIGHLIGHTS

Responding to illegal wildlife trafficking

Recognising the diverse range of unique animals and plants that are vulnerable to criminal exploitation, the Fintel Alliance established a project working in partnership with the DAWE. The project presented opportunities to identify, target and disrupt wildlife trafficking in Australia; specifically, the trafficking of Australian native reptiles for the international exotic pet market.

EDUCATING THE FINANCIAL SECTOR

An initial aim of the project was to better understand how Australian reptiles are targeted for criminal exploitation. The Fintel Alliance worked closely with environmental professionals, undertaking targeted analysis of financial data and real time analysis across disparate datasets to develop financial profiling capabilities.

The increased insight into the financial aspects of the offending has led to the development of a public Financial Crime Guide titled Stopping the illegal trafficking of Australian wildlife to assist financial institutions to identify and report suspicious activity.

ENHANCED INTELLIGENCE SUPPORTING INVESTIGATIONS

The increased awareness has been reflected through enhanced intelligence reporting identifying significant reptile trafficking networks. This has resulted in the establishment of four wildlife trafficking investigations, with a further 10 investigations benefiting from actionable intelligence. The enhanced intelligence has furthered the capabilities of investigators to identify offending and increased knowledge of different methodologies used by offenders.

INTERNATIONAL RECOGNITION

Fintel Alliance received international recognition from leading bodies for this world-leading approach, including the United for Wildlife taskforce, recognising the benefit of the public private partnership approach to protecting wildlife. Fintel Alliance and DAWE further published insights into the project through an article in the Interpol Wildlife Crime Working Group Newsletter, encouraging collaboration between the public and private sector in responding to the global issue of wildlife trafficking.

Combating third party cash deposits

Fintel Alliance commenced a joint project with law enforcement and industry partners, aiming to understand and disrupt organised crime groups laundering the proceeds of crime through ATMs.

Fintel Alliance collected and analysed transactional data to identify patterns of deposits consistent with money laundering typologies. Suspicious activity was referred to law enforcement partners and contributed to significant operational outcomes, including arrests and the seizure of cash suspected to be the proceeds of crime.

Findings and outcomes from this project have assisted in tightening system controls, further hardening the financial system against exploitation by criminal groups.

CASE STUDY: TARGETING PROFESSIONAL MONEY LAUNDERERS

Fintel Alliance partnered with Victoria Police to support several investigations into large-scale cash deposit activity throughout Melbourne. A referral from Fintel Alliance led to the identification of one individual conducting regular low-value cash deposits at ATMs across Melbourne, suspected to be sourced from criminal proceeds. Information provided by industry partners resulted in three intelligence reports prepared by Fintel Alliance in support of the investigation.

Live intelligence and analytical work provided by Fintel Alliance partners enabled Victoria Police to target the depositor and gather crucial evidence. The individual was subsequently arrested, and made full admissions to laundering \$1.4 million over two years. Over \$730,000 cash was seized from the individual's residential address, with a further \$150,000 restrained in a bank account. The individual was ultimately charged with money laundering, and criminal proceeds and structuring offences, which carry a maximum penalty of 25 years.

Information provided by industry partners was instrumental in identifying and targeting offending. Operational outcomes continue to demonstrate the importance of collaboration between industry and law enforcement to disrupt and prevent organised crime groups from exploiting the financial system.

Learnings from the COVID-19 pandemic

The COVID-19 pandemic continues to have an impact on the Australian community including individuals and businesses. Reflecting the changing environment, in excess of 21,000 suspicious matter reports relating to COVID-19 were submitted to AUSTRAC since March 2020.

To assist financial institutions to protect customers and identify suspected exploitation of stimulus measures, the Fintel Alliance developed a series of indicator reports to assist financial institutions to identify, target and report instances of criminal exploitation of different stimulus measures designed to assist the community during the pandemic. The reports included fraud typologies, case studies and indicators of the various methodologies being used by criminal groups.

In response to the COVID-19 pandemic, the Fintel Alliance identified learnings for addressing financial crime in Australia:

- In the wake of the global COVID-19 pandemic, transnational and serious organised crime groups adapted operations to seek out new criminal opportunities.
- Scam syndicates continue to modify existing scams to exploit the changing environment and create methodologies to fraudulently gain access to stimulus packages and obtain financial advantage.
- Organised criminal groups remain agile and respond quickly to changes in the community, taking advantage of the opportunities presented by a pandemic and significant changes to the way people live their lives.
- Focusing on financial crime assists in identifying offending in the early stages, assisting to determine offenders benefiting from crimes and support taking the profit out of crimes against the community and government.

The value of rapid information sharing between government, law enforcement and the financial industry continues to be integral in responding to the COVID-19 pandemic to combat the changing nature of financial crime.

WORKING GROUPS

The Fintel Alliance has established working groups to bring together experts, analysts and practitioners on the complex topics of trade-based money laundering and tax crime.

Tax Crime and Evasion working group

In July 2020, the Fintel Alliance Strategic Advisory Board endorsed the development of a working group focused on information sharing and capability development around tax crime and evasion risks.

In response, a Fintel Alliance Tax Crime and Evasion Working Group was established to bring together public sector and financial industry representatives jointly led by Government and private sector representatives from the Westpac Bank, National Australia Bank, AUSTRAC and the Australian Taxation Office.

Over the past 12 months the key areas of focus for the working group have been:

- Exploitation of the COVID-19 stimulus measures administered by the ATO;
- Illegal phoenix activity, illegal labour hire and 'pay as you go withholding' fraud (payroll tax fraud); and
- Offshore tax evasion

EXPLOITATION OF COVID-19 STIMULUS MEASURES

In order to uplift capability to assist in the detection and disruption of fraud, the working group developed and released reports, including indicator and risk insights of fraud against stimulus measures administered by the ATO. These reports were also shared with International partners, including the UK public private partnership and Europol.

The risk insight and indicator reports assisted financial institutions in detecting potential fraud in relation to the Early Release of Superannuation (ERS), JobKeeper and Boosting Cashflow for Employers programs.

The reports led to the reporting of actionable intelligence in the form of over 3,700 Suspicious Matter Reports in relation to suspected ERS fraud and over 700 relating to Jobkeeper fraud. The intelligence has led to new investigations and supported ongoing investigations into fraud against the different stimulus measures. The increased detection has also aided and enhanced the ATO's risk management approach to cyber enabled identity fraud.

A PROJECT TO PROTECT WORKERS

Illegal labour hire and payroll tax fraud has far reaching implications for individuals, businesses, government and the community as a whole. This includes loss of wages and entitlements, non-payment to suppliers, avoidance of regulatory obligations and loss of government revenue. Building on operational activity of the AFP, the working group provided key insights for partners into illegal labour hire and payroll tax fraud.

Suspicious matter reports and the development of a data analytical algorithm led to increases in the detection of labour hire fraud.

The collaborative and innovative partnership approach has resulted in \$2.9 million in tax liabilities being raised (as at 30 June 2020). Additional liabilities are anticipated for the 2021-22 financial year. Information generated through the project has also fed into ongoing investigations of the Serious Financial Crime Taskforce²⁰ to disrupt and dismantle organised labour hire fraud.

Trade-Based Money Laundering

In May 2020, Fintel Alliance formed a Trade-Based Money Laundering (TBML) working group, co-led by AUSTRAC and Australian Border Force (ABF), bringing together frontline experts from industry and law enforcement to increase understanding and develop capabilities to better detect and disrupt TBML.

In the first 12 months of operation the working group has focused on:

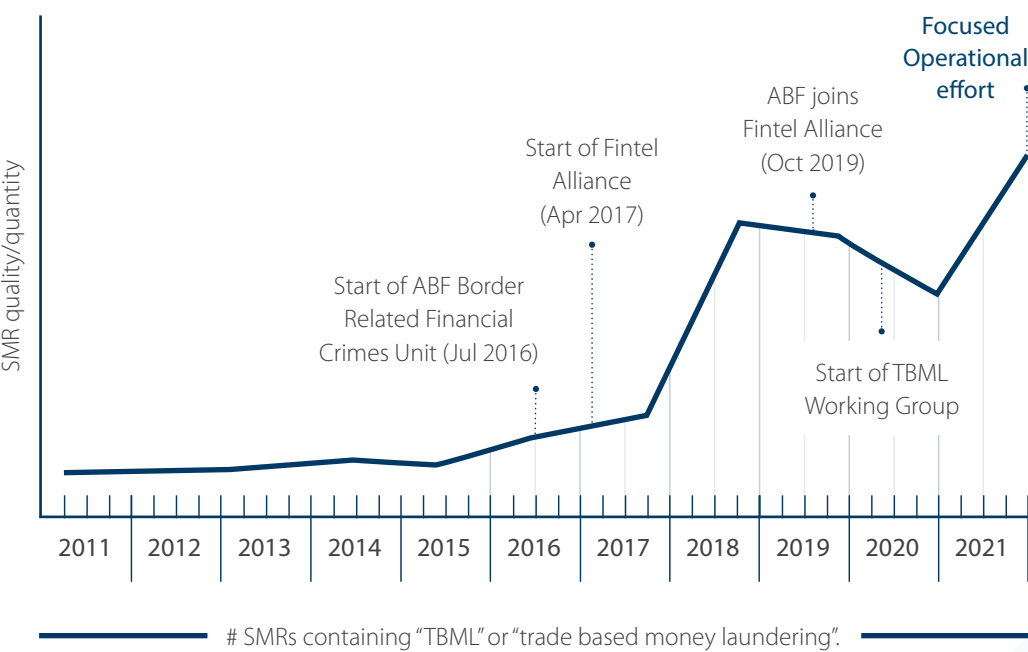
- The development and release of a joint Financial Action Task Force (FATF) – Egmont Group report titled 'Trade-Based Money Laundering: Trends and Developments'. The report was accompanied by fact sheets for the private sector and public sector. The Fintel Alliance TBML working group provided key inputs to the final report, including insights into how the financial industry can play an important role in identifying and disrupting TBML.

²⁰ The Serious Financial Crime Taskforce (SFCT) is an ATO-led joint-agency taskforce established on 1 July 2015. It brings together the knowledge, resources and experience of relevant law enforcement and regulatory agencies to identify and address the most serious and complex forms of financial crime.

- Following the release of the joint FATF and Egmont Group report, Fintel Alliance representatives participated in international forums to promote learnings from the report and the working group to support international bodies including the World Customs Organization, Organisation for Economic Co-operation and Development and the United Nations Office on Drugs and Crime.
- Fintel Alliance TBML working group members have presented to international forums and engaged international counterparts to promote a public private partnership approach to combating TBML. This is highlighted by engagement with Her Majesty's Revenue and Customs to understand global trends and share best practice.
- The Fintel Alliance TBML working group has enabled government, law enforcement and financial institutions to share knowledge through training sessions and ongoing engagement on TBML as a complex financial crime, resulting in an uplift in capabilities of partners to detect and respond to TBML.

The increased engagement between government, law enforcement and financial institutions has led to increases in the quantity and quality of suspicious matter reports being submitted to AUSTRAC. The increased reporting has provided greater insight into the way organised crime attempt to use trade to move the proceeds of crime and exploit the financial system.

ENHANCED AWARENESS: TBML SMRs - REPORT COUNT BY REPORTED YEARS



Industry engagement:

- Workshops
- Training sessions
- Interbank forum
- Financial Crimes week
- Webinars

Result:

SMR increase in quality and quantity.

PARTNERS

- Australia and New Zealand Banking Group Limited (ANZ)
- Australian Border Force
- Australian Competition and Consumer Commission (ACCC)
- Australian Criminal Intelligence Commission (ACIC)
- Australian Federal Police (AFP)
- Australian Financial Crimes Exchange Ltd (AFCX)
- Australian Government Treasury
- Australian Securities and Investments Commission (ASIC)
- Australian Taxation Office
- Bendigo and Adelaide Bank Ltd
- Commonwealth Bank of Australia (CBA)
- Deakin University
- Department of Home Affairs
- HSBC Bank Australia Limited
- Macquarie Bank Limited
- MoneyGram Payment Systems Inc.
- National Australia Bank Limited (NAB)
- National Crime Agency (UK)
- New South Wales Crime Commission
- New South Wales Police Force
- New Zealand Police - Financial Intelligence Unit
- PayPal Australia Pty Limited
- Queensland Police Service
- Tabcorp Ltd
- Services Australia
- Western Australia Police Force
- Western Union Financial Services (Australia) Pty Ltd
- Westpac Banking Corporation



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MANAGEMENT AND
ACCOUNTABILITY

CORPORATE GOVERNANCE

AUSTRAC's Governance Framework

Effective governance is the key to ensuring that the agency operates and performs effectively through good leadership, accountability, appropriate investment and decision-making. AUSTRAC's Governance Framework sets out the structures and processes that ensure well-informed, robust and transparent decision-making occurs to deliver on the agency's purpose.

AUSTRAC reviews its Governance Framework annually to ensure that it remains fit-for-purpose and effective to support agency decision-making. An internal review of the Framework and the operation of key agency committees was undertaken in early 2021 to test their ongoing effectiveness and suitability for clear information flows among decision-makers and stakeholders across the agency. As a result of the Review, committee documentation was updated to provide clearer advice to decision-makers and on the outcomes of meetings. Updates were also made to the Terms of References of key committees and the agency's Governance Framework to address the findings of the Review.

Further information about our organisational structure, capabilities, and senior executives and their responsibilities, is provided in the 'Our capabilities' section of this report.

GOVERNANCE COMMITTEE

The Governance Committee is AUSTRAC's principal committee and comprises the Chief Executive Officer and the Deputy CEOs, and is responsible for the strategic operations of the agency. The Governance Committee supports agency governance by making decisions and providing advice and oversight in relation to agency-wide issues. The Governance Committee also serves as an escalation point to sub-committees and working groups including:

- the Health and Safety Committee – acts as a formal mechanism to facilitate cooperation between AUSTRAC management and employees regarding work health and safety.
- the Capability Sub-Committee and the REST Program Board – supporting effective program governance in its role in overseeing AUSTRAC's capability enhancement and transformation programs.
- the Finance and Resourcing Sub-Committee – provides advice and assurance on resource allocation for operational and capital activities, to promote long-term financial sustainability consistent with AUSTRAC's priorities, risks and legislative obligations.
- the Compliance Triage Board – makes decisions in relation to reporting entity non-compliance and regulatory risks.

AUDIT AND RISK COMMITTEE

The AUSTRAC Audit and Risk Committee provides independent advice to the CEO and her executive on agency financial reporting, performance reporting, risk management and internal controls systems. Its functions are summarised in the Audit and Risk Committee Charter which is endorsed by the CEO annually and can be found on the AUSTRAC website at: austrac.gov.au/about-us/corporate-information-and-governance/reports-and-accountability/austrac-audit-and-risk-committee-charter.


In 2020-21 the committee was comprised of four external members, including the Committee Chair.

Table 9: Audit and Risk Committee members for 2020-21

Member name	Qualifications, knowledge, skills or experience	Number of meetings attended / total number of meetings	Total annual remuneration (excluding GST)
Mr Geoff Knuckey	<ul style="list-style-type: none"> 32-year career with Ernst & Young specialising in Audit and Assurance Services in both the public and private sectors across a range of industries. Full-time company director and audit committee member since 2009, serving on boards for multiple private sector entities. Extensive experience as an Audit Committee member and Chair and is currently serving on audit committees for numerous government entities. Bachelor of Economics (ANU), Fellowship of Chartered Accountants, a Graduate member of the Australian Institute of Company Directors, and a Registered Company Auditor. 	6/6	\$6,930.00

Member name 	Qualifications, knowledge, skills or experience	Number of meetings attended / total number of meetings	Total annual remuneration (excluding GST)
Ms Elizabeth Montano	<ul style="list-style-type: none"> Over twenty years' experience as independent and non-executive chair, deputy chair and member of boards and audit committees across a range of government and not for profit entities. Extensive experience in governance and the machinery of government including in financial and performance reporting, risk, assurance and program and project management and oversight. Bachelor of Arts and Bachelor of Laws (UNSW) and Fellow of the Australian Institute of Company Directors. Former Chief Executive Officer in the Commonwealth and senior financial services lawyer with King & Wood Mallesons. 	6/6	\$18,180.81

Member name 	Qualifications, knowledge, skills or experience	Number of meetings attended / total number of meetings	Total annual remuneration (excluding GST)
Ms Janine McMin	<ul style="list-style-type: none"> Independent director and executive adviser with over 34 years' experience in internal audit and information technology. Member of eight audit and risk committees. Former Partner for Oakton's ICT Assurance and Security business, advising many organisations in the management of risk, and ICT security. Experience conducting assurance reviews in both Public and Private organisations. Bachelor of Arts in Computing and Statistics (ANU), is a Fellow of the Australian Institute of Company Directors, Certified Information Systems Auditor and Certified Information Security Manager. President of the Australian War Memorial Voluntary Guides and provides mentoring and coaching support to senior executives, and to Computing Master students at the ANU. 	6/6	\$6,738.65

Member name 	Qualifications, knowledge, skills or experience	Number of meetings attended / total number of meetings	Total annual remuneration (excluding GST)
Mr Lee Walton	<ul style="list-style-type: none"> Over 35-years' experience as a Chartered Engineer including 15-years as a Senior Executive in the Australian Public Service in National Security and Law Enforcement, primarily in Chief Information Officer and Chief Operating Officer positions. Independent member of Government audit and risk committees and executive steering groups. Independent board chair of a not-for-profit organisation. Strong experience in IT, program management and risk management. B.Sc. (Hons) Electrical and Electronic Engineering (First Class), Chartered Engineer, Graduate of the Australian Institute of Company Directors, Member of the Institute of Engineering and Technology, Advanced Diploma of Program Management. 	6/6	\$19,925.00

Planning and Performance Reporting

The AUSTRAC Corporate Plan remains the agency's primary planning document and articulates our purpose, performance measures and risk management approaches in performing our function and enhancing our regulatory, intelligence, data and analytical, and people capabilities. In 2020-21, AUSTRAC instituted a Strategic Planning Framework to better sequence and align the consideration of the agency's strategic direction, priorities and risks for agency strategic planning and the development of our corporate plan.

Internally, the corporate plan is supplemented by branch business plans that outline the work and projects being delivered by branches and risks being managed in support of branch performance. Branch plans provide all AUSTRAC staff with clear line of sight between their work and the broader agency strategic direction, operating environment, risks and performance measures as outlined in the corporate plan. Each of AUSTRAC's nine branches had an endorsed plan in place for 2020-21.

AUSTRAC's internal reporting processes require branches to report against branch plan deliverables and corporate plan performance measures three times a year. This process ensures the Governance Committee and accountable authority can monitor agency performance throughout the year and make resource and operational decisions accordingly.

AUSTRAC is continuing to mature its approach to agency planning and performance measurement. In addition, the alignment of these processes with budget setting, risk management, capital investment planning and capability delivery increasingly provides a broader, more integrated picture of agency performance to decision-makers.

Risk Management

AUSTRAC's Enterprise Risk Management Framework is administered in line with the requirements of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and the Commonwealth Risk Management Policy. The Governance Committee and the Audit and Risk Committee support the CEO in her oversight of risk management and the application of the framework across the agency.

During 2020-21, AUSTRAC further developed and strengthened the enterprise risk framework to ensure it remained appropriate for our complex operating environment. Our approach to risk management includes identifying areas of strategic risk that, if realised, could affect our ability to achieve our purpose and objectives. AUSTRAC collaborates with public sector risk practitioners to discuss and share risk management best practice approaches and drive continuous improvement across the APS.

Internal Audit

AUSTRAC's Internal Audit function provides assurance to the CEO regarding the efficiency and effectiveness of the agency's financial and operational controls. The Audit and Risk Committee provide independent objective assessments of the audit reports and updates that are submitted to the committee throughout the year. The Internal Audit Annual Work Program is developed in alignment with key risk areas for the agency and is endorsed by the Audit and Risk Committee, the Governance Committee and the CEO. The work program is developed in consultation with senior management and is reviewed regularly to ensure that it is relevant and responsive to changes and business risks.

Fraud control and integrity

AUSTRAC is committed to meeting the high standard of ethics expected in performing our functions as Australia's anti-money laundering and counter-terrorism financing regulator and specialist financial intelligence unit. We are dedicated to the continued improvement of our integrity framework to support an honest, professional and fair workforce that embodies the Australian Public Service Values and Code of Conduct.

Since partnering with the Australian Commission for Law Enforcement Integrity (ACLEI), we have continued to adopt a range

of improvement measures that strengthen the agency's fraud and corruption detection and resilience. Regular meetings and involvement through the Community of Practice have helped grow the relationship and keep AUSTRAC up to date with current ACLEI priorities.

AUSTRAC's fraud prevention, detection, investigation, reporting and data collection procedures and processes align with the requirements of the Commonwealth Fraud Control Framework 2017.

In addition, our 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.

AUSTRAC has taken reasonable measures to protect the agency against fraud in line with its fraud and corruption control plan and the agency's assessment of fraud risks. In May 2021 AUSTRAC completed a Fraud and Corruption Risk Assessment activity. Key fraud and corruption risks were assessed, and a series of recommendations to strengthen controls were made. These recommendations will be implemented over the next 12 months. The Fraud and Corruption Control Plan will be updated in 2021-22 in line with the 2021 Fraud and Corruption Risk Assessment. The Fraud and Corruption Control Plan outlines the roles, responsibilities and processes AUSTRAC has in

EXTERNAL SCRUTINY

place with respect to fraud and corruption. It also includes the critical roles that all AUSTRAC staff have in managing potential, perceived and actual fraud and corruption risks.

Significant non-compliance issues with finance law

During 2020-21 AUSTRAC did not identify any significant issues relating to non-compliance with the finance law. In determining the significance of any issues, AUSTRAC took into account the guidance as outlined in Resource Management Guide 124 - Notification of significant 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 *PGPA Act*.

Ministerial and Parliamentary oversight

Throughout 2020-21 the AUSTRAC CEO reported on AUSTRAC's operations to the Minister for Home Affairs. AUSTRAC's transparency and accountability to Parliament also includes responding to questions on notice and publishing information required by Senate Orders. AUSTRAC appears before Parliamentary Committees (including Senate Estimates) and provides submissions to Parliamentary inquiries as appropriate.

During 2020-21 AUSTRAC appeared at public hearings of the: Senate Select Committee on Financial Technology and Regulatory Technology; Senate Economics Committee inquiry into foreign investment proposals; Parliamentary Joint Committee on Law Enforcement inquiry into COVID-19, criminal activity and law enforcement; and Parliamentary Joint Committee on Corporations and Financial Services inquiry into Oversight of the Australian Securities and Investments Commission, the Takeovers Panel and the Corporations Legislation No. 1 of the 46th Parliament.

AUSTRAC witnesses also appeared before the Senate Legal and Constitutional Affairs Legislation Committee at Budget Estimates, Additional Estimates and Supplementary estimates hearings.

In 2020-21 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.

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 available at: www.austrac.gov.au/about-us/corporate-information-and-governance/foi-and-information-publishing-scheme/information-publication-scheme-plan.

PROCUREMENT, ASSETS AND GRANTS

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 establishment of contracts that supports the agency's purpose and strategic priorities. The team also ensures procurements and contracts 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.

In 2020–21 AUSTRAC received 374 FOI requests for 4,436 pages.

Table 10: Freedom of Information requests

Financial year	Requests received	Number of pages considered during the period
2020-21	374	4,436
2019-20	470	7,764
2018-19	509	6,720
2017-18	416	50,278
2016-17	166	11,290
2015-16	140	9,847
2014-15	105	24,966

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

Consultants and contracts

EXPENDITURE ON REPORTABLE CONSULTANCY CONTRACTS

During 2020-21, 6 new reportable consultancy contracts were entered into involving total actual expenditure of \$0.329 million. In addition, 2 ongoing reportable consultancy contracts were active during the period, involving total actual expenditure of \$0.031 million.

Table 11: Reportable consultancy contracts 2020-21

Reportable consultancy contracts 2020-21	Number	Expenditure \$ (GST inclusive)
New contracts entered into during the reporting period	6	\$328,835
Ongoing contracts entered into during a previous reporting period	2	\$30,966
Total	8	\$359,801

Table 12: Top 5 organisations receiving a share of reportable consultancy contract expenditure 2020-21

Organisations receiving a share of reportable consultancy contract expenditure 2020-21	Expenditure \$ (GST inclusive)
DQA Pty Ltd (ABN 34 616 970 471)	\$112,200
Data61 (CSIRO) (ABN 41 687 119 230)	\$82,003
Ashurst Australia (ABN 75 304 286 095)	\$70,509
Callida Pty Ltd t/as Callida Consulting (ABN 40 154 007 664)	\$63,000
Richard Kenneth Walters (ABN 83 628 217 627)	\$22,166

Annual reports contain information about actual expenditure on reportable consultancy contracts. Information on the value of reportable consultancy contracts is available on the AusTender website.

Decisions to engage consultants in 2020-21 were made in accordance with the PGPA Act, Commonwealth Procurement Rules and relevant internal policies.

AUSTRAC selects consultants through the use of panel arrangements or by making an open or limited approach to market.

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.

During 2020–21 AUSTRAC did not exempt any contracts valued at more than \$10,000 (GST inclusive) from publication on AusTender.

Table 13: Reportable non-consultancy contracts 2020-21

Reportable non-consultancy contracts 2020-21	Number	Expenditure \$ (GST inclusive)
New contracts entered into during the reporting period	154	\$16,504,908
Ongoing contracts entered into during a previous reporting period	168	\$989,909
Total	322	\$17,494,816

The table below represents the Top 5 organisations receiving a share of reportable non-consultancy contract expenditure 2020-21:

Table 14: Organisations receiving a share of reportable non-consultancy contract expenditure 2020-21

Organisations receiving a share of reportable non-consultancy contract expenditure 2020-21	Expenditure \$ (GST inclusive)
Accenture Australia Pty Ltd (ABN 49 096 776 895)	\$6,232,883
Niara Tech Pty Ltd (ABN 17 636 091 686)	\$1,458,214
Cirrus Correct Communications (ACT) Pty (ABN 85 143 561 291)	\$1,382,384
Data#3 Limited (ABN 31 010 545 267)	\$1,120,594
Oracle Corporation Australia Pty Limited (ABN 80 003 074 468)	\$578,455

Annual reports contain information about actual expenditure on reportable non-consultancy contracts. Information on the reportable non-consultancy contracts' value is available on the AusTender website.

Australian National Audit Office access clauses

In 2020-21 AUSTRAC entered into 2 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.

Table 15: Contracts exceeding \$100,000 which did not include clauses for ANAO access

Entity name	Contract value (GST inclusive)	Contract purpose	Reason for standard access clause not included
ForgeRock Limited	\$201,478	Software	The Supplier Terms were used for this contract. These terms did not provide for Auditor General access to the contractors premises.
Chainalysis Inc	\$114,594	Software	The Supplier Terms were used for this contract. These terms did not provide for Auditor General access to the contractors premises.

Procurement initiatives to support small business

AUSTRAC supports small business participation in the Commonwealth Government procurement market. Small and medium-sized enterprise and small enterprise participation statistics are available on the Department of Finance's website at finance.gov.au/government/procurement/statistics-australian-government-procurement-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, treasury.gov.au.

Advertising and market research

During 2020-21, AUSTRAC did not conduct any advertising campaigns. The following payments were made to media advertising agencies in 2020-21:

- \$56,136 (exclusive of GST) to Department of Home Affairs for media monitoring services
- \$100,057 (exclusive of GST) for recruitment advertising.

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

Legal Services expenditure

The total expenditure on legal services for the financial year ended 30 June 2021 was \$3,644,710 (exclusive of GST). Note: the discrepancy between the total expenditure and the sum of below costs is due to rounding.

In accordance with Office of Legal Services Coordination reporting requirements, this includes the cost of providing internal and external legal services.

- \$2,240,157 (exclusive of GST) was spent on purchasing external legal services.
- \$1,404,554 (exclusive of GST) was spent on purchasing internal legal services.

Asset management

Asset management is not a significant part of AUSTRAC's activities. AUSTRAC has developed a 10-year capital management plan which supports the ongoing management of AUSTRAC's asset base.

Grants

Information on grants awarded by AUSTRAC during 2020–21 is available at: austrac.gov.au/about-us/corporate-information-and-governance/reports-and-accountability/grants-awarded-austrac.

Ecologically sustainable development and environmental performance

AUSTRAC is committed to meeting our obligations under the *Environment Protection and Biodiversity Conservation Act 1999* by continually improving 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

No errors were identified in the 2019-20 AUSTRAC Annual Report.



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MANAGEMENT OF
HUMAN RESOURCES

OUR PEOPLE

In 2020-21 AUSTRAC continued to focus on building a responsive and agile future workforce. We focussed on building capability and delivering outcomes from our operational workforce planning activities, to provide our leaders with greater access to workforce data insights and to support evidenced-based decision making. As a result of additional funding in October 2020, and an expansion of its workforce by nearly 20 per cent, AUSTRAC underwent the largest recruitment activity in recent years, focusing on aligning our operating environment with the workforce we need for the future.

In addition, as a result of COVID-19 and the need to quickly respond to changing scenarios for its workforce, AUSTRAC refined its Agency Resource Strategy 2019-23, to support our flexible working model. AUSTRAC continues to mature its approach to succession planning and is developing career development tools to assist in attracting, growing and retaining talent.

The agency delivered on its strategic objectives by supporting its people. We offered our employees increased flexible working arrangements, increased mobility opportunities, specialist intelligence and regulatory training programs and a new learning and development framework to support agency wide capability uplift of common capabilities.

OUR CULTURE

ONE AUSTRAC TRUSTED • COURAGEOUS • FOCUSSED				
UNITED	ACCOUNTABLE	EMPOWERED	COURAGEOUS	INCLUSIVE
				
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.	We are transparent and accountable for our actions. We are honest and consistent, which builds trust and earns us credibility.	We empower our people to share new ideas without fear. This empowerment upholds our high performing reputation across the community and with our partners.	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.	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.

DIVERSITY AND INCLUSION

AUSTRAC brings people together from a diverse range of backgrounds with a broad range of skills and experiences to form 'One AUSTRAC'. This philosophy describes the interconnected nature of our regulatory and financial intelligence functions, and underpins the belief that employees are stronger together than as individuals. Our core values reflect our strengths and help shape our workplace culture in order to fulfil our vision.

In 2020-21 AUSTRAC employees remained resilient during COVID-19 while they were required to adapt to new ways of operating virtually and working flexibly. Our employees remained well supported and enabled through technology with little disruption to their work. AUSTRAC conducted numerous staff surveys through various mechanisms including the APS Census, which revealed very high wellbeing and engagement indexes and high workplace productivity and culture scores. AUSTRAC will continue to monitor its culture and implement culture initiatives in response to the future operating model to ensure that it remains as an employer of choice.

AUSTRAC's Diversity and Inclusion Program 2019-23 aims to position AUSTRAC as an employer of choice by attracting, supporting, advancing and celebrating employees across all diversity dimensions. It includes individual action plans for disability and access, Indigenous employment, gender equality, LGBTI+, culturally and linguistically diverse and mature age.

The program is driven by the AUSTRAC Diversity and Inclusion Leadership Group which is chaired by a Diversity Champion at the SES level. The group is supported by the agency Human Resources team and oversees AUSTRAC's Women's and Pride Networks.

In 2020-21, COVID-19 saw AUSTRAC pivot some of the planned Diversity and Inclusion deliverables, however the promotion and commitment to an inclusive and barrier free workplace remained at the cornerstone of our activities.

Activities undertaken during 2020-21 included:

- **Building and maintaining relationships and networks** with member organisations (Pride in Diversity, Australian Network on Disability and Diversity Council Australia) and partner agencies (primarily the Home Affairs portfolio and the National Intelligence Community) in order to provide AUSTRAC employees with expanded resources, support and networking opportunities.
- **Supporting professional and cultural development** of our employees through the provision of mentoring, training and leadership programs such as the Women in Law Enforcement Strategy (WILES) Mentoring Program, the 'Core Cultural Learning' program developed by the Australian Institute of Aboriginal and Torres Strait Islander Studies (AIATSIS) and the 'Share Our Pride' cultural learning program hosted by Reconciliation Australia.
- **Providing a workplace that promotes safety and respect** through AUSTRAC's Domestic and Family Violence (DFV) Policy and a CEO-led campaign on DFV awareness, promotion of appropriate workplace behaviour and ensuring accessibility requirements are met, both digitally and physically.

- **Driving a supportive and enabling workplace culture** by promoting AUSTRAC as a flexible employer throughout all stages of the employee life cycle, advertising all ongoing vacancies under a 'RecruitAbility banner' and encouraging opportunities for networking, sharing experiences and discussing issues.
- **Educating and celebrating diversity** by encouraging participation in events to celebrate and raise awareness of diversity issues, such as International Men's Day (November 2020), NAIDOC Week (November 2020), White Ribbon Day (November 2020), International Day of People with Disability (December 2020), International Women's Day (March 2021), National Reconciliation Week (May-June 2021) and Pride Month (June 2021).

Further to the AUSTRAC Diversity and Inclusion Program, during 2020-21 AUSTRAC committed to the development of an 'Innovate' Reconciliation Action Plan (RAP). A working group was established to support this plan which as at 30 June 2021 was in its final draft. The RAP will be submitted to Reconciliation Australia for consideration in 2021.

AUSTRAC ENTERPRISE AGREEMENT

The employment terms and conditions for non-Senior Executive Service (SES) AUSTRAC employees are contained in the AUSTRAC Enterprise Agreement 2016-19. The Enterprise Agreement is supplemented by a determination under subsection 24(1) of the *Public Service Act 1999*, which provides annual adjustments to salary and remuneration based allowances. In accordance with an APS wide Ministerial determination, made in April 2020, the pay adjustment that was due on 29 March 2021 was deferred for six months.

The current determination expires in March 2022.

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.

The AUSTRAC SES Remuneration Policy ensures a consistent approach in determining SES remuneration. As at 30 June 2021, 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. However, due to the COVID-19 pandemic, the SES pay adjustment was suspended as directed by the APSC Commissioner on 26 March 2020.

No AUSTRAC incentive payments were made to SES employees during 2020-21.

LEARNING AND DEVELOPMENT

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 2021 there were 32 IFAs in effect. The majority of these related to salary arrangements.

No AUSTRAC employees were covered by common law contracts in 2020-21. Performance pay was also not applicable.

AUSTRAC continued to invest in building the capability of its people in 2020-21. More than 200 learning and development opportunities were undertaken by staff including 188 external development opportunities accessed through 88 providers. The capability areas covered included tradecraft skills for our Intelligence Analysts, Modern Regulation for our compliance and enforcement teams and a range of communication skills.

Traditional face to face learning and development activities continued to be significantly impacted by COVID-19 and the transition to virtual and online learning to support continued capability uplift remained throughout 2020-21. A suite of core and professional development opportunities were made available to all staff through Learnhub, our internal learning platform, to support the workforce capability uplift while face to face learning remained ad hoc.

Our Studies Assistance program continues to be well regarded with a total of 18 employees commencing studies through the program in 2020-21. Our in-house six month mentoring program continued with seven mentoring partnerships commencing during the year.

WORK HEALTH AND SAFETY

In 2020-21 one iteration of our Financial Intelligence Analyst Course, aimed at building high quality analyst and tradecraft skills, was offered domestically. Two iterations of our Financial Intelligence Analyst Module 2 took place.

The AUSTRAC Learning and Development Framework was launched in 2021, setting out the priorities for developing capability to ensure AUSTRAC has the people with the right skills and knowledge thrive in a more complex and ambiguous environment.

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:

- 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 were no notifiable Work Health and Safety incidents reported to Comcare in 2020-21.

In 2020-21 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 2020-21 was 0.17 per cent of payroll, well below the overall scheme rate of 0.85 per cent.

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 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 dss.gov.au.

Employee statistics

Table 16: All Ongoing Employees Current Report Period (2020-21)

	Male			Female			Indeterminate			Total
	Full-time	Part time	Total Male	Full-time	Part time	Total Female	Full-time	Part time	Total Indeterminate	
NSW	61	-	61	76	20	96	-	-	-	157
QLD	11	-	11	18	2	20	-	-	-	31
SA	-	-	-	2		2	-	-	-	2
TAS	-	-	-	-	-	-	-	-	-	-
VIC	56	4	60	55	14	69	-	-	-	129
WA	1	-	1	3	1	4	-	-	-	5
ACT	39	1	40	42	6	48	-	-	-	88
NT	-	-	-	-	-	-	-	-	-	-
External Territories	-	-	-	-	-	-	-	-	-	-
O/S	5	-	5	1	-	1	-	-	-	6
Total	173	5	178	197	43	240	-	-	-	418

Note: Figures are based on actual head counts of employees under sub sections 22(2)(a) and 22(2)(b) of the *Public Service Act 1999* and include staff on long-term leave. The AUSTRAC CEO is not included in the table as the CEO is not engaged under section 22 or section 72.

Table 17: All Non-Ongoing Employees Current Report Period (2020-21)

	Male			Female			Indeterminate			Total
	Full-time	Part time	Total Male	Full-time	Part time	Total Female	Full-time	Part time	Total Indeterminate	
NSW	5	-	5	2	1	3	-	-	-	8
QLD	-	-	-	1	-	1	-	-	-	1
SA	-	-	-	-	-	-	-	-	-	-
TAS	-	-	-	-	-	-	-	-	-	-
VIC	-	1	1	1	-	1	-	-	-	2
WA	-	-	-	-	-	-	-	-	-	-
ACT	2	-	2	1	1	2	-	-	-	4
NT	-	-	-	-	-	-	-	-	-	-
External Territories	-	-	-	-	-	-	-	-	-	-
O/S	-	-	-	-	-	-	-	-	-	-
Total	7	1	8	5	2	7	-	-	-	15

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.

Table 18: All Ongoing Employees Previous Report Period (2019-20)

	Male			Female			Indeterminate			Total
	Full-time	Part time	Total Male	Full-time	Part time	Total Female	Full-time	Part time	Total Indeterminate	
NSW	58	1	59	72	21	93	-	-	-	152
QLD	7	-	7	12	2	14	-	-	-	21
SA	-	-	-	1	-	1	-	-	-	1
TAS	-	-	-	-	-	-	-	-	-	-
VIC	53	4	57	37	14	51	-	-	-	108
WA	1	-	1	2	1	3	-	-	-	4
ACT	39	2	41	42	3	45	-	-	-	86
NT	-	-	-	-	-	-	-	-	-	-
External Territories	-	-	-	-	-	-	-	-	-	-
O/S	4	-	4	2	-	2	-	-	-	6
Total	162	7	169	168	41	209	-	-	-	378

Note: Figures are based on actual head counts of employees under sub sections 22(2)(a) and 22(2)(b) of the *Public Service Act 1999* and include staff on long-term leave. The AUSTRAC CEO is not included in the table as the CEO is not engaged under section 22 or section 72.

Table 19: All Non-Ongoing Employees Previous Report Period (2019-20)

	Male			Female			Indeterminate			Total
	Full-time	Part time	Total Male	Full-time	Part time	Total Female	Full-time	Part time	Total Indeterminate	
NSW	6	1	7	2	4	6	-	-	-	13
QLD	-	-	-	1	-	1	-	-	-	1
SA	-	-	-	1	-	1	-	-	-	1
TAS	-	-	-	-	-	-	-	-	-	-
VIC	3	-	3	1	-	1	-	-	-	4
WA	-	-	-	-	-	-	-	-	-	-
ACT	2	-	2	3	3	6	-	-	-	8
NT	-	-	-	-	-	-	-	-	-	-
External Territories	-	-	-	-	-	-	-	-	-	-
O/S	-	-	-	-	-	-	-	-	-	-
Total	11	1	12	8	7	15	-	-	-	27

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.

Table 20: Australian Public Service Act Ongoing Employees Current Report Period (2020-21)

	Male			Female			Indeterminate			Total
	Full-time	Part time	Total Male	Full-time	Part time	Total Female	Full-time	Part time	Total Indeterminate	
SES 3	-	-	-	-	-	-	-	-	-	-
SES 2	3	-	3	-	-	-	-	-	-	3
SES 1	5	-	5	3		3	-	-	-	8
EL 2	29	1	30	22	6	28	-	-	-	58
EL 1	46	2	48	55	14	69	-	-	-	117
APS 6	65	1	66	79	21	100	-	-	-	166
APS 5	18	1	19	31	2	33	-	-	-	57
APS 4	5	-	5	7		7	-	-	-	12
APS 3	2	-	2	-	-	-	-	-	-	2
APS 2	-	-	-	-	-	-	-	-	-	-
APS 1	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
TOTAL	173	5	178	197	43	240	-	-	-	418

Note: Figures are based on substantive classification as at 30 June 2021.

Table 21: Australian Public Service Act Non-Ongoing Employees Current Report Period (2020-21)

	Male			Female			Indeterminate			Total
	Full-time	Part time	Total Male	Full-time	Part time	Total Female	Full-time	Part time	Total Indeterminate	
SES 3	-	-	-	-	-	-	-	-	-	-
SES 2	-	-	-	-	-	-	-	-	-	-
SES 1	-	-	-	-	-	-	-	-	-	-
EL 2	1	-	1	-	-	-	-	-	-	1
EL 1	3	1	4	-	-	-	-	-	-	4
APS 6	-	-	-	2	2	4	-	-	-	4
APS 5	3	-	3	3	-	3	-	-	-	6
APS 4	-	-	-	-	-	-	-	-	-	-
APS 3	-	-	-	-	-	-	-	-	-	-
APS 2	-	-	-	-	-	-	-	-	-	-
APS 1	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
TOTAL	7	1	8	5	2	7	-	-	-	15

Note: Figures are based on substantive classification as at 30 June 2021.

Table 22: Australian Public Service Act Ongoing Employees Previous Report Period (2019-20)

	Male			Female			Indeterminate			Total
	Full-time	Part time	Total Male	Full-time	Part time	Total Female	Full-time	Part time	Total Indeterminate	
SES 3	-	-	-	-	-	-	-	-	-	-
SES 2	3	-	3	-	-	-	-	-	-	3
SES 1	4	-	4	3	-	3	-	-	-	7
EL 2	22	2	24	13	4	17	-	-	-	41
EL 1	36	3	39	36	14	50	-	-	-	89
APS 6	67	2	69	73	18	91	-	-	-	160
APS 5	24	-	24	30	4	34	-	-	-	58
APS 4	4	-	4	13	-	13	-	-	-	17
APS 3	2	-	2	-	1	1	-	-	-	3
APS 2	-	-	-	-	-	-	-	-	-	-
APS 1	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
TOTAL	162	7	169	168	41	209	-	-	-	378

Note: Figures are based on substantive classification as at 30 June 2020.

Table 23: Australian Public Service Act Non-Ongoing Employees Previous Report Period (2019-20)

	Male			Female			Indeterminate			Total
	Full-time	Part time	Total Male	Full-time	Part time	Total Female	Full-time	Part time	Total Indeterminate	
SES 3	-	-	-	-	-	-	-	-	-	-
SES 2	-	-	-	-	-	-	-	-	-	-
SES 1	-	-	-	-	-	-	-	-	-	-
EL 2	1	-	1	-	-	-	-	-	-	1
EL 1	3	-	3	2	2	4	-	-	-	7
APS 6	3	-	3	2	4	6	-	-	-	9
APS 5	4	1	5	4	-	4	-	-	-	9
APS 4	-	-	-	-	1	1	-	-	-	1
APS 3	-	-	-	-	-	-	-	-	-	-
APS 2	-	-	-	-	-	-	-	-	-	-
APS 1	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
TOTAL	11	1	12	8	7	15	-	-	-	27

Note: Figures are based on substantive classification as at 30 June 2020.

*Table 24: Australian Public Service Act Employees by Full time and Part time Status
Current Report Period (2020-21)*

	Ongoing			Non-ongoing			Total
	Fulltime	Part time	Total Ongoing	Fulltime	Part time	Total Non-Ongoing	
SES 3	-	-	-	-	-	-	-
SES 2	3	-	3	-	-	-	3
SES 1	8	-	8	-	-	-	8
EL 2	51	7	58	1	-	1	59
EL 1	101	16	117	3	1	4	121
APS 6	144	22	166	2	2	4	170
APS 5	49	3	52	6	-	6	58
APS 4	12	-	12	-	-	-	12
APS 3	2	-	2	-	-	-	2
APS 2	-	-	-	-	-	-	-
APS 1	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
TOTAL	370	48	418	12	3	15	433

Note: Figures are based on substantive classification as at 30 June 2021.

*Table 25: Australian Public Service Act Employees by Full time and Part time Status
Previous Report Period (2019-20)*

	Ongoing			Non-ongoing			Total
	Fulltime	Part time	Total Ongoing	Fulltime	Part time	Total Non-Ongoing	
SES 3	-	-	-	-	-	-	-
SES 2	3	-	3	-	-	-	3
SES 1	7	-	7	-	-	-	7
EL 2	35	6	41	1	-	1	42
EL 1	72	17	89	5	2	7	96
APS 6	140	20	160	5	4	9	169
APS 5	54	4	58	8	1	9	67
APS 4	17	-	17	-	1	1	18
APS 3	2	1	3	-	-	-	3
APS 2	-	-	-	-	-	-	-
APS 1	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
TOTAL	330	48	378	19	8	27	405

Note: Figures are based on substantive classification as at 30 June 2020.

Table 26: Employment type by location Current Report Period (2020-21)

	Ongoing	Non-ongoing	Total
NSW	157	8	165
QLD	31	1	32
SA	2	-	2
TAS	-	-	-
VIC	129	2	131
WA	5	-	5
ACT	88	4	92
NT	-	-	-
External Territories	-	-	-
O/S	6	-	6
TOTAL	418	15	433

Note: Figures are based on actual head counts of employees under sub sections 22(2)(a) and 22(2)(b) of the *Public Service Act 1999* and include staff on long-term leave but exclude irregular/ intermittent employees. The AUSTRAC CEO is not included in the table as the CEO is not engaged under section 22 or section 72.

Table 27: Australian Public Service Act Employment type by location Previous Report Period (2019-20)

	Ongoing	Non-ongoing	Total
NSW	152	13	165
QLD	21	1	22
SA	1	1	2
TAS	-	-	-
VIC	108	4	112
WA	4	-	-
ACT	86	8	-
NT	-	-	-
External Territories	-	-	-
O/S	6	-	6
TOTAL	378	27	405

Table 28: Australian Public Service Act Indigenous Employment Current Report Period (2020-21)

	Total
Ongoing	1
Non-Ongoing	1
TOTAL	2

Table 29: Australian Public Service Act Indigenous Employment Previous Report Period (2019-20)

	Total
Ongoing	1
Non-Ongoing	1
TOTAL	2

Table 30: Australian Public Service Act Employment arrangements Current Report Period (2020-21)

	SES	Non-SES	Total
Section 24(1) Determination	11	-	11
Individual Flexibility Arrangement	-	32	32
AUSTRAC Enterprise Agreement	-	393	393
Total	11	425	436

*Table 31: Australian Public Service Act Employment salary ranges by classification level
(Minimum/Maximum) Current Report Period (2020-21)*

	Minimum Salary (\$)	Maximum Salary (\$)
SES 3	-	-
SES 2	288,515	288,515
SES 1	231,151	231,151
EL 2	124,859	182,755
EL 1	107,122	143,899
APS 6	87,655	136,605
APS 5	78,231	85,772
APS 4	69,748	77,289
APS 3	63,148	68,804
APS 2	56,552	62,208
APS 1	50,955	54,668
Other	N/A	N/A

Note: This table outlines employee salary ranges as at 30 June 2021, including individual flexibility arrangements. The minimum amount is the first pay point under the Enterprise Agreement.

Executive Remuneration

Table 32: Remuneration for Key Management Personnel

Name	Position Title	Short-term Benefits		
		Base Salary (\$)	Bonuses (\$)	Other benefits and allowances (\$)
Nicole Rose	CEO	480,817	0	2,280
Peter Soros	DCEO	296,777	0	6,848
Christopher Collett	DCEO	292,808	0	2,280
John Moss	DCEO	295,966	0	3,887
Total		1,366,368		15,295

Note: AUSTRAC Deputy CEOs have equal base salaries. Variations in the above totals reflect individual variations in leave taken, superannuation schemes and periods performing the duties of CEO. 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> (\$)	(\$)	(\$)
21,727	11,806	-	-	516,631
54,390	7,208	-	-	365,222
44,553	7,208	-	-	346,849
44,553	7,208	-	-	351,614
165,223	33,430	-	-	1,580,316

Table 33: Remuneration for Senior Executives

Total Remuneration Band	Short-term Benefits			
	Number of senior executives	Average Base Salary (\$)	Average Bonuses (\$)	Average Other benefits and allowances (\$)
\$0- \$220,000	4	99,423	0	908
\$220,001- \$245,000	1	197,373	0	2,280
\$245,001- \$270,000	0	0	0	0
\$270,001- \$295,000	5	231,438	0	5,837

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>
17,364	2,204	0	0	119,898
21,372	5,775	0	0	226,800
0	0	0	0	0
38,847	5,775	0	0	281,897

Table 34: Remuneration for Other Highly-Paid Staff

Total Remuneration Band	Short-term Benefits			
	Number of other highly paid staff	Average Base Salary (\$)	Average Bonuses (\$)	Average Other benefits and allowances (\$)
\$230,001- \$245,000	0	0	0	0
\$245,001- \$270,000	0	0	0	0
\$270,001- \$295,000	1	142,144	0	109,147
\$295,001- \$320,000	0	0	0	0
\$320,001- \$345,000	0	0	0	0
\$345,001- \$370,000	1	156,939	0	181,858
\$370,001- \$395,000	1	193,440	0	171,431
\$395,001- \$420,000	0	0	0	0
\$420,001- \$445,000	1	157,875	0	252,153
\$445,001- \$470,000	1	228,611	0	191,004
\$470,001- \$495,000	1	328,739	0	0
\$495,001- \$495,000+	1	254,903	0	300,944

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>
0	0	0	0	0
0	0	0	0	0
17,398	2,864	0	0	271,553
0	0	0	0	0
0	0	0	0	0
22,524	2,921	0	0	364,242
18,206	2,923	0	0	385,999
0	0	0	0	0
15,485	2,495	0	0	428,008
25,987	3,047	0	0	448,649
17,610	2,151	0	135,700	484,201
27,180	3,686	0	0	586,712



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REPORT ON
FINANCIAL PERFORMANCE



2020-21 FINANCIAL PERFORMANCE

A copy of AUSTRAC's audited financial statements and the Auditor-General's report are included on page 167.

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 2020-21 we produced a net operating surplus of **\$2.132 million**, compared with a net operating loss of **\$7.834 million** in 2019-20. The net operating surplus includes **\$13.262 million** of depreciation and amortisation expenses.

Total revenue for 2020-21 was **\$93.230 million**: a **\$12.226 million** increase over the previous year.

Our financial position at 30 June 2021 is shown in the Statement of Financial Position. This takes into account movements in assets, liabilities and equity. Total equity has increased to **\$62.391 million** (2019-20: \$39.963 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.

Table 35: Agency Resource Statements 2020-21

	<i>Actual available appropriations for 2020-21 \$</i>	<i>Payments made 2020-21 \$</i>	<i>Balance remaining \$</i>
	(a)	(b)	(a + b)
Ordinary Annual Services			
Prior year appropriation ^{21,22}	23,649	(21,972)	1,678
Departmental appropriation ^{23,24}	86,440	(53,167)	33,273
Section 74 Agency receipts per 2020-21 Portfolio Budget Statements	8,035	(8,035)	-
Additional section 74 receipts	3,078	(3,078)	-
Total	121,202	(86,251)	34,950
Total ordinary annual services	121,202	(86,251)	34,950
Departmental non-operating			
Equity injections	17,346	(4,301)	13,045
Previous years inputs	5,941	(5,941)	-
Total	23,287	(10,243)	13,045
Total Resourcing and Payments	144,489	(96,494)	47,995

21 Appropriation Act No. 1 2019-20

22 Appropriation Act No. 1 DCB 2019-20

23 Appropriation Act No. 1 2020-21

24 Appropriation Act No. 1 DCB 2020-21

Table 36: Expenses by Outcome for 2020-21

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

	<i>Budget²⁵ 2020-21 \$'000</i>	<i>Actual expenses 2020-21 \$'000</i>	<i>Variation 2020-21 \$'000</i>
	(a)	(b)	(a + b)
Administered expenses			
Expenses not requiring appropriation in the Budget year ²⁶	-	26	(26)
Administered total	-	26	(26)
Departmental expenses			
Departmental appropriation	90,636	83,190	7,446
s74 External Revenue ²⁷	8,035	9,674	(1,639)
Expenses not requiring appropriation in the Budget year	8,046	8,112	(66)
Departmental total	106,717	100,976	5,741
Administered	0	0	(26)
Departmental	106,717	101,112	5,741
Total expenses for Program 1.1	106,717	101,002	5,715
	2020-21	2020-21	
Average staffing level (number)	428	387	

²⁵ Full-year budget, including any subsequent adjustment made to the 2020-21 budget at Additional Estimates.

²⁶ Expenses not requiring appropriation in the Budget year are made up of depreciation expenses and audit fees received free of charge.

²⁷ Estimated expenses incurred in relation to receipts retained under section 74 of the PGPA Act 2013.

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:

Transitional Disclosure AASB15

1. Departmental Financial Performance

- 1.1 Expenses
 - 1.1A Employee Benefits
 - 1.1B Suppliers

2. Departmental Financial Position

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

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

Current/non-current distinction for 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 (the Entity) for the year ended 30 June 2021:

- (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 Entity as at 30 June 2021 and its financial performance and cash flows for the year then ended.

The financial statements of the Entity, which I have audited, comprise the following as at 30 June 2021 and for the year then ended:

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

Basis for opinion

I conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Entity 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 (including Independence Standards)* (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 Entity, the Chief Executive Officer is responsible under the *Public Governance, Performance and Accountability Act 2013* (the Act) for the preparation and fair presentation of annual financial statements that comply with Australian Accounting Standards – Reduced Disclosure Requirements and the rules made under the Act. The Chief Executive Officer is also responsible for such internal control as the Chief Executive Officer determines is necessary to enable the preparation 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 ability of the Entity to continue as a going concern, taking into account whether the Entity's operations will cease as a result of an administrative restructure or for any other reason. The Chief Executive Officer is also responsible for disclosing, 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 Entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern; and
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Accountable Authority 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

13 September 2021

STATEMENT BY THE CHIEF EXECUTIVE OFFICER AND CHIEF FINANCE OFFICER

In our opinion, the attached financial statements for the year ended 30 June 2021 comply with subsection 42(2) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and are based on properly maintained financial records as per subsection 41(2) of the PGPA Act.

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

Signed.....

Nicole Rose PSM
Chief Executive Officer

13 September 2021

Signed.....

Ben Skaines
Chief Finance Officer

13 September 2021

Australian Transaction Reports and Analysis Centre
STATEMENT OF COMPREHENSIVE INCOME
for the period ended 30 June 2021

		2021	2020	Original Budget
	Notes	\$'000	\$'000	\$'000
NET COST OF SERVICES				
Expenses				
Employee benefits	1.1A	54,018	51,970	56,814
Suppliers	1.1B	23,427	24,699	28,252
Grants - universities		-	10	-
Depreciation and amortisation	2.2A	13,262	12,206	13,189
Losses from asset sales and disposals		192	679	-
Interest on lease liabilities		268	321	267
Total expenses		91,167	89,885	98,522
Own-Source Income				
Own-source revenue				
Rendering of services		7,217	8,523	8,035
Remuneration of auditors		135	160	160
Impairment gain on financial instruments		-	12	-
Total own-source revenue		7,352	8,695	8,195
Other gain on disposal of leased asset		2	-	-
Other revenue		2,455	-	-
Total other revenue		2,457	-	-
Total own-source revenue		9,809	8,695	8,195
Net (cost of) services		(81,358)	(81,190)	(90,327)
Revenue from Government - departmental appropriation		83,421	72,309	83,421
Surplus/(Deficit) attributable to the Australian Government		2,063	(8,881)	(6,906)
OTHER COMPREHENSIVE INCOME				
Transfers between equity components		69	1,866	-
Adjustments in asset revaluation reserve		-	(819)	-
Total other income (loss)		69	1,047	-
Total comprehensive income/(loss) attributable to the Australian Government		2,132	(7,834)	(6,906)

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

Budget Variances Commentary

Statement of Comprehensive Income

The variance in Employee Benefits and Suppliers expenses is due to these factors:

- Receiving full year budget for a new measure through the late Federal Budget (October 2020 instead of May 2020), resulting in recruitment of staff and contractors at a slower pace than budget availability.
- The ongoing impact of Covid-19, particularly as it related to reducing travel and traditional training

Rendering of services income is under budget due to agreed changes in the timing of specific activities covered by Memorandum of Understanding arrangements with other Federal Government Agencies.

Other revenue represents the net recovery of legal services from the settlement of the Westpac legal case. *Public Governance, Performance and Accountability Act 2013* (PGPA Act) requirements for the recovery of legal expenses, requires that the revenue is first applied against year-to-date legal expenses that relate to the matter with any remainder being recognised as Other Income. Further information is provided in the Budget Variance Commentary to the Administered Schedule of Comprehensive Income and the Overview.

Australian Transaction Reports and Analysis Centre
STATEMENT OF FINANCIAL POSITION
as at 30 June 2021

	Notes	2021 \$'000	2020 \$'000	Original Budget \$'000
ASSETS				
Financial Assets				
Cash and cash equivalents		1,892	815	815
Trade and other receivables	2.1A	46,761	29,312	22,323
Total financial assets		48,653	30,127	23,138
Non-Financial Assets¹				
Leasehold improvements	2.2A	4,137	5,075	-
Property, plant and equipment	2.2A	6,577	6,253	19,392
Buildings	2.2A	20,929	25,954	20,652
Intangibles	2.2A	22,288	16,386	27,642
Prepayments		3,078	2,223	2,223
Total non-financial assets		57,009	55,891	69,909
Total assets		105,662	86,018	93,047
LIABILITIES				
Payables				
Suppliers	2.3A	3,405	2,111	2,111
Other payables	2.3B	1,799	3,241	1,625
Total payables		5,204	5,352	3,736
Provisions				
Employee provisions	4.1	16,191	14,163	14,290
Total provisions		16,191	14,163	14,290
Interest bearing liabilities				
Leases	2.4	21,876	26,540	21,599
Total interest bearing liabilities		21,876	26,540	21,599
Total liabilities		43,271	46,055	39,625
Net assets		62,391	39,963	53,422
EQUITY				
Contributed equity		125,278	104,913	125,278
Reserves		1,669	1,738	1,737
Retained surplus (accumulated deficit)		(64,556)	(66,688)	(73,593)
Total Equity		62,391	39,963	53,422

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

¹ Right-of-use assets are included in Buildings

Budget Variances Commentary

Statement of Financial Position

The variance in Trade and other receivables mainly relates to retained appropriations receivable at year-end (unspent). The Trade and other receivables value exceeding budget, has a corresponding variance with a lesser than planned increase in the value of Intangibles and Property, plant and equipment. The retained appropriations relate to capital projects which will be delivered in future periods, and some of the variance relates to delays experienced as a result of Covid-19.

Employee provisions have increased primarily as a result of changes in the underlying parameters used for calculating the provision.

Australian Transaction Reports and Analysis Centre
STATEMENT OF CHANGES IN EQUITY
for the period ended 30 June 2021

	2021 \$'000	2020 \$'000	Original Budget \$'000
CONTRIBUTED EQUITY			
Opening balance			
Balance carried forward from previous period	104,913	97,440	104,913
Adjusted opening balance	104,913	97,440	104,913
Transactions with owners			
Contributions by owners			
Equity injection - appropriations	17,346	4,439	17,346
Departmental capital budget	3,019	3,034	3,019
Total transactions with owners	20,365	7,473	20,365
Closing balance as at 30 June	125,278	104,913	125,278
RETAINED EARNINGS			
Opening balance			
Balance carried forward from previous period	(66,688)	(65,182)	(66,687)
Adjustment on initial application of AASB 15/AASB 1058	-	(426)	-
Adjustment on initial application of AASB 16	-	5,935	-
Adjusted opening balance	(66,688)	(59,673)	(66,687)
Comprehensive income			
Surplus/(Deficit) for the period	2,063	(8,881)	(6,906)
Total comprehensive income	2,063	(8,881)	(6,906)
Transfers between equity components	69	1,866	-
Closing balance as at 30 June	(64,556)	(66,688)	(73,593)
ASSET REVALUATION RESERVE			
Opening balance			
Balance carried forward from previous period	1,738	2,785	1,737
Adjusted opening balance	1,738	2,785	1,737
Transfers between equity components	(69)	(1,866)	-
Adjustments in asset revaluation reserve	-	819	-
Closing balance as at 30 June	1,669	1,738	1,737

Australian Transaction Reports and Analysis Centre
STATEMENT OF CHANGES IN EQUITY (continued)
for the period ended 30 June 2021

	2021	2020	Original Budget
	\$'000	\$'000	\$'000
TOTAL EQUITY			
Opening balance			
Balance carried forward from previous period	39,963	35,043	39,963
Adjustment for changes in accounting policies	-	5,509	-
Adjusted opening balance	39,963	40,552	39,963
Comprehensive income			
Surplus/(Deficit) for the period	2,063	(8,881)	(6,906)
Total comprehensive income	2,063	(8,881)	(6,906)
Transactions with owners			
Contributions by owners			
Equity injection - appropriations	17,346	4,439	17,346
Departmental capital budget	3,019	3,034	3,019
Total transactions with owners	20,365	7,473	20,365
Adjustments in asset revaluation reserve	-	819	-
Closing balance as at 30 June	62,391	39,963	53,422

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 2021

	Notes	2021 \$'000	2020 \$'000	Original Budget \$'000
OPERATING ACTIVITIES				
Cash received				
Appropriations		74,921	69,302	84,910
Rendering of services		11,113	9,842	6,546
GST received		3,528	3,113	3,700
Total cash received		89,562	82,257	95,156
Cash used				
Employees		51,933	50,186	56,814
Suppliers		29,872	30,578	28,092
GST paid		8	25	3,700
Interest payments on lease liabilities		268	321	267
Total cash used		82,081	81,110	88,873
Net cash from/(used by) operating activities		7,481	1,147	6,283
INVESTING ACTIVITIES				
Cash used				
Purchase of property, plant and equipment		3,337	2,617	27,207
Purchase of internally developed software		10,121	3,773	-
Total cash used		13,458	6,390	27,207
Net cash (used by) investing activities		(13,458)	(6,390)	(27,207)
FINANCING ACTIVITIES				
Cash received				
Contributed equity		11,975	8,507	25,865
Total cash received		11,975	8,507	25,865
Cash used				
Principal payments of lease liabilities		4,921	4,823	4,941
Total cash used		(4,921)	(4,823)	(4,941)
Net cash from financing activities		7,054	3,684	20,924
Net (decrease)/increase in cash held		1,077	(1,559)	-
Cash and cash equivalents at the beginning of the reporting period		815	2,374	815
Cash and cash equivalents at the end of the reporting period		1,892	815	815

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

Budget Variances Commentary

Cash Flow Statement

Commentary on the major variances between the actual and original budgeted amounts for 2020-21 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 2021

	2021 \$'000	2020 \$'000	Original Budget \$'000
EXPENSES			
Impairment of receivables	9	-	-
Waivers	688	498	-
Impairment Loss Financial Instruments	499	-	-
Total expenses	1,196	498	-
LESS:			
Non-taxation revenue			
Industry contribution levies	91,060	79,008	90,840
Fines	1,301,256	343	100
Total non-taxation revenue	1,392,316	79,351	90,940
Total revenue	1,392,316	79,351	90,940
Total income	1,392,316	79,351	90,940
Net contribution by services	1,391,119	78,853	90,940
Surplus	1,391,119	78,853	90,940

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

Budget Variances Commentary**Schedule of Administered Comprehensive Income**

The variance from budget for Waivers is a result of raising a provision for refunds of levies paid that were in dispute as at 30 June 2021. The Impairment Loss on Financial Instruments relates to unpaid levies under dispute as at 30 June 2021.

The variance from budget in Industry contribution levies is a result of additional entities being invoiced as a result of amendments to transaction data.

The variance in budget for Fines relates to the finalisation of an enforcement action. On 24 September 2020, AUSTRAC and Westpac filed a Statement of Agreed Facts and Admissions in relation to Westpac's contraventions of the AML/CTF Act. In late 2020, the Federal Court finalised its judgement and made orders agreeing to those facts and requiring Westpac to pay the agreed penalty of \$1.3 billion in fines (returned to the Commonwealth), and \$3.750 million in AUSTRAC legal expenses (retained by AUSTRAC). The legal expenses have been recognised in AUSTRAC's Departmental Schedule of Comprehensive Income. Further information is provided in the Budget Variance Commentary to the Statement of Comprehensive Income and the Overview.

Australian Transaction Reports and Analysis Centre

ADMINISTERED SCHEDULE OF ASSETS AND LIABILITIES

as at 30 June 2021

	2021 \$'000	2020 \$'000	Original Budget \$'000
Assets administered on behalf of Government			
Financial assets			
Other financial assets	-	-	51
Other receivables	499	291	240
Less impairment loss allowance ¹	(499)	-	-
Total financial assets	<u>-</u>	<u>291</u>	<u>291</u>
Total assets administered on behalf of Government	<u>-</u>	<u>291</u>	<u>291</u>
This schedule should be read in conjunction with the accompanying notes.			
Liabilities on behalf of Government			
Financial Liabilities			
Provision for refund ²	253	-	-
Total financial liabilities administered on behalf of government	<u>253</u>	<u>-</u>	<u>-</u>
Net assets/(liabilities)	<u>(253)</u>	<u>291</u>	<u>291</u>

¹ Provision for impairment for levies that are unpaid and are being disputed as at 30 June 2021. (2020 Nil).

² Provision for refund for levies that are paid and are being disputed as at 30 June 2021. (2020 Nil).

Australian Transaction Reports and Analysis Centre

ADMINISTERED RECONCILIATION SCHEDULE

for the period ended 30 June 2021

	2021 \$'000	2020 \$'000
Opening assets less liabilities as at 1 July	291	-
Surplus items:		
Net contribution by services	1,391,119	78,853
Administered transfers to/from Australian Government:		
Special appropriation (unlimited)	26	37
Transfers to Official Public Account	(1,391,689)	(78,599)
Closing administered assets less administered liabilities as at 30 June	(253)	291

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

Australian Transaction Reports and Analysis Centre

ADMINISTERED CASH FLOW STATEMENT

for the period ended 30 June 2021

	2021	2020	Original Budget
	\$'000	\$'000	\$'000
Administered Cash Flows			
OPERATING ACTIVITIES			
Cash received			
Fees and levies	90,432	78,256	90,840
Fines	1,301,257	343	100
Total Cash received	1,391,689	78,599	90,940
Cash used			
Refunds of fees and levies	(26)	(37)	-
Total cash used	(26)	(37)	-
Net cash flows from (used by) operating activities	1,391,663	78,562	90,940
Net increase in Cash Held	1,391,663	78,562	90,940
Cash and cash equivalents at the beginning of the reporting period	-	-	-
Cash from the Official Public Account for:			
Special appropriation (unlimited)	26	37	-
Cash to Official Public Account for:			
Administered receipts	(1,391,689)	(78,599)	(90,940)
	(1,391,663)	(78,562)	(90,940)
Cash and cash equivalents at the end of the reporting period	-	-	-

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. (note - a new outcome statement was updated for Budget 2021-22 and has replaced this statement for 2021-22 onwards. The change saw 'risk-based regulation' added after 'actionable financial intelligence')

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) *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015* (FRR); and
- b) Australian Accounting Standards and Interpretations – 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.

New Accounting Standards

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

Prior to the signing of the Statements by the Chief Executive Officer and Chief Finance Officer, no new standards were applied in the current reporting period that had a material effect on AUSTRAC's financial statements.

AASB 1059, Service Concession Arrangements: Grantors, came into effect from 1 July 2020 however this standard did not have a material effect, and is not expected to have a future material effect, on AUSTRAC's financial statements.

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.

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.

Impacts of COVID -19

For the year ended 30 June 2021, AUSTRAC's response to COVID-19 has had an immaterial impact on AUSTRAC's financial statements. AUSTRAC has reviewed its Portfolio Budget Statements and based on these forecasts over the forward estimates, AUSTRAC believes that it remains appropriate to prepare the financial statements on a going concern basis and have a reasonable expectation that AUSTRAC will comply with all financial requirements during the next twelve months.

Westpac Settlement

On 24 September 2020, AUSTRAC and Westpac filed a Statement of Agreed Facts and Admissions in relation to Westpac's contraventions of the AML/CTF Act. On 8 October 2020 the Federal Court finalised in its judgement and made orders agreeing to those facts and requiring Westpac to pay the agreed penalty of \$1.3 billion in fines and \$3.750 million in legal costs. The fine was paid on 5 November 2020 and the legal costs were paid on 13 November 2020. In accordance with Resource Management Guide 125: *Commonwealth Entities Financial Statements Guide*, the reimbursement of legal costs were first applied against year-to-date legal expenses that directly related to the Westpac matter with the balance being recognised as other income (revenue). Further information is provided in the Budget Variance Commentary to the Statement of Comprehensive Income and the Budget Variance Commentary to the Administered Schedule of Comprehensive Income.

1. DEPARTMENTAL FINANCIAL PERFORMANCE

This section analyses AUSTRAC's financial performance for the year ended 30 June 2021

1.1 Expenses

	2021 \$'000	2020 \$'000
1.1A Employee Benefits		
Wages and salaries	38,654	37,338
Superannuation:		
Defined contribution plans	5,310	5,414
Defined benefit plans	1,667	1,749
Leave and other entitlements	7,108	6,107
Separation and redundancies	370	431
Other	909	931
Total employee benefits	54,018	51,970

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	7,522	7,444
Contracted services - consultants	2,734	4,994
IT maintenance	4,411	3,682
Travel	1,375	2,950
Property and office maintenance	2,431	2,495
Telecommunications	1,209	1,190
Other	3,441	1,530
Total goods and services	23,123	24,285

Goods and services are made up of:

Goods supplied	1,462	1,568
Services rendered	21,660	22,717
Total goods and services supplied or rendered	23,122	24,285

Other supplier expenses

Workers compensation expenses	97	97
Short term lease rentals	207	317
Total other suppliers	304	414
Total suppliers	23,427	24,699

The Entity has short-term lease commitments of \$187,000 as at 30 June 2021.

The above lease disclosures should be read in conjunction with the accompanying notes 2.2A.

Accounting Policy

Short-term leases and leases of low-value assets

AUSTRAC has elected not to recognise right-of-use assets and lease liabilities for short-term leases of assets that have a lease term of 12 months or less and leases of low-value assets (less than \$10,000). AUSTRAC recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

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.

	2021 \$'000	2020 \$'000
<u>2.1A Trade and Other Receivables</u>		
Goods and services	292	170
Total receivables for goods and services	292	170
Appropriations receivable:		
Receivables from existing programs	45,665	28,776
Total appropriations receivable	45,665	28,776
Other receivables:		
GST receivable from the Australian Taxation Office	804	366
Total other receivables	804	366
Total trade and other receivables (gross)	46,761	29,312
Total trade and other receivables (net)	46,761	29,312
Receivables are expected to be recovered in:		
No more than 12 months	46,761	29,312
Total trade and other receivables (net)	46,761	29,312

Financial assets were assessed for impairment in accordance with the impairment policy stated below. No indicators of impairment were identified as at 30 June 2021.

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.

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	Buildings ¹ \$'000	Property, plant and equipment \$'000	Intangibles ² \$'000	Total \$'000
As at 1 July 2020					
Gross book value	8,430	31,363	19,781	32,193	91,767
Accumulated depreciation and impairment	(3,356)	(5,408)	(13,528)	(15,807)	(38,099)
Total as at 1 July 2020	5,074	25,955	6,253	16,386	53,668
Additions					
By purchase	80	331	3,257	-	3,668
Internally developed	-	-	-	10,121	10,121
Depreciation expense	(825)	-	(2,933)	(4,219)	(7,977)
Depreciation on right-of-use assets	-	(5,285)	-	-	(5,285)
Disposals:					
Asset cost on assets disposed	(314)	(374)	(283)	-	(971)
Accumulated depreciation on assets disposed	122	302	283	-	707
Total as at 30 June 2021	4,137	20,929	6,577	22,288	53,931
Totals as at 30 June 2021 are represented by:					
represented by					
Gross book value	8,196	31,320	22,755	42,314	104,585
Accumulated depreciation and impairment	(4,059)	(10,391)	(16,178)	(20,026)	(50,654)
Total as at 30 June 2021	4,137	20,929	6,577	22,288	53,931
Carrying amount of Right of Use Assets	-	20,929	-	-	20,929

¹ All buildings are classified as Right of Use Assets.

² The carrying amount of intangibles comprises additions of \$10.121 million of internally generated software (2020: \$3.735 million).

Revaluations of non-financial assets

All revaluations are conducted in accordance with the revaluation policy stated below. No revaluations were conducted this year (Leasehold improvements 2020: \$0.679 million decrement, Property plant and equipment 2020: increment \$0.434 million, Intangibles 2020: increment \$0.384 million).

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

Contractual commitments for the acquisition of software for intangible assets includes \$0.550 million (inclusive of GST) over 1 year for a software supplier (2020: \$0.550 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.

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

Asset Recognition Threshold

Purchases of property, plant and equipment are recognised initially at cost in the statement of financial position, 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 particularly relevant to 'make good' provisions in property leases taken up by AUSTAC 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.

Lease Right of Use (ROU) Assets

Leased ROU assets are capitalised at the commencement date of the lease and comprise of the initial lease liability amount, initial direct costs incurred when entering into the lease less any lease incentives received. These assets are accounted for by Commonwealth lessees as separate asset classes to corresponding assets owned outright, but included in the same column as where the corresponding underlying assets would be presented if they were owned.

On initial adoption of AASB 16 in 2020 AUSTAC adjusted the ROU assets at the date of initial application by the amount of any provision for onerous leases recognised immediately before the date of initial application. Following initial application, an impairment review is undertaken for any ROU lease asset that shows indicators of impairment and an impairment loss is recognised against any ROU leased asset that is impaired.

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

Following initial recognition at cost, items of property, plant and equipment (excluding ROU assets) are carried at fair value (or an amount not materially different to 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. AUSTAC has assessed a three year update is appropriate to meet this requirement. The frequency of independent valuations is dependent upon the volatility of movements in market values for relevant assets. AUSTAC has assessed a three year update is appropriate to meet this requirement with the most recent independent valuation conducted during May 2020 for a valuation date of 30 June 2020.

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 a class of assets are recognised directly in the surplus/deficit except to the extent that they reverse a previous revaluation increment for that class.

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, in all cases, the straight-line method of depreciation.

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	2021	2020
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

The depreciation rates for ROU assets are based on the commencement date to the earlier of the end of the useful life of the ROU asset or the end of the lease term.

Impairment

All assets were assessed for indications of impairment as at 30 June 2021. Where indications of impairment exist, the recoverable amount of the 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 higher of its fair value less costs of disposal and its value in use. Value in use is the present value of the future cash flows expected to be derived from the asset. Where the future economic benefit of an asset is not primarily dependent on the asset's ability to generate future cash flows, and the asset would be replaced if the entity were deprived of the asset, its value in use is taken to be its depreciated replacement cost.

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 have been internally assessed for impairment as at 30 June 2021.

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 (2019-20 1 to 10 years).

All software assets were assessed for indications of impairment as at 30 June 2021.

2.3 Payables

	2021	2020
	\$'000	\$'000
2.3A Suppliers		
Trade creditors and accruals	3,405	2,111
Total suppliers	3,405	2,111

Supplier payables are made within 20 days (2020: 20 days).

2.3B Other Payables

Contract liabilities ¹	635	2,150
Salaries and wages	859	840
Superannuation	163	124
Other	142	127
Total other payables	1,799	3,241

¹ The contract liabilities are associated with various Memorandum of Understanding arrangements with other Federal Government Agencies for the delivery of specific activities. These agreements can last from 6 months to 4 years and are paid to AUSTRAC under section 74 of the PGPA Act.

2.4 Interest Bearing Liabilities

Leases

Lease Liabilities	21,876	26,540
Total leases	21,876	26,540

Total cash outflow for leases for the year ended 30 June 2021 was \$5.189 million, (2020 \$5.145 million)

Maturity analysis - contractual undiscounted cash flows

Within 1 year	5,090	5,262
Between 1 to 5 years	10,896	13,307
More than 5 years	6,731	9,411
Total leases	22,717	27,980

Accounting Policy

Leases

For all new contracts entered into, AUSTRAC considers whether the contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. Once it has been determined that a contract is, or contains a lease, the lease liability is initially measured at the present value of the lease payments unpaid at the commencement date, discounted using the interest rate implicit in the lease, if that rate is readily determinable, or AUSTRAC's incremental borrowing rate. Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification to the lease. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset or profit and loss depending on the nature of the reassessment or modification.

3. FUNDING

This section identifies AUSTRAC's funding structure.

3.1 Appropriations

Transitional disclosure

3.1A Annual Appropriations ('Recoverable GST exclusive')

2021 Annual Appropriations					
	Annual Appropriation ^{1,3} \$'000	Adjustment to Appropriations ² \$'000	Total Appropriation \$'000	Appropriation applied in 2021 (current and prior years) \$'000	Variance ^{4,5} \$'000
DEPARTMENTAL					
Ordinary annual services	83,421	11,113	94,534	84,519	10,015
Capital budget ³	3,019	-	3,019	1,733	1,286
Other services					
Equity	17,346	-	17,346	10,243	7,103
Total departmental	103,786	11,113	114,899	96,495	18,404

¹ In 2020-21 there were no adjustments that met the recognition criteria of a formal reduction in revenue (2020: Nil).

² Section 74 increase in revenue \$11.113 million (2020: \$12.166 million).

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

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

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

2020 Annual Appropriations					
	Annual Appropriation ^{1,3} \$'000	Adjustment to Appropriations ² \$'000	Total Appropriation \$'000	Appropriation applied in 2020 (current and prior years) \$'000	Variance ^{4,5} \$'000
DEPARTMENTAL					
Ordinary annual services	72,309	12,166	84,475	83,299	1,176
Capital budget ³	3,034	-	3,034	2,379	655
Other services					
Equity	4,439	-	4,439	3,827	612
Total departmental	79,782	12,166	91,948	89,505	2,443

¹ In 2019-20 there were no adjustments that met the recognition criteria of a formal reduction in revenue (2019 Nil).

² Section 74 increase in revenue \$12.166 million (2019: \$10.658 million).

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

⁴ The variance relates to appropriation drawn down in the prior year and cash balances on hand at year end. For further details, please see the budget commentary on the Statement of Comprehensive Income.

⁵ 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')

	2021	2020
	\$'000	\$'000
<i>Appropriation Act No.1 2018-19 Departmental Capital Budget</i>	-	300
<i>Appropriation Act No.2 2018-19</i>	-	1,502
<i>Appropriation Act No.1 2019-20 Cash at bank and on hand</i>	-	815
<i>Appropriation Act No.1 2019-20</i>	-	19,500
<i>Appropriation Act No.1 2019-20 Departmental Capital Budget</i>	1,678	3,034
<i>Appropriation Act No.2 2019-20</i>	-	4,439
<i>Appropriation Act No.1 2020-21 Cash at bank and on hand</i>	1,892	-
<i>Appropriation Act No.1 2020-21</i>	28,000	-
<i>Appropriation Act No.1 2020-21 Departmental Capital Budget</i>	2,943	-
<i>Appropriation Act No.2 2020-21</i>	13,045	-
Total	47,557	29,590

The 2020-21 appropriation acts are not affected by any quarantine arrangements. (2020: Nil)

3.1C Special Appropriations ('Recoverable GST exclusive')

Authority	Type	Purpose	Appropriation applied 2021 \$'000	2020 \$'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	26	37
Total special appropriations applied			26	37

3.2 Net Cash Appropriation Arrangements

	2021	2020
	\$'000	\$'000
Total comprehensive income/(loss) - as per the Statement of Comprehensive Income	2,132	(6,906)
Plus: depreciation/amortisation of assets funded through appropriations (departmental capital budget funding and/or equity injections) ¹	7,977	6,798
Plus: depreciation of right-of-use assets ²	5,285	5,408
Less: lease principal repayments ²	(5,189)	(5,145)
Net Cash Operating Surplus/ (Deficit)	10,205	155

¹ From 2010-11, the Government introduced net cash appropriation arrangements where revenue appropriations for depreciation/amortisation expenses of non-corporate Commonwealth entities and selected corporate Commonwealth entities were replaced with a separate capital budget provided through equity injections. Capital budgets are to be appropriated in the period when cash payment for capital expenditure is required.

² The inclusion of depreciation/amortisation expenses related to ROU leased assets and the lease liability principal repayment amount reflects the impact of AASB 16 Leases, which does not directly reflect a change in appropriation arrangements.

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.

	2021 \$'000	2020 \$'000
<u>4.1 Employee Provisions</u>		
Leave	<u>16,191</u>	<u>14,163</u>
Total employee provisions	<u>16,191</u>	<u>14,163</u>

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.

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.

The liability for long service leave is the present value of employee entitlements based on the Australian Government shorthand method as per the FRR. In using this method, AUSTRAC has incorporated standard demographic assumptions and relevant parameters deemed applicable to AUSTRAC.

Separation and Redundancy

Provision is made for separation and redundancy benefit payments. The entity recognises a provision for termination when it has developed a detailed formal plan for the terminations and has informed those employees affected that it will carry out the terminations.

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 2021 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 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. The Portfolio Minister's remuneration and other benefits are set by the Remuneration Tribunal and are not paid by AUSTRAC.

	2021 \$	2020 \$
Short-term employee benefits		
Salary	1,366,367	1,316,527
Other benefits and allowances - car parking	15,296	14,392
Short-term employee benefits	1,381,663	1,330,919
Post-employment benefits		
Superannuation	165,224	164,544
Post-employment benefits	165,224	164,544
Other long-term employee benefits		
Long-service leave	33,430	33,552
Other long-term employee benefits	33,430	33,552
Total key management personnel remuneration expenses¹	1,580,317	1,529,015

The total number of key management personnel included in the above table is 4 (2020: 4).

1. The above key management personnel remuneration excludes the remuneration and other benefits of the Portfolio Minister. The Portfolio Minister's remuneration and other benefits are set by the Remuneration Tribunal and are not paid by the entity.

4.3 Related Party Disclosures

Related party relationships:

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.

Transactions with related parties:

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

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

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

5. MANAGING UNCERTAINTIES

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

5.1 Contingent Assets and Liabilities

Quantifiable contingencies

There are no departmental or administered quantifiable contingencies as at 30 June 2021 (2020: Nil).

Unquantifiable contingencies

There are no departmental or administered unquantifiable contingencies as at 30 June 2021 (2020: Nil Departmental, 2 Administered).

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.

	2021	2020
	\$'000	\$'000
5.2 Categories of Financial Instruments		
Financial assets at amortised cost		
Loans and receivables		
Cash and cash equivalents	1,892	815
Goods and services receivable	292	170
Total financial assets at amortised cost	2,184	985
 Total financial assets	 2,184	 985
 Financial Liabilities		
Financial liabilities measured at amortised cost		
Trade creditors	3,405	2,111
Total financial liabilities measured at amortised cost	3,405	2,111
 Total financial liabilities	 3,405	 2,111

Accounting Policy

Financial assets

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.

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.

Effective Interest Method

Income is recognised on an effective interest rate basis for financial assets that are recognised at amortised cost

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 de-recognition 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

Current/non-current distinction for assets and liabilities

Current/non-current distinction for assets and liabilities

2021	2020
\$'000	\$'000

Assets expected to be recovered in:**No more than 12 months**

Cash and cash equivalents	1,892	815
Trade and other receivables	46,762	29,440
Prepayments	2,102	1,664
Building	4,873	4,947

Total no more than 12 months

55,629	36,866
---------------	---------------

More than 12 months

Leasehold Improvements	4,137	5,074
Building	16,056	21,008
Plant and equipment	6,577	6,253
Prepayments	975	431
Intangibles	22,288	16,386

Total more than 12 months

50,033	49,152
---------------	---------------

Total assets

105,662	86,018
----------------	---------------

Liabilities expected to be settled in:**No more than 12 months**

Suppliers	3,405	2,111
Leases	4,873	4,948
Other payables	1,799	3,241
Employee provisions	6,467	12,561

Total no more than 12 months

16,544	22,861
---------------	---------------

More than 12 months

Suppliers	-	-
Leases	17,004	21,592
Other payables	-	-
Employee provisions	9,724	1,602

Total more than 12 months

26,728	23,194
---------------	---------------

Total liabilities

43,271	46,055
---------------	---------------

Administered Current/non-current distinction for assets and liabilities		
	2021	2020
	\$'000	\$'000
Assets expected to be recovered in:		
No more than 12 months	-	291
More than 12 months	-	-
Total assets	-	291
Liabilities expected to be recovered in:		
No more than 12 months	253	-
Total liabilities	253	-





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APPENDICES

List of Requirements

PGPA Rule Reference	Page of Report	Description	Requirement
17AD(g)	Letter of transmittal		
17AI	1	A copy of the letter of transmittal signed and dated by accountable authority on date final text approved, with statement that the report has been prepared in accordance with section 46 of the Act and any enabling legislation that specifies additional requirements in relation to the annual report.	Mandatory
17AD(h)	Aids to access		
17AJ(a)	2-3	Table of contents.	Mandatory
17AJ(b)	218	Alphabetical index.	Mandatory
17AJ(c)	214	Glossary of abbreviations and acronyms.	Mandatory
17AJ(d)	201	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
17AD(a)	Review by accountable authority		
17AD(a)	6	A review by the accountable authority of the entity.	Mandatory

PGPA Rule Reference	Page of Report	Description	Requirement
17AD(b)	Overview of the entity		
17AE(1)(a)(i)	12	A description of the role and functions of the entity.	Mandatory
17AE(1)(a)(ii)	22-23	A description of the organisational structure of the entity.	Mandatory
17AE(1)(a)(iii)	11	A description of the outcomes and programmes administered by the entity.	Mandatory
17AE(1)(a)(iv)	11	A description of the purposes of the entity as included in corporate plan.	Mandatory
17AE(1)(aa)(i)	24	Name of the accountable authority or each member of the accountable authority	Mandatory
17AE(1)(aa)(ii)	24	Position title of the accountable authority or each member of the accountable authority	Mandatory
17AE(1)(aa)(iii)	24	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)	Report on the Performance of the entity		
	<i>Annual performance Statements</i>		
17AD(c)(i); 16F	30-91	Annual performance statement in accordance with paragraph 39(1)(b) of the Act and section 16F of the Rule.	Mandatory
17AD(c)(ii)	<i>Report on Financial Performance</i>		
17AF(1)(a)	163	A discussion and analysis of the entity's financial performance.	Mandatory
17AF(1)(b)	164-165	A table summarising the total resources and total payments of the entity.	Mandatory

PGPA Rule Reference	Page of Report	Description	Requirement
17AF(2)	163	If there may be significant changes in the financial results during or after the previous or current reporting period, information on those changes, including: the cause of any operating loss of the entity; how the entity has responded to the loss and the actions that have been taken in relation to the loss; and any matter or circumstances that it can reasonably be anticipated will have a significant impact on the entity's future operation or financial results.	If applicable, Mandatory.
17AD(d)	Management and Accountability		
	Corporate Governance		
17AG(2)(a)	122	Information on compliance with section 10 (fraud systems)	Mandatory
17AG(2)(b)(i)	1	A certification by accountable authority that fraud risk assessments and fraud control plans have been prepared.	Mandatory
17AG(2)(b)(ii)	1	A certification by accountable authority that appropriate mechanisms for preventing, detecting incidents of, investigating or otherwise dealing with, and recording or reporting fraud that meet the specific needs of the entity are in place.	Mandatory
17AG(2)(b)(iii)	1	A certification by accountable authority that all reasonable measures have been taken to deal appropriately with fraud relating to the entity.	Mandatory

PGPA Rule Reference	Page of Report	Description	Requirement
17AG(2)(c)	115-123	An outline of structures and processes in place for the entity to implement principles and objectives of corporate governance.	Mandatory
17AG(2)(d) – (e)	123	A statement of significant issues reported to Minister under paragraph 19(1)(e) of the Act that relates to non compliance with Finance law and action taken to remedy non compliance.	If applicable, Mandatory
Audit Committee			
17AG(2A)(a)	116	A direct electronic address of the charter determining the functions of the entity's audit committee.	Mandatory
17AG(2A)(b)	117-120	The name of each member of the entity's audit committee.	Mandatory
17AG(2A)(c)	117-120	The qualifications, knowledge, skills or experience of each member of the entity's audit committee.	Mandatory
17AG(2A)(d)	117-120	Information about the attendance of each member of the entity's audit committee at committee meetings.	Mandatory
17AG(2A)(e)	117-120	The remuneration of each member of the entity's audit committee.	Mandatory
External Scrutiny			
17AG(3)	123-125	Information on the most significant developments in external scrutiny and the entity's response to the scrutiny.	Mandatory

PGPA Rule Reference	Page of Report	Description	Requirement
17AG(3)(a)	125	Information on judicial decisions and decisions of administrative tribunals and by the Australian Information Commissioner that may have a significant effect on the operations of the entity.	If applicable, Mandatory
17AG(3)(b)	125	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)	125	Information on any capability reviews on the entity that were released during the period.	If applicable, Mandatory
Management of Human Resources			
17AG(4)(a)	133-139	An assessment of the entity's effectiveness in managing and developing employees to achieve entity objectives.	Mandatory
17AG(4)(aa)	141-155	Statistics on the entity's employees on an ongoing and non ongoing basis, including the following: (a) statistics on full time employees; (b) statistics on part time employees; (c) statistics on gender (d) statistics on staff location	Mandatory

PGPA Rule Reference	Page of Report	Description	Requirement
17AG(4)(b)	141-155	<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"> • Statistics on staffing classification level; • Statistics on full time employees; • Statistics on part time employees; • Statistics on gender; • Statistics on staff location; • Statistics on employees who identify as Indigenous. 	Mandatory
17AG(4)(c)	137-138	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)	137-138	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)	155	The salary ranges available for APS employees by classification level.	Mandatory
17AG(4)(c)(iii)	138	A description of non salary benefits provided to employees.	Mandatory
17AG(4)(d)(i)	N/A	Information on the number of employees at each classification level who received performance pay.	If applicable, Mandatory

PGPA Rule Reference	Page of Report	Description	Requirement
17AG(4)(d)(ii)	N/A	Information on aggregate amounts of performance pay at each classification level.	If applicable, Mandatory
17AG(4)(d)(iii)	N/A	Information on the average amount of performance payment, and range of such payments, at each classification level.	If applicable, Mandatory
17AG(4)(d)(iv)	N/A	Information on aggregate amount of performance payments.	If applicable, Mandatory
Assets Management			
17AG(5)	131	An assessment of effectiveness of assets management where asset management is a significant part of the entity's activities	If applicable, mandatory
Purchasing			
17AG(6)	129	An assessment of entity performance against the <i>Commonwealth Procurement Rules</i> .	Mandatory
Reportable consultancy contracts			
17AG(7)(a)	126	A summary statement detailing the number of new reportable consultancy contracts entered into during the period; the total actual expenditure on all such contracts (inclusive of GST); the number of ongoing reportable consultancy contracts that were entered into during a previous reporting period; and the total actual expenditure in the reporting period on those ongoing contracts (inclusive of GST).	Mandatory

PGPA Rule Reference	Page of Report	Description	Requirement
17AG(7)(b)	126	A statement that <i>“During [reporting period], [specified number] new reportable consultancy contracts were entered into involving total actual expenditure of \$[specified million]. In addition, [specified number] ongoing reportable consultancy contracts were active during the period, involving total actual expenditure of \$[specified million].”</i>	Mandatory
17AG(7)(c)	127	A summary of the policies and procedures for selecting and engaging consultants and the main categories of purposes for which consultants were selected and engaged.	Mandatory
17AG(7)(d)	127	A statement that <i>“Annual reports contain information about actual expenditure on reportable consultancy contracts. Information on the value of reportable consultancy contracts is available on the AusTender website.”</i>	Mandatory
Reportable non-consultancy contracts			
17AG(7A)(a)	127	A summary statement detailing the number of new reportable non-consultancy contracts entered into during the period; the total actual expenditure on such contracts (inclusive of GST); the number of ongoing reportable non-consultancy contracts that were entered into during a previous reporting period; and the total actual expenditure in the reporting period on those ongoing contracts (inclusive of GST).	Mandatory

PGPA Rule Reference	Page of Report	Description	Requirement
17AG(7A)(b)	128	A statement that <i>“Annual reports contain information about actual expenditure on reportable non-consultancy contracts. Information on the value of reportable non-consultancy contracts is available on the AusTender website.”</i>	Mandatory
17AD(daa)	<i>Additional information about organisations receiving amounts under reportable consultancy contracts or reportable non-consultancy contracts</i>		
17AGA	126-128	Additional information, in accordance with section 17AGA, about organisations receiving amounts under reportable consultancy contracts or reportable non-consultancy contracts.	Mandatory
<i>Australian National Audit Office Access Clauses</i>			
17AG(8)	129	If an entity entered into a contract with a value of more than \$100 000 (inclusive of GST) and the contract did not provide the Auditor General with access to the contractor’s premises, the report must include the name of the contractor, purpose and value of the contract, and the reason why a clause allowing access was not included in the contract.	If applicable, Mandatory

PGPA Rule Reference	Page of Report	Description	Requirement
<i>Exempt contracts</i>			
17AG(9)	127	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
<i>Small business</i>			
17AG(10)(a)	130	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)	130	An outline of the ways in which the procurement practices of the entity support small and medium enterprises.	Mandatory

PGPA Rule Reference	Page of Report	Description	Requirement
17AG(10)(c)	130	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
Financial Statements			
17AD(e)	166-198	Inclusion of the annual financial statements in accordance with subsection 43(4) of the Act.	Mandatory
Executive Remuneration			
17AD(da)	156-161	Information about executive remuneration in accordance with Subdivision C of Division 3A of Part 2 3 of the Rule.	Mandatory
17AD(f)	Other Mandatory Information		
17AH(1)(a)(i)	N/A	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

PGPA Rule Reference	Page of Report	Description	Requirement
17AH(1)(a)(ii)	130	If the entity did not conduct advertising campaigns, a statement to that effect.	If applicable, Mandatory
17AH(1)(b)	131	A statement that <i>"Information on grants awarded by [name of entity] during [reporting period] is available at [address of entity's website]."</i>	If applicable, Mandatory
17AH(1)(c)	140	Outline of mechanisms of disability reporting, including reference to website for further information.	Mandatory
17AH(1)(d)	124	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)	131	Correction of material errors in previous annual report	If applicable, mandatory
17AH(2)	131	Information required by other legislation	Mandatory

GLOSSARY

Abbreviation/acronym	Description
AAT	Administrative Appeals Tribunal
ABF	Australian Border Force
ACAMS	Association of Certified Anti-Money Laundering Specialists
ACIC	Australian Criminal Intelligence Commission
ACLEI	Australian Commission for Law Enforcement Integrity
ADI	Authorised deposit-taking institute
AEP	Analyst Exchange Program
AFP	Australian Federal Police
AGSVA	Australian Government Security Vetting Agency
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
ANU	Australian National University
APS	Australian Public Service
ASEAN	Association of Southeast Asian Nations
ASIC	Australia Securities and Investments Commission
ATO	Australian Taxation Office
AUSTRAC	Australian Transaction Reports and Analysis Centre
AWB	Analyst Work Bench
BEC	Business Email Compromise
BEST	Black Economy Standing Taskforce
BNM	Bank Negara Malaysia

Abbreviation/acronym	Description
CACT	Criminal Asset Confiscation Taskforce
CBM	Cross Border Movement
CEO	Chief Executive Officer
CSAE	Child Sexual Abuse and Exploitation
DAWE	Department of Agriculture, Water and the Environment
DCE	digital currency exchange
DFAT	Department of Foreign Affairs and Trade
DHS	Department of Human Services
Egmont	The Egmont Group (a united body of FIUs)
EIEWG	Egmont information Exchange Working Group
EACS	Electronic Access Control System
EoL	Exchange of Letter
ERS	Early Release of Superannuation
FATF	Financial Action Task Force
FIAC	Financial Intelligence Analyst Course
FinTech	financial technology
FIU	financial intelligence unit
FOI Act	<i>Freedom of Information Act 1988</i>
FRSC	<i>Finance and Resourcing Sub-Committee</i>
FTR Act	<i>Financial Transaction Reports Act 1988</i>
HVCTF	High Volume Crime Taskforce
ICT	Information and Communications Technology
IFA	individual flexibility arrangement

Abbreviation/acronym	Description
IFTI	International Funds Transfer Instruction
IPS	Information Publication Scheme
ISP	Information Sharing Platform
JMLIT	Joint Money Laundering Intelligence Taskforce (the UK)
ME	mutual evaluation
ML/TF	money laundering/ terrorism financing
MOU	memorandum of understanding
NDIA	National Disability Insurance Agency
NDIS	National Disability Insurance Scheme
PaaS	Platform as a Service
PFIC	Pacific Financial Intelligence Community
PGPA Act	<i>Public Governance, Performance and Accountability Act 2013</i>
PGPA Rule	Public Governance, Performance and Accountability Rule 2014
PNG	Papua New Guinea
PPATK	Pusat Pelaporan dan Analisis Transaksi Keuangan (the Indonesian FIU)
RAP	Reconciliation Action Plan
RE	Reporting Entity
RegOps	Regulatory Operations
RegTech	regulatory technology
REST	Reporting Entity System Transformation
SES	Senior Executive Service (in the APS)
SFC	Serious Financial Crime

Abbreviation/acronym	Description
SFCT	Serious Financial Crime Taskforce
SMR	suspicious matter report (under the AML/CTF Act)
SoC	Statement of Cooperation
TES	Traq Enquiry System
TIR	Tactical Intelligence Report
TBML	Trade-Based Money Laundering
TTR	Threshold Transaction Report
UNSW	University of New South Wales
WAPF	Western Australia Police Force
WHS Act	<i>Work Health and Safety Act 2011</i>
WMD	Weapons of mass destruction

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