



Financial Transactions and Reports Analysis Centre of Canada (FINTRAC)

Quarterly financial report for the quarter ended June 30, 2024 (unaudited)

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 2024–25 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 supervision 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's headquarters are 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 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 (FIU) 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 2024–25 Main Estimates and in the 2024–25 Departmental Plan.

1.2. Basis of presentation

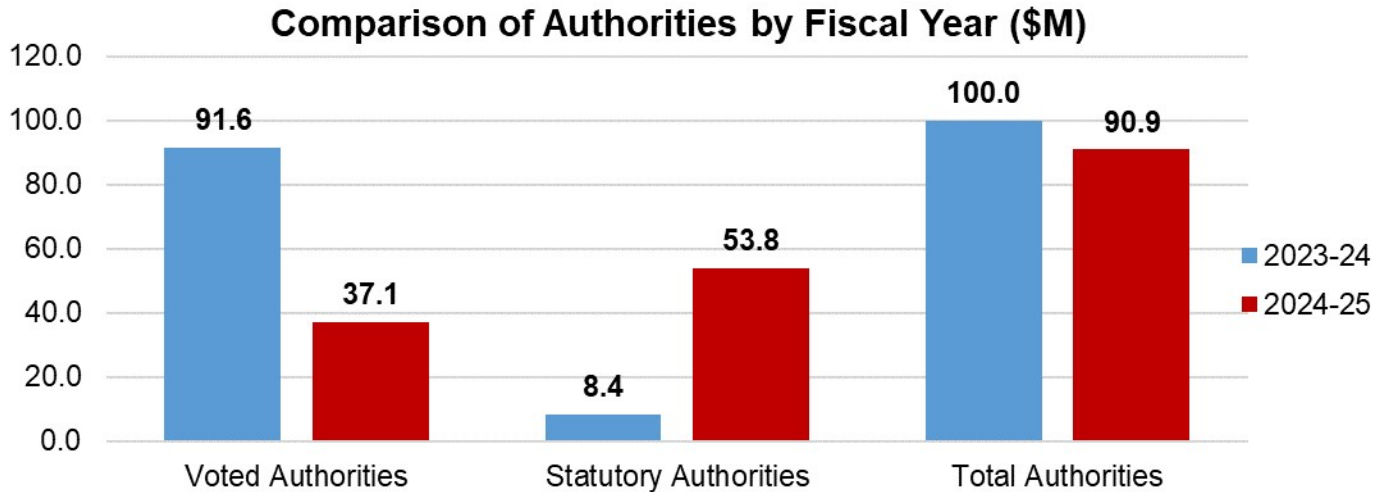
This Quarterly Financial Report has been prepared by management, using an expenditure basis of accounting, and a special purpose financial reporting framework designed to meet financial information needs with respect to the use of spending authorities. The accompanying Statement of Authorities includes 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 on 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 voted and statutory authorities available for the first three months of 2024–25 compared to 2023–24.



2.1. Authorities analysis

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

Authorities available (\$ thousands)	2024–25	2023–24	Variance (\$)	Variance (%)
Voted				
Vote 1 - Program expenditures	37,088	91,561	-54,473	-59%
Statutory				
Payments under Section 50.1 of the Proceeds of Crime (Money Laundering) and Terrorist Financing Act	49,362	0	49,362	N/A
Employee benefits plan	4,476	8,399	-3,923	-47%
Total authorities	90,926	99,960	-9,034	-9%

Note: totals may not add up due to rounding

The total voted and statutory authorities available as at June 30, 2024 are \$90.9M compared to \$100.0M for the same period in 2023–24. This is a decrease of approximately \$9.0M (or 9%). This is due primarily to decreases in the funding profiles announced in Budgets 2020, 2021 and 2022, as well as the refocusing of government spending announced in Budget 2023, slightly offset by funding received for economic increases.

Effective April 1, 2024, FINTRAC implemented a new assessment of expenses funding model following amendments to the Proceeds of Crime (Money Laundering) and Terrorist Financing Act whereby prescribed Reporting Entities (RE) regulated under the Proceeds of Crime (Money Laundering) and Terrorist Financing Act pay an annual assessment to cover the costs of the Supervision function of the Centre. This resulted in a shift from voted authorities to statutory authorities.

2.1.1. Voted budgetary authorities

The total voted budgetary authorities available as at June 30, 2024 are \$37.1M compared to \$91.6M for the same period in 2023–24. The decrease of \$54.5M (or 59%) is primarily due to a portion of FINTRAC's authorities being reclassified from voted to statutory authorities as described above.

2.1.2. Statutory budgetary authorities

Authorities available (\$ thousands)	2024–25	2023–24	Variance (\$)	Variance (%)
Payments under Section 50.1 of the Proceeds of Crime (Money Laundering) and Terrorist Financing Act	49,362	0	49,362	N/A
Employee benefits plan	4,476	8,399	-3,923	-47%
Total statutory authorities	53,838	8,399	45,439	541%

Note: totals may not add up due to rounding

The total statutory budgetary authorities available as at June 30, 2024 are \$53.8M compared to \$8.4M for the same period in 2023–24. The increase of \$45.4M (or 541%) is mainly due to a portion of FINTRAC's authorities being reclassified from voted to statutory authorities as described above.

2.2. Expenditure analysis

The following table provides a comparison of year-to-date spending as at June 30, 2024 for the current and previous fiscal years.

Year to date expenditures (\$ thousands)	2024–25	2023–24	Variance (\$)	Variance (%)
Voted				
Vote 1 - Program expenditures	10,774	17,686	-6,912	-39%
Statutory				
Payments under Section 50.1 of the Proceeds of Crime (Money Laundering) and Terrorist Financing Act	8,019	0	8,019	N/A
Employee benefits plan	1,119	2,100	-981	-47%
Year to date expenditures	19,912	19,786	126	1%

Note: totals may not add up due to rounding.

Total budgetary voted and statutory expenditures at June 30, 2024 were \$19.9M in 2024–25 compared to \$19.8M for the same period in 2023–24, an increase of \$0.1M (or 0.5%). The net increase is the result of the following variances in expenditure categories:

- Personnel expenditures decreased by \$0.4M. This is primarily due to an increase in salaries of \$0.6M, commensurate with additional FTEs, offset by a decrease in EBP of \$1.0M. This decrease in EBP is a result of timing differences related to invoicing of these expenditures following the implementation of a new assessment of expenses funding model and will be adjusted accordingly in the remaining invoices for this fiscal year.
- Professional and special services expenditures increased by \$0.4M. This is primarily due to an increase in Information Technology Consulting Services to respond to the cyber incident of March 2024.
- Acquisition of machinery expenditures increased by \$0.2M, primarily due to the purchase of communications and network equipment.
- Repair and maintenance expenditures increased by \$0.1M following an increase in computer repair and maintenance costs, paid to Shared Services Canada.
- Transportation and communication expenditures decreased by \$0.1M due to a decrease in expenses related to Public Servant travel within Canada and internationally.
- Information expenditures decreased by \$0.1M, mainly due to a decrease in subscriptions/publications.

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. The development of the CRP is a self-assessment process to identify, validate and measure risks where action or intervention can improve results or prevent harm. Senior level committees review the CRP regularly and the business planning process identifies activities to mitigate the risks. The objective of the CRP is to create information that FINTRAC managers and decision-makers can use when planning and setting priorities. The Centre has initiated a comprehensive review and update of the CRP to reflect recent organizational changes, encompassing the current operational scope, budget, legislative and regulatory frameworks, staff, and assets.

3.1. Risk factors and mitigation

FINTRAC remains vigilant in anticipating and preparing for risks, situations, and events that impact its operational environment. In 2023–24, the Centre launched a significant new modernization vision to ensure the Centre is well positioned to address the emerging threats in Canada's Anti-Money Laundering and Anti-Terrorist Financing (AML/ATF) landscape, with a focus on developing skills, refining processes, and integrating advanced technologies to enable real-time operations.

In March 2024, FINTRAC detected a cyber incident. Following extensive forensic work, it was determined that there was no evidence that any information had been removed from FINTRAC's systems or that any information was lost. In order to mitigate the risk of bad actors, find new and meaningful ways to collaborate with our partners and continue to deliver value and results for Canadians in an ever-changing world, the Centre is committed to integrating technologies such as automation, blockchain analytics, big data, artificial intelligence, and machine learning.

The Government of Canada's stance towards fiscal prudence, as outlined in Budget 2024, will result in increased scrutiny and oversight on government spending and key initiatives to ensure efficient operations for Canadians. FINTRAC is actively monitoring the situation and developing mitigation strategies to reduce potential impact to operations.

Given the implementation of FINTRAC's assessment of expenses funding model, prescribed Reporting Entities (RE) regulated under the Proceeds of Crime (Money Laundering) and Terrorist Financing Act pay an annual assessment to cover the costs of the Supervision function of the Centre. There is an inherent risk associated with collections, similar to any accounts receivable process. FINTRAC will routinely review and evaluate the effectiveness and efficiency throughout its maturity; however, based on information shared by other government departments with comparable cost recovery models, the risk is considered low.

4. Significant changes in relation to operations, personnel and programs

4.1. Significant changes in relation to operations

Effective April 1, 2024, FINTRAC implemented a new assessment of expenses funding model following amendments to the Proceeds of Crime (Money Laundering) and Terrorist Financing Act whereby prescribed Reporting Entities (RE) regulated under the Proceeds of Crime (Money Laundering) and Terrorist Financing Act pay an annual assessment to cover the costs of the Supervision function of the Centre.

FINTRAC will routinely review and evaluate the effectiveness and efficiency of the assessment of expenses funding model throughout its maturity, including the method for charging reporting entities, as required.

4.2. Key personnel changes

The first quarter of 2024–25 saw the departure of the Deputy Director of Intelligence, effective May 31, 2024.

5. Approval by senior officials

Approved by:

X

Jessica Kaluski
Chief Financial Officer (CFO)

X

Annette Ryan
Acting Director and Chief Executive Officer

FINANCIAL TRANSACTIONS AND REPORTS ANALYSIS CENTRE OF CANADA

Quarterly Financial Report
For the quarter ended June 30, 2024

STATEMENT OF AUTHORITIES (unaudited)

For the quarter ended June 30, 2024
(in thousands of dollars)

	Fiscal year 2024–25			Fiscal year 2023–24		
Budgetary authorities	Total available for use for the year ending March 31, 2025*	Used during the quarter ended June 30, 2024	Year to date used at quarter end	Total available for use for the year ending March 31, 2024*	Used during the quarter ended June 30, 2023	Year to date used at quarter end
Voted						
Vote 1 - Program expenditures	37,088	10,774	10,774	91,561	17,686	17,686
Statutory						
Payments under Section 50.1 of the Proceeds of Crime (Money Laundering) and Terrorist Financing Act	49,362	8,019	8,019	0	0	0
Employee benefits plan	4,476	1,119	1,119	8,399	2,100	2,100
Total authorities	90,926	19,912	19,912	99,960	19,786	19,786

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

Note: Totals may not add up due to rounding.

DEPARTMENTAL BUDGETARY EXPENDITURES BY STANDARD OBJECT (unaudited), for the quarter ended June 30, 2024
(in thousands of dollars)

	Fiscal year 2024–25			Fiscal year 2023–24		
	Planned expenditures for the year ending March 31, 2025	Expended during the quarter ended June 30, 2024	Year to date used at quarter end	Planned expenditures for the year ending March 31, 2024	Expended during the quarter ended June 30, 2023	Year to date used at quarter end
Expenditures						
Personnel	72,134	15,984	15,984	62,900	16,351	16,351
Transportation and communications	995	125	125	1,145	228	228
Information	856	178	178	857	317	317
Professional and special services	6,191	1,483	1,483	9,179	1,118	1,118
Rentals	7,116	771	771	11,532	785	785
Repair and maintenance	595	593	593	563	497	497
Utilities, materials and supplies	186	35	35	201	34	34
Acquisition of land, buildings and works	0	0	0	0	0	0
Acquisition of machinery and equipment	2,849	682	682	13,578	453	453
Transfer payments	0	0	0	0	0	0
Public debt charges	0	12	12	0	0	0
Other	3	48	48	3	2	2
Total budgetary expenditures	90,926	19,912	19,912	99,960	19,786	19,786

Note: totals may not add up due to rounding

Note: Since this report is dated end of the first quarter, the amounts “expended during the quarter” are the same as the amounts in the “year to date used” column.