

NATIONAL

Financial crimes watchdog Austrac under fire over delays, alleged bungles in Westpac child sex affair

The financial crimes unit that blasted Westpac for letting suspected child exploiters use banking networks is today itself under fire for failings and delays that could potentially have exposed youngsters to additional harm.

Natalie O'Brien, Senior Reporter, News Corp Australia Network + Subscriber only | February 29, 2020 9:00pm

The financial crimes watchdog, one of the lead agencies in the Department of Home Affairs' push to combat online child sex exploitation, has potentially bungled a case after sitting on evidence of potential crimes for more than a year.

But the watchdog, Austrac, was not only too slow to call in police on that case and a string of others involving Westpac Bank customers, it potentially compromised investigations by releasing identifying details about the alleged offenders without giving police time to act.

Serious questions about the conduct of the \$75 million agency during the Westpac child sex exploitation scandal have been raised by law enforcement experts. The affair has also brought into sharp focus the role of its CEO Nicole Rose.

A police expert with decades of experience tackling child sex crimes said authorities should aim for a 24-hour turnaround time to inform police for active crimes, but any longer than seven days is unacceptable.

"You would have to justify any further delay and contemplate the extended harm that may be happening to the child," said the former senior cop.

Former NSW Police Assistant Commissioner, Clive Small, said generally a report should prompt a fast and serious response.

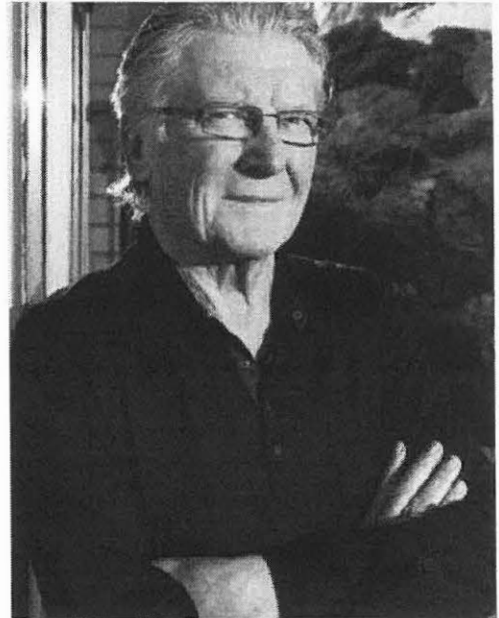
"Because of the nature, character, and violence of the crime – a quick reaction is justified especially when there is evidence that the crimes are continuing," said Mr Small.

Widespread concerns have already been raised that Austrac has no specific protocols for the time taken to prioritise and report suspicious matters to police, and it is struggling under a backlog of thousands of reports needing analysis.

Similar questions were raised last week about Austrac's alleged inaction reporting to police suspected money-laundering activities which had been reported to the watchdog by Crown Casino.



Austrac CEO Nicole Rose. Picture: Gary Ramage



Former NSW Police Assistant Commissioner Clive Small. Pictures: Justin Lloyd



Austrac's offices in Sydney. Picture: Supplied

Austrac did not answer questions about whether it has guidelines around reporting deadlines to police, any backlog of suspicious matter reports, nor how many analysts work on child exploitation reports.

Former head of intelligence at Austrac, Todd Harland said Austrac is a small agency reportedly handling more than a billion reports a year.

"There are only a small number of people analysing those reports," said Mr Harland who now runs AML Solutions International.

Mr Hurley said it is "curious" the way Austrac handled the Westpac breach allegations with law enforcement, and questions should be asked.

Former NSW police officer turned academic Dr Michael Kennedy said there is an obligation to quickly inform the right authorities about an alleged crime being committed and "someone with a law enforcement background would know that".

CRIMEFIGHTERS

AUSTRAC

Is the nation's financial crimes watchdog responsible for protecting Australians from serious crimes such as child exploitation, money laundering and terrorism, fraud, tax evasion and fraud. Its analysts look at financial transactions for any money trails linked to crimes and then refer them to police/authorities for investigation.

Why do we care?

What Austrac does impacts on the lives of all Australians. Their fundamental objective is to protect us - and children - from illegal activity. The public must have trust and confidence in them - protecting citizens should be at the heart of what they do.

CRIMTRAC

CrimTrac was a former Agency in the Attorney-General's Department working with Australia's law enforcement agencies, sharing information between state, territory and federal police. It was merged with the Australian Crime Commission on 1 July 2016 to form the Australian Criminal Intelligence Commission.

At the National Press Club last month when asked about the mechanism for Austrac informing police about potential crimes, Ms Rose said "we will get hundreds of thousands of reports some of that will be triaged by systems others by human beings, who will look at pattern analysis and things that are an issue. Our financial analysts at Austrac will actually review them and actually work up something they think will be useful for law enforcement because we want to provide actionable intelligence, not just pass transactions along, and when we see typologies or methodologies we know are present for certain crime, we would actually refer" to state and federal police.

An eight-month investigation by News Corp into Ms Rose's meteoric rise from an unsworn executive administrative position in the NSW Police Commissioner Andrew Scipione's office in 2015 to running one of the nation's peak law enforcement agencies on almost \$500,000 a year, has revealed a trail of puzzling moves and "unique" appointment processes.



Ms Rose addresses National Press Club last month. She said Austrac wanted "to provide actionable intelligence". Picture: Gary Ramage



Ms Rose previously held an executive administrative position in Andrew Scipione's office.
Picture: Adam Taylor

Freedom of Information documents obtained by News Corp reveal Ms Rose has been parachuted into two CEO positions controlling important law enforcement agencies in deals signed off by former Justice Minister Michael Keenan.

Documents reveal Ms Rose, whose only formal tertiary qualification is a Hotel School Diploma of Hospitality Management, began her sudden career trajectory into Federal agencies in 2015 when appointed as CEO of CrimTrac, where under her tenure, the agency signed off on a \$52 million biometric deal which later had to be abandoned and is now the subject of a current lawsuit with the potential to cost the government tens of millions of dollars.

Ms Rose was catapulted into the public spotlight last year after Austrac launched a shock civil action against Westpac Bank for allegedly failing to comply with Anti-Money Laundering and Anti-Terrorism Financing laws and singling out 12 bank customers suspected of child exploitation in a Federal Court statement of claim.

Ms Rose lashed Westpac for letting those under investigation for suspected child exploitation use banking networks and for not acting sooner to implement processes to manage suspicion transactions, saying in a statement, the legal action was in response to the "indifference of Westpac managers...."

But News Corp can reveal Austrac sent only one, three-page communication to Westpac in three years warning about child sex exploitation.

Austrac refused to release the letter, its date or its recipient.

AUSTRAC Chief Executive Officer

Nicole Rose PSM



Nicole Rose commenced as the Chief Executive Officer (CEO) of AUSTRAC in November 2017.

Prior to this, Nicole was the Deputy Secretary of the Criminal Justice Group in the Commonwealth Attorney-General's Department, responsible for Criminal Justice Policy and Programs, International Law Enforcement Co-operation, International Legal Assistance, Papua New Guinea Law and Justice, and AusCheck.

She joined the Commonwealth Attorney-General's Department coming from the newly

Details of Nicole Rose's career are listed in an

behaviour of Austrac, saying it needs better systems and stronger alerts to the top management of organisations, so bad practices are addressed much earlier – instead of waiting to amass large numbers of offences and massive amounts of money.

News Corp can also reveal Westpac self-reported the suspicious transaction to Austrac starting in July 2018 through to June 2019, but Austrac did not inform the AFP of the specific details of the twelve customers until November 14, six days before launching a media blitz and filing the court action against Westpac.

Austrac has responsibility for “triaging” suspicion matter reports (SMR) and referring to police for investigation.

An AFP spokesman said Austrac only said they were “considering” taking action against Westpac on November 14 and asked for help with data-matching and cross-referencing of the twelve suspects and other entities.

Then Austrac released information about the twelve under investigation including their dates of travel, international destinations, and transaction amounts enabling them to potentially identify themselves and giving them an opportunity to flee or destroy evidence.

An Austrac spokeswoman said it “would not be appropriate for Austrac to comment on your detailed questions in relation to the Westpac matter as it is currently before the Federal Court.”

Out of 23 million breaches alleged by Austrac, the watchdog has only referred twelve cases to police. Only one has been charged with a child exploitation related offence.

Two people have been cleared after subsequent police found their transactions were legitimate.

The rest remain under investigation.



Westpac was widely criticised over the child exploitation affair. File picture