

Natural Sciences and Engineering Research Council of Canada
Quarterly Financial Report
For the Quarter Ended June 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 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.

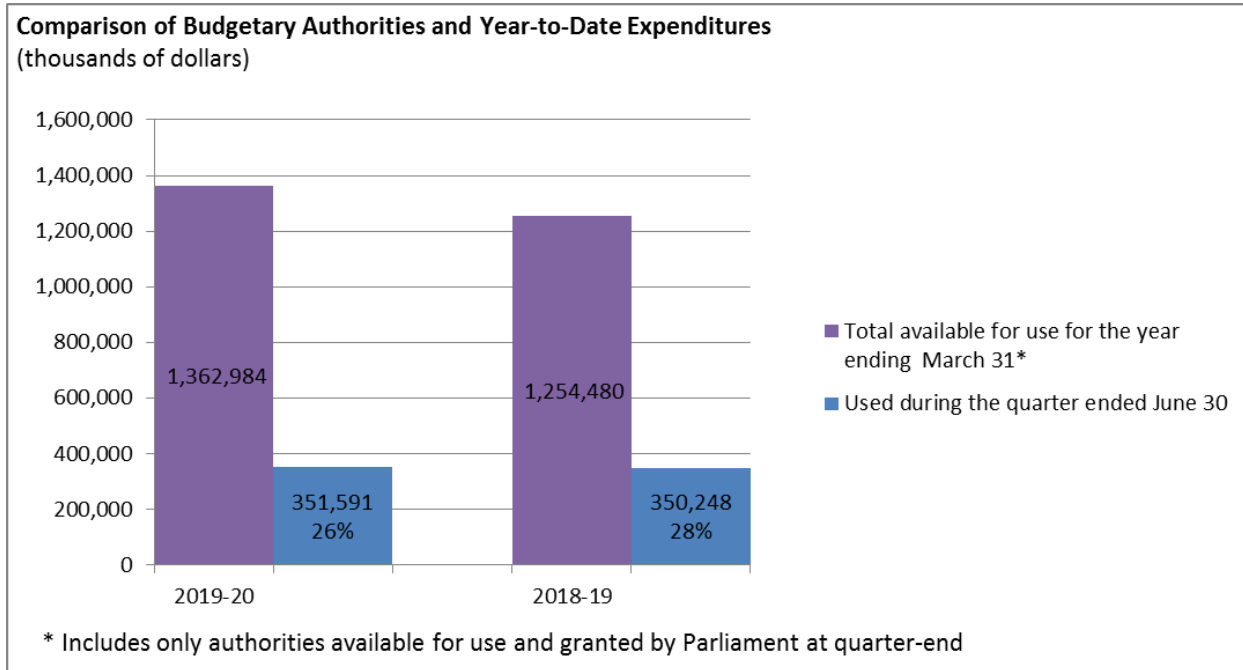
NSERC uses the full accrual method of accounting to prepare and present its annual financial statements that are part of the departmental results reporting process. However, the spending authorities voted by Parliament remain on an expenditure basis.

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 2019–20 and fiscal 2018–19.

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2.1 Significant changes to budgetary authorities

As of June 30, 2019, NSERC's total available authorities for fiscal 2019–20 amounted to \$1,363.0 million. This represents an overall increase of \$108.5 million (8.6%) from the comparative period of the previous year. Of the \$108.5 million, \$99.8 million relates to an increase in NSERC's grant and scholarship programs (Vote 5), \$8.0 million to an increase in operating expenditures (Vote 1) and \$0.7 million to an increase in budgetary statutory authorities. The major changes in NSERC's budgetary authorities between the current and previous fiscal years include:

- an increase of \$59.1 million from Budget 2018 for fundamental research;
- an increase of \$29.9 million from Budget 2018 for the Colleges and Community Innovation program suite;
- 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 \$3.0 million from Budget 2018 for pilot programs intended to increase equity, diversity and inclusion in Canadian post-secondary research;
- an increase of \$3.0 million for the DND Discovery supplements;
- an increase of \$1.7 million for the Canada 150 Research Chairs;
- an increase of \$1.6 million for negotiated salary adjustments;
- a decrease of \$5.0 million for the Community and Colleges Social Innovation Funding due to the end of the competition cycle;
- a net decrease of \$1.6 million for various programs, including the PromoScience top-up (from Budget 2017), various transfers to and from partnering departments and the funding related to updated terms and conditions of employment; and
- a decrease of \$1.2 million for the Canada Excellence Research Chairs Program due to the ending of an award cycle.

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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)

	2019-20	2018-19	Variance
Vote 1 - Operating expenditures			
Personnel	12.3	10.6	1.7
Non-personnel	2.1	1.5	0.6
Vote 5 - Grants and scholarships	337.2	338.2	(1.0)
Total budgetary expenditures	351.6	350.3	1.3

Total budgetary expenditures amounted to \$351.6 million at the end of the first quarter of fiscal 2019–20, compared to \$350.3 million reported in the same period in the previous fiscal year.

Grants and scholarships:

At the end of the first quarter of 2019–20, the grant and scholarship expenses decreased by \$1.0 million, compared to what was reported in the same period of the previous fiscal year. The differences are attributable to the following:

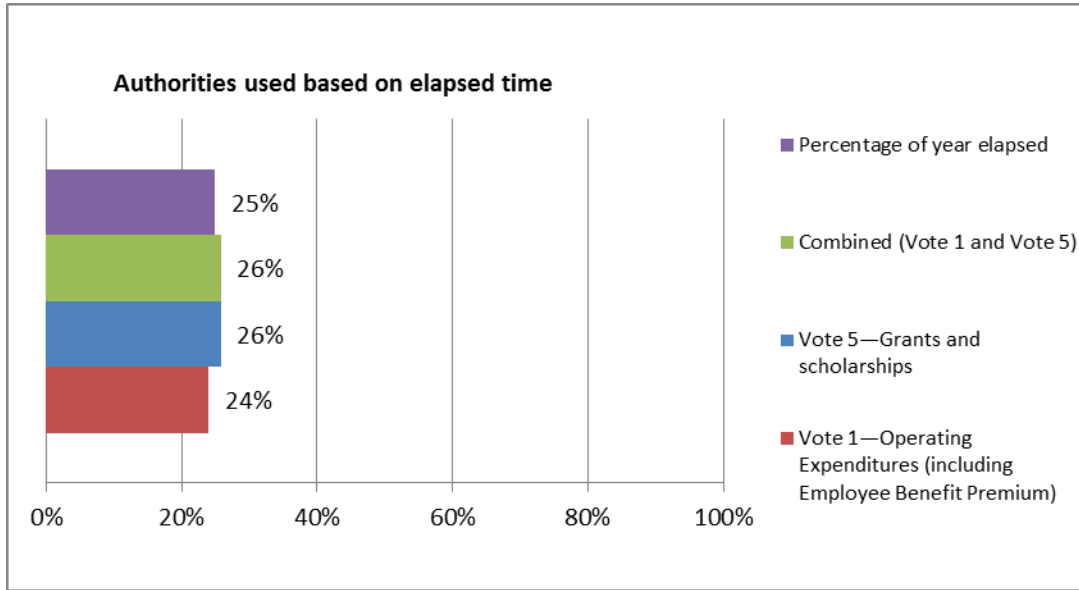
- an increase of \$13.4 million for the Discovery suite of programs, due to the increased authorities from Budget 2018;
- an increase of \$3.2 million for the Canada Research Chairs program, due to the increased authorities from the Budget 2018;
- a decrease of \$2.3 million for the Canada Excellence Research Chairs Program, due to the ending of the first award cycle; and
- a net decrease of \$15.3 million due to timing differences on payments.

Operating expenditures:

The personnel expenditures have increased by \$1.7 million compared to the same period in 2018–19. This increase is mainly due to the economic increase resulting from the renewed Terms and Conditions of Employment approved during the third quarter of 2017–18 and additional full-time employees (FTEs) due to Budget 2018 implementation.

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.

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The total authorities used during the first quarter (\$351.6 million) of fiscal 2019–20 represent 26% of total available authorities (\$1,362.9 million).

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

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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

The Natural Sciences and Engineering Research Council of Canada is pleased to welcome Dr. Alejandro Adem as its new president, effective October 1, 2019.

Following on the announcement in Budget 2019, NSERC, in collaboration with the Canadian Institutes of Health Research and the Social Sciences and Humanities Research Council, announced in June 2019 that the duration of a paid parental leave for graduate students and postdoctoral fellows supported by the agencies is being doubled. 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 that began their leave before this date. The change 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.

NSERC is now accepting applications to the Alliance grants program, consolidating the existing Engage Grants (including Engage Plus Grants), Industrial Research Chairs, Connect Grants, Strategic Partnership Grants for Networks and Projects, Experience Awards and the Collaborative Research and Development Grants.

Approved by:

Original signed by:

Digvir S. Jayas
Interim President

Ottawa, Canada
August 29, 2019

Original signed by:

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

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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 June 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 June 30, 2018	Year-to-date used at quarter-end
Vote 1 — Operating Expenditures	54,073	12,935	12,935	46,122	10,752	10,752
Vote 5 — Grants and Scholarships	1,302,727	337,161	337,161	1,202,908	338,178	338,178
Budgetary Statutory Authorities						-
Contributions to the employee benefit plan	6,005	1,495	1,495	5,362	1,318	1,318
Spending of revenues pursuant to subsection 4 (2) of the <i>Natural Sciences and Engineering Research Council Act</i>	179	-	-	88	-	-
Total Budgetary Authorities	1,362,984	351,591	351,591	1,254,480	350,248	350,248

* 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 2019-20			Fiscal year 2018-19		
	Planned expenditures for the year ending March 31, 2020	Expended during the quarter ended June 30, 2019	Year-to-date used at quarter-end	Planned expenditures for the year ending March 31, 2019	Expended during the quarter ended June 30, 2018	Year-to-date used at quarter-end
<u>Expenditures</u>						
Personnel	45,281	12,327	12,327	40,042	10,594	10,594
Transportation and communications	4,519	357	357	3,561	461	461
Information	1,997	128	128	1,735	137	137
Professional and special services	5,531	1,001	1,001	4,248	422	422
Rentals	1,303	447	447	1,061	329	329
Repair and maintenance	225	26	26	96	3	3
Utilities, materials and supplies	180	101	101	160	84	84
Acquisition of machinery and equipment	1,221	44	44	669	40	40
Other subsidies and payments	-	(1)	(1)	-	-	-
Transfer payments	1,302,727	337,161	337,161	1,202,908	338,178	338,178
Total Budgetary Expenditures	1,362,984	351,591	351,591	1,254,480	350,248	350,248