

Natural Sciences and Engineering Research Council of Canada
Quarterly Financial Report
for the quarter ended September 30, 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 postsecondary 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.

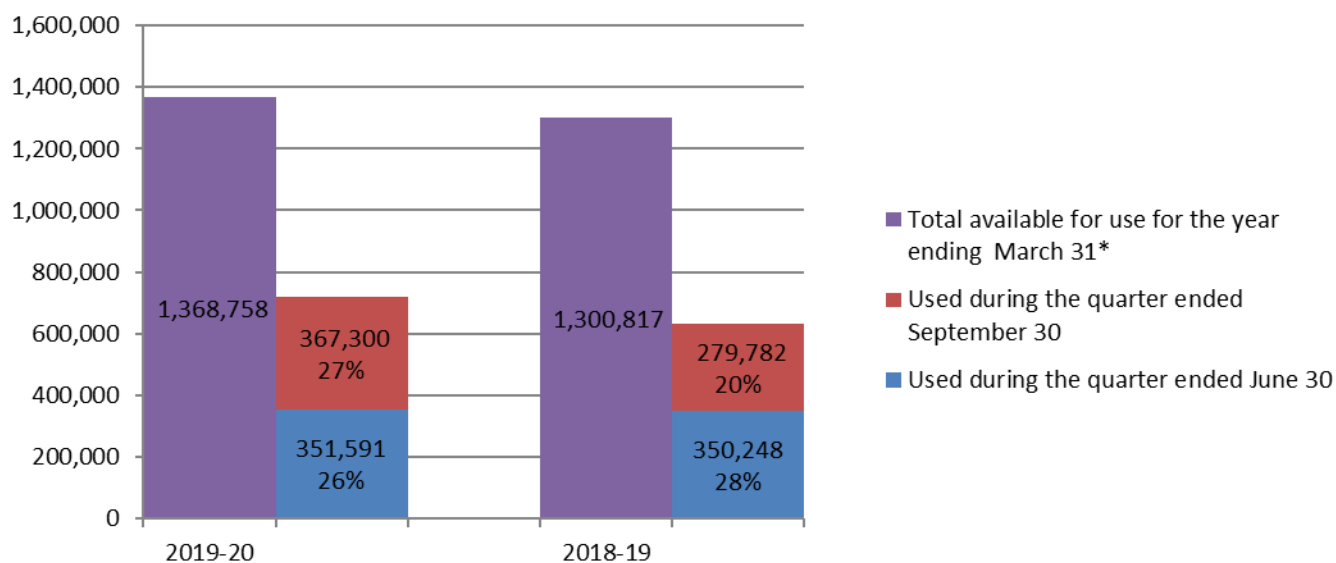
2. Highlights of fiscal quarter and fiscal year-to-date results

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 September 30, 2019

Comparison of budgetary authorities and year-to-date expenditures
(thousands of dollars)



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

2.1 Significant changes to budgetary authorities

As of September 30, 2019, NSERC's total available authorities for fiscal year 2019–20 amounted to \$1,368.8 million. This represents an overall increase of \$67.9 million (5.2%) from the comparative period of the previous year. Of the \$67.9 million, \$60.4 million relates to increases in NSERC's grant and scholarship programs (Vote 5), \$6.8 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 \$23.6 million from Budget 2018 for the Colleges and Community Innovation program suite;
- an increase of \$15.0 million from Budget 2018 for fundamental research;
- an increase of \$13.0 million from Budget 2018 for the Canada 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;
- an increase of \$4.0 million to fund the 2018 Centres of Excellence for Commercialization and Research competition;
- an increase of \$3.0 million from Budget 2018 for pilot programs intended to increase equity, diversity and inclusion in Canadian post-secondary research; and
- an increase of \$3.0 million for the DND Discovery supplements.

Natural Sciences and Engineering Research Council of Canada
Quarterly Financial Report
for the quarter ended September 30, 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	24.1	21.1	3.0
Non-personnel	5.5	3.7	1.8
Vote 5 - Grants and scholarships	689.3	605.2	84.1
Total budgetary expenditures	718.9	630.0	88.9

Total budgetary expenditures amounted to \$718.9 million at the end of the second quarter of fiscal year 2019–20, compared to \$630.0 million reported in the same period in the previous fiscal year.

Grants and scholarships:

At the end of the second quarter of 2019–20, the grant and scholarship expenses increased by \$84.1 million, compared to what was reported in the same period of the previous fiscal year. The differences are attributable to the following:

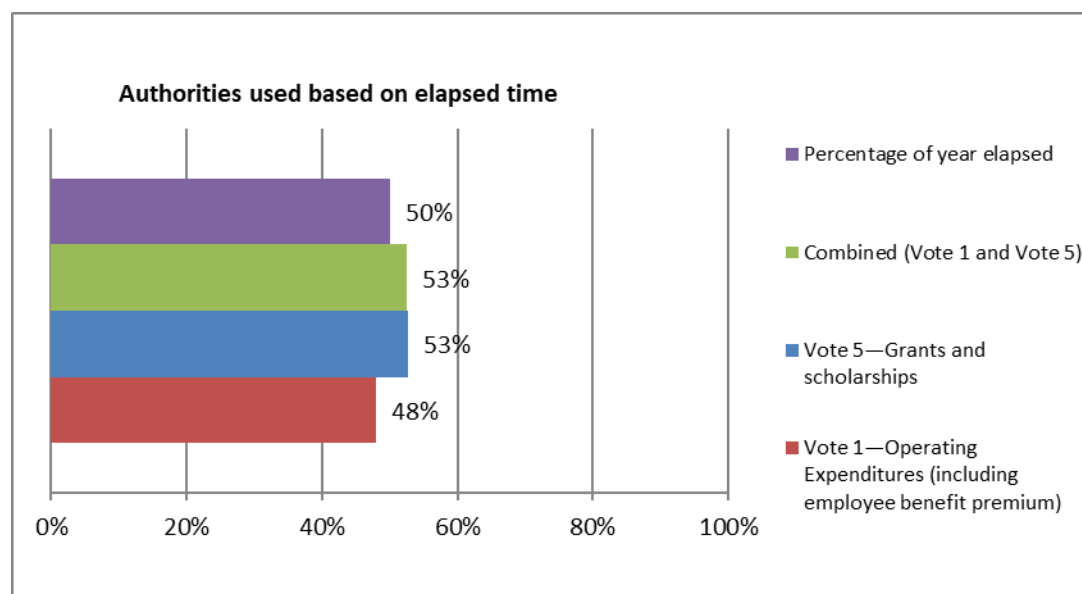
- a net increase of \$56.7 million, due to timing differences on payments;
- an increase of \$21.3 million for the Discovery suite of programs, due to the increased authorities from Budget 2018;
- an increase of \$5.6 million for the Centres of Excellence for Commercialization and Research program, due to the 2018 competition;
- an increase of \$3.2 million for the Canada Research Chairs program, due to the increased authorities from Budget 2018; and
- a decrease of \$2.8 million for the Canada Excellence Research Chairs program, due to the ending of the first award cycle.

Operating expenditures:

The personnel expenditures have increased by \$3.0 million compared to the same period in 2018–19. This increase is mainly due to additional full-time employees (FTEs) hired related to Budget 2018 and the Common Grants Management Solution project.

The non-personnel expenditures have increased by \$1.8 million due to increased spending in professional services and the acquisition of office equipment, computers and mobile phones related to the increased number of employees.

**Natural Sciences and Engineering Research Council of Canada
Quarterly Financial Report
for the quarter ended September 30, 2019**



The total authorities used during the second quarter (\$367.3 million) of fiscal year 2019–20 represent 27% of total available authorities (\$1,368.8 million).

Quarterly spending

The total authorities used during the second quarter of 2019–20 amounted to \$367.3 million (27% of the total available authorities; 27% of the total authorities for grant and scholarship programs; and 25% of the total authorities for operating expenditures and employee benefits).

Budgetary expenditures used during the second quarter

(millions of dollars)

	2019-20	2018-19	Variance
Vote 1 - Operating Expenditures			
Personnel	11.8	10.5	1.3
Non-personnel	3.4	2.2	1.2
Vote 5 - Grants and Scholarships	352.1	267.0	85.1
Total budgetary expenditures	367.3	279.7	87.6

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 second quarter of 2019–20, NSERC's transfer payment expenditures increased by \$85.1 million compared to the same quarter of the previous fiscal year, which is a result of the following:

- a net increase of \$71.5 million due to timing differences on payments;
- an increase of \$8.2 million for the Discovery suite of programs, due to the increased authorities from Budget 2018; and
- an increase of \$5.4 million for the Centres of Excellence for Commercialization and Research program, due to the 2018 competition.

Natural Sciences and Engineering Research Council of Canada
Quarterly Financial Report
for the quarter ended September 30, 2019

Operating expenditures:

The personnel expenditures for the second quarter of fiscal year 2019–20 have increased by \$1.3 million, due to additional FTEs hired related to Budget 2018 and the Common Grants Management Solution project.

The non-personnel expenditures have increased by \$1.2 million, mainly due to the increased spending in professional services and the acquisition of office equipment, computers and mobile phones related to the increased number of employees.

3. Risks and uncertainties

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

Strategic risk 1—resource management: There is a risk that resources (i.e., human, technological, financial) will be insufficient or inappropriately allocated to support program design and delivery.

With increased pressures to deliver, NSERC has experienced challenges related to the capacity to hire/onboard skilled human resources. Where appropriately skilled human resources were not available, it was necessary to rely on contractors at much higher costs. Furthermore, pressures to deliver new funding opportunities on short timeframes required a relatively large number of contractors. The risk response strategy identified during initial planning for 2018–19 is still relevant, and key aspects of the identified action items were completed.

Strategic risk 2—change management: There is a risk that NSERC’s change management processes will not allow the agency to effectively plan for, implement and sustain transformations to the organization, employees and research community.

As per the People Strategy Action Plan, concrete activities have been put in place in an effort to respond to challenges identified through the 2017 Public Service Employee Survey. Change management resources have been contracted (or are in the process of being contracted) to support major corporate initiatives such as workplace renewal. The Common Administrative Services Directorate (CASD) is also exploring options to develop a portfolio management / change management office that would coordinate change management for projects across CASD. Based on early lessons, organizational needs and senior management buy-in, this office may expand to provide change management services across all of NSERC.

4. Significant changes related to operations, personnel and programs

NSERC is pleased to welcome Dr. Alejandro Adem as its new president, effective October 1, 2019.

In June 2019, following the announcement in Budget 2019, NSERC, in collaboration with the Canadian Institutes of Health Research and the Social Sciences and Humanities Research Council, announced the doubling of the duration of paid parental leave for graduate students and postdoctoral fellows supported by the agencies. The maximum duration will be 12 months instead of six for those on active paid parental leave on April 1, 2019, or later, including those who began their leave before this date. The change

Natural Sciences and Engineering Research Council of Canada
Quarterly Financial Report
for the quarter ended September 30, 2019

applies to holders of a graduate scholarship or postdoctoral fellowship from the granting agencies, as well as to students and fellows who are paid from a supervisor's agency grant.

Approved by:

Original signed by:

Dr. Alejandro Adem
President

Original signed by:

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

Ottawa, Canada
November 29, 2019

Natural Sciences and Engineering Research Council of Canada
Quarterly Financial Report
for the quarter ended September 30, 2019

5. Statement of authorities (unaudited)

	Fiscal year 2019-20			Fiscal year 2018-19		
	Total available for use for the year ending March 31, 2020*	Used during the quarter ended September 30, 2019	Year-to-date used at quarter-end	Total available for use for the year ending March 31, 2019*	Used during the quarter ended September 30, 2018	Year-to-date used at quarter-end
<i>(in thousands of dollars)</i>						
Vote 1 — Operating expenditures	55,847	13,695	26,629	49,071	11,418	22,170
Vote 5 — Grants and scholarships	1,306,727	352,110	689,271	1,246,296	267,046	605,224
Budgetary statutory authorities						
Contributions to the employee benefit plan	6,005	1,495	2,991	5,362	1,318	2,636
Spending of revenues pursuant to subsection 4 (2) of the <i>Natural Sciences and Engineering Research Council Act</i>	179	-	-	88	-	-
Total budgetary authorities	1,368,758	367,300	718,891	1,300,817	279,782	630,030

* 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 September 30, 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 September 30, 2019	Year-to-date used at quarter-end	Planned expenditures for the year ending March 31, 2019	Expended during the quarter ended September 30, 2018	Year-to-date used at quarter-end
<u>Expenditures</u>						
Personnel	46,129	11,785	24,112	40,041	10,546	21,140
Transportation and communications	4,795	607	965	4,471	575	1,036
Information	2,121	165	293	2,178	214	351
Professional and special services	5,875	1,605	2,605	5,335	1,018	1,440
Rentals	1,384	243	690	1,333	178	507
Repair and maintenance	239	49	76	121	35	38
Utilities, materials and supplies	192	(14)	86	201	34	118
Acquisition of machinery and equipment	1,296	750	794	841	136	176
Other subsidies and payments	-	-	(1)	-	-	-
Transfer payments	1,306,727	352,110	689,271	1,246,296	267,046	605,224
Total budgetary expenditures	1,368,758	367,300	718,891	1,300,817	279,782	630,030