

2016-17

CHAIR ANNUAL REPORT



BOARD OF THE AUSTRALIAN CRIMINAL
INTELLIGENCE COMMISSION



AUSTRALIAN
**CRIMINAL
INTELLIGENCE
COMMISSION**

ABOUT THIS REPORT

This report by the Chair of the Australian Criminal Intelligence Commission (ACIC) Board documents the operations of the ACIC for 2016–17, as required by the *Australian Crime Commission Act 2002* (ACC Act). The Board does not have its own staff or budget so there are no financial statements to report.

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

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

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

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

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ISSN: 2209-3729 (print)

ISSN: 2209-3737 (online)

LETTER OF TRANSMITTAL

24 January 2019

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

Dear Minister

On behalf of the Board of the Australian Criminal Intelligence Commission (ACIC), I am pleased to present our annual report for the financial year ended 30 June 2017.

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

The report outlines the ACIC's operations during 2016–17. It has been prepared in accordance with section 61 of the ACC Act.

During 2016–17, the Board contributed to the ACIC's strategic direction, considered key areas of work, such as the National Criminal Intelligence System Pilot Program and supported national initiatives against serious and organised crime, including the Cyber Related Offending Special Operation.

The Board acknowledges the ACIC's achievements this year, including investigative and intelligence outcomes that have contributed to making Australia safer through improved national ability to connect, discover, understand and respond to crime and justice issues impacting Australia. The Board also acknowledges the first year of operations after CrimTrac and the Australian Crime Commission merged to become the ACIC from 1 July 2016.

Yours sincerely



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

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BOARD MEMBERS

The ACIC Board is chaired by the Commissioner of the Australian Federal Police and comprises the heads of a number of Commonwealth, state and territory law enforcement, national security and regulatory agencies. The Chief Executive Officer of the ACIC is a non-voting member. For details about Board members and meetings in 2016–17, see page 12.

BOARD FUNCTIONS

The ACIC Board is responsible for providing strategic direction to the ACIC and determining which investigations and intelligence operations are authorised to use the ACIC’s coercive powers. The functions of the Board, as set out in section 7C of the ACC Act,¹ are to:

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

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

1 The Australian Criminal Intelligence Commission is established under the *Australian Crime Commission Act 2002* (Cwlth). Underpinning the ACIC’s national role, the Commonwealth ACC Act is complemented by legislation in each state and territory. The agency was formerly known as the Australian Crime Commission, and is still known by that name for legal purposes.

CHAIR'S REVIEW

ANDREW COLVIN APM OAM



FIRST REPORT FOR NEW AGENCY

This is the first Chair's annual report since the ACIC began operating on 1 July 2016. The new agency was formed when the Australian Crime Commission and CrimTrac merged to strengthen Australia's ability to combat the unprecedented national security threat and stop criminals exploiting emerging opportunities and perceived gaps in law enforcement information.

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

NATIONAL POLICING INFORMATION SYSTEMS AND CRIMINAL INTELLIGENCE HOLDINGS

During the year, the ACIC brought together national policing information systems and services and national criminal intelligence holdings. These essential services connect policing and law enforcement around the country, enabling responses across the spectrum of serious, organised and broader volume crime.

For example, this year the ACIC delivered more than 44.3 million National Police Reference System searches (relating to people, firearms, vehicles and drugs), supported more than 90,700 crime scene print identifications and 54 crime scene ballistic matches, and facilitated more than 4.7 million background checks to help organisations make informed decisions about the suitability of applicants for positions of trust.

In addition, the National Criminal Intelligence System (NCIS) pilot successfully concluded this year. The intent of the NCIS is to connect the existing data holdings of Commonwealth, state and territory law enforcement partners. This will allow police across the nation to deconflict² and coordinate their intelligence operations and investigations where criminals are active across more than one jurisdiction. During the pilot there were more than 11,000 searches across more than 600 million available records, resulting in real-world outcomes ranging from cybercrime to counterterrorism investigations and intelligence operations.

NATIONAL PICTURE OF CRIMINALITY

During the past year the ACIC furthered understanding of existing and emerging serious and organised crime, with intelligence reports including the classified *National Criminal Target Report 2017* and the public reports, *National Wastewater Drug Monitoring Program Report 1 2017*, *Illicit Firearms in Australia*, *Illicit Drug Data Report 2015–16* and *Organised Crime in Australia 2017* (released in early 2017–18).

The ACIC also produced 2,251 intelligence products during the year, disseminated to 174 agencies. A further 36,242 automated alerts on significant criminal targets were also provided to partner agencies.

NATIONAL RESPONSE TO CRIME

In collaboration with its partners, during 2016–17 the ACIC disrupted 81 serious and organised criminal entities, and seized more than \$929.71 million worth of drugs (estimated street value) and more than \$14.06 million in cash.

A total of \$107.67 million worth of assets were restrained and \$5.13 million worth of assets forfeited, and the ACIC referred 140 entities to the Criminal Assets Confiscation Taskforce, with an estimated value of offending of \$137.30 million.

There were 283 people arrested on 828 charges, while 69 people were convicted.

New information about serious and organised crime was discovered through 227 coercive examinations, and the ACIC added 24 targets to the National Criminal Target List (NCTL).

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

INTERNATIONAL FOCUS

Approximately 70 per cent of significant, serious and organised crime targets that impact Australia are either based offshore or have strong offshore links. In response, the ACIC's intelligence operational focus is increasingly on the highest threat transnational targets and sources of crime affecting Australia.

In November 2016, the Board approved the Vestigo Task Force, to provide a framework for enhanced international engagement, collaboration and information sharing. This task force is supported by the ACIC's Commonwealth, state and territory partners, along with international partners including the Five Eyes Law Enforcement Group.³

During the reporting year, the ACIC began developing the Australian Priority Organisation Target list of top tier international and transnational targets that play a significant role within Australia's serious and organised crime environment. This approach reflects a more coordinated and focused effort involving both domestic and international partners sharing details.

In addition, eight ACIC staff were deployed to six international locations in 2016–17. Such deployments provide valuable opportunities for intelligence collection and exchange, and have resulted in joint activity against offshore serious and organised crime targets threatening Australia for importation of illicit goods, cybercrime activity and the movement of illicit funds overseas through money laundering.

LOOKING AHEAD

In the coming year, the ACIC will build on the success of the NCIS pilot, continue to consolidate and enhance information systems and services, and continue to optimise the benefits of the agency's merged capability as well as opportunities to work even more closely with national security partner agencies as part of the new Home Affairs Portfolio arrangements.



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

³ Five Eyes Law Enforcement Group consists of the heads of major law enforcement agencies, including the Australian Criminal Intelligence Commission, Australian Federal Police, United States Drug Enforcement Administration, Federal Bureau of Investigation and Homeland Security Investigations, as well as New Zealand Police, Royal Canadian Mounted Police and the United Kingdom National Crime Agency.

BOARD DECISION-MAKING PROCESS

At its foundation meeting in July 2016, the ACIC Board endorsed the External Governance and Engagement Model to support its decision making. The model incorporates groupings of capabilities to allow for expert representation. The Board agreed that the model would be reviewed after 12 months.

BOARD-ENDORSED EXTERNAL GOVERNANCE AND ENGAGEMENT MODEL

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

- **Capability Coordination Group**—This group coordinates and deconflicts recommendations from the following capability committees, to ensure consistent advice is provided to the ACIC CEO and Board.
- **Law Enforcement Information Services Capability Committee**—This committee informs the development, implementation and operation of initiatives that support capability requirements (the ‘what’) for national policing systems and other related capabilities for Australia’s frontline police, law enforcement and national security officers.
- **National Criminal Intelligence Capability Committee**—This committee promotes and champions the professionalism of the national criminal intelligence capability, and collaborates on strategic intelligence issues at a national level to ensure coordinated advice for Australia’s police, wider law enforcement and national security agencies. During 2016–17 this committee finalised the *Australian Criminal Intelligence Management Strategy 2017–2020*, which proposed a framework to harness and share intelligence assets and support a whole-of-enterprise approach to capability management. The strategy guides actions towards achieving a vision of intelligence partnership for a safer Australia. The ACIC Board and state and territory police ministers endorsed the strategy at the Law, Crime and Community Safety Council in May 2017. Both this committee and the Serious and Organised Crime Coordination Committee (see below) were planning to contribute to the Australian Priority Organisation Target list (see page 42).
- **Serious and Organised Crime Coordination Committee**—This committee supports prioritisation, endorsement and coordination of operational strategies for dealing with serious and organised crime investigations, targets and threats at a national level. This year the committee progressed ACIC Board-approved strategies including the *National Outlaw Motor Cycle Gang Strategy*, *National Illicit Firearms Strategy*, and *National Law Enforcement Methylamphetamine Strategy*. This committee also oversees coordination of Joint Management Groups, which mainly focus on entities on the NCTL.

- **Technology Capability Committee**—This committee informs and supports the development, implementation and operation of the national services and systems the ACIC delivers for Australia’s police, wider law enforcement and national security agencies. This committee engages and collaborates with the other capability committees as the business owners. It uses information provided to determine the best technological approach (the ‘how’) to achieve the results for the identified capability.

NATIONAL CRIMINAL INTELLIGENCE PRIORITIES

The Board considers advice from the ACIC, and draws on Board members’ experience as leaders in the law enforcement, national security and regulatory arenas, to endorse the National Criminal Intelligence Priorities (NCIPs). This is a legislated function of the Board.

ACIC PRIORITIES

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

COERCIVE POWERS

The Board confirms if investigations and operations are deemed ‘special’, which authorises the use of the ACIC’s coercive powers where traditional measures are not expected to be, or have not been, effective. The ACIC’s coercive powers are similar to those of a Royal Commission and may only be exercised by an ACIC Examiner for special operations or special investigations. The coercive powers allow the ACIC to:

- summon a person to give evidence under oath
- require the production of documents
- require information from Commonwealth agencies
- apply for a search warrant or an order to produce a passport.

BOARD MEMBERS AND MEETINGS 2016–17

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

ATTENDANCE AT BOARD MEETINGS 2016–17

	6 Jul 2016	30 Nov 2016	29 Mar 2017	21 Jun 2017
Commissioner Andrew Colvin APM, OAM, Australian Federal Police (Chair)	✓	✓	✓	✓
Assistant Commissioner Justine Saunders APM, Chief Police Officer, ACT Policing	✓*	✓	✓	✓
Mr Chris Moraitis PSM, Secretary, Attorney-General's Department	✓	✓	✓	✓
Mr Roman Quaedvlieg APM, Commissioner, Australian Border Force	✓*	✓	✓	✓*
Mr Greg Medcraft, Chairman, Australian Securities and Investments Commission	✓	✓	✓	✓
Mr Duncan Lewis AO, DSC, CSC, Director-General Security, Australian Security Intelligence Organisation	✓	✓	X	✓
Mr Chris Jordan AO, Commissioner of Taxation, Australian Taxation Office	✓*	✓	✓	✓
Commissioner Andrew Scipione AO, APM, New South Wales Police Force**	✓*	✓	✓	—

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

** Following the retirement of Commissioner Andrew Scipione, Commissioner Michael Fuller attended the final ACIC Board meeting of 2016–17.

	6 Jul 2016	30 Nov 2016	29 Mar 2017	21 Jun 2017
Commissioner Michael Fuller APM, New South Wales Police Force**	—	—	—	✓
Commissioner Reece Kershaw APM, Northern Territory Police	✓	✓	✓	✓*
Commissioner Ian Stewart APM, Queensland Police Service	✓	✓	✗	✓
Commissioner Grant Stevens APM, South Australia Police	✓	✓	✓	✓
Commissioner Darren Hine APM, Tasmania Police	✓	✓	✓	✓
Chief Commissioner Graham Ashton APM, Victoria Police	✗	✓	✓*	✓
Commissioner Karl O'Callaghan APM, Western Australia Police	✓	✓	✓	✗
Mr Paul Jevtovic APM, CEO, AUSTRAC	✓	✓	✓	✗
Mr Chris Dawson APM, CEO, Australian Criminal Intelligence Commission	✓	✓	✓	✓

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

** Following the retirement of Commissioner Andrew Scipione, Commissioner Michael Fuller attended the final ACIC Board meeting of 2016–17.

BOARD AUTHORISATIONS 2016–17

The following table lists ACIC Board authorisations as at 30 June 2017. Each of these was authorised under the Commonwealth ACC legislation. There were no operations or investigations authorised by the Board under the corresponding state and territory legislation.

Determination	Type	Date
Criminal Exploitation of Australia's Migration System	Special Operation	Authorised 8 June 2016
Cyber Related Offending	Special Operation	Authorised 21 June 2017
Eligo 2 National Task Force	Task Force	Closed 30 November 2016
Emerging Organised Crime Threats No. 2	Special Operation	Authorised 21 June 2017
Firearm Trafficking	Special Operation	Authorised 21 June 2017
High Risk and Emerging Drugs No. 3	Special Operation	Authorised 21 June 2017
Highest Risk Criminal Targets No. 2	Special Investigation	Authorised 4 September 2013
National Security Impacts from Serious and Organised Crime No. 2	Special Operation	Authorised 4 September 2013
National Task Force Morpheus	Task Force	Established 1 July 2014
Outlaw Motor Cycle Gangs	Special Operation	Authorised 4 September 2013
Targeting Criminal Wealth No. 2	Special Investigation	Authorised 4 September 2013
Vestigo Task Force	Task Force	Established 30 November 2016

In addition, in 2016–17 the Board:

- approved the ACIC’s External Governance and Engagement Model, agreeing to establish committees to inform the development, implementation and operational initiatives that support national policing services and systems
- approved the ACIC Board Charter of Governance, which describes the role, responsibilities and authority of the Board and its members
- endorsed the ACIC *Strategic Plan 2016–21*
- endorsed the updated Australian Criminal Intelligence Management Strategy 2017–2020
- agreed to progress further work on key recommendations in the *Independent Review of the ACC Act*, which presents an opportunity to ensure the ACIC has the necessary powers to support its investigative and intelligence functions
- reviewed the outcomes of the Serious and Organised Crime Coordination Committee and discussed future work and engagement to ensure alignment with the strategic issues facing the agency
- noted the importance of the NCIS Pilot Program and endorsed development of the first pass business case and progression to the second pass business case
- reviewed ACIC strategic priority areas and the planned activity and response to the threats identified under ACIC special investigations and special operations—the Board considers whether each authorised special investigation and special operation is still required each year
- endorsed the 2017 iterations of the *Organised Crime in Australia* assessment and *National Criminal Target Report*
- approved an extension of the pilot for the Enhanced Biometrics at the Border project
- received a briefing on Project Petram, which was established to examine and understand criminal exploitation of offshore unregulated bookmakers
- received briefings on outcomes from the National Criminal Intelligence Capability Committee and Technology Capability Committee
- noted the agency’s one-year anniversary as an important milestone.

During the reporting year, the Board farewelled Commissioner Andrew Scipione APM, NSW Police Force, who commenced his appointment in 2007, and Mr Paul Jevtovic APM, AUSTRAC CEO, who commenced his appointment in October 2014 and served as a non-voting observer.



SECTION 02

DESCRIPTION OF ACTIVITIES

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CONTEXT

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

The ACIC's activities include:

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

INVESTIGATIONS AND OPERATIONS

Special investigations are designed to disrupt and deter criminal groups by collecting evidence and intelligence about criminal activity. The ACIC Board may determine that an investigation is deemed 'special', enabling the use of the ACIC's coercive powers. Before doing so, it must consider whether ordinary police methods of investigation into matters are likely to be effective.

Special operations focus on gathering intelligence around particular criminal activity so decisions are informed by the extent, impact and threat of that activity. The ACIC Board may determine that an intelligence operation is a special operation, enabling the use of the ACIC's coercive powers. Before doing so, it must consider whether methods of collecting the criminal information and intelligence that do not involve the use of powers in the ACC Act have been effective.

In 2016–17 the ACIC's special investigations and special operations focused on the priority areas identified in its *Corporate Plan 2016–20*. These were:

- tackling criminal profit
- tackling criminal gangs
- tackling highest risk criminals
- contributing to national security
- informing responses to Australia's illicit drug markets
- making Australia a more hostile place for serious and organised crime.

TARGETING CRIMINAL WEALTH NO. 2 SPECIAL INVESTIGATION

This special investigation is designed to disrupt and deter criminal groups by collecting evidence and intelligence about financially motivated crime. During 2016–17 the focus of this special investigation shifted offshore, to better understand and disrupt transnational entities impacting the Australian criminal landscape. Work under this special investigation often exposes, and allows for targeting of, a range of other criminal activities that generate the profits in question, such as illicit drug trafficking.

During 2016–17 the ACIC undertook work to tackle criminal profit through this special investigation, the ACIC-led Eligo 2 National Task Force (to 31 December 2016), Vestigo Task Force, Criminal Assets Confiscation Taskforce led by the Australian Federal Police, and the multi-agency Serious Financial Crime Taskforce.

CONNECT

Work under the Targeting Criminal Wealth No. 2 Special Investigation led to the creation of the Vestigo Task Force, which enables a framework for sharing information and intelligence with Australian and international partners. In addition, the ACIC is a member of the Five Eyes Law Enforcement Group's Money Laundering Working Group, consisting of members from the United States, Canada, the United Kingdom, New Zealand and Australia.

The ACIC also helped to connect partners through its work on the Panama papers investigation. This involved collaborating with the Australian Taxation Office and other partners including the Serious Financial Crime Taskforce, to analyse data received and identify matches to criminal intelligence holdings. Intelligence gathered through use of coercive powers also assisted in the Panama papers investigations.

DISCOVER AND UNDERSTAND

During 2016–17 through the Targeting Criminal Wealth No. 2 Special Investigation, the ACIC:

- conducted 69 coercive examinations—information derived from these examinations was used to investigate criminal activity and inform law enforcement, national security, regulatory and policy agencies around the country
- produced 415 intelligence products, shared with partners through 1,084 disseminations, to build greater understanding of emerging issues related to criminal wealth and financial crime, including:
 - a risk assessment of financial crime
 - an assessment of identity crime
 - the prevalence of trade-based money laundering in Australia
 - vulnerabilities in Australian corporate directorships
 - risks to Australian business of foreign investment and transaction offsetting
 - offshore financial centres for serious and organised crime.

RESPOND

Significant responses related to the Targeting Criminal Wealth No. 2 Special Investigation during 2016–17 included the following:

- 31 criminal entities disrupted
- 140 entities referred to the Criminal Asset Confiscation Taskforce with an estimated value of offending of \$137.30 million
- \$4.65 million cash seized
- \$96 million worth of assets restrained
- \$205.82 million worth of illicit drugs and precursor chemicals seized (estimated street value)
- 142 charges laid against 78 people
- 39 people convicted.

In addition the ACIC contributed to prevention of money laundering activities by reviewing AUSTRAC and the Attorney-General's Department papers related to recommendations in the *Report on the Statutory Review of the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 and Associated Rules and Regulations* and providing advice based on its intelligence and operational experience.

ELIGO NATIONAL TASK FORCE

The ACIC-led Eligo National Task Force was approved by the Board in late 2012, under the Targeting Criminal Wealth Special Investigation, to respond to the high risk of money laundering through the alternative remittance sector and informal value transfer systems. In late 2015, Eligo 2 expanded the focus on international engagement. While Eligo 2 closed on 31 December 2016, performance outcomes will continue.

During 2016–17 Eligo contributed to:

- the disruption of a significant international money laundering syndicate operating in Australia, run by an international controller—this investigation led to charges against people at every level in the money laundering cycle from the controller to members of the domestic network collecting proceeds of crime money and members of the organised crime group trafficking cocaine (Project Eligo Aquilo and Strike Force Bugam, a joint operation with the New South Wales Police Force)
- the charging of international money laundering controller, Shahbaz Khan, through a joint project with the United States Drug Enforcement Administration (Project Eligo Gritstone Lockout)
- the targeting of a criminal syndicate operating in Melbourne that was involved in large-scale commercial tobacco importations, with Australian Border Force seizing more than 700 kilograms of tobacco (Project Eligo Gritstone Lockout)
- the arrest of eight people at a Melbourne warehouse in relation to importation and attempted trafficking of a large commercial quantity of the precursor chemical, pseudoephedrine (Project Eligo Aquilo, following a joint operation with the Australian Federal Police, Victoria Police and Australian Border Force)
- the seizing of more than 860 cannabis plants from two locations in southern Victoria, along with a total of \$150,000 in cash and other important evidence, bringing the total number of plants seized through this operation to more than 6,400 with 12 people arrested (Project Eligo Aquilo/Victoria Police Operation Carats).

VESTIGO TASK FORCE

The Board approved the Vestigo Task Force in November 2016 to provide a framework for enhanced international engagement, collaboration and information sharing. Vestigo builds on the work of the Eligo 2 National Task Force.

Vestigo provides a single, flexible and responsive framework for engaging with overseas partners and Australian agencies in relation to information and intelligence on targeting serious and organised crime. This task force is supported by Commonwealth, state and territory partners, along with international partners including the Five Eyes Law Enforcement Group. This move reflects the ACIC's continuing shift from ad-hoc and opportunistic international engagement to ongoing and proactive engagement in response to the changing criminal environment.

Vestigo investigations to date have resulted in:

- \$2.67 million in cash seized
- \$179.77 million worth of illicit drugs seized (estimated street value)
- 11 serious and organised criminal groups/networks disrupted.

CRIMINAL ASSETS CONFISCATION TASKFORCE

In 2016–17 the ACIC referred 140 entities, with an estimated value of offending of \$137.30 million, to the Criminal Assets Confiscation Taskforce, which is led by the Australian Federal Police. Results this year included restraining orders against eight properties issued in Victoria, and \$93.2 million worth of assets restrained.

SERIOUS FINANCIAL CRIME TASKFORCE

The multi-agency Serious Financial Crime Taskforce was established in mid-2015 so Commonwealth agencies could continue working together to combat serious financial crime once the long-running Project Wickenby ended. During the reporting year, outcomes included:

- developing 66 intelligence products in relation to international tax evasion, fraudulent phoenix activity, trust and superannuation fraud
- working with partners to identify Australians with links to Swiss banking relationship managers who are alleged to have actively promoted and facilitated tax evasion schemes
- working with partners to produce the Serious Financial Crime Taskforce's first Intelligence Bulletin, which notified participants in the precious metal industry that the taskforce was aware of exploitation of GST rules and that perpetrators would be identified and dealt with using the full force of the law
- working closely with Australian and international partners to obtain datasets from multiple sources relating to offshore tax evasion, to identify high risk entities and transactions relating to Australia.

OUTLAW MOTOR CYCLE GANGS SPECIAL OPERATION

Through the Outlaw Motor Cycle Gangs (OMCG) Special Operation the ACIC works with partners across law enforcement and other government agencies to improve understanding of OMCGs. This is done through coercive examinations, support for target development and investigations, building awareness of threats and vulnerabilities, contributing to appropriate responses, effectively disrupting criminal gang activity and reducing the threat posed by OMCGs.

During 2016–17 the ACIC undertook work to tackle criminal gangs through this special operation, the ACIC-led Australian Gangs Intelligence Coordination Centre (AGICC) and National Task Force Morpheus.

CONNECT

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

Australian Gangs Intelligence Coordination Centre

The ACIC-led AGICC is a central intelligence hub responding to the escalating threats of OMCGs in Australia. The AGICC brings together specialist staff from the ACIC, Australian Federal Police, Australian Taxation Office, Department of Immigration and Border Protection, and the Department of Human Services—Centrelink. This is a key government initiative to combat the growing threat of OMCGs.

The AGICC builds on and coordinates an intelligence-led response to OMCGs and other known gangs by linking strategic understanding of the national picture with intelligence that supports operational and tactical responses. The AGICC provides a dedicated intelligence capability for the National Anti-Gangs Squad, led by the Australian Federal Police, and provides intelligence and assistance to state and territory police gang squads.

Through the AGICC, the ACIC worked to:

- strengthen law enforcement’s understanding of Australian-based gangs, including details of gang chapters, leadership and membership, through the National Gangs List
- broaden understanding of international gang environments and transnational gang-related crime, in particular by participating in monthly OMCG teleconferences that bring together OMCG analysts from across Australian law enforcement, and external Australian and international agencies
- enhance operational effectiveness and maintain a strategic focus in Australia on policing OMCGs, in partnership with New Zealand, by attending National OMCG Managers Group meetings
- facilitate partner agency visits and secondments to enhance intelligence sharing and collaboration.

DISCOVER AND UNDERSTAND

During 2016–17 through the Outlaw Motor Cycle Gangs Special Operation, the ACIC:

- conducted 25 coercive examinations that generated intelligence and insights about OMCG involvement in:
 - illicit drug manufacture and supply, including transportation between Australian states
 - use of secure communications services
 - links to legitimate businesses, and money laundering through legitimate businesses
 - relationships with legal facilitators involving the supply of illicit drugs in lieu of payment for services
 - extortion activities in the heavy haulage industry
 - establishment of chapters nationally
 - links to the tattoo industry.
- produced 414 intelligence products, shared with partners through 1,270 disseminations, to build a greater understanding of OMCGs and their activities, helping to drive further intelligence collection and enabling effective responses.

This year through the AGICC and Project Legion, the ACIC also:

- developed intelligence related to OMCGs' leadership, pathways, wealth identification, domestic and international expansion, activities at the border and state/territory criminal footprints, drug importation and distribution, money laundering, firearms distribution, corruption and counter-intelligence
- responded to 412 requests for information from partner agencies, supporting their intelligence development and investigations of OMCGs
- deployed analysts to support several national and international operations targeting OMCGs.

RESPOND

During 2016–17 the ACIC's work improved the national ability to respond to OMCGs, including prevention and disruption activities under Project Legion and the AGICC.

This influenced or contributed to responses that resulted in six disruptions of criminal entities.

This included monitoring and disrupting OMCG travel movements and focusing on business and financial structures, to identify opportunities to target and disrupt OMCGs and their associates.

HIGHEST RISK CRIMINAL TARGETS NO. 2 SPECIAL INVESTIGATION

This special investigation aims to identify, detect, disrupt and reduce the threat posed by the highest risk serious and organised crime groups impacting Australia.

During 2016–17 the ACIC undertook work to tackle highest risk criminals through this special investigation and associated projects and joint task forces.

CONNECT

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

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

- developing the Australian Priority Organisation Target list of top tier offshore targets impacting Australia, as a key component of the Vestigo Task Force—reflecting a more coordinated and focused effort involving domestic and international partners
- maintaining the NCTL—a contemporary national list that enables a clear national picture of the threat and risk associated with Australia's nationally significant serious and organised crime targets
- maintaining the National Target System—the secure online data repository through which the ACIC makes the NCTL available to partners
- providing partners with an automated alerting service about the activities of the highest risk criminals
- combining analysis and intelligence from varied sources to provide a strategic overview of the threat and risk posed by serious and organised crime groups on the NCTL, in the *National Criminal Target Report*.

DISCOVER AND UNDERSTAND

During 2016–17 through the Highest Risk Criminal Targets No. 2 Special Investigation, the ACIC:

- conducted 39 coercive examinations, generating intelligence partners could act on regarding serious and organised crime targets that represent the greatest threat and risk nationally
- produced 716 intelligence products, shared with partners through 1,973 disseminations, building greater understanding about the highest risk criminal targets and their activities to improve understanding of and support responses to:
 - previously unknown entities involved in serious and organised crime
 - importation and trafficking methodologies for illicit drugs, firearms and tobacco
 - activities of entities on the NCTL
 - laundering of proceeds of crime
 - serious and organised crime use of self-storage facilities
 - vulnerabilities in unregulated industries
 - use of encrypted communications.

Under the Highest Risk Criminal Targets No. 2 Special Investigation, the ACIC maintains a contemporary view of the serious and organised crime landscape in Australia. It does this work under three interrelated projects:

- **Project Rosencrantz**—this project monitors and improves understanding of Australia’s most significant serious and organised criminal risks. This year, automated alerts were provided to relevant partners regarding 36,242 financial transactions, company events or travel movements linked to entities on the NCTL and the National Gangs List.
- **Project Iceberg**—this project delivers intelligence to partner agencies, identifying leads on serious and organised criminal groups on the NCTL. This year, 64 reports were produced that provided new information to partners, generating new insights, improving understanding of criminals’ methods and creating opportunities for partners to respond to issues ranging from new cybercrime methodologies to exploration of criminal vulnerabilities within the border supply chain.
- **Project Macrobust**—this project develops state and territory intelligence highlighting the highest risk targets both regionally and transnationally, and supporting law enforcement to address serious and organised crime. This year, 343 intelligence products were disclosed to partner agencies on issues such as social security fraud, transnational money laundering activities, firearms and weapons importation and possession, and specific drug market pricing, importation methodologies and criminal targeting.

Understanding of serious and organised crime was also enhanced through:

- **Project Amargo**—the purpose of this project was to collect further intelligence and develop further targeting opportunities with partners. During 2016–17 Project Amargo led to 60 intelligence reports, 16 disruptions, 45 people being charged, and the seizure of \$3.61 million in cash, \$33.58 million worth of methylamphetamine, \$12.33 million worth of cocaine and \$10.03 million worth of cannabis (estimated street values).

- **Project Lockstream**—acting on intelligence provided by the ACIC, Australian Border Force identified a package from the United States containing a small amount of cocaine. Information about the use of padded envelopes to import cocaine from California to South Australia using the ‘scatter import’ methodology was distributed nationally to identify and examine similar inbound consignments.

RESPOND

Specific responses to disrupt, prevent and protect the community from highest risk criminal targets during 2016–17 included:

- 37 criminal entities disrupted
- 685 charges against 204 people
- 30 people convicted
- \$674.50 million worth of drugs seized (estimated street value)
- \$11.66 million worth of assets restrained
- \$5.13 million worth of assets confiscated
- \$8.93 million in cash seized.

JOINT TASK FORCES

As part of the Highest Risk Criminal Targets No. 2 Special Investigation, the ACIC also participates through Project Macroburst in state-based joint responses, through the work of the following multi-agency joint task forces:

- New South Wales Joint Organised Crime Group
- Queensland Joint Organised Crime Taskforce
- Victorian Joint Organised Crime Task Force
- Tasmanian Serious Organised Crime Unit
- Western Australia Joint Organised Crime Task Force.

In December 2016 the Western Australia Joint Organised Crime Task Force and the New South Wales Joint Organised Crime Group executed a search warrant at a Sydney unit. Approximately 20 kilograms of crystal methylamphetamine (ice) and other items were seized, and one person was charged with possessing a commercial quantity of an unlawful imported border controlled drug.

Also in December 2016, acting on intelligence from the Western Australia Joint Organised Crime Task Force, the Australian Federal Police intercepted two vehicles in suburban Sydney. They seized an estimated 128 kilograms of methylamphetamine in six cardboard boxes, as well as several mobile phones. Two Malaysian nationals were arrested, one of whom was living in Australia unlawfully. They have been charged with drug related offences.

In January 2017 the Victorian Joint Organised Crime Task Force, with support from the Queensland Joint Organised Crime Taskforce, executed 15 search warrants across Melbourne and Queensland. Six people were arrested, suspected of being involved with the attempted importation of 186 kilograms of cocaine, seized by Australia Border Force during a search of a commercial vessel off the coast of Tasmania in December 2016. One of those arrested, the alleged syndicate head, is a previous target of Joint Organised Crime Task Force investigations into drug trafficking and importation.

Multi-agency investigations are ongoing into a South-East Asian trafficking syndicate active in Western Australia and New South Wales.

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

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

During 2016–17 the ACIC contributed to national security through this special operation. Due to the nature of this special operation, it is not possible to report many specific details and achievements. However, key stakeholders have acknowledged the benefits and impact of the ACIC’s work in this area.

CONNECT

The ACIC achieved an increased understanding of the involvement of Australian citizens and their experiences in foreign incursion that contributed to new and enhanced relationships with law enforcement and intelligence agency partners, both domestic and international.

DISCOVER AND UNDERSTAND

During 2016–17 through the National Security Impacts from Serious and Organised Crime No. 2 Special Operation, the ACIC:

- conducted 16 coercive examinations to fill intelligence gaps and develop the national picture on current and emerging threats
- produced 102 intelligence products, shared with partners through 315 disseminations
- improved understanding of the picture of crime impacting Australia by providing partners with specific, targeted intelligence that supported or advanced investigations and established other useful avenues of enquiry about foreign fighters and financing of terrorism.

RESPOND

During 2016–17 work under this special operation supported the whole-of-government response to the foreign fighter threat, including the following examples:

- Contributing to prevention of ‘lone actor’ terrorism—under Project Ridgeline-Pinecrest the ACIC worked with partners to identify individuals in the community displaying behavioural characteristics consistent with the profile of a lone actor, contributing to whole-of-government efforts to prevent a domestic terrorist incident.
- Contributing to preventing terrorist financing—under Project Ridgeline-Blackthorn, the ACIC identified vulnerabilities in the Australian charity sector that could be exploited for the purposes of terrorist financing.

NATIONAL EFFORT TO COMBAT FOREIGN FIGHTERS

The ACIC collects and analyses intelligence to support counterterrorism and serious and organised crime investigations and intelligence activities regarding foreign fighters, domestic terrorism threats, terrorism financing and associated serious and organised crime. The ACIC leverages its understanding of serious and organised crime methodologies to explore the nexus between terrorism, terrorism financing and serious and organised crime activities.

This year through Project Ridgeline and its sub-projects, the ACIC:

- increased understanding of the evolving threat posed by foreign fighters
- contributed to domestic monitoring and disruption activities
- used its coercive powers and other specialist capabilities to generate intelligence, including information reports, intelligence briefs and operational analysis reports
- applied its Fusion specialist data analytics tools to proactively identify persons of potential interest to national security partners.

HIGH RISK AND EMERGING DRUGS NO. 2 SPECIAL OPERATION

Through this special operation the ACIC monitors all Australian illicit drug markets to develop a comprehensive understanding of those markets, including both the domestic and international developments that impact on Australia. The ACIC fills intelligence gaps and leverages its unique mix of powers and capabilities to discover and understand more about these ever-changing markets, including new and emerging trends. It also works with partners on operational, policy and legislative responses, and contributes to strategies regarding demand, supply and harm reduction, in line with the National Drug Strategy.

During 2016–17 the ACIC informed responses to Australia’s illicit drug markets through this special operation.

CONNECT

During 2016–17 the ACIC helped and connected partners by building and maintaining strong relationships with domestic and international police and law enforcement partners, sharing intelligence and participating in joint activities to improve understanding and inform responses to high risk and emerging drugs, and establishing and consolidating relationships with entities in the pharmaceutical, health and logistics industries to monitor and prevent the diversion of licit substances into illicit drug markets.

DISCOVER AND UNDERSTAND

During 2016–17 through the High Risk and Emerging Drugs No. 2 Special Operation, the ACIC:

- conducted 42 coercive examinations to fill intelligence gaps, identify insights and enhance understanding of serious and organised crime and high risk and emerging drugs
- produced 58 intelligence products, shared with partners through 280 disseminations, to build a greater understanding of organised crime groups involved in the manufacture, importation and trafficking of a range of illicit drugs and precursor chemicals

- identified 56 previously unknown criminal targets related to drug importation, and associated money laundering activities
- through coercive examinations, explored new drug manufacturing techniques, particularly using non-controlled chemicals, including a unique manufacturing process for a controlled precursor chemical yet to be identified anywhere else in the world, and new techniques to manufacture several illicit drugs, and chemicals and equipment used for illicit purposes.

The ACIC also improved understanding of the picture of crime impacting Australia including:

- methylamphetamine trafficking and manufacture in regional areas of Australia
- cocaine importation methods used by transnational groups
- the nature and extent of organised crime involvement in, and the threat posed by, pharmaceutical opioids such as oxycodone and fentanyl, and related substances, in particular carfentanil, as well as sources of supply and the likely future trajectory of the market
- the level of threat posed to the Australian community by organised crime groups of different ethnic backgrounds operating from or through mainland China
- first results of wastewater drug monitoring that are helping shape national responses to the demand for illicit drugs in Australia and the harms to the community
- signs of renewal in the MDMA market, in Australia and internationally, and evidence of increasing imports of MDMA precursor chemicals and increased detections of domestic clandestine manufacturing sites.

RESPOND

During 2016–17 work under the High Risk and Emerging Drugs No. 2 Special Operation improved the national ability to respond to crime by influencing or contributing to prevention and disruption activities that helped protect the community from the impact of illicit drugs.

Methylamphetamine

The ACIC contributed to the national response to the methylamphetamine market, with ice being a primary focus. In line with a recommendation of the National Ice Taskforce report, the ACIC continued to inform responses through improved data and research. Work with partners continued to: improve understanding and disruption of supply to regional and rural areas; disrupt transnational trafficking of methylamphetamine and precursor chemicals; support implementation of nationally consistent controls over precursor chemicals; and contribute to the National Methylamphetamine Strategy Group, which promotes a coordinated national approach, enhanced by local action and strategic plans.

Wastewater analysis

The National Wastewater Drug Monitoring Program provides an opportunity to prevent or respond swiftly to adverse illicit drug trends. The ACIC released the first report in 2016–17 and began formative work to cooperate with a range of law enforcement, public and private sector partners to apply the wastewater analysis findings to problems in particular locations.

Pharmaceutical opioids

The ACIC began a consultation program to generate discussion on the dangers posed by non-medical use of pharmaceutical opioids in this country. These substances, in particular oxycodone, fentanyl and related substances, have caused significant harms in North America and led to a regeneration of the heroin market in the United States. The aim is to prevent a similar scenario from developing in Australia.

Transnational crime groups

During 2016–17 the ACIC targeted drug and precursor chemical importations and related criminality to increase understanding of the modus operandi of particular extreme and high risk groups that in most cases have a local footprint but are directed from Hong Kong and other offshore locations.

The ACIC collaborated with the Maritime Border Command and the Australian Border Force, the Australian Defence Force, the Australian Federal Police and state and territory agencies to detect imports of ice, cocaine and illicit cigarettes through sea and air cargo. This work improved understanding of collaboration between Malaysian and Chinese nationals to import illicit substances, launder proceeds of crime, engage in immigration fraud and exploit vulnerabilities in the system governing company registrations in Australia, to establish corporate fronts for drug imports and money laundering. Specifically, work through Project Baystone Askella resulted in:

- the seizure of \$480,000 in cash
- the seizure of \$49.38 million worth of illicit drugs (estimated street value)
- the seizure of approximately 10 million cigarettes that were smuggled into Australia without payment of excise
- the detection of 186 kilograms of cocaine and arrest of 10 Chinese nationals, following the interception of a commercial vessel
- multiple smaller seizures of methylamphetamine in Victoria, as well as seizures of tobacco products.

FEATURE: NATIONAL WASTEWATER ANALYSIS

The findings of the first wastewater analysis report were released in March 2017, the first of nine public reports from Australia's National Wastewater Drug Monitoring Program.

The report indicated that, in mid-2016, alcohol and tobacco consumption was the highest of all substances tested in all states and territories. Methylamphetamine consumption was the highest of the remaining substances, at more than three times the size of the cocaine market and five times the size of the MDMA market. Use of the pharmaceutical opioids oxycodone and fentanyl was significant, particularly in regional areas, which provides potential for diversion to illicit markets. Results for four new psychoactive substances indicate this is a niche market that remains small compared with traditional illicit drug markets.

The ACIC partnered the University of Queensland and the University of South Australia to introduce this national program, which focuses on methylamphetamine and 12 other substances, covering 51 geographic locations across metropolitan and regional Australia, representing 58 per cent of the population.

The program is capturing comprehensive and reliable data on drug consumption from wastewater samples. This provides a measure of demand for a range of licit and illicit drugs—one important aspect of national health.

EMERGING ORGANISED CRIME THREATS SPECIAL OPERATION

Serious and organised crime threats affect Australian society, institutions, markets, sectors and the economy. Through this special operation, the ACIC identifies, investigates and disrupts such threats. For example, the ACIC considers threats such as illegal bookmaking, firearms and cybercrime. The ACIC also delivers intelligence on enablers and methodologies used by serious and organised crime, including professional facilitators who provide expertise and support to organised crime groups.

During 2016–17 the ACIC helped make Australia a more hostile place for serious and organised crime through this special operation.

CONNECT

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

DISCOVER AND UNDERSTAND

During the year, through the Emerging Organised Crime Threats Special Operation, the ACIC:

- conducted 16 coercive examinations to fill intelligence gaps and develop the national picture on emerging threats
- produced 355 intelligence products, shared with partners through 1,057 disseminations.

The ACIC built the picture of crime impacting Australia by:

- developing a richer understanding of the national firearms environment, including importation and diversion of firearms by licence holders to serious and organised crime entities (Project Mylonite)
- developing greater consistency in reporting and collection of data related to unregistered firearms, and worked to consolidate intelligence holdings across partner agencies
- improving understanding of exploitation of offshore unregulated bookmakers, including intelligence insights about the vulnerabilities related to Australian sport, revenue and integrity and how serious and organised crime entities use these platforms for gambling, illicit funds transfers and laundering funds offshore (Project Petram)
- improving understanding of cybercrime and informing policy responses, including as a founding member of the Australian Cyber Security Centre (the hub for public and private sector collaboration and information sharing to combat cybersecurity threats), and collaborating with domestic and international partners on joint assessments and informing cybercrime policy

- working with partner agencies to enhance national understanding of the threat and vulnerabilities posed by pure cybercrime threats to Australia,⁴ and develop and add value to understanding of the cybercrime threat—for example, under Project Longstrike:
 - providing Australian Federal Police Cyber Crime Operations with the identities of four possible cybercrime offenders
 - providing the United States’ Homeland Security Investigations Cyber Crimes Center with information on a person of interest based in Melbourne, who was cashing out large amounts of bitcoin into the United States
 - working with the United States Federal Bureau of Investigation and providing travel movement information on a cybercriminal jointly identified, and identifying a Russia-based cybercriminal
 - writing the cybercrime components of the 2016 *Australian Cyber Security Centre Threat Report*
 - disseminating a strategic insights paper on Crysis Ransomware, the first in a suite of value-added products derived from trend analysis of Australian Cybercrime Online Reporting Network (ACORN) data
 - presenting joint papers with the Five Eyes Law Enforcement Group Cyber Crime Working Group, about cash-out (monetising the proceeds of criminal activity) and virtual currencies at the International Cybercrime Operations Summit in October 2016.

RESPOND

During 2016–17 work under the Emerging Organised Crime Threats Special Operation contributed to prevention and disruption activities by partner agencies.

For example the ACIC helped protect the community from the impact of firearms activities by:

- assessing licensed firearms holders, including people who have failed to declare criminal convictions, and interstate transfer of weapons—preventative actions include providing support and systems to stakeholders, through the Australian Firearms Information Network, incorporating trace, ballistics, and firearms records
- informing and contributing to disruption activities related to search warrants executed by Victoria Police and the Australian Border Force in February 2017—this resulted in one person being arrested and charged with offences related to manufacturing, possessing and supplying firearms.

4 ‘Pure cybercrime’ refers to crime such as hacking, malware, spyware or ransomware, as distinct from ‘cyber-enabled crime’.

CRIMINAL EXPLOITATION OF AUSTRALIA'S MIGRATION SYSTEM SPECIAL OPERATION

Visa and migration fraud poses a threat to Australia's national interests, and serious and organised crime groups are increasingly involved in exploiting the system to facilitate criminal activities in Australia. Through this special operation the ACIC develops innovative approaches to prevent, disrupt and mitigate such activities. Due to the nature and sophistication of the onshore and offshore entities involved, the ACIC also fills intelligence gaps including about the prevalence of this type of fraud.

During 2016–17 the ACIC helped make Australia a more hostile place for serious and organised crime through this special operation.

CONNECT

Throughout the year the ACIC developed and maintained a strong collaborative relationship with special operation partner, the Department of Immigration and Border Protection. This included developing and sharing intelligence to understand exploitation of visas and visa holders, and fraudulent visa sponsorship arrangements.

DISCOVER AND UNDERSTAND

During 2016–17 through this special operation, the ACIC:

- conducted 20 coercive examinations to discover and understand the threat posed by serious and organised crime to Australia's visa and migration system
- produced 35 intelligence products, shared with partners through 97 disseminations, that provided specific, targeted intelligence that supported or advanced investigations and established other useful avenues of enquiry
- identified several entities linked with targets on the NCTL, highlighting the complex links between serious and organised crime entities and visa and migration fraud activities.

The ACIC improved understanding of the picture of crime impacting Australia, including:

- improving understanding of visa exploitation and fraud in South Australia's sex industry—identifying intelligence and case studies related to serious and organised crime including OMCGs and Asian-oriented crime linked to the sex industry in South Australia, visa migration fraud, human trafficking, money laundering, tax evasion, illicit drug activity, extortion and blackmail, and exposure of sex workers to harm (Project Jacto)
- identifying manipulation of visas for Taiwanese phone scams through a coercive examination that identified a total of 12 previous, now inactive, boiler rooms in Brisbane—working with officers from the Department of Immigration and Border Protection's Operation Jockteleg, the ACIC looked into the manipulation of travel/working visas to facilitate people coming to Australia to set up and operate boiler rooms. People offshore, primarily Taiwanese and Chinese, were also targeted in what are referred to as 'Taiwanese phone scams' (Project Jacto)

- supporting investigative outcomes with specific intelligence products that supported or advanced investigations into:
 - exploitation of labour hire companies
 - risks associated with student visa programs, including infiltration of the education industry
 - provision of false education qualifications and complicit education providers
 - exploitation of working visas to facilitate international organised crime
 - organised and sophisticated visa and migration fraud, including complicit industries (such as farms and labour hire businesses)
 - pathways for visa and migration fraud and abuse by entities seeking to establish a permanent presence in Australia
 - money laundering and taxation fraud related offences
 - contrived marriages—through Project Jacto the ACIC is informing further avenues of enquiry, with a view to prosecuting persons of interest suspected of being involved in contrived marriages in Western Sydney.

RESPOND

During 2016–17 work under the Criminal Exploitation of Australia’s Migration System Special Operation provided significant scope for the development of prevention activities by partner agencies, to help protect the community from the impact of exploitation of the migration system.

For example the ACIC:

- established vulnerabilities in the education sector
- assessed risk and threat of suspected complicit visa migration agents, to provide scope for further validation of agent credentials
- improved understanding of the use of the electronic travel arrangements and misuse by people seeking visa allocation to further visa and migration fraud activities domestically
- developed an understanding of the risks associated with the labour hire industry, and market manipulation by serious and organised crime entities to participate in criminal activities.

These activities continued to inform partners and enable ongoing targeting, and implementation of capabilities to harden the environment against visa and migration fraud.

STRATEGIC INTELLIGENCE

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

The ACIC builds up the national picture by fusing and analysing intelligence from its investigations and operations and from intelligence feeds from partner agencies.

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

FLAGSHIP PUBLICATIONS

The following ACIC's flagship publications are collectively called the Picture of Criminality in Australia:

- *Organised Crime Threat Assessment*—current and emerging threats (classified)
- *Organised Crime in Australia*—current and emerging threats (public)
- *National Criminal Target Report*—threat and risk posed by known targets (classified)
- *Illicit Drug Data Report*—statistical overview and analysis of illicit drug markets over the past 12 months (public)
- *Organised Crime 2025*—likely future trends (classified).

ORGANISED CRIME THREAT ASSESSMENT

This is a classified risk assessment that examines Australia's key illicit markets and the activities that enable serious and organised crime. The ACIC assesses supply and demand drivers, dynamics, the capability and intent of the known actors, and the harms and consequences resulting from each market, to establish overall levels of risk.

ORGANISED CRIME IN AUSTRALIA

During the year the ACIC prepared the *Organised Crime in Australia 2017* report, which was released soon after the end of the reporting year, on 24 August 2017. This report is an unclassified version of the classified risk assessment, the *Organised Crime Threat Assessment*. It highlights the widespread impact of organised crime on everyday Australians—informing government, industry, the private sector and the community about key crime markets and enablers, and how they pose a threat to the Australian community. Sharing this information is one of the ways the ACIC strengthens Australia's ability to disrupt criminal networks and harden the environment against serious and organised crime.

NATIONAL CRIMINAL TARGET REPORT

This classified report informs both operational law enforcement responses and strategic measures to combat serious and organised crime. The involvement of a wide range of Commonwealth, state and territory agencies ensures the report is informed from a national perspective and provides a holistic understanding of organised crime groups, threat characteristics and criminal activities. This report highlights key opportunities to enhance national law enforcement efforts in identifying, targeting and responding to the highest risk serious and organised crime groups. The Board endorsed the latest *National Criminal Target Report* in June 2017.

ILLICIT DRUG DATA REPORT

This annual statistical report provides an important evidence base to assist decision-makers to develop strategies to address the threat posed by illicit drugs. This public report covers the previous financial year's data and includes arrest, detection, seizure, purity, profiling and price information, compiled from data from state and territory police, the Australian Federal Police, the Department of Immigration and Border Protection, forensic laboratories and research centres. The 2015–16 report also includes an overview of drug-related initiatives provided by the Department of Health. The 14th edition of the *Illicit Drug Data Report* was released in June 2017.

ORGANISED CRIME 2025

The classified *Organised Crime 2025* report examines factors likely to affect the Australian criminal environment over the next decade. The report informs decision-making on proactive response strategies, including structural development and operational priorities. The ACIC produced this report last year, the third in this series of strategic foresight products.

SHARING INTELLIGENCE

During 2016–17 the ACIC shared 38,493 products with 174 agencies. This included 144 strategic analytical products, 2,107 tactical intelligence products, and 36,242 automated alerts.

STRATEGIC ASSESSMENTS

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

In 2016–17 the ACIC produced strategic assessments on:

- identity crime
- financial crime
- current and emerging criminal opportunities associated with offshore online gambling platforms
- professional facilitators of organised financial crime

- the poaching and sale of turtle and dugong meat in Queensland
- the involvement of serious and organised crime groups in Australian public sector corruption
- the prevalence of trade-based money laundering in Australia
- vulnerabilities in Australian corporate directorships.

STRATEGIC AND OPERATIONAL INSIGHTS

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

This year the ACIC produced strategic insights on:

- the OMCG response to anti-gang legislation
- Chinese involvement in the Australian methylamphetamine market
- Crysis ransomware affecting Australia and New Zealand
- risks to Australian business from offsetting foreign investment and transactions
- an offshore financial centre for serious and organised crime
- illicit imports enabled by the exploitation of company registration processes and commercial property lease arrangements
- key strategic intelligence findings related to intelligence and operational support for syndicate targeting strategies
- encryption and serious and organised crime use of mobile phone technology
- money laundering methods and key targets (following the arrest of international money launderer, Altaf Khanani, last year)
- the implications of criminal use of remote piloted aircraft (drones) in Australia
- the misuse of pharmaceutical opioids in regional New South Wales.

NATIONAL CRIMINAL INTELLIGENCE PRIORITIES

The NCIPs set out the known national criminal threats affecting Australia, and guide national collection efforts on enduring and emerging crime issues as well as national reporting. The ACIC Board establishes the NCIPs following advice from the ACIC and the National Criminal Intelligence Capability Committee, which reviews the NCIPs and ensures they represent the current criminal environment in Australia at the Commonwealth, state and territory level. The Board endorsed the NCIPs in March 2017.

NATIONAL INFORMATION AND INTELLIGENCE SHARING SERVICES

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

This includes:

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

ESSENTIAL POLICING INFORMATION SYSTEMS AND SERVICES

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

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

FRONTLINE SERVICES—PEOPLE

These systems and services provide police with access to information they need to do their jobs safely and to help protect the community.

National Police Reference System

This system equips police with the knowledge they need to make on-the-spot decisions when dealing with persons of interest. It is available to police officers, investigators and analysts across Australia, enabling them to share essential national policing information with each other. The system provides names, identity information and photographs, information on warnings, warrants, wanted persons, and firearms.

National Names Index

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

FRONTLINE SERVICES—FIREARMS AND BALLISTICS

National Firearms Identification Database

This national database helps police manage firearms and solve violent gun crime in Australia. The database is a reference tool that enables police to identify and characterise a firearm, using details such as make, model, calibre and capacity. It assists police to ensure firearms are recorded consistently during registration, importation or transfer of ownership and movement across state and territory borders.

National Firearms Licensing and Registration System

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

Australian Ballistic Information Network

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

FRONTLINE SERVICES—VEHICLES

National Vehicles of Interest System

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

FRONTLINE SERVICES—DRUGS

National Clandestine Laboratory Database

This national repository of data and intelligence is available to all Australian law enforcement and forensic agencies to capture and share information about seized clandestine laboratories. In recent years, the ACIC has made this database more user-friendly by upgrading its software. However, the ACIC has not yet fully realised the benefits that could be yielded from this system, due to low levels of use by partner agencies.

CYBERCRIME REPORTING SERVICES

Australian Cybercrime Online Reporting Network

The ACIC hosts and administers the ACORN, which helps police and other law enforcement agencies gather valuable data about cybercrime, enhances the national picture of cybercrime, and contributes to improved responses across Australia.

The ACORN is a joint initiative between the ACIC, the Attorney-General's Department and all Australian police agencies.

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

The ACORN helps to make Australia a harder target for cybercriminals by enhancing national understanding to inform prevention and disruption of future criminal activity. For example, this year ACIC analysis of information reported to the ACORN helped to identify and shut down a fake trader website scam in Queensland.

BIOMETRIC AND FORENSIC SERVICES

Police across Australia use the ACIC's biometric services to help solve crime and keep the community safe.

National Automated Fingerprint Identification System

Australian police use this system to identify individuals by establishing a person's identity from fingerprint and palm impressions or prints. The Department of Immigration and Border Protection also uses the National Automated Fingerprint Identification System to support Australia's migration program.

This system includes 8.18 million print sets from 4.75 million people. It includes prints and corresponding information taken in controlled situations usually by police or immigration authorities, and unknown prints recovered from crime scenes. The system helps solve crimes by matching crime scene prints. It also enables near real-time uploads of finger and palm prints from crime scenes, helping police identify suspects in minutes.

National Criminal Investigation DNA Database

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

National Missing Person and Victim System

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

PROTECTION SERVICES

Police use child protection services to help identify and manage offenders against children, helping to protect children at risk.

National Child Offender System

This system helps police protect the community by enabling them to uphold child protection legislation in their state or territory. This web-based application allows Australian police to record and share child offender information. It directly enables police

in each state and territory to manage key information to meet their requirements under respective child protection legislation. The National Child Offender System includes the Australian National Child Offender Register and the Managed Person System.

Child Exploitation Tracking System

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

Violent and Sexual Crime Database

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

Interim Order Reference Solution

In preparation for the National Domestic Violence Order (DVO) Scheme, the ACIC built an interim solution to improve information sharing about DVOs between police and courts. The interim solution will remain in place until the full national technical capability is developed.

National Order Reference System

The ACIC is developing the National Order Reference System to replace the Interim Order Reference Solution. This system will enable courts and police in all states and territories to enforce all new DVOs regardless of the jurisdiction in which they were issued.

CRIMINAL INTELLIGENCE SYSTEMS AND DATABASES

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

AUSTRALIAN LAW ENFORCEMENT INTELLIGENCE NETWORK

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

AUSTRALIAN CRIMINAL INTELLIGENCE DATABASE

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

NATIONAL CRIMINAL INTELLIGENCE SYSTEM

The ACIC concluded the NCIS Pilot Program on 30 June 2017, after three successful releases to partner agencies to test concepts related to the system's capability. The NCIS Pilot Program attracted more than 11,000 searches across more than 600 million available records.

FEATURE: PILOT PROGRAM PROVES VALUE OF A NATIONAL CRIMINAL INTELLIGENCE SYSTEM

The NCIS Pilot Program involved 20 Commonwealth, state, territory, and international law enforcement, compliance and regulatory agencies. The pilot enabled more informed risk assessments that enhanced officer safety, improved efficiency in discovering information and intelligence, deconfliction and greater collaboration across agencies, improved access to and awareness of existing and new criminal intelligence and information, better understanding of criminality and associations of persons of interest, and new lines of inquiry for investigators. As a result, partner agencies provided increasing levels of data and resources over the life of the pilot program.

Real-world results include the following examples:

- When the nature of a potential terrorist threat changed in Melbourne during the 2016 Christmas period, the Joint Counter Terrorism Team needed to move more quickly than expected on search warrants and arrests. Investigators used NCIS to check details of persons of interest in a much shorter time frame than would have otherwise been possible.
- A cybercrime investigator pursuing the removal of \$711,000 from an Australian business due to a malware compromise used the pilot NCIS to discover records showing a person of interest had been charged with fraud offences before leaving Australia for the United Kingdom. NCIS information also showed a convergence between a victim's report on the ACORN and the arrest of an associate of the person of interest, who had received funds from a malware compromise. Information from the victim's financial institution was provided to United Kingdom authorities as context. The person of interest was charged in the United Kingdom and sentenced to two years, eight months imprisonment.

The ACIC will build on the success of the NCIS pilot by trialling connectivity with partner agencies, as an important step in delivering a full NCIS capability in the future.

AUSTRALIAN PRIORITY ORGANISATION TARGET LIST

This year the ACIC developed the Australian Priority Organisation Target list, focusing on offshore targets impacting Australia. This list informs traditional and innovative disruption methods.

NATIONAL TARGET SYSTEM

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

NATIONAL CRIMINAL TARGET LIST

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

AUTOMATED ALERTING SERVICE

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

NATIONAL GANGS LIST

This is the first nationally accessible database containing gang and membership details for 38 Australian-based 'one percenter' OMCGs (the one per cent of motorcyclists who see themselves as operating outside the law, as opposed to the other 99 per cent who operate within the law). The National Gangs List is linked to the NCTL and shares functionality including automated alerts.

GANGS INTELLIGENCE HUB

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

NATIONAL POLICE CHECKING SERVICE

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

More than 244 accredited bodies used the National Police Checking Service, including government agencies, private sector businesses, not-for-profit organisations and screening units responsible for the assessment of people who apply to work with children or vulnerable people.

There was a 9.9 per cent increase in the total number of nationally coordinated criminal history checks submitted in 2016–17, compared with 2015–16.



SECTION 03

IDENTIFIED CRIMINAL ACTIVITY

46	NATURE, SCOPE, TRENDS AND PATTERNS OF ORGANISED CRIME
46	Key characteristics of serious and organised crime
46	Key enablers of serious and organised crime
49	Serious financial crime
50	Specific crime markets
51	Crimes against the person

NATURE, SCOPE, TRENDS AND PATTERNS OF ORGANISED CRIME

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

KEY CHARACTERISTICS OF SERIOUS AND ORGANISED CRIME

Serious and organised crime in Australia is:

- **transnational in nature**—around 70 per cent of Australia’s serious and organised criminal threats are based offshore or have strong offshore links
- **technology enabled**—geographic boundaries no longer contain criminal networks, with increasing uptake of the internet providing serious and organised crime groups with the ability to target thousands of Australians simultaneously from anywhere in the world
- **increasingly functioning as a business**—employing professionals, outsourcing key activities such as money laundering, diversifying into multiple criminal markets, and developing strong, consistent revenue streams through involvement in comparatively low-risk activities
- **proficient and enduring**—criminal groups are resilient, collaborating for mutual gain and quickly dispersing or shifting focus when disrupted
- **a threat to national security**—there are identified links between terrorism, broader organised crime and volume crime
- **costing an estimated \$36 billion a year**—this includes \$21 billion in direct serious and organised crime costs and \$15 billion in prevention and response costs.⁵

KEY ENABLERS OF SERIOUS AND ORGANISED CRIME

Enablers are integral to the business of serious and organised crime groups. They are illicit activities (which can be crimes themselves) that underpin and contribute to the effectiveness of serious and organised crime, and therefore are significant areas of risk. Enablers have a unique role in facilitating serious and organised crime. Activities such as money laundering and identity crime contribute to the effectiveness of other types of organised crime. While not all of these key enablers are present in every illicit market, two or more enablers may be used concurrently within the same criminal enterprise.

TECHNOLOGY

The majority of serious and organised crime activities are enabled, to some extent, by the use of technology and digital infrastructure. This is considered a key determinant of significant changes in the criminal landscape into the future.

The impact of the availability of technology can already be seen in multiple crime types, with greater instances of technology-enabled fraud in the areas of online banking, trade, superannuation and identity crime. The ability to target individuals remotely from any

⁵ ACC 2015, *The Costs of Serious and Organised Crime in Australia 2013–14*, Canberra.

location in the world is attractive to serious and organised crime groups, who actively use technology to target the financial sector, to trade illicit goods via the darknet, and to commit acts of child sexual exploitation through online grooming and distribution of child exploitation material. The growing availability and use of the internet has also increased access to vulnerable individuals. The ready availability of technology to reduce law enforcement visibility of serious and organised crime groups' activities has had an impact on how law enforcement agencies undertake their work. The rapid uptake of new capabilities such as encrypted communication devices and applications will continue to challenge law enforcement in coming years.

PROFESSIONAL FACILITATORS

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

MONEY LAUNDERING

Money laundering continues to be a significant enabler of criminal activity, and is a significant, potentially lucrative criminal enterprise in itself. Recent joint targeting of professional money laundering organisations by domestic and international partner agencies reveals the significance and international dimension of this threat. Money laundering is an extremely diverse activity carried out at all levels of sophistication.

IDENTITY CRIME

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

PUBLIC SECTOR CORRUPTION

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

VIOLENCE AND INTIMIDATION

Violence and intimidation continues to enable serious and organised criminal activity in Australia. For example, it may be used to extort financial gain or coerce people or businesses into facilitating or undertaking criminal activity, or to control drug networks and settle disputes. The majority of violence involving organised crime occurs between criminal groups, rather than being directed at the general public. Under-reporting creates challenges for determining the exact nature and extent of harm caused through the use of violence and intimidation tactics by serious and organised crime groups.

ILLICIT COMMODITIES

Drug market

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

- **Poly-drug use**—this remains a feature of the market, with some serious and organised crime groups capitalising on the demand for multiple drug types by importing, cultivating, manufacturing and/or trafficking several drug types simultaneously.
- **Methylamphetamine**—the use of this drug is of ongoing concern. The ACIC considers methylamphetamine to be an illicit drug of disproportionate harm in Australia. Wastewater analysis has identified methylamphetamine as the highest-consumed illicit drug of those tested across all regions in Australia, with Australia ranking second for the consumption of methylamphetamine among 17 European countries with comparable reported data.⁶ Serious and organised crime groups are deeply entrenched in the importation, manufacture and distribution of methylamphetamine in Australia, with two-thirds of targets on the NCTL reportedly involved in the sale and distribution of methylamphetamine and/or its precursors.
- **Precursor chemicals**—these chemicals are essential for illicit drug production, and the sale of precursor chemicals is a profitable enterprise in itself. Precursor chemicals can be diverted from a range of sources, including the legitimate chemical industry, the transportation and logistics industry, medical facilities and pharmacies. Serious and organised crime groups have attempted to infiltrate these industries.
- **Cocaine**—a diverse range of transnational organised crime groups import cocaine into Australia. Cocaine use tends to be concentrated in the eastern seaboard states, where there appears to be greater availability. Consumption is typically higher in capital city sites. There were several large detections of cocaine in late 2016 and early 2017, indicating a possible expansion of the market. The seized cocaine was transported on vessels originating from North, South and Central America and China, emphasising the international diversity of the cocaine threat to Australia.
- **MDMA**—wastewater analysis indicates MDMA consumption levels are relatively low across the country, with minimal differences identified between regional and capital city test sites. However, a recent increase in MDMA production in Europe has had flow-on effects across the world, with some large importations detected in Australia.
- **Cannabis**—almost all cannabis consumed in Australia is cultivated domestically and the majority of border detections are cannabis seed. Serious and organised crime groups are well established in the Australian cannabis market, which is robust and profitable.
- **Heroin**—serious and organised crime is entrenched in this market, with a range of groups involved in the importation and distribution of heroin in Australia. There are inconsistent indicators of change occurring in the heroin market at present. The number and weight of border detections of heroin decreased last year, but there were also several short-term spikes in overdoses in some states throughout 2016.

⁶ The National Wastewater Drug Monitoring Program measured the presence of: methylamphetamine, amphetamine, cocaine, MDMA, 3,4-methylenedioxymphetamine (MDA), heroin, JWH-018, JWH-073, mephedrone, methylone, oxycodone, fentanyl, nicotine and alcohol.

- **Illicit pharmaceuticals**—the illicit pharmaceutical opioid market is inextricably linked to the heroin market because of the similarities in the effects of these substances on the user. Pharmaceuticals commonly misused include opioid-based pain relief medications, opioid substitution therapies, benzodiazepines and codeine.
- **New psychoactive substances**—these synthetically created substances have a similar chemical structure to an illicit drug, or mimic its effects. These substances have been available in the Australian market since the mid-2000s and have increased in availability and popularity in recent years. The market is highly reactive, appearing to increase and decrease in response to changes in other drug markets. The darknet is used extensively as a medium for sales of new psychoactive substances, as well as for information sharing and social commentary on these substances.
- **Performance and image enhancing drugs**—this is a rapidly growing market in Australia consisting of users from an increasingly diverse demographic using a wide range of substances. While individuals import these drugs, serious and organised crime groups are involved in the importation and manufacture of performance and image enhancing drugs, and there have been multiple detections of large commercial clandestine laboratories in recent years.

Illicit tobacco

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

Illicit firearms

The use and distribution of illegal firearms poses a serious threat and safety concern to the Australian community. The extent of the illegal firearm market in Australia remains difficult to estimate. The ACIC conservatively estimates there are approximately 260,000 firearms in the domestic illicit market, including 250,000 long-arms and 10,000 handguns.

SERIOUS FINANCIAL CRIME

Financial crimes are diverse in nature and scale, and in the level of harm they cause. The modern globalised economy and advances in technology create new opportunities for organised crime to exploit vulnerabilities for illicit profit. The expansion of serious and organised crime into the financial sector poses a significant risk to the integrity of the Australian economy, financial markets, regulatory frameworks and revenue collection.

The ACIC has identified the following five key elements of financial crime:

- **Cybercrime**—the threat to Australia from cybercrime is transnational in nature, with the majority of cybercrime affecting Australia originating from Russia and Eastern Europe. The primary threat is from temporary networks of people who collaborate but may live in geographically diverse locations. This means that cybercrime activities are inherently difficult to investigate. The principal forms of serious and organised cybercrime affecting Australia involve ransomware, credential-harvesting malware, and distributed denial of service extortion. Computers and devices of private individuals and commercial entities as well as government systems are all at risk from cybercrime.

- **Investment and financial market fraud**—domestic and transnational serious and organised crime groups involved in investment and financial market fraud continue to target Australia. Online platforms and exploitation of markets are playing an increasingly important role in investment and financial market fraud, which includes fraudulent investment schemes, manipulation or exploitation of the legitimate share market, and exploitation of financial market securities to commit fraud or launder proceeds of crime.
- **Revenue and taxation fraud**—this encompasses activities such as failing to report income to avoid tax obligations and using complex offshore security arrangements to evade tax. Professional facilitators are a key enabler of revenue and taxation fraud, and include professionals in the import/export, accounting, legal, money remittance, finance, insurance and ICT industries. There is also evidence of superannuation and estate planning structures and strategies being part of integrated tax evasion design by private wealth groups.
- **Superannuation fraud**—Australia’s large pool of superannuation savings continues to be an attractive target for organised crime groups. The complex nature of superannuation schemes offers a range of opportunities for fraud including the theft of contributions and fund assets, fraudulent fund investments, non-existent schemes, and excessive fees charged by advisers.
- **Card fraud**—in the past year, there was an increase in the card fraud rate from 60.4 cents per \$1,000 spent to 74.2 cents per \$1,000 spent. The Australian Payments Network attributes 77 per cent of all fraud on Australian cards to card-not-present fraud, such as when purchases are made over the phone or online. The introduction of chip and PIN technology has resulted in a decline in card-present fraud. However, in response to these new technologies, organised crime groups have altered their methodologies—for example, by uploading skimmed data to blank cards to obtain cash or to purchase high-value goods in other countries. As Australia moves towards a cashless society, there are increased opportunities for online payment and card fraud.

SPECIFIC CRIME MARKETS

Specific crime markets include:

- **Visa and migration fraud**—this presents a continued threat to the Australian community as well as to national security interests. Serious and organised crime groups exploit the Australian visa and migration system, engaging the services of professional facilitators to enable entry into Australia. Visa and migration fraud is highly profitable and closely linked to both identity crime and cybercrime.
- **Environmental crime**—this is diverse in nature and encompasses several crime markets. Transnational organised crime syndicates and opportunistic individuals exploit these markets, which are characterised by high profit margins and low detection rates. The cost of environmental crime in the global context continues to rise, with far-reaching environmental, financial, security and social implications. Technological developments in encrypted communication and the availability of illegal online marketplaces continue to enable transnational environmental crime.

- **Intellectual property crime**—piracy and counterfeiting are serious international issues and many countries, including Australia, commit significant resources to combating them. The main forms of intellectual property crime in Australia are the importation of counterfeit goods such as clothing and the domestic manufacture of goods that infringe copyright.

CRIMES AGAINST THE PERSON

Crimes against the person include:

- **Online sexual exploitation of children**—this is a global crime market that is evolving rapidly alongside technological advances. Sophisticated criminal groups and individual offenders increasingly exploit anonymous networks and encryption tools to engage in child sex offences. Offenders are often early adopters of new technologies, and the uptake of mobile and data technology by younger people enables unprecedented online access to children.
- **Human trafficking and slavery**—this is a global concern, and the mass movement of refugees and migrants in the last two years has escalated the threat. While under-reporting is endemic within this crime type, increased outreach and awareness programs funded by the Australian Government have likely contributed to a growth in referrals to law enforcement for these offences.



SECTION 04

APPENDICES

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APPENDIX A: REPORTING REQUIREMENTS

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

COMPLIANCE WITH SECTION 61 OF THE ACC ACT ⁷

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

⁷ The ACIC Board has not authorised any operations or investigations under that legislation during the reporting period and the ACIC has not actively conducted functions under that legislation as would enliven similar reporting obligations under the state and territory legislation.

APPENDIX B: RECOMMENDATIONS FOR LEGISLATIVE CHANGE

AMENDMENTS TO THE ACC ACT AND REGULATIONS

As reported in 2016, amendments to the ACC Act made by the *Australian Crime Commission Amendment (National Policing Information) Act 2016* to give effect to the merge of the ACC and the CrimTrac agency commenced on 1 July 2016, as did the *Australian Crime Commission (National Policing Information Charges) Act 2016* (Charges Act). No further amendments were made to the ACC Act or the Charges Act during the reporting period.

The Crimes Legislation Amendment (International Crime Cooperation and Other Measures) Bill 2016, introduced in the House of Representatives on 23 November 2016, was still before the Parliament at the end of the reporting period. Schedule 10 to the bill would make minor amendments to the ACC Act to resolve concerns about use of an alternative name (in practice ‘Australian Criminal Intelligence Commission’) for the merged agency in certain defined expressions.

Following the commencement of the *Australian Crime Commission Amendment (National Policing Information) Regulation 2016* on 1 July 2016, two further amendments to the *Australian Crime Commission Regulations 2002* were made during the reporting period:

- The *Australian Crime Commission Amendment (National Policing Information) Regulation 2016* (No. 1), which commenced on 2 September 2016 (although some provisions were retrospective to 1 July 2016):
 - simplified the original list of bodies that collect national policing information
 - prescribed additional kinds of information that may be national policing information
 - prescribed an expanded list of bodies, other than ACIC Board agencies, that may receive national policing information.
- The *Australian Crime Commission Amendment (Witness Expenses) Regulations 2017*:
 - replaced the High Court Rules 2004 with the *Royal Commissions Regulations 2001* as the relevant scale for payment of expenses to witnesses at ACIC examinations
 - prescribed a corresponding scale of payment of expenses for persons required under section 21A of the ACC Act to produce documents or things to an Examiner or a member of the staff of the ACIC.

PROPOSED MERGE WITH THE AUSTRALIAN INSTITUTE OF CRIMINOLOGY

The Australian Crime Commission Amendment (Criminology Research) Bill 2016 was introduced in the House of Representatives on 14 September 2016 to replace a substantially identical bill that lapsed on the dissolution of the 44th Parliament. The bill would repeal the *Criminology Research Act 1971*, abolishing the Australian Institute of Criminology (AIC) and transferring the AIC’s functions and financial powers and responsibilities (including administration of the Criminology Research Special Account) to the ACIC.

The ACIC and AIC are united under a Machinery of Government change. AIC employees are members of ACIC staff and the ACIC CEO is the Director of the AIC.

APPENDIX C: COURT PROCEEDINGS

PROSECUTIONS

During 2016–17 ACIC-related court results included convictions for offences related to illicit drugs, fraud and deception, prohibited weapons and explosives, and theft. There were no ACC Act offences (an offence as described within the Act, with an accompanying penalty) recorded this year. The ACIC achieved these convictions by working closely with its partners.

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

Where a matter has several results, all convictions are represented by the head sentence and other withdrawn or dismissed results are not listed.

COURT RESULTS

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

OFFENCE	OUTCOME
13 Illicit drug offences	Custodial sentence of 10 years or more
14 Illicit drug offences Theft and related offences (proceeds of crime and money laundering)	Custodial sentence of 10 years or more
15 Illicit drug offences Theft and related offences (proceeds of crime and money laundering)	Custodial sentence of 10 years or more
16 Illicit drug offences Theft and related offences (proceeds of crime and money laundering)	Custodial sentence of 10 years or more
17 Illicit drug offences	Custodial sentence of 10 years or more
18 Illicit drug offences	Custodial sentence of 10 years or more
19 Illicit drug offences	Custodial sentence of 10 years or more
20 Illicit drug offences	Custodial sentence of 10 years or more
21 Illicit drug offences	Custodial sentence of 10 years or more
22 Illicit drug offences	Custodial sentence of 10 years or more
23 Illicit drug offences	Custodial sentence of six years —less than 10 years
24 Illicit drug offences	Custodial sentence of six years —less than 10 years
25 Illicit drug offences Theft and related offences (proceeds of crime and money laundering)	Custodial sentence of six years —less than 10 years
26 Illicit drug offences	Custodial sentence of six years —less than 10 years
27 Illicit drug offences	Custodial sentence of six years —less than 10 years
28 Illicit drug offences	Custodial sentence of six years —less than 10 years
29 Illicit drug offences	Custodial sentence of six year —less than 10 years
30 Illicit drug offences	Custodial sentence of six years —less than 10 years
31 Illicit drug offences Fraud, deception and related offences	Custodial sentence of six years —less than 10 years
32 Illicit drug offences	Custodial sentence of six years —less than 10 years
33 Illicit drug offences Theft and related offences (proceeds of crime and money laundering)	Custodial sentence of six years —less than 10 years
34 Illicit drug offences	Custodial sentence of six years —less than 10 years

OFFENCE	OUTCOME
35 Illicit drug offences	Custodial sentence of six years —less than 10 years
36 Illicit drug offences	Custodial sentence of three years —less than six years
37 Illicit drug offences	Custodial sentence of three years —less than six years
38 Illicit drug offences Theft and related offences (proceeds of crime and money laundering)	Custodial sentence of three years —less than six years
39 Illicit drug offences	Custodial sentence of three years —less than six years
40 Illicit drug offences	Custodial sentence of three years —less than six years
41 Illicit drug offences Theft and related offences (proceeds of crime and money laundering)	Custodial sentence of three years —less than six years
42 Theft and related offences (proceeds of crime and money laundering)	Custodial sentence of three years —less than six years
43 Illicit drug offences	Custodial sentence of less than three years
44 Illicit drug offences Offences against justice procedures, government security and government operations Prohibited and regulated weapons and explosives offences	Custodial sentence of less than three years
45 Illicit drug offences Theft and related offences	Custodial sentence of less than three years
46 Theft and related offences (proceeds of crime and money laundering)	Custodial sentence of less than three years
47 Prohibited and regulated weapons and explosives offences Illicit drug offences	Custodial sentence of less than three years
48 Theft and related offences (proceeds of crime and money laundering)	Custodial sentence of less than three years
49 Theft and related offences (proceeds of crime and money laundering)	Custodial sentence of less than three years
50 Theft and related offences (proceeds of crime and money laundering)	Custodial sentence of less than three years
51 Theft and related offences (proceeds of crime and money laundering)	Custodial sentence of less than three years
52 Theft and related offences (proceeds of crime and money laundering)	Custodial sentence of less than three years

OFFENCE	OUTCOME
53 Theft and related offences (proceeds of crime and money laundering)	Custodial sentence of less than three years
54 Prohibited and regulated weapons and explosives offences	Custodial sentence of less than three years
55 Theft and related offences (proceeds of crime and money laundering)	Custodial sentence of less than three years
56 Sexual assault and related offences	Custodial sentence of less than three years
57 Illicit drug offences Theft and related offences	Custodial sentence of less than three years
58 Fraud, deception and related offences	Custodial sentence of less than three years
59 Theft and related offences (proceeds of crime and money laundering)	Custodial sentence of less than three years
60 Prohibited and regulated weapons and explosives offences Dangerous or negligent acts endangering persons	Custodial sentence of less than three years
61 Illicit drug offences	Non-custodial sentence
62 Theft and related offences (proceeds of crime and money laundering)	Non-custodial sentence
63 Theft and related offences (proceeds of crime and money laundering)	Non-custodial sentence
64 Prohibited and regulated weapons and explosives offences Illicit drug offences Theft and related offences (proceeds of crime and money laundering)	Non-custodial sentence
65 Theft and related offences Illicit drug offences Prohibited and regulated weapons and explosives offences	Non-custodial sentence
65 Illicit drug offences Theft and related offences	Non-custodial sentence
67 Illicit drug offences	Non-custodial sentence
68 Traffic and vehicle regulatory offences Offences against justice procedures, government security and government operations	Non-custodial sentence
69 Prohibited and regulated weapons and explosives offences Theft and related offences (proceeds of crime and money laundering)	Non-custodial sentence

Note: People charged in a financial year may not have appeared before a court by 30 June of that year, and convictions may be for people charged in previous years.

During 2016–17 the following charges were withdrawn, acquitted or dismissed:

- four charges of illicit drug offences
- two charges of offences against justice procedures, government security and government operations
- one charge of prohibited and regulated weapons and explosives offences
- one charge of public order offences
- one charge of theft and related offences.

ALTERNATIVE CRIMINAL JUSTICE OUTCOMES

A total of 21 matters did not record a conviction. Instead, for example, they resulted in a non-custodial sentence without a conviction recorded or a police-issued drug diversion notice. Police drug diversion is a legislated program that allows police to offer an eligible person the opportunity to participate in a drug diversion assessment program, as an alternative to prosecution.

OFFENCES

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

CONFISCATIONS

During 2016–17 the ACIC, in conjunction with its partners, achieved the following outcomes:

- \$107.67 million in proceeds of crime restrained
- \$5.13 million in proceeds of crime forfeited.

No pecuniary orders were recorded as recovered.

APPENDIX D: JUDICIAL DECISIONS

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

In 2016–17 the ACIC was involved in two significant matters. The first was a judicial review application that sought to challenge the breadth of a Board determination and a decision of an Examiner to issue a summons under that determination. The second was an interlocutory appeal where the ACIC sought leave to intervene.

XXVII V COMMONWEALTH OF AUSTRALIA

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

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

COMMONWEALTH DIRECTOR OF PUBLIC PROSECUTIONS V DONALD GALLOWAY (A PSEUDONYM) & ORS

On 5 August 2016 the Commonwealth Director of Public Prosecutions filed an application seeking leave to appeal the decision of the Victorian Supreme Court to permanently stay the prosecutions of Galloway, Strickland, Hodges and Tucker. On 31 August 2016, the ACIC was granted leave to intervene in the proceedings.

Judgement was delivered on 25 May 2017, and published on 30 May 2017. The Court of Appeal overturned the stay and found:

1. The Examiner's decision to permit dissemination of the examination material (the 'publication decision') to the Australian Federal Police was unlawful.
2. It was not open to the judge to make a finding that the Examiner was reckless in his exercise of his powers under s 25A of the ACC Act.
3. The Financial Crimes and Money Laundering Determinations were both valid.
4. The examinations were unlawful because they were not conducted 'for the purposes of an ACC special investigation'.
5. The examinations were also unlawful because they were conducted for an improper purpose, being the purposes of the Australian Federal Police investigation/at the behest of the Australian Federal Police.
6. There was no sufficient forensic disadvantage suffered by any of the respondents to justify a stay of proceedings.

At the time of writing, the matter was the subject of an application for special leave to appeal to the High Court. The ACIC has indicated its intent to file a notice of contention in the event that leave is granted.

APPENDIX E: ACRONYMS

ACC	Australian Crime Commission
ACIC	Australian Criminal Intelligence Commission
ACID	Australian Criminal Intelligence Database
ACORN	Australian Cybercrime Online Reporting Network
AGICC	Australian Gangs Intelligence Coordination Centre
AIC	Australian Institute of Criminology
ALEIN	Australian Law Enforcement Intelligence Network
MDA	3,4-methylenedioxyamphetamine
MDMA	3,4-methylenedioxymethylamphetamine
NCIPs	National Criminal Intelligence Priorities
NCIS	National Criminal Intelligence System
NCTL	National Criminal Target List
OMCG	outlaw motorcycle gang

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