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LIMITED ASSURANCE REVIEW

Compliance Frameworks for Anti-Money Laundering and Counter-Terrorism Financing Obligations



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Western Australia**

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The Office of the Auditor General acknowledges the traditional custodians throughout Western Australia and their continuing connection to the land, waters and community. We pay our respects to all members of the Aboriginal communities and their cultures, and to Elders both past and present.

**Compliance Frameworks for Anti-Money
Laundering and Counter-Terrorism Financing
Obligations**

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**THE PRESIDENT
LEGISLATIVE COUNCIL**

**THE SPEAKER
LEGISLATIVE ASSEMBLY**

COMPLIANCE FRAMEWORKS FOR ANTI-MONEY LAUNDERING AND COUNTER-TERRORISM FINANCING OBLIGATIONS

This report has been prepared for submission to Parliament under the provisions of section 25 of the *Auditor General Act 2006*.

The objective of this limited assurance review, which is not an audit, was to understand if the eight State government entities regulated by AUSTRAC have sound arrangements in place to comply with the Commonwealth *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* and associated rules.

I wish to acknowledge the entities' staff for their cooperation with this review.

A handwritten signature in black ink, appearing to read 'C Spencer'.

CAROLINE SPENCER
AUDITOR GENERAL
19 October 2022

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Auditor General's overview

The Commonwealth *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (the Act) has gained prominence in the financial services sector in recent years. Over the past 15 years, this legislative framework has matured as participants better understand their obligations and regulators move from a focus on education and awareness-raising to compliance and enforcement. Public awareness has also evolved with expectations that our institutions not only comply with this law but also do their part to reduce the likelihood and impact of money laundering and terrorism financing activity on our communities.



The Act requires certain organisations operating in the financial (including superannuation), gambling and bullion sectors to detect, deter and disrupt money laundering, the financing of terrorism and other serious crimes. Recent high-profile matters exposing significant control deficiencies in the banking and gambling sectors led my Office to consider the potential exposure of State government entities (entities).

Eight entities have compliance obligations under the Act, with varying requirements based on the nature and complexity of their operations. Inadequate anti-money laundering and counter-terrorism financing (AML/CTF) compliance programs elevate the risk of money laundering or the financing of terrorism going undetected. Non-compliance could also result in significant reputational damage and financial consequences for the State.

The Australian Transaction Reports and Analysis Centre (AUSTRAC), the Commonwealth Government entity responsible for detecting, deterring and disrupting criminal abuse of the financial system, continues to have engagement with entities as part of their ongoing monitoring of registered entities. I would like to thank AUSTRAC for its engagement with my Office in relation to matters of relevance in the report.

This review provides a barometer on the current standard of entities' AML/CTF compliance programs. It also informs members of Parliament and the Western Australian community of some of the applicable obligations and risks of not having sound compliance programs in place.

Overall, we found entities' AML/CTF compliance programs were mostly adequately designed, but there are some significant areas that require improvement including:

- money-laundering/terrorist-financing risk assessments
- ongoing customer due diligence procedures
- employee training
- transaction reporting procedures.

I am encouraged by the positive responses received from entities who have already started actioning shortcomings identified, and the seriousness with which the Western Australian Government is focussed on this issue. As highlighted by recent public inquiries considering AML/CTF compliance matters, senior executives, boards and ministers will continue to be important to maintaining oversight of improvements made to address identified weaknesses and meet evolving expectations of this regulatory framework.

Introduction

This limited assurance review examined if the following eight State government entities (entities) have sound arrangements in place to comply with the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (Cth) (the Act) and the Anti-Money Laundering and Counter-Terrorism Financing Rules Instrument 2007 (the Rules):

- Country Housing Authority (administered by Keystart Home Loans)
- Department of Education (Low Interest Loan Scheme)
- Fire and Emergency Services Superannuation Board
- Gold Corporation Pty Ltd (The Perth Mint)
- Government Employees Superannuation Board
- Keystart Housing Scheme Trust (Keystart Home Loans)
- Racing and Wagering Western Australia
- Western Australian Treasury Corporation.

These entities have obligations under the Act and Rules because they operate in the financial services, bullion, gambling and digital currency exchange sectors and provide services which have been identified as posing a risk for money-laundering and terrorism-financing (ML/TF). Some have quite narrow responsibilities, but others have extensive obligations. While the Commonwealth Government's Australian Transaction Reports and Analysis Centre (AUSTRAC) is the regulator of the Act and Rules, our review was undertaken to gauge how well entities are addressing their compliance obligations through establishing appropriate arrangements to manage the risk their operations could pose to the community and the State.

Background

AUSTRAC is responsible for detecting, deterring and disrupting criminal abuse of the Australian financial system to protect the community from serious and organised crime. It is responsible for ensuring businesses comply with their obligations under the Act to have systems and controls in place to manage ML/TF risks. It has a regular review program of regulated entities and can take legal action in cases of non-compliance.

While this is Commonwealth legislation, failing to adequately mitigate the risk of receiving, transferring and storing funds that facilitate serious crimes has significant consequences for the State. The risks of not complying with the Act include:

- loss of public confidence in the public sector entity (reputation risk)
- loss of accreditations impacting an entity's ability to service customers and generate revenue (or even continue as a going concern)
- damage to key external relationships such as banking partners and customers
- regulatory action.

The significance with which AUSTRAC and the courts treat failures to implement effective AML/CTF programs are evident in multiple recent enforceable undertakings and fines of up to \$1.3 billion in the Australian banking sector.

The eight Western Australian entities regulated by AUSTRAC are required to comply with obligations based on the type of services each provides. These obligations include reporting certain business activities and transactions to AUSTRAC and having an AML/CTF program.

Six entities are required to have an AML/CTF program specifying how they comply with the Act and Rules. The program must document how they will identify, mitigate and manage the risk of the products or services being used for money laundering or terrorism financing, and must be appropriate to the level of risk the organisation may reasonably face.¹

Due to the limited nature of their functions two entities have been granted exemptions from sections of the Act by AUSTRAC and whilst they retain reporting obligations, they are not required to maintain documented AML/CTF programs.

AML/CTF programs are risk based and designed to ensure obligations such as know your customer processes, ongoing customer due diligence, transaction monitoring and suspicious matter reporting assist in identifying, mitigating and managing ML/TF risks faced by the business and generate critical information. Transaction reporting enables AUSTRAC, and its international partners, to piece together a picture of financial crime in Australia and overseas.

Operating effectively designed AML/CTF programs is important for entities to help AUSTRAC and law enforcement agencies detect, trace and disrupt serious crimes including child exploitation, terrorism, fraud, corruption, tax-evasion, drug trafficking and money-laundering. While entities are not operating on the scale of large Australian financial institutions, criminals seeking to launder money and facilitate serious crime regularly seek out soft targets to deposit, co-mingle and transfer their funds.

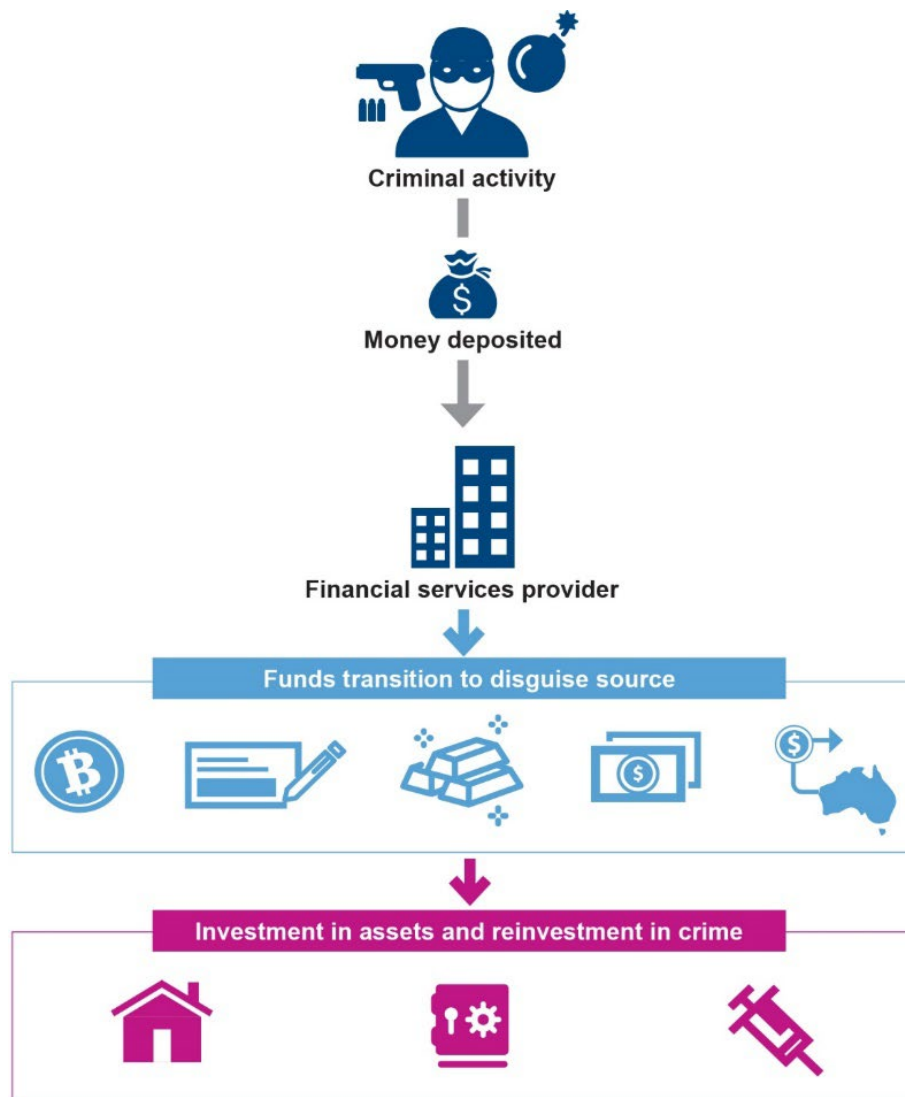
Money laundering refers to activities designed to conceal the true source of money. When a person launders money, by definition, they are dealing in money that is reasonably believed to be the proceeds of crime. Organised criminals use professional money laundering syndicates to conceal the illicit nature of funds sourced from criminal activities, including human trafficking, child exploitation, drug trafficking, cyber-crime, fraud offences and other financial crime.² The Australian Institute of Criminology estimates the cost of serious and organised crime in Australia in 2020-21 to be between \$24.8 billion and \$60.1 billion.³ AUSTRAC notes that, by some estimates, more than \$1.5 trillion of illegal funds are laundered worldwide each year, \$200 billion of this in our region.⁴ Figure 1 below illustrates a simple money laundering process.

¹ Australian Government AUSTRAC, 14 August 2020, [AML/CTF programs overview](https://www.austrac.gov.au/business/how-comply-guidance-and-resources/amlctf-programs/amlctf-programs-overview), viewed 23 August 2022, <<https://www.austrac.gov.au/business/how-comply-guidance-and-resources/amlctf-programs/amlctf-programs-overview>>.

² Australian Federal Police, [Money laundering](https://www.afp.gov.au/what-we-do/crime-types/proceeds-crime/money-laundering), viewed 23 August 2022, <<https://www.afp.gov.au/what-we-do/crime-types/proceeds-crime/money-laundering>>.

³ R Smith & A Hickman, *Estimating the costs of serious and organised crime in Australia, 2020–21*, Australian Institute of Criminology, Canberra, 2022.

⁴ Diane Herriot, '[Money Laundering in Australia](#)', *Parliamentary Library of Australia*, 22 November 2011, accessed 23 August 2022.



Source: OAG

Figure 1: Example money laundering process

Terrorism financing is also a national security risk as it can directly enable terrorist acts both in Australia and overseas. In Australia, individuals have been convicted of terrorism offences and funds have been raised to support domestic and overseas activity. In addition to funding individual terrorist attacks and operations, terrorism financing helps establish and maintain terrorist groups in Australia and foreign countries and sustain the networks that connect them. Terrorism financing supports the less violent or obvious aspects of a group's operations by paying for daily living expenses, travel, training, propaganda activities, organisational costs, and compensation for wounded fighters or the families and dependants of terrorists who have died.⁵

Some of the eight entities appear to face a higher risk of being targeted by ML/TF activity than others due to the nature of their operations, the types of services and products they offer, how they are delivered and where their customers are located.

⁵ Australian Transaction Reports and Analysis Centre, *Terrorism financing in Australia 2014*, AUSTRAC, NSW, 2014, p. 5.

Conclusion

Entities have arrangements in place at varying levels of adequacy to address their key anti-money laundering and counter-terrorism financing obligations under the Act. Six of the eight need to upgrade elements of their programs to improve the likelihood they can detect and respond to suspicious activity effectively and manage their money-laundering, terrorism-financing and regulatory compliance risks. Two of these entities are missing key program elements and are at greater risk of non-compliance and money laundering or terrorist financing activity.

We reported 18 findings and three business improvement opportunities across the six entities including inadequate arrangements for compliance with the following key anti-money laundering and counter-terrorism financing requirements:

- assessment of money-laundering/terrorism-financing risks
- ongoing customer due diligence
- employee training
- transaction reporting obligations
- employee due diligence procedures.

These findings represent inadequacies in AML/CTF programs in entities that require improvement to ensure they fully comply with this Commonwealth legislation. Other than the matters noted in this report nothing came to our attention to indicate that the eight entities are not compliant with the legislation.

What we found

Figure 2 summarises our findings for the eight reviewed entities. We have anonymised the identified deficiencies throughout this report so as not to expose the entities to a heightened risk of exposure to ML/TF threats.

Compliance area reviewed	Entities (anonymised)							
	1	2	3	4	5	6	7	8
ML/TF risk assessment	Inadequate	Inadequate	Inadequate	Inadequate	Requires improvement	Adequate	Adequate	Adequate
Ongoing customer due diligence procedures	Inadequate	Inadequate	Improvement opportunity	Improvement opportunity	Adequate	Adequate	Adequate	Adequate
AML/CTF training	Inadequate	Adequate	Adequate	Adequate	Adequate	Adequate	Adequate	Adequate
Mandatory reporting procedures	Adequate	Inadequate	Adequate	Adequate	Adequate	Adequate	Adequate	Adequate
Employee due diligence procedures	Requires improvement	Adequate	Adequate	Adequate	Adequate	Adequate	Adequate	Adequate
Board and management oversight	Adequate	Adequate	Adequate	Adequate	Adequate	Adequate	Adequate	Adequate
Response to past independent reviews and AUSTRAC	Requires improvement	Requires improvement	Adequate	Adequate	Adequate	Adequate	Adequate	Adequate
AML/CTF program documentation	Requires improvement	Requires improvement	Requires improvement	Requires improvement	Requires improvement	Improvement opportunity	Adequate	Adequate

■ Inadequate
 ■ Requires improvement
 ■ Improvement opportunity
 ■ Adequate

Source: OAG

Figure 2: Anonymised entity findings for key review areas

Customer risks were not effectively assessed

Entities are required to identify and document the money-laundering and terrorism-financing risks they face considering the nature, size and complexity of their operations. Their AML/CTF programs must consider risk across four elements:

- types of customers (i.e. individuals, trusts, politically exposed persons)
- services offered (i.e. loans, superannuation, betting, bullion)
- channels used to deliver those services (i.e. face-to-face or online)
- the foreign countries with which the entity deals (i.e. high risk countries for ML/TF).⁶

We found that five entities did not adequately design systems to risk rate all of their customers and their beneficial owners.⁷ Inadequately risk rating customers hinders the entity's ability to identify which customers should be subjected to additional controls and ongoing oversight or who should be denied services.

Some entities treat all customers as low risk (unless identified by suspicious activity). These entities did not assign a risk rating level to all customers based on a formalised assessment process which could consider attributes such as:

⁶ Australian Government AUSTRAC, 16 April 2021, [Money laundering/terrorism financing risk assessment](https://www.austrac.gov.au/business/how-comply-guidance-and-resources/amlctf-programs/risk-assessment), viewed 23 August 2022, <<https://www.austrac.gov.au/business/how-comply-guidance-and-resources/amlctf-programs/risk-assessment>>.

⁷ A beneficial owner is an individual who ultimately owns or controls an entity such as a company, trust or partnership.

- the beneficial owner/s of customers
- whether the customers or their beneficial owners are politically exposed persons (PEPs)
- the customer's source of funds and wealth
- the nature and purpose of the business relationship with the customers
- the control structure of customers who aren't individuals, such as companies and trusts
- negative media reporting
- being identified in suspicious matter reports.

These entities have not demonstrated that they have adequately understood and documented the actual ML/TF risks that their organisations are likely to face. The types of relevant ML/TF threats identified by AUSTRAC, in its industry specific risk assessments and guidance publications, have not been effectively incorporated into the entities' AML/CTF programs.

Risk assessments should identify the inherent ML/TF risks and consider if controls and systems are effectively designed and implemented to manage those risks. In areas assessed as medium or high risk, entities should apply more robust and/or strengthened systems and controls.

Failure to risk rate and know your customers is best compared to letting people into your house without knowing anything about them. You aren't aware of what they may be doing, how carefully you need to monitor them, or whether you should report their presence to law enforcement.

Improvements needed for ongoing customer due diligence procedures

Four entities can improve elements of their ongoing customer due diligence procedures. The purpose of ongoing customer due diligence is to monitor the ongoing ML/TF risk posed by offering designated services to certain customers. When the entity determines the ML/TF risk is high, these procedures are required to maintain an accurate understanding of their customers and provide enhanced controls and oversight. Ongoing customer due diligence procedures must include:

- customer identification and verification procedures – what identification information must be collected and updated
- transaction monitoring – rule-based criteria to identify suspicious transactions for investigation
- enhanced customer due diligence – additional procedures to collect, verify and analyse additional customer information, monitor transactions and escalate approvals to senior management.

Customer identification reviews and screening

Periodic reviews (also known as Know Your Customer refresh), where used, ensure that customer details remain current and that ML/TF risks remain appropriately managed. This includes re-verifying the customer's identification documents, source of wealth and source of

funds. Some entities instigate Know Your Customer refresh procedures based on prescribed triggers (such as opening additional accounts).

One entity required their customer information be updated at prescribed intervals based on their customer's ML/TF risk level (low, medium or high), but was unable to do so effectively because they do not risk rate all customers.

We also identified instances of inadequate procedures to identify PEPs. A PEP is an individual who holds a prominent public position or role in a government body or international organisation, either in Australia or overseas. Examples of PEPs include heads of state, government ministers, senior government executives, high-ranking judges and any of their immediate family members.

PEP identification procedures may include:

- asking the customer if they are a PEP during on-boarding and during the life of the customer relationship
- checking the customer's background on the internet, including sanctions lists and social media
- using databases and reports from third party vendors or organisations that specialise in analysing corruption risks.⁸

Transaction monitoring

Four entities had transaction monitoring programs that were not adequately designed to detect indicators of ML/TF. We found they lacked adequately designed and documented monitoring roles, particularly given their reliance on manual reviews without the support of automated systems. We note that there is no requirement to operate automated transaction monitoring systems.

Transaction monitoring programs should be able to identify indicators of ML/TF activity such as:

- size, frequency or patterns of transactions that may indicate unusual or suspicious activity, including suspected fraud or identity theft
- transactions that are sent to or received from a high-risk country or region
- payments that are sent to or received from a person or organisation on a sanctions list
- activities that may be inconsistent with a customer's risk profile or history
- higher risk customers previously suspected of or investigated for potentially suspicious activity
- other unexpected account activity from a customer which may indicate money laundering or terrorism financing⁹
- transactions which have no apparent economic or visible lawful purpose.

⁸ Australian Government AUSTRAC, 5 October 2022, [Politically exposed persons \(PEPs\)](https://www.austrac.gov.au/business/how-comply-and-report-guidance-and-resources/customer-identification-and-verification/politically-exposed-persons-peps), viewed 10 October 2022, <<https://www.austrac.gov.au/business/how-comply-and-report-guidance-and-resources/customer-identification-and-verification/politically-exposed-persons-peps>>.

⁹ Australian Government AUSTRAC, 12 April 2021, [Transaction monitoring](https://www.austrac.gov.au/business/how-comply-and-report-guidance-and-resources/amlctf-programs/transaction-monitoring), viewed 23 August 2022, <<https://www.austrac.gov.au/business/how-comply-and-report-guidance-and-resources/amlctf-programs/transaction-monitoring>>.

When customer identification procedures, screening and transaction monitoring processes are not functioning effectively, it is unlikely enhanced customer due diligence procedures will be undertaken. Failure to do this increases the likelihood that higher risk customers are not identified, ML/TF risks are not mitigated or managed and ML/TF activity will go undetected and unreported to AUSTRAC. Failing to identify and report suspicious activity to AUSTRAC prevents opportunities for law enforcement to prevent and detect serious crimes.

An example of a money laundering activity in Western Australia that could have been detected with an effective transaction monitoring program and reported to AUSTRAC is illustrated in the case study below. While it relates to customers of a private sector bank, it demonstrates that the customer due diligence and transaction monitoring processes that entities must have can help AUSTRAC detect and disrupt criminal abuse of the Australian financial system.

Case study 1: Transaction monitoring

AUSTRAC identified a suspected Hong Kong-based money laundering syndicate operating in Australia. Over six months a key Australia-based member of the syndicate travelled from Sydney to Perth numerous times to help launder the proceeds of their organised crime. He received money on 13 occasions, collecting up to \$500,000 in cash at a time.

He then took other syndicate members to banks and ATMs across Perth to deposit cash into a variety of accounts belonging to newly established Australian companies whose directors were Hong Kong nationals living overseas. The money was ultimately transferred to China.

A total of 163 bank transactions estimated to be worth \$29.5 million were made, with the depositors visiting as many as 10 bank branches a day.

A joint-agency task force was set up between AUSTRAC, the Australian Federal Police, Australian Border Force and Western Australia Police to identify the source of the deposited funds and to disrupt the money laundering.

Authorities arrested 10 offenders on money laundering and drug charges.

Source: AUSTRAC disrupts large-scale international money laundering syndicate | AUSTRAC¹⁰

Improvements needed for AML/CTF training

All entities that are required to, had implemented AML/CTF training for employees, but one had provided inadequately designed training to their staff.

AML/CTF training should be tailored for each entity to include:

- their obligations under the Act
- the consequences of not complying with the Act
- the type of ML/TF the entity might face and the consequences of this risk

¹⁰ Australian Government AUSTRAC, 1 July 2019, [AUSTRAC disrupts large-scale international money laundering syndicate](https://www.austrac.gov.au/business/how-comply-guidance-and-resources/guidance-resources/austrac-disrupts-large-scale-international-money-laundering-syndicate), viewed 12 October 2022, <<https://www.austrac.gov.au/business/how-comply-guidance-and-resources/guidance-resources/austrac-disrupts-large-scale-international-money-laundering-syndicate>>.

- how obligations are met including processes and procedures to identify, manage and mitigate risk.¹¹

We reviewed entities' training materials and found one lacked an adequate description of the actual ML/TF threats that employees need to be looking for. Further, the training materials did not cover the consequences individual employees and the entity might face for non-compliance with the Act concerning:

- prescribed timeframes for reporting suspicious matters (section 41)
- tipping-off offences and penalties for employees who unlawfully disclose information about suspicious matter reports (section 123).

Well-designed training programs are essential to detect ML/TF activity

If staff aren't effectively trained in what behaviours or transaction patterns might suggest ML/TF activity, they are unlikely to flag these matters for investigations or reporting to AUSTRAC.

We note that some entities have historically conducted ad-hoc information sessions for their boards rather than tracked formalised training programs, though these entities have recently updated their approach.

Boards and senior executives are responsible for maintaining ongoing and effective oversight of their AML/CTF program. The 2019 Royal Commission into Misconduct in the Banking Superannuation and Financial Services Industry highlighted the central role of boards in monitoring the management of AML/CTF programs and the significant regulatory, financial and reputational consequences of failing to do so.¹² The 2022 New South Wales¹³ and Victorian¹⁴ government inquiries in relation to casino operations have also publicly commented on such matters.

Due to the complexity of AML/CTF programs it is often difficult for board members to interpret the significance of findings, if program deficiencies have been addressed and what resources are required to manage AML/CTF functions. Training should enable boards to make better informed decisions and challenge their executive leadership team.

One entity had inadequate mandatory reporting procedures

We found one entity that did not have appropriately designed procedures to enable it to comply with its obligation to report matters to AUSTRAC. It was unaware that the type of transactions it had undertaken were covered by the Act.

Part 3 of the Act requires entities to report to AUSTRAC on an ongoing basis including:

- suspicious matters
- international funds transfer instructions

¹¹ Australian Government AUSTRAC, 24 June 2019, [Employee training: AML/CTF risk awareness training program](https://www.austrac.gov.au/business/how-comply-guidance-and-resources/amlctf-programs/employee-training), viewed 23 August 2022, <<https://www.austrac.gov.au/business/how-comply-guidance-and-resources/amlctf-programs/employee-training>>.

¹² Commonwealth Government, [Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry, Final Report](#), Commonwealth Government, Canberra, 2019.

¹³ Parliament of New South Wales, [Report of the Inquiry under section 143 of the Casino Control Act 1992 \(NSW\), dated 1 February 2021 \(Volumes One and Two\)](#), Parliament of NSW, Sydney, February 2021.

¹⁴ Victorian Government, [Royal Commission into the Casino Operator and Licence, The Report](#), Victorian Government Printer, Melbourne, October 2021.

- threshold cash transactions
- annual AUSTRAC compliance reports
- changes to services offered that alter registration requirements.

One entity had inadequate employee due diligence procedures

Entities are required to implement appropriate risk-based systems and controls to determine whether to, and in what manner, screen and re-screen prospective and continuing employees (Part 8.3 of the Rules).

One entity's AML/CTF program did not prescribe or apply requirements for rescreening linked to employee transfers, promotions or prescribed timeframes.

Two entities had not adequately addressed review recommendations

Entities will invariably require ongoing improvement to their AML/CTF programs to adapt to evolving risks, changes to business processes and AUSTRAC guidance. Organisations are required to engage an independent reviewer to undertake regular reviews to ensure their programs are appropriately designed as required by the Rules.

All entities that are required to, had AML/CTF specialist auditors undertake independent reviews. These reviews identified findings and detailed recommendations for changes to procedures.

We found that AUSTRAC has conducted reviews on some of the entities' AML/CTF programs in the past and made improvement recommendations.

Two entities had not fully resolved past deficiencies raised by independent reviews or directions from AUSTRAC. We expect that where entities receive audit or review findings, prompt action is taken to address any issues.

Recommendations

Entities with obligations under the Act and Rules should actively consider their:

1. money laundering and terrorism financing risk assessments
 - a. review ML/TF risk assessment processes to ensure they align with AUSTRAC's requirements
2. ongoing customer due diligence procedures
 - a. design and implement appropriate Know Your Customer refresh procedures
 - b. ensure customer identification and verification procedures (including list screening) are operating effectively
 - c. design and implement transaction monitoring programs that are appropriate for the size, nature and complexity of the entity's operations and can reliably identify indicators of ML/TF.
3. AML/CTF training
 - a. ensure boards and employees are educated on their entity's program, obligations and the ML/TF risks, to enable them to effectively oversee and manage their program
4. employee due diligence procedures
 - a. ensure employee due diligence screening and re-screening requirements are based on a risk assessment of roles
5. implementation of recommendations
 - a. action all audit report findings and AUSTRAC directions urgently and consider engaging an external review to independently validate program amendments
6. update AML/CTF program documentation
 - a. update program documentation with any required changes.

Response from audited entities

All entities generally agreed with and accepted our findings, six of the eight accepted the option to provide a response.

Department of Education

The Department of Education welcomes the review of the AML/CTF Act undertaken by the Office of the Auditor General. The Department has one activity captured under the Act, which is the administration of the Low Interest Loan Scheme (LILS) with non-government schools. Due to the low-risk nature of the scheme and its customer base, LILS is exempted from a significant majority of the requirements of the Act. Notwithstanding, the Department takes very seriously its obligations under the AML/CTF Act and is committed to the continuous enhancement of its business processes.

Fire and Emergency Service Superannuation Board

Fire and Emergency Service Superannuation Board would like to thank the Office of the Auditor General for its limited assurance review of the Fire and Emergency Services Superannuation Board's Anti-Money Laundering/Counter Terrorism Financing arrangements.

Gold Corporation

Gold Corporation thanks the Office of the Auditor General for their thorough review of its compliance with AML/CTF obligations. The Corporation has strategic initiatives planned around data, processes and technology and will continue to work with AUSTRAC as it has done throughout the year on ensuring its AML/CTF program is robust and appropriate.

Keystart Loans Limited and the Country Housing Authority

Keystart Loans Limited and the Country Housing Authority are required to comply with obligations under the Anti-Money Laundering and Counter-Terrorism Financing Act and Rules. We have in place an AML/CTF Program that is reviewed and updated annually (or prior to that, if required). The Program is also reviewed under our Internal Audit Program on a biennial basis. We have very much welcomed the review of our AML/CTF Program by OAG and will look to implement any recommendations arising from the review.

Racing and Wagering Western Australia (RWWA)

RWWA is committed to supporting the OAG to ensure that State government entities have appropriate AML/CTF Programs in place and that each entity is complying with the AML/CTF Legislative Obligations including its Rules, and regulations. RWWA has a dedicated team to ensure that RWWA is compliant and has a robust and well documented Program and Policies to deal with any AML/CTF matter, including transaction monitoring systems to detect and report on unusual activity.

In addition to TAB agencies and their staff, every RWWA employee, member of Senior Management and Board must complete an AML/CTF Compliance certificate to ensure awareness of the industry and relevant ML/TF risks, to understand their role and RWWA's Program and Policies to mitigate risks, and to be able to operate a TAB facility (for those that are directly involved). RWWA undertakes stringent employee due diligence processes.

RWWA is committed to continuous improvement and rigorous reviews of its ML/TF risk assessments, Program and Policies, and undertakes and implements independent audit review findings. RWWA has a dedicated contact within AUSTRAC's Regulatory Operations

team and conducts review meetings with this team to ensure RWWA remains up to date on AML/CTF matters. RWWA understands the importance of its role in undertaking appropriate risk assessments of the ML/TF risks relevant to its operations, and seeks to address, detect, minimise and report on suspicious transactions in a timely manner, and works with AUSTRAC to improve its processes and respond to any emerging industry-wide trends or risks. RWWA welcomes this audit review process and any opportunity to improve processes to reduce ML/TF risks within Western Australia.

Audit focus and scope

The objective of this limited assurance review was to understand if the eight State government entities regulated by AUSTRAC had sound arrangements in place to comply with the Act and the Rules.

We examined each entity's AML/CTF policies and procedures and samples of mandatory reporting. We conducted interviews with designated AML/CTF compliance officers and the auditors for independent AML/CTF reviews.

We considered each entity's obligations under the Act and their documented program by examining the following elements:

- ML/TF risk assessment
- AML/CTF training
- ongoing customer due diligence procedures
- mandatory AUSTRAC reporting processes
- employee due diligence procedures
- board and management oversight of the AML/CTF program
- past AML/CTF program independent reviews and AUSTRAC feedback
- AML/CTF program documentation.

Two of the eight entities have exemptions granted by AUSTRAC from most of the obligations of the Act and Rules (and were reviewed against their obligations only).

This limited assurance review was conducted under section 18 of the *Auditor General Act 2006* and varies in nature, timing and extent from an audit. As such, the level of assurance provided in this review is substantially lower than for an audit.

Auditor General's 2022-23 reports

Number	Title	Date tabled
5	Financial Audit Results – Local Government 2020-21	17 August 2022
4	Payments to Subcontractors Working on State Government Construction Projects	11 August 2022
3	Public Trustee's Administration of Trusts and Deceased Estates	10 August 2022
2	Financial Audit Results – Universities and TAFEs 2021	21 July 2022
1	Opinion on Ministerial Notification – Wooroloo Bushfire Inquiry	18 July 2022

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