



# ANNUAL REPORT

Asia/Pacific Group  
on Money Laundering

2019-2020



Under Article 1 of the APG Terms of Reference 2019, the APG is a non-political, technical body, whose members are committed to the effective implementation and enforcement of the internationally accepted standards against money laundering, financing of terrorism and proliferation financing set by the Financial Action Task Force. This document, any expression herein, and/or any map included herein, are without prejudice to the status of, or sovereignty over, any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area. Under the APG Terms of Reference, membership in the APG is open to jurisdictions which have a presence in the Asia-Pacific region.

**Cover image:** Hon. Pohiva Tu'i'onetoa (centre), Prime Minister of Tonga, with officials and the APG assessment team during the mutual evaluation on-site visit in October 2019.

For more information about the APG, please visit the website.

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## APG CO-CHAIRS' FOREWORD



Deputy Commissioner McCartney

In accordance with Section 6.5 of the *APG Terms of Reference 2012* requiring the filing and signing of annual reports and financial statements by the APG Co-Chairs, we submit the following report to the membership on the operations of the Asia/Pacific Group on Money Laundering (APG) for the period 1 July 2019 to 30 June 2020.

This report highlights the achievements of the APG over the reporting period against the goals and strategies contained in the *Strategic Plan 2016–2020*. The independent audit report of Ernst & Young of Canberra, Australia dated 16 September 2019 is attached to this report.

This has been a difficult year for the APG given the COVID-19 pandemic declared in March 2020. APG delegates have not experienced the kind of disruption in business before this, and adapting to the new restrictions and reduction of travel associated with those restrictions has proved very challenging. Nevertheless, 2019-20 has been a successful year and with the introduction of virtual meeting platforms this year we have managed to deliver outcomes when at the outset of the pandemic there was some questions whether we would be able to do so.

Over the last year, the APG conducted a number of missions, events and training programmes, both physically and virtually, including the technical assistance and training forum, mutual evaluations and ME preparation on-site visits, pre-ME meetings, three strategic implementation visits, and a joint FATF/APG assessor training workshop. The APG participated in the FATF strategic review and provided members' input and feedback facilitated by its Ad Hoc Group, which met three times over the year and conducted a number of rounds of consultation. These activities and many others are outlined in this report.



Deputy Governor Omar

The APG continued its work on the mutual evaluations of Japan, Tonga and Vietnam, and commenced a further three mutual evaluations of Brunei Darussalam, Lao PDR and the Republic of Marshall Islands. Six third round ME

follow-up reports (Cambodia, Mongolia, Myanmar, Pakistan, the Philippines and Thailand) were adopted by the membership out-of-session.

The membership renewed the APG mandate this last year for another eight year term from 2020 to 2028 and agreed to continue funding of the APG for that new eight-year term. A draft Strategic Plan for 2020-2024 was considered by the membership, and is expected to be adopted at the 2021 annual meeting. Moreover, the Malaysian Co-Chair has implemented a list of Co-Chairs' Priorities for 2020-2022. Those priorities focus on DNFBP supervision, data analytics, Public-Private Partnership and secretariat resourcing (through secondments). Malaysia is strongly committed to driving typologies research forward and to host Typologies Workshops for the next five years. The membership has endorsed these priorities and we look forward to implementing them in the coming two years.

On behalf of all members we would like to extend our thanks to all APG members and observers who made 2019-2020 a successful year for the APG despite the significant challenges associated with the global pandemic and restrictions on international travel.

[signed]

**Deputy Commissioner Ian McCartney**  
**APG Co-Chair**  
Australia  
16 October 2020

[signed]

**Deputy Governor Marzunisham Omar**  
**APG Co-Chair**  
Malaysia  
16 October 2020

## APG ORGANISATIONAL STRUCTURE 2019-2020

The APG has 41 member jurisdictions as follows:

- |                                |                                      |                              |
|--------------------------------|--------------------------------------|------------------------------|
| 1. Afghanistan                 | 15. Korea, Republic of               | 28. Palau                    |
| 2. Australia                   | 16. Lao People's Democratic Republic | 29. Papua New Guinea         |
| 3. Bangladesh                  | 17. Macao, China                     | 30. Philippines              |
| 4. Bhutan, Kingdom of          | 18. Malaysia                         | 31. Samoa                    |
| 5. Brunei Darussalam           | 19. Maldives                         | 32. Singapore                |
| 6. Cambodia                    | 20. Marshall Islands, Republic of    | 33. Solomon Islands          |
| 7. Canada                      | 21. Mongolia                         | 34. Sri Lanka                |
| 8. China, People's Republic of | 22. Myanmar                          | 35. Chinese Taipei           |
| 9. Cook Islands                | 23. Nauru                            | 36. Thailand                 |
| 10. Fiji                       | 24. Nepal                            | 37. Timor-Leste              |
| 11. Hong Kong, China           | 25. New Zealand                      | 38. Tonga                    |
| 12. India                      | 26. Niue                             | 39. United States of America |
| 13. Indonesia                  | 27. Pakistan                         | 40. Vanuatu                  |
| 14. Japan                      |                                      | 41. Vietnam                  |

The APG has eight observer jurisdictions and 32 observer organisations (including FATF-style regional bodies, or FSRBs). APG observers to 30 June 2020 were as follows:

APG Observers			
Jurisdictions	Organisations		FSRBs
1. France	1. ADB/OECD Anti-Corruption Initiative	13. Interpol	1. CFATF
2. Germany	2. Alliance for Financial Inclusion	14. Islamic Development Bank	2. EAG
3. Democratic People's Republic of Korea	3. APEC secretariat	15. Oceania Customs Organisation	3. ESAAMLG
4. Kiribati	4. ARIN-AP	16. Pacific Islands Chiefs of Police	4. FATF
5. Federated States of Micronesia	5. ASEAN Secretariat	17. Pacific Islands Forum Secretariat	5. GABAC
6. Russian Federation	6. Asian Development Bank	18. Pacific Islands Legal Officers' Network	6. GAFILAT
7. Tuvalu	7. Commonwealth Secretariat	19. Pacific Financial Technical Assistance Centre	7. GIABA
8. United Kingdom	8. Egmont Group of FIUs	20. United Nations	8. MENAFATF
	9. European Commission	21. UN Office on Drugs and Crime	9. MONEYVAL
	10. Financial Services Volunteer Corps	22. World Bank	
	11. Group of International Finance Centre Supervisors	23. World Customs Organisation	
	12. IMF		

### APG Co-Chairs

The APG has two Co-Chairs: one Co-Chair position is a permanent position and the other is rotated among APG members every two years. The Co-Chairs are responsible for chairing APG meetings and providing strategic advice and direction to the membership. Australia, as host of the APG secretariat, holds the permanent Co-Chair position. The rotating Co-Chair position was held by Bangladesh during the reporting period, with a term from July 2018 to July 2020. Both Australia and Bangladesh were founding members of the APG in 1997.

**Co-Chair, Australia:** The Australian Co-Chair position is held by Deputy Commissioner Ian McCartney who assumed the role on behalf of Australia when Deputy Commissioner Leanne Close retired at the end of 2019. Deputy Commissioner McCartney is a career police officer with significant experience in national and international economic and organised crime investigations. In 2014, Ian was awarded with the Australian

Police Medal in recognition of his distinguished service, particularly in the areas of law enforcement liaison in Asia, and for his role in national investigations.

**Co-Chair, Malaysia:** The rotating Co-Chair position for 2020–2022 is held by Deputy Governor Marzunisham Omar on 24 July 2020. Mr Omar is the Deputy Governor of Bank Negara Malaysia and is also the chair of the National Coordination Committee to Counter Money Laundering. Marzunisham joined Bank Negara Malaysia in 1993 and holds a MA in Economics from Cambridge University. He has 27 years of experience across various functions of Central Banking, ranging from economic and monetary policy, financial sector regulation and development, financial inclusion and organisational development.

**Outgoing Co-Chair, Bangladesh:** The rotating Co-Chair position for 2018-2020 was held by Mr Abu Hena Mohammad Razee Hassan, Head of Bangladesh Financial Intelligence Unit (BFIU). Mr Hassan has been the Head of BFIU since 2012, and is the Member Secretary of the National Coordination Committee (NCC) on anti-money laundering and combatting the financing of terrorism (AML/CFT). He is also a member of the Working Committee on AML/CFT and the Anti-Militancy and De-Radicalization Committee, and is the convener of the Central Task Force for Prevention of Money Laundering and Terrorist Financing. In his time as APG Co-Chair, Mr Hassan has co-chaired the 22nd annual meeting in Canberra, Australia; co-chaired nine governance committee meetings; and has chaired the APG Ad hoc Strategic Review Committee meetings, an important review dealing with significant changes in FATF that affect the APG.

### Previous Rotating Co-Chairs

Since the APG's establishment in 1997 there have been 11 rotating Co-Chairs as follows:

APG member	Agency/Department	Period
1. Philippines:	Department of Foreign Affairs	1998–2000
2. Malaysia:	Central Bank of Malaysia	2000–2002
3. Korea:	Korea Financial Intelligence Unit	2002–2004
4. Japan:	Japan Financial Intelligence Office	2004–2006
5. Indonesia:	Indonesian Financial Transaction Reports & Analysis Centre	2006–2008
6. Singapore:	Commercial Affairs Department	2008–2010
7. India:	Directorate of Enforcement	2010–2012
8. China:	People's Bank of China Anti-Money Laundering Bureau	2012–2014
9. New Zealand:	Ministry of Justice	2014–2016
10. Sri Lanka:	Financial Intelligence Unit	2016–2018
11. Bangladesh:	Bangladesh Financial Intelligence Unit	2018 -2020



### **Annual Meeting - COVID-19 pandemic**

The 23<sup>rd</sup> Annual Meeting due to be held in July 2020 was cancelled due to the COVID-19 emergency and related travel restrictions. A number of business activities have been adjusted, postponed or cancelled in 2019-2020 due to the above-mentioned pandemic, and the inability of secretariat staff and delegates to support certain activities or to conduct international travel.

The Governance Committee considered how to move critical business forward, including key governance-related decisions and options for virtual meetings and training. In the absence of the annual meeting, the Governance Committee considered and endorsed many documents that would have been presented to the membership at the 2020 annual meeting.

### **Annual Forum on Technical Assistance**

A virtual TA&T Forum was held in July to August 2020 as an alternative to the in-person annual TA&T Forum. On 15 July and 22 July 2020, virtual meetings with Donors and Providers of Technical Assistance (DAPs) took place focused on technical assistance coordination and cooperation in APG Asia member jurisdictions and APG Pacific member jurisdictions, respectively. Between 27 July and 21 August 2020, 17 virtual individual meetings between members and DAPs were held. These meetings focused on individual members' AML/CFT needs and potential DAPs assistance including potential remote assistance during the COVID-19 pandemic. The nine member jurisdictions who did not convene individual meetings will still be supported by APG TA coordination with DAPs.

### **Membership Decisions and Outcomes 2019-2020**

#### **Governance**

**Mandate:** At the 2019 annual meeting, the membership unanimously agreed to extend the APG's mandate eight years, from December 2020 to December 2028. Since then, all 41 members provided written Ministerial-level commitment letters for a renewed APG mandate and continued funding of the APG for the next eight years.

**Strategic Plan 2020 – 2024:** The Strategic Plan 2016 – 2020 expired on 30 June 2020. The GC considered three drafts of the Strategic Plan 2020-2024 throughout the year, incorporating comments and suggestions received through three of rounds of consultation with the APG membership. As a result of the cancellation of the 2020 annual meeting, the membership indicated that the formal adoption of the Strategic Plan should be deferred until proper discussion of the plan can occur at a plenary meeting. Therefore, the GC decided at its meeting on 25 June 2020 to allow for the operation of the Strategic Plan 2020-2024 in principle, to provide a necessary interim framework for further reporting and business going forward, until such time a plenary meeting can be held.

**Terms of Reference 2019:** The APG Terms of Reference was amended to reflect changes to the FATF methodology relating to new measures in R.15 on virtual assets and virtual asset service providers.

#### **Financial Performance 2019-2020**

The audited APG financial statements for the year 2019-2020 are attached as **Annex B**. The APG ended the FY2019-20 in a stronger than forecast position. Performance during the year is summarised from those statements as follows:

- Income: \$4,706,399<sup>1</sup>
- Expenses: 4,398,872
- Surplus: 307,527
- Net equity: **\$877,275**

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<sup>1</sup> From all sources, core and voluntary. Notes 1 and 4 to Annex B explain.

Notes to the financial statement explain each of the line items in detail. The APG finished FY2019-20 with a surplus of \$307,527 instead of the anticipated deficit of \$269,519. This was largely due to the significant underspend in travel-related costs due to restrictions imposed in response to the COVID-19 pandemic. This surplus was used to support a zero percent budget increase for membership contributions in FY2020-21 which was approved by the membership in June 2020 with the assistance of the Governance Committee (as noted above).

### **Budget and Business Plan 2020-2021**

The core budget for 2020-21 of \$3,225,068 has not increased over last year in accordance with the membership decision in June 2020. Year-to-come initiatives are outlined in Part Five. A Business Plan for 2020-21 was adopted by the membership out of session to reflect the business outlined in the budget.

### **Mutual evaluation programme**

Five mutual evaluations were conducted this year:

- 1) Korea;
- 2) Japan;
- 3) New Zealand;
- 4) Tonga; and
- 5) Vietnam.

The FATF/APG mutual evaluation of Korea was adopted by the FATF in February 2020 and published in April 2020. The mutual evaluations of Japan, New Zealand, Tonga and Vietnam were paused in the 2<sup>nd</sup> quarter of 2020, prior to face-to-face meetings, due to travel restrictions associated with COVID-19.

Members adopted: i) the third round ME follow-up reports of Cambodia, Mongolia, Myanmar, Pakistan, the Philippines, Thailand; ii) the revised *APG Mutual Evaluation Procedures 2020*; and iii) a revised APG 3<sup>rd</sup> Round Mutual Evaluation Schedule.

Mutual evaluations commenced in 2019-2020 for Brunei Darussalam, Lao PDR and the Republic of Marshall Islands to be adopted in July 2021. The timing of on-site visits for these evaluations are yet to be determined.

A joint APG/FATF assessor training workshop was held in Bandung, Indonesia in September 2019. The workshop was supported by presenters from Australia; Indonesia; Macao, China; Malaysia and both the APG and FATF Secretariats.

### ***FATF Strategic Review***

The FATF commenced a Strategic Review of the FATF Global Network assessment processes in June 2019. The review is considering the nature of future AML/CFT assessments and related follow-up activities. The FATF formed its Ad Hoc Group on the Strategic Review which includes the APG. In August 2019 the APG formed an Ad Hoc Committee on the FATF Strategic Review to help to facilitate APG members' views and input into the FATF strategic review process.

In June 2020 the FATF agreed on key elements of the framework for future assessment processes of the FATF and its Global Network. These include continuing comprehensive evaluations with a greater emphasis on effectiveness and the risk-based elements of the assessment process. The strategic review, including the revisions to the Methodology for assessments, will be complete in June 2021. The outcomes of the strategic review will determine the APG's future assessment work and have significant implications on the work and resources of APG overall.

### **Typologies**

APG members adopted the 2020 Annual Typologies Report which contains a synopsis of the typologies projects undertaken in 2019-20, recent trends on money laundering and terrorist financing, and a number of case studies.



## **Implementation and technical assistance issues**

The Operations Committee considered ongoing work in the implementation of AML/CFT measures, including:

- A joint project with Alliance for Financial Security-with Information Technology on implementation of digital KYC, including a possible second phase of the project which may extend to outreach and capacity building on applying the FATF Guidance on Digital ID;
- A joint project with the Global Centre on Cooperative Security on the use of financial intelligence related to foreign fighters, returnees, and their facilitation networks in South East Asia, including financial profiles of foreign fighters in the region. This project intends to produce a draft report including red flag indicators.

The membership considered the Technical Assistance & Implementation Activities 2020 report which outlines all of the year's technical assistance as well as related activities. A copy of the Pacific AML/CFT Capacity Development (PACD) Programme Annual Report 2019-2020 is at **Annex C**.

### **APG STRATEGIC PRIORITIES**

The APG's strategic priorities are outlined in the *APG Strategic Plan 2016–2020* as three goals, each containing a subset of “strategies” or performance outcomes against which the goals are designed to be measured, and which are outlined in greater detail in annual business plans. These performance outcomes are set against a framework of APG values which, as an organisation, the APG endeavours to incorporate into its operational activities and assert in its dealings with other international organisations, including the global AML/CFT network.

Below is a summary of the performance highlights of the APG for the 2019-2020 financial year under each strategic goal.

#### **STRATEGIC GOAL #1** **EFFECTIVE MULTILATERAL ORGANISATION**

##### **INCLUDE ALL RELEVANT REGIONAL AND INTERNATIONAL STAKEHOLDERS IN THE WORK OF THE APG**

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##### **Required activities in 2019–2020:**

1. Encourage bilateral and multilateral engagement between members, observers and other jurisdictions and organisations to advance strategic objectives.
2. Continue engagement with FATF, FSRBs, FATF TREIN, ADB, IMF, World Bank, PIFS, UN agencies, UNODC, the Egmont Group and other relevant bodies on conferences, seminars, workshops, technical assistance activities and strategically important regional initiatives.
3. Continue engagement with existing observer jurisdictions of APG.
4. Identify relevant international organisations for possible observer status.

##### **Achievements:**

1. APG strategic objectives were advanced by members, observers and the APG secretariat through continued global engagements in the AML/CFT network.
2. The APG engaged with the Global FSRB network at the “No Money For Terror” conference in late 2019 in Melbourne, Australia in particular establishing closer relationships and partnerships with GABAC and with Egmont (the latter of which relates to overlapping membership issues).
3. The Governance Committee (GC) considered an observer enquiry from the Green Climate Fund (GCF) on 20 March 2020. At the 2 April 2020 GC meeting, delegates considered that the application lacked merit due to the GCF's role which does not include AML/CFT.

##### **ENSURE EFFECTIVE GOVERNANCE STRUCTURES, INCLUDING PLENARY OF MEMBERS AND OBSERVERS, GOVERNANCE COMMITTEE, CO-CHAIRS, COMMITTEES AND SECRETARIAT**

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##### **Required activities in 2019–2020:**

1. Deliver 23<sup>rd</sup> Annual Meeting in July 2020.
2. Implement revised governance and other strategic workload management mechanism(s) to address the growing workload, in accordance with decisions made at the 22nd annual meeting in Canberra, Australia in August 2019.

3. The Governance Committee will consult with members and meet at least five times in the year to provide on-going advice to the membership and co-chairs on governance, policy and planning issues and will implement, where needed, the membership decisions and directions made at the 2019 annual meeting.
4. APG committees and project groups will deliver projects and programmes as agreed by the membership and consider others as suggested by the membership or by the secretariat during the year.

#### **Achievements:**

1. The 23<sup>rd</sup> Annual Meeting due to be held in July 2020 was cancelled due to the COVID-19 global health emergency and related travel restrictions.
2. Comprehensive business continuance and business resumption planning was conducted to ensure the operation of APG programmes and activities during the COVID-19 global emergency and the resumption of activities in the coming months.
3. The GC met eight times by teleconference during the year. Sub-regional GC representatives participated in all meetings and consulted their delegates on all matters considered in the GC. Issues included policy responses to manage challenges arising from COVID-19, out-of-session adoption of priority governance documents due to cancellation of the 2020 annual meeting, and a range of broad governance and specific membership-related matters.
4. The *Governance Committee Terms of Reference 2018* were amended following the 2019 Annual Meeting to include amendments to the quorum rule for GC meetings.
5. The APG Terms of Reference were consequentially amended to reflect changes to the GC Terms of Reference.
6. The *Information and Communications Strategy* was amended in accordance with the membership decision in 2019 to include provisions relating to unauthorised disclosures of confidential plenary discussions via social media platforms.
7. The secretariat provided administrative and advisory support and briefing documents to the Co-Chairs and GC as per section 6.3 and Annex A of the *APG Terms of Reference 2018*.
8. The Mutual Evaluation Committee (MEC) met virtually four times during the year. The MEC contributed to FATF policy development work; developed changes to the APG ME procedures and schedule; discussed third round reports; and endorsed third round follow-up reports.
9. The APG Ad Hoc Committee on the FATF Strategic Review facilitated the input of APG's experience and perspectives to the FATF Strategic Review.

### **RESOURCE THE APG AND ITS OPERATIONS AND ENSURE PROPER MANAGEMENT OF APG FUNDS AND ACTIVITIES**

#### **Required activities in 2019-2020:**

1. Members and observers will support operations through voluntary contributions, project support, active working group participation, expert advice or other resources in addition to budget contributions.
2. The secretariat will manage and report on APG revenue and expenditure in accordance with the agreed 2019-20 budget and legal obligations of the host government, Australia.
3. The secretariat will engage auditors to review of APG end-of-year financial statements and file an independent audit report to be attached to the APG's Annual Report 2019-20.
4. The secretariat to implement decisions made by members at the 2019 Annual Meeting on additional resources required to manage work relating to 5th year follow-up evaluations and other workload challenges.

#### **Achievements**

1. APG members Australia, China, Chinese Taipei, New Zealand and the United States continue to provided project support and voluntary contributions to programmes including funds for specific activities such as visits to members, sponsored travel and workshop costs, as well as costs related to staff establishment. Many members provided support to technical assistance programmes and events. Details of these contributions can be found in the *Budget Paper 2019-2020*.

2. China provided AU \$290,000 for the establishment and staffing of a Policy Officer to work in ICRG and typologies work streams over a two-year period. Staffing of that position will commence in August 2020.
3. The secretariat managed funds in accordance with the laws and governance frameworks of Australia and its host, the Australian Federal Police, as well as internal secretariat policies and regulating agreements with donors, within agreed timeframes. As outlined in Part Four of this report, significant savings were realised in FY 2019–20, primarily in travel expenses.
4. The secretariat implemented a financial transparency and management initiative to undertake monthly reconciliation analysis and reports to the secretariat's host agency.
5. The secretariat also initiated an improved and extended review and adjustment process for budget management to include quarterly updates, reviews and budget re-allocations as needed and reporting to the GC.
6. An independent financial audit of funds will be conducted in August/September 2020 and will be attached with an audit report to the Annual Report (later in the new Financial Year 2020-2021).

### **ACTIVELY PARTICIPATE IN INTERNATIONAL AML/CFT POLICY DEVELOPMENT AND, STANDARD SETTING PROCESSES THROUGH COOPERATION WITH THE FATF AND INTERNATIONAL PARTNER ORGANISATIONS**

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#### **Required activities in 2019–2020:**

1. Participate in FATF plenaries, working groups and other inter-sessional meetings.
2. Participate in one other FSRB meeting in 2019–20.
3. Coordinate input to FATF and other bodies' projects, policy development, assessment work and studies of risks, trends and methods.

#### **Achievements:**

1. The APG effectively contributed as a FATF associate member in by participating in two regular FATF plenary meetings (October 2019 and February 2020) in person. The third meeting in June 2020 was conducted virtually due to global travel restrictions.
2. The APG participated in the FATF Strategic Review via the APG's own Ad Hoc Working Committee on the FATF Strategic Review and by members and the secretariat providing comments on various FATF Strategic Review papers and project team discussions.
3. The APG participated in the FATF's Global Network Coordination Group (GNCG), Evaluations and Compliance Group (ECG) and in the ICRG, including its Asia-Pacific Joint Group.
4. The APG participated in the FATF/FSRB Secretariats' workshop in France, September 2019; and a virtual FATF/FSRB Secretariats' seminar in June 2020.
5. The APG's consolidated position and/or individual members' views for policy issues were provided to FATF in the following areas:
  - Mutual evaluations, including universal procedures and 5<sup>th</sup> year follow-up processes;
  - ICRG procedures;
  - Policy development through the Policy Development Group (PDG);
  - The FATF Strategic Review through the FATF Ad Hoc Group and three project teams;
  - The listing of APG members by the European Commission as high risk jurisdictions for AML/CFT.
6. The views of the DAP group were provided to FATF on technical assistance activities and planned projects.
7. The APG Secretariat served as an external reviewer of the MENAFATF mutual evaluation of Egypt. APG Secretariat provided key issues or quality and consistency comments on two draft mutual evaluation reports of other assessing bodies.
8. The APG Secretariat attended the virtual MONEYVAL working group meetings in June 2020.

## **STRATEGIC GOAL #2 COOPERATION IN UNDERSTANDING RISK ENVIRONMENT AND IMPLEMENTING STANDARDS**

### **SUPPORT RESEARCH ON AML/CFT RISKS AND CONTEXTUAL ISSUES**

#### **Required activities in 2019–2020:**

1. Complete the joint APG/EAG typologies project on the use of proceeds of crime including from organised crime for financing of terrorism, individual terrorists or terrorist organisations.
2. Complete the Human Trafficking and People Smuggling Project (Phase 2).
3. Participate in FATF and other FSRB typologies projects if relevant to APG business.

#### **Achievements:**

1. The APG Operations Committee supported the APG implementation and typologies work. The Operations Committee was chaired by New Zealand and Samoa.
2. The APG and EAG, with Bangladesh, India and Russia as co-chairs, conducted a joint project on terrorist financing and proceeds of crime (including organised crime). The report was adopted at the 2019 APG annual meeting and the EAG plenary in November 2019, and was published in December 2019.
3. The final workshop in the Human Trafficking and People Smuggling Project (Phase 2) which was scheduled for June 2020 was cancelled due to COVID-19. Australia, as workshop lead, will re-schedule once international travel restrictions ease.
4. The APG has completed a project on trans-Pacific drug trafficking routes and illicit financial flows. Tonga and Vanuatu commenced the project as co-leads, with Tonga maintaining oversight. Funding for the project was provided by the US State Department.

### **IDENTIFY DOMESTIC AND REGIONAL ISSUES THAT AFFECT IMPLEMENTATION OF THE FATF STANDARDS, INCLUDING MEMBERS' ASSISTANCE NEEDS AND OPPORTUNITIES FOR ENHANCED INTERNATIONAL COOPERATION**

#### **Required activities in 2019–2020:**

1. Engage with members and technical assistance providers to identify domestic and regional assistance needs, and implementation issues, arising from members' experience of international cooperation, risk assessments, typologies work, mutual evaluations (including follow-up) and FATF processes.
2. Continue to identify other domestic and regional technical assistance and implementation issues.

#### **Achievements:**

1. The APG continued its core technical assistance work (Asia and Pacific) to identify domestic and regional implementation issues through the APG's technical assistance coordination processes and encouraged assistance in response to identified needs.
2. The APG undertook two joint projects on key implementation issues:
  - with Alliance for Financial Security-with Information Technology on implementation of digital KYC, including a possible second phase of the project which may extend to outreach and capacity building on applying the FATF Guidance on Digital ID;
  - with the Global Centre on Cooperative Security on the use of financial intelligence related to foreign fighters, returnees, and their facilitation networks in South East Asia, including financial profiles of foreign fighters in the region. This project intends to produce a draft report including red flag indicators.
3. The APG participated in a number of significant implementation-related events including:

- Beneficial Ownership workshop in Malaysia, July 2019;
  - 'No Money for Terror' Ministerial Conference in Melbourne, Australia, November 2019; and
  - 5th Regional CFT Summit in the Philippines, November 2019.
4. In response to discussions related to the low levels of financial and money laundering investigations, the APG is working with relevant Donor and Provider (DAP) Group members to support jurisdictions with training and mentoring for law enforcement agencies.
  5. The APG has identified emerging challenges with the use of virtual currencies and related changes to the methodology. This was the subject of technical seminars at the 2019 APG plenary and planning for a workshop in 2020/21 is underway.

### **PROVIDE GUIDANCE, ADVICE, AND TECHNICAL ASSISTANCE ON IMPLEMENTATION OF THE FATF STANDARDS, IN COLLABORATION WITH GLOBAL PARTNERS**

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#### **Required activities in 2019–2020:**

1. Support work by FATF and other global partners to share experience and implementation support resources on topics including risk assessments, international cooperation, investigating and prosecuting money laundering, terrorist financing, proliferation financing, illicit financial flows from wildlife smuggling and risk-based supervision of financial and non-financial sectors. Deliver strategic implementation planning support pre- and post-mutual evaluations.
2. Support members to build AML/CFT capacity and mechanisms consistent with the FATF standards, including through technical assistance visits, workshops and desk-based assistance.

#### **Achievements:**

1. The APG contributed actively, through substantial written input and attendance at meetings, to work the FATF's work on proposals to amend Recommendation 1 to include an assessment and mitigation of Proliferation Financing.
2. The APG participated actively in the FATF Secretariat's 12-month review of Virtual Assets and Virtual Asset Service Providers.
3. The APG undertook three Strategic Implementation Planning (SIP) visits to the Philippines in January 2020, Solomon Islands in February 2020 and Myanmar in March 2020. These visits incorporated developing a prioritised action plan against outcomes of mutual evaluation reports as well as considering the resultant technical assistance needs and how to coordinate these among DAP Group members. APG coordinated closely with those members and DAP Group members to follow-up on technical assistance needs and delivery arising from the SIP visits.

### **SUPPORT THE COORDINATION OF TECHNICAL ASSISTANCE BETWEEN MEMBERS AND RELEVANT PROVIDERS OF ASSISTANCE**

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#### **Required activities in 2019–2020:**

1. Deliver the annual technical assistance and training forum in July 2020.
2. Collect information and analyse gaps in members' AML/CFT systems.
3. Coordinate and support assistance provided by the DAP Group.
4. Conduct teleconferences to coordinate technical assistance in sub-regional groups.
5. Deliver technical assistance and training programmes funded under voluntary grants pursuant to specific implementation plans.
6. Deliver Pacific technical assistance and training in accordance with the five-year New Zealand funding programme by completing scoping visits and coordinating activities identified in implementation plans.

## Achievements:

1. The secretariat conducted a virtual annual technical assistance and training forum in July - August 2020 which facilitated discussions between members and DAPs of technical assistance.
2. The secretariat held two DAP Group hook-ups in December 2019, and May 2020 to continue discussions and follow-up on outcomes from the 2019 TA forum. The 2019 hook-up focussed on members in ICRG. The May 2020 video conference considered the impacts of COVID 19 on delivery of technical assistance to members and the opportunities for addressing these challenges.
3. Over the year, the secretariat remained in regular contact with DAP Group members to assist as necessary, including assisting with introductions and coordination, providing background information on technical assistance activities and needs, supporting bilateral and regional technical assistance, and advising on FATF Standards, mutual evaluation processes and the FATF ICRG process.
4. *A Technical Assistance & Implementation Activities 2020* report was considered and adopted by members via the GC, which outlines all of the year's technical assistance as well as related activities.
5. In addition, to the standard information collection and analysis of member needs, the secretariat collected information from members on the impact of COVID-19 on their ability to receive technical assistance and the impact of COVID-19 on DAP delivery of technical assistance.
6. Prior to the 2020 TA forum, the secretariat distributed information on members' needs and their ongoing technical assistance activities to members of the DAP group. The secretariat analysed information received from members in addition to mutual evaluation reports, ICRG action plans, progress and follow-up reports in order to provide DAP Group members with a clear understanding of members' contexts, needs and implementation gaps. The secretariat provided in country support for one strategic implementation planning workshop (Myanmar) and remotely assisted the remaining two SIP workshops in Philippines.
7. Upon completion of the 2019 forum, the secretariat followed up discussions with a report on commitments and outcomes for the DAP Group members with respect to each of the 26 members who receive technical assistance.
8. The secretariat briefed individual DAP group members and member jurisdictions (on an as-needed basis) to ensure active ongoing cooperation and coordination on Asia technical assistance activities.
9. Activities under the New Zealand funded Pacific AML/CFT Capacity Development Programme (PACD) are outlined in detail in the PACD Programme 2018-2019 Annual Report (Annex C). A summary of activities includes:
10. The secretariat represented the APG membership at the Pacific Islands Forum Secretariat regional security coordination meeting (remote participation) in October 2019; Pacific Islands Law Officers' Network Annual Meeting in Apia, Samoa in November 2019; Regional Team Leaders Meeting of the Pacific Transnational Crime Network in Brisbane, Australia in November 2019; the World Bank Pacific Working Group on Remittance meeting, in Sydney, Australia in November 2019; and Alliance for Financial Inclusion Pacific Islands Regional Initiative (PIRI) workshop in Sydney, Australia in November 2019.
11. To ensure active cooperation and coordination on Pacific technical assistance activities, the secretariat organised regular teleconferences or face-to-face meetings with individual DAP Group members (on an as-needed basis); disseminated four quarterly updates via email to ensure Pacific members, DAP Group members and other stakeholders are kept up-to-date with PACD activities and upcoming opportunities for collaboration; and maintained up-to-date technical assistance implementation plans for each Pacific APG member.
12. 2019-2020 PACD technical assistance projects (see Annex C - PACD Programme 2019-2020 Annual Report). include:
  - Marshall Islands AML/CFT Awareness Workshop;
  - Nauru AML/CFT legislative drafting project (on-going);
  - Solomon Islands Strategic Planning Workshop in partnership with Home Affairs, Australia and AUSTRAC, Australia (development of action plan is on-going);
  - Solomon Islands national AML/CFT strategy project (on-going);
  - Fiji non-profit organisation sector review project (on-going);



- Model provisions for targeted financial sanctions related to terrorism and terrorist financing project in partnership with Pacific Islands Forum Secretariat (on-going);
- Vanuatu casino supervision project in partnership with Department of Internal Affairs;
- De-risking Toolkit project in partnership with Financial Services Volunteer Core (on-going);
- Samoa FIU database up-grade project;
- UNODC Cash Courier Training Course held in Rarotonga, Cook Islands in July 2019 followed by two days of planning for the multi-jurisdiction operation targeting cash smuggling. The multi-jurisdiction operation was coordinated by NZ Customs and occurred in September/October 2019;
- Solomon Islands Law enforcement training/mentoring (on-going).

### **STRATEGIC GOAL #3 CONDUCT AND RESPOND TO ASSESSMENTS**

#### **CONDUCT THE APG'S THIRD ROUND MUTUAL EVALUATION PROGRAMME**

##### **Required activities in 2019–2020:**

1. Complete four (4) mutual evaluation reports for the 2020 annual meeting: Japan (jointly with FATF), Republic of Korea (jointly with FATF), Vietnam and Tonga including pre-mutual evaluation visits, on-site and face-to-face meetings as required.
2. Commence five (5) mutual evaluations to be adopted at the 2021 annual meeting as follows: New Zealand (jointly with FATF), Brunei Darussalam, Lao PDR, Republic of Marshall Islands and Nepal.
3. Conduct two (2) '5th year' follow-up assessments (FUAs): Australia and Malaysia (jointly with the FATF).
4. Implement third round mutual evaluation schedule.

##### **Achievements:**

1. Following post-plenary quality and consistency review, ME reports for Chinese Taipei, Pakistan, Solomon Islands and the Philippines were published on the APG and FATF websites.
2. Pre-ME visits for Vietnam and Tonga were held in the second half of 2019, and pre-ME preparation visits for Lao PDR and Republic of Marshall Islands were held in late 2019 and early 2020.
3. On-site ME visits occurred in the second half of 2019 for Japan, Tonga and Vietnam. An on-site visit for New Zealand occurred in February 2020.
4. The joint FATF/APG mutual evaluation of Korea was adopted in February 2020 and published in April 2020. The Korea mutual evaluation report will be adopted at the next APG plenary.
5. The MEs of Tonga and Vietnam (APG) and Japan, New Zealand (joint FATF/APG), were paused prior to face to face meetings (in the period May / June 2020), pending a resumption once the COVID-19 situation becomes clearer.
6. Three APG mutual evaluations to be adopted in 2021 commenced in mid-2020:
  - Brunei Darussalam
  - Lao PDR
  - Marshall Islands
7. A revised APG third round mutual evaluation schedule, which includes a delay with Nepal's evaluation, was approved out-of-session by members in July 2020.
8. The '5th year' FUAs for Australia and Malaysia (jointly with the FATF) were postponed pending the review of the 5th year FUA process and the FATF Strategic Review.

## RESPOND TO MUTUAL EVALUATIONS WITH FOLLOW-UP PROCESSES

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### Required activities in 2019–2020:

1. Implement and amend third round follow-up procedures to monitor members' progress and examine policy and procedures relating to the 5th year follow-up evaluations.
2. Consider and adopt follow-up reports, either through the Mutual Evaluation Committee and Governance Committee out of session or at the 2020 annual meeting.
3. Document cases of insufficient progress for the Mutual Evaluation Committee, Governance Committee and Co-Chairs.
4. Membership to make decisions in cases of insufficient progress by specific members.

### Achievements:

1. APG's third round ME follow-up procedures were implemented, including out-of-session adoption of FURs. All follow-up reports have been subject to global quality and consistency review in accordance with the universal procedures.
2. Six follow-up reports were adopted out-of-session in March and July 2020, while five other follow-up reports were ongoing as of June 2020.
3. Amendments to the APG *Third Round Mutual Evaluation Procedures 2020* were adopted in July 2020 pursuant to minor changes to the FATF's *Universal Procedures* and further streamlining of APG processes.
4. There have been no cases of insufficient progress in 2019-20.

## SUPPORT THE MUTUAL EVALUATION PROGRAMME AND FOLLOW-UP WITH EXPERTS, TRAINING AND PROCEDURES

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### Required activities in 2019–2020:

1. Members and observers to provide assessors and reviewers for evaluations including participating in pre-evaluation visits, face-to-face meetings and plenary meetings to adopt reports.
2. Conduct comprehensive quality and consistency reviews throughout the mutual evaluation and follow-up processes.
3. Deliver assessor and pre-mutual evaluation training workshops for mutual evaluations planned in 2019-20 and for support to ongoing follow-up reports and other reviews.
4. Provide support to members undergoing mutual evaluations.

### Achievements:

1. The MEC supported the APG's evaluation programme and was chaired by Australia and Macao, China.
2. The MEC met four times in the year and developed policy, considered follow-up reports and supported training and planning for the mutual evaluation programme.
3. Members and observers provided assessors and reviewers across various stages of eight mutual evaluations and nine follow-up reports in 2019-20. These include the mutual evaluation concluding in 2020 (Korea), those scheduled to conclude in 2020 (Japan, New Zealand, Tonga, Vietnam) and those commencing in 2020 (Brunei, Laos, the Marshall Islands).
4. External review and global network quality and consistency processes were applied all the mutual evaluation and follow-up reports adopted during the year. The secretariat enhanced its internal quality and consistency capability from November 2019 to undertake enhanced review of earlier drafts of both ME and follow-up reports.
5. A joint FATF/APG assessor training workshop was held in Bandung, Indonesia in September 2019. The workshop was supported by presenters from Australia and Macao, China (both MEC Co-chairs) and experts from Indonesia and Malaysia.
6. ME preparation support was provided to Lao PDR, New Zealand and the Republic of Marshall Islands.
7. In August 2020 the secretariat held separate mutual evaluation preparation meetings with each of the 12 APG members who were yet to undergo an evaluation.

## **PARTICIPATE IN THE FATF'S ICRG AND ITS PROCESSES ON BEHALF OF APG MEMBERS**

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### **Required activities in 2019–2020:**

1. Provide assistance, advice and engagement with members and technical assistance donors on FATF's ICRG rules and procedures and strategic responses to ICRG review.
2. Provide input to FATF ICRG processes and the development of ICRG procedures.
3. Actively participate in FATF ICRG meetings and inter-sessional Asia-Pacific Joint Group meetings.

### **Achievements:**

1. The APG provided support to members in the ICRG process and observation period including Cambodia, Mongolia, Myanmar, Pakistan, the Philippines and Sri Lanka.
2. Advice was provided to members under ICRG review including on: ICRG process, rules and practice; general comments on legislative, regulatory and administrative measures to address ICRG concerns; technical assistance coordination; implementation planning; and the impact of ICRG processes on APG membership status.
3. The APG provided policy input to FATF on its review of ICRG processes and procedures.
4. The APG participated in:
  - a) two ICRG meetings during FATF meetings (October 2019 and February 2020);
  - b) three Asia-Pacific Regional Joint Group meetings to support members under ICRG review in September 2019 (in Thailand), January 2020 (in China) and May 2020 (held virtually);
5. The APG conducted three ICRG-related support visits in 2019–20 –Sri Lanka, Philippines and Myanmar.

## **SUMMARY OF BUDGET OUTCOMES FOR 2019–2020**

A core budget for 2019–20 of \$3,225,068 was approved and adopted at the 2019 annual meeting. Below is an overview of the APG finances in the year 2019–20. All figures are in Australian dollars.

Contributions required from members to meet the budget were calculated using the APG funding formula that calculates contributions using an 80/20 per cent combination of GDP and GDP per capita and required a minimum contribution of \$12,319. As in previous years, members noted at the 2019 annual meeting that the core budget would not, of itself, enable the APG to complete the work outlined in the 2019–20 Business Plan. Members agreed, therefore, that voluntary contributions, continued use of accumulated assets (reserves) and various streams of ‘non-core budget’ funding totalling \$1,977,408 should be made available in 2019–20 to meet the costs of the APG’s agreed work programme. Total revenue from all sources was budgeted at \$5,202,476. Total proposed expenditure from all streams of funding (core and non-core), including reserves, was \$5,471,995. The APG therefore budgeted for a deficit of \$269,519.

The budget outcomes for the period 1 July 2019 to 30 June 2020, based on the audited financial reports (**Annex B**) are as follows:

• Total equity at <u>1 July 2019</u> :	\$569,748
• total income all sources:	4,706,399
• total expenditure all sources:	4,398,872
• net operating (surplus)	307,527
• total equity at <u>30 June 2020</u> :	<b><u>\$877,275</u></b>

The travel restrictions imposed in response to the COVID-19 pandemic caused a significant underspend in the forecast expenditure of both core and non-core funding in FY2019-20.

## **Voluntary financial support 2019–2020**

### **Untied Funding**

In 2019-20 Australia paid a voluntary contribution of \$55,135 for salaries (to reduce expenditure which otherwise would have come from the core budget).

### **Project funding**

Four members provided project funding, each tied to particular projects and realised as revenue as expenditure is made, in FY2019–20: China; New Zealand; Chinese Taipei and the United States. These additional funds included both budgeted project funding (included in the *Budget Paper 2019–20*), and new project funding not included in last year’s budget paper.

China made a voluntary contribution of US\$130,000 over three years (2019-2021) to support the APG’s ICRG programme and support specific Pacific APG members’ attendance at APG annual events. China also agreed to roll over the balance (\$30,035) of the 2016-18 voluntary contribution to support specific Pacific members into this 2019-2021 programme. AU\$46,194 of this amount was realised in FY2019-20 and a further AU\$102,912 expected to be realised as revenue in 2020–21. In November 2017 China provided a grant of US\$130,000 over four years (2018–19 to 2020–21) to support the APG’s 3<sup>rd</sup> round mutual evaluation (ME) programme. AU\$44,068 of a budgeted \$58,790 was spent in FY2019–20 with a further AU\$74,582 due to be realised as revenue in 2020–21.

New Zealand agreed in August 2018, through the GSF, to support South and Southeast Asia AML/CFT Investigation Training for three years (FY2018–19 to FY2020–21) at a value of NZ\$54,200. AU\$11,634 was realised as revenue in 2019–20 with a further AU\$26,249 to be realised in 2020–21.

United States: In October 2013, the US provided \$164,965 (US\$153,580) in support of APG mutual evaluation (ME) training, in-country Pre-ME training and the trans-Pacific drug routes typologies project. \$16,185 was realised as revenue in 2019–20, with the remaining \$1,618 due to be spent in FY2020–21 to complete this project. In August 2016, the US provided a further grant of US\$75,000 (AU\$98,555) to support Pacific members enhance AML/CFT investigations capacity and address deficiencies. \$14,240 was realised as revenue in 2019–20. The remaining \$30,238 is expected to be spent in 2020–21.

Chinese Taipei: In April 2019, Chinese Taipei agreed to provide a grant of \$75,000 per year over two years (March 2019 to March 2021) for priority Pacific Island members and observers. \$26,814 was realised as revenue in FY2019-20 with the remaining balance expected to be spent in FY2020-21. The remaining balance (\$39,160) of the previous voluntary contribution for 2016-18 was allocated for expenditure on the APGML website redevelopment. No funds were realised in FY2019-20 with the remaining balance expected to be realised in FY2020-21.

### **New project funding**

Australia: In February 2020, Australia provided AU\$526,000 over three years to provide technical assistance to Afghanistan ahead of their mutual evaluation. No funds were realised in FY2019-20 with \$192,800 expected to be realised in FY2020-21.

New Zealand: New Zealand paid a project contribution of \$50,000 in addition to the \$50,000 provided in 2018-19, which primarily supports experts travelling from New Zealand to APG events to benefit members, but may also be used for other purposes. \$7,094 has been utilized in 2019–20. The remaining \$141,766 is budgeted for use in 2020–21.

China: In December 2019, China provided a grant of US\$200,000 to fund an additional APG policy officer over two years (2020-2022). No funds were realised in FY2019-20 with AU\$104,943 expected to be realised in FY2020-21.

### **PACD programme funding**

New Zealand agreed in June 2017, through the Ministry of Foreign Affairs and Trade, to support economic stability in APG Pacific Island members through the PACD programme. Total value of the programme is NZD 3,600,000 over five years. In 2019-2020 a total of AU\$603,788 was spent on: three dedicated staff positions, (ii) delivery of technical assistance and training projects to APG Pacific Members, and (iii) administrative costs. Additional detail is outlined in the *PACD Programme 2019-2020 Annual Report* (Annex C).

### **In-kind support**

Australia: Australia provides yearly in-kind support (accommodation, ICT services, finance, human resources, security, legal etc). In FY2019–20 the value of this in-kind support was \$622,782.

### **Acknowledgement of support**

On behalf of the APG members and Co-Chairs, the secretariat thanks Australia, China, New Zealand, Chinese Taipei, and the United States for their support of APG activities in 2019–20.

### **Budget for 2020–2021**

The APG's agreed 2020-21 budget outlines the anticipated income and expenditure to support the agreed business plan adopted by the membership in 2020. The membership agreed to a zero percent budget increase over 2019-20 for membership contributions in 2020-21, recognising that funds allocated to operational expenses will decrease and travel costs are likely to increase in response to the COVID-19 pandemic. Income for the year from both membership contributions and voluntary donations is projected to be \$5,751,309. Non-core expenditure from voluntary donations, reserves and in-kind support will be approximately \$2,526,241. Total expenditure from all sources in this year is projected at approximately **\$6,081,974**.

The business plan for the year is costed against these figures as an estimate of income and expenditure. Next year's activities are outlined in the next Part of this report.

## **PRINCIPAL TASKS 2020–21**

The APG's key tasks for 2020–21 (some of which are dependent on external funding) are as follows:

### **Key meetings**

The following key meetings will occur in 2020–21:

- 23<sup>rd</sup> APG annual meeting and annual forum on technical assistance and training;
- APG governance committee will meet at least five times in the year as follows: September 2020; November/December 2020; February/March 2021; May/June 2021; and in July/August 2021.

### **Membership visits**

One membership-related visit will be undertaken to members and non-members to facilitate full and active membership and promote commitment to the global AML/CFT standards. Additional visits and activities will be undertaken with external donor funding, if required.

### **Participation in global AML/CFT network**

As an associate member of the FATF, the APG will continue to participate in:

- three FATF plenary meetings;
- two or three ICRG meetings (during plenary meetings);
- working group meetings in the FATF;
- meetings of the Asia-Pacific Joint Group.

Information from the FATF and other AML/CFT bodies will be communicated to members when received. The APG secretariat will provide communications, information and liaison assistance to the Asia-Pacific Joint Group in further support of APG members in accordance with the *APG Strategic Plan 2020–2024*.

### **Third round mutual evaluations**

The APG will:

- Continue to finalise the MEs of Vietnam and Tonga delayed because of global travel restrictions relating to COVID-19 in 2020;
- Continue the third round of mutual evaluations, including assessor/reviewer and pre-mutual evaluation training;
- Prepare an updated mutual evaluation schedule;
- Continue to support the Mutual Evaluation Committee;
- Deliver at least one assessor training workshop;
- Undertake four (4) mutual evaluations (including two (2) joint evaluations) with reports to be considered at the 2021 annual meeting
- Commence the mutual evaluations with reports to be adopted in July 2022;
- Review and prepare analysis reports of members under APG third round follow-up; and
- Continue to contribute to preparation of updated assessment methodology training materials.

### **Implementation, Technical Assistance and ICRG Activities**

The APG will provide priority assistance and support for members involved in the FATF's International Co-operation Review Group (ICRG) process, including participation at Asia-Pacific Joint Group meetings, ICRG meetings, information briefings, supply of information and interpretative materials, implementation assistance and coordination of technical assistance and training.

The APG will undertake ICRG-related assistance visits to APG members under ICRG review with external donor support and will continue to assist members to develop sustainable strategies to meet mutual evaluation report recommendations and implement the updated Strategic Implementation Planning Framework to respond to recommendations in reports.

The APG will continue to provide implementation assistance relating to combating proliferation financing (PF) including working with global and regional bodies to identify and address challenges to effective implementation of the global standards to combat PF.

The APG will collaborate with the Alliance for Financial Security-with Information Technology (AFS-IT) joint workshop on a joint implementation project to support the implementation of Digital KYC, including outreach and capacity building on applying the FATF Guidance on Digital ID.

A number of regional AML/CFT technical assistance projects will be considered in collaboration with Donors and Providers (DAP) Group members for legal, financial, FIU and law enforcement sectors including TA provided virtually due to Covid-19 restrictions. The secretariat will continue to support greater cooperation with regional bodies across Asia and the Pacific.

The APG secretariat will work with priority members and DAP Group members to deliver:

- Technical assistance to address recommended actions in MERs and FURs and joint group action plans;
- Technical assistance related to member needs and emerging issues such as VASPs;
- Programmes to build AML/CFT capacity among AML/CFT supervisors and regulators and
- Regional and targeted virtual programmes (during Covid-19 restrictions) to support members related to prioritised shared challenges across the membership and specific member needs.

The APG secretariat will implement the PACD programme in accordance with the 2020-2021 PACD Business Plan.

### **Typologies research**

Under the direction of the Operations Committee, the APG will continue to support the typologies business framework, organise and convene typologies events, and closely collaborate with the FATF and other strategic partners including supporting the FATF's Risk, Trends and Methods Group and the typologies work of other FSRBs directly relevant to APG business. The APG is participating in the FATF RTMG project on Illicit Arms Trafficking and Terrorist Financing to carry forward work done on the APG/EAG report on TF and proceeds of crime

The APG will complete typologies projects already underway, including the joint project with the Global Center on Cooperative Security on the financing and facilitation of foreign fighters in South East Asia and the Pacific trans-national drug routes project.

The APG will also work on the support of regional training initiatives and collaborate with the FATF and other strategic partners including other FSRBs directly relevant to APG business.

A typologies workshop is expected to be convened in a virtual format in January 2021.

### **APG resources**

The financial resources required to achieve these programmes and plans for 2020–21 extend beyond members' core contributions to include additional financial resources, as well as human and technical resources. Many TA activities and visits rely on voluntary funding and on participation by individual member experts.

The APG will continue in the coming year to seek additional resources from members and observers to assist in meeting our strategic objectives.



## APG ACTIVITIES, MISSIONS AND CONFERENCES 2019-2020

Associate Member Activities	Visits	Conferences, workshops and seminars
<ul style="list-style-type: none"> <li>FATF/FSRB Secretariats Workshop, September 2019</li> <li>FATF/APG Assessor training, Indonesia, September 2019</li> <li>FATF ICRG Asia/Pacific Joint Group meeting, Thailand, September 2019</li> <li>FATF Plenary, Paris, October 2019</li> <li>FATF ICRG Asia/Pacific Joint Group meeting, China, January 2020</li> <li>FATF Plenary, Paris, February 2020</li> <li>FATF ICRG Asia/Pacific Joint Group meeting, virtual meetings, May 2020</li> <li>FATF Ad Hoc Group on the Strategic Review, virtual meetings, June 2020</li> <li>FATF Plenary, virtual meetings, June 2020</li> </ul>	<ul style="list-style-type: none"> <li>Bangladesh Strategic Implementation Planning visit, July 2019</li> <li>Nepal ME preparation visit, July 2019</li> <li>Tonga pre-ME visit, July 2019</li> <li>Vietnam pre-ME visit, September 2019</li> <li>ICRG exit visit, Sri Lanka, September 2019</li> <li>New Zealand, ME preparation visit, September 2019</li> <li>Tonga ME on-site visit, October 2019</li> <li>Japan, ME on-site visit, October-November 2019</li> <li>Vietnam, ME on-site visit, November 2019</li> <li>Philippines ICRG support visit, November 2019</li> <li>Lao PDR ME preparation visit, December 2019</li> <li>Annual meeting preparation visit, Bangladesh, January 2020</li> <li>Philippines Strategic Implementation Planning visit, January 2020</li> <li>Republic of Marshall Islands, ME preparation visit, January 2020</li> <li>Solomon Islands Strategic Implementation Planning visit, February 2020</li> <li>New Zealand ME On-Site, February / March 2020</li> <li>Myanmar Strategic Implementation Planning visit, March 2020</li> </ul>	<ul style="list-style-type: none"> <li>Beneficial Ownership workshop (CCM), Malaysia, July 2019</li> <li>'No Money for Terror' Ministerial Conference, Melbourne Australia, November 2019</li> <li>5<sup>th</sup> Regional CFT Summit, Philippines, November 2019</li> <li>Pacific Transnational Crime Unit Regional Team Leader Meeting, Brisbane Australia, November 2019</li> <li>AFI Regional Action Plan on De-risking workshop, Sydney, Australia, November 2019</li> <li>World Bank Pacific Working Group on Remittances, Sydney Australia, November 2019</li> <li>PILON meeting, Samoa, November 2019</li> </ul>

## **ANNEX B**

### **2019-2020 APG Audit Report and Financial Statements**



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## **Independent Auditor's Report to the Members of the Asia/Pacific Group on Money Laundering**

### **Opinion**

We have audited the financial report, being a special purpose financial report, of the Asia/Pacific Group on Money Laundering, which comprises the statement of financial position as at 30 June 2020, the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies, other explanatory notes and the Statement by the Executive Secretary.

In our opinion, the accompanying financial report presents fairly, in all material respects, the financial position of the Asia/Pacific Group on Money Laundering as at 30 June 2020, and its financial performance and its cash flows for the year then ended in accordance with the accounting policies described in the Overview section of the financial statements.

### **Basis for Opinion**

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Asia/Pacific Group on Money Laundering in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Emphasis of Matter - Basis of Accounting and Restriction on Distribution**

We draw attention to the Overview section of the financial statements which describes the basis of accounting. The financial report is prepared to assist the Asia/Pacific Group on Money Laundering to meet the requirements of Section 6.5 of the *APG Terms and Reference 2012*. As a result the financial report may not be suitable for another purpose. Our report is intended solely for the Asia/Pacific Group on Money Laundering and should not be distributed to parties other than the Recipients. Our opinion is not modified in respect of this matter.

## Responsibilities of the Executive Secretary for the Financial Report

The Executive Secretary of the Asia/Pacific Group on Money Laundering is responsible for the preparation and fair presentation of the financial report and have determined that the basis of preparation described in the Overview section of the financial statements is appropriate to meet the requirements of Section 6.5 of the *APG Terms of Reference 2012* and is appropriate to meet the needs of the members. The Executive Secretary responsibility also includes such internal control as the Executive Secretary determines is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Executive Secretary is responsible for assessing the Asia/Pacific Group on Money Laundering's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Asia/Pacific Group on Money Laundering or to cease operations, or have no realistic alternative but to do so.

## Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Asia/Pacific Group on Money Laundering's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.



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- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Asia/Pacific Group on Money Laundering's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Asia/Pacific Group on Money Laundering to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*Ernst & Young*

Ernst & Young  
Canberra  
16 September 2020

**Asia/Pacific Group on Money Laundering**

**Special Purpose Financial Statements  
for the year ended 30 June 2020**

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## Statement by the Executive Secretary

In my opinion:

1. The Asia/Pacific Group on Money Laundering (APG) is not a reporting entity and these special purpose financial statements and notes:

- are based on properly maintained financial records and prepared in accordance with the accounting policies outlined in the overview to the financial statements which are appropriate to meet the needs of users;
- present fairly the APG's financial position as at 30 June 2020 and its performance for the year ended on that date; and

2. At the date of this statement, there are reasonable grounds to believe that APG will be able to pay its debts as and when they become due and payable.



Gordon Hook  
Executive Secretary, APG Secretariat

15 September 2020

## Statement of comprehensive income

for the year ended 30 June 2020

	Notes	2020 \$	2019 \$
<b>INCOME</b>			
Contributions from members	1.1	3,225,068	2,911,277
Other contributions	1.2	858,550	943,478
<b>Total revenue</b>		<b>4,083,618</b>	<b>3,854,755</b>
<b>Gains</b>			
Resources received free of charge from the AFP		622,782	655,121
<b>Total gains</b>		<b>622,782</b>	<b>655,121</b>
<b>Total income</b>		<b>4,706,399</b>	<b>4,509,876</b>
<b>EXPENSES</b>			
Employee benefits	2.1	3,090,667	2,811,229
Depreciation and amortisation		-	478
Supplier expenses	2.2	840,997	905,430
Travel expenses	2.3	467,208	809,348
<b>Total expenses</b>		<b>4,398,872</b>	<b>4,526,485</b>
<b>Surplus/(Deficit)</b>		<b>307,527</b>	<b>(16,609)</b>

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

## Statement of financial position

as at 30 June 2020

	Notes	2020 \$	2019 \$
<b>ASSETS</b>			
<b>Financial assets</b>			
Cash and cash equivalents		4,063,880	3,029,517
Trade and other receivables	3	99,746	240,086
Accrued revenue		-	3,055
<b>Total financial assets</b>		<b>4,163,626</b>	<b>3,272,658</b>
<b>Non-financial assets</b>			
Prepayments		-	46,920
<b>Total non-financial assets</b>		<b>-</b>	<b>46,920</b>
<b>Total assets</b>		<b>4,163,626</b>	<b>3,319,578</b>
<b>LIABILITIES</b>			
<b>Payables<sup>1</sup></b>			
Supplier payables		38,853	143,335
Unearned income	4	2,293,060	1,673,240
Salaries and wages		38,294	18,275
Superannuation		6,277	2,979
FBT		2,653	2,247
<b>Total payables</b>		<b>2,379,137</b>	<b>1,840,076</b>
<b>Provisions</b>			
Leave provisions <sup>2</sup>		907,213	909,754
<b>Total provisions</b>		<b>907,213</b>	<b>909,754</b>
<b>Total liabilities</b>		<b>3,286,350</b>	<b>2,749,830</b>
<b>Net assets</b>		<b>877,275</b>	<b>569,748</b>
<b>EQUITY</b>			
Retained surplus		877,275	569,748
<b>Total equity</b>		<b>877,275</b>	<b>569,748</b>

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

1. All supplier payables are expected to be settled within 7 days (2019: 7 days). All other payables are expected to be settled within 12 months.
2. Employee provisions which are expected to be settled beyond 12 months (commonly long service leave), are discounted to present value using market yields on the 10-year government bond rate.

## Statement of changes in equity

for the year ended 30 June 2020

	2020	2019
	\$	\$
<b>Retained surplus</b>		
<b>Opening balance</b>	<b>569,748</b>	<b>586,357</b>
Comprehensive income		
Add: Surplus/(deficit) for the period	307,527	(16,609)
<b>Total comprehensive income</b>	<b>307,527</b>	<b>(16,609)</b>
<b>Closing balance as at 30 June 2020</b>	<b>877,275</b>	<b>569,748</b>

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

## Cash flow statement

for the year ended 30 June 2020

	2020	2019
	\$	\$
<b>Operating activities</b>		
<i>Cash received:</i>		
Contributions and other receipts	4,846,833	3,226,762
Net GST received from ATO	13,457	15,597
<b>Total cash received</b>	<b>4,860,290</b>	<b>3,242,359</b>
<i>Cash used:</i>		
Employees	3,069,891	2,651,108
Suppliers and other payments	756,037	1,013,014
<b>Total cash used</b>	<b>3,825,928</b>	<b>3,664,122</b>
<b>Net cash from / (used by) operating activities</b>	<b>1,034,362</b>	<b>(421,763)</b>
Net increase / (decrease) in cash held	1,034,362	(421,763)
Cash and cash equivalents at the beginning of the reporting period	3,029,517	3,451,280
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>4,063,879</b>	<b>3,029,517</b>

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

## Overview

### Objectives of Asia/Pacific Group on Money Laundering

The purpose of the Asia/Pacific Group on Money Laundering (APG) is to facilitate the adoption, implementation and enforcement of internationally accepted standards against money laundering, terrorist financing and financing of the proliferation of weapons of mass destruction, in particular the Forty Recommendations of the Financial Action Task Force (FATF). The APG allows for regional factors to be taken into account in the implementation of anti-money laundering, anti-terrorist financing and anti-proliferation financing measures and provides for peer review by means of a mutual evaluation process.

### Basis of preparation of the financial statements

The APG's accounts form part of the Australian Federal Police (AFP) special account, Services and Other Entities Trust Moneys Account.

The AFP continued to host the APG for the year ended 30 June 2020 and has prepared this special purpose financial report for the members of the APG. This special purpose financial report has been prepared for distribution to the members to fulfil the Executive Secretary's financial reporting requirements under the APG Terms of Reference.

The financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations - Reduced Disclosure Requirements issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period with the exception of AASB 124, 'Related Parties' which has not been adopted by the APG.

The financial statements have been prepared on an accrual basis and in accordance with the historical cost convention. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position.

The financial statements are presented in Australian dollars and values are rounded to the nearest dollar unless otherwise specified.

Unless alternative treatment is specifically required by an accounting standard, assets and liabilities are recognised in the statement of financial position when it is probable that future economic benefits will flow to the entity or future sacrifice of economic benefits will be required and the amounts of the assets or liabilities can be reliably measured. However, assets and liabilities arising under executor contracts are not recognised unless required by an Accounting Standard. Assets and liabilities that are unrecognised are reported as commitments. There are no operating or capital commitments payable at 30 June 2020 (2019: nil operating or capital commitments).

Contingent liabilities and assets are not recognised in the statement of financial position but are reported in the notes. They may arise from uncertainty as to the existence of a liability or asset or represent an asset or liability in respect of which the amount cannot be reliably measured. Contingent assets are disclosed when settlement is probable but not virtually certain and contingent liabilities are disclosed when settlement is greater than remote. The APG does not have any contingencies as at 30 June 2020 (30 June 2019: nil).

Unless alternative treatment is specifically required by an accounting standard, income and expenses are recognised in the statement of comprehensive income when and only when the flow, consumption or loss of economic benefit has occurred and can be reliably measured.

### Significant accounting judgements and estimates

In the process of applying the accounting policies listed in this note, the APG has made the following judgement that has the most significant impact on the amounts recorded in the financial statements:

- The liability for long service leave has been estimated using present value techniques. This takes into account expected salary growth through promotion, inflation, attrition and future discount rates.

No accounting assumptions or estimates have been identified that have a significant risk of causing a material adjustment to carrying amounts of assets and liabilities within the next accounting period.

### Impact of COVID-19 pandemic on the financial statements

Since mid-February 2020, the COVID-19 pandemic has led to global financial uncertainty. Management has assessed the impact on the financial statements including the potential for impairment of assets such as receivables. The COVID-19 pandemic did not have a significant impact on the transactions and balances in the financial statements.



## Overview (cont.)

### New Australian Accounting Standards

#### *Adoption of New Australian Accounting Standard Requirements*

AASB 16 *Leases*, AASB 15 *Revenue from Contracts with Customers* and AASB 1058 *Income of Not-for-Profit Entities* became effective as at 1 July 2020. The new standards did not have a material impact on APG's financial statements.

No other new or revised standards and interpretations that were issued prior to the sign-off date and are applicable to the current reporting period had a material effect on the APG's financial statements.

#### *Future Australian Accounting Standard Requirements*

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

### Gains

#### *Resources received free of charge*

Resources received free of charge are recognised as gains when and only when a fair value can be reliably determined and the services would have been purchased if they had not been donated. Use of those resources is recognised as an expense.

#### *Financial instruments*

The APG's financial instruments are measured at fair value. Interest-earning financial assets and liabilities are measured using the effective interest rate method. The carrying amount of all financial instruments in the Statement of financial position approximates fair value. Financial instruments held by the APG carry minimal credit, liquidity and market risk.

### Taxation

The APG is exempt from all forms of taxation except Fringe Benefits Tax (FBT) and the Goods and Services Tax (GST).

## Events after the reporting period

No significant events have occurred since the reporting date requiring disclosure in the financial statements.

## Note 1: Income

	2020	2019
	\$	\$
<b>Note 1.1: Contributions from members</b>		
Afghanistan	12,319	11,120
Australia	214,865	200,781
Bangladesh	22,707	17,724
Bhutan	12,319	11,120
Brunei Darussalam	12,319	11,120
Cambodia	12,319	11,120
Canada	238,802	221,047
China	378,976	342,098
Chinese Taipei	85,250	72,054
Cook Islands	12,319	11,120
Fiji	12,319	11,120
Hong Kong, China	76,052	59,407
India	257,203	218,408
Indonesia	110,480	98,924
Japan	465,748	420,425
Korea	194,904	167,186
Lao PDR	12,319	11,120
Macau, China	12,319	63,342
Malaysia	47,083	42,027
Maldives	12,319	11,120
Marshall Islands	12,319	11,120
Mongolia	12,319	11,120
Myanmar	12,319	11,120
Nauru	12,319	11,120
Nepal	12,319	11,120
New Zealand	62,637	48,974
Niue	12,319	11,120
Pakistan	33,029	27,970
Palau	12,319	11,120
Papua New Guinea	12,319	-
Philippines	38,048	32,756
Samoa	12,319	11,120
Singapore	90,222	70,761
Solomon Islands	12,319	11,120
Sri Lanka	12,319	11,120
Thailand	54,283	48,489
Timor-Leste	12,319	11,120
Tonga	12,319	11,120
United States	546,048	492,910
Vanuatu	12,319	11,120
Vietnam	25,394	21,354
<b>Total contributions from members</b>	<b>3,225,068</b>	<b>2,911,277</b>



## Note 1: Income (cont.)

	2020	2019
	\$	\$
<b>Note 1.2: Other contributions</b>		
Voluntary Contribution - Australia	55,135	69,219
Project Contribution - Australian Attorney General's Department	-	7,081
Project Contribution - Canadian Department of Foreign Affairs and International Trade	-	68,998
Project Contribution - China	90,262	103,598
Project Contribution - Chinese Taipei	26,814	38,066
Project Contribution - NZ Ministry of Foreign Affairs and Trade	637,186	568,469
Project Contribution - NZ Ministry of Justice	7,094	40,138
Project Contribution - US - Timor-Leste	-	3,755
Project Contribution - US State Department	30,425	16,198
Project Contribution via reimbursement - New Zealand	11,634	27,956
<b>Total other contributions</b>	<b>858,550</b>	<b>943,478</b>

### Accounting Policy

#### Contributions

Member contributions are annual contributions from APG members to fund the ongoing activities of the APG. They are recognised as revenue in the membership year they pertain to.

Voluntary contributions are contributions from APG members or observers not tied to a particular APG project or activity. These funds are provided for the APG to spend as it sees fit, with approval from APG members through the annual budget process. They are recognised as revenue in the period they are received or invoiced.

Project contributions are additional allocations attributed to particular projects or activity as specified by the donor. Project contributions are recognised with reference to the stage of completion of the project and are generally received in advance. The proportion of the contribution relating to the uncompleted percentage of the project is recognised as unearned income.

## Note 2: Expenses

	2020	2019
	\$	\$
<b>Note 2.1: Employee benefits</b>		
Wages and salaries	2,261,087	2,005,391
Superannuation:		
Defined contribution plans	301,786	209,559
Defined benefit plans	111,595	144,733
Leave and other entitlements	405,183	442,399
Other employee expenses	11,016	9,147
<b>Total employee benefits</b>	<b>3,090,667</b>	<b>2,811,229</b>

### Accounting Policy

Liabilities for services rendered by employees are recognised at the reporting date to the extent they have not been settled.

Liabilities for 'short-term employee benefits' (as defined in AASB 119) and termination benefits due within twelve months of the end of the reporting period are measured at their nominal amounts. The nominal amount is calculated with regard to the rates expected to be paid on settlement of the liability.

All other employee benefit liabilities are measured as the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date.

## Note 2: Expenses (cont.)

### Accounting Policy (cont.)

#### Leave

The liability for employee benefits includes provision for annual leave and long service leave. No provision has been made for sick leave as all sick leave is non-vesting as the average sick leave taken in future years by employees of the APG is estimated to be less than the annual entitlement for sick leave.

The leave liabilities are calculated on the basis of employees' remuneration at the estimated salary rates at the time the leave is taken, including the APG's employer superannuation contribution rates to the extent the leave is likely to be taken during service rather than paid out on termination.

The liability for long service leave has been determined by reference to the work of an actuary as at 30 June 2019. Attrition rates and pay increases through promotion and inflation are taken into account in the estimate of the present value of the liability. A full review by an actuary is conducted every 3 years.

#### Superannuation

Staff of APG are members of the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS) or the PSS accumulation plan (PSSap). The CSS and PSS are defined benefit schemes for the Commonwealth of Australia. The PSSap is an accumulation fund.

The liability for defined benefits is recognised in the financial statements of the Australian Government and is settled by the Australian Government in due course. This liability is reported in the Department of Finance's administered schedules and notes.

APG make employer contributions to their employee's superannuation scheme at rates determined by an actuary to be sufficient to meet the cost to the Government of the superannuation entitlements of the APG's employees. APG accounts for the contributions as if they were contributions to defined contribution plans.

### Note 2.2: Supplier expenses

	2020	2019
	\$	\$
Goods and services		
Consultants and contractors*	296,151	302,059
Audit fees	16,000	16,000
Staff and recruitment	21,509	12,091
Conference costs	26,478	20,428
Communications and IT	15,587	13,953
General and office	4,860	20,110
Building and accommodation*	57,445	94,089
Office space*	340,552	354,915
Grants expense	11,581	-
Other expenses	14,043	13,170
<b>Total goods and services</b>	<b>804,206</b>	<b>846,815</b>
Other supplier expenses		
Workers compensation expenses	36,791	58,615
<b>Total other supplier expenses</b>	<b>36,791</b>	<b>58,615</b>
<b>Total supplier expenses</b>	<b>840,997</b>	<b>905,430</b>

\* Supplier expenses includes resources received free of charge from the AFP of consultants and contractors (2020: \$226,772; 2019: \$209,059), building and accommodation (2020: \$55,458; 2019: \$91,148) and office space (2020: \$340,552; 2019: \$354,915)

### Note 2.3: Travel expenses

Airfares	185,275	404,535
Accommodation	165,487	303,723
Other travel expenses	116,446	101,090
<b>Total travel expenses</b>	<b>467,208</b>	<b>809,348</b>

## Note 2: Expenses (cont.)

### Note 2.4: New Zealand Ministry of Foreign Affairs and Trade expenses

	MFAT	All Other APG	Total
Breakdown of expenses	\$	\$	\$
Employee	408,711	2,681,956	3,090,667
Supplier	76,027	764,970	840,997
Travel	119,050	348,158	467,208
<b>Total</b>	<b>603,788</b>	<b>3,795,084</b>	<b>4,398,872</b>

In 2017, the New Zealand government provided voluntary funding over five years to support a programme of technical assistance and training in the Pacific. This includes the establishment of three additional staff (referred to as the "Pacific Cell") in the APG secretariat. This funding forms part of the APG's accounts and is reflected in these financial statements. However, for accountability reasons, and to ensure that this funding does not affect other APG resourcing from member contributions, day to day management of this funding is kept separate from other APG funds. It is reported on separately here for transparency.

## Note 3: Trade and other receivables

	2020	2019
	\$	\$
Member contributions and other receivables*	90,858	239,292
Other debtors	8,593	-
GST receivable from the Australian Taxation Office	295	794
<b>Total trade and other receivables</b>	<b>99,746</b>	<b>240,086</b>
<b>Total trade and other receivables (net)</b>	<b>99,746</b>	<b>240,086</b>

\* This amount includes membership contributions from three members which have not been received as at 30 June 2020.

### Accounting Policy

Credit terms for goods and services are 30 days (2019: 30 days). Receivables are held for the purpose of collecting contractual cash flows and measured at amortised cost using the effective interest method adjusted for any loss allowance.

Financial assets are assessed for impairment at the end of each reporting period based on Expected Credit Losses, using the general approach which measures the loss allowance based on an amount equal to lifetime expected credit losses.

## Note 4: Unearned income

	2020	2019
	\$	\$
Member and project contributions paid in advance		
Member contribution - US State Department	30,238	44,478
Project contribution - China	519,713	317,549
Project contribution - Chinese Taipei	162,346	114,160
Project contribution - NZ Ministry of Foreign Affairs and Trade	911,379	1,080,390
Project contribution - NZ Ministry of Justice	141,766	98,860
Project contribution - US State Department	1,618	17,803
Project contribution - Australian Department of Foreign Affairs and Trade	526,000	-
<b>Total unearned income</b>	<b>2,293,060</b>	<b>1,673,240</b>

## **ANNEX C**

### **Pacific AML/CFT Capacity Development Programme Annual Report 2019 - 2020**

## PART ONE: REPORT AGAINST STRATEGIC PRIORITIES

The PACD programme is organised around the four goals in *PACD Strategic Plan 2017-2020 – updated*<sup>3</sup> which are aligned with the wider APG strategic goals in the *APG Strategic Plan*.

The *PACD Business Plan 2019-2020 – updated*<sup>3</sup> sets out required activities for 2019-2020 under each strategic goal and is consistent with its strategies.

The following section is a summary of the performance highlights of the PACD programme for the 2019-2020 financial year under each strategic goal and consistent with the *PACD Business Plan 2019-2020 – updated*.

### Impact of COVID-19 on 2019-2020 PACD programme activities

The World Health Organisation's assessment of COVID-19 as a pandemic (on 12 March 2020) activated a number of measures by the Australian Government, including the APG secretariat's host agency<sup>4</sup>, to contain the spread of the virus. These measures impacted on the operations of the APG secretariat primarily through travel and visitor restrictions both within Australia and to APG member jurisdictions. On 12 March 2020, all APG secretariat travel was suspended. Around the same time many APG Pacific members including New Zealand introduced travel restrictions.

For the PACD programme, the suspension of APG secretariat travel also resulted in the postponement or cancellation of a number of workshops, travel by APG delegates, and travel by external consultants (impacted individual activities are identified below under the relevant strategic goal).

While a number of projects were able to be modified to facilitate delivery during the COVID-19 pandemic, the prioritisation of APG Pacific members' resources to their health sector, changing international travel arrangements, and working from home arrangements of some APG Pacific members and the APG secretariat made it challenging to initiate new activities and projects in late 2019-2020.

The on-going impact of COVID-19 on the programme is discussed in the *PACD Business Plan 2020-2021*.

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<sup>3</sup> In early 2020 MFAT agreed to incorporate ME-related activities into the PACD programme. An updated strategic plan and 2019-2020 business plan, reflecting this change, was provided to MFAT on 15 April 2020.

<sup>4</sup> The APG Secretariat is hosted by the Australian Federal Police.



## STRATEGIC GOAL #1

### BE AN EFFECTIVE TECHNICAL ASSISTANCE CELL SUPPORTING IMPLEMENTATION OF THE FINANCIAL ACTION TASKFORCE (FATF) STANDARDS AND THE WORK OF THE GLOBAL AML/CFT NETWORK IN THE PACIFIC

**STRATEGY: RESOURCE THE PACIFIC TA CELL WITH APPROPRIATELY QUALIFIED STAFF TO ENSURE THE DELIVERY OF EXPECTED OUTCOMES AND PROPER MANAGEMENT OF NZ FUNDS**

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#### Required activities:

- Effectively manage the Pacific TA cell.

#### Activities:

- The APG's Pacific TA Cell at 30 June 2020 consists of the following NZ-funded staff members:
  - Shannon Rutherford, Deputy Director;
  - Rupert Christie<sup>5</sup>, Policy Officer;
  - Sue Maggiore, Policy Support Officer.
- The overall management of the cell is the responsibility of the Director TA (APG core-funded position with part funding attributed<sup>6</sup> to the PACD programme).
- Due to COVID-19, the Pacific Cell commenced working from home in mid-April 2020. In line with the AFP's return to work policy, the Pacific Cell is currently transitioning back to working from the office.
- On-the-job training and mentoring opportunities have been regularly provided to Pacific TA Cell staff to ensure they can confidently perform their roles. All Pacific TA Cell staff completed mandatory AFP internal training.
- All Pacific TA Cell staff have performance development agreements consistent with the AFP's Performance Management Framework. All staff members achieved a satisfactory level of performance on their performance reviews in March 2020.
- PACD funds are managed in accordance with *Public Governance, Performance and Accountability Act 2013* and AFP Commissioner's Financial Instructions. All PACD finances are administered using the systems of the APG secretariat's host agency in the Australian government, the AFP, which include comprehensive internal controls and external scrutiny.

**STRATEGY: ENSURE EFFECTIVE COORDINATION AND GOVERNANCE STRUCTURES ARE IN PLACE, INCLUDING WITHIN THE APG SECRETARIAT AND WITH MFAT, PACIFIC ISLAND JURISDICTIONS, REGIONAL ORGANISATIONS, AND OTHER DONORS AND TA PROVIDERS**

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#### Required activities:

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<sup>5</sup> Rupert Christine joined the Pacific Cell in April 2020. Rupert was accepted into the AFP Development Program and will be replaced by Sabhana Devi in September 2020.

<sup>6</sup> A policy on allocating employee costs between the New Zealand funded Pacific project and APG core budget has been developed to detail the attribution of salary costs when non-Pacific TA staff are required to augment the work of the Pacific Cell and deliver grant outcomes in a timely manner.

- Engage in active consultation with Pacific members, the APG's Donors and Providers (DAP) Group, regional organisations, and other stakeholders.
- Keep Pacific members, DAP Group members and other stakeholders up-to-date with activities of the PACD programme and upcoming opportunities for collaboration.

#### Activities:

- To ensure effective coordination and cooperation with regional organisations and other DAPs, the Pacific Cell undertook the following key activities:
  - Met with MFAT in Wellington, NZ in September 2019.
  - Participated in person and via skype in the regional security coordination meeting organised by the Pacific Islands Forum Secretariat (PIFS) in Suva, Fiji in October 2019.
  - Attended the Pacific Islands Law Officers' Network (PILON) meeting in Apia, Samoa in November 2019 to provide an update on the PACD programme.
  - Presented on Pacific money laundering risks and vulnerabilities at the regional team leaders meeting of the Pacific Transnational Crime Network in Brisbane, Australia in November 2019.
  - Attended the Pacific Working Group on Remittance meeting, organised by the World Bank Group in Sydney, Australia in November 2019.
  - Attended the Pacific Islands Regional Initiative (PIRI) workshop to develop a regional de-risking action plan for the Pacific, which was organised by the Alliance for Financial Inclusion (AFI) in Sydney, Australia in November 2019.
  - Met with the Pacific Islands Forum Fisheries Agency (FFA) in February 2020 to discuss collaboration opportunities to support better use of AML tools to help combat fisheries crimes in the Pacific.
  - Due to COVID-19 the Pacific Cell was unable to participate in a number of other planned activities of regional organisations between 12 March and 30 June 2020.
- To ensure active consultation with DAP Group members, the Pacific Cell:
  - Participated in a DAP Group Zoom meeting on the impact of COVID-19 on AML/CFT TA activities in May 2020.
  - Participated in the 2020 Annual Technical Assistance and Training (TA&T) Forum, held remotely in July 2020. The Pacific TA Cell sought updates from; (i) DAP Group members on planned and delivered TA in the Pacific, and (ii) Pacific members on their TA needs and 2020-2021 TA priorities.
  - Organises regular teleconferences or face-to-face meetings with individual DAPs (on an as-needed basis) to discuss delivery, progress and coordination of specific TA activities to Pacific members. For this reporting period, the Pacific Cell has been in regular contact with a number of DAPs including, but not limited to, AUSTRAC, AMLAT, RBNZ, DIA, PIFS, and UNODC.
- The Pacific Cell disseminated four quarterly updates via email to ensure Pacific members, DAP Group members and other stakeholders are kept up-to-date with PACD activities and upcoming opportunities for collaboration.
- The Pacific Cell also keeps the APG website up-to-date with PACD elements and publishes short online news articles on PACD activities.

## **STRATEGIC GOAL #2**

### **NATIONAL AML/CFT REGIMES ARE STRENGTHENED**

#### **STRATEGY: ENGAGE STAKEHOLDERS TO GARNER POLITICAL COMMITMENT FOR ENHANCING AML/CFT SYSTEMS**

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##### **Required activities:**

- Maintain up-to-date TA Implementation Plans for each Pacific member.

##### **Activities:**

- TA Implementation Plans were updated on an as-required basis throughout the year and based on APG Pacific members' input for 2020 (Remote) Annual Technical Assistance and Training Forum in July 2020. Pacific TA Overviews and TA Implementation Plans are available to all DAPs as a resource to support their TA planning and activities in the Pacific.

#### **STRATEGY: ENSURE AML/CFT MEASURES ARE UNDERTAKEN ON THE BASIS OF STRONG POLICY DISCUSSIONS AND PLANNING, INCLUDING UNDERSTANDING RISK**

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##### **Required activities:**

- Assist Pacific members to identify and assess their ML/TF risks and implement, through national AML/CFT strategies/policies, co-ordinated risk-based approaches to combating identified risks.

##### **Activities:**

- Work is ongoing on the project to assess terrorist financing risks in Fiji's non-profit organisation (NPO) sector, and enhance Fiji's compliance with FATF Recommendation 8. To date, an in-country visit to Fiji has been completed and initial drafts of some materials were developed. Due to COVID-19, a second workshop, originally scheduled for May 2020, was postponed. While draft materials are being developed remotely by the consultant, the completion of the project is dependent on at least one more in-country visit, which hopefully can be completed in early-to-mid 2021.
- As part of NPO project, the consultant will also develop a broader practical resource for all APG Pacific members on taking a risk-based approach to the regulation, monitoring and supervision of the NPO sector as required by the FATF methodology. Once completed the APG will offer support for implementation in interested jurisdictions.
- A consultant was engaged to assist the Solomon Islands to develop a national AML/CFT strategy based on its ML/TF risks following the adoption of its 2019 MER. The consultant also participated in the APG's SIP workshop (see below). The national AML/CFT strategy is scheduled to be approved by the Solomon Islands before December 2020.
- The APG, AMLAT and AUSTRAC held a SIP Workshop in the Solomon Islands between 4 and 6 February 2020. The aim of the workshop was to assist authorities to prioritise and plan TA in response to the findings and recommendations of the Solomon Islands 2019 MER.



## **STRATEGIES:**

- **SUPPORT PACIFIC MUTUAL EVALUATIONS AND FOLLOW-UP ASSESSMENTS**
  - **SUPPORT PACIFIC ISLAND JURISDICTIONS IN ENGAGING PRODUCTIVELY WITH THE GLOBAL AML/CFT COMMUNITY, INCLUDING BENEFITING FROM ASSOCIATED ACTIVITIES**
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### **Required activities:**

- Provide assistance on Pacific mutual evaluation and follow-up reports.
- Sponsor Pacific members on ME related visits and to APG and APG-supported events.

### **Activities:**

- The Pacific Cell reviewed the 2<sup>nd</sup> draft of the Tonga MER and proposed changes to the assessment team associated with Tonga's risk and context, and recommended actions to support on-going and sustainable development of Tonga's AML/CFT regime.
- The APG secretariat delivered a three-day AML/CFT awareness raising workshop in the Marshall Islands (RMI) between 29 and 31 January 2020. Sessions of the workshop focused on the FATF standards and the importance of ML/TF risk understanding as the basis for implementing AML/CFT measures, as well as an overview of the ME process.
- PACD funds were used to support salary costs of one APG secretariat staff member's participation in the Marshall Islands ME.
- Customs and police officers from Fiji and Samoa were sponsored to a sub-regional one-week cash courier training workshop in the Cook Islands in July 2019. The workshop was a collaborative effort between UNODC, NZ Customs and Police, and OCO. Further details of the activity are included under Strategic Goal #4.
- PACD funds were used to sponsor one delegate each from the Cook Islands and the Marshall Islands to attend the Pacific Islands Regional Initiative (PIRI) workshop to develop a regional de-risking action plan for the Pacific, which was organised by the Alliance for Financial Inclusion (AFI) in Sydney, Australia in November 2019.
- Due to COVID-19, sponsorship to, and/or delivery of, a remittance AML/CFT supervision workshop in Auckland, New Zealand, the PILON Corruption Working Group Training on Prosecuting Financial Crime & Corruption, and De-Risking Toolkit Experts Meeting were all postponed or cancelled.

## **STRATEGY: PROVIDE LEGISLATIVE DRAFTING ASSISTANCE TO BRING LEGISLATION INTO GREATER COMPLIANCE WITH FATF STANDARDS**

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### **Required activities:**

- Deliver TA programmes of work for AML/CFT legislative drafting assistance to Pacific members

### **Activities:**

- A consultant was engaged to assist Nauru in the review and amendment of its AML/CFT regime. In September 2019, the consultant conducted a gap analysis of 17 pieces of Nauru's AML/CFT-related legislation against the FATF standards and identified areas requiring amendment. Nauru is undertaking the necessary legal drafting with the consultant engaged to provide ongoing review of draft amendments. Due to personnel changes in Nauru, this project is progressing slowly.

- A consultant was engaged to conduct a gap analysis of Tonga's compliance with FATF Recommendations 5, 6 and 7 and propose options for rectifying the deficiencies ahead of Tonga's ME onsite visit in late October 2019. Due to delays and limited time before Tonga's ME onsite visit, only the gap analysis element of the project was completed. The APG presented the Targeted Financial Sanctions Model Law at the PIFS regional security coordination meeting in Suva, Fiji in October 2019. The model law is awaiting final endorsement by PIFS.

### **STRATEGIC GOAL #3**

#### **AML/CFT REGULATION IS IMPROVED AND ENFORCED**

#### **STRATEGY: PROVIDE ASSISTANCE TO BRING REGULATORY FRAMEWORKS INTO GREATER COMPLIANCE WITH FATF STANDARDS**

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##### **Required activities:**

- Deliver TA programmes to strengthen Pacific members' compliance with FATF standards on preventive measures.
- Deliver TA programmes to address de-risking issues affecting the Pacific members.

##### **Activities:**

- A consultant was engaged to assist Nauru in the review and amendment of its AML/CFT regime including elements of the regime covering preventive measures.
- PACD funds have been allocated to develop a Pacific de-risking toolkit. The Financial Services Volunteer Corps (FSVC) is leading the project in collaboration with the APG. The aim of the toolkit is to support APG Pacific members to implement AML/CFT measures to assist in mitigating de-risking. The document will equip APG Pacific members with the resources required to use all government AML/CFT "levers of influence" to assist in mitigating de-risking in their jurisdiction. Due to COVID-19, the work on the toolkit is progressing slower than anticipated and the Experts Meeting on the toolkit was cancelled. The toolkit is expected to be completed in late 2020 and in-country implementation visits are tentatively scheduled to occur in mid-2021.

#### **STRATEGY: PROVIDE TAILORED PROGRAMMES AND MENTORING TO ASSIST FINANCIAL SUPERVISORS/REGULATORS TO IMPROVE CAPACITY IN ENFORCING AML/CFT MEASURES AND REGULATING FINANCIAL ACTIVITY**

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##### **Required activities:**

- Deliver TA programmes to enhance AML/CFT risk-based supervision of financial institutions.
- Deliver TA programmes to enhance AML/CFT risk-based supervision of designated DNFBPs.

##### **Activities:**

- The Pacific Cell has continued to coordinate with DIA to provide casino sector AML/CFT supervision assistance to Vanuatu. The project focused on assisting Vanuatu to implement a risk-based approach to casino AML/CFT supervision. PACD funds were used to support two visits by DIA to Vanuatu in August 2019 and February 2020.
- DIA and the Pacific Cell planned to hold a workshop on AML/CFT supervision of remittance providers in May 2020 in Auckland New Zealand. The aim of the workshop was to provide guidance and good practice advice to enhance risk-based AML/CFT remittance supervision across the region. Due to COVID-19, the workshop was postponed.

## **STRATEGIC GOAL #4**

### **INCREASED DETECTION, INVESTIGATION AND PROSECUTION OF ML/TF**

**STRATEGY: PROVIDE PROGRAMMES/MENTORING TO ENSURE LAW ENFORCEMENT AGENCIES HAVE THE CAPACITY AND CAPABILITY TO DETECT AND INVESTIGATE ML/TF**

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#### **Required activities:**

- Deliver TA programmes to enhance Pacific members' use of financial intelligence in ML and predicate crime cases, and asset confiscation.

#### **Activities:**

- The Pacific Cell worked with the Samoa FIU to co-fund an upgrade of its database. The upgrade enhances the FIU's ability to collect and analyse cash transaction reporting data and produce financial intelligence products for law enforcement.

#### **STRATEGIES:**

- **STRENGTHEN MECHANISMS FOR RECOVERY AND REPATRIATION OF PROCEEDS AND ASSETS CONNECTED TO CRIMINAL ACTIVITY**
  - **PROVIDE TAILORED PROGRAMMES AND MENTORING TO ENSURE ML/TF IS PROSECUTED**
  - **PROVIDE ANTI-CORRUPTION MENTORING TO IMPROVE CAPACITY FOR USE OF FINANCIAL INVESTIGATIONS IN COMBATING THE KEY REGIONAL RISK OF CORRUPTION**
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#### **Required activities:**

- Deliver TA programmes to enhance LEAs and/or prosecutors' capacity to conduct financial investigations in ML and higher-risk predicate crime cases and recover assets.
- Deliver a total of four (4) thematic law enforcement mentoring visits to Pacific members.

#### **Activities:**

- A sub-regional one-week cash courier training workshop was held in the Cook Islands in July 2019 with a total of seven FIU, customs and police officers from Cook Islands, Fiji and Samoa attending. The workshop was a collaborative effort between UNODC, NZ Customs and Police, and OCO, with coordination and support from the Pacific Cell. The workshop included delivery of a three-day UNDOC cash courier training package followed by two days of planning for the multi-jurisdiction operation targeting cash smuggling. The multi-jurisdiction operation was coordinated by NZ Customs and occurred in September/October 2019. NZ Customs analysed the cash courier activities/seizures during the operation, which was provided to participating jurisdictions and is available upon request from NZ Customs.
- As part of the preparations for the sub-regional operation, NZ Customs provided mentoring for Samoa Customs to assist with finalising their operational orders. The mentoring visit was conducted in September 2019, with support from PACD funds.

- The Pacific Cell also coordinated with NZ Police to provide mentoring support to Tonga Police in October 2019 to develop a standard operating procedure for conducting terrorism financing investigations.
- A consultant was engaged to provide technical assistance to Royal Solomon Islands Police Force on financial investigations and asset recovery including conducting a workshop in the Solomon Islands and mentoring (both remote and in-country). Due to COVID-19 the workshop and mentoring have been postponed.

## **PART TWO: REPORT AGAINST THE COSTED WORK PLAN FOR 2019-2020<sup>7</sup>**

The following section outlines 2019-2020 expenditure against the costed work plan in the *PACD Business Plan 2019-2020 – updated*.

### **SUMMARY OF 2019-2020 EXPENDITURE AND EXPLANATION FOR VARIANCE**

#### **Output 1 - Pacific TA Cell established within the APG Secretariat**

Expenditure against Output 1 was NZD 434,799 and relates to employee expenses of the three full-time Pacific TA Cell staff and salary attribution costs relating to when core APG staff undertook tasks for the PACD programme<sup>8</sup> (see Annex 1). The underspend of NZD 27,868 results from less than expected travel related penalty rates and allowance payments, three weeks of the Policy Officer position not being filled, and more than budgeted salary attribution costs (see Annex 1).

#### **Output 2 - Technical assistance and training**

Expenditure against Output 2 was NZD 209,347 (see Table 2) with the details of individual activity expenditure included in Annex 1. The underspend of NZD 148,808 primarily results from the following factors:

- Postponement/cancellation of workshops due to COVID-19 (the remittance AML/CFT supervision workshop in Auckland, New Zealand, the PILON Corruption Working Group Training on Prosecuting Financial Crime & Corruption, and De-Risking Toolkit Experts Meeting); estimated value of approximately NZD 100,000;
- Postponement/cancellation of individual projects due to COVID-19 (for example, consultant and/or travel related costs for Solomon Islands National Strategy Project and Solomon Islands Law Enforcement Project); estimated value of approximately NZD 40,000; and
- Postponement/cancellation of Pacific Cell staff travel to activities with regional organisations; estimated value approximately NZD 8,000.

#### **Output 3 - Administrative costs**

Expenditure against Output 3 was NZD 8,075 (see Table 2) with the details of expenditure included in Annex 1. The underspend of NZD 40,925 is a result of less than expected expenditure on non-salary related administrative costs of the Pacific TA Cell<sup>9</sup>, particularly the financial audit expense.

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<sup>7</sup> Detailed accounting of funds spent in 2019-2020 is provided in Annex 1 of this report

<sup>8</sup> A policy on allocating employee costs between the New Zealand funded Pacific project and APG core budget has been developed to detail the attribution of salary costs when non-Pacific TA staff are required to augment the work of the Pacific Cell and deliver grant outcomes in a timely manner.

<sup>9</sup> It was originally envisioned that the cost of an annual financial audit would be approximately NZD 19,000. However, PACD programme funds are audited annually in combination with the APG's financial audit at no cost to the PACD programme. In addition, accommodation, ICT services, human resources, finance and legal services are provided at no expense under the Australian government's hosting arrangement with the APG Secretariat.

**Table 2: Expenditure (NZD) 2019-2020<sup>10</sup>**

Output	2019-2020 Budget <sup>11</sup>	2019-2020 Expenditure	Variance
<b>1 - Pacific TA Cell</b>	<b>462,667<sup>12</sup></b>	<b>434,799</b>	<b>27,868</b>
<b>2 - Technical Assistance and Training</b>	<b>358,155<sup>13</sup></b>	<b>209,347</b>	<b>148,808</b>
Strategic Goal 1	18,400	6,620	11,780
Strategic Goal 2	91,555	101,160	-9,605
Strategic Goal 3	124,100	21,365	102,735
Strategic Goal 4	124,100	80,202	43,898
<b>3 - Administrative costs</b>	<b>49,000</b>	<b>8,075</b>	<b>40,925</b>
<b>TOTAL</b>	<b>869,822</b>	<b>652,221</b>	<b>217,601</b>

**INTENDED USE OF GRANT UNDERSPEND**

As displayed in Table 2, the total underspend for 2019-2020 is NZD 217,601 with a total grant underspend at 30 June 2020 of NZD 476,273<sup>14</sup>.

In previous years of the PACD programme, annual underspends were rolled into future years of the programme<sup>15</sup>. As the programme is entering the final two years of the Grant Agreement and we expect that the ability to travel<sup>16</sup> and APG Pacific members' changing priorities will continue to shape the programme in 2020-2021, we propose to discuss the use of the total grant underspend with MFAT in early 2021.

The costed 2020-2021 work plan is included in the *PACD 2020-2021 Business Plan* using the budget included in the Grant Agreement.

<sup>10</sup> Detailed accounting of funds spent in 2019-2020 is provided in Annex 1 of this report

<sup>11</sup> These figures vary from those in the long-term forecast included in the Grant Funding Arrangement: Pacific Anti-Money Laundering Strengthening Project as the underspent funds from previous years have been reallocated across the other outputs of the grant – see *PACD Annual Report 2018-2019*.

<sup>12</sup> In addition to this expenditure, at 30 June 2020 the PACD programme had NZD 5,687 Pacific Cell staff long services leave liability.

<sup>13</sup> In addition to this expenditure, at 30 June 2020 the PACD programme had NZD 176,202 in contractual commitments.

<sup>14</sup> Against the budget set out in the Grant Agreement

<sup>15</sup> See 2017-18 and 2018-2019 PACD annual reports.

<sup>16</sup> Travel by APG Secretariat staff, APG member representatives and external consultants.

## PART THREE: REPORT AGAINST OUTCOMES OF THE PACD RESULTS MANAGEMENT TABLE

### SHORT-TERM OUTCOMES

**RESULT 1: IMPROVED POLITICAL COMMITMENT AND DRIVE TO ENHANCING AML/CFT SYSTEMS.** The following indicators show that there has been some increase in political commitment and drive to enhance AML/CFT regimes over the last three years of the PACD programme, mainly related to Pacific members' commitment to make changes in accordance with their national AML/CFT policies.

Indicator: APG Pacific members have a functioning AML/CFT coordination mechanism		
Target	Progress to date	Baseline
All Pacific members have an AML/CFT coordination mechanism with high-level representation that meets at least twice a year.	8 Pacific members have a functioning AML/CFT coordination mechanism	8 Pacific members have a functioning AML/CFT coordination mechanism

Upon commencement of the PACD programme, eight Pacific members had an AML/CFT coordination mechanism in place with high-level representation that meets at least twice a year. While there has been no change to this measure (Nauru established a coordination mechanism in year 1 of the programme, but it is meeting only once per year), activities to support the development of AML/CFT policies/strategies (see below) will impact on progress against this target and will continue to strengthen the quality of national AML/CFT coordination mechanisms.

Indicator: APG Pacific members have enhanced commitment to issue new or amended AML/CFT related laws, policy statements and/or procedures.		
Target	Progress to date	Baseline
All APG Pacific members have a risk-based national AML/CFT policy/strategy.	5 Pacific members have a risk-based national AML/CFT policy/strategy.	2 Pacific members have a risk-based national AML/CFT policy/strategy.

Upon commencement of the PACD programme, one Pacific member had a risk-based national AML/CFT policy or strategy in place. This has increased to five Pacific members, and will continue to increase as the Pacific TA Cell is currently supporting development of AML/CFT policies/strategies for the Solomon Islands (project delayed due to COVID-19), and is considering supporting similar AML/CFT strategic planning projects particularly following adoption of mutual evaluations reports.

**RESULT 2: ENHANCED EXPOSURE TO AND INVOLVEMENT OF APG PACIFIC MEMBERS IN THE GLOBAL AML/CFT ENVIRONMENT.** The following indicators show that APG Pacific members' involvement in the global AML/CFT environment has increased with support of PACD funding, and is meeting the PACD programme targets.

Indicator: APG Pacific members participate in APG, APG-supported, and other relevant regional events.		
Targets	Progress to date	Baseline
All Pacific members attended at least two APG/APG-supported events	All Pacific members attended at least two APG/APG-supported events	7 Pacific members attended at least two APG/APG-supported events
All Pacific members attended at least two events of other regional organisations	All Pacific members attended at least two events of other regional organisations	All Pacific members attended at least two events of other regional organisations

All Pacific members are actively engaged in APG or APG-supported events as well as with AML/CFT related regional organisations. While the target has been met, efforts will be undertaken to increase the active involvement of Pacific members at these events. Noting of course that current COVID-19 related measures mean the Pacific Cell is not currently organising or sponsoring APG Pacific Members to regional events.

Indicator: APG Pacific members are actively involved in mutual evaluations and APG follow-up reports as assessors or reviewers.		
Target	Progress to date	Baseline
Two delegates from Pacific members are involved as assessors or reviewers on APG MEs or Follow-Up Reports each year.	On Average, 5 Pacific delegates were assessors or reviewers in each year of the programme	1 Pacific delegate was a reviewer

APG has exceeded this target every year since the start of the programme. In Year 1 a total of seven Pacific delegates participated as assessors on three separate MEs and one follow-up report; in Year 2, three Pacific delegates were involved as assessors on one ME; and in Year 3, five Pacific delegates are involved as assessors on one ME and one follow-up report.



**RESULT 3: AML/CFT LEGISLATION COMPLIANT WITH FATF STANDARDS.** The following indicator shows Pacific members are increasing their compliance with key FATF Recommendations.

Indicator: APG Pacific members have improved compliance with FATF Recommendations.		
Target	Progress to date	Baseline
50% of Pacific members are LC/C with at least 10 Key FATF Recommendations	27% of Pacific members are LC/C with at least 10 Key FATF Recommendations	9% of Pacific members are LC/C with at least 10 Key FATF Recommendations

At the start of the PACD programme, one Pacific member was rated largely compliant or compliant on at least 10 of the 13 key FATF Recommendations (R.3, R.5, R.10, R.11, R.20, R.1, R.4, R.6, R.26, R.29, R.36, R.37, and R.40). At three years into the programme, this has increased to three Pacific members due to the significant changes made to Fiji and Vanuatu's AML/CFT regimes. A further three Pacific members are making good progress on this indicator and are currently rated LC or C on nine of the 13 key FATF Recommendations.

**RESULT 4: SUPERVISORS/REGULATORS HAVE IMPROVED CAPACITY TO ENFORCE AND REGULATE AML/CFT SYSTEMS.** The indicators below show steady improvement of APG Pacific members in developing risk-sensitive frameworks for AML/CFT supervision of financial institutions and DNFBPs, and beginning to undertake risk-sensitive supervision banks.

Indicator: APG Pacific members have improved risk-sensitive frameworks for AML/CFT supervision of financial institutions and DNFBPs.		
Targets	Progress to date	Baseline
75% of Pacific members have risk-sensitive framework AML/CFT supervision of financial institutions and DNFBPs	55% of Pacific members have risk-sensitive framework AML/CFT supervision	9% of Pacific members have risk-sensitive framework AML/CFT supervision
75% of Pacific members have standard operating procedures and/or manuals for risk-sensitive AML/CFT supervision of financial institutions and DNFBPs	55% of Pacific members have SOPs for risk-sensitive AML/CFT supervision	9% of Pacific members have SOPs for risk-sensitive AML/CFT supervision
75% of Pacific members are holding regular meetings/awareness raising workshops with private sector entities	73% of Pacific members are holding AML/CFT awareness raising activities for private sector entities	36% of Pacific members are holding AML/CFT awareness raising activities for private sector entities

At the start of the PACD programme, one Pacific member had a risk-sensitive framework and SOPs for AML/CFT supervision of financial institutions and DNFBPs. At the three-year mark of the programme, this has increased to six members. With plans to use PACD funds to support the development of risk-sensitive AML/CFT supervision frameworks in the coming years of the programme, it is expected that this target will be met by 2022. Additionally, the above figure shows that Pacific members are making good progress in improving their outreach and communication with financial institutions and DNFBPs — at the mid-point of the programme, the target for this indicator has essentially been met.

Indicator: APG Pacific members have improved risk-sensitive AML/CFT supervision of banks.		
Target	Progress to date	Baseline
Consistent with the make-up and risks of their financial sector, Pacific jurisdictions are conducting risk-sensitive AML/CFT supervision of banks	<b>Larger financial Sectors*</b> 2 of 3 Pacific members are conducting risk-sensitive AML/CFT supervision of banks	1 of 3 Pacific members are conducting risk-sensitive AML/CFT supervision of banks
	<b>Medium financial Sectors*</b> 2 of 4 Pacific members are conducting risk-sensitive AML/CFT supervision of banks	1 of 4 Pacific members are conducting risk-sensitive AML/CFT supervision of banks
	<b>Smaller financial Sectors*</b> No Pacific members are conducting risk-sensitive AML/CFT supervision of banks	No Pacific members are conducting risk-sensitive AML/CFT supervision of banks

\* Groupings for this measure are based on 2019 GDP (<https://unstats.un.org/unsd/snaama/CountryProfile>). Larger financial sectors are those with GDP above USD 1000 million (Fiji, PNG and Solomon Islands); medium financial sectors are those with GDP between USD 1000 million and USD 300 million (Cook Islands, Samoa, Tonga and Vanuatu); and smaller financial sectors are those with GDP below USD 300 million and with a limited number of financial institutions (Marshall Islands, Nauru, Niue and Palau).

The above figure shows some progress by larger and medium-size financial sector APG Pacific members on conducting risk-based AML/CFT supervision of banks. Furthermore, Pacific members not conducting risk-based supervision of banks are conducting rule-based AML/CFT supervision. Smaller financial sector APG Pacific members are not conducting risk-sensitive supervision with only Palau conducting rule-based AML/CFT supervision of banks. However, it is important to note that both Nauru and Niue only have one (foreign) bank.

**RESULT 5: IMPROVED ML INVESTIGATIONS CAPACITY OF LEAs.** The following indicators show that while APG Pacific members have made some progress in their capacity to undertake financial investigation of higher-risk predicate crimes, more work needs to be done to develop stronger frameworks to conduct money laundering investigations and to confiscate assets.

Indicator: APG Pacific members have improved frameworks for financial investigations of higher-risk predicate crimes with the intention of identifying ML and/or asset recovery cases.		
Targets	Progress to date	Baseline
75% of Pacific members have a policy/strategy to pursue ML investigations and asset confiscation in higher-risk predicate crimes	27% of Pacific members have a policy/strategy to pursue ML investigations and asset confiscation	9% of Pacific members have a policy/strategy to pursue ML investigations and asset confiscation
75% of Pacific members have policies/procedures for FIU analysis and are disseminating STRs	82% of Pacific members have policies/procedures for FIU analysis and are disseminating STRs.	64% of Pacific members have policies/procedures for FIU analysis and are disseminating STRs
75% of Pacific members have SOPs for financial investigations, ML investigations, and asset confiscation	9% of Pacific members have SOPs for financial investigations, ML investigations, and asset confiscation	9% of Pacific members have SOPs for financial investigations, ML investigations, and asset confiscation

There has been some increase in the number of Pacific members with policies/strategies to pursue ML investigations and asset confiscation. The above figure also shows that at the start of the PACD programme, eight Pacific members had developed policies and procedures for FIU analysis of suspicious transaction reports and were regularly disseminating financial intelligence to law enforcement agencies. This has now

Indicator: APG Pacific members have demonstrated capacity and capability to conduct financial investigations of higher-risk predicate crimes with the intention of identifying ML and/or asset recovery cases.			
Target		Progress to date	Baseline
Consistent with their ML risk profile, Pacific Members are conducting financial investigations of higher-risk predicate crimes with the intention of identifying ML and/or asset recovery cases	<b>Higher-risk Pacific members*</b>	All Pacific members are conducting financial investigations	All Pacific members are conducting financial investigations
	<b>Medium-risk Pacific members*</b>	1 of 3 Pacific members are conducting financial investigations	1 of 3 Pacific members are conducting financial investigations
	<b>Lower-risk Pacific Members*</b>	1 of 4 Pacific members are conducting financial investigations	1 of 4 Pacific members are conducting financial investigations

\* For the purpose of this measure, Fiji, Papua New Guinea, Solomon Islands and Vanuatu are considered to be relatively higher-risk based on the general perception of value of criminal offending in these jurisdictions. Cook Islands, Samoa and Tonga are considered to be medium-risk, while Marshall Islands, Nauru, Niue and Palau are considered to be lower-risk.

To date in the PACD programme, all higher-risk Pacific members have been conducting financial investigations of higher-risk predicate crimes with the intention of identifying ML and/or asset recovery cases. There has been no change in medium and lower risk Pacific members over the life of the grant.

## MEDIUM-TERM OUTCOMES

**RESULT 1: STRENGTHENED NATIONAL AML/CFT REGIMES.** The following indicators show Pacific members are increasing their technical compliance with FATF Recommendations, and in particular are improving their understanding of ML/TF risks.

Indicator: APG Pacific members have improved technical compliance with FATF Recommendations.		
Targets	Progress to date	Baseline
75% of Pacific members are LC/C with at least 10 Key Recommendations	27% of Pacific members are LC/C with at least 10 Key Recommendations	9% of Pacific members are LC/C with at least 10 Key Recommendations
75% of Pacific members are making continued progress to address technical compliance deficiencies on other FATF Recommendations	36% of Pacific members are making continued progress to address technical compliance deficiencies on other FATF Recommendations	27% of Pacific members are making continued progress to address technical compliance deficiencies on other FATF Recommendations

This indicator builds on the similar short-term indicator. At the start of the PACD programme, one Pacific member was rated largely compliant or compliant on at least 10 of the 13 key FATF Recommendations. Three years into the programme, this has increased to three Pacific members due to the significant changes made to Fiji and Vanuatu's AML/CFT regimes. Four Pacific members have achieved upgrades to largely compliant or compliant on other FATF Recommendations, demonstrating progress to address technical compliance deficiencies.

Indicator: APG Pacific members have improved understanding of their ML/TF		
Target	Progress to date	Baseline
All Pacific members have up-to-date ML/TF risk information	10 Pacific members have up-to-date ML/TF risk information	4 Pacific members have up-to-date ML/TF risk information

To date, 11 Pacific members have developed national AML/CFT risk assessments, although as of 2019 one member's assessment is no longer considered to be up-to-date as it is over five years old and has not been reviewed during this time. Many members are in the process of developing sectoral risk assessments to further deepen risk understanding of targeted sectors. This is an area of relative strength for Pacific members, and it is expected that the target for this indicator will be reached by the end of the programme.

**RESULT 2: FINANCIAL AND NON-FINANCIAL SECTORS ARE SUPERVISED AND REGULATED.** The indicator below builds on the similar short-term indicator for risk-sensitive AML/CFT supervision, by looking more broadly at supervision of reporting entities other than just banks. As the results show, while there has been some progress in conducting risk-sensitive supervision of non-bank financial institutions, few Pacific members are undertaking risk-sensitive supervision of DNFBPs.

Indicator: APG Pacific members have improved risk-sensitive AML/CFT supervision of non-bank financial institutions and DNFBPs.			
Target		Progress to date (mid grant)	Baseline
Consistent with the make-up and risks of their financial sector, Pacific jurisdictions are conducting risk-sensitive AML/CFT supervision of non-bank financial institutions and DNFBPs	Larger financial Sectors*	2 of 3 Pacific members are conducting risk-sensitive AML/CFT supervision of non-bank financial institutions	1 of 3 Pacific members are conducting risk-sensitive AML/CFT supervision of non-bank financial institutions
		2 of 3 Pacific members are conducting risk-sensitive AML/CFT supervision of DNFBPs institutions	No Pacific members are conducting risk-sensitive AML/CFT supervision of DNFBPs institutions
	Medium financial Sectors*	2 of 4 Pacific members are conducting risk-sensitive AML/CFT supervision of non-bank financial institutions	1 of 4 Pacific members are conducting risk-sensitive AML/CFT supervision of non-bank financial institutions
		1 of 4 Pacific members are conducting risk-sensitive AML/CFT supervision of DNFBPs institutions	1 of 4 Pacific members are conducting risk-sensitive AML/CFT supervision of DNFBPs institutions
	Smaller financial Sectors*	No Pacific members are conducting risk-sensitive AML/CFT supervision of non-bank financial institutions	No Pacific members are conducting risk-sensitive AML/CFT supervision of non-bank financial institutions
		No Pacific members are conducting risk-sensitive AML/CFT supervision of DNFBPs institutions	No Pacific members are conducting risk-sensitive AML/CFT supervision of DNFBPs institutions

\* Groupings for this measure are based on 2019 GDP (<https://unstats.un.org/unsd/snaama/CountryProfile>). Larger financial sectors are those with GDP above USD 1000 million (Fiji, PNG and Solomon Islands); medium financial sectors are those with GDP between USD 1000 million and USD 300 million (Cook Islands, Samoa, Tonga and Vanuatu); and smaller financial sectors are those with GDP below USD 300 million and with a limited number of financial institutions (Marshall Islands, Nauru, Niue and Palau).

The above figure shows some progress by larger and medium-size financial sector Pacific members on conducting risk-based AML/CFT supervision of non-bank financial institutions. Although some other Pacific members are conducting AML/CFT supervision of some non-bank financial institutions; it is not risk-based. Smaller financial sector Pacific members are not yet conducting risk-sensitive supervision of non-bank financial institutions, however, the majority of financial activity in these jurisdictions is conducted through their banks.

Furthermore, three years into the programme three Pacific members are conducting risk-based AML/CFT supervision of some DNFBPs. The slower progress for this indicator is likely due to the DNFBP sectors of many Pacific members being very small, under developed and lower ML/TF risk, resulting in it being considered as lower priority to address.

**RESULT 3: INCREASED DETECTION, INVESTIGATION AND PROSECUTION OF ML/TF.** The following law enforcement related indicators show that while the majority of Pacific members are disseminating financial intelligence to LEAs at reasonable rates relative to their risks, there are relatively low levels of ML investigations being conducted and very few cases proceed to prosecution.

Indicator: APG Pacific members have enhanced capacity and capability to investigate and prosecute legal and natural persons of ML			
Target		Progress to date	Baseline
Consistent with their risks and context, higher risk Pacific Members have an annual increase in: 1. the number of FIO disseminations leading to ML/predicate investigations; 2. # of ML investigations; and 3. # of ML prosecutions	<b>Higher-risk Pacific members*</b>	On average, higher risk Pacific members carrier out: 98 disseminations leading to 10 inv 15 ML Investigations 6 ML prosecutions	On average, higher risk Pacific members carrier out: 52 disseminations leading to 20 inv. 17 ML Investigations 4 ML prosecutions
	<b>Medium-risk Pacific members*</b>	On average, medium risk Pacific members carrier out: 18 disseminations leading to 20 inv. 1 ML Investigations 0 ML prosecutions	On average, medium risk Pacific members carrier out: 11 disseminations leading to 1.6 inv. 0 ML Investigations 0 ML prosecutions
	<b>Lower-risk Pacific Members*</b>	On average, lower risk Pacific members carrier out: 7 disseminations leading to 2 inv. 0 ML Investigations 0 ML prosecutions	On average, lower risk Pacific members carrier out: 2 disseminations leading to 0 inv. 0 ML Investigations 0 ML prosecutions

\* For the purpose of this measure, Fiji, Papua New Guinea, Solomon Islands and Vanuatu are considered to be relatively higher-risk based on the general perception of value of criminal offending in these jurisdictions. Cook Islands, Samoa and Tonga are considered to be medium-risk, while Marshall Islands, Nauru, Niue and Palau are considered to be lower-risk.

Overall results for this indicator show limited improvement but great variation in the performance of Pacific members both year to year, and between higher and lower risk members. Consistent annual increases in the number of disseminations, ML investigations or ML prosecutions have not been achieved by any member. In general, all higher-risk Pacific members had higher rates of financial intelligence disseminations to LEAs, as well as higher rates of investigations and some prosecutions, which is in line with general expectations. However, some members in this group are performing much more effectively than others. Among medium-risk Pacific members there have been no ML prosecutions to date, which may be indicative of authorities in these jurisdictions experiencing challenges in conducting effective ML investigations. It flags an area where further technical assistance may be required for these members. The lower results for lower-risk Pacific members are also to be expected, although one member in this group is making commendable progress with ML investigations, which demonstrates that improvements could still be made among other lower-risk Pacific members.

Indicator: APG Pacific members have an enhanced capacity and capability to detect and investigate terrorist financing		
Target	Progress to date	Baseline
75% of Pacific members have policies/procedures for TF investigations, consistent with their risk and context	27% of Pacific members have policies/procedures for TF investigations consistent with their risk and context	0 Pacific members have policies/procedures for TF investigations, consistent with their risk and context

To date in the PACD programme, three Pacific members have developed policies and procedures for conducting TF investigations. Through TA coordination of the PACD programme, one Pacific member has been supported to develop its TF investigation procedure.

**RESULT 4: IMPROVED CONFISCATION AND FORFEITURE REGIMES.** The following indicator shows that the rates of confiscation across Pacific members are low, and this could be an area in need of greater technical assistance focus. There was insufficient data available to measure the number of FIU disseminations leading to asset confiscation actions, so the indicator below only shows the results of the number of asset confiscation actions taken on average each year.

Indicator: APG Pacific members have enhanced capacity and capability to investigate and prosecute legal and natural persons of ML			
Target		Progress to date	Baseline
Consistent with their risks and context, higher risk Pacific Members have an annual increase in: 1. the number of FIU disseminations leading to asset confiscation actions: and 2. # of asset confiscation actions in ML/predicate crime cases.	<b>Higher-risk Pacific members*</b>	On average, higher risk Pacific members carried out 4 confiscation actions per year in ML/predicate crime cases	On average, higher risk Pacific members carried out 2 confiscation actions per year in ML/predicate crime cases
	<b>Medium-risk Pacific members*</b>	On average, medium risk Pacific members carried out 3 confiscation actions per year in ML/predicate crime cases	On average, medium risk Pacific members carried out 2 confiscation actions per year in ML/predicate crime cases
	<b>Lower-risk Pacific Members*</b>	On average, lower risk Pacific members carried out 0 confiscation actions per year in ML/predicate crime cases	On average, lower risk Pacific members carried out 0 confiscation actions per year in ML/predicate crime cases

\* For the purpose of this measure, Fiji, Papua New Guinea, Solomon Islands and Vanuatu are considered to be relatively higher-risk based on the general perception of value of criminal offending in these jurisdictions. Cook Islands, Samoa and Tonga are considered to be medium-risk, while Marshall Islands, Nauru, Niue and Palau are considered to be lower-risk.

There is great variation in the performance of Pacific members both year to year, and between higher and lower risk members. Consistent annual increases in the number of asset confiscation actions taken in ML or predicate crime cases have not been achieved by any member. The general trend that emerges from the data is a minor overall increase (on average) in confiscation actions undertaken by higher-risk and medium-risk Pacific members since the beginning of the programme, which is positive. However, confiscation rates generally remain low across the Pacific.

## ANNEX 1: DETAILED ACCOUNTING OF EXPENSES 2019-2020

Outputs	TOTAL (NZD)
<b>1 - Pacific TA Cell</b>	<b>434,799</b>
<i>Permanent Pacific Cell Staff costs</i>	357,836 <sup>17</sup>
<i>Salary Attribution Costs</i>	76,963
<b>2 - Technical Assistance and Training</b>	<b>209,347</b>
Strategic Goal 1	<b>6,620</b>
<i>Travel costs - NZ (Sep 2019)</i>	2,740
<i>Travel costs – PILON AM, Samoa (Nov 2019)</i>	3,163
<i>Travel costs – BNE (Nov 2019)</i>	717
Strategic Goal 2	<b>101,160<sup>18</sup></b>
<i>Consultant costs – NPO project Fiji</i>	22,000
<i>Consultant costs – TFS project Tonga</i>	3,455
<i>Consultant costs – AML/CFT legislation review project Nauru</i>	15,319
<i>Travel costs - PIFs regional security coordination meeting, FIJI (Oct 2019)</i>	3,940
<i>Travel costs - AML/CFT Awareness workshop, RMI (Nov 2019)</i>	12,800
<i>Travel and workshop costs - SIP Solomon Islands (Feb 2020)</i>	27,689
<i>Consultant costs – National Strategy, Solomon Islands (May-Jun 2020)</i>	15,957
Strategic Goal 3	<b>21,365<sup>19</sup></b>
<i>Travel costs – Casino Supervision Vanuatu (Aug 2019 and Feb 2020)</i>	10,537
<i>Sponsorship – PIRI workshop Sydney (Nov 2019)</i>	10,828
Strategic Goal 4	<b>80,202<sup>20</sup></b>
<i>Travel including sponsorship and workshop costs – Cash Courier workshop, Cook Islands (July 2019)</i>	64,058
<i>Travel costs - Cash Couriers mentoring, Samoa (Sep 2019)</i>	3,824
<i>FIU/ICT System development, Samoa (Oct 2019)</i>	12,320
<b>3 - Administrative costs</b>	<b>8,075</b>
<i>Pacific Cell staff travel costs - APG Annual Meeting costs CBR (July 2019)</i>	6,892
<i>Other</i>	1,183
<b>TOTAL</b>	<b>652,221</b>

<sup>17</sup> In addition to this expenditure, at 30 June 2020 the PACD programme had NZD 5,687 Pacific Cell staff long services leave liability.

<sup>18</sup> In addition to this expenditure, at 30 June 2020 the PACD programme had NZD 87,127 in contractual commitments related to activities under Strategic Goal 2.

<sup>19</sup> In addition to this expenditure, at 30 June 2020 the PACD programme had NZD 62,744 in contractual commitments related to activities under Strategic Goal 3.

<sup>20</sup> In addition to this expenditure, at 30 June 2020 the PACD programme had NZD 26,329 in contractual commitments related to activities under Strategic Goal 2.

## ANNEX 2: RISK MANAGEMENT

Risk Description	Likelihood	Consequence	Risk Rating	Proposed Risk Management	Responsibility	Notes
Changes in Pacific TA Cell staff	Possible	Moderate	Medium	<p>Utilise existing APG secretariat or AFP resources to transfer across to the Pacific TA cell or to act in the Pacific TA cell until permanent staff can be recruited.</p> <p>Seek seconded staff from the host organisation or APG members to fill the positions.</p>	APG	On two occasions within the last year the PACD programme has filled the Policy Officer role with persons already employed within the AFP.
Due to COVID-19, APG Pacific member unwilling to undertake any AML/CFT reforms and total rejection of TA under the PACD programme.	Possible	Major	High	<p>Align PACD programme with other related national priorities of Pacific members, particularly economic recovery.</p> <p>Align of PACD programme activities with APG membership process (e.g., mutual evaluations, APG follow-up, APG membership action) and Global AML/CFT related process (e.g., FATF ICRG process).</p>	APG	N/A



Due to COVID-19, Pacific member postpone/ rejects individual TA activity	Likely	Minor	Medium	<p>Involve Pacific member in identification, design, development and planning for TA including (i) seeking in principle support for TA project plans, (ii) modifying projects to be delivered remotely and in accordance with Pacific Members health sector response to COVID and technical capabilities, (ii) link projects to other related national priorities, particularly economic recovery.</p> <p>Coordinate TA activities and projects with other TA providers to ensure best possible scheduling of PACD activities.</p>		<p>Due to COVID-19, the Pacific Cell has (ii) modified a number of projects to facilitate delivery remotely, (ii) postponed/cancelled a number of workshop until a time where they can be safely delivered.</p> <p>In addition, the Pacific Cell has sought feedback from APG Pacific Members on the impact of COVID-19 on their ability to received TA over the next 9 months.</p> <p>In addition, please see below regarding changes to the Pacific Cells standard contract arrangements with consultants</p>
Loss of political will (for reasons not related to COVID-19 - see above for discussion regarding COVID-19) in Pacific member to undertake any AML/CFT reforms and total rejection of TA under the PACD programme.	Unlikely	Major	High	<p>Align of PACD programme activities with APG membership process (e.g., mutual evaluations, APG follow-up, APG membership action) and Global AML/CFT related process (e.g., FATF ICRG process).</p> <p>Align PACD programme activities with other related national priorities of Pacific members.</p>	APG	N/A

Annual expenditure less or more than original Costed Outputs in Grant Agreement	Possible	Moderate	Medium	<p>Appropriately manage delivery of TA activities and projects in accordance with the PACD's annual business plans and budget including reducing or adding activities or co-funding activities (with other APG members and observers) where appropriate, and utilise existing APG secretariat resources to undertake new TA projects or activities.</p> <p>Seek NZ approval to relocate unspent funds to other programme Outputs; roll unspent funds into next final year; or modify the terms of the grant.</p>	APG	The 2019-2020 underspends primarily results from the impact of COVID-19 – See Part two for proposed use of underspend.
Overall costs of project increase or decrease	Minor	Major	High	<p>Appropriately manage PACD programme funds (including currency exchange) in accordance with Australian Government standards and AFP's internal policies and procedures including undertaking an annual financial audit of PACD expenditure (as part of the APG's annual audit).</p> <p>Appropriately manage annual delivery of TA activities and projects in accordance with the PACD's annual business plans (see above).</p> <p>Where appropriate, unspent funds may be returned to NZ at the end of the project.</p>	APG	As the majority of funds are expended in AUD and the Grant Agreement and funds payments are in NZD, the PACD programme is impacted by currency exchange.

Pacific member rejects individual TA activity for reasons not related to COVID-19 (see above for discussion regarding COVID-19)	Possible	Minor	Medium	<p>Ongoing involvement of Pacific members in identification, design and development of Pacific Members' individual implementation plans, and any regional TA activities including through the APG Annual TA&amp;T Forum.</p> <p>Involve Pacific member in identification, design, development and planning for TA including seeking in principle support for TA project plans.</p> <p>Coordinate TA activities and projects with other TA providers to ensure best possible scheduling of PACD activities.</p>	APG	While no Pacific Member has totally rejected TA, several projects originally planned for 2018-2019 have been postponed due to Pacific jurisdictions ability to receive the TA and changing TA priorities.
Not achieving short and/or medium-term outcomes	Unlikely	Major	High	Monitor progress against short and medium term outcomes and in combination with Pacific members implementation plans, appropriately allocate PACD programme resources including Pacific TA cell staff and TA activity funds.	APG	Section Three of this report shows the Pacific TA Cell needs to place greater focus on LEAs capacity building activities in activities. However, this has been made more challenging in the current operating environment.

Availability of experts (including consultants) to undertake or support TA activities.	Possible	Moderate	Medium	<p>Inform DAP Group members of upcoming PACD programme activity and priorities as early as possible including through quarterly updates.</p> <p>Appropriately plan annual TA activities including involvement of DAP Group members in activity planning as early as possible.</p> <p>Continue to increase the Pacific TA Cell's database of AML/CFT experts.</p> <p>Contract experts to more flexible and longer agreements, which facilitate delivery different types and levels of assistance to multiple APG Pacific Members.</p> <p>If required, reschedule activity based on expert's availability; source other experts; reduce the number of experts for the activity.</p>	APG	<p>The current operating environment, requires that new PACD activities flexibly respond to APG Pacific Members' preferred modes of TA delivery, COVID-19 health sector responses and priorities, and other national priorities which are principally economic recovery. To support this, the Pacific Cell is modifying its normal contracting arrangements to agreements, which facilitate delivery of different types and levels of assistance to multiple APG Pacific Members.</p>
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Conflict of interest between the APG Secretariat's role in TA and mutual evaluations	Unlikely	Minor	Low	To avoid potential conflicts of interest between any support the APG Secretariat provides to APG members and the APG assessment process, only the APG plenary has the authority to adopt an MER; and the assessment team (not including any APG Secretariat staff members) is, collectively, responsible for the production of an independent report (containing analysis, findings and recommendations) concerning the member's compliance with the FATF standards, in terms of both TC and effectiveness. As outlined in the FATF and APG Mutual Evaluation Procedures, the APG Secretariat's role is not to assess the APG member. It is to provide support for the assessment team and the assessed country and ensure the methodology is appropriately applied with Pacific members.	APG.	With the inclusion of MEs in the PACD programme in early 2020 (see <i>PACD Business Plan 2018-2019 – updated</i> ) Pacific Cell staff and PACD funds have been used to support ME related activities.
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## **2019-2020 Annual Report of Asia/Pacific Group on Money Laundering**

**In this report:** a summary of major APG business programmes completed and the objectives achieved for the financial year 1 July 2019 to 30 June 2020 including audited financial statements