

AUSTRALIAN TRANSACTION REPORTS AND ANALYSIS CENTRE

Section 1: Agency overview and resources

1.1 STRATEGIC DIRECTION FOR 2008–09

The Australian Transaction Reports and Analysis Centre (AUSTRAC) is Australia's anti-money laundering and counter-terrorism financing (AML/CTF) regulator and specialist financial intelligence unit (FIU). AUSTRAC's mission is to make a valued contribution towards a financial environment hostile to money laundering, terrorism financing, major crime and tax evasion.

During 2008–09, AUSTRAC's priority will be the continuing implementation of major AML/CTF reforms. In taking forward this phase of implementation, AUSTRAC will be building on 18 months of practical experience with the reforms. The reforms were introduced in December 2006 by the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (AML/CTF Act). The AML/CTF Act will increasingly replace the *Financial Transaction Reports Act 1988* (FTR Act) during a two-year staggered implementation period, with final obligations due to take effect on 12 December 2008. The AML/CTF Act's obligations capture an extensive number of reporting entities across a range of diverse industries.

A key strategy for AUSTRAC in 2008–09 will be building strong engagement with this large regulated population. This includes identifying all entities with obligations under the AML/CTF Act and then continuing a significant program of industry and community education about the reforms.

AUSTRAC will also continue to build and adapt systems to ensure the most efficient and effective handling of its dealings with reporting entities.

In addition, AUSTRAC will work to ensure that accurate, thorough and timely guidance is provided to reporting entities on their obligations. This includes continuing to make rules and issue guidance notes on aspects of those obligations, reviewing and updating the Regulatory Guide (launched in December 2007) and expanding a Public Legal Interpretation series (launched in April 2008).

Another key strategy for 2008–09 will be continuing to build and refine AUSTRAC’s compliance and enforcement strategy and capability. The AML/CTF Act provides AUSTRAC with a flexible range of compliance tools, including civil penalty orders.

In 2008–09, AUSTRAC will also inform future policy directions on AML/CTF regulation. A second tranche of reforms (covering real estate agents, dealers in precious metals and stones and a range of non-financial transaction providers such as accountants and lawyers) is currently in consultation stage, led by the Attorney-General’s Department. AUSTRAC will continue to provide technical support and advice to the Attorney-General’s Department as part of this process.

As Australia’s FIU, AUSTRAC will maintain a focus on strengthening relationships with domestic partner agencies and, in particular, ensuring that AUSTRAC’s intelligence products are aligned with the needs and priorities of those agencies. AUSTRAC has 34 Commonwealth, state and territory partner agencies covering the spectrum of regulation, law enforcement, national security, revenue and social justice.

In addition, AUSTRAC will focus on managing a significantly increased volume of reporting from reporting entities as the AML/CTF Act is progressively implemented. From December 2008, the Act provides for broad ‘suspicious matter’ reporting obligations, together with a range of other financial transaction reporting obligations.

AUSTRAC will also continue its program of international capacity-building with FIUs, particularly in South-East Asia, and its contribution to strengthening the global AML/CTF system through information exchange with counterpart FIUs and involvement in international bodies.

1.2 AGENCY RESOURCE STATEMENT

Table 1.1 shows total resources from all origins. The table summarises how resources will be applied by departmental classification.

**Table 1.1: Resource statement—Budget estimates for 2008–09
(as at Budget May 2008)**

	Estimate of prior year amounts available in 2008–09 (\$'000)	+ Proposed at Budget 2008–09 (\$'000)	= Total estimate 2008–09 (\$'000)	Estimated appropriation available 2007–08 (\$'000)
ORDINARY ANNUAL SERVICES				
Departmental outputs				
Departmental outputs	5,545 ⁴	54,095 ¹	59,640	52,093 ⁶
S 31 relevant agency receipts ³	–	297 ⁷	297	962 ⁷
Total ordinary annual services	5,545	54,392	59,937⁵	53,055
OTHER SERVICES				
Departmental non-operating				
Equity injections	–	– ²	–	7,036
Total other services	–	–	–	7,036
Total available annual appropriations	5,545	54,392	59,937	60,091
SPECIAL ACCOUNTS				
Non-appropriation receipts to special accounts	–	2	2	2
Total special accounts	–	2	2	2
Total net resourcing for the Australian Transaction Reports and Analysis Centre	5,545	54,394	59,939	60,093

All figures are GST exclusive.

Notes:

1. Appropriation Bill (No. 1) 2008–09.
2. Appropriation Bill (No. 2) 2008–09.
3. Section 31 relevant agency receipts—estimate.
4. Estimated adjusted balance carried forward from previous year for annual appropriations.
5. The total available departmental operating appropriation (outputs) will not equal the total of all outputs in the outcome resource statements as they budget for estimated appropriation attributable to outcomes and not the total available. For reconciliation see Table 3.1.1.
6. Appropriation Bill (No. 1) 2007–08 originally reported \$52.334m. Subsequent adjustments have reduced this amount to \$52.093m.
7. Section 31 receipts are budgeted to be collected. However, these receipts are not reported in Budget Paper No. 4.

1.3 BUDGET MEASURES

Budget measures relating to AUSTRAC are detailed in Budget Paper No. 2. Table 1.2 reports the decision relating to AUSTRAC in the 2008–09 Budget.

Table 1.2: Agency 2008–09 Budget measures

	Output group	2008–09 (\$'000)	2009–10 (\$'000)	2010–11 (\$'000)	2011–12 (\$'000)
EXPENSE MEASURES					
Overseas development assistance—strengthening regional financial intelligence units	1				
Departmental outputs		–	–	(2,747)	(2,749)
Total expense measures	Departmental	–	–	(2,747)	(2,749)

Prepared on a Government Financial Statistics (fiscal) basis.

The reduction in the expense measure for 2010–11 and 2011–12 is due to the program lapsing in 2009–10.

Section 2: Outcomes and planned performance

2.1 OUTCOMES AND PERFORMANCE INFORMATION

The Australian Government requires agencies to measure their intended and actual performance in terms of outcomes. Government outcomes are the results, impacts or consequences of actions by the government on the Australian community. Agencies are required to identify the output groups that demonstrate their contribution to government outcomes over the coming year.

AUSTRAC’s outcome is described below by output groups, including the indicators and targets used to assess and monitor performance.

2.1.1 Outcome 1: A financial environment hostile to money laundering, the financing of terrorism, major crime and tax evasion

Outcome 1 strategy

AUSTRAC achieves its outcome by operating as Australia’s AML/CTF regulator and FIU.

In its role as AML/CTF regulator, AUSTRAC ensures that regulated entities meet the customer identification and AML/CTF program and reporting requirements under the FTR Act and AML/CTF Act, and provide quality information on the movement of cash and other forms of payments into and out of Australia. By ensuring the enforcement of Australia’s AML/CTF framework, AUSTRAC creates a financial environment that is hostile to the laundering of proceeds of crime, the financing of terrorism and the evasion of taxation requirements.

In its role as Australia’s FIU, AUSTRAC analyses information provided by regulated entities and disseminates this information to law enforcement, national security, social justice and revenue agencies as financial intelligence. In providing this intelligence, AUSTRAC assists these agencies in the detection of organised crime networks, terrorist threats, tax evasion schemes and social welfare fraud as well as contributing to the integrity of Australia’s financial systems and government revenue systems.

AUSTRAC also contributes to the Australian Government’s targeted outcome of an international environment hostile to money laundering and terrorism financing. It does this by working with international bodies to establish and implement AML/CTF standards, exchanging financial intelligence to assist international investigations, and providing technical assistance and training to counterpart organisations to further strengthen those countries’ ability to combat terrorism financing and money laundering.

Table 2.1: Total resources available for Outcome 1

	2008–09 total estimate of available resources (\$'000)	2007–08 estimated actual (\$'000)
Outcome 1		
Output Group 1: Australia’s anti-money laundering and counter-terrorism financing regulator		
Departmental output	28,670	27,609
Revenues from other sources (s 31)	20	20
Subtotal for Output Group 1	28,690	27,629
Output Group 2: Australia’s financial intelligence unit		
Departmental output	25,425	24,484
Revenues from other sources (s 31)	277	942
Subtotal for Output Group 2	25,702	25,426
Total resources for Outcome 1	54,392	53,055
Average staffing level (number)	325	285

Departmental appropriation splits and totals by output group are indicative estimates and may change in the course of the Budget year as government priorities change.

Contributions to Outcome 1

Output Group 1

Output Group 1: Australia's anti-money laundering and counter-terrorism financing regulator	
<p>Output Group 1 encompasses the regulatory role of AUSTRAC in creating a climate of compliance with the reporting and other provisions of the FTR Act and the AML/CTF Act. It includes the promotion of FTR Act and AML/CTF Act obligations, AUSTRAC's regulatory compliance and enforcement program and AUSTRAC's regulatory policy development and implementation.</p> <p>Components of Output Group 1:</p> <ul style="list-style-type: none"> • 1.1: Promotion of FTR Act and AML/CTF Act obligations • 1.2: Regulatory compliance and enforcement program • 1.3: Regulatory policy development and implementation 	
Key performance indicators	2008–09 target
Education and awareness programs delivered to industry	Education and awareness programs conducted for all regulated sectors
Level of industry compliance	80% of identified regulated entities have compliance programs in place
Industry sectors risk rated	All regulated sectors risk rated
Policy developed in line with international standards	Policy reflects international standards
Policy developed with industry to reduce regulatory burden	Industry consulted in all policy development
Development of rules and guidance to meet industry and government needs	AML/CTF rules registered and guidance published addressing issues raised by government and industry

Output Group 2

Output Group 2: Australia's financial intelligence unit
<p>Output Group 2 encompasses the use of AUSTRAC information by partner agencies, and by AUSTRAC on behalf of partner agencies, in identifying financial activity that is indicative of money laundering and the financing of terrorism. It includes the promotion of effective use of AUSTRAC information and intelligence, research and analysis, dissemination of AUSTRAC information, and AUSTRAC's contribution to international efforts directed at AML/CTF.</p> <p>Components of Output Group 2:</p> <ul style="list-style-type: none"> • 2.1: Promotion of effective use of AUSTRAC information and intelligence • 2.2: Research, analysis and intelligence • 2.3: Contribution to international efforts directed at AML/CTF

Output Group 2 (continued)

Key performance indicators	2008–09 target
Level of database availability	98% availability
Partner agency logons and searches of AUSTRAC database	Increased database usage on previous year
Analysis and dissemination of matters of intelligence interest	800 intelligence products disseminated 75% of disseminations taken up by partner agencies
Partner agency use of and feedback on AUSTRAC intelligence	Feedback indicates high-quality AUSTRAC information
International relationships established and strengthened	New international exchange instruments signed and relationships strengthened
Feedback from foreign financial intelligence units (FIUs) and international bodies	Feedback indicates AUSTRAC contributes to investigations and international standards
Strengthen FIUs in the Asia–Pacific region	Regional FIUs' progress towards maturity and operational effectiveness

Section 3: Explanatory tables and budgeted financial statements

Section 3 presents budgeted financial statements which provide a comprehensive snapshot of agency finances for the Budget year 2008–09. It explains how budget plans are incorporated into the financial statements and provides further details of movements in administered funds and special accounts.

3.1 EXPLANATORY TABLES

3.1.1 Reconciliation of total available appropriation and outcomes

The agency resource statement (Table 1.1) details the total available appropriation from all sources. For departmental operating appropriation (outputs) this includes carry-forward amounts as well as amounts appropriated at Budget. As agencies incur and are funded for future liabilities (generally depreciation and employee entitlements), the total amount of departmental operating appropriation available to an agency is unlikely to be fully used in the Budget year.

The difference between the agency resource statement and the sum of all payments made at the departmental outputs level is the expected carry-forward amount of resources for the 2009–10 Budget year, including amounts related to meeting future obligations to maintain the agency’s asset base and to meet employee entitlement liabilities.

Table 3.1.1 reconciles the total available appropriation and amounts attributable to outcomes.

Table 3.1.1: Reconciliation of total available appropriation and outcomes

	(\$'000)
Total available departmental operating appropriation (outputs)	59,937
Less estimated payments in 2008–09	(52,519)
Estimated departmental outputs carried forward and available for 2009–10	7,418

3.1.2 Movement of administered funds between years

AUSTRAC has not moved any administered funds between years.

3.1.3 Special accounts

Special accounts provide a means to set aside and record amounts used for specified purposes. Special accounts can be created by a Finance Minister’s determination under the *Financial Management and Accountability Act 1997* or under separate enabling legislation.

Table 3.1.3 shows the expected additions (receipts) and reductions (payments) for each account used by AUSTRAC.

Table 3.1.3: Estimates of special account cash flows and balances

	Outcome	Opening balance 2008–09 2007–08 (\$'000)	Receipts 2008–09 2007–08 (\$'000)	Payments 2008–09 2007–08 (\$'000)	Closing balance 2008–09 2007–08 (\$'000)
Other Trust Moneys— FMA Act s 20	1	–	2	2	–
	1	–	2	2	–
Services for Other Governments and Non-Agency Bodies Account— FMA Act s 20	1	–	–	–	–
	1	–	–	–	–
Total special accounts 2008–09 Budget estimate		–	2	2	–
Total special accounts 2007–08 estimate actual		–	2	2	–

The special accounts classified as departmental in 2007–08 have now been reclassified as administered for 2008–09.

FMA Act = *Financial Management and Accountability Act 1997*.

3.1.4 Australian Government Indigenous expenditure

AUSTRAC has no Australian Government Indigenous expenditure.

3.2 BUDGETED FINANCIAL STATEMENTS

3.2.1 Differences between agency resourcing and financial statements

There are no significant differences between the agency resourcing and financial statements.

3.2.2 Analysis of budgeted financial statements

Departmental

Income statement

AUSTRAC's budgeted break-even operating result in 2008–09 remains unchanged.

To support the planned progressive implementation of the AML/CTF Act, revenue from government has increased from \$52.093m in 2007–08 to \$54.095m in 2008–09. To meet the challenges of the implementation strategy, the proportional mix is expected to change, with employee expenses increasing from \$22.889m in 2007–08 to \$25.784m in 2008–09 and supplier expenses decreasing from \$26.974m in 2007–08 to \$25.416m in 2008–09.

Depreciation expenses are projected to decrease in the initial forward years. In subsequent years, depreciation expenses are expected to increase in line with the expansion of leasehold property and information technology infrastructure requirements.

Balance sheet

In 2008–09, AUSTRAC’s total assets are expected to increase from \$17.939m to \$19.489m. This is primarily due to an increase in appropriations receivable. After deductions for liabilities, net assets are expected to remain static at \$13.864m.

Administered

AUSTRAC will continue to collect administered receipts from the issuing of infringement notices under the AML/CTF Act. The first infringement notices were issued during 2007–08.

3.2.3 Budgeted financial statements tables

Departmental

Table 3.2.1: Budgeted departmental income statement (for the period ended 30 June)

	Estimated actual 2007–08 (\$'000)	Budget estimate 2008–09 (\$'000)	Forward estimate 2009–10 (\$'000)	Forward estimate 2010–11 (\$'000)	Forward estimate 2011–12 (\$'000)
INCOME					
Revenue					
Revenue from government	52,093	54,095	55,510	53,169	54,156
Resources received free of charge	30	30	30	30	30
Other	962	297	297	297	297
Total revenue	53,085	54,422	55,837	53,496	54,483
Total income	53,085	54,422	55,837	53,496	54,483
EXPENSES					
Employees	22,889	25,784	27,685	28,104	28,423
Suppliers	26,974	25,416	25,072	22,312	22,760
Depreciation and amortisation	3,222	3,222	3,080	3,080	3,300
Total expenses	53,085	54,422	55,837	53,496	54,483
Surplus (deficit) attributable to the Australian Government	-	-	-	-	-

Table 3.2.2: Budgeted departmental balance sheet (as at 30 June)

	Estimated actual 2007–08 (\$'000)	Budget estimate 2008–09 (\$'000)	Forward estimate 2009–10 (\$'000)	Forward estimate 2010–11 (\$'000)	Forward estimate 2011–12 (\$'000)
ASSETS					
Financial assets					
Cash and cash equivalents	1,165	1,346	1,177	1,177	1,177
Trade and other receivables	4,380	6,072	6,586	6,486	6,486
Total financial assets	5,545	7,418	7,763	7,663	7,663
Non-financial assets					
Infrastructure, plant and equipment	11,323	11,000	11,100	11,200	11,200
Other	1,071	1,071	1,071	1,071	1,071
Total non-financial assets	12,394	12,071	12,171	12,271	12,271
Total assets	17,939	19,489	19,934	19,934	19,934
LIABILITIES					
Provisions					
Employees	3,092	4,555	5,000	5,000	5,000
Total provisions	3,092	4,555	5,000	5,000	5,000
Payables					
Suppliers	970	970	970	970	970
Other	13	100	100	100	100
Total payables	983	1,070	1,070	1,070	1,070
Total liabilities	4,075	5,625	6,070	6,070	6,070
Net assets	13,864	13,864	13,864	13,864	13,864
EQUITY¹					
Parent entity interest					
Contributed equity	12,007	12,007	12,007	12,007	12,007
Reserves	698	698	698	698	698
Retained surpluses or accumulated deficits	1,159	1,159	1,159	1,159	1,159
Total parent entity interest	13,864	13,864	13,864	13,864	13,864
Total equity	13,864	13,864	13,864	13,864	13,864
Current assets	6,616	8,489	8,834	8,734	8,734
Non-current assets	11,323	11,000	11,100	11,200	11,200
Current liabilities	2,275	3,700	3,970	3,820	3,595
Non-current liabilities	1,800	1,925	2,100	2,250	2,475

Note:

1. Equity is the residual interest in assets after deduction of liabilities.

Table 3.2.3: Budgeted departmental statement of cash flows (for the period ended 30 June)

	Estimated actual 2007–08 (\$'000)	Budget estimate 2008–09 (\$'000)	Forward estimate 2009–10 (\$'000)	Forward estimate 2010–11 (\$'000)	Forward estimate 2011–12 (\$'000)
OPERATING ACTIVITIES					
Cash received					
Appropriations	45,791	47,226	49,774	48,359	49,246
Other	5,629	5,147	5,222	5,237	5,237
Total cash received	51,420	52,373	54,996	53,596	54,483
Cash used					
Employees	23,321	25,628	28,291	28,104	28,423
Suppliers	27,941	25,242	25,621	22,312	22,760
Total cash used	51,262	50,870	53,912	50,416	51,183
Net cash from (used by) operating activities	158	1,503	1,084	3,180	3,300
INVESTING ACTIVITIES					
Cash used					
Purchase of property, plant and equipment	7,036	1,649	1,580	3,180	3,300
Total cash used	7,036	1,649	1,580	3,180	3,300
Net cash from (used by) investing activities	(7,036)	(1,649)	(1,580)	(3,180)	(3,300)
FINANCING ACTIVITIES					
Cash received					
Appropriations—contributed equity	7,036	–	–	–	–
Total cash received	7,036	–	–	–	–
Net cash from (used by) financing activities	7,036	–	–	–	–
Net increase (decrease) in cash held	158	(146)	(496)	–	–
Cash at the beginning of the reporting period	1,007	1,492	1,673	1,177	1,177
Cash at the end of the reporting period	1,165	1,346	1,177	1,177	1,177

Table 3.2.4: Departmental statement of changes in equity—summary of movement (Budget year 2008–09)

	Retained earnings (\$'000)	Asset revaluation reserve (\$'000)	Contributed equity/ capital (\$'000)	Total equity (\$'000)
Opening balance as at 1 July 2008				
Balance carried forward from previous period	1,159	698	12,007	13,864
Income and expenses				
Net operating result	–	–	–	–
Total income and expenses	–	–	–	–
Estimated closing balance as at 30 June 2009	1,159	698	12,007	13,864

Administered

Table 3.2.5: Schedule of budgeted income and expenses administered on behalf of government (for the period ended 30 June)

	Estimated actual 2007–08 (\$'000)	Budget estimate 2008–09 (\$'000)	Forward estimate 2009–10 (\$'000)	Forward estimate 2010–11 (\$'000)	Forward estimate 2011–12 (\$'000)
INCOME ADMINISTERED ON BEHALF OF GOVERNMENT					
Revenue					
Taxation					
Other taxes, fees and fines	40	100	100	100	100
Total revenue administered on behalf of government	40	100	100	100	100
Total income administered on behalf of government	40	100	100	100	100
EXPENSES ADMINISTERED ON BEHALF OF GOVERNMENT					
Total expenses administered on behalf of government	–	–	–	–	–

Table 3.2.6: Schedule of budgeted assets and liabilities administered on behalf of government (as at 30 June)

	Estimated actual 2007-08 (\$'000)	Budget estimate 2008-09 (\$'000)	Forward estimate 2009-10 (\$'000)	Forward estimate 2010-11 (\$'000)	Forward estimate 2011-12 (\$'000)
ASSETS ADMINISTERED ON BEHALF OF GOVERNMENT					
Financial assets					
Cash and cash equivalents	5	5	5	5	5
Receivables	10	10	10	10	10
Total assets administered on behalf of government	15	15	15	15	15
LIABILITIES ADMINISTERED ON BEHALF OF GOVERNMENT					
Total liabilities administered on behalf of government	-	-	-	-	-

Table 3.2.7: Schedule of budgeted administered cash flows (for the period ended 30 June)

	Estimated actual 2007-08 (\$'000)	Budget estimate 2008-09 (\$'000)	Forward estimate 2009-10 (\$'000)	Forward estimate 2010-11 (\$'000)	Forward estimate 2011-12 (\$'000)
OPERATING ACTIVITIES					
Cash received					
Other	30	100	100	100	100
Total cash received	30	100	100	100	100
Net cash from (used by) operating activities	30	100	100	100	100
FINANCING ACTIVITIES					
Cash used					
Other	25	100	100	100	100
Total cash used	25	100	100	100	100
Net cash from (used by) financing activities	(25)	(100)	(100)	(100)	(100)
Net increase (decrease) in cash held	5	-	-	-	-
Cash at beginning of reporting period	-	5	5	5	5
Cash at end of reporting period	5	5	5	5	5

3.2.4 Notes to the financial statements

Basis of accounting

The budgeted financial statements have been prepared in accordance with the requirements of the Finance Minister's Orders, Australian Accounting

Standards, Australian Equivalents to International Financial Reporting Standards and Accounting Guidance Releases, and having regard to the Statements of Accounting Concepts.

Revenue from government

Appropriations for departmental outputs are recognised as revenue.

Employee expenses

Employee expenses consist of salaries, leave entitlements and superannuation.

Supplier expenses

Supplier expenses consist of consultant and contractor costs, travel expenses and administrative costs.

Cash

Cash includes notes and coins held and any deposits held at call with a bank or other financial institution.

Assets and liabilities

Assets and liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow and the amounts of the assets or liabilities can be reliably measured. Assets and liabilities arising under agreements equally proportionately unperformed are, however, not recognised unless required by an Australian Accounting Standard.

