

Natural Sciences and Engineering Research Council of Canada
Quarterly Financial Report
For the Quarter Ended December 31, 2018

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 2018-19 [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*. NSERC 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 about 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 2018-19. 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 money 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 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 performance reporting process. However, the spending authorities voted by Parliament remain on an expenditure basis.

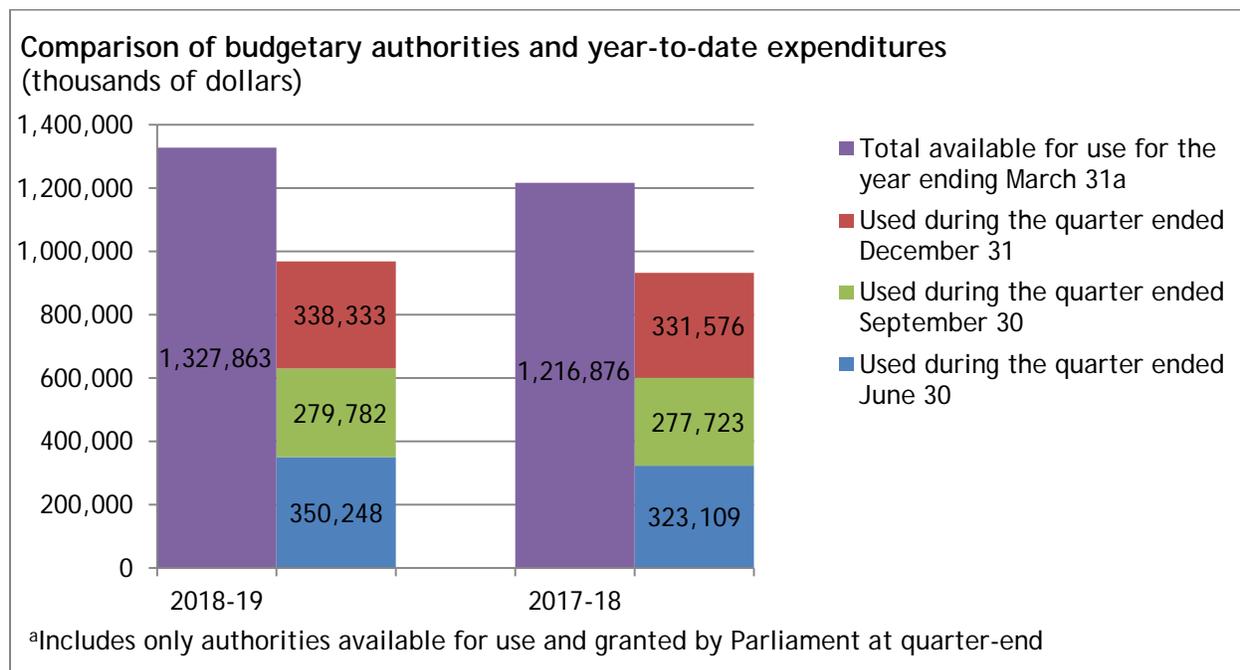
2. HIGHLIGHTS OF FISCAL QUARTER AND FISCAL YEAR-TO-DATE RESULTS

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.

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The total available authorities are comprised of the 2018-19 [Main Estimates](#), the operating budget carry-forward, the Supplementary Estimates (A) and other approved items by the Treasury Board as at December 31, 2018.

The following graph provides a comparison of budgetary authorities available for the full fiscal year and budgetary expenditures by quarter for fiscal years 2018-19 and 2017-18.



2.1 Significant changes to budgetary authorities

As of December 31, 2018, NSERC's total available authorities for fiscal 2018-19 amounted to \$1,327.9 million. This represents an overall increase of \$111.0 million (9.1%) from the comparative period of the previous year. Of the \$111.0 million, \$108.2 million relates to an increase in NSERC's grant and scholarship programs (Vote 5), \$2.7 million to an increase in net operating expenditures (Vote 1) and \$0.1 million to an increase in budgetary statutory authorities.

The \$111.0 million variation in NSERC's budgets between the current and previous fiscal years includes:

- an increase of \$44.1 million from Budget 2018 for Fundamental Research;
- an increase of \$35.3 million for the Canada First Research Excellence Fund;
- an increase of \$20.0 million from Budget 2018 for College and Community Innovation programs;
- an increase of \$7.3 million for the Canada Research Chairs, as announced in Budget 2018;
- an increase of \$6.5 million for the Canada 150 Research Chairs;
- an increase of \$2.4 million from Budget 2017 for the PromoScience Program to support science, technology, engineering and mathematics learning activities for youth;

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- an increase of \$1.5 million to Centres of Excellence for Commercialization and Research program to support world-renowned researchers and their teams to establish ambitious research programs at Canadian universities;
- an increase of \$1.4 million for negotiated salary adjustments resulting from the renewed Terms and Conditions of Employment approved during the third quarter of 2017-18;
- an increase of \$0.5 million in transfer payments to and from other government departments; and
- a decrease of \$8.0 million for the Canada Excellence Research Chairs Program due to the ending of an award cycle.

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)

	2018-19	2017-18	Variance
Vote 1 - Operating expenditures			
Personnel	32.2	32.5	(0.3)
Non-personnel	6.0	5.4	0.6
Vote 5 - Grants and scholarships	930.1	894.5	35.6
Total budgetary expenditures	968.3	932.4	35.9

Total budgetary expenditures amounted to \$968.3 million at the end of the third quarter of fiscal 2018-19, compared to \$932.4 million reported in the same period in the previous fiscal year.

Grants and scholarships

At the end of the third quarter of 2018-19, the grant and scholarship expenses increased by \$35.6 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 \$26.5 million for the Canada First Research Excellence Fund due to expanded program authorities and timing differences;
- an increase of \$6.9 million in Discovery Grants due to additional funding announced in Budget 2018;
- an increase of \$5.8 million for the Canada 150 Research Chairs due to expanded program authorities and timing differences;
- an increase of \$2.4 million in College and Community Innovation programs due to additional funding announced in Budget 2018;
- a net increase of \$4.3 million due to timing differences on payments;

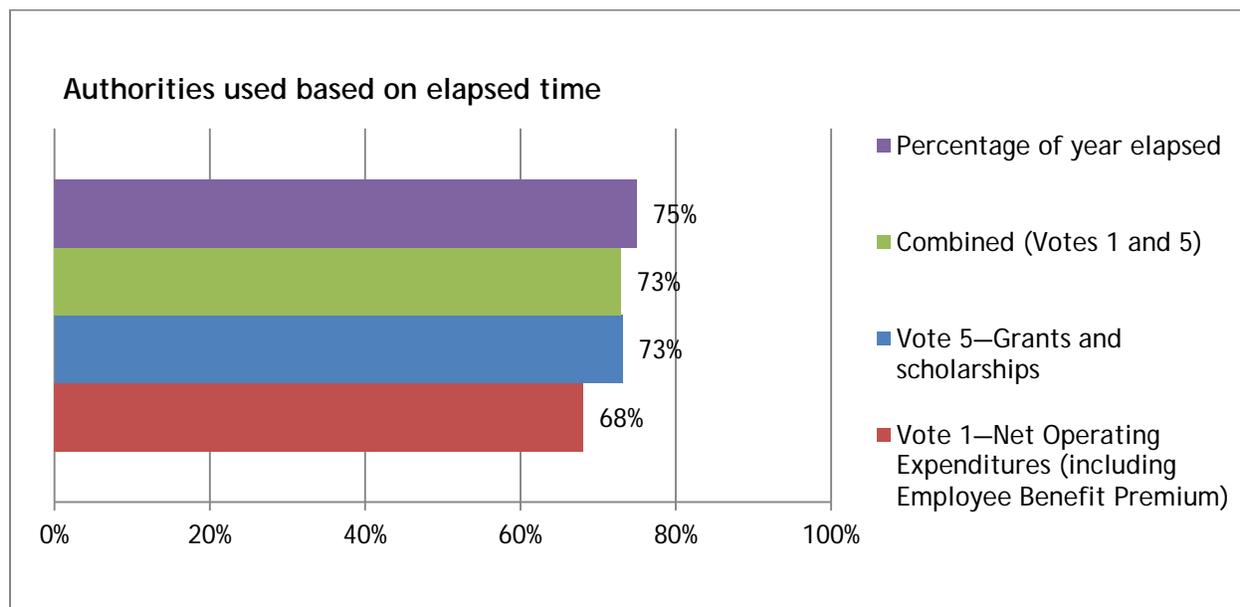
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- a decrease of \$5.2 million in the Business-led Network Centres of Excellence due to the transition of the program to the department of Innovation, Science and Economic Development Canada, as announced in Budget 2018; and
- a decrease of \$5.1 million for the Canada Excellence Research Chairs Program due to the ending of the first award cycle.

Operating expenditures

Personnel expenditures for fiscal 2018-19 have decreased by \$0.3 million due to lump sum payments made during the third quarter of 2017-18. The economic increase due to renewed Terms and Conditions of Employment was paid retroactive to fiscal year 2014-15, which was partially offset by an overall personnel salary increase for the first nine months of fiscal 2018-19.

Total non-personnel expenditures have increased by \$0.6 million due to increased spending in professional services and acquisition of office equipment, computers and mobile phones related to the increased number of employees.



The total authorities used at the end of the third quarter (\$968.3 million) of fiscal 2018-19 represent 73% of total available authorities (\$1,327.9 million).

Quarterly spending

The total authorities used during the third quarter of 2018-19 amounted to \$338.3 million (25% of the total available authorities; 26% of the total authorities for grant and scholarship programs; and 24% of the total authorities for operating expenditures and employee benefits).

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Budgetary expenditures used during the third quarter
(millions of dollars)

	2018-19	2017-18	Variance
Vote 1 - Operating expenditures			
Personnel	11.0	13.1	(2.1)
Non-personnel	2.4	1.9	0.5
Vote 5 - Grants and scholarships	324.9	316.6	8.3
Total budgetary expenditures	338.3	331.6	6.7

Grants and scholarships

Transfer payments represent 96% of NSERC’s available authorities. Variations occur in transfer payment expenditures between quarters due to the nature of program cycles. During the third quarter of 2018-19, NSERC’s transfer payment expenditures have increased by \$8.3 million compared to those reported in the same quarter of the previous fiscal year. The differences in specific programs from year to year are as follows:

- an increase of \$8.8 million for the Canada First Research Excellence Fund due to expanded program authorities and timing differences;
- an increase of \$3.4 million in Discovery Grants due to additional funding announced in Budget 2018;
- an increase of \$1.9 million for the Canada 150 Research Chairs due to expanded program authorities and timing differences;
- a decrease of \$4.1 million for the Canada Excellence Research Chairs Program due to the ending of the first award cycle;
- a decrease of \$1.5 million in the Business-led Network Centres of Excellence due to the transition of the program to the department of Innovation, Science and Economic Development Canada, as announced in Budget 2018; and
- a net decrease in spending of \$0.2 million due to timing differences of payments for some programs.

Operating expenditures

Personnel expenditures for the third quarter of fiscal 2018-19 have decreased by \$2.1 million due to a lump sum payment related to the renewed Terms and Conditions of Employment paid in the third quarter of 2017-18.

Total non-personnel expenditures have increased by \$0.5 million, mainly due to increased spending in professional services and 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

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follows the risks listed below to ensure they are continuously mitigated and that the residual risk level is acceptable.

Strategic Risk 1- NSERC may face challenges adjusting in a timely way to government policy decisions resulting from Canada's Fundamental Science Review and Innovation Agenda.

Particular challenges resulting from recent federal science and innovation policy initiatives that will require senior management attention in the third quarter are two-fold:

1. Greater harmonization across the three federal research funding agencies—NSERC, the Social Sciences and Humanities Research Council (SSHRC), and the Canadian Institutes of Health Research (CIHR)—of data collection, management and reporting on results, particularly with regard to equity, diversity and inclusion, to ensure consistency, accuracy and clarity;
2. As directed by Budget 2018, NSERC will be undertaking a significant renewal of its research partnership programs that will involve consolidating six existing funding opportunities, broadening partnership eligibility and streamlining program delivery.

To mitigate the risks associated with these activities, NSERC will work within its existing governance, planning, and priority-setting mechanisms to adapt to changing priorities in delivering on its core mandate and NSERC 2020 strategic goals.

As a member of the [Canada Research Coordinating Committee](#) (CRCC), NSERC will also work with SSHRC, CIHR and other partners to achieve greater harmonization, integration and coordination of research-related programs and policies.

Strategic Risk 2- NSERC, as a small agency, may be limited in its ability to reallocate/use resources effectively to meet operational needs and respond to government priorities.

As a small agency, the ability to respond to new government wide priorities and emerging operational needs will require close monitoring of major project initiatives and greater coordination with SSHRC. These initiatives include plans for workplace renewal, adoption of new financial and human resources tracking and reporting systems.

A high priority over the coming quarter will be to ensure that strong governance is in place for the planning and eventual development of a shared, harmonized, tri-agency grants management system. NSERC will work closely with the other partner agencies, the Treasury Board and other stakeholders to ensure that the proper project and expenditure authorities are in place for the planning, development and deployment of a grants management system that will meet the current and future user needs and provide value to Canadians.

In addition, NSERC will implement its People Strategy Action Plan to ensure that the workforce is well prepared to adapt to change, and to promote workplace wellness and mental health.

Read more about [NSERC's key strategic risks](#) for the current year.

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**4. SIGNIFICANT CHANGES RELATED TO OPERATIONS,
PERSONNEL AND PROGRAMS**

NSERC secured the required spending authorities to implement the Budget 2018 announcements.

In October, a Chief Executive was appointed to the Gateway Tri-Agency initiative, to modernize the grants management platform.

On November 8, 2018, in accordance with the NSERC Act s.6(2), Dr. Digvir S. Jayas, Vice-President and Chair of Council, was appointed by Order In Council as Interim President of NSERC following the departure of Dr. B. Mario Pinto.

Approved by:

Original signed by

Dr. Digvir S. Jayas

Interim President, NSERC

Original signed by

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

Ottawa, Canada

March 1, 2019

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	Fiscal year 2018-19			Fiscal year 2017-18		
	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	Total available for use for the year ending March 31, 2018*	Used during the quarter ended December 31, 2017	Year-to-date used at quarter-end
<i>(in thousands of dollars)</i>						
Vote 1 – Net operating expenditure	50,860	12,114	34,285	48,153	13,754	34,281
Vote 5 – Grants and scholarships	1,271,553	324,901	930,125	1,163,341	316,625	894,537
Budgetary statutory authorities						
Contributions to the employee benefit plan	5,271	1,318	3,953	4,803	1,197	3,590
Spending of revenues pursuant to subsection 4(2) of the <i>Natural Sciences and Engineering Research Council Act</i>	179	—	—	579	—	—
Total budgetary authorities	1,327,863	338,333	968,363	1,216,876	331,576	932,408
Statement of authorities (unaudited)						

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

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Departmental budgetary expenditures by standard object (unaudited)

	Fiscal year 2018-19			Fiscal year 2017-18		
	Planned expenditures for the year ending March 31, 2019	Expended during the quarter ended December 31, 2018	Year-to-date used at quarter-end	Planned expenditures for the year ending March 31, 2018	Expended during the quarter ended December 31, 2017	Year-to-date used at quarter-end
<i>(in thousands of dollars)</i>						
Personnel	41,559	11,056	32,195	38,164	13,114	32,464
Transportation and communications	4,555	613	1,650	5,274	645	1,658
Information	2,219	211	561	1,748	232	823
Professional and special services	5,435	946	2,386	5,329	766	1,957
Rentals	1,358	275	781	1,565	81	617
Repair and maintenance	123	21	60	231	36	79
Utilities, materials and supplies	205	52	170	276	57	141
Acquisition of machinery and equipment	856	258	435	948	20	132
Transfer payments	1,271,553	324,901	930,125	1,163,341	316,625	894,537
Total budgetary expenditures	1,327,863	338,333	968,363	1,216,876	331,576	932,408