

2017–18

CHAIR ANNUAL REPORT

BOARD OF THE AUSTRALIAN CRIMINAL
INTELLIGENCE COMMISSION



AUSTRALIAN
**CRIMINAL
INTELLIGENCE
COMMISSION**

ABOUT THIS REPORT

This report by the Chair of the Australian Criminal Intelligence Commission (ACIC) Board documents the operations of the ACIC for 2017–18, as required by the *Australian Crime Commission Act 2002* (ACC Act). The Board does not have its own staff or budget so there are no financial statements to report.

This report is presented to the Commonwealth Minister for Home Affairs and appropriate ministers of each participating state and territory.

The separate annual report by the ACIC Chief Executive Officer (CEO) fulfils the requirements of government agencies under the *Public Governance, Performance and Accountability Act 2013*. It includes information about the ACIC's progress against the outcome strategy, deliverables and key performance indicators in the Portfolio Budget Statement and Corporate Plan, as well as details about the agency's structure, staffing and audited financial statements. It is available at <www.acic.gov.au>.

By producing separate reports, the Chair and the CEO are able to directly address requirements of the respective legislation.

CONTACT DETAILS

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This report and more information about the ACIC, is available at <www.acic.gov.au>.

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LETTER OF TRANSMITTAL



**AUSTRALIAN
CRIMINAL
INTELLIGENCE
COMMISSION**

3 December 2019

Peter Dutton MP
Minister for Home Affairs
Parliament House
Canberra ACT 2600

Dear Minister

On behalf of the Board of the Australian Criminal Intelligence Commission (ACIC), I am pleased to present our annual report for the financial year ended 30 June 2018.

The *Australian Crime Commission Act 2002* (ACC Act) requires the Chair of the Board to prepare a report on the agency's operations during the year as soon as practicable after 30 June. In accordance with the ACC Act, I provided our report to the Inter-Governmental Committee on the ACIC for transmission, to the Commonwealth Minister and the appropriate Minister of the Crown of each participating state. The ACC Act requires the report be laid before each House of Parliament, within 15 sitting days of that House, after you receive the report.

The report outlines the ACIC's operations during 2017–18. It has been prepared in accordance with section 61 of the ACC Act.

During 2017–18, the Board contributed to the ACIC's strategic direction, considered key areas of work and supported national initiatives against serious and organised crime.

The Board acknowledges the ACIC's achievements this year, including investigative and intelligence outcomes that have contributed to making Australia safer through improved national ability to connect, discover, understand and respond to crime impacting Australia.

Yours sincerely

A handwritten signature in black ink, consisting of a stylized 'R' followed by a long, sweeping horizontal line that curves upwards at the end.

Reece Kershaw APM
Chair
Board of the Australian Criminal Intelligence Commission

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BOARD MEMBERS

The ACIC Board, established under section 7B of the ACC Act¹, is chaired by the Commissioner of the Australian Federal Police and comprises the heads of a number of Commonwealth, state and territory law enforcement, national security and regulatory agencies. The Chief Executive Officer (CEO) of the ACIC is a non-voting member. For details about Board members and meetings in 2017–18, see page 10.

BOARD FUNCTIONS

The ACIC Board is responsible for providing strategic direction to the ACIC and determining which investigations and intelligence operations are authorised to use the ACIC's coercive powers. The functions of the Board, as set out in section 7C of the ACC Act, are to:

- determine national criminal intelligence priorities
- determine priorities in relation to national policing information systems and services
- provide strategic direction to and determine the priorities of the ACIC
- authorise, in writing, the ACIC to undertake intelligence operations or to investigate matters relating to federally relevant criminal activity
- determine, in writing, whether such an operation is a special operation or whether such an investigation is a special investigation
- determine, in writing, the class or classes of persons to participate in such an operation or investigation
- establish task forces
- disseminate to law enforcement agencies or foreign law enforcement agencies, or to any other agency or body of the Commonwealth, a state or a territory prescribed by the regulations, strategic criminal intelligence assessments provided to the Board by the ACIC
- make recommendations to the Minister about expenditure from the National Policing Information Systems and Services Special Account
- make recommendations to the Minister about charges for national policing information services (including criminal history checks)
- determine, in writing, policies and give directions to the CEO in relation to:
 - disclosing national policing information
 - approving a body as an accredited body
- determine, in writing, any conditions or restrictions in relation to providing nationally coordinated criminal history checks
- report to the Inter-Governmental Committee on the ACIC's performance.

The Board also undertakes other functions as conferred on it by other provisions of the ACC Act.

1 The ACIC is established under the *Australian Crime Commission Act 2002* (Cth) (ACC Act). The agency was formerly known as the Australian Crime Commission, and is still known by that name for legal purposes.

CHAIR'S REVIEW

ANDREW COLVIN APM, OAM



MAKING AUSTRALIA SAFER

The ACIC's purpose is to make Australia safer through improved national ability to discover, understand and respond to current and emerging crime threats, including the ability to connect police and law enforcement to essential criminal intelligence, policing knowledge and information through collaborative national information systems and services.

From December 2017, the ACIC has been part of the Home Affairs Portfolio, enabling stronger integration and joint activities across the portfolio for a safer and more secure Australia.

CONNECTING NATIONAL INFORMATION AND INTELLIGENCE

During 2017–18 the ACIC maintained 16 information and intelligence systems, and delivered six new or enhanced systems, used by law enforcement around the country to help keep the community safe. This included delivering 27.48 million National Police Reference System searches, supporting 93,229 crime scene print identifications and 82 crime scene ballistics matches, and facilitating 5.29 million criminal history checks.

This year, the ACIC received funding to start building the first iteration of the National Criminal Intelligence System (NCIS) based on the successful pilot. This system will provide secure access to a national view of criminal intelligence and information, and support collation and sharing of criminal intelligence and information nationally.

The ACIC also continued building international connections during the year, with 25 short-term and five long-term international deployments. These deployments provide opportunities for sharing intelligence and joint activities against offshore serious and organised crime targets threatening Australia.

DISCOVERING AND UNDERSTANDING SERIOUS AND ORGANISED CRIME

During the past year the ACIC advanced understanding of existing and emerging serious and organised crime.

Through 212 coercive examinations during the year, the ACIC discovered new information about crime relating to its special operations and special investigations.

The ACIC shared 2,162 intelligence products with more than 190 stakeholders. Flagship reports included *Organised Crime in Australia 2017*, *Serious Financial Crime in Australia 2017* and three National Wastewater Drug Monitoring Program reports.

The ACIC maintained the Australian Priority Organisation Target List of transnational criminal targets as well as the National Criminal Target List, and provided 22,114 automated alerts on significant criminal targets to partner agencies.

A total of 98 previously unknown targets were discovered.

RESPONDING TO CRIME THREATS

Throughout the year, the ACIC disrupted 22 criminal entities, including four Australian Priority Organisation Targets.

Working with our partners, more than \$3.5 billion estimated street value of drugs were seized, and more than \$16.09 million in cash was seized. In addition, the ACIC referred 103 entities to partners including the Criminal Assets Confiscation Taskforce, with an estimated value of offending of \$92.9 million.

ACIC intelligence led to 191 people being apprehended on 471 charges.

LOOKING AHEAD

In the coming year, the ACIC will build on these successes as it works with partners to provide the criminal intelligence and national policing information and systems that are necessary for a safe Australia. I'd like to acknowledge former CEO Chris Dawson APM for his leadership of the agency and acknowledge Nicole Rose PSM who acted as CEO during the year. I also welcome Michael Phelan APM to the role of CEO who will lead the agency into the future.



Andrew Colvin APM OAM
Chair
Board of the Australian Criminal Intelligence Commission

BOARD DECISION-MAKING PROCESS

The ACIC Board endorsed external governance arrangements to support the ACIC Board and effective operation of the ACIC. These arrangements, endorsed in November 2016, include the following external engagement bodies comprising representatives from Board member agencies:

- **Law Enforcement Information Services Capability Committee**—This committee informs the development, implementation and operation of initiatives that support national law enforcement information sharing services and systems for Australia's police, wider law enforcement and national security agencies.
- **National Criminal Intelligence Capability Committee**—This committee promotes and champions the professionalism of the national criminal intelligence capability, and collaborates on strategic intelligence issues at a national level to ensure coordinated advice for Australia's police, wider law enforcement and national security agencies.
- **Technology Capability Committee**—This committee informs and supports the development, implementation and operation of the national services and systems the ACIC deliver for Australia's police, wider law enforcement and national security agencies.
- **Serious and Organised Crime Coordination Committee**—This committee supports prioritisation, endorsement and coordination of operational strategies for dealing with serious and organised crime investigations, targets and threats at a national level.

As agreed, this model was reviewed after 12 months of operation, to explore if it provides adequate and appropriate advice to the Board and ACIC Executive. On 13 June 2018, the Board endorsed changes to the model including:

- endorsing the Law Enforcement Information Systems and Services Capability Committee, National Criminal Intelligence Capability Committee and Technology Capability Committee formally reporting to the CEO from 1 July 2018, in accordance with the CEO's functions as prescribed under the ACC Act
- endorsing the Serious and Organised Crime Coordination Committee no longer reporting to the ACIC and Board from 1 July 2018
- noting the decision of Australian and New Zealand Police Commissioners Forum that the Serious and Organised Crime Coordination Committee will report to the Deputy Commissioners' Operational Management Meeting. The revised model transfers the Serious and Organised Crime Coordination Committee to a more appropriate body charged with responsibility for serious organised crime operations.

NATIONAL CRIMINAL INTELLIGENCE PRIORITIES

The National Criminal Intelligence Priorities (NCIPs) set out the known national criminal threats affecting Australia, and guide national intelligence collection efforts on enduring and emerging crime issues as well as national reporting. The Board considers advice from the ACIC, and draws on Board members' experience as leaders in the law enforcement, national security and regulatory arenas, to endorse the NCIPs. This is a legislated function of the Board. The NCIPs are usually reviewed every two years.

ACIC PRIORITIES

The Board receives various intelligence products and information, and considers a range of matters including strategic issues, significant areas of current ACIC work and potential new areas of work. It takes all these matters into account to set priorities for the ACIC, authorising investigations, intelligence operations and task forces.

COERCIVE POWERS

The Board confirms if investigations and intelligence operations are deemed ‘special’, which authorises the use of the ACIC’s coercive powers, based on whether traditional measures are not expected to be, or have not been, effective. The ACIC’s coercive powers are similar to those of a Royal Commission and may only be exercised by an ACIC Examiner under a special operation or special investigation. The coercive powers allow the ACIC to summon a person to give evidence under oath, require the production of documents, require information from Commonwealth agencies, and apply for a search warrant or an order to produce a passport.

BOARD MEMBERS AND MEETINGS 2017–18

Under the ACC Act, the Board is required to meet at least twice a year. In practice, however, the Board meets more often.

ATTENDANCE AT BOARD MEETINGS 2017–18

	27 Sep 2017	29 Nov 2017	9 Feb 2018 ¹	14 Mar 2018	24 May 2018 ¹	13 Jun 2018
Commissioner Andrew Colvin APM, OAM, Australian Federal Police (Chair)	✓*	✓	✓	✓	✓	✓*
Assistant Commissioner Justine Saunders APM, Chief Police Officer, ACT Policing	✓	✓	✓	✓	X	X
Mr Chris Moraitis PSM, Secretary, Attorney-General’s Department	✓	✓** NVO	✓ NVO	✓ NVO	X	✓* NVO
Mr Roman Quaadvlieg APM, Commissioner, Australian Border Force	✓*	✓*	✓*	✓*	–	–
Commissioner Michael Outram APM, Australian Border Force	✓***	✓***	✓***	✓***	✓	✓
Mr Greg Medcraft, Chairman, Australian Securities and Investments Commission	X	–	–	–	–	–

	27 Sep 2017	29 Nov 2017	9 Feb 2018 ¹	14 Mar 2018	24 May 2018 ¹	13 Jun 2018
Mr James Shipton, Chairman, Australian Securities and Investments Commission	–	–	–	X	X	✓
Mr Duncan Lewis AO, DSC, CSC, Director-General Security, Australian Security Intelligence Organisation	✓	X	✓	✓	✓	✓
Mr Chris Jordan AO, Commissioner of Taxation, Australian Taxation Office	X	✓	X	X	X	✓
Commissioner Michael Fuller APM, New South Wales Police Force	X	✓	✓*	✓	X	✓*
Commissioner Reece Kershaw APM, Northern Territory Police	✓	✓	X	X	✓	X
Commissioner Ian Stewart APM, Queensland Police Service	✓	✓	X	✓	✓	✓
Commissioner Grant Stevens APM, South Australia Police	✓	✓	✓	✓	✓	X
Commissioner Darren Hine APM, Tasmania Police	✓	✓	✓	✓	✓	✓
Chief Commissioner Graham Ashton APM, Victoria Police	✓	✓*	✓	✓	X	X
Commissioner Chris Dawson APM, Western Australia Police	X	✓	X	✓	✓	✓
Ms Nicole Rose PSM, CEO, AUSTRAC	✓* NVO	✓ NVO	X	X	X	✓ NVO
Mr Michael Phelan APM, CEO, Australian Criminal Intelligence Commission	✓*	✓	✓	✓	✓	✓
Mr Michael Pezzullo, Secretary, Department of Home Affairs	–	✓	✓	✓	X	✓

¹ Extraordinary meeting.

* A person officially acting in the Board member/observer's position attended the meeting.

** Became a non-voting observer in December 2017 following the establishment of the Home Affairs Portfolio.

*** Attended as acting Commissioner.

NVO – attends meetings as a non-voting observer.

– Not a Board member at time of meeting.

BOARD AUTHORISATIONS

The following table lists Board authorisations as at 30 June 2018.

Determination	Type	Date
Authorised		
Criminal Exploitation of Australia's Migration System	Special Operation	8 June 2016
Criminal Exploitation of Australia's Migration System No. 2	Special Operation	13 June 2018
Cyber-Related Offending	Special Operation	21 June 2017
Cyber-Related Offending No. 2	Special Operation	13 June 2018
Emerging Organised Crime Threats No.2	Special Operation	21 June 2017
Firearm Trafficking	Special Operation	21 June 2017
Firearm Trafficking No. 2	Special Operation	13 June 2018
Highest Risk Criminal Targets No.2	Special Investigation	4 September 2013
Highest Risk Criminal Targets No. 3	Special Investigation	13 June 2018
High Risk and Emerging Drugs No. 3	Special Operation	21 June 2017
High Risk and Emerging Drugs No. 4	Special Operation	13 June 2018
National Security Impacts from Serious and Organised Crime No. 2	Special Operation	11 March 2015
National Security Impacts from Serious and Organised Crime No. 3	Special Operation	13 June 2018
Outlaw Motor Cycle Gangs	Special Operation	4 September 2013
Outlaw Motor Cycle Gangs No. 2	Special Operation	13 June 2018
Targeting Criminal Wealth No. 2	Special Investigation	4 September 2013
Targeting Criminal Wealth No. 3	Special Investigation	13 June 2018

Determination	Type	Date
Established		
Emerging Organised Crime Threats No. 3	Special Operation	13 June 2018
National Task Force Morpheus	Task Force	1 July 2014
NCIS User and Support Task Force	Task Force	13 June 2018
Transnational Criminal Intelligence Task Force (Vestigo Task Force)	Task Force	30 November 2016

Note: At June 30 2018, active work under the special operations and special investigations authorised on 13 June 2018 had not commenced. This report addresses activity under the corresponding earlier authorised special operations and special investigations.

In addition, in 2017–18 the Board:

- endorsed the *ACIC Strategic Plan 2018–23*
- reviewed ACIC strategic priority areas and the planned activity and response to the threats identified under the special investigations and special operations
- considered arrangements for NCIS
- approved an extension of the pilot for the Enhanced Biometrics at the Border project
- noted that the Australian Cyber Security Centre is developing a website (cyber.gov.au) and that the functions of the ACORN could be included in this website
- approved the ACIC's revised External Governance and Engagement Model
- noted prioritisation of ICT projects to ensure delivery on key priorities
- agreed to progress further work on key recommendations in the Independent Review of the ACC Act, which presents an opportunity to ensure the ACIC has the necessary powers to support the ACIC's investigative and intelligence functions
- received briefings on outcomes from the National Criminal Intelligence Capability Committee, Law Enforcement Information Services Capability Committee, Technology Capability Committee, and Serious and Organised Crime Coordination Committee.

During the reporting year, the Board farewelled Commissioner Roman Quaadvlieg, Australian Border Force (ABF), who commenced his appointment in 2015, and Mr Greg Medcraft, Australian Securities and Investments Commission Chairman, who commenced his appointment in 2009. The Board also welcomed Secretary Michael Pezzullo, who became a member of the Board following the creation of the Home Affairs portfolio, and Commissioner Michael Outram who was sworn in as the new ABF Commissioner in May 2018.





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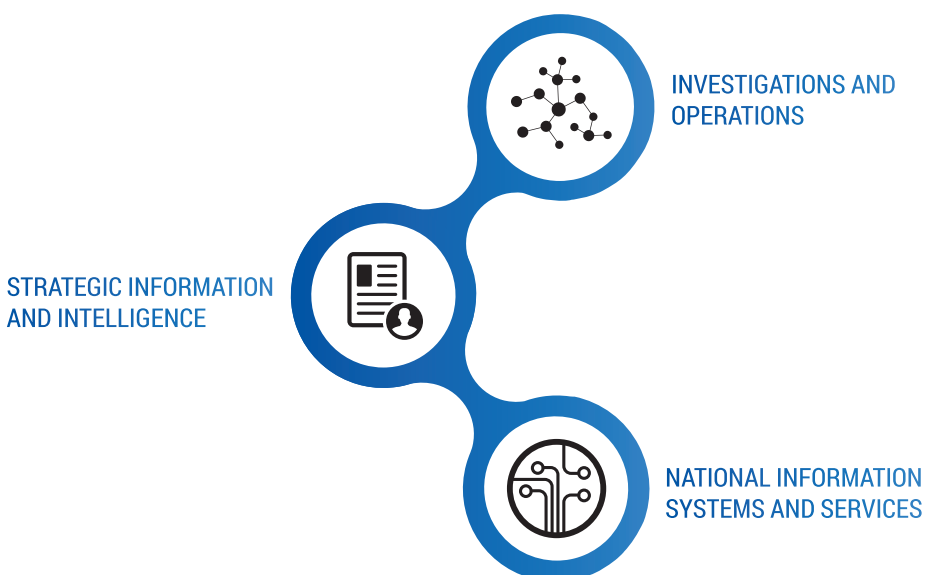
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CONTEXT

The ACIC's purpose is to make Australia safer through improved national ability to **discover**, **understand** and **respond** to current and emerging crime threats, including the ability to **connect** police and law enforcement to essential criminal intelligence, policing knowledge and information through collaborative national information systems and services.

The ACIC's activities include:

- investigations and operations
- strategic information and intelligence
- national information systems and services.



INVESTIGATIONS AND OPERATIONS

Special investigations are designed to reduce the incidence and effect of specified serious and organised crime activity (including through disruption and prevention) of entities involved, by collecting evidence and intelligence about criminal activity. The ACIC Board may determine that an investigation is 'special', enabling the use of the ACIC's coercive powers. Before doing so, it must consider whether ordinary police methods of investigation into matters are likely to be effective.

Special operations (which may contain an investigation component) are focused on gathering intelligence around particular criminal activity so response decisions can be informed by an improved understanding of the extent, impact and threat of that activity. The ACIC Board may determine that an intelligence operation is a special operation, enabling the use of the ACIC's coercive powers. Before doing so, it must consider whether methods of collecting the criminal information and intelligence that do not involve the use of powers under the ACC Act have been effective.

In 2017–18 the ACIC's special investigations and special operations focused on the priority areas identified in the *ACIC Corporate Plan 2017–18 to 2020–21*. These were:

- high risk criminal targets
- criminal wealth activity (including financial crime)
- national security impacts (including terrorism) from serious and organised crime
- cybercrime
- high risk and emerging drugs
- outlaw motor cycle gangs
- illicit firearm trafficking
- emerging organised crime threats.

HIGH RISK TARGETS

HIGHEST RISK CRIMINAL TARGETS NO. 2 SPECIAL INVESTIGATION

The highest risk serious and organised crime entities pose a threat to Australia's national interests. The ACIC tackles the highest risk serious and organised criminal groups through the Highest Risk Criminal Targets No. 2 Special Investigation. This special investigation aims to identify, detect, disrupt and reduce the threat posed by the highest risk serious and organised crime groups impacting Australia. Supporting information systems and services include the Australian Priority Organisation Target list, National Criminal Target List (NCTL), National Target System and National Alerting Capability.

Connect

A multi-agency response is integral to discover and understand the highest risk serious and organised criminal entities that represent the greatest threat in each state and territory and nationally.

The ACIC helped connect partners and maintained strong collaborative relationships through this special investigation, including by:

- Developing the Australian Priority Organisation Target List of top tier international and transnational targets that play a significant role within Australia's serious and organised crime environment. Prioritising these targets better enables the ACIC's foreign and domestic partners to work collectively to disrupt criminal threats in Australia and offshore, and to discover and prioritise emerging threats. This year the ACIC also introduced key event assessments, serious and organised crime target cohort assessments, and gap assessments associated with this list. This is a key focus of the Vestigo Task Force (see page 37).
- Maintaining the NCTL to enable a clear nationwide picture of the threat and risk associated with Australia's nationally significant serious and organised crime targets. Following a review of the NCTL, the ACIC is working with Board member agencies to tailor the NCTL capability to meet future needs and bring it into line with the Australian Priority Organisation Target List.
- Maintain the National Target System as the secure online data repository through which the ACIC makes the NCTL and the National Gangs List available to partners.
- Providing partners with an automated alerting service about the activities of the highest risk criminals.

Discover and understand

During 2017–18, through the Highest Risk Criminal Targets No. 2 Special Investigation, the ACIC:

- conducted four coercive examinations
- produced 406 intelligence products (42 analytical and 364 tactical), which were disseminated 1,454 times to 89 stakeholders
- discovered, and provided partners with a better understanding of, methodologies, groups and criminal targets, in particular, identifying 11 previously unknown criminal targets.

Under this special investigation, the ACIC maintained a contemporary view of the serious and organised crime landscape in Australia, with work under three interrelated projects:

- Project Gentium evaluates high risk transnational serious and organised crime targets, designates the most significant targets as Australian Priority Organisation Targets, and coordinates efforts against these targets to disrupt their criminal activities.
- Project Rosencrantz monitors and improves understanding of Australia's serious and organised criminal risks. Through Project Rosencrantz, the ACIC provided automated alerts to relevant partners regarding 22,114 financial transactions, company events or travel movements linked to entities on the NCTL and the National Gangs List.
- Project Macrobust develops state and territory intelligence highlighting the highest risk targets both regionally and transnationally, and supporting law enforcement to address serious and organised crime. It does this through the intelligence activities of ACIC Joint Analyst Groups.² During the year, Project Macrobust led to the disclosure of 170 intelligence products. Reports shared with partner agencies covered issues such as: social security fraud; transnational money laundering activities; specific drug market pricing, importation methodologies and criminal targeting; and firearm and weapon importation and possession.

Respond

Responses during 2017–18 supported by and resulting from ACIC intelligence, and undertaken with and by partners, included:

- five 'significant' disruptions
- 94 apprehensions
- 253 charges
- 38 people convicted
- \$3.45 million in cash seized
- \$3.13 billion estimated street value in drug seized.

Spotlight: Record amount of cocaine seized on yacht

In July 2017, French Marines acted on ACIC intelligence developed in partnership with several international jurisdictions (United States, France, United Kingdom) to seize a record 1.4 tonnes of cocaine, with an estimated street value of \$512.4 million. The cocaine was seized on board a yacht in the South Pacific, suspected of being destined for Australia. In November 2017, ACIC intelligence led to a second seizure of 700 kilograms of cocaine on another yacht involving the same networks. Key facilitators were arrested in Australia, significantly disrupting the network.

2 Joint Analyst Groups are multi-agency intelligence functions located in each state and territory. They bring together analysts from the ACIC, state and territory police, and other Commonwealth and state partner agencies.

FINANCIAL CRIME

Almost all organised crime is motivated by profit. The ACIC tackles criminal profit through the:

- Targeting Criminal Wealth No. 2 Special Investigation
- contribution to the Criminal Assets Confiscation Taskforce
- contribution to the Serious Financial Crime Taskforce.

TARGETING CRIMINAL WEALTH NO. 2 SPECIAL INVESTIGATION

This special investigation is designed to disrupt and deter criminal groups by collecting evidence and intelligence about financially motivated crime and its methodologies and enablers. The ACIC works with partners to investigate money laundering, serious financial crime and sophisticated tax evasion, and to confiscate criminal wealth. Work under this special investigation often exposes and allows targeting of a range of other criminal activities that generate the profits in question, such as illicit drug trafficking and tax evasion.

Connect

The ACIC helped connect partners and maintained strong collaborative relationships through this special investigation. For example:

- briefing the national Serious and Organised Crime Coordination Committee on intelligence insights into emerging money laundering methodologies used by serious organised crime
- contributing to multi-agency taskforces including the Criminal Assets Confiscation Taskforce and Serious Financial Crime Taskforce, both led by the Australian Federal Police
- leading the Vestigo Task Force
- contributing to Strike Force Bugam, a joint investigation with the New South Wales Police Force Organised Crime Squad into internationally based money laundering syndicates operating in Sydney
- contributing to the Joint Chiefs of Global Tax Enforcement (J5), which comprises leaders of tax enforcement authorities from Australia, Canada, the Netherlands, the United Kingdom and United States to increase collaboration in the fight against international tax crime and money laundering, with a focus on cybercrime and virtual currencies, enablers of offshore tax crime, and data platforms
- contributing to the international Five Eyes Law Enforcement Group Money Laundering Working Group by helping to identify new international controller networks and developing joint operational strategies regarding known high priority international money laundering organisations.

Discover and understand

During 2017–18, through the Targeting Criminal Wealth No. 2 Special Investigation, the ACIC:

- conducted 23 coercive examinations
- produced 313 intelligence products (40 analytical and 273 tactical), which were disseminated 1,014 times to 68 stakeholders
- discovered, and provided partners with a better understanding of, methodologies, groups and criminal targets, in particular, identifying 34 previously unknown criminal targets.

The ACIC contributed to the picture of crime impacting Australia and improved understanding of criminal wealth and related crime by producing and sharing intelligence products regarding:

- enablers and markets of financial crime in Australia, through the *Serious Financial Crime in Australia 2017* report
- use of bitcoin as an alternative to traditional money laundering methodologies and the associated money laundering and terrorism financing risks posed by digital currencies
- the role of jewellery in international money laundering organisations
- serious and organised crime use of precious metal and stones
- Middle East organised crime links to transnational money laundering organisations
- the Panama Papers, with intelligence gathered enhancing understanding of the risk posed by offshore service providers
- Australian-based criminal structures previously unknown to law enforcement capable of collecting and laundering significant funds from Australia to offshore destinations.

Respond

Responses during 2017–18 supported by and resulting from ACIC intelligence, and undertaken with and by partners, included:

- 11 significant disruptions of criminal entities
- \$6.15 million cash seized
- \$128.14 million estimated street value of drugs seized
- 52 apprehensions
- 112 charges
- eight people convicted
- 25 financial referrals to the Criminal Assets Confiscation Taskforce and other partners, containing 103 entities, with a \$92.91 million estimated value of offending.

CRIMINAL ASSETS CONFISCATION TASKFORCE

The ACIC's response to targeting criminal wealth is through the Criminal Assets Confiscation Taskforce, which is led by the Australian Federal Police and also includes the Australian Taxation Office. The ACIC helps generate and prioritise organised crime targets for proceeds of crime action. During 2017–18, \$40.7 million³ worth of assets were confiscated.

SERIOUS FINANCIAL CRIME TASKFORCE

Through the Serious Financial Crime Taskforce, led by the Australian Federal Police, Commonwealth agencies work together to combat serious financial crime. The ACIC produces the biennial Financial Crime Risk Assessment, which provides the basis for prioritising work, and develops targets and generates leads through its intelligence collection and analysis capabilities. During 2017–18, Serious Financial Crime Taskforce outcomes included:

- more than \$207 million in liabilities raised and more than \$79 million in cash collected
- the successful prosecution of one matter, with a custodial sentence of 10 years and three months
- increased capability to respond to new and emerging risks including transnational crime impacting the Australian tax and superannuation system.

NATIONAL SECURITY/TERRORISM

Serious and organised crime is an ongoing threat to national security. The ACIC contributes to the whole-of-government response to national security threats through the National Security Impacts from Serious and Organised Crime No. 2 Special Operation, which participates in national strategies to strengthen national security and counter-terrorism, and contributions to the national effort to combat foreign fighters.

NATIONAL SECURITY IMPACTS FROM SERIOUS AND ORGANISED CRIME NO. 2 SPECIAL OPERATION

This special operation examines the convergence between serious and organised crime and other national security matters, such as terrorism. In this way, the ACIC provides a unique perspective of the evolving threats and risks posed by serious and organised crime groups within the national security environment.

Due to the classified nature of information regarding this special operation, it is not possible to report many specific details and achievements. However, key stakeholders have acknowledged the benefits and impact of the ACIC's work in this area.

³ Due to an administrative error, the confiscated figure reported in the ACIC Annual Report 2017–18 erroneously included amounts that related to matters that were not yet finalised before the courts.

Connect

The ACIC's work related to national security during 2017–18 expanded relationships and information sharing between agencies working cooperatively on counter-terrorism intelligence.

In addition, the ACIC seconded a staff member to the Australian Federal Police National Disruption Group to further cement collaboration with the wider Australian intelligence community and help strengthen Australia's response to terrorism through operational disruption activities nationally and internationally, with the aim of countering the threat posed by foreign fighters.

Discover and understand

During 2017–18, through the National Security Impacts from Serious and Organised Crime No. 2 Special Operation, the ACIC:

- conducted eight coercive examinations
- produced 67 intelligence products (one analytical and 66 tactical), which were disseminated 208 times to 31 stakeholders
- disseminated an information report containing 67 persons of interest identified as displaying risk indicators associated with lone actors, 62 of whom had not been previously identified and were referred to the Australian Security Intelligence Organisation and the Australian Federal Police for further investigation
- discovered links between serious and organised crime and counter-terrorism persons of interest, particularly related to returning foreign fighters engaging in serious and organised crime activities including money laundering
- developed an understanding of how some Australian charities and not-for-profit organisations were being used to fund terrorism-related activities—based on intelligence identifying serious and organised crime groups involved in large-scale defrauding of the Commonwealth and linked to terrorist organisations that were able to facilitate domestic terrorism related entities and help move funds offshore to benefit terrorist organisations.

Respond

Responses during 2017–18 supported by and resulting from ACIC intelligence, and undertaken with and by partners, included:

- an ACIC strategic insights paper on family day care fraud based on intelligence about fraudulent activity related to family day care businesses in Sydney with links to terrorist organisations and organised crime—as a result, the Department of Education and Training implemented a robust compliance regime for family day care businesses, projected to return around \$25 million in savings each month
- an ACIC paper submitted to the review of the Australian Charities and Not-for-Profits Commission legislation, informing government policy based on intelligence collection and analysis.

CYBERCRIME

Cyber-related offences present a significant threat to Australians. Cyber-related offending is resilient to traditional law enforcement investigations and requires a collaborative approach with partners. The ACIC tackles cybercrime through the Cyber-Related Offending Special Operation.

CYBER-RELATED OFFENDING SPECIAL OPERATION

The Cyber-Related Offending Special Operation collects and analyses information and intelligence to identify, investigate, disrupt or prevent cyber-related criminal activity.

Connect

The ACIC helped connect partners and maintained strong collaborative relationships through this special operation, including by:

- developing intelligence to support partner agencies to take disruptive action against cybercriminals targeting Australia
- working with partners through summits, working groups and alliances
- meeting with the Royal Canadian Mounted Police about the possibility of Canada setting up a cybercrime reporting system similar to the Australian Cybercrime Online Reporting Network (ACORN)
- placing cybercrime intelligence analysts in international secondments with the United Kingdom National Crime Agency and the United States Federal Bureau of Investigation, as well as working with Europol to engage with European intelligence and law enforcement partners
- collaborating with the Dutch National Police High Tech Crime Unit and the Royal Canadian Mounted Police to share data, tools, cyber-specific intelligence tradecraft and joint projects around the prioritisation of emerging cybercrime threats
- delivering presentations to the Australian Cyber Security Centre 2018 Conference, Joint Cyber Security Centres, police jurisdictions, Open Source Intelligence Conference, Organised Crime Forum, and the 5th Cyber Security Symposium on topics including business email compromise, cryptocurrency, ransomware, and cybercrime in Australia
- co-locating the ACIC Cybercrime Intelligence Hub with the new Australian Cyber Security Centre (part of the Australian Signals Directorate), allowing greater sharing and coordination of efforts across the Australian Government's cybersecurity infrastructure.

Discover and understand

During 2017–18, through the Cyber-Related Offending Special Operation, the ACIC:

- conducted one coercive examination
- produced 202 intelligence products (12 analytical and 190 tactical), which were disseminated 1,063 times to 75 stakeholders⁴
- discovered and provided partner bodies with a better understanding of methodologies, groups and criminal targets, in particular identifying six previously unknown criminal targets related to cyber offences
- through the Australian Cyber Security Centre, produced the cybercrime components of the annual cyber threat assessment—the report highlighted how quickly cybercrime is spreading globally, how rapidly it can adapt to security responses and how easily it can impact an organisation’s ability to perform its functions or deliver services
- also through the Australian Cyber Security Centre, led two quarterly threat reports that provided a picture of cybercrime in Australia and focused on discovering and understanding emerging trends and methodologies
- disseminated products that supported operational activity and increased partner awareness of cybercrime and cyber-related offending—this included ACORN reports, information reports and other reports on new ransomware, persons of interest cashing-out large amounts of bitcoin, repurposing of a specific form of malware, emerging financially motivated malware strains affecting Australians, Australian-based cybercriminals facilitating cybercrime internationally, and emerging cybercrime trends
- contributed to the United Kingdom national assessments on serious and organised cybercrime groups impacting the United Kingdom and other Five Eyes countries
- contributed to a United States Federal Bureau of Investigation/Royal Canadian Mounted Police/United Kingdom National Crime Agency/ACIC joint strategic assessment on ransomware.

Respond

Responses during 2017–18 supported by and resulting from ACIC intelligence, and undertaken with and by partners, included:

- participating with the Australian Federal Police in the Europol Money Mule Action awareness campaign advising people how to avoid becoming a mule
- informing government agencies about crime prevention opportunities related to fraudulent mobile number porting
- supporting the 2018 Commonwealth Games Technical Operations Centre by monitoring and analysing live ACORN data and feeding any resulting information and intelligence into the Technical Operations Centre.

⁴ During 2017–18, on one occasion the ACIC disclosed cybercrime information to a private sector corporation. Disclosure of specific information to a body corporate is permitted in s59 AB of the ACC Act, see also Appendix A.

Spotlight: Western Union funds

In January 2018, the ACIC disseminated 2,898 emails alerting members of the public that they may be eligible for refund of Western Union funds.

Western Union reached an agreement with the United States Department of Justice and Federal Trade Commission to make available a pool of US\$586 million to victims who sent money to scammers via Western Union transfer between 1 January 2004 and 19 January 2017.

ILLICIT DRUGS

The illicit drug trade generates billions of dollars of profit for organised crime, more than any other criminal activity. The ACIC informs responses to Australia's illicit drug markets through the High Risk and Emerging Drugs No. 3 Special Operation.

High Risk and Emerging Drugs No. 3 Special Operation

Through this special operation the ACIC monitors all Australian illicit drug markets to develop a comprehensive understanding of those markets, including both the domestic and international developments that impact Australia. This includes filling intelligence gaps and working with partners on operational, policy and legislative responses. The ACIC contributes to strategies regarding demand, supply and harm reduction, in line with the National Drug Strategy.

Connect

The ACIC helped to connect partners by:

- building and maintaining strong relationships with domestic and international police and law enforcement partners
- sharing intelligence and participating in joint activities to improve understanding and inform responses to high risk and emerging drugs—international law enforcement agencies that assisted with some examinations will also benefit from the intelligence obtained
- establishing and consolidating relationships with entities in the pharmaceutical, health and logistics industries to monitor and prevent the diversion of licit substances into illicit drug markets and to establish the size of the illicit markets
- establishing and consolidating relationships with public and private sector entities and academic institutions so those entities can incorporate data from the National Wastewater Drug Monitoring Program into their planning processes, research and decision-making.

Specifically, during 2017–18, ACIC analysis identified that an unknown Asian serious and organised crime syndicate had likely imported more than 1.2 tonnes of crystal methamphetamine into Australia in 20 months during 2016 and 2017, using similar methods and consignments, destined mainly for two known syndicates operating within Australia. The ACIC also connected three current Australian law enforcement agency investigations to these syndicates, and this work also led to another Australian Federal Police operation.

Discover and understand

During 2017–18, through the High Risk and Emerging Drugs No. 3 Special Operation, the ACIC:

- conducted 104 coercive examinations
- produced 234 intelligence products (26 analytical and 208 tactical), which were disseminated 730 times to 72 stakeholders
- discovered and provided partners with a better understanding of methodologies, groups and criminal targets, in particular, identifying 26 previously unknown criminal targets
- discovered that two known criminal targets were now involved in new areas of criminality.

Work to discover new and emerging threats to fill intelligence gaps included:

- identifying threats to the border and identities of people organising drug shipments to Australia
- identifying a small carfentanil market in Australia supplied by domestic and overseas entities through the darkweb
- sharing a classified assessment on the fentanyl market in Australia
- identifying novel illicit drug manufacturing techniques and chemicals used to defeat existing controls.

Work to build understanding and guide strategies included:

- conducting examinations and issuing notices to collect and build understanding through intelligence on drug importation networks and organised crime exploitation of the hydroponics industry
- releasing the second, third and fourth reports from the National Wastewater Drug Monitoring Program, providing concrete data to inform policy in the health, education, law enforcement and not-for-profit sectors
- providing data from the National Wastewater Drug Monitoring Program that informed locations for a two-night operation targeting methylamphetamine trafficking—the operations by the National Anti-Gangs Squad, led by the Australian Federal Police was conducted in 14 locations and resulted in 117 people charged with 234 offences
- responding to requests from state and local governments and academic institutions to provide results of wastewater analysis to inform decision-making
- confirming that sophisticated transnational crime groups are now using the same methodologies to import illicit tobacco as they use for illicit drugs
- contributing specialist knowledge to the production of a United Nations Office on Drugs and Crime product on *Clandestine Manufacture of Substances under International Control*.

Respond

Responses during 2017–18 supported by and resulting from ACIC intelligence, and undertaken with and by partners, included:

- two ‘significant’ disruptions
- 33 apprehensions
- 65 charges
- six convictions
- \$4.19 million cash seized
- \$272.31 million estimated street value of drugs seized
- \$32.60 million potential excise value of tobacco seized
- 12 firearms seized.

CRIMINAL GANGS

Outlaw motorcycle gangs (OMCGs) are highly visible crime entities, with a presence in all Australian states and territories and overseas.

The ACIC tackles criminal gangs through the:

- ACIC-led Australian Gangs Intelligence Coordination Centre (AGICC)
- Outlaw Motor Cycle Gangs Special Operation
- provision and coordination of intelligence and information to National Task Force Morpheus.

AUSTRALIAN GANGS INTELLIGENCE COORDINATION CENTRE

The ACIC-led AGICC is a central intelligence hub responding to the escalating threats of OMCGs in Australia. It builds and coordinates an intelligence-led response to OMCGs and other known gangs by linking strategic understanding of the national picture with intelligence that supports operational and tactical responses.

The AGICC provides a dedicated intelligence capability for the National Anti-Gangs Squad, led by the Australian Federal Police, and provides intelligence and assistance to state and territory police gang squads. Relevant intelligence that the ACIC develops, such as through the Outlaw Motor Cycle Gangs Special Operation, is shared through the AGICC. Similarly, AGICC activities to connect and collaborate with partners support the ACIC’s Outlaw Motor Cycle Gangs Special Operation and National Task Force Morpheus work.

OUTLAW MOTOR CYCLE GANGS SPECIAL OPERATION

Through this special operation the ACIC works with partners across law enforcement and other government agencies to improve understanding of OMCGs, including through coercive examinations, provide support for target development and investigations, build awareness of threats and vulnerabilities and contribute to appropriate responses, and effectively disrupt criminal gang activity and reduce the threat posed by OMCGs.

Connect

The ACIC helped to connect partners and maintained strong collaborative relationships through this special operation, which brings together all Australian law enforcement agencies, as well as other Commonwealth agencies to disrupt, dismantle or neutralise OMCGs nationally.

In addition, the AGICC ensures gang-related information and intelligence is nationally accessible. For example, the AGICC responded to 338 requests for information during 2017–18.

Discover and understand

During 2017–18, through the Outlaw Motor Cycle Gangs Special Operation, the ACIC:

- conducted 11 coercive examinations
- produced 215 intelligence products (17 analytical and 198 tactical), which were disseminated 712 times to 66 stakeholders.

Work to build a greater understanding of OMCGs and their activities included the following examples:

- assisting in identifying a significant number of previously unknown OMCG members and associates, through intelligence coordination on behalf of National Task Force Morpheus
- discovering suspected criminal offending by OMCGs and potential risks to public and private sector organisations, through OMCG data matching and reported in AGICC intelligence products
- disseminating, through the AGICC, material to assist frontline officers and investigators identify OMCG targets and assess their potential level of influence and threat
- producing, through the AGICC, intelligence briefs on:
 - the national expansion of an international gang now represented in every Australian state and territory, and identifying links to the Australian chapters of the gang, its links to serious organised crime, the emerging threat the gang poses, and considerations for law enforcement
 - a group of high risk OMCGs impacting on Australia from offshore, assisting the Australian Federal Police to engage relevant authorities regarding the serious organised crime threat posed by OMCGs
- collecting financial intelligence and identifying criminal assets and disseminating, through the AGICC, financial intelligence to support asset confiscation and enforcement action by partners.

Respond

The AGICC's strategic assessments assisted with responses during the year, to focus on the highest risk OMCGs. For example:

- intelligence products improved the collective understanding of the nature of OMCG serious and organised crime activity and assisted in developing and implementing responses through crime prevention and disruption strategies
- tactical intelligence supported partners, including responses to requests for information related to recent criminal offending and, in some cases, unfolding incidents
- coordinated intelligence exchange regarding OMCG international travel movements and collaborative work with the Australian Border Force, the Australian Federal Police, state and territory police and foreign border agencies, contributed to disruption strategies and law enforcement outcomes at the border.

NATIONAL TASK FORCE MORPHEUS

Established by the ACIC Board, the multi-agency National Task Force Morpheus is a joint initiative of all law enforcement agencies and Commonwealth partners to facilitate collaborative targeting of the highest OMCG risks to Australia.

Morpheus is coordinated through the AGICC and supported by targeted and business-as-usual activities of state and territory police and Commonwealth agencies, using both traditional and non- traditional law enforcement methods.

In 2017–18 Morpheus achievements included:

- 2,336 arrests, summonses and court attendance notices and 4,343 charges
- 439 firearms seized
- \$4.5 million in cash seized
- \$1 million in alcohol and jewellery seized.

ILLICIT FIREARMS

The use and movement of illicit firearms is a serious national problem. The ACIC addresses illicit firearms through the:

- Firearm Trafficking Special Operation
- provision of information to support development of government policy
- National Firearm Trace Program.

FIREARM TRAFFICKING SPECIAL OPERATION, INFORMATION PROVISION AND TRACE PROGRAM

Through the Firearm Trafficking Special Operation, the ACIC works collaboratively with partners to develop intelligence and contribute to responses to firearms trafficking.

The ACIC's Firearms Intelligence Hub brings together all relevant ACIC business areas to deliver an integrated ACIC firearm response. This includes investigations, intelligence, the National Firearm Trace Program, policy, and information and communications technology.

Connect

The ACIC helped connect partners and maintained strong collaborative relationships through its firearms work, including:

- enhancing the National Firearm Trace Program, through an industry outreach initiative to formalise the cooperation and assistance of private industry in Australia, the United States and Europe through memorandums of understanding to provide firearm trace information to the ACIC
- representing Australia at the United Nations Programme of Action to Prevent, Combat and Eradicate the Illicit Trade in Small Arms and Light Weapons in All Its Aspects Third Review Conference and preparatory symposium
- presenting on firearm identification and tracing to a World Customs Organization Asia/Pacific Regional Workshop on Small Arms and Light Weapons
- coordinating national data collection for consolidation and submission to the United Nations Office on Drugs and Crime Illicit Arms Flows Questionnaire.

During 2017–18 the ACIC also participated in several national groups responding to the threat of illicit firearms, including:

- the National Illicit Firearms Strategy Advisory Group—leading or contributing to a consolidated national list of persons of interest in the illicit firearms market, a national intelligence collection plan, intelligence analysis on the interstate transfer of firearms and the classification of antique firearms, identification of persons of interest trading illicit firearms in both the unencrypted clearnet and the darknet, and bulk data analysis of national intelligence holdings to identify active illicit firearm traffickers
- National Firearms and Weapons Policy Working Group—providing subject matter advice and expertise in firearms policy, technical matters, intelligence and operational matters and contributing to discussions on policy issues
- Australian Federal Police Combating Illicit Firearms Program Board—through our observer status providing complementary and unique firearm intelligence capabilities
- two state police firearm technical panels—focusing on the correct categorisation of firearms according to state legislation
- the New South Wales Police Advanced Identification and Tracing of Firearms and Components Course—delivering modules on firearm identification tracing and firearm registration and licensing.

Discover and understand

During 2017–18, through the work to address illicit firearms, the ACIC:

- responded to 801 requests for information
- conducted 30 coercive examinations
- produced 443 intelligence products (seven analytical and 436 tactical), which were disseminated 747 times to 48 stakeholders
- discovered and provided partners with a better understanding of diversion methodologies, emerging firearm technologies, groups and criminal targets related to firearms trafficking
- discovered that two known criminal targets were now involved in firearms crimes
- held examinations programs in New South Wales, Victoria, Western Australia, Queensland and the Northern Territory, gathering information and intelligence on the importation and trafficking of illicit firearms and parts, people involved in illicit firearm trafficking networks, criminal use of illicit firearms, conversion of imported blank firing handguns to live ammunition capability, and identification of previously unknown targets involved in drug and firearm trafficking and illegal firearm conversions.

Respond

During 2017–18 ACIC activities related to illicit firearms supported responses with and by partners including the:

- seizure, recovery or surrender of 53 firearms including 10 handguns
- Australian Taxation Office issuing revised taxation assessments against a person of interest, and a garnishee notice for \$149,850 that the New South Wales Police Force seized from a person of interest.

Spotlight: Threat posed by blank firing firearms

Replica blank firing firearms are mainly designed for use as props in movie production or as starting pistols for athletics competitions. However, blank firing firearms converted to live fire have been used in non-fatal shootings, and found in possession of people associated with OMCGs, drug distribution and violence.

ACIC assessments have highlighted the number of legislative and regulatory vulnerabilities related to the importation of blank firing firearms—contributing to legislative, policy and regulatory reviews.

EMERGING THREATS

Serious and organised crime threats affect Australian society, institutions, markets, sectors and the economy. The ACIC helps to make Australia a more hostile place for serious and organised crime through the:

- Emerging Organised Crime Threats No. 2 Special Operation
- Criminal Exploitation of Australia's Migration System Special Operation.

EMERGING ORGANISED CRIME THREATS NO. 2 SPECIAL OPERATION

This special operation aims to discover, understand and respond to a broad spectrum of serious and organised crime threats and enablers that impact on the Australian economy's markets and sectors.

Connect

The ACIC helped connect partners and maintained strong collaborative relationships through this special operation, including by:

- working in partnership with the Department of Health's National Integrity of Sport Unit and establishing the Sports Betting Integrity Unit within the ACIC—through this partnership the ACIC has developed the Sports Integrity Threat Assessment Methodology, which is now also being adopted by international partners
- attending the 6th Group of Copenhagen Meeting in Lisbon, Portugal, following an invitation from the Secretary of the Convention on the Manipulation of Sports Competitions (Macolin Convention)—Australia is the first non-European Union nation to be invited to participate in this network of 21 countries.

Discover and understand

During 2017–18, through this special operation, the ACIC:

- conducted 18 coercive examinations
- produced 100 intelligence products (13 analytical and 87 tactical), which were disseminated 486 times to 78 stakeholders
- discovered, and provided partners with a better understanding of, methodologies, groups and criminal targets—in particular, identifying 21 previously unknown criminal targets related to emerging threats
- built greater understanding of the Phantom Secure network by consolidating contemporary intelligence and presenting it to the international Five Eyes Law Enforcement Group (Phantom Secure was a Canada-based company criminal enterprise that provided secure peer-to-peer communications to high-level drug traffickers and other criminal organisation leaders)
- identified individuals with child sex offences in family day care provider data
- identified links to serious and organised crime entities involved in large-scale illicit tobacco importations, and associated money laundering activities in multiple Australian states, and worked with the Australian Border Force to develop targeting strategies
- engaged with industry stakeholders and developed relationships and data collection capabilities to enable wider pattern analysis to identify vulnerabilities within the air and sea transport sectors

- enabled sporting entities to gain a wider understanding⁵ of the threat posed to their sports from unregistered offshore wagering platforms and exposed vulnerabilities to serious and organised crime infiltration and manipulation of sporting events
- cross-referenced data from national policing systems, bulk data holdings and ACIC systems to identify non-citizens with child sex offences, and undertaking further matching across the Department of Home Affairs' systems
- assessed and mapped the encrypted communications provider environment and provided advice and key domestic and international links to stakeholders to understand vulnerabilities and develop targeting options, including advice relating to the highest level serious and organised crime entities and Australian Priority Organisation Targets.

The ACIC's work led to guiding strategies including:

- briefing foreign law enforcement agencies, assisting current investigations by identifying potential money laundering target opportunities using unregulated offshore wagering platforms and informing intelligence on an offshore target
- providing key guidance to the Review of Australia's Sports Integrity Arrangements 'Wood Inquiry', in relation to unregulated bookmakers
- disclosing Australia's first betting 'alert' to regulators in June 2018, recommending increased surveillance on a particular match, for disparate betting patterns and irregular actions within the identified event
- working with a wide range of international partners to monitor major international events such as the 2018 FIFA World Cup in Russia
- identifying a major international wagering service provider using various strategies to anonymise betting accounts, which was seeking to enter a new international market—the national regulator advised that ACIC information provided new insights that were used to address integrity concerns about this service provider and strengthen betting integrity
- helping identify likely ineligible solar panels that may have been introduced into the Small-scale Renewable Energy Scheme, as an example of potential organised-fraud related actions targeting government programs.

5 During 2017–18, a range of products were disclosed to sporting entities and on one occasion the ACIC disclosed sports betting related information to a private sector corporation. Disclosure of specific information to a body corporate is permitted in s59 AB of the ACC Act, see also Appendix A.

Respond

During 2017–18 ACIC intelligence supported responses undertaken with and by partners, including:

- three ‘severe’ disruptions
- four apprehensions
- four charges
- one person convicted
- \$1.97 million cash seized
- \$39.80 million potential excise value of tobacco seized.

In addition:

- guidance provided by the ACIC’s Sports Betting Integrity Unit led to the World Surf League implementing strategies to reduce the threat of competition manipulation
- an overseas gambling authority used key ACIC insights about integrity concerns related to offshore international bookmakers to conduct further due diligence, with a major bookmaker denied a licence in the jurisdiction due to integrity concerns
- a person of interest was sentenced to eight years in jail, with a five-year non-parole period, for 14 counts of obtaining financial advantage by deception over a three-year period.

CRIMINAL EXPLOITATION OF AUSTRALIA’S MIGRATION SYSTEM SPECIAL OPERATION

Visa and migration fraud poses a threat to Australia’s national interests, and serious and organised crime groups are increasingly involved in exploiting the system to facilitate criminal activities in Australia. Through this special operation the ACIC develops innovative approaches to prevent, disrupt and mitigate such activities. The ACIC works in partnership with the Department of Home Affairs to investigate serious and organised crime entities and develop priorities for targeting.

Connect

Throughout the year the ACIC helped and connected partners, working together to develop and share intelligence that informed national responses.

Embedding ACIC capabilities within the Australian Border Force and the Department of Home Affairs resulted in the Department’s Taskforce Cadena targeting the highest threat migration agents and facilitators of illegal labour hire.

Discover and understand

During 2017–18, through this special operation, the ACIC:

- conducted 13 coercive examinations
- produced 42 intelligence products (five analytical and 37 tactical), which were disseminated 165 times to 36 stakeholders
- developed key intelligence holdings about a significant number of Malaysian visa applicants who were breaching the migration system and circumventing migration controls—this included identifying key labour hire facilitators in Malaysia and Australia who were involved in serious and organised crime activity, as well as facilitation of migration within Malaysia including through corrupt officials
- embedded capabilities with Taskforce Cadena to target a number of illegal labour hire syndicates—work to develop understanding of the environment led to a revised focus on illegal labour hire providers and abuses within the industry
- performed bulk data matching in support of migration fraud investigations by partner agencies—the Department of Home Affairs, Australian Federal Police and the Australian Commission for Law Enforcement Integrity—informing targeting options
- consolidated intelligence holdings across numerous disparate systems, providing a risk-based understanding of the migration agents of highest threat within the cohort, enabling focused targeting by the Department of Home Affairs/Australian Border Force
- worked with the Department of Home Affairs, and used coercive capabilities to gain a wider understanding of education agents, including falsification of educational qualifications and visa applications, systemic fraud across the education agent sector, and student visa holders engaging in sexual services to supplement incomes
- through the use of coercive examinations, provided strategic direction to the Department of Home Affairs' investigations into applications for regional skilled migration visas—this enabled insights into the manipulation of systems by a suspect who submitted more than 100 applications, including payment for visas and fraudulently obtaining visas for wealthy Hong Kong nationals
- provided intelligence that indicated involvement of criminal syndicates and corrupt officials from at least two different overseas government offices in relation to fraudulently obtaining genuine overseas passports to enter Australia and facilitate criminal activities, leading to arrests in Australia
- developed intelligence on an offshore hacking group harvesting Australian citizens' biographical data to compromise accounts and identities.

Respond

During 2017–18 work under the Criminal Exploitation of Australia's Migration System Special Operation contributed to prevention and disruption activities by partner agencies, including one 'significant' disruption.

In addition, on 8 February 2018, a person of interest was removed from Australia after they were successfully prosecuted for migration-related offences. The person was convicted of five charges and received a \$5,000 fine and time served in detention. They were also referred to the Royal Malaysian Police. This related to a joint investigation with the then Department of Immigration and Border Protection in 2017.

INTERNATIONAL THREATS

A key focus across all ACIC operations and investigations was working with international and domestic partners to disrupt the activities of serious and organised crime targets either based offshore or with strong offshore links and reduce their impact on Australia.

The ACIC's operational focus on the highest threat transnational targets and sources of crime affecting Australia involves:

- updating and assessing the Australian Priority Organisation Target list of top tier international and transnational serious and organised crime targets impacting Australia
- facilitating effective information sharing and relationship building to target transnational crime with domestic and international partners, facilitated through the Vestigo Task Force
- expanding and using international intelligence feeds, through close collaboration with partners and international deployments—during the year the ACIC deployed 52 staff to 15 international locations.

VESTIGO TASK FORCE

The Board-established Transnational Criminal Intelligence Task Force (Vestigo Task Force) provides a single, flexible and responsive framework for engaging with overseas partners and Australian agencies regarding information and intelligence on transnational serious and organised crime. This framework enables the ACIC to share information quickly and efficiently between task force members across Australia and internationally and facilitates the development of collaborative responses.

Vestigo acts as a conduit for ACIC work across various investigations and operations. This means Vestigo results are incorporated within and reflected throughout the intelligence-led outcomes the ACIC has achieved with partners.

During 2017–18, Vestigo-related intelligence and operational activity with partners resulted in:

- 208 intelligence products (29 analytical and 179 tactical) disseminated 790 times to 74 stakeholders
- the seizure of more than \$7.26 million in cash
- the seizure of more than \$396.97 million (estimated street value) of illicit drugs
- the disruption of 12 criminal entities
- the identification of 41 previously unknown targets and two previously unknown areas of criminality of known criminal entities.

STRATEGIC INTELLIGENCE

The ACIC intelligence products, advice and recommendations enhance national understanding of the organised crime environment to inform collaborative responses, both immediate and longer-term.

ACIC partners are provided with the most comprehensive strategic picture available of serious and organised criminal activities in Australia. It builds up a national picture by fusing and analysing intelligence gathered from investigations and intelligence operations, and intelligence feeds from partner agencies.

Much of the intelligence is classified and only shared with partner agencies. However, the ACIC increasingly engages with the private industry to share its understanding of the threat picture and releases unclassified information to the public to help prevent or harden the environment against serious and organised crime threats.

FLAGSHIP REPORTS

In 2017–18 the ACIC reviewed and refined the *Picture of Criminality in Australia* suite of products, to concentrate on reports that provide stakeholders with the most value. This suite now includes the classified *Organised Crime Threat Assessment*, the public version of this report, *Organised Crime in Australia*, and the ACIC's annual *Illicit Drug Data Report*.

PICTURE OF CRIMINALITY IN AUSTRALIA PRODUCTS

Organised Crime in Australia 2017

Released in August 2017, this publication provides a contemporary picture of existing and emerging serious and organised crime threats affecting the Australian community and national interests. Findings highlight the significant impact of transnational serious and organised criminal groups on crime markets in Australia, the use of technology and digital infrastructure as key enablers for multiple crime types, rapid uptake of new capabilities such as encrypted communication, and the use of professional facilitators to commit crimes, avoid detection and conceal assets.

Illicit Drug Data Report 2016–17

The ACIC developed the 15th edition of this report during the year, which was released in September 2018. The only report of its kind in Australia, this annual statistical report covers the previous financial year's data. This year the report is more concise while still providing key illicit drug market information and insights. It also includes longer-term trends in key market indicators—including border detections, national seizures and arrests, price, purity, forensic analysis, wastewater analysis and drug user survey data—which inform and enhance understanding of Australia's illicit drug markets and the ability to identify changes within them.

OTHER KEY REPORTS

The ACIC also produces other key publications on specific issues, based on intelligence work. This year, the ACIC produced the report, *Serious Financial Crime in Australia 2017*.

Serious Financial Crime in Australia 2017

This report, released in December 2017, presents the national picture of serious financial crime currently affecting the Australian community. It is a public snapshot of information from the ACIC's classified financial crime risk assessment. It draws on the work of Serious Financial Crime Taskforce agencies, as well as intelligence and operational data held by a broad range of law enforcement, regulatory and government agencies. It covers the enablers and markets of financial crime in Australia. The report informs government partners, the wider intelligence community and the public of the threats posed by financial crime in Australia and, where possible, how to mitigate the risks.

SHARING INTELLIGENCE

During 2017–18 the ACIC shared 24,276 information and intelligence products with 190 stakeholders. This included 172 analytical intelligence products, 1,990 tactical intelligence products, and 22,114 automated alerts on significant criminal targets.

STRATEGIC ASSESSMENTS

The ACIC's strategic assessments provide Board member agencies and other relevant agencies with assessments of crime types, markets or criminal issues of national importance. These products support and influence a range of intelligence, operational and response decisions, and inform government consideration of future strategies including policy development.

In 2017–18 the ACIC produced strategic assessments on:

- aspects of the regional geo-political environment and the implications for serious and organised crime
- offshore online gambling platforms—informing ongoing international investigations into previously unknown sports betting methodologies
- vulnerabilities in the process for appointing directors to Australian companies
- the Canadian–Australian organised crime nexus
- the North American illicit fentanyl market and indicators for Australia.

In addition, through the Australian Cyber Security Centre, the ACIC led the cybercrime components of the annual cyber threat assessment.

STRATEGIC AND OPERATIONAL INSIGHTS

The ACIC's strategic and operational insights products provide new insights into serious and organised crime threats, groups, vulnerabilities, methodologies and markets. These products reflect key strategic observations and learnings from ACIC and partner intelligence and investigations, often gathered using coercive powers or covert capabilities. Intended for stakeholders with an in-depth understanding of the organised crime environment, strategic insights products provide decision-makers with a quick understanding of changes or emerging issues or threats. They inform and influence appropriate operational, regulatory and policy responses.

This year strategic and operational insights focused on:

- the use of bitcoin as an alternative to traditional money laundering methodologies
- serious and organised crime use of precious metals and stones
- the role of jewellery in international money laundering organisations
- Middle Eastern organised crime links to transnational money laundering organisations
- the Australian illicit tobacco market and the challenges for Australian law enforcement
- a sophisticated method of drug concealment
- methods and trends of organised crime transferring wealth from another country to Australia
- the bypassing of passport systems
- identity crime and the use of fraudulently obtained genuine passports
- a drug concealment method used in shipping vessels
- methylamphetamine markets in Indigenous communities
- money service businesses transporting cash
- potential threats to online fantasy sports and Australian sports integrity from criminal groups.

NATIONAL INFORMATION AND INTELLIGENCE SHARING SERVICES

The ACIC provides essential policing knowledge and information through collaborative national information systems and services that help its partners prevent, detect and reduce crime in the community. This includes:

- essential policing information systems and services
- criminal intelligence systems and databases
- the National Police Checking Service.

ESSENTIAL POLICING INFORMATION SYSTEMS AND SERVICES

Australia's various police agencies share essential policing information with each other through these systems related to:

- frontline services—information related to people, firearms and ballistics, vehicles and drugs
- cybercrime reporting services—information related to types and incidents of cybercrime
- biometric and forensic services—information related to fingerprints and DNA
- protection services—information related to child protection and domestic violence.

FRONTLINE SERVICES—PEOPLE

National Police Reference System

This system equips police with the knowledge they need to make on-the-spot decisions when dealing with persons of interest. It is available to more than 70,000 police officers, investigators and analysts across Australia, enabling them to share essential national policing information. The system provides key national reference data such as names, identity information and photographs, information on warnings, warrants, wanted persons, and firearms. This information is accessible from handheld devices, in-car terminals and desktop computers.

National Names Index

This index supports police and wider law enforcement by providing high level snapshots of national persons of interest to a range of stakeholders for operational policing, wider law enforcement initiatives, and to support the National Police Checking Service.

FRONTLINE SERVICES—FIREARMS AND BALLISTICS

National Firearms Identification Database

This national database sets uniform national standards for the identification of firearms registered within Australia. The database is a reference tool that enables police to identify and characterise a firearm using descriptors such as make, model, calibre and magazine capacity. It assists police to ensure firearms are recorded consistently during registration, importation or transfer of ownership and movement across state and territory borders.

National Firearms Licensing and Registration System

This system helps build the picture of firearm licence and registration information across the country. It is used to ensure compliance with firearm registration. The system helps firearm registries view the licence and registration information held by other states and territories, including firearm licence holders, licensed firearm dealers, registered firearms, and lost, stolen and transferred firearms.

Australian Ballistic Information Network

This national network helps police identify ballistics data to link crime, firearms and suspects. It helps police across Australia electronically match crime scene ballistic evidence to the firearm used in the crime, or link crimes where the same firearm or its components have been used at multiple scenes. This system builds on existing ballistic libraries that operate in several states.

Australian Firearms Information Network

This year the ACIC completed the development phase of the new Australian Firearms Information Network, which will replace the National Firearms Licensing and Registration System when all partners have been connected to the new system. The new Australian Firearms Information Network will complement the Australian Ballistic Information Network, and is enhancing collaboration between all Commonwealth, state and territory agencies responsible for firearm management in Australia.

FRONTLINE SERVICES—VEHICLES

National Vehicles of Interest System

This system enables police to record and check details about vehicles that may be stolen or suspect. It allows users to record and enquire about both local and interstate vehicles of interest. System users can also enquire about vehicle components, national vehicle registration and description information, and national driver licence holder information, provided by the National Exchange of Vehicle and Driver Information System hosted by Austroads (the peak organisation of Australasian road transport and traffic agencies).

FRONTLINE SERVICES—DRUGS

National Clandestine Laboratory Database

This national repository of data and intelligence is available to all Australian law enforcement and forensic agencies to capture and share information about seized clandestine laboratories.

CYBERCRIME REPORTING SERVICES

The ACIC hosts and administers the Australian Cybercrime Online Reporting Network (ACORN), which helps police and other law enforcement agencies gather valuable data about cybercrime, enhances the national picture of cybercrime, and contributes to improved responses across Australia. The ACORN is a joint initiative between the ACIC, all Australian police agencies and other agencies.

Through the ACORN website people can easily report instances of cybercrime. The website also provides advice to help people recognise and avoid common types of cybercrime.

The ACORN helps to make Australia a harder target for cybercriminals by enhancing national understanding to inform prevention and disruption of future criminal activity.

BIOMETRIC AND FORENSIC SERVICES

National Automated Fingerprint Identification System

Australian police use this system to identify individuals from their fingerprints or palm prints. The Department of Home Affairs also uses the National Automated Fingerprint Identification System to support Australia's migration program. The system helps solve crimes by matching crime scene prints. It also enables near real-time uploads of finger and palm prints from crime scenes, helping police identify suspects in minutes.

Enhanced Biometrics at the Border

The ACIC is supporting the Department of Home Affairs in the development and operational deployment of an enhanced Biometrics at the Border capability. The capability aims to enhance identity determinations and border security processes at Australia's border.

National Criminal Investigation DNA Database

This database helps solve crimes by linking DNA profiles from crime scenes with persons of interest, and excluding innocent people. It also allows police to match profiles of two or more unsolved crime scenes, linking previously unrelated investigations. The database includes 1.22 million DNA profiles from samples collected by Australian police from crime scenes, convicted offenders, suspects, and items belonging to missing persons and unknown deceased persons.

National Missing Persons and Victim System

This system helps police identify missing persons by enabling them to search data on long-term missing persons, unidentified human remains and disaster victim identification. An estimated 38,000 people are reported missing each year in Australia. The web-based National Missing Persons and Victim System manages both ante-mortem and post-mortem data, with supporting technology for the Disaster Victim Identification system and the Missing Persons and Unidentified Bodies database.

PROTECTION SERVICES

National Child Offender System

This system helps police protect the community by enabling them to uphold child protection legislation in their state or territory. This web-based application allows Australian police to record and share child offender information. It directly enables police in each state and territory to manage key information to meet their requirements under respective child protection legislation. The National Child Offender System includes the Australian National Child Offender Register and the Managed Person System.

Child Exploitation Tracking System

This system provides a capacity to identify children at risk of sexual abuse and enable timely intervention strategies for victims. The Child Exploitation Tracking System is a joint venture between the ACIC and the Australian Federal Police.

Violent and Sexual Crime Database

This database is used to capture information about violent and sexual crime. Its analytical tools allow specially trained analysts to complete behavioural comparative case analysis to identify serial offenders at the earliest opportunity.

National Domestic Violence Order Scheme

The National Domestic Violence Order Scheme commenced on 25 November 2017, using what was considered an interim capability developed during 2017–18, consisting of the National Police Reference System and the Court Portal. The Court Portal provides connectivity to enable police and courts to obtain court orders from interstate, and was delivered by the ACIC's Interim Order Reference Solution project. This capability is currently being reviewed to see if, with or without further enhancements, it will meet the requirements of a full national system.

Working with Children Checks—National Reference System

During 2017–18 the ACIC began planning for this new system, which will provide all supporting agencies with a national view of negative notices for applications for working with children checks.

CRIMINAL INTELLIGENCE SYSTEMS AND DATABASES

The ACIC provides secure network access for partners to a range of analytical tools and criminal intelligence holdings to help prioritise and focus resources against serious and organised crime and protect the community.

National Criminal Intelligence System

The National Criminal Intelligence System (NCIS) will provide secure access to a national view of criminal intelligence and information, and support the collation and sharing of criminal intelligence and information. The aim of NCIS is to strengthen criminal information and intelligence sharing across law enforcement agencies, jurisdictions and the criminal intelligence community. It will improve officer safety by providing a national view of crime that can be presented to frontline operations, providing targeted, timely, relevant, prioritised national policing information. NCIS will include a consolidated national view of fact-based policing and incident information, tools for improved analytics, deconfliction between investigations, and alerts and indicators for entities and activities of interest.

The ACIC Board established an NCIS User and Support Task Force to provide an effective and efficient interim framework for access to and use of NCIS information and intelligence by NCIS stakeholders. The ACIC is working in partnership with the Department of Home Affairs to ensure a successful outcome for government and partner agencies.

National Criminal Intelligence System interim solution

Building on previous work to pilot NCIS, the NCIS interim solution continued to deliver benefits to partner agencies during 2017–18. For example, the interim solution had 797 users and attracted more than 65,000 searches across more than 600 million available records. During the year, the ACIC began connectivity trials with partners and added more data sets. The NCIS interim solution is providing a trial data pipeline, testing the best way to use and present data to inform the future development of NCIS.

Australian Law Enforcement Intelligence Network

The Australian Law Enforcement Intelligence Network (ALEIN) is the secure extranet that provides a gateway for ACIC partners to access the various intelligence databases and services. ALEIN is also a secure messaging channel for sharing criminal information and intelligence between Commonwealth, state and territory partners.

Australian Criminal Intelligence Database

The Australian Criminal Intelligence Database (ACID) is Australia's national criminal intelligence and information system, which is mandated in section 7A(a) of the ACC Act. It includes intelligence the ACIC collects and collates as well as intelligence uploaded by partners. ACID provides 25 Commonwealth, state and territory law enforcement agencies and other regulatory authorities with the ability to securely share, collate and analyse criminal information and intelligence nationally. NCIS is the planned replacement system for ACID, which is more than 30 years old.

Australian Priority Organisation Target List

The Australian Priority Organisation Target list focuses on transnational targets impacting Australia. This list informs traditional and innovative disruption methods.

National Target System

This secure online data repository contains information on nationally significant organised crime groups (criminal targets). Australian law enforcement and other government agencies, including international law enforcement partners, contribute to this system. Australian and New Zealand law enforcement partners, and prescribed regulatory agencies, can access the system online. The National Target System houses both the National Criminal Target List and the National Gangs List.

National Criminal Target List

The National Criminal Target List details the risk posed by Australia's nationally significant serious and organised crime targets, including offshore networks actively targeting Australia. Analysis of the list informs strategic decisions directing resources towards the targets posing the highest level of threat and risk. It also informs major policy initiatives.

Automated Alerting Service

This capability provides near real-time advice on the activities of criminal targets and promotes opportunities for further intelligence development and investigative activity.

National Gangs List

The National Gangs List is the first nationally accessible database containing gang and membership details of Australian-based 'one percenter' OMCGs (the one per cent of motorcyclists who see themselves as operating outside the law, as opposed to the other 99 per cent who operate within the law). The National Gangs List is linked to the National Criminal Target List and shares functionality including automated alerting.

Gangs Intelligence Hub

This is the central and secure hub of OMCG and criminal gang information and intelligence. It supports the capability to share information among partner agencies about gang activity in Australia and overseas.

NATIONAL POLICE CHECKING SERVICE

The ACIC maintains the National Police Checking Service which enables Australian police agencies and 240 accredited bodies to submit nationally coordinated criminal history checks. This enhances the safety of the community by helping to ensure the integrity of people placed in positions of trust.

This year the ACIC implemented a new contractual agreement with accredited bodies entrusted with direct access to the National Police Checking Service. The new agreement ensures compliance with legislation under which the service now operates (the *Australian Crime Commission Act 2002*). The agreement also delivers benefits including improved detection of fraudulent activity, greater assurance of the legitimacy of checks through consistent presentation of products, increased protection and handling of personal and police information, greater access for applicants who cannot meet minimum identity documentation requirements through assurance of referees and efficiency gains through digital and automated solutions.

During the year, the ACIC also implemented improved quality assurance and risk management processes.

There was an 11.1 per cent increase in the total number of nationally coordinated criminal history checks submitted in 2017–18.





SECTION 03

IDENTIFIED CRIMINAL ACTIVITY

50 NATURE, SCOPE, TRENDS AND PATTERNS OF ORGANISED CRIME

- 50 Key characteristics of serious and organised crime
- 50 Key enablers of serious and organised crime
- 54 Serious financial crime
- 54 Specific crime markets
- 55 Crimes against the person

NATURE, SCOPE, TRENDS AND PATTERNS OF ORGANISED CRIME

The ACIC delivers a current intelligence picture of the serious and organised crime environment in Australia through its strategic intelligence production. This section highlights key unclassified findings.

KEY CHARACTERISTICS OF SERIOUS AND ORGANISED CRIME

Serious and organised crime in Australia is:

- transnational in nature—around 70 per cent of Australia's serious and organised criminal threats are based offshore or have strong offshore links
- technology enabled—geographic boundaries no longer contain criminal networks, with increasing uptake of the internet providing serious and organised crime groups with the ability to target thousands of Australians simultaneously from anywhere in the world
- increasingly functioning as a business—criminal groups are employing professionals, outsourcing key activities such as money laundering, diversifying into multiple criminal markets, and developing strong, consistent revenue streams through involvement in comparatively low-risk activities
- proficient and enduring—criminal groups are resilient, collaborating for mutual gain and quickly dispersing or shifting focus when disrupted
- a threat to national security—there are identified links between terrorism, broader organised crime and volume crime
- a growing economic cost—the latest estimate is that serious and organised crime cost Australia between \$23.8 billion and \$47.4 billion in 2016–17, which includes direct and consequential costs of serious and organised crime as well as prevention and response costs.⁶

KEY ENABLERS OF SERIOUS AND ORGANISED CRIME

Enablers are illicit activities (that can be crimes themselves) that underpin and contribute to the effectiveness of serious and organised crime. While not all of these key enablers are present in every illicit market, two or more enablers may be used concurrently within the same criminal enterprise.

⁶ Australian Institute of Criminology 2018, *Estimating the costs of serious and organised crime in Australia 2016–17*, Canberra.

TECHNOLOGY

Most serious and organised crime activities are enabled by the use of technology and digital infrastructure, and this will continue to shape the criminal landscape into the future. Examples include technology-enabled fraud in the areas of online banking, trade, superannuation and identity crime. The ability to target individuals remotely from any location in the world is attractive to serious and organised crime groups, who use technology to target the financial sector, trade illicit goods via the darknet, or commit acts of child sexual exploitation through online grooming and distribution of child exploitation material. The rapid uptake of new capabilities such as encrypted communication devices and applications will continue to challenge law enforcement.

PROFESSIONAL FACILITATORS

Professional facilitators are a fundamental issue for law enforcement and regulatory agencies. In an increasingly complex global environment, criminals engage a range of professional facilitators to commit crimes, avoid detection and conceal assets.

MONEY LAUNDERING

Money laundering is a significant enabler of criminal activity, as well as a potentially lucrative criminal enterprise in itself. Money laundering is an extremely diverse activity, with a significant international dimension, carried out at all levels of sophistication.

IDENTITY CRIME

Identity crime is one of the most common types of crime committed in Australia. It enables significant criminal activities including money laundering, financial crimes, drug trafficking and fraud. There is a growing trend towards commissioning identity crime online through the production and sale of identity documentation and fraudulent use of personal identifying information. The true extent of identity crime is difficult to quantify due to under-reporting, discrepancies in cross-jurisdictional reporting, and instances where identity theft is undetected.

VIOLENCE AND INTIMIDATION

Violence and intimidation enables serious and organised criminal activity in Australia. For example, it may be used to extort financial gain or coerce people or businesses into facilitating or undertaking criminal activity, or to control drug networks and settle disputes. Most violence involving organised crime occurs between criminal groups, rather than being directed at the general public. Due to under-reporting it is challenging to determine the exact nature and extent of harm caused through the use of violence and intimidation tactics by serious and organised crime groups.

PUBLIC SECTOR CORRUPTION

Exploitation of the public sector by serious and organised crime weakens the instruments of government and strengthens criminal networks, undermining public confidence in government and public office. Areas most at risk include procurement across all levels of government, frontline agencies such as police, customs and border protection, and any agencies responsible for dispensing government funding without established anti-corruption practices. There is currently limited evidence of serious and organised crime involvement in public sector corruption in Australia.

ILLICIT COMMODITIES

Illicit drugs

The Australian illicit drug market remains highly lucrative, with growing demand for a wide variety of substances.

Estimated annual consumption of methylamphetamine, cocaine, MDMA and heroin derived from wastewater data shows Australia is a stimulant nation.

Trends include:

- Poly-drug use—some serious and organised crime groups capitalise on the demand for multiple drug types by importing, cultivating, manufacturing and/or trafficking several drug types simultaneously.
- Methylamphetamine—the ACIC considers methylamphetamine to be an illicit drug of disproportionate harm in Australia. The latest wastewater analysis report, published in March 2018, identified an increase in methylamphetamine consumption across Australia. It is the most consumed illicit drug of those tested across all regions in Australia. Serious and organised crime groups are deeply entrenched in the importation, manufacture and distribution of methylamphetamine in Australia.
- Cocaine—the March 2018 wastewater analysis report identified an increase in cocaine consumption across Australia. Cocaine use tends to be concentrated in the eastern seaboard states, where there appears to be greater availability, and consumption is typically higher in capital city sites. A diverse range of transnational organised crime groups import cocaine into Australia. The *Illicit Drug Data Report 2016–17* highlighted cocaine as the ‘feature drug’ due to the substantial increases in border detections and national cocaine seizures and arrests, which are all at record levels.
- Precursor chemicals—these chemicals are essential for illicit drug production, and the sale of precursor chemicals is a profitable enterprise in itself. Precursor chemicals can be diverted from a range of sources, including the legitimate chemical industry, the transportation and logistics industry, medical facilities and pharmacies. Serious and organised crime groups have attempted to infiltrate these industries.
- MDMA—wastewater analysis indicates MDMA consumption levels are relatively low across the country, with minimal differences identified between regional and capital city test sites.

- Cannabis—almost all cannabis consumed in Australia is cultivated domestically and the majority of border detections are cannabis seed. Serious and organised crime groups are well established in the Australian cannabis market, which is robust and profitable.
- Heroin—serious and organised crime is entrenched in this market, with a range of groups involved in the importation and distribution of heroin in Australia. According to wastewater analysis, consumption of heroin varied widely, with minimal amounts detected in the Northern Territory and high levels recorded in sites in Victoria and the Australian Capital Territory, as well as a few individual sites in other states.
- Illicit pharmaceuticals—the illicit pharmaceutical opioid market is inextricably linked to the heroin market because of the similarities in the effects of these substances on the user. Pharmaceuticals commonly misused include opioid-based pain relief medications, opioid substitution therapies, benzodiazepines and codeine.
- New psychoactive substances—these synthetically created substances have a similar chemical structure to an illicit drug, or mimic its effects. Available in the Australian market since the mid-2000s these substances have increased in availability and popularity in recent years. The market is highly reactive, appearing to increase and decrease in response to changes in other drug markets. The darknet is used extensively as a medium for sales of new psychoactive substances, as well as for information sharing and social commentary on these substances.
- Performance and image enhancing drugs—this is a rapidly growing market in Australia consisting of users from an increasingly diverse demographic using a wide range of substances. While individuals import these drugs, serious and organised crime groups are involved in the importation and manufacture of performance and image enhancing drugs, and there have been multiple detections of large commercial clandestine laboratories in recent years.

Illicit tobacco

Serious and organised crime remains entrenched in the illicit tobacco market, both through the illegal importation of tobacco products and through the local production of illegal tobacco.

Illicit firearms

While Australia has some of the strongest firearm controls in the world, illicit firearms remain a desirable commodity and enabler for criminal activity. An increasing number of organised crime groups, including outlaw motorcycle gangs are trafficking illicit firearms. The ACIC conservatively estimates there are approximately 260,000 firearms in the domestic illicit market, including 250,000 long-arms and 10,000 handguns.

SERIOUS FINANCIAL CRIME

Financial crimes are diverse in nature and scale, and in the level of harm they cause. The expansion of serious and organised crime into the financial sector poses a significant risk to the integrity of the Australian economy, financial markets, regulatory frameworks and revenue collection. The ACIC *Serious Financial Crime in Australia 2017* report, released in December 2017, revealed financial crime is on the rise and causing major harm that affects all Australians. The report found that:

- Sophisticated individuals and groups exploiting systemic vulnerabilities in areas such as taxation and revenue systems and government health and welfare programs commit financial crimes in Australia.
- The role of technology in enabling financial crime has markedly increased—from opportunistic tax refund fraud, to the large-scale online theft of personal identifying information which enables the theft of funds from investment and superannuation accounts.
- Professional facilitators, including legal and accounting professionals, liquidators, offshore service providers and real estate agents, remain critical enablers of financial crime, particularly through association with serious and organised crime groups.
- Other enablers of financial crime are identity crime, offshore service providers, illegal phoenix activity, abusive use of trusts, high-value commodities and alternative banking services.
- Financial crime markets include cybercrime, investment and financial market fraud, revenue and taxation fraud, superannuation fraud, card fraud and health and welfare fraud.

SPECIFIC CRIME MARKETS

Specific crime markets include:

- Visa and migration fraud—this presents a continued threat to the Australian community as well as to national security interests. Serious and organised crime groups exploit the Australian visa and migration system, engaging the services of professional facilitators to enable entry into Australia.
- Environmental crime—this is diverse in nature and encompasses several crime markets. Transnational organised crime syndicates and opportunistic individuals exploit these markets, which are characterised by high profit margins and low detection rates.
- Intellectual property crime—piracy and counterfeiting are serious international issues. The main forms of intellectual property crime in Australia are the importation of counterfeit goods such as clothing and the domestic manufacture of goods that infringe copyright.

CRIMES AGAINST THE PERSON

Crimes against the person include:

- Online sexual exploitation of children—this global crime market is evolving rapidly alongside technological advances. Sophisticated criminal groups and individual offenders increasingly exploit anonymous networks and encryption tools to engage in child sex offences. The uptake of mobile and data technology by younger people enables unprecedented online access to children.
- Human trafficking and slavery—this is a global concern, and the mass movement of refugees and migrants in recent years has escalated the threat. Under-reporting is endemic within this crime type, but increased awareness and outreach programs are likely to have contributed to increasing referrals to law enforcement for these offences.





SECTION 04

APPENDICES AND REFERENCES

58 APPENDIX A: REPORTING REQUIREMENTS

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APPENDIX A: REPORTING REQUIREMENTS

The following is provided to help readers find required reporting information.

COMPLIANCE WITH SECTION 61 OF THE ACC ACT

SECTION OF THE ACC ACT	REFERENCES IN THIS REPORT
Section 61(2)(a) a description of any investigation into matters relating to federally relevant criminal activity that the ACC conducted during the year and that the Board determined to be a special investigation	<i>Section 2: Description of activities</i>
Section 61(2)(b) a description, which may include statistics, of any patterns or trends, and the nature and scope, of any criminal activity that have come to the attention of the ACC during the year in performance of its functions	<i>Section 3: Identified criminal activity</i>
Section 61(2)(c) any recommendations for changes in the laws of the Commonwealth, of a participating State or of a Territory, or for administrative action, that, as a result of the performance of the ACC's functions, the Board considers should be made	<i>Appendix B: Recommendations for legislative change</i>
Section 61(2)(d) the general nature and the extent of any information furnished by the CEO during that year to a law enforcement agency	<i>Section 2: Description of activities</i>
Section 61(2)(da) the general nature and the extent of any information disclosed by the CEO during that year to a body corporate under section 59 AB	<i>See pages 25 and 34⁷</i>
Section 61(2)(e) the extent to which investigations by the ACC have resulted in the prosecution in that year of persons for offences	<i>Appendix C: Court proceedings</i>
Section 61(2)(ea) the extent to which investigations by the ACC have resulted in confiscation proceedings	<i>Appendix C: Court proceedings</i>
Section 61(2)(g) particulars of the number and results of: <ul style="list-style-type: none"> (ii) applications made to the Federal Court or the Federal Circuit Court under the <i>Administrative Decisions (Judicial Review) Act 1977</i> for orders of review in respect of matters arising under this Act; and (iii) other court proceedings involving the ACC; being applications and proceedings that were determined or otherwise disposed of, during that year.	<i>Appendix D: Judicial decisions</i>

7 Under s59 AB of the ACC Act, the ACC is permitted to disclose specific information to bodies corporate. Due to an oversight, this was marked as 'N/A' in the 2016–17 report. During 2016–17, there were four times that ACIC disclosed cybercrime information to private sector corporations.

APPENDIX B: RECOMMENDATIONS FOR LEGISLATIVE CHANGE

AMENDMENTS TO THE ACC ACT AND REGULATIONS

The ACIC is established pursuant to the *Australian Crime Commission Act 2002* (ACC Act). The following amendments were made to the ACC Act during 2017–18:

- The *Home Affairs and Integrity Agencies Legislation Amendment Act 2018* dealt with consequential matters arising from the establishment of the Home Affairs Portfolio, including clarifying references in the ACC Act to the Attorney-General.
- The *Crimes Legislation Amendment (International Crime Cooperation and Other Measures) Act 2018* amended legislation relating to the criminal law, law enforcement and background checking. This included clarifying that expressions defined in the ACC Act that contain 'ACC', such as 'ACC information', 'member of the staff of the ACC', and 'Board of the ACC', may also be referred to by replacing 'ACC' with a prescribed alternative acronym. This is intended to facilitate the use of the acronym 'ACIC'.

There were no changes made to the *Australian Crime Commission Regulations 2002* or the Australian Crime Commission (National Policing Information Charges) Determination 2016 during the reporting period. However, the life of the Regulations was extended to 1 April 2019 by the Legislation (Deferral of Sunsetting—Australian Crime Commission Regulations) Certificate 2017, made under the *Legislation Act 2003*.

APPENDIX C: COURT PROCEEDINGS

PROSECUTIONS

During 2017–18 ACIC-related court results included convictions for offences related to illicit drugs, fraud and deception, prohibited weapons and explosives, theft, and offences against justice and procedures. There was one ACC Act offence (an offence as described within the Act, with an accompanying penalty) sentenced this year. The ACIC achieved these convictions by working closely with its partners.

The following information presents court results grouped by severity of sentence. The sentence used for categorising cases is the total maximum sentence liable to be served for all the ACIC-related charges in that case, as finalised in the reporting period. The offence type listed is a broad category that is indicative of the offences charged, based on the Australian and New Zealand Standard Offence Classification. It is not intended to be exhaustive.

Where a matter has several results, all convictions are represented by the head sentence.

COURT RESULTS

OFFENCE		OUTCOME
		CUSTODIAL SENTENCE
1	Illicit drug offences	10 years or more
2	Illicit drug offences	10 years or more
3	Illicit drug offences	10 years or more
4	Illicit drug offences Theft and related offences (proceeds of crime and money laundering)	10 years or more
5	Illicit drug offences	10 years or more
6	Illicit drug offences	10 years or more
7	Illicit drug offences	10 years or more
8	Illicit drug offences	10 years or more
9	Illicit drug offences	10 years or more
10	Illicit drug offences	10 years or more
11	Illicit drug offences	10 years or more
12	Illicit drug offences	10 years or more
13	Illicit drug offences Theft and related offences (proceeds of crime and money laundering)	10 years or more
14	Illicit drug offences ⁸	10 years or more
15	Illicit drug offences	10 years or more

OFFENCE		OUTCOME
		CUSTODIAL SENTENCE
16	Illicit drug offences	10 years or more
17	Illicit drug offences	10 years or more
18	Illicit drug offences	six years—less than 10 years
19	Illicit drug offences	six years—less than 10 years
20	Illicit drug offences	six years—less than 10 years
21	Illicit drug offences	six years—less than 10 years
22	Illicit drug offences	six years—less than 10 years
23	Illicit drug offences Theft and related offences (proceeds of crime and money laundering)	six years—less than 10 years
24	Illicit drug offences	six years—less than 10 years
25	Illicit drug offences	six years—less than 10 years
26	Illicit drug offences Theft and related offences (proceeds of crime and money laundering)	six years—less than 10 years
27	Illicit drug offences	six years—less than 10 years
28	Illicit drug offences	six years—less than 10 years
29	Illicit drug offences	six years—less than 10 years
30	Illicit drug offences	six years—less than 10 years
31	Illicit drug offences	six years—less than 10 years
32	Illicit drug offences	six years—less than 10 years
33	Illicit drug offences	six years—less than 10 years
34	Illicit drug offences Theft and related offences (proceeds of crime and money laundering)	six years—less than 10 years
35	Illicit drug offences	six years—less than 10 years
36	Illicit drug offences	three years—less than six years
37	Illicit drug offences Theft and related offences (proceeds of crime and money laundering)	three years—less than six years
38	Illicit drug offences	three years—less than six years
39	Illicit drug offences	three years—less than six years
40	Illicit drug offences	three years—less than six years
41	Illicit drug offences Prohibited and regulated weapons and explosives offences	three years—less than six years

8 This offender was also convicted of other minor offences in the 2016–17 period. The offender is included in this table to show the additional sentencing outcome from the head illicit drugs charge.

OFFENCE		OUTCOME
		CUSTODIAL SENTENCE
42	Illicit drug offences	three years—less than six years
43	Illicit drug offences	three years—less than six years
44	Illicit drug offences	three years—less than six years
45	Illicit drug offences	three years—less than six years
46	Theft and related offences (proceeds of crime and money laundering)	three years—less than six years
47	Fraud, deception and related offences	three years—less than six years
48	Theft and related offences (proceeds of crime and money laundering)	less than three years
49	Fraud, deception and related offences	less than three years
50	Fraud, deception and related offences	less than three years
51	Illicit drug offences	less than three years
52	Theft and related offences (proceeds of crime and money laundering)	less than three years
53	Fraud, deception and related offences	less than three years
54	Illicit drug offences	less than three years
55	Theft and related offences (proceeds of crime)	less than three years
56	Theft and related offences (proceeds of crime and money laundering)	less than three years
57	Theft and related offences (proceeds of crime and money laundering)	less than three years
58	ACC Act Offence	less than three years
59	Theft and related offences (proceeds of crime and money laundering)	less than three years
60	Fraud, deception and related offences	less than three years
61	Theft and related offences (proceeds of crime and money laundering)	less than three years
62	Illicit drug offences	less than three years
63	Fraud, deception and related offences	less than three years

OFFENCE		OUTCOME
OTHER		
64	Theft and related offences (proceeds of crime and money laundering)	Non-custodial sentence, Intensive Correction Order
65	Fraud, deception and related offences	Non-custodial sentence
66	Offences against justice procedures, government security and government operations	Non-custodial sentence
67	Prohibited and regulated weapons and explosives offences	Non-custodial sentence, without conviction recorded
68	Illicit drug offences	Non-custodial, Expiation notice—no court appearance
69	Illicit drug offences	Acquitted

Notes:

- People charged in a financial year may not have appeared before a court by 30 June of that year, and convictions may be for people charged in previous years.
- The 2017–18 recorded convictions figure as reported in the ACIC Annual Report 2017–18 has been revised from 55 to 66 due to further sentencing information received after performance statement data had closed. A correction will be made in the 2018–19 annual report.

OFFENCES

Offence types are described at: <www.abs.gov.au/ausstats/abs@.nsf/mf/1234.0>.

CONFISCATIONS

During 2017–18 the ACIC, in conjunction with its partners, achieved the following outcomes:

- \$2.47 million in proceeds of crime restrained.⁹
- \$5.75 million in proceeds of crime confiscated.¹⁰
- \$0.40 million in proceeds of crime recovered.¹¹

⁹ Restraint: where assets are frozen or restrained due to a suspicion of criminal activity.

¹⁰ Confiscated: where criminal involvement is confirmed and the court orders a defendant pay money to the government or forfeit assets. This can be in the form of a forfeiture order, a Pecuniary Penalty Order or a conviction-based forfeiture.

¹¹ Recovery: where money is paid to the government from the transfer of money or the sale of assets.

APPENDIX D: JUDICIAL DECISIONS

The ACIC is subject to legal challenge as a normal part of its operations. This may occur in the context of applications in the Federal Court for judicial review under the *Administrative Decisions (Judicial Review) Act 1977* or section 39B of the *Judiciary Act 1903*, or as part of the criminal justice process, such as in a contested subpoena or application for a stay of criminal proceedings.

In 2017–18 the ACIC was involved in two significant matters, which were also reported on last year. The first was a judicial review application that sought to challenge the breadth of a Board determination and a decision of an Examiner to issue a summons under that determination. This is now the subject of an application for special leave to the High Court. The second was a High Court appeal where the ACIC sought leave to intervene.

XXVII V COMMONWEALTH OF AUSTRALIA & ORS

XXVII was summonsed to attend an examination under the ACC Act, but sought orders to prevent the examination from proceeding on a number of administrative law grounds. In particular, XXVII challenged the validity of the Board's determination under which XXVII was summonsed (Highest Risk Criminal Targets No. 2 Special Investigation determination), and consequently the summons itself. The matter was heard before Justice Charlesworth in the Federal Court (Adelaide).

On 29 March 2017, the Court ruled in favour of the ACIC, dismissing the application. Justice Charlesworth found that the application sought to re-litigate issues that had been resolved by the decisions in *XCIV v Australian Crime Commission & Sage, LX v Commonwealth of Australia*, and *XX v Australian Crime Commission* and upheld the validity of the Highest Risk Criminal Targets No. 2 Special Investigation determination.

On 11 April 2017, XXVII filed an appeal against the decision of Charlesworth J. The appeal was heard on 22 August 2017 and the Full Court's judgment was delivered on 13 April 2018, dismissing that appeal. At the time of writing, the matter was the subject of an application for special leave to the High Court, which was yet to be determined.

GALLOWAY V CDPP & ORS; HODGES V CDPP & ORS; TUCKER V CDPP & ORS; STRICKLAND V CDPP & ORS

In 2012, six people were charged with various offences. Four of the accused were examined by the then ACC before they were charged, with the examinations covering matters in relation to which they were eventually charged. The trial judge ordered a stay of their prosecutions. That stay was overturned on appeal. Special leave to appeal was granted by the High Court and the ACIC filed notices of contention in May 2018.

The appeals were heard by the High Court on 8 and 9 May 2018. Judgment was reserved.

GLOSSARY

Analytical products—Operational and strategic analyses advise on current, emerging and predicted criminal trends, methodologies, activities, vulnerabilities and associated impacts.

Deconfliction (and deconflict)—Deconfliction is a process that enables police and law enforcement to be aware of each other's activities against criminal targets, subjects or cases that are active across more than one jurisdiction or regional area.

Outcomes from deconfliction can be:

- investigative efforts are not jeopardised
- investigative efforts are enhanced by new information being provided
- opportunities for joint efforts are identified.

Determination—When authorising the ACIC to undertake an intelligence operation or an investigation, the ACIC Board can determine that the ACIC can use special powers. Before issuing a determination, the ACIC Board must consider whether normal intelligence collection methods or ordinary police methods of investigation have been or are likely to be effective.

Disruption/disrupt criminal activity—Disrupting criminal activity may include interrupting the flow or continuity of the criminal behaviour and/or enterprises of a criminal entity as a direct result of ACIC or joint agency operational activity.

This may also occur by undermining criminal businesses by exposing their methodologies, releasing intelligence alerts and warnings on their activities and reducing their ability to operate in the criminal markets of their choice.

Disruption operational activities may include arrests, seizure of illegal commodities (such as drugs or firearms), proceeds of crime and/or prosecutions.

The level of disruptive impact achieved by law enforcement is deemed to be either 'significant' or 'severe':

Severe—The dismantling/complete disruption of a serious organised crime entity with the cessation of their serious and organised crime activities.

Significant—While not resulting in the complete disruption/dismantling of a serious organised crime entity and the cessation of their serious organised crime activities, the disruptive impact is assessed as 'significant'. This assessment is informed by the disruptive impact caused by arrests, seizures (drugs, cash, assets), tax liabilities raised, and any other disruptive results achieved.

(ACIC) Examiners—Examiners are independent statutory officers and experienced legal practitioners who may exercise the ACIC's special (coercive) powers for the purposes of an ACIC special investigation or special operation.

Tactical products—Operational information reports and products which are brief, facilitate recording and provide actionable information about specific details.

ACRONYMS

ACC	Australian Crime Commission
ACIC	Australian Criminal Intelligence Commission
ACID	Australian Criminal Intelligence Database
ACORN	Australian Cybercrime Online Reporting Network
AGICC	Australian Gangs Intelligence Coordination Centre
ALEIN	Australian Law Enforcement Intelligence Network
CEO	Chief Executive Officer
ICT	Information and communication technology
MDMA	3,4-methylenedioxymethamphetamine
NCIPs	National Criminal Intelligence Priorities
NCIS	National Criminal Intelligence System
NCTL	National Criminal Target List
OMCG	outlaw motorcycle gang

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