

**Natural Sciences and Engineering Research Council of Canada**  
**Quarterly Financial Report**  
**For the Quarter Ended September 30, 2021**

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**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 2021–22 [Main Estimates](#) and [Supplementary Estimates \(A\)](#). 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, 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 and Supplementary Estimates (A) for the fiscal year 2021–22. 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 money. 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.

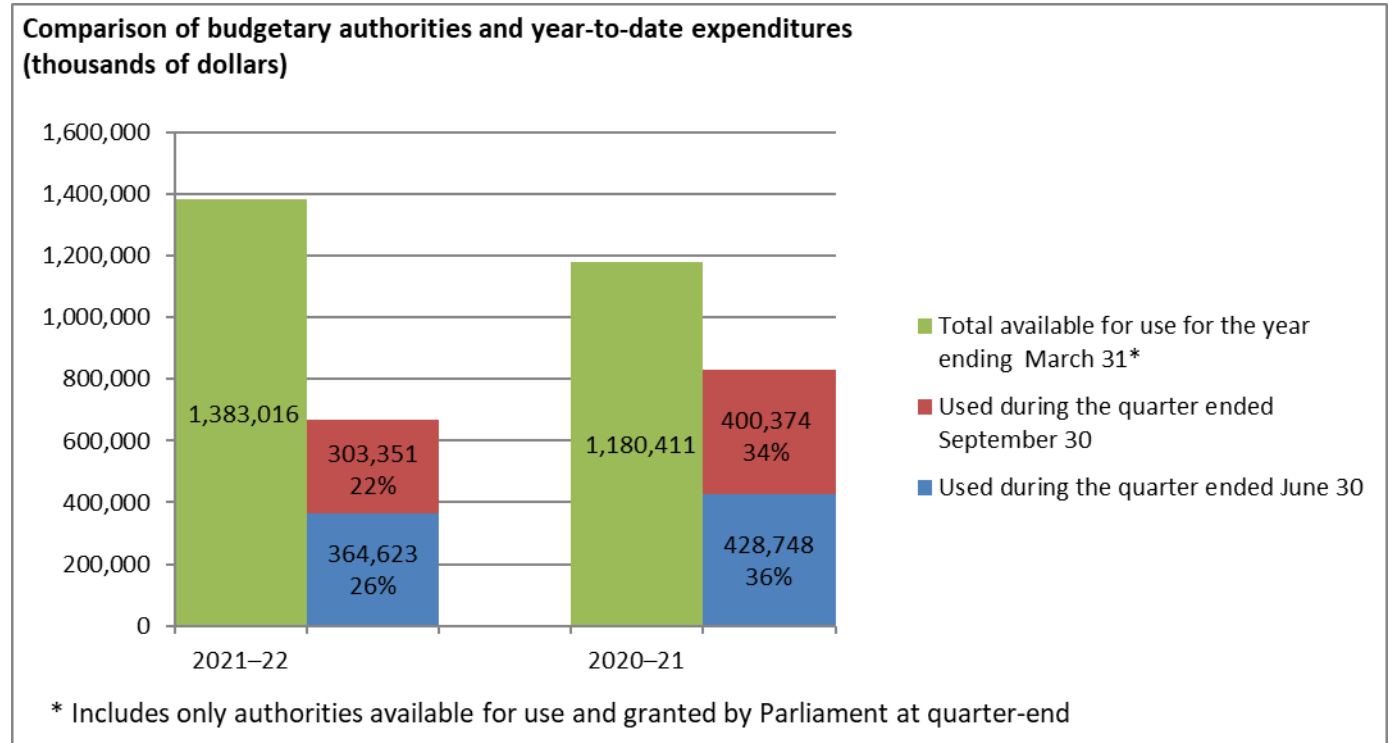
NSERC uses the full accrual method of accounting to prepare and present its annual financial statements that are part of the departmental results reporting process. However, the spending authorities voted by Parliament remain on an expenditure basis.

**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 expenditures compared with the previous fiscal year.

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The following graph provides a comparison of budgetary authorities available for the full fiscal year and budgetary expenditures by quarter for the fiscal year 2021–22 and the fiscal year 2020–21.



## 2.1 Significant changes to budgetary authorities

As of September 30, 2021, NSERC’s total available authorities for the fiscal year 2021–22 amounted to \$1.38 billion. This represents an overall increase of \$202.6 million (17.2%) from the comparative period in the previous year. The major changes in NSERC’s budgetary authorities between the current and previous fiscal years include:

- an increase of \$339 million due to the exceptional withholding of 3/12ths of the Supply of Main Estimates in Q1 2020–21, with full supply being approved in December 2020 as a result of the implementation of COVID-19 measures in previous year—the full supply of this year’s authorities was provided by the first quarter of 2021–22
- a decrease of \$153.4 million statutory COVID-19 funding received only in previous year (2020–21) from the Public Health Events of National Concern Payments Act (PHENCPA)
- an increase of \$25.4 million for fundamental research funding, as announced in Budget 2018
- a decrease of \$7.4 million due to transfer out of the Business-led Networks of Centres of Excellence program and Centres of Excellence for Commercialization and Research program to Innovation, Science and Economic Development Canada Strategic Innovation Fund (SIF) program as per Budget 2018 announcement
- a decrease of \$2.5 million for the Canada Excellence Research Chairs program in accordance with the program’s design and delivery schedule as renewed in Budget 2019 and planned for sun-setting by 2026–27
- an increase of \$1.9 million for increasing the number of Canada Graduate Scholarship Master’s and Doctoral awards as well as for expanding paid parental leaves as announced in Budget 2019

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**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)

	<b>2021–22</b>	<b>2020–21</b>	<b>Variance</b>
<b>Vote 1—Operating expenditures</b>			
Personnel (includes contributions to EBP)	30.5	23.8	6.7
Non-personnel	4.0	3.8	0.2
<b>Vote 5—Grants and scholarships</b>	633.5	801.6	<b>(168.1)</b>
<b>Total budgetary expenditures</b>	<b>668.0</b>	<b>829.2</b>	<b>(161.2)</b>

Total budgetary expenditures amounted to \$668.0 million at the end of the second quarter of the fiscal year 2021–22, compared to \$829.2 million reported in the same period in the previous fiscal year.

**Grants and scholarships**

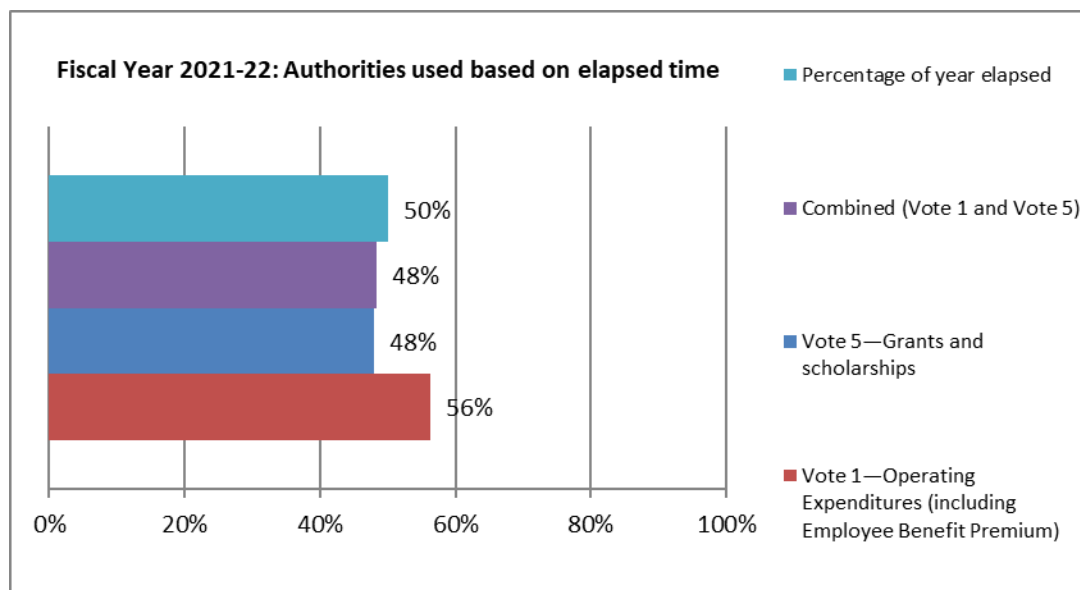
At the end of the second quarter of 2021–22, the grant and scholarship expenses decreased by \$168.1 million, compared to those reported in the same period of the previous fiscal year. The decrease is mainly due to the payments of COVID-19 statutory funding received under PHENCPA to support students and youth affected by the COVID-19 pandemic and to support research institutes and universities in fiscal year 2020–21.

**Operating expenditures**

Personnel expenditures (includes contributions to employee benefit plans [EBP]) have increased by \$6.7 million compared to the same period of the previous year, mainly due to the implementation of the new terms and conditions of employment (September 2021) and related clauses relative to salary increase and retroactive payments.

Total non-personnel expenditures as of the second quarter of fiscal 2021-22 have remained largely in line with expenses incurred during the same period of the previous fiscal year. Professional and special services expenditures have decreased in 2021-22 and acquisition of machinery and equipment has increased during the same period as a result of activities with the Workplace Renewal project launched during 2020-21 in joint partnership with the Social Sciences and Humanities Research Council (SSHRC).

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The total authorities used at the end of the second quarter (\$668.0 million) of the fiscal year 2021–22 represent 48% of total available authorities (\$1.38 billion).

### Quarterly spending

The total authorities used during the second quarter of 2021–22 amounted to \$303.3 million (22% of the total available authorities; 21% of the total authorities for grant and scholarship programs; 34% of the total authorities for operating expenditures and employee benefits).

### Budgetary expenditures used during the second quarter

(millions of dollars)

#### **Vote 1—Operating expenditures**

Personnel (includes contributions to EBP)  
 Non-personnel

#### **Vote 5—Grants and scholarship**

#### **Total budgetary expenditures**

	<b>2021–22</b>	<b>2020–21</b>	<b>Variance</b>
Personnel (includes contributions to EBP)	18.5	11.9	6.6
Non-personnel	2.2	2.2	0.0
<b>Vote 5—Grants and scholarship</b>	<b>282.6</b>	<b>386.2</b>	<b>(103.6)</b>
<b>Total budgetary expenditures</b>	<b>303.3</b>	<b>400.3</b>	<b>(97.0)</b>

### Grants and scholarships

Transfer payments represent 96% of NSERC’s available authorities. Variances in transfer payments stem from the nature of program cycles. During the second quarter of 2021–22, NSERC’s transfer payment expenditures decreased by \$103.6 million compared to the same quarter of the previous fiscal year. The decrease is mainly due to the payments of COVID-19 statutory funding received under PHENCPA to support students and youth affected by the COVID-19 pandemic and to support research institutes and universities; these payments were processed during the second quarter of fiscal year 2020–21.

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**Operating expenditures**

Personnel expenditures (includes contributions to EBP) for the second quarter of fiscal 2021–22 have increased by \$6.6 million compared to the same quarter of the previous year, mainly due to the implementation of the new terms and conditions of employment (September 2021) and related clauses relative to salary increase and retroactive payments.

Total non-personnel expenditures for the second quarter of fiscal 2021-22 have remained in line with expenses incurred during the same period of the previous fiscal year albeit with some variances attributed to the Workplace Renewal project as mentioned previously under year to date spending.

**3. Risks and uncertainties**

NSERC produces an annual Corporate Risk Profile close to the beginning of a new fiscal year that includes corporate risks along with risk mitigation activities. NSERC has linked corporate risk management with its integrated planning process to ensure greater cohesion and executive oversight in the delivery of its mandate.

Senior management closely monitors the top two risks listed below to ensure they are continuously mitigated and that the residual risk level is acceptable.

- i. **Aging IT system:** There is a risk that if aging software and database systems are not updated, and NSERC does not invest sufficiently in legacy IM/IT systems, these systems will be unable to support existing and new programs.

NSERC has built a number of business capabilities on the MS Dynamics platform to support key tri-agency initiatives such as the [Canada Research Chairs](#) and the [New Frontiers in Research Fund](#), and is now focused on on-boarding [Discovery Horizons](#) and [College and Community Innovation](#). NSERC maintains and monitors the platforms closely to ensure ongoing operations and support.

- ii. **Resource management:** There is a risk that if resources (human, technological and/or financial) are not allocated in an informed, flexible and strategic manner, NSERC may not be able to support its highest priorities and/or emerging needs.

The number of priorities and key commitments identified in the integrated planning process may not be fully funded due to budget and human resource pressures related to key investment projects. In addition, the uncertainty created by the COVID-19 pandemic is still a reality, and mitigation measures have been put in place to ensure that program and corporate organizational priorities are delivered.

On July 12, 2021, the Government of Canada [announced](#) the implementation of the [National Security Guidelines for Research Partnerships \(NSGRP\)](#). The guidelines aim to integrate national security considerations into the **development, evaluation and funding** of research partnerships. They have been applied immediately as a mandatory element of federal research partnership funding through NSERC's Alliance grants for any application involving private sector partner organizations. The impact of these new guidelines on operations and on the research being funded is being assessed through the Alliance program pilot project.

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**4. Significant changes related to operations, personnel and programs**

On July 5th, 2021, Dominique Osterrath joined our organization after her appointment as Chief Financial Officer and Vice-President for the Common Administrative Services Division for NSERC and SSHRC.

On August 4, 2021, [Dr. Charmaine Dean](#) was [appointed](#) as Vice-President of NSERC and Chair of Council. Dr. Dean is the Vice-President, Research and International, and Professor in the Department of Statistics and Actuarial Science at the University of Waterloo.

Approved by:

**Dr. Alejandro Adem**  
**President**

**Dominique Osterrath**  
**Vice-President and**  
**Chief Financial Officer**

**Ottawa, Canada**  
**November 29, 2021**

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**5. Statement of authorities (unaudited)**

<i>(in thousands of dollars)</i>	Fiscal year 2021–22			Fiscal year 2020–21		
	Total available for use for the year ending March 31, 2022*	Used during the quarter ended September 30, 2021	Year-to-date used at quarter-end	Total available for use for the year ending March 31, 2021*	Used during the quarter ended September 30, 2020	Year-to-date used at quarter-end
Vote 1—Operating expenditures	55,532	19,292	31,644	43,222	11,736	23,683
Vote 5—Grants and scholarships	1,321,627	282,640	633,491	977,856	272,552	687,915
Budgetary statutory authorities						
Contributions to the employee benefit plan	5,678	1,419	2,839	5,754	1,228	2,667
Spending of revenues pursuant to subsection 4 (2) of the <i>Natural Sciences and Engineering Research Council Act</i>	179	-	-	179	-	-
Payments related to Public Health Events of National Concern and income support	-	-	-	153,400	114,858	114,858
<b>Total budgetary authorities</b>	<b>1,383,016</b>	<b>303,351</b>	<b>667,974</b>	<b>1,180,411</b>	<b>400,374</b>	<b>829,123</b>

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

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**6. Departmental budgetary expenditures by standard object (unaudited)**

<i>(in thousands of dollars)</i>	Fiscal year 2021–22			Fiscal year 2020–21		
	Planned expenditures for the year ending March 31, 2022	Expended during the quarter ended September 30, 2021	Year-to-date used at quarter-end	Planned expenditures for the year ending March 31, 2021	Expended during the quarter ended September 30, 2020	Year-to-date used at quarter-end
<b><u>Expenditures</u></b>						
Personnel	44,189	18,483	30,509	37,110	11,939	23,772
Transportation and communications	1,157	76	178	3,427	104	135
Information	1,012	223	394	1,106	202	257
Professional and special services	6,777	1,406	2,402	6,105	1,740	2,729
Rentals	723	221	590	834	129	529
Repair and maintenance	145	36	96	117	13	22
Utilities, materials and supplies	145	(13)	32	123	(26)	10
Acquisition of land, buildings and works	-	-	-	48	-	-
Acquisition of machinery and equipment	7,241	279	282	1,485	63	96
Transfer payments	1,321,627	282,640	633,491	1,130,056	386,210	801,573
<b>Total budgetary expenditures</b>	<b>1,383,016</b>	<b>303,351</b>	<b>667,974</b>	<b>1,180,411</b>	<b>400,374</b>	<b>829,123</b>