



# **ANNUAL REPORT**

## **2015-2016**

Asia/ Pacific Group  
on Money Laundering





The Asia/Pacific Group on Money Laundering (APG) is an autonomous and collaborative international organisation founded in 1997 in Bangkok, Thailand consisting of 41 members and a number of international and regional observers. Some of the key international organisations who participate with, and support, the efforts of the APG in the region include the Financial Action Task Force (FATF), International Monetary Fund, World Bank, OECD, United Nations, Asian Development Bank and the Egmont Group of Financial Intelligence Units.

APG members and observers are committed to the effective implementation and enforcement of internationally accepted standards against money laundering and the financing of terrorism, in particular the Forty Recommendations of the FATF.

For more information about the APG, please visit the website: [www.apgml.org](http://www.apgml.org)

Cover image: APG delegates to the 2016 Annual Meeting in San Diego, United States

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Asia/Pacific Group  
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## APG CO-CHAIRS' FOREWORD



**Deputy Commissioner Close**



**Mr H. Amarathunga**

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 2015 to 30 June 2016.

This report highlights the achievements of the APG over the reporting period against the goals and strategies contained in the APG Strategic Plan 2012-2016. The independent audit report of Ernst & Young of Canberra, Australia dated 13 September 2016 is attached to this report.

The last year has been a particularly busy one for the APG. Overall, it conducted over 45 missions, visits and other activities as outlined in this report including mutual evaluations, technical assistance programmes and visits, high level membership-related missions, typologies projects and many more. At the 2016 annual meeting, five mutual evaluation reports were adopted (Bangladesh, Bhutan, Canada, Fiji and Singapore) and a large number of other types of mutual evaluation follow-up and transitional reports were discussed and adopted. In addition the APG participated in the joint mutual evaluation of the United States which has already been adopted in the FATF. That report will be adopted in the APG at the 2017 annual meeting. We also conducted the first Implementation Issues Working Group regional workshop on proliferation financing (PF), hosted by Malaysia, in March 2016, and a PF fact-finding exercise aimed at ascertaining the level of implementation of targeted financial sanctions against PF among APG members. We also conducted a very successful typologies workshop in Kathmandu, Nepal in November 2015.

These activities and many others are outlined in this report. On behalf of all members we would like to extend our thanks to all APG members and observers who made 2015-2016 a successful year for the APG. We are certain that 2016-2017 will be another successful year and we look forward to seeing our delegates at the 2017 annual meeting in Colombo, Sri Lanka in July 2017.

31 December 2016

[signed]

**Deputy Commissioner Leanne Close**  
**APG Co-Chair**  
Australia

[signed]

**Mr H. Amarathunga**  
**APG Co-Chair**  
Sri Lanka

## APG ORGANISATIONAL STRUCTURE 2015-2016

The APG has 41 members, which are divided into five sub-regions. The membership composition of each sub-region effective 30 June 2016 is as follows:

APG Members by Sub-Region				
North Asia	South East Asia	South Asia	Pacific	CANZUS
China Hong Kong, China Japan Macao, China Mongolia Republic of Korea Chinese Taipei	Brunei Darussalam Cambodia Indonesia Lao PDR Malaysia Myanmar Philippines Singapore Thailand Timor Leste Vietnam	Afghanistan Bangladesh Bhutan India Maldives Nepal Pakistan Sri Lanka	Cook Islands Fiji Marshall Islands Nauru Niue Palau Papua New Guinea Samoa Solomon Islands Tonga Vanuatu	Australia Canada New Zealand United States

The APG has eight observer jurisdictions and 28 observer organisations (including FATF-style regional bodies, or FSRBs). APG observers to 30 June 2016 were as follows:

APG Observers			
Jurisdictions	Organisations		FSRBs
France Germany Democratic People's Republic of Korea Kiribati Federated States of Micronesia Russian Federation Tuvalu United Kingdom	ADB/OECD Anti-Corruption Initiative APEC secretariat ARIN-AP ASEAN secretariat Asian Development Bank Commonwealth secretariat Egmont Group of FIUs Group of International Finance Centre Supervisors IMF Interpol	Oceania Customs Organisation Pacific Islands Chiefs of Police Pacific Islands Forum Secretariat Pacific Islands Legal Officers' Network Pacific Financial Technical Assistance Centre United Nations UN Office on Drugs and Crime World Bank World Customs Organisation	CFATF EAG ESAAMLG FATF GABAC GAFILAT GIABA MENAFATF MONEYVAL

## 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 and the rotating Co-Chair position was held during the reporting period by New Zealand with a term from July 2014 to September 2016. Both Australia and New Zealand were founding members of the APG in 1997.

**Co-Chair, Australia:** The Australian Co-Chair position is held by Australian Federal Police (AFP) Deputy Commissioner Leanne Close. Deputy Commissioner Close joined the Australian Federal Police in 1986 and currently holds the position of Deputy Commissioner Operations. Her current role requires the management of more than 2,600 staff members, and encompasses responsibility for Crime Operations, Organised Crime, Cyber and International Operations. During the year, Deputy Commissioner Close was seconded to the Commonwealth Attorney-General's Department as Deputy Secretary of the Criminal Justice Group but has continued in her role as APG Co-Chair on behalf of Australia.

**Co-Chair, Sri Lanka:** The rotating Co-Chair position for 2016-2018 is held by Mr H. Amarathunga. He has been Director of Financial Intelligence Unit of Sri Lanka since 17 June 2014 and served as Director of Provincial Offices Monitoring Department as well as Additional Director of Management Audit Department of the Central Bank of Sri Lanka since 2 November 2011. He also served as an Assistant Lecturer before joining the Central Bank in 1986.

#### Previous Rotating Co-Chairs

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

APG member	Agency/Department	Period
• Philippines:	Department of Foreign Affairs	1998-2000
• Malaysia:	Central Bank of Malaysia	2000-2002
• Korea:	Korea Financial Intelligence Unit	2002-2004
• Japan:	Japan Financial Intelligence Office	2004-2006
• Indonesia:	Indonesian Financial Transaction Reports & Analysis Centre	2006-2008
• Singapore:	Commercial Affairs Department	2008-2010
• India:	Directorate of Enforcement	2010-2012
• China:	People's Bank of China Anti-Money Laundering Bureau	2012-2014
• New Zealand:	Ministry of Justice	2014-2016

#### Incoming Rotating Co-Chairs

##### *Bangladesh (2018-2020)*

Bangladesh was formally endorsed by the APG membership out-of-session in September 2014 as the Co-Chair for 2018-2020. Bangladesh hosted the 13th APG Typologies Workshop in 2010 and has hosted a number of other APG workshops.

#### SUMMARY OF THIS REPORT

This Annual Report summarises the achievements of the APG against the Strategic Plan 2012-2016 from 1 July 2015 to 30 June 2016, incorporating outcomes from the 19<sup>th</sup> annual meeting. The report is divided into five Parts and is prefaced by reports from the APG Co-Chairs' and the Executive Secretary.

**Part One** provides a background summary of the APG as an organisation.

**Part Two** contains a summary of the 19<sup>th</sup> annual meeting, held in September 2016, and the 2015 APG Typologies Workshop. Notwithstanding that the annual meeting each year falls outside the reporting period (it is normally held in July) it has been the practice of the APG to report on the major outcomes of the meeting as part of the activity of the organisation for the financial year.

**Part Three** of this report contains a detailed performance report against the strategic goals and key performance indicators in the APG Strategic Plan 2012-2016.

**Part Four** of this report outlines the management and accountability structures in place in relation to the APG secretariat including a statement of the structure of the secretariat, an outline of the secretariat's hosting arrangement and risk management framework, issues relating to staff and asset management. The APG financial statements are also discussed in this part together with a summary of the financial outcomes of the year.

**Part Five** is a summary statement of major APG activities planned for the coming financial year (2016-2017).

### **19<sup>th</sup> Annual Meeting and Annual Forum on Technical Assistance**

The 2016 APG annual meeting and Annual Forum on Technical Assistance were held in San Diego, United States from 5 to 8 September 2016. Over 300 delegates attended the meeting including delegates from 37 APG members; delegates from four observer jurisdictions (France, Russian Federation, Tuvalu and the United Kingdom); and delegates from eight observer organisations (ADB, FATF, IMF, Interpol, PICP, UN, UNODC, World Bank).

Some APG delegates were assisted in attending the annual meeting by sponsorship funding provided by Australia, China and Chinese Taipei.

The meeting was opened by the United States, as host. Ms Mary Butler from the US Department of Justice welcomed all delegates and made the following comments:

“[The APG’s] work in ensuring transparency in the broadest range of financial transactions is vitally important not just to the identification and prosecution of those persons who are involved in money laundering, but also in helping us to identify witnesses whose testimony is crucial to identifying participants in money laundering transactions and this aids our ability to sometimes disrupt current and future plans. FATF’s recommendations to provide the greatest international cooperation as possible are also key when huge percentages of money launderers use international borders to conceal their transactions and increase their chances of avoiding detection.”

Bangladesh, originally scheduled to host the meeting in July 2016, highlighted that “the issues of terrorism, terrorist financing and money laundering are global and mutual cooperation among the nations is the key to contain those... no nation alone or in isolation can overcome these issues, but nothing is greater than a unified approach in combatting and preventing these challenges to our desired world of peace and harmony.”

### **Major Annual Meeting Outcomes - 2016**

The major outcomes of the meeting follow:

#### **Membership issues**

The membership made a number of significant decisions some of which are confidential in nature but relate to action applied to members that are not fully implementing their obligations under the APG Terms of Reference 2012.

#### **Governance/finance**

A new four year Strategic Plan for the period 2016 to 2020 was adopted by members. The new strategic plan builds on and streamlines previous strategic planning documents.

A new Business Plan for 2016–17 was adopted with a supporting budget. The core budget agreed for 2016–2017 is \$2,590,569 representing an increase of 10% over last year’s core budget. Members noted that \$140,000 in reserves would be provided to the US to assist in hosting the rescheduled annual meeting which would bring these reserves below the agreed minimum of \$200,000. Members agreed to rebuild reserves to the minimum \$200,000 by 30 June 2018 through savings and, if necessary, through a small additional increase in member contributions in FY2017–18. Members also agreed to \$836,769 in expenditure from non-core sources of funding (voluntary support) in FY2016–17.

With this agreed budget, activities for 2016–17 include five APG mutual evaluations (one jointly with the FATF); a number of membership-related missions; workshops; pre-mutual evaluation visits to APG members to be evaluated; participation in FATF plenary and other meetings; ICRG-related assistance visits for APG members under the FATF’s ICRG monitoring process; and technical assistance and training/implementation activities. Many of these initiatives are outlined in Part Five of this report.

## Mutual evaluation programme

Members adopted a revised APG third round mutual evaluation (ME) schedule for the period 2016–17 to 2021–22. The schedule commenced in 2014–15 and provides for an average of five MEs each year and a completion date of 2022. The completion date is consistent with the FATF's fourth round schedule adopted in June 2015 and revisions made to scheduling of joint FATF MEs at the June 2016 FATF plenary.

Members adopted the five mutual evaluation reports tabled under the APG third round procedures, namely Bangladesh, Bhutan, Canada (joint APG/FATF), Fiji and Singapore (joint APG/FATF). Members contributed to discussion of three reports (Bangladesh, Bhutan and Fiji) through Mutual Evaluation Working Group (MEWG) pre-plenary meeting discussions of key issues for each evaluation. Plenary discussion of each of the APG ME reports was guided by MEWG Co-Chair's identification of key issues. The FATF had previously adopted the reports of Canada and Singapore in June 2016 and therefore these reports were not considered at the MEWG pre-plenary meeting. There were no amendments arising out of the APG plenary considerations of these two joint reports.

Members also adopted the third round ME follow-up reports of Samoa, Sri Lanka and Vanuatu, and the follow-up reports for 20 members under the *APG Transitional Follow-Up Procedures*, namely: Afghanistan, Brunei Darussalam, Cook Islands, Indonesia, Lao PDR, Maldives, Marshall Islands, Myanmar, Nauru, Nepal, Niue, Pakistan, Palau, Papua New Guinea, Philippines, Solomon Islands, Chinese Taipei, Timor-Leste, Tonga and Vietnam.

Members also adopted the revised *APG 3<sup>rd</sup> Round Mutual Evaluation Procedures 2016*. The revisions reflected lessons learnt from APG evaluations conducted since the commencement of the third round in 2014, and from those of the FATF, as reflected in the FATF's changes to its fourth round ME procedures and Universal ME Procedures in 2015 and 2016 respectively.

## Typologies

The Typologies Working Group (co-chaired by India and Mongolia) met during the annual meeting week to:

- finalise the draft of the APG's *Annual Typologies Report 2016*;
- endorse the APG reports on *Fraud and Money Laundering in the Pacific* and *Recovering the Proceeds of Corruption in the Pacific 2016*;
- discuss current typologies projects;
- discuss new projects and proposals for the coming year including work with the FATF and MENAFATF; and
- discuss the upcoming APG Typologies Workshop to be held in Jeddah, Saudi Arabia in November 2016.

APG members adopted the *2016 Annual Typologies Report, Fraud and Money Laundering in the Pacific* and *Recovering the Proceeds of Corruption in the Pacific 2016*. These reports are available on the APG website. The Annual Typologies Report contains a synopsis of the typologies projects undertaken in 2015-2016; an overview of all FATF/FSRB projects; a statement of recent trends on money laundering and terrorist financing; and a number of case studies.

## Implementation and technical assistance

A number of meetings were held and reports made during the 2016 Annual Forum on Technical Assistance and Training, which was held in parallel with the annual meeting, including:

- individual meetings between the APG's Donors and Providers (DAP) Group and 24 members on technical assistance and training needs and current and planned delivery of assistance;
- a meeting was held by the DAP Group relating to planning and delivery of technical assistance and training;
- two sub-regional meetings for ASEAN and Pacific Islands Forum members, jointly chaired by APG secretariat/ASEAN representatives Indonesia and Malaysia, and APG/Pacific Islands Forum secretariats respectively were conducted; and
- a report to the plenary on the outcomes of the forum activities throughout the week.

Participants discussed technical assistance and training needs, ICRG updates and regional issues. Prior to the forum, the APG distributed information on members' needs and their ongoing technical assistance and training activities. The

following outcomes were achieved:

- DAP Group members committed to a range of bilateral and multilateral assistance projects with APG members;
- efforts were made to ensure that specific APG members will continue to receive technical assistance over the next 12 months, with ongoing consideration for additional technical assistance and training;
- a commitment from APG members to explore cost-sharing options to assist DAP Group members to provide training to APG members; and
- information sharing, collaboration and coordination between providers and specific members.

The Implementation Issues Working Group (IIWG) held a seminar on international cooperation between AML/CFT supervisors during the 2016 annual meeting that discussed gaps and opportunities identified through mutual evaluation reports and technical assistance work. Gaps identified included:

- a lack of prioritisation on international aspects of AML/CFT supervision;
- weak understanding of cross-border risks relevant to regulation / supervision;
- weak market entry fit and proper controls – little use of foreign-sourced data to conduct checks;
- insufficient information from foreign counterparts to ensure a risk-based approach to supervision;
- insufficient feedback and information sharing with foreign partners post-supervision;
- identifying and establishing regular processes for exchange with the ‘right’ foreign counterparts; and
- applying overly formal standards for information sharing with foreign supervisors (applying FIU standards to supervisory information).

APG members shared their experience and good practice in relation to the following areas to address the gaps:

- supporting regular information exchanges to underpin risk-based approaches;
- planning and conducting joint supervision, including through AML/CFT supervisory colleges;
- ensuring more detailed information exchange of supervisory findings; and
- identifying examples of joint training between supervisors.

The IIWG pursued ongoing work to enhance implementation of measures to combat terrorist financing (TF) and proliferation financing (PF), including through targeted financial sanctions. Members committed to support regional workshops on targeted financial sanctions, to participate in the FATF global survey on TF efforts and to support ongoing work by the APG on PF and TF. Results of the regional workshops and surveys on targeted financial sanctions will be shared with members of the DAP Group and with the FATF to encourage them to enhance the availability of assistance for implementing targeted financial sanctions. The APG has continued to develop and pursue a program of regional programs to identify and overcome implementation challenges in combating PF.

### 2015 Typologies Workshop

The 2015 typologies workshop was held in Kathmandu, Nepal from 16 to 20 November 2015 and was co-chaired by APG Typologies Working Group (TYWG) Co-Chairs Razim Buksh (Fiji) and Bazarragchaa Tumurbat (Mongolia). The workshop involved 230 delegates from 38 jurisdictions and ten international organisations, as well as 39 representatives from the private sector. The workshop included a keynote address from the United Nations Counter-Terrorism Committee Executive Directorate, a case study presentation by Nepal, an update on key typologies projects of regional and international interest and a panel and plenary discussion, and a presentation from Australia on recent trends in money laundering and terrorist financing.

Breakout sessions involving APG members and observers as well as representatives from the private sector were held over three days to discuss (1) assessing regional developments with terrorist financing; (2) securing a financial intelligence unit; and (3) wildlife crime financial flows.

Participants also discussed the outcomes of breakout sessions and future work. Further work arising from the workshop includes a project on the financial flows related to wildlife crime with a final report scheduled for February 2017.

Prior to the typologies workshop, a joint APG/Egmont Group seminar was held on 15 November 2015 for the 16 APG members that are not yet members of the Egmont Group. The seminar covered information on the Egmont Group membership process, and the sharing of experiences and lessons learned by FIUs in the APG's third round of mutual evaluations, which were very positively received.

## APG STRATEGIC PRIORITIES

The APG's strategic priorities are outlined in the APG Strategic Plan 2012-2016 as five goals each containing a subset of "strategies" or performance outcomes against which the goals are designed to be measured. 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 financial year under each strategic goal.

### Strategic Goal #1 Effectively Governed Organisation

#### *Support effective governance structures*

**Meetings:** The US organised, hosted and delivered the 2016 APG annual meeting in San Diego, California, USA after the planned meeting in Bangladesh was rescheduled (see **Part Two** of this report for detailed event summary).

**Steering Group:** The APG steering group effectively represented the five APG sub-regions throughout the year on a variety of issues including crucial member/observer issues to governance matters of strategic importance to the membership.

#### *Commit adequate resources*

All members had either paid their membership fees by 30 June 2016 or had committed to do so early in FY2016-17. A number of APG members and observers also made voluntary contributions throughout the year to support the operations of the APG, namely: Australia, Canada, China, New Zealand, Singapore, Chinese Taipei and the United States.

The following members/observers provided facilities for APG activities:

- Australia: Asia-Pacific RRG meetings
- India: APG Assessor Training Workshop
- Macao, China: APG Assessor Training Workshop
- Republic of Korea: Assessment Methodology and National Risk Assessments Workshop
- Nepal: 2015 APG Typologies Workshop
- Thailand: Asia-Pacific RRG meetings

APG workshop facilitators and trainers were provided by the following members and observers: Australia; Bangladesh; Cambodia; Canada; China; Chinese Taipei; Fiji; India; Korea; Macao, China; Malaysia; Maldives; Mongolia; Nepal; Philippines; Sri Lanka; Thailand; US; France; Russian Federation; Egmont Group; ESAAMLG; FATF Secretariat; IMF; UN; UNODC; UN CTED and the World Bank. The provision of these experts ensured successful delivery of all workshop and training activities.

#### *Support secretariat to ensure proper management of APG funds and assets*

Australia (AUSTRAC) provided an officer on secondment to the APG to fill the position of Executive Officer, Technical Assistance and Training while the incumbent was on maternity leave.

Australia (AFP) continued to provide secretariat office space with extensive use of AFP assets to ensure a fully functioning and effective secretariat to support APG operations throughout the financial year. The AFP provided internal financial (including audit) and HR services to the secretariat in order to ensure that financial management and accountability of APG funds and staff meet Australian legal requirements.

#### ***Encourage expanded membership***

The secretariat engaged with observers to raise awareness of the APG and the benefits and responsibilities of becoming a member. Membership outreach continued in the year with:

- Tuvalu: provided with sponsorship to attend the 2016 annual meeting; and
- South Asian Association for Regional Cooperation (SAARC): invited SAARC to apply for APG observer status.

#### ***Maintain effective communications***

The APG website service provides an efficient platform for distribution of public and non-public information, documents and notices.

A number of telephone meetings were arranged through the secretariat for priority matters including: Steering Group, DAP Group, ME Working Group, IIWG and Typologies WG.

### **Strategic Goal #2** **Global Participation and Cooperation**

#### ***Participation in policy making***

The APG actively maintained its associate membership status in the FATF throughout the year by attending three FATF plenary meetings.

Eleven individual APG members participated as delegates in FATF plenaries and other meetings through the mechanism of associate membership.

The APG membership provided policy comment on FATF initiatives relating to the international standards including the *Terrorist Financing Fact-Finding Initiative*.

#### ***Mechanisms for international engagement***

The APG actively engaged with FATF, EAG, ESAAMLG, GIABA, MENAFATF, ADB, ARIN-AP, Egmont Group, IMF, Interpol, UN, UNODC and World Bank as follows:

- ADB, FATF, IMF, Interpol, UN, UNODC and World Bank participated in the 19<sup>th</sup> annual meeting;
- GIABA and the Egmont Group presented on recent and ongoing TF-related projects at the 2015 APG Typologies Workshop;
- APG participated in and delivered at MENAFATF's assessor training course in October 2015;
- EAG and ESAAMLG participated in the APG December 2015 assessor training;
- FATF participated in the APG's May 2016 assessor training;
- EAG, Egmont Group, ESAAMLG, FATF, IMF, Interpol, UN and UNODC participated in the APG annual typologies workshop;
- APG participated in ARIN-AP meetings.

#### ***Supporting APG members***

The secretariat provided extensive support to APG members in the FATF's ICRG process through on-site visits, exchange of information, technical advice and procedural advice. The secretariat also represented the views of APG members under ICRG review at FATF plenaries.

Technical assistance donors were informed of all aspects of members' requirements to comply with ICRG obligations.

Two APG members were removed from ICRG review during 2015–16 (Myanmar and Papua New Guinea).

### **Strategic Goal #3**

#### **Assessing and Improving Compliance**

##### ***Third Round Mutual Evaluation Programme***

The amended 3<sup>rd</sup> round APG mutual evaluation programme was approved by members at the 2016 annual meeting.

Mutual evaluations of Bangladesh, Bhutan, Canada, Fiji and Singapore were finalised, with reports being adopted at the 2016 annual meeting. The evaluation process commenced for five members (Cambodia; Macao, China; Mongolia, Thailand and the United States) whose mutual evaluations will be adopted at the 2017 Annual Meeting.

##### ***Mutual evaluation training***

The APG delivered assessor training in December 2015 to support evaluations scheduled in 2016–17. The training workshop was hosted by India in New Delhi. The APG also delivered assessor training in May 2016 to support evaluations scheduled in 2017–18. The training workshop was hosted by Macao, China.

Organisation and planning for APG assessment training in 2016–17 commenced, with one workshop planned, and another scheduled to be held jointly with the FATF, in order to ensure a sufficient number of assessors will be available for the 2017–18 and 2018–19 evaluations. The IMF is also arranging a workshop for APG members to be evaluated in 2017–18, to be held in Singapore.

##### ***Mutual evaluation procedures***

In 2015–16 the APG Mutual Evaluation Working Group (MEWG) reviewed the APG's third round ME procedures in accordance with decisions made at the 2015 APG annual meeting. A series of amendments to the procedures, *APG 3<sup>rd</sup> Round Mutual Evaluation Procedures 2016*, was endorsed at the 2016 annual meeting.

##### ***Mutual evaluation follow-up***

The first APG third round mutual evaluation follow-up reports and joint FATF/APG follow-up reports were adopted in relation to Australia, Malaysia, Samoa, Sri Lanka and Vanuatu at the 2016 annual meeting.

Transitional follow-up reports were also adopted for 20 APG members which completed a second round mutual evaluation but have not yet been evaluated in the APG's third round of evaluations.

### **Strategic Goal #4**

#### **Research and Analysis**

##### ***APG Typologies Working Group (TYWG)***

The TYWG Co-Chairs (Fiji and Mongolia and, from January 2016, India) managed the TYWG and projects, and maintained oversight of preparation the *APG Annual Typologies Report 2016*. The report was published in October 2016 on the APG website.

### ***Typologies workshops***

One typologies workshop was delivered during the year, namely the annual APG typologies workshop, held in Kathmandu, Nepal in November 2015 (see **Part Two** above).

The 2016 typologies workshop will be jointly hosted by MENAFATF and the APG in Jeddah, Saudi Arabia in November 2016.

### ***Identifying typologies issues***

The TYWG adopted the reports on *Recovering the Proceeds of Corruption in the Pacific* and *Fraud and Money Laundering in the Pacific*. The full reports were published in October 2016 and are available on the APG website.

### ***Cooperating with global typologies partners***

The APG is supporting a project on the financial flows related to wildlife crime which is being co-led by the UNODC and the American Bar Association's Rule of Law Initiative. The APG has also commenced work on a joint APG/MENAFATF typologies project on social media and terrorist financing.

## **Strategic Goal #5**

### **Implementation Assistance**

### ***Support through the Implementation Issues Working Group (IIWG)***

New Zealand chaired the Implementation Issues Working Group (IIWG) and supported the delivery of its related projects during 2015–16.

The IIWG coordinated the APG's input to the FATF global survey on terrorist financing, including targeted financial sanctions, and will continue to explore members' compliance with international standards on terrorist financing.

### ***Domestic and regional issues***

The APG led or contributed to a number of regional programs on proliferation financing (PF) during 2015–16. These included the first IIWG regional workshop on PF, hosted by Malaysia, in March 2016, and a PF fact-finding exercise aimed at ascertaining the level of implementation of targeted financial sanctions against PF among APG members. The APG contributed to a number of regional capacity building workshops on combating PF through the year which were organised by global and regional bodies, and made proposals to the FATF and various DAP group members to pursue targeted assistance and focused implementation support in this area.

The APG adopted updates to the APG strategic implementation planning framework at the 2016 annual meeting to reflect effectiveness considerations.

Based on the results of MERs and members' reported experience, the IIWG identified a need for enhanced implementation support for international cooperation between AML/CFT supervisors. An introductory IIWG seminar on international cooperation between AML/CFT supervisors was held at the 2016 APG annual meeting to consider further work on this important issue (see **Part Two** of this report).

### ***Identifying technical assistance needs***

Technical assistance information collection was completed in August 2016 to form the basis for assistance projects in the next financial year, and to disseminate amongst members and donors and providers regarding the activities in the region.

### *Assisting members with technical assistance*

The APG delivered the 2016 Annual Forum on Technical Assistance and Training which included a meeting of the DAP Group, 24 individual needs assessment sessions, and two sub-regional meetings (APG/South-East Asia Jurisdictions Coordination meeting and the APG/Pacific Islands Jurisdictions meeting).

### *Coordination of technical assistance*

The APG has been involved in a number of joint initiatives this year, which reflects the APG's coordination with the DAP Group to meet members' technical assistance and training needs:

- coordinating teleconferences for the Pacific Islands members in February 2016. Participants included PIFS, PICP, PILON, PFTAC, Australian Federal Police, PTCCC and the UNODC GPML officer based in Samoa;
- presenting on pursuing the proceeds of corruption at a PILON workshop on 'Combating Corruption through Effective Criminal Asset Confiscation', October 2015;
- contributing to the Pacific Regional Workshop on CTTOC Model Provisions in New Zealand in May 2016;
- presenting at the PIFS Working Group on Counter Terrorism and Transnational Crime on developments on combating TF and PF, in Suva in June 2016;
- presenting at the ARIN-AP Annual Conference in Sydney in November 2015;
- obtaining US funding for a program to enhance coordination amongst TA providers and regional bodies in the Pacific, and provide targeted assistance in the Pacific; and
- assisting Australia (AUSTRAC) and Indonesia (PPATK) to coordinate with other stakeholders in South East Asia to prepare a regional TF risk assessment, scope out training and awareness raising needs and consider opportunities for targeted real time international cooperation and information exchange.

## **SUMMARY OF BUDGET OUTCOMES FOR 2015–16**

A core budget for 2015–16 of \$ 2,295,165 was approved and adopted at the 2015 annual meeting. Below is an overview of the APG finances in the year 2015–16. 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 \$8,995. As in previous years, members noted at the 2015 annual meeting that the core budget would not, of itself, enable the APG to complete the work outlined in the 2015–16 Business Plan. Members agreed, therefore, that voluntary contributions, continued use of accumulated assets (reserves) and various streams of ‘non-core budget’ funding totalling \$919,935 should be made available in 2015–16 to meet the costs of the APG’s agreed work programme. Total revenue from all sources was budgeted at \$3,193,630. Total proposed expenditure from all streams of funding (core and non-core) was \$3,348,630. The APG therefore budgeted for a deficit of \$155,000 through the expenditure of previously accumulated reserves above the agreed minimum reserve of \$200,000.

The budget outcomes for the period 1 July 2015 to 30 June 2016, based on the audited financial reports (**Annex C**) are as follows:

- the APG commenced the financial 2015–16 year with a total equity of \$355,403;
- total income for the year was \$3,170,535 with \$2,355,607 coming from APG members in required contributions, and \$814,928 in voluntary contributions and other revenue and gains;
- total expenditure for the year to 30 June 2016 from all revenue sources was \$3,109,348, including expenditure against the core budget, ‘reserved’ expenditure, and expenditure from other revenue sources (sponsorship and other funding support, including resources provided free of charge by the secretariat’s host agency, the AFP);
- the APG’s net operating result for 2015–16 was a surplus of \$61,187; and
- the APG therefore had a total equity of \$416,590 as at 30 June 2016.

This outcome is significantly better than the expected outcome, due primarily to lower than budgeted expenditure from the core budget and from reserves/voluntary donations in employee costs, with some minor savings in travel costs.

### **External (voluntary) financial support 2015–16**

A number of APG members provided financial support over and above members’ fee obligations for APG business during 2015–16. Those members were:

- Australia: Australia’s calculated contribution was \$179,621. Australia actually paid \$270,000, including a voluntary contribution of \$90,379. These funds were spent in 2015–16 on salaries (to reduce expenditure which otherwise would have come from the core budget). AUSTRAC also covered the cost of a seconded employee (approximately \$83,000) to the APG while the substantive member was on maternity leave. AusAID provided the APG with funding of \$140,639 in 2012 for the period 2012 to 2014 (extended to October 2015) to strengthen Mongolian governance frameworks. The remaining \$28,455 was realised in 2015–16 and concludes this funding;
- Canada: in November 2012 the Department of Foreign Affairs and Trade provided funding of AU\$346,816 (CAD\$359,718) initially over 16 months (from November 2012 to March 2014) to support various APG activities, including sponsorship for APG delegates to attend workshops and events, support for the APG’s ICRG-related support activities, and post-evaluation implementation planning. The funding agreement was initially extended to March 2015, and a final further extension to September 2015 was granted during 2015–16. Revenue realized in 2015–16 was \$20,951. This consisted of \$9,549 in sponsorships and the remaining \$11,402 of these funds being returned to Canada to conclude the grant;

- China: a voluntary contribution of \$100,000 was made in 2014 to support specific Pacific APG members' attendance at APG annual events. A further \$42,319 of this donation was realised as revenue in 2015–16. \$7,963 in remaining funds is due to be spent in 2016–17;
- New Zealand: various grants have been made in the last few years for technical assistance and training activities in the Pacific and South East Asia in particular. A total of \$73,467 of this funding was realised as revenue to support APG activities and sponsorship of delegates to APG events in 2015–16. Additionally, New Zealand provided \$30,000 as a general voluntary contribution, as well as \$38,706 in co-funding with other donors over two years of a new executive officer position which was filled in late April 2015 (New Zealand is providing a total of NZ\$80,000 or approximately AU\$73,600 over two years towards this position);
- Singapore: Singapore is providing approximately AU\$43,634 (\$50,000) over two years in support of the additional (third) executive officer position that was filled in April 2015. AU\$24,246 of this funding was realised as revenue in FY2015–16. \$16,368 in remaining funds is due to be spent in 2016–17;
- Chinese Taipei: Chinese Taipei provided a grant in 2015 of \$122,100 over two years (January 2015 to January 2017) for priority Pacific Island APG members and observers to more effectively engage with the APG and to implement the global AML/CFT standards. The remaining \$9,927 from a prior grant was also rolled into this grant additional to above. \$47,312 was realised as revenue in 2015–16. The remaining \$59,456 available in funding will be used in FY2016–17 to support members to attend the APG Annual Meeting and APG Typologies workshop in 2016;
- United States: the US State Department provided \$164,965 (US\$153,580) over two years (September 2013 to December 2015) in support of APG mutual evaluation (ME) training, in country pre-ME training and the trans-Pacific drug routes typologies project. \$22,030 of this amount was realised as revenue in 2015–16. \$17,803 in remaining funds is due to be spent in 2016–17. The US State Department also is providing AU\$120,000 (US\$115,000) over two years in support of the additional Executive Officer position that was filled in April 2015. \$65,066 of this funding was realized as revenue in FY2015–16.

#### **In kind (voluntary) support 2015–16**

Australia (AFP) provided office accommodation, essential support services (legal, HR, financial and IT) and seconded staff to the APG secretariat during the financial year in the total attributed amount of \$336,751.

#### **Budget for 2016–17**

A 'core' budget for 2016–17 of \$2,590,569 was approved and adopted at the 2016 annual meeting – an increase of 10% over the 2015–16 budget.

APG members also approved total non-core expenditure from available reserves, voluntary funding and 'in-kind' hosting support from the AFP (as above) in the amount of \$836,769 in 2016–17. Members previously agreed to a longer term goal for the APG to eventually become fully self-funding under the core budget. The 2016–17 budget moves closer to this goal. However, a proportion of spending on core APG activities will continue to come from voluntary donations in the coming financial year.

## **PRINCIPAL TASKS 2016-17**

The APG's key tasks for 2016–2017 (some of which are dependent on external funding) are as follows:

### **Key meetings**

The following key meetings will occur in the next year:

- 20<sup>th</sup> APG annual meeting and annual forum on technical assistance and training will convene in Colombo, Sri Lanka from 17 to 21 July 2017;
- Joint APG/MENAFATF typologies workshop will be held in Jeddah, Saudi Arabia from 28 November to 1 December 2016;
- APG Donors and Providers (DAP) Group will meet in July 2017 and hold one Pacific/APG coordination meeting (APG/Pacific Islands Forum secretariat), and one ASEAN/APG coordination meeting during the year.

The APG steering group will meet at least five times in the year to consider policy, governance, funding and membership issues and will continue to provide on-going advice to the membership and Co-Chairs.

### **Membership visits**

Up to three membership-related visits 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.

### **Participation in Global AML/CFT Network**

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

- three FATF plenary meetings;
- either one FATF inter-sessional meeting (if required) or an FSRB meeting;
- working group meetings in the FATF; and
- meetings of the Asia-Pacific Regional Review Group (RRG).

Information from FATF and other AML/CFT bodies will be communicated to members when received through email, APG website and/or individual correspondence/communication.

APG secretariat will provide communications, information and liaison assistance to the RRG in further support of APG members in accordance with the APG Strategic Plan 2016-2020.

### **3<sup>rd</sup> round of evaluations**

The APG will:

- continue the third round of mutual evaluations, including assessor and pre-mutual evaluation training; complete a revised mutual evaluation schedule; and continue to support the Mutual Evaluation Working Group;
- develop and deliver at least one assessor training workshop under the 2013 FATF assessment methodology in support of the APG's third round of evaluations, and support the delivery of a joint assessor training with the FATF;
- support the delivery of one regional workshop for APG members to be assessed in 2017–18 and 2018–19;
- undertake and deliver five mutual evaluations with reports to be considered at the 2017 annual meeting;

- review and prepare analysis reports of the members under APG third round follow-up;
- continue to contribute to preparation of updated assessment methodology training materials; and
- review the FATF rules relating to mutual evaluation follow-up and the ICRG as they change and develop under the 2013 assessment methodology.

The APG will implement and review the progress of the 16 members subject to the transitional follow-up procedures for the 2017 annual meeting.

### **Typologies research**

The APG will continue to support the typologies business framework, organise and convene the typologies working group and 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 review of the APG's 2009 Typologies Framework that was endorsed at the 2015 annual meeting did not proceed during 2015–16 and will take place during 2016–17. The typologies framework will be reviewed to enable the APG's work to reflect the ever-evolving global information on AML/CFT methods and trends, as well as information coming in from global and regional risk assessments about new typologies subjects.

A sub-group of the typologies working group will be formed to review and strengthen the content of the APG yearly typologies reports and to enhance the resources available for preparation of the 2017 APG Typologies Report.

The APG will continue to:

- work with MENAFATF on a joint research project on terrorist financing and social media to be carried out over the 2016–17 period and a joint typologies workshop to be held in November 2016 in Jeddah, Saudi Arabia; and
- support regional training initiatives, led by donors and providers, by building upon relevant typologies work.

### **Implementation, technical assistance and ICRG activities**

The APG will provide priority assistance and support for APG members involved in the FATF's ICRG process, including participation at Asia-Pacific RRG 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.

The APG will assist members to develop sustainable strategies to meet mutual evaluation report (MER) recommendations and implement the updated Strategic Implementation Planning Framework to respond to priority recommendations in MERs.

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

A number of regional AML/CFT technical assistance projects will be considered in collaboration with DAP Group members for legal, financial, FIU and law enforcement sectors. The secretariat will support existing mechanisms with the Pacific Island Forum secretariat and the ASEAN secretariat, and will continue efforts to support greater cooperation with South Asian regional bodies.

The APG secretariat will also collaborate with DAP Group members and recipient member jurisdictions to develop, coordinate and deliver AML/CFT-specific programmes, including:

- regional programmes to support improved assessments of risk and strategic responses to risk mitigation;
- regional programmes to build AML/CFT capacity amongst AML/CFT supervisors and regulators, in particular in relation to international cooperation between supervisors;

- regional enforcement and prosecution capacity building programmes focusing on targeting policy responses to proceeds of crime and terrorist financing, including through improved international cooperation;
- AML/CFT implementation programmes related to targeted financial sanctions against terrorism and proliferation financing; and
- regional programmes to improve capacity to utilise financial investigation techniques to combat corruption.

#### **APG Resources**

The financial resources required to achieve these programmes and plans for 2016–17 extend beyond members' core contributions to include additional financial resources, as well as human and technical resources. Many technical assistance 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.

## ANNEX A

### APG Activities, Visits and Conferences 2015–2016

Associate member activities	APG plenaries, meetings, visits	Conferences, workshops, seminars
<ul style="list-style-type: none"> <li>• ICRG RRG face-to-face meetings, Thailand, September 15</li> <li>• MENAFATF Assessors Training, UAE, October 15</li> <li>• FATF Plenary and Working Group meetings, France, October 15</li> <li>• ICRG RRG face-to-face meetings, Australia, January 16</li> <li>• FATF Plenary and Working Group meetings, France, February 16</li> <li>• ICRG RRG Papua New Guinea exit visit, PNG, April 16</li> <li>• ICRG RRG face-to-face meetings, Myanmar, May 16</li> <li>• ICRG RRG Myanmar exit visit, Myanmar, May 16</li> <li>• FATF Plenary and Working Group meetings, Korea, June 16</li> </ul>	<ul style="list-style-type: none"> <li>• APG Annual Meeting and TA&amp;T Forum, New Zealand, July 15</li> <li>• 2013 assessment methodology &amp; national risk assessments, Korea, August 15</li> <li>• AML/CFT engagement visit, Brunei Darussalam, August 15</li> <li>• APG high level visit, Myanmar, September 15</li> <li>• Bhutan pre-ME, Bhutan, September 15</li> <li>• Mongolia pre-ME, Mongolia, September 15</li> <li>• Thailand pre-ME, Thailand, September 15</li> <li>• APG ME, Fiji, October 15</li> <li>• APG ME, Bangladesh, October 15</li> <li>• APG ME, Bhutan, November 15</li> <li>• FATF/APG ME Singapore, November 15</li> <li>• ME Canada (IMF), November 15</li> <li>• APG Typologies Workshop, Nepal, November 15</li> <li>• Cambodia Pre-ME, Cambodia, December 15</li> <li>• Lao PDR ICRG related TA, Lao PDR, December 15</li> <li>• APG Assessor Training Workshop, India, December 15</li> <li>• FATF/APG ME US, January 16</li> <li>• APG High Level Visit, Maldives, January 16</li> <li>• APG IIWG 1<sup>st</sup> Regional workshop on combating financing the proliferation of WMD, Malaysia, March 16</li> <li>• APG ME Fiji face-to-face, Fiji, April 16</li> <li>• FATF/APG ME Singapore face-to-face, France, April 16</li> <li>• Vanuatu ICRG visit, Vanuatu, April 16</li> <li>• APG ME Bhutan face-to-face, Bhutan, May 16</li> <li>• APG ME Bangladesh face-to-face, Bangladesh, May 16</li> <li>• APG Assessor Training Workshop, Macao, China, May 16</li> </ul>	<ul style="list-style-type: none"> <li>• Conference on Countering the Financing of Proliferation of Weapons of Mass Destruction, Austria, July 15</li> <li>• UNODA Training for the 1540 Points of Contact in the Asia and Pacific Region, China, September 15</li> <li>• PILON Technical Workshop on Combatting Corruption through Effective Criminal Asset Confiscation , Fiji October 15 (presentation by Skype)</li> <li>• ARIN-AP Annual Conference, Australia, November 15</li> <li>• Australia / Indonesia Regional Counter-Terrorism Financing Summit, Australia, November 15</li> <li>• AUSTRAC NFIC national workshop, Australia, March 16</li> <li>• AUSTRAC/AGD PNG Workshop, Australia, March 16</li> <li>• CTF Summit Preparation Meeting, Indonesia, April 16</li> <li>• Pacific Islands Forum Secretariat - Pacific Regional Workshop on CTTOC Model Provisions, NZ, May 16</li> <li>• ANZ group regional AML Compliance Officers event, Australia, May 16</li> <li>• PIFS WGCT Meeting, Fiji, June 16</li> <li>• ASEAN Regional Asset Disclosure Workshop, June 16</li> </ul>

## **ANNEX B**

### **2015–2016 APG Audit Report and Financial Statements**

## Independent auditor's report to the members of the Asia/Pacific Group on Money Laundering

We have audited the accompanying special purpose financial report of the Asia/Pacific Group on Money Laundering, which comprises the statement of financial position as at 30 June 2016, and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the Statement by the Executive Secretary.

### Executive Secretary's Responsibility for the Financial Report

The Executive Secretary of the Asia/Pacific Group on Money Laundering is responsible for the preparation of the financial report and has determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the financial reporting 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 is also responsible for such controls as they determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Executive Secretary, as well as evaluating the overall presentation of the financial report.

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

### Independence

In conducting our audit we have complied with the independence requirements of the Australian professional accounting bodies.

### Opinion

In our opinion the financial report presents fairly, in all material respects, the financial position of the Asia/Pacific Group on Money Laundering as of 30 June 2016 and its financial performance and its cash flows for the year then ended in accordance with the accounting policies described in Note 1 to the financial statements.

## Basis of Accounting and Restriction on Distribution

Without modifying our opinion, we draw attention to Note 1.2 to the financial statements which describes the basis of accounting. The financial statements are prepared to assist the Asia/Pacific Group on Money Laundering to meet the requirements of Section 6.5 of the *APG Terms of Reference 2012*. As a result the financial statements may not be suitable for another purpose. Our report is intended solely for Asia/Pacific Group on Money Laundering and should not be distributed to parties other than the Asia Pacific Group on Money Laundering or the members.



Ernst & Young

Canberra  
13 September 2016

**Asia/Pacific Group on Money Laundering**

**Financial statements  
for the year ended 30 June 2016**

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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 prepared in accordance with the accounting policies outlined in Note 1 to the financial statements which are appropriate to meet the needs of users;
- present fairly the APG's financial position as at 30 June 2016 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

13 September 2016

## Statement of comprehensive income

for the year ended 30 June 2016

		2016	2015
	Notes	\$	\$
<b>INCOME</b>			
Contributions from members	3A	2,355,608	2,131,205
Other contributions	3B	478,177	582,276
<b>Total revenue</b>		<b>2,833,785</b>	<b>2,713,481</b>
<b>Gains</b>			
Resources received free of charge from the AFP		336,751	375,782
<b>Total gains</b>		<b>336,751</b>	<b>375,782</b>
<b>Total income</b>		<b>3,170,536</b>	<b>3,089,263</b>
<b>EXPENSES</b>			
Employee benefits	4A	2,199,859	2,045,550
Depreciation and amortisation		1,325	110
Supplier expenses	4B	406,391	588,087
Travel expenses	4C	501,774	549,860
Write-down and impairment of assets		-	1,200
<b>Total expenses</b>		<b>3,109,349</b>	<b>3,184,807</b>
<b>Surplus/(deficit)</b>		<b>61,187</b>	<b>(95,544)</b>

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

## Statement of financial position

as at 30 June 2016

	Notes	2016 \$	2015 \$
<b>ASSETS</b>			
<b>Financial Assets</b>			
Cash and cash equivalents		1,344,475	1,097,692
Trade and other receivables	5	84,945	314,446
Accrued revenue		-	31,144
<b>Total financial assets</b>		<b>1,429,420</b>	<b>1,443,282</b>
<b>Non-Financial Assets<sup>1</sup></b>			
Property, plant and equipment		2,541	3,866
Prepayments		41,981	46,881
<b>Total non-financial assets</b>		<b>44,522</b>	<b>50,747</b>
<b>Total assets</b>		<b>1,473,942</b>	<b>1,494,029</b>
<b>LIABILITIES</b>			
<b>Payables<sup>2</sup></b>			
Supplier payables		27,719	25,593
Accrued expenses		22,740	9,900
Unearned income	6	332,943	421,424
Salaries and wages		6,730	96,464
Superannuation		1,145	10,699
FBT		7,070	7,896
<b>Total payables</b>		<b>398,347</b>	<b>571,976</b>
<b>Provisions</b>			
Employee provisions <sup>3</sup>		659,006	566,651
<b>Total provisions</b>		<b>659,006</b>	<b>566,651</b>
<b>Total liabilities</b>		<b>1,057,353</b>	<b>1,138,627</b>
<b>Net Assets</b>		<b>416,589</b>	<b>355,402</b>
<b>EQUITY</b>			
Retained surplus		416,589	355,402
<b>Total equity</b>		<b>416,589</b>	<b>355,402</b>

1. No indicators of impairment were found for non-financial assets. All are expected to be recovered within 12 months.

2. All supplier payables are expected to be settled within 7 days (2015: 7 days). All other payables are expected to be settled within 12 months.

3. Employee provision expected to be settled in 12 months \$216,803 (2015: \$186,760).

## Statement of changes in equity

for the year ended 30 June 2016

	Total equity	
	2016 \$	2015 \$
Retained surplus		
<b>Opening balance, 30 June 2015</b>		
Balance carried forward from previous period	355,402	450,946
Add: Surplus/(deficit) for the period	61,187	(95,544)
<b>Closing balance as at 30 June 2016</b>	<b>416,589</b>	<b>355,402</b>

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

## Cash flow statement

for the year ended 30 June 2016

	2016	2015
	\$	\$
<b>Operating activities</b>		
Cash received		
Contributions and other receipts	3,068,342	2,302,980
Net GST received from ATO	11,004	7,455
<b>Total cash received</b>	<b>3,079,346</b>	<b>2,310,435</b>
Cash used		
Employees	2,206,792	1,971,372
Suppliers and other payments	625,771	816,380
<b>Total cash used</b>	<b>2,832,563</b>	<b>2,787,752</b>
<b>Net cash from / (used by) operating activities</b>	<b>246,783</b>	<b>(477,317)</b>
<b>Investing activities</b>		
Cash used		
Purchase of property, plant and equipment	-	3,976
<b>Total cash used</b>	<b>-</b>	<b>3,976</b>
<b>Net cash (used by) from investing activities</b>	<b>-</b>	<b>(3,976)</b>
Net increase/(decrease) in cash held	246,783	(481,293)
Cash and cash equivalents at the beginning of the reporting period	1,097,692	1,578,985
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>1,344,475</b>	<b>1,097,692</b>

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

## Note 1: Summary of significant accounting policies

### 1.1 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.

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

### 1.2 Basis of preparation of the financial statements

The AFP hosted the APG for the year ended 30 June 2016 and has prepared this special purpose financial report for the members of the APG.

The financial statements have been prepared in accordance with the recognition and measurement requirements specified by all Australian Accounting Standards and Interpretations, and the disclosure requirements of Accounting Standards AASB 101 'Presentation of Financial Statements', AASB 107 'Statement of Cash Flows', AASB 108 'Accounting Policies, Changes in Accounting Estimates and Errors', and AASB 1054 'Australian Additional Disclosures'.

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 and only 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. Liabilities and assets that are unrecognised may be reported in a Schedule of contingencies. The APG does not have any contingencies as at 30 June 2016 (30 June 2015: 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.

### 1.3 Significant accounting judgements and estimates

In the process of applying the accounting policies listed in this note, the APG has made the following judgements that have 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.

### 1.4 New Australian Accounting Standards

Adoption of New Australian Accounting Standard requirements

- AASB 2015-2 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB101 applies from 1 January 2016, however was early adopted at 30 June 2015. This standard has allowed the reduced disclosure in the Summary of significant accounting policies (Note 1) and the removal of specific disclosure required by an Australian Accounting Standard where the information resulting from the disclosure is not material.

Future Australian Accounting Standard requirements

- AASB 124 *Related Parties* applies from 1 July 2016. This standard is not expected to have any material impact upon the APG statements, but will involve a new disclosure. Processes will be required to capture related party transactions and to obtain positive confirmation from all related parties that related party transactions have been declared.
- AASB 9 *Financial Instruments* applies from 1 January 2017. This standard is not expected to have a material impact upon the APG statements, however it may result in changes to the APG's methodology with respect to assessment of credit risk, associated provisions and losses.
- AASB 15 *Revenue from Contractors with Customers* applies from 1 January 2017. This standard is not expected to have any material impact upon the APG statements, however it may result in changes to revenue recognition with respect to APG own source income.

## Note 1: Summary of significant accounting policies (cont)

### 1.5 Revenue

Revenue from rendering of services is recognised by reference to the stage of completion of contracts at the reporting date. The revenue is recognised when:

- the amounts of revenue, stage of completion and transaction costs incurred can be reliably measured; and
- the probable economic benefits with the transaction will flow to the entity.

#### Contributions

Member contributions are annual contributions from APG members 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 that are not tied to a particular APG project or activity. These funds are provided for the APG to spend as it best 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.

### 1.6 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.

### 1.7 Employee benefits

Liabilities for services rendered by employees are recognised at the reporting date to the extent that 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.

#### 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 and 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 that 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 2016. The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation.

#### 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 makes employer contributions to the 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.

The liability for superannuation recognised as at 30 June represents outstanding contributions for the final fortnight of the year.

## Note 1: Summary of significant accounting policies (cont)

### 1.8 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.

### 1.9 Property, plant and equipment

#### Asset Recognition & initial measurement

Assets are initially recorded at cost. Purchases of property, plant and equipment are recognised initially at cost in the Statement of financial position, except for purchases costing less than \$2,000, which are expensed in the year of acquisition.

#### Revaluations

Following initial recognition at cost, property plant and equipment are carried at fair value less accumulated depreciation and accumulated impairment losses. Valuations are conducted with sufficient frequency to ensure that the carrying amounts of assets do not differ from the assets' fair values as at the reporting date. The regularity of independent valuations depends upon the volatility of movements in market values for the relevant assets.

Revaluation adjustments are made on a class basis. Any revaluation increment is credited to equity under the heading of asset revaluation reserve except to the extent that it reverses a previous revaluation decrement of the same asset class that was previously recognised in the surplus/deficit. Revaluation decrements for a class of assets are recognised directly in the surplus/deficit except to the extent that they reverse a previous revaluation increment for that class.

The fair value for property, plant and equipment is measured at depreciated replacement cost.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the asset restated to the revalued amount.

#### Depreciation

Depreciable property, plant and equipment assets are written-off to their estimated residual values over their estimated useful lives to the APG using, in all cases, the straight-line method of depreciation.

Depreciation rates (useful lives), residual values and methods are reviewed at each reporting date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate.

Depreciation rates applying to plant and equipment are based on the following useful lives:

	2016	2015
Plant and Equipment	1-5 years	1-5 years

### 1.10 Taxation

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

Revenues, expenses, assets and liabilities are recognised net of GST except:

- where the amount of GST incurred is not recoverable from the Australian Taxation Office; and
- for receivables and payables.

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## Note 2: Events after the reporting period

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

### Note 3: Income

	2016	2015
	\$	\$
<b>Note 3A: Contributions from members</b>		
Member contributions		
Afghanistan	8,995	8,140
Australia	179,621	155,162
Bangladesh	11,360	10,605
Bhutan	8,995	8,140
Brunei Darussalam	8,995	8,140
Cambodia	8,995	8,140
Canada	207,111	190,574
China	276,752	250,484
Chinese Taipei	60,012	56,514
Cook Islands	8,995	8,140
Fiji	8,995	8,140
Hong Kong, China	51,085	48,048
India	180,288	166,911
Indonesia	80,353	71,039
Japan	340,119	307,800
Korea	127,643	114,612
Lao PDR	8,995	8,140
Macau, China	8,995	8,140
Malaysia	35,078	30,915
Maldives	8,995	8,140
Marshall Islands	8,995	8,140
Mongolia	8,995	8,148
Myanmar	8,995	8,140
Nauru	8,995	8,140
Nepal	8,995	8,140
New Zealand	43,014	39,550
Niue	8,995	8,140
Pakistan	21,016	19,152
Palau	8,995	8,140
Papua New Guinea	8,995	8,140
Philippines	24,090	21,451
Samoa	8,995	8,140
Singapore	60,729	53,898
Solomon Islands	8,995	8,140
Sri Lanka	8,996	8,140
Thailand	37,880	34,487
Timor-Leste	8,995	8,140
Tonga	8,995	8,140
United States	398,757	360,866
Vanuatu	8,995	8,140
Vietnam	13,814	11,909
<b>Total member contributions</b>	<b>2,355,608</b>	<b>2,131,205</b>

### Note 3: Income (cont)

	2016	2015
	\$	\$
<b>Note 3B: Other contributions</b>		
Voluntary Contribution - Australia	90,379	114,838
Voluntary Contribution - New Zealand	30,000	13,199
Project Contribution - Australian Department of Foreign Affairs and Trade	28,455	1,249
Project Contribution - Canadian Department of Foreign Affairs and International Trade	16,197	84,277
Project Contribution - China	42,319	141,091
Project Contribution - Chinese Taipei	47,312	66,631
Project Contribution - NZ Ministry of Foreign Affairs and Trade	10,112	4,366
Project Contribution - US State Department	22,030	62,937
Project Contribution - US - Timor-Leste	-	14,952
Project Contribution via Reimbursement - New Zealand	63,355	55,728
Project Co-funding for Executive Officer - US	65,066	11,504
Project Co-funding for Executive Officer - Singapore	24,246	3,452
Project Co-funding for Executive Officer - New Zealand	38,706	8,052
<b>Total other contributions</b>	<b>478,177</b>	<b>582,276</b>

### Note 4: Expenses

#### Note 4A: Employee benefits

Wages and salaries	1,495,556	1,456,631
Superannuation:		
Defined contribution plans	127,662	93,448
Defined benefit plans	166,383	184,074
Leave and other entitlements	404,862	305,125
Other employee expenses	5,396	6,272
<b>Total employee benefits</b>	<b>2,199,859</b>	<b>2,045,550</b>

#### Note 4B: Supplier expenses

Consultants and contractors	24,573	216,041
Audit fees	13,636	9,900
Postage and freight	171	378
Staff and recruitment	455	2,956
Conference costs	5,906	6,987
Communications and IT	11,073	14,152
General and office	7,262	6,285
Building and accommodation	39,347	41,786
Office space	275,368	267,071
Other expenses	8,290	2,221
<b>Total goods and services</b>	<b>386,081</b>	<b>567,777</b>
Other supplier expenses		
Workers compensation expenses	20,310	20,310
<b>Total other supplier expenses</b>	<b>20,310</b>	<b>20,310</b>
<b>Total supplier expenses</b>	<b>406,391</b>	<b>588,087</b>

#### Note 4C: Travel expenses

Airfares	237,272	319,514
Accommodation	156,058	193,603
Other travel expenses	108,444	36,743
<b>Total travel expenses</b>	<b>501,774</b>	<b>549,860</b>

## Note 5: Trade and other receivables

	2016	2015
	\$	\$
Member contributions and other receivables	22,277	314,170
GST receivable from the Australian Taxation Office	418	1,476
Other debtors	63,450	-
<b>Total trade and other receivables</b>	<b>86,145</b>	<b>315,646</b>
Less impairment allowance account:		
Other receivables	(1,200)	(1,200)
<b>Total impairment allowance account</b>	<b>(1,200)</b>	<b>(1,200)</b>
<b>Total trade and other receivables (net)</b>	<b>84,945</b>	<b>314,446</b>
Receivables are aged as follows:		
Not overdue	63,868	16,705
Overdue by:		
More than 90 days	21,077	297,741
<b>Total receivables (gross)</b>	<b>84,945</b>	<b>314,446</b>

Receivables for goods and services are recognised at the nominal amounts due, less any impairment allowance account. Collectability of debts is reviewed at the end of the reporting period. Allowances are made when collectability of the debt is no longer probable.

## Note 6: Unearned income

	2016	2015
Project contributions paid in advance	\$	\$
Member contribution - US State Department	51,554	-
Member contribution - US Treasury Department	57,005	-
Member contribution - Cook Islands	10,093	-
Project contribution - Australian Department of Foreign Affairs and Trade	-	28,455
Project contribution - Canada	-	16,197
Project contribution - China	7,963	50,282
Project contribution - Chinese Taipei	59,456	67,168
Project contribution - NZ Ministry of Foreign Affairs and Trade	-	2,086
Project contribution - New Zealand	30,000	8,025
Project contribution - US State Department	26,400	48,430
Project Co-funding for Executive Officer - US	44,072	109,138
Project Co-funding for Executive Officer - Singapore	15,936	40,182
Project Co-funding for Executive Officer - New Zealand	26,907	47,362
Other	3,557	4,099
<b>Total unearned income</b>	<b>332,943</b>	<b>421,424</b>

## Note 7: Cash flow reconciliation

	2016	2015
	\$	\$
<b>Reconciliation of cash and cash equivalents as per Statement of financial position to Cash flow statement</b>		
Cash and cash equivalents as per:		
Cash flow statement	1,344,475	1,097,692
Statement of financial position	1,344,475	1,097,692
<b>Difference</b>	-	-
<b>Reconciliation of surplus to net cash from operating activities:</b>		
Operating result	61,187	(95,544)
Adjustment for non-cash items:		
Depreciation	1,325	110
Movements in assets/liabilities:		
Decrease/(Increase) in net receivables	229,501	(260,777)
(Increase)/decrease in accrued revenue	31,144	-
Decrease/(Increase) in prepayments	4,900	(25,818)
Increase/(decrease) in supplier payables	2,126	(11,347)
(Decrease) in other payables	(175,755)	(130,421)
Increase in employee provisions	92,355	46,480
<b>Total Cash flow from operating activities</b>	<b>246,783</b>	<b>(477,315)</b>

## Note 8: Senior management personnel remuneration

	2016	2015
	\$	\$
<b>Total senior management personnel remuneration expense</b>	<b>619,820</b>	<b>611,349</b>

The total number of senior management personnel included in senior management personnel remuneration expense is 2 individuals (2015: 2).



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***Annual Report of the Asia/Pacific Group on Money Laundering  
2015-2016***

**In this report:** a summary of major APG business programmes completed and the objectives achieved for the financial year 1 July 2015 to 30 June 2016 including audited financial statements