



**Australian Government**  

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**AUSTRAC**

## **AUSTRAC Submission**

Inquiry into the expansion of the Australian Commission for Law Enforcement Integrity's (ACLEI) jurisdiction and the corruption vulnerabilities of law enforcement agencies' contracted services

November 2021

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## Introduction

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1. The Australian Transaction Reports and Analysis Centre (AUSTRAC) welcomes the opportunity to provide a submission to the Parliamentary Joint Committee on the Australian Commission for Law Enforcement Integrity (PJCACLEI) inquiry into the expansion of the ACLEI's jurisdiction and the corruption vulnerabilities of law enforcement agencies' contracted services (the Inquiry).
2. This submission is provided to support the Committee's understanding of AUSTRAC's relationship with ACLEI and to comment on the areas of the Inquiry's Terms of Reference relevant to AUSTRAC.

## About AUSTRAC

3. As Australia's anti-money laundering and counter-terrorism financing (AML/CTF) regulator and financial intelligence unit (FIU), 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.
4. 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 actionable financial intelligence for our partners, based on suspicious matter and other reports provided by our reporting entities every day.

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## **Responses to Terms of Reference**

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**A: The January 2021 expansion of ACLEI's jurisdiction from five to nine law enforcement agencies, including the support given to, and effectiveness of, agencies undertaking new responsibilities in working collaboratively with ACLEI in detecting, investigating and preventing corruption.**

5. AUSTRAC was brought under ACLEI's jurisdiction in 2013. Since that time AUSTRAC has developed a collaborative working partnership with ACLEI.
6. In 2017-18, AUSTRAC partnered with ACLEI to undertake a self-assessment of AUSTRAC's integrity maturity. The self-assessment report, "Mapping Integrity: An ACLEI Corruption Prevention Report in Partnership with AUSTRAC" was released in April 2018. The report identified five actions for AUSTRAC to address as part of a proposed action plan or roadmap. These actions were substantially completed in February 2020 to enhance AUSTRAC's integrity framework.
7. AUSTRAC maintains a regular communication program with ACLEI. This program involves regular meetings between the AUSTRAC Integrity Unit and ACLEI representatives for advice and guidance, in addition to meetings between the Agency Heads and Senior Executives of both agencies. AUSTRAC has also utilised ACLEI resources to conduct staff presentations on corruption risks.
8. AUSTRAC values the relationship that it has developed with ACLEI and the benefits this working relationship brings to the agency's ongoing integrity framework. AUSTRAC is also of the opinion that there are benefits in expanding ACLEI's jurisdiction as this creates a broader community of practice to share and develop fraud and corruption prevention strategies across agencies.

**B: The additional corruption vulnerabilities that may exist from the contracting of services or functions by law enforcement agencies to external service providers.**

9. AUSTRAC is conscious that external suppliers may not be familiar with, or used to complying with, the security and integrity considerations that are integral to the agency's function as a regulator, FIU and APS agency. These considerations can include the requirements to comply with personnel, physical and information security protocols, in addition to Government probity and procurement practices.
10. The agency acknowledges that there are risks arising from both deliberate and inadvertent acts from external providers that may result in potential fraud and corruption. As such, AUSTRAC has a range of control mechanisms in place and has taken the position that external service providers engaged by AUSTRAC are subject to the same fraud and corruption prevention regime as AUSTRAC's Australian public sector employees, to the degree possible.

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**C: What systems or processes are in place within law enforcement agencies to identify, report and investigate potential corruption within external service providers.**

11. AUSTRAC is mature in its use of external contractors to provide corporate support services for its operations, for example, with information technology projects.
12. Management of fraud and corruption risks with external suppliers and contractors is incorporated as part of the agency's Fraud and Corruption Control Plan (FCCP). The FCCP is updated on a regular basis following the completion of fraud and corruption risk assessment activities. The last fraud and corruption risk assessment was completed in July 2021.
13. Contractors and most external service providers are required to undergo suitability assessments prior to engagement and also to obtain and maintain a security clearance appropriate to the duties they are performing. This control aims at preventing high risk entities or personnel from initially being engaged with the agency.
14. Contractor access and usage of AUSTRAC systems is monitored and recorded in the same way as it is for the agency's employees. All physical and information systems obligations and controls apply equally to contractors, service providers and agency employees.
15. AUSTRAC has found it effective to classify its fraud and corruption controls into three main categories that apply across the agency, including those associated with contractors and service providers.
16. These categories are:
  - i. **Risk Management Controls**

AUSTRAC's Risk Management Framework sets out and defines the components that represent AUSTRAC's system of risk management and control, including fraud and corruption, and provides the methodology on how AUSTRAC manages, measures and defines fraud and corruption risks.
  - ii. **Prevention Controls**

These comprise the internal control environment in place to prevent and deter potential fraud and corruption events from occurring.
  - iii. **Detection Controls**

These are initiatives that are continually monitoring and reviewing AUSTRAC systems to assist in detecting and reporting potential fraud and corruption incidents.

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**D: Whether there are similar corruption vulnerabilities in partnerships between law enforcement agencies and other government agencies who are not subject to ACLEI's powers for investigation.**

17. AUSTRAC has substantial experience in working with partner government agencies and sharing system access and information, including with those who are not currently subject to ACLEI's powers of investigation.
18. Memoranda of Understanding establish the provisions and conditions for working in partnership with AUSTRAC and include obligations for partner agencies to report integrity incidents to AUSTRAC that involve access to, and use of, AUSTRAC information.
19. In AUSTRAC's experience, its partner agencies have been forthcoming in reporting incidents to the agency so that any risks can be appropriately mitigated and managed.