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# Quarterly Financial Report for the quarter ended December 31, 2021 (unaudited)

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## 1. Introduction

This quarterly report has been prepared by management as required by section 65.1 of the Financial Administration Act, and in the form and manner prescribed by the Treasury Board in the Directive on Accounting Standards, GC 4400 Departmental Quarterly Financial Reports. This Quarterly Financial Report should be read in conjunction with the 2021–22 Main Estimates for the Financial Transactions and Reports Analysis Center of Canada (FINTRAC).

This quarterly financial report has not been subject to an external audit or review.

### 1.1. Authority, Mandate and Program Activities

FINTRAC (the Centre) is Canada's financial intelligence unit and anti-money laundering and anti-terrorist financing regulator. The Centre assists in the detection, prevention and deterrence of money laundering and the

financing of terrorist activities. FINTRAC's financial intelligence and compliance functions are a unique contribution to the safety of Canadians and the integrity of Canada's financial system.

FINTRAC acts at arm's length and is independent from the police services, law enforcement agencies and other entities to which it is authorized to disclose financial intelligence. It reports to the Minister of Finance, who is in turn accountable to Parliament for the activities of the Centre. FINTRAC is headquartered in Ottawa, with regional offices located in Montréal, Toronto, and Vancouver.

FINTRAC was established by, and operates within the ambit of, the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA) and its Regulations. The Centre is one of several domestic partners in Canada's Anti-Money Laundering and Anti-Terrorist Financing Regime, which is led by the Department of Finance.

FINTRAC fulfills its mandate by engaging in the following activities:

- Receiving financial transaction reports and voluntary information in accordance with the legislation and regulations;
- Safeguarding personal information under its control;
- Ensuring compliance of reporting entities with the legislation and regulations;
- Maintaining a registry of money services businesses in Canada;
- Producing financial intelligence relevant to investigations of money laundering, terrorist activity financing and threats to the security of Canada;
- Researching and analyzing data from a variety of information sources that shed light on trends and patterns in money laundering and terrorist activity financing; and

- Enhancing public awareness and understanding of money laundering and terrorist activity financing.

In addition, FINTRAC is part of the Egmont Group, an international network of financial intelligence units that collaborate and exchange information to combat money laundering and terrorist activity financing. FINTRAC also contributes to other multilateral fora such as the Financial Action Task Force (FATF), the Asia-Pacific Group on Money Laundering (APG) and the Caribbean Financial Action Task Force (CFATF), participating in international policy making and the provision of technical assistance to other FIUs.

The description of the program activities for the Centre can be found in Part II of the [2021-22 Main Estimates](#) and in the [2021-22 Departmental Plan](#).

## **1.2. Basis of Presentation**

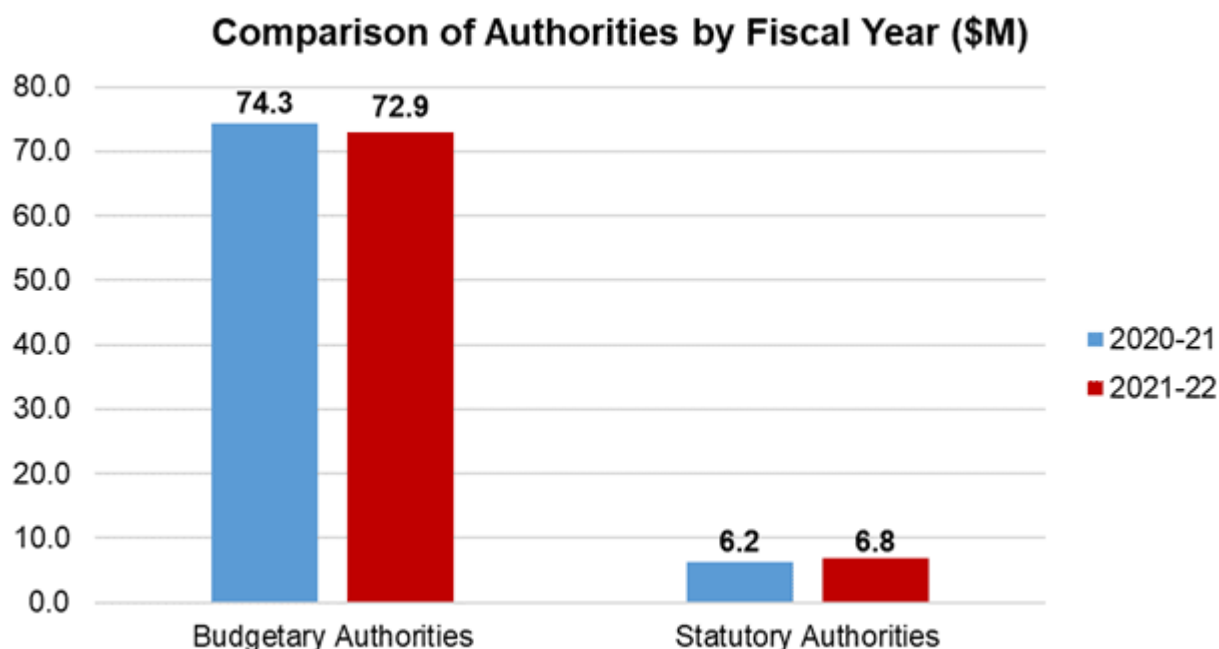
This Quarterly Financial Report has been prepared by management using an expenditure basis of accounting, and a special purpose financial reporting framework designed to meet financial information needs with respect to the use of spending authorities. The accompanying Statement of Authorities includes the Centre's spending authorities granted by Parliament and those used by the Department, consistent with the Main Estimates and Supplementary Estimates for both fiscal years as well as transfers from Treasury Board central votes that are approved by the end of the quarter.

The authority of Parliament is required before monies can be spent by the Government. Approvals are given in the form of annually approved limits through appropriation acts or through legislation in the form of statutory spending authority for specific purposes.

FINTRAC uses the accrual method of accounting to prepare and present its annual departmental financial statements that are part of the departmental performance reporting process. However, the spending authorities voted by Parliament remain on an expenditure basis.

## 2. Highlights of Fiscal Quarter and Fiscal Year-to-Date (YTD) Results

This departmental quarterly financial report reflects the results of the current fiscal period. The following graph provides a comparison of budgetary and statutory authorities available for the first nine months of 2021–22 compared to 2020–21.



### 2.1. Authorities Analysis

The following table provides a comparison of cumulative authorities by vote for the current and previous fiscal years.

#### Comparison of Cumulative Authorities Available for Use as at

## December 31

<b>Authorities Available (in thousands)</b>	<b>2021- 22</b>	<b>2020- 21</b>	<b>Variance (\$)</b>	<b>Variance (%)</b>
<b>Budgetary</b>				
<b>Voted</b>				
<b>Vote 1 – Program Authorities</b>	72,912	74,287	-1,375	-2%
<b>Statutory</b>				
<b>Employee Benefits Plan</b>	6,840	6,226	614	10%
<b>Total Budgetary authorities</b>	79,752	80,513	-761	-1%
<b>Non-budgetary</b>	0	0	0	0%
<b>Total authorities <sup>1</sup></b>	<b>\$79,752</b>	<b>\$80,513</b>	<b>-\$761</b>	<b>-1%</b>

### 2.1.1. Voted Budgetary Authorities

The total Vote 1 – Program Authorities available as at December 31, 2021 are \$72.9 million compared to \$74.3 million for the same period in 2020–21. The decrease of approximately \$1.4 million or -2% is attributable to the following factors:

- An increase of \$0.8 million in personnel funding for an approved annual cost of living increase, and other compensation funding adjustments for a Treasury Board Vote 30 payroll reimbursement and collective bargaining;
- An increase of \$0.4 million based on the profile of funding announced in Budget 2019 to strengthen Canada's anti-money laundering and

anti-terrorist financing regime, inclusive of subsequent approved reprofile requests;

- An increase of \$0.3 million attributable to variances in transfers to other government departments for services provided to FINTRAC;
- An increase of \$0.3 million in funding following approved reprofile requests to support operational pressures;
- An increase of \$0.2 million in the operating budget carry forward for this fiscal year, compared to last fiscal year; offset by
- A decrease of \$3.3 million based on the profile of funding announced in the Economic and Fiscal Snapshot 2020 for fighting financial crime, relocating FINTRAC's headquarters and modernizing the cross-border currency reporting framework, inclusive of subsequent approved reprofile requests; and
- A decrease of \$0.1 million based on the profile of funding allocated to FINTRAC in an off-cycle funding announcement to contribute to the national strategy to combat human trafficking, inclusive of subsequent approved reprofile requests.

### **2.1.2. Statutory Budgetary Authorities**

The total statutory authorities available as at December 31, 2021 are \$6.8 million compared to \$6.2 million for the same period in 2020–21. The increase of \$0.6 million or 10% is attributable to the following factors:

- An increase of \$0.7 million in employee benefits plan (EBP) funding based on the profile of funding announced in Budget 2019 and the Economic and Fiscal Snapshot 2020, inclusive of subsequent approved reprofile requests;
- An increase of \$0.4 million in EBP funding related to an increase in personnel funding for an approved annual cost of living increase;

- A minor increase in EBP funding due to the variance in transfers to other government departments for services provided to FINTRAC; offset by
- A decrease of \$0.6 million due to adjustments to EBP funding.

## 2.2. Expenditure Analysis

The following table provides a comparison of year-to-date spending as at December 31 by vote for the current and previous fiscal years.

### Comparison of Cumulative Expenditures as at December 31

<b>Year-to-date expenditures (in thousand \$)</b>	<b>2021- 22</b>	<b>2020- 21</b>	<b>Variance (\$)</b>	<b>Variance (%)</b>
<b>Budgetary</b>				
<b>Voted:</b>				
<b>Vote 1 – Program Expenditures</b>	46,930	36,292	10,638	23%
<b>Statutory</b>				
<b>Employee Benefits Plan</b>	5,130	4,215	915	18%
<b>Total Budgetary expenditures</b>	<b>52,060</b>	<b>40,507</b>	<b>11,553</b>	<b>22%</b>
<b>Non-budgetary</b>	0	0	0	0%
<b>Total year-to-date expenditures <sup>2</sup></b>	<b>\$52,060</b>	<b>\$40,507</b>	<b>\$11,553</b>	<b>22%</b>

#### 2.2.1. Voted Budgetary Expenditures

Total voted expenditures at December 31 were \$46.9 million in 2021–22 compared to \$36.3 million in 2020–21, an increase of \$10.6 million or 23%. The net increase is the result of the following variances in expenditure categories:

- Personnel expenditures increased by \$5.5 million following an increase in hiring of employees and students, and the implementation of an approved annual cost of living increase.
- Expenditures for professional and special services increased by \$2.8 million primarily due to expenses related to information technology consulting and professional services.
- Rental costs increased by \$1.3 million following an increase in software license and maintenance fees for client and application software.
- Transportation and communication increased by \$0.8 million due to an increase in data communication service expenses.
- The remaining variance is a small increase in expenditures for information and the acquisition of machinery and equipment; offset by a small decrease in expenditures for purchases, repair and maintenance and utilities materials and supplies.

### **2.2.2. Statutory Budgetary Expenditures**

Statutory expenditures in the first three quarters increased by \$0.9 million or 18% from \$4.2 million during 2020–21 to \$5.1 million in 2021–22. This variance is due to an increase in Employee Benefits Program (EBP) expenses as a result of increased personnel expenditures.



# 3. Risks and Uncertainties

As Canada's financial intelligence unit and a partner in Canada's Anti-Money Laundering and Anti-Terrorist Financing Regime, FINTRAC operates in a dynamic, constantly changing environment. In seeking to identify risks and opportunities proactively, FINTRAC must anticipate and assess internal and external risk factors that can affect the design and delivery of its programs and the achievement of its strategic objectives. Additionally, FINTRAC must identify factors and risks that could adversely affect its ability to manage its resources effectively. FINTRAC maintains a Corporate Risk Profile (CRP) to identify and manage its key corporate risks. Senior level committees review the CRP regularly and the business planning process identifies activities to mitigate the risks. In 2020–21, FINTRAC updated its CRP to provide a more robust risk context, which will help the Centre in identifying, analyzing and assessing key uncertainties (risks) that may limit FINTRAC's achievement of its objectives now or in the future. The objective of the CRP is to create information that FINTRAC managers and decision makers can use when planning and setting priorities. In addition, there remains some uncertainty due to the need to manage within the ongoing public health pandemic, which has had an impact on the timing of planned initiatives and related expenditures. Due to this anomaly, year over year expenditure trends may not be as informative as in previous annual cycles.

## 3.1. Risk Factors and Mitigation

One area of risk identified in FINTRAC's current CRP is limited capacity. As a small organization, FINTRAC faces challenges and limitations regarding its human resources capacity and its flexibility to cash manage funds.

Employee engagement at all levels, along with appropriate talent and tools, is required to ensure effective resource management. As well, effective

management of resources through periods of transformation is critical to ensure effective alignment of resources and to seize investment opportunities as they materialize.

Another area of risk highlighted in FINTRAC's CRP relates to the Centre's risk that legacy IM/IT hardware and software capacity will limit FINTRAC's ability to achieve its objectives. FINTRAC depends on a sophisticated information technology infrastructure to receive, store and secure approximately 30 million new financial transaction reports every year. At the same time, this infrastructure allows intelligence analysts to filter the information, analyze it, and generate actionable financial intelligence for Canada's police, law enforcement and national security agencies. This is only possible with modern systems and processes that can manage the high volume of information, make the connections and produce the needed results, all in real-time or close to it. FINTRAC continues to ensure that its business systems and processes support its ability to deliver on its mandate and to adapt to future innovations and enhancements in business requirements.

Finally, FINTRAC's IT infrastructure is a Shared Services Canada (SSC) asset. This infrastructure is aging, which could potentially have an impact on FINTRAC operations and security requirements. With competing priorities from various partner departments, and a strategic focus toward end-state services, SSC has limited funding available for legacy infrastructure. This places an additional pressure on the Centre (which has provided supplemental funding for essential initiatives) to effectively plan, allocate its resources and deliver on its programs. To mitigate, FINTRAC staff are working with SSC to update operating systems and to replace custom software with suitable Commercial Off-the-Shelf (COTS) solutions, which are secure, reliable and regularly updated by suppliers. In addition, the Centre has advanced Digital Strategy activities that includes speeding up core

business through digital automation, and advanced analytics. Lastly, FINTRAC is examining enhanced solutions including information sharing across database systems and implementing advanced data analytics to increase the capability of current systems to meet anticipated increased demands.

## **4. Significant Changes in Relation to Operations, Personnel and Programs**

### **4.1. Key Personnel Changes**

There were two key personnel changes at the executive level during the third quarter:

- Jessica Kaluski took on the role of Chief Financial Officer and Assistant Director of the Corporate Operations and Programs sector, effective December 13, 2021.
- Annette Ryan became the Deputy Director of the Partnership, Policy and Analysis sector, effective December 13, 2021.

### **4.2. Changes in Funding**

Budget 2019 directed resources (up to \$20.5 million over 5 years) to FINTRAC to strengthen Canada's anti-money laundering and anti-terrorist financing regime. The funding supports the following five initiatives: the implementation of legislation and regulations package 2; trade based money laundering (TBML) analysis; disclosing to Revenue Quebec and the Competition Bureau; strengthening FINTRAC compliance outreach and examinations; and expanding FINTRAC public-private partnership projects. FINTRAC's 2021–22 funding for these initiatives is \$4.7 million (excluding \$0.6 million in EBP). This reflects approved reprofile requests.

FINTRAC received funding in an off-cycle funding announcement to contribute to the national strategy to combat human trafficking (\$2.2 million over 5 years). 2021–22 funding for this initiative is \$0.5 million (excluding \$0.1 million in EBP). This reflects approved reprofile requests.

The Economic and Fiscal Snapshot of July 8, 2020 announced funding for FINTRAC (up to \$130.5 million over 5 years) for fighting financial crime, relocating FINTRAC's headquarters and modernizing the cross-border currency reporting framework. FINTRAC's 2021–22 funding for these initiatives is \$14.3 million (excluding \$1.3 million in EBP). This reflects approved reprofile requests.

## **5. Approval by Senior Officials**

Approved by:

Jessica Kaluski, Chief Financial Officer (CFO)

Date: February 16, 2022

Sarah Paquet, Director and Chief Executive Officer (CEO)

Date: February 17, 2022

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**STATEMENT OF AUTHORITIES (unaudited)**  
**For the quarter ended December 31, 2021**  
**(in thousands of dollars)**

	Fiscal Year 2021–22			Fiscal Year 2020–21	
	Total available for use for the year ending March 31, 2022 <u>3</u>	Used during the quarter ended December 31, 2021	Year-to-date used at quarter-end	Total available for use for the year ending March 31, 2021 <u>4</u>	Used during the quarter ended December 31, 2020
<b>Budgetary authorities</b>					
<b>Vote 1 – Program expenditures</b>	72,912	17,256	46,930	74,287	12,372
<b>Budgetary statutory authorities</b>					
<b>Contributions to employee benefit plans</b>	6,840	1,710	5,130	6,226	1,405
<b>Total budgetary authorities</b>	79,752	18,966	52,060	80,513	13,777
<b>Non-budgetary authorities</b>	0	0	0	0	0
<b>Total authorities <sup>5</sup></b>	<b>\$79,752</b>	<b>\$18,966</b>	<b>\$52,060</b>	<b>\$80,513</b>	<b>\$13,777</b>

**DEPARTMENTAL BUDGETARY EXPENDITURES BY STANDARD OBJECT**  
**For the quarter ended December 31, 2021**  
**(in thousands of dollars)**

Expenditures	Fiscal Year 2021-22			Fiscal Year 202
	Planned expenditures for the year ending March 31, 2022 <sup>6</sup>	Expended during the quarter ended December 31, 2021	Year-to-date used at quarter-end	Planned expenditures for the year ending March 31, 2021 <sup>7</sup>
<b>Personnel</b>	54,183	13,930	39,277	50,496
<b>Transportation &amp; communications</b>	1,993	326	840	1,790
<b>Information</b>	454	104	400	452
<b>Professional &amp; special services</b>	10,293	2,147	5,064	16,011
<b>Rentals</b>	6,758	1,907	5,143	6,972
<b>Repair &amp; maintenance</b>	917	107	331	600
<b>Utilities, materials &amp; supplies</b>	404	61	193	437
<b>Acquisition of land, buildings &amp; works</b>	0	0	0	0

<b>Acquisition of machinery &amp; equipment</b>	4,711	389	814	3,711
<b>Transfer payments</b>	0	0	0	0
<b>Other subsidiaries &amp; payments</b>	41	-6	0	44
<b>Total budgetary expenditures <sup>8</sup></b>	<b>79,752</b>	<b>\$18,966</b>	<b>\$52,060</b>	<b>80,513</b>



## Footnotes

- 1 Totals may not add due to rounding.
- 2 Totals may not add due to rounding.
- 3 Includes only authorities available for use at and granted by Parliament at quarter-end.
- 4 Includes only authorities available for use at and granted by Parliament at quarter-end.
- 5 Totals may not add due to rounding.

6 Includes only authorities available for use at and granted by Parliament at quarter-end.

7 Includes only authorities available for use at and granted by Parliament at quarter-end.

8 Totals may not add due to rounding.

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**Date Modified:**

2022-02-28