

Natural Sciences and Engineering Research Council of Canada
Quarterly Financial Report
for the quarter ended December 31, 2019

Statement outlining results, risks and significant changes in operations, personnel and programs

1. Introduction

This Quarterly Financial Report (QFR) has been prepared by management as required by section 65.1 of the [Financial Administration Act](#) (FAA), and in the form and manner prescribed by the Treasury Board. It should be read in conjunction with the 2019–20 [Main Estimates](#). This report has not been subject to an external audit or review.

1.1 Authority, mandate and programs

The Natural Sciences and Engineering Research Council of Canada (NSERC) was established in 1978 by the *Natural Sciences and Engineering Research Council Act* and is a departmental corporation named in Schedule II of the FAA. NSERC's purpose is to help make Canada a country of discoverers and innovators for the benefit of all Canadians, by supporting post-secondary students and postdoctoral fellows in their advanced studies, promoting discovery by funding the research programs of academic researchers, and stimulating partnerships between academia and industry.

Further information on the NSERC mandate and program activities can be found in [Part II of the Main Estimates](#).

1.2 Basis of presentation

Management prepared this quarterly report using an expenditure basis of accounting. The accompanying Statement of Authorities includes NSERC's spending authorities granted by Parliament and those used by the agency, consistent with the Main Estimates for fiscal year 2019–20. This quarterly report has been prepared using a special-purpose financial reporting framework designed to meet financial information needs with respect to the use of spending authorities.

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

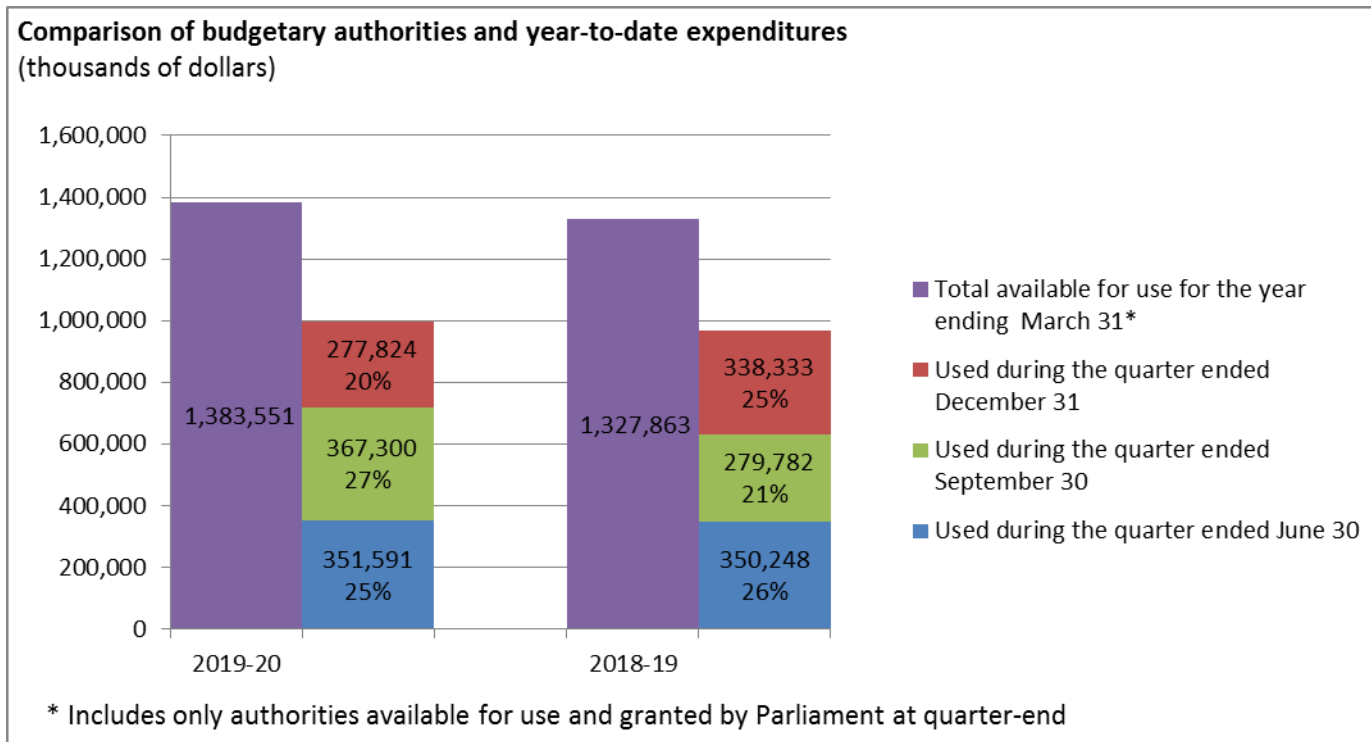
NSERC uses the full accrual method of accounting to prepare and present its annual financial statements that are part of the departmental results reporting process. However, the spending authorities voted by Parliament remain on an expenditure basis.

2. Highlights of fiscal quarter and fiscal year-to-date results

This section highlights the significant items that contributed to the change in resources available for the fiscal year, as well as the actual year-to-date and quarterly expenditures compared with the previous fiscal year.

The following graph provides a comparison of budgetary authorities available for the full fiscal year and budgetary expenditures by quarter for fiscal year 2019–20 and fiscal year 2018–19.

Natural Sciences and Engineering Research Council of Canada Quarterly Financial Report for the quarter ended December 31, 2019



2.1 Significant changes to budgetary authorities

As of December 31, 2019, NSERC's total available authorities for fiscal year 2019–20 amounted to \$1,383.6 million. This represents an overall increase of \$55.7 million (4.2%) from the comparative period of the previous year. Of the \$55.7 million, \$50.0 million relates to increases in NSERC's grant and scholarship programs (Vote 5), \$5.0 million relates to increases in operating expenditures (Vote 1) and \$0.7 million relates to increases in budgetary statutory authorities (Employee Benefit Plan). The major changes in NSERC's budgetary authorities between the current and previous fiscal years include:

- an increase of \$14.5 million from Budget 2018 for fundamental research;
- an increase of \$8.3 million from Budget 2018 for the Colleges and Community Innovation program suite;
- an increase of \$7.8 million to fund the 2018 Centres of Excellence for Commercialization and Research competition;
- an increase of \$7.5 million from Budget 2018 for the Canada Research Chairs program;
- an increase of \$7.2 million from Budget 2018 for the Canada Excellence Research Chairs program;
- an increase of \$6.1 million from Budget 2019 for additional Canada Graduate Student awards and for coverage of the expanded duration of paid parental leave; and
- an increase of \$3.0 million for the Canada 150 competition.

**Natural Sciences and Engineering Research Council of Canada
Quarterly Financial Report
for the quarter ended December 31, 2019**

2.2 Significant changes to authorities used

Year-to-date spending

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

Year-to-date budgetary expenditures used at quarter-end

(millions of dollars)

	2019-20	2018-19	Variance
Vote 1 - Operating expenditures			
Personnel	35.7	32.2	3.5
Non-personnel	8.6	6.0	2.6
Vote 5 - Grants and scholarships	952.4	930.1	22.3
Total budgetary expenditures	996.7	968.3	28.4

Total budgetary expenditures amounted to \$996.7 million at the end of the third quarter of fiscal year 2019–20, compared to \$968.3 million reported in the same period in the previous fiscal year.

Grants and scholarships:

At the end of the third quarter of 2019–20, the grant and scholarship expenses increased by \$22.3 million, compared to what was reported in the same period of the previous fiscal year. The differences are attributable to the following:

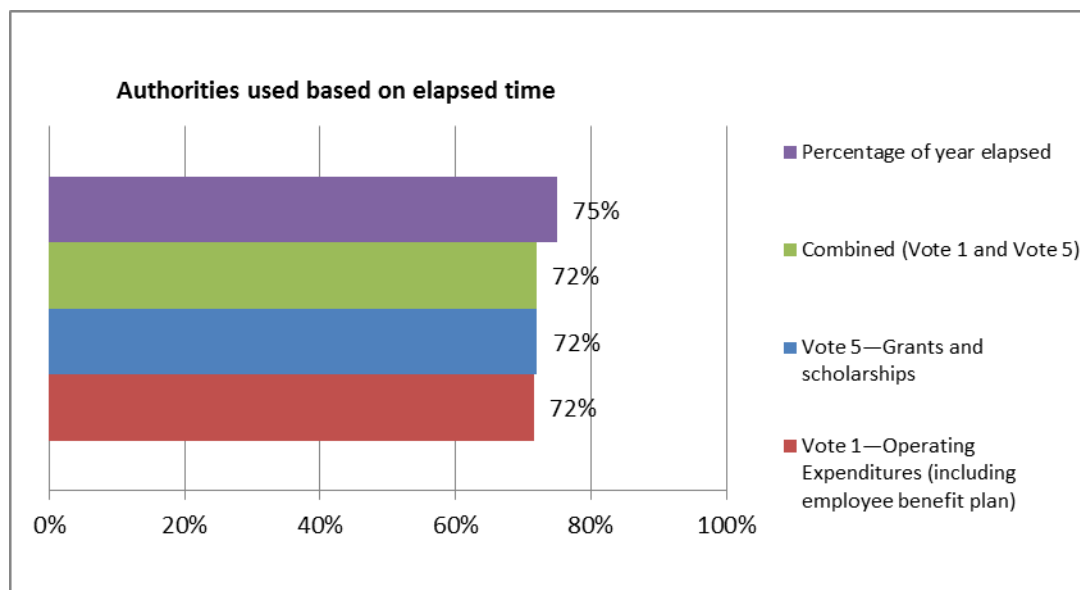
- an increase of \$31.9 million for the Discovery suite of programs, due to the increased authorities from Budget 2018;
- a net increase of \$12.7 million, due to timing differences in payments;
- an increase of \$9.8 million for the Canada Research Chairs program, due to the increased authorities from Budget 2018;
- an increase of \$6.4 million for the Centres of Excellence for Commercialization and Research program, due to the new funds for the 2018 competition; and
- a cumulative decrease of \$38.5 million due to the sunsetting of most Research Partnership programs, which will be partially offset by spending on the new Alliance program in Q4.

Operating expenditures:

Personnel expenditures have increased by \$3.5 million compared to the same period in fiscal year 2018–19. This increase is mainly due to additional full-time employees (FTEs) hired related to Budget 2018 implementation and the Tri-Agency Grants Management Solution project.

Non-personnel expenditures have increased by \$2.6 million, mainly due to increased spending on professional services related to the Tri-Agency Grants Management Solution project and the acquisition of office equipment and computers for new employees.

**Natural Sciences and Engineering Research Council of Canada
Quarterly Financial Report
for the quarter ended December 31, 2019**



The total authorities used during the third quarter (\$277.9 million) of fiscal year 2019–20 represent 20% of total available authorities (\$1,383.6 million).

Quarterly spending

The total authorities used during the third quarter of 2019–20 amounted to \$277.9 million (20% of the total available authorities, 20% of the total authorities for grant and scholarship programs, and 24% of the total authorities for operating expenditures and employee benefits).

Budgetary expenditures used during the third quarter

(millions of dollars)

Vote 1 - Operating Expenditures

	2019-20	2018-19	Variance
Personnel	11.6	11.1	0.5
Non-personnel	3.1	2.4	0.7

Vote 5 - Grants and Scholarships

	263.2	324.9	(61.7)
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Total budgetary expenditures	277.9	338.4	(60.5)
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Grants and scholarships:

Transfer payments represent 95.5% of NSERC's available authorities. Variances in transfer payments stem from the nature of program cycles. During the third quarter of 2019–20, NSERC's transfer payment expenditures decreased by \$61.7 million compared to the same quarter of the previous fiscal year, resulting from the following:

- a net decrease of \$77.5 million due to timing differences in payments; and
- an increase of \$15.8 million for the Discovery suite of programs, due to the increased authorities from Budget 2018.

Natural Sciences and Engineering Research Council of Canada

Quarterly Financial Report

for the quarter ended December 31, 2019

Operating expenditures:

Personnel expenditures for the third quarter of fiscal year 2019–20 have increased by \$0.5 million, mainly due to additional FTEs.

Non-personnel expenditures have increased by \$0.7 million, mainly due to increased spending in professional services related to the Tri-Agency Grants Management Solution project.

3. Risks and uncertainties

Through an annual exercise, NSERC identifies corporate-level risks and develops response measures to minimize their likelihood and/or impact. Senior management closely monitors the top two risks (below) to ensure they are continuously mitigated and that the residual risk level is acceptable.

Operational risk 1—Interagency coordination: There is a risk that interagency alignment and coordination activities are insufficient to ensure appropriate governance of priority areas, harmonize program portfolios and address business process dependencies.

The federal government has directed NSERC to improve interagency coordination. Certain stakeholders (e.g., universities and some researchers) have also expressed a desire for increased coordination. Corporate projects need to be rolled out in a short timeframe, and this must be supported by an appropriate governance structure and clear decision-making process that views resources collectively. There are varying decision-making processes, mindsets and strategic directions. There is a lack of clarity around interagency governance structure and related processes. The fact that there are now two vice-president committees has created potential for confusion on scope/roles, as well as coordination challenges. Multiple interagency committees and working groups also create coordination challenges. NSERC is working on the implementation of the Tri-agency Governance plan, including measures to better coordinate across agencies.

Operational risk 2—Project management: There is a risk that key projects will not deliver intended benefits on time and within budget.

NSERC lacks an enterprise-wide project management approach and a corporate planning process that consider the resource requirements, dependencies and timelines of all projects together. NSERC lacks the capacity to coordinate multiple complex projects (e.g., Gateway, SAP, upcoming office move, etc.) NSERC will increase its project management maturity, establish a coordinating Portfolio Management/Change Management Office for projects that affect both agencies, and continually improve internal and interagency governance and decision-making structures. NSERC is undertaking a more rigorous approach to corporate planning that is linked to full costing, resource management and priority setting.

4. Significant changes related to operations, personnel and programs

The transition to NSERC's new president, Dr. Alejandro Adem, continues. A new 2021–25 Strategic Plan is being developed.

**Natural Sciences and Engineering Research Council of Canada
Quarterly Financial Report
for the quarter ended December 31, 2019**

NSERC continues to roll out the Alliance program and to implement an ambitious set of changes to the Discovery Grant and Scholarships programs, from Budgets 2018 and 2019.

Following the fall federal election, a new Cabinet was sworn in on November 20, 2019. The Honourable Navdeep Bains was reappointed Minister for Innovation, Science and Industry. Science no longer has a separate minister but it is integrated within Minister Bain's broader mandate.

Approved by:

**Dr. Alejandro Adem
President**

**Patricia Sauvé-McCuan
Vice-President and
Chief Financial Officer, NSERC**

**Ottawa, Canada
February 28, 2020**

**Natural Sciences and Engineering Research Council of Canada
Quarterly Financial Report
for the quarter ended December 31, 2019**

5. Statement of authorities (unaudited)

<i>(in thousands of dollars)</i>	Fiscal year 2019-20			Fiscal year 2018-19		
	Total available for use for the year ending March 31, 2020*	Used during the quarter ended December 31, 2019	Year-to-date used at quarter-end	Total available for use for the year ending March 31, 2019*	Used during the quarter ended December 31, 2018	Year-to-date used at quarter-end
Vote 1 — Operating expenditures	55,851	13,162	39,791	50,860	12,114	34,285
Vote 5 — Grants and scholarships	1,321,516	263,167	952,438	1,271,553	324,901	930,125
Budgetary statutory authorities						
Contributions to the employee benefit plan	6,005	1,495	4,486	5,271	1,318	3,953
Spending of revenues pursuant to subsection 4 (2) of the <i>Natural Sciences and Engineering Research Council Act</i>	179	-	-	179	-	-
Total budgetary authorities	1,383,551	277,824	996,715	1,327,863	338,333	968,363

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

**Natural Sciences and Engineering Research Council of Canada
Quarterly Financial Report
for the quarter ended December 31, 2019**

6. Departmental budgetary expenditures by standard object (unaudited)

<i>(in thousands of dollars)</i>	Fiscal year 2019-20			Fiscal year 2018-19		
	Planned expenditures for the year ending March 31, 2020	Expended during the quarter ended December 31, 2019	Year-to-date used at quarter-end	Planned expenditures for the year ending March 31, 2019	Expended during the quarter ended December 31, 2018	Year-to-date used at quarter-end
Expenditures						
Personnel	46,133	11,578	35,690	41,559	11,056	32,195
Transportation and communications	4,795	714	1,680	4,555	613	1,650
Information	2,121	157	449	2,219	211	561
Professional and special services	5,875	1,827	4,432	5,435	946	2,386
Rentals	1,384	331	1,021	1,358	275	781
Repair and maintenance	239	19	95	123	21	60
Utilities, materials and supplies	192	(9)	77	205	52	170
Acquisition of machinery and equipment	1,296	39	833	856	258	435
Acquisition of land, buildings and works	-	1	1	-	-	-
Other subsidies and payments	-	-	(1)	-	-	-
Transfer payments	1,321,516	263,167	952,438	1,271,553	324,901	930,125
Total budgetary expenditures	1,383,551	277,824	996,715	1,327,863	338,333	968,363