



National Research Council Canada

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

Table of Contents

1.	Introduction	2
1.1	NRC Mandate	2
1.2	Basis of Presentation.....	3
2.	Highlights of Fiscal Quarter and Fiscal Year to Date (YTD) results.....	3
2.1	Authorities and Expenditures	3
2.2	Significant Changes to Authorities.....	4
2.3	Significant Changes to Budgetary Expenditures	5
2.3.1	Variances in Year-to-date Expenditures	6
3.	Risks and Uncertainties.....	7
4.	Significant changes in relation to operations, personnel and programs.....	7
5.	Statement of Authorities	9
6.	Departmental budgetary expenditures by Standard Object	10



1. Introduction

The Government of Canada uses financial information to support decision making, for policy development, for service delivery and for historical reference. These financial statements have been prepared to respond to these requirements. This Departmental Quarterly Financial Report (QFR) reflects the results of the current fiscal period in relation to the [Main Estimates](#) and [Supplementary Estimates \(A\)](#). The QFR should be read in conjunction with the Main Estimates, Supplementary Estimates (A) as well as Canada's Economic Action Plan ([Budget 2012](#), [Budget 2013](#), [Budget 2014](#), [Budget 2015](#), [Budget 2016](#) and [Budget 2017](#)). They have been prepared by management as required by section 65.1 of the [Financial Administration Act \(R.S.C., 1985, c. F-11\)](#) and in the form and manner prescribed by the Treasury Board of Canada Secretariat. Although these statements have not been subject to an external audit or review, the National Research Council Canada (NRC) attests that they are an accurate and true reflection of the financial position for the period ended September 30, 2017.

1.1 NRC Mandate

The NRC exists under the [National Research Council Act \(R.S.C., 1985, c. N-15\)](#) and is a Departmental corporation named in Schedule II of the [Financial Administration Act \(R.S.C., 1985, c. F-11\)](#). The mission of the NRC is to work with clients and partners to provide innovation support, strategic research, and scientific and technical services to develop and deploy solutions to meet Canada's current and future industrial and societal needs.

Under the [National Research Council Act \(R.S.C., 1985, c. N-15\)](#), the NRC is responsible for:

- Undertaking, assisting or promoting scientific and industrial research in fields of importance to Canada;
- Providing vital scientific and technological services to the research and industrial communities;
- Investigating standards and methods of measurement;
- Working on the standardization and certification of scientific and technical apparatus, instruments and materials used or usable by Canadian industry;
- Operating and administering any astronomical observatories established or maintained by the Government of Canada;
- Establishing, operating and maintaining a national science library; and
- Publishing and selling or otherwise distributing such scientific and technical information as the Council deems necessary.

Further details on the NRC's legislative framework, authority, mandate and program activities can be found in Part II of the Main Estimates and the [Departmental Plan](#).



1.2 Basis of Presentation

This quarterly report has been prepared by management using an expenditure basis of accounting. The accompanying Statement of Authorities includes the NRC's spending authorities granted by Parliament and those used by the NRC consistent with the Main Estimates and Supplementary Estimates (A) for 2017-18. This quarterly report has been prepared using a special purpose financial reporting framework designed to meet financial information needs with respect to the use for spending authorities.

The authority of Parliament is required before moneys can be spent by the Government of Canada. Approvals are given in the form of annually approved limits through appropriation acts or through legislation in the form of statutory spending authority for specific purposes (pursuant to paragraph 5(1)(e) of the *National Research Council Act (R.S.C., 1985, c. N-15)*, the NRC has authority to expend revenues it has received through the conduct of its operations).

When Parliament is dissolved for the purposes of a general election, section 30 of the *Financial Administration Act (R.S.C., 1985, c. F-11)* authorizes the Governor General, under certain conditions, to issue a special warrant authorizing the Government of Canada to withdraw funds from the Consolidated Revenue Fund. A special warrant is deemed to be an appropriation for the fiscal year in which it is issued.

The NRC uses the full accrual method of accounting to prepare and present its annual departmental financial statements which 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 (YTD) results

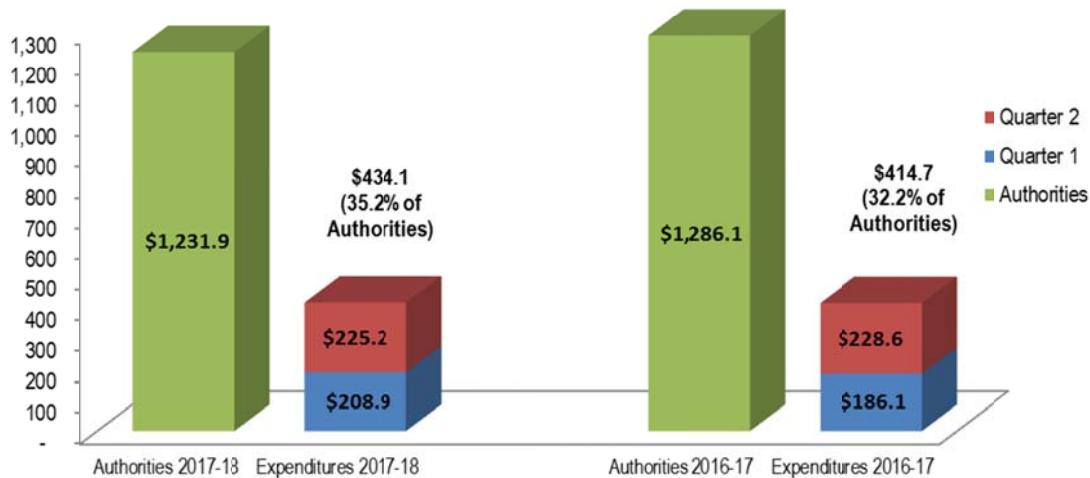
This section highlights the items that contributed most significantly to the changes in budgetary authorities for the current fiscal year and to the actual expenditures for the quarter that ended on September 30, 2017 compared with the [previous fiscal year](#). This section should be read in conjunction with the NRC's tables entitled Statement of Authorities and Departmental budgetary expenditures by Standard Object found on the last 2 pages of this report.

2.1 Authorities and Expenditures

The following graph provides a comparison of the budgetary authorities and expenditures as of September 30, 2017 and those as of September 30, 2016.



**Comparison of Budgetary Authorities and Expenditures
as of September 30, 2017 and September 30, 2016
(in millions of dollars)**



As shown in the graph above, the NRC’s expenditures totalled \$225.2M during the second quarter of 2017-18 which represents a decrease of \$3.4M over the second quarter of 2016-17. Lower expenses are mainly attributable to decreases of \$3.0M in capital expenditures, \$2.5M in Statutory Employee Benefit Plan and \$2.3M in Grants and Contributions, offset by a combined increase of \$4.4M in operating and statutory revenue expenditures. Refer to 2.3 Significant Changes to Budgetary Expenditures for additional details.

2.2 Significant Changes to Authorities

As of September 30, 2017, the authorities were \$1,231.9M, representing a decrease of \$54.2M (4.2%) in comparison to the 2016-17 authorities of the same period. The following table summarizes the significant changes to NRC authorities since June 30, 2017:



Quarterly Financial Report
For the quarter ended September 30, 2017 (unaudited)

Significant Changes to Authorities (*unaudited*)

For the year ending March 31, 2018 - As of September 30, 2017

(in millions of dollars)

	Vote 1 Operating	Vote 5 Capital	Vote 10 Grants & Contributions	Statutory Revenues	Contributions to EBP	Total
Authorities – Total available for use for the year ending March 31, 2018 - As of June 30, 2017						1,205.1
Operating and Capital Budget Carry-Forward	12.3	14.5	-	-	-	26.8
Total increase (decrease) in authorities in comparison to prior quarter	12.3	14.5	-	-	-	26.8
Authorities – Total available for use for the year ending March 31, 2018 - As of September 30, 2017						1,231.9

The decrease of \$54.2M in authorities is explained by the following items:

- Combined operating and statutory authorities decreased by \$29.0M. The decrease is mainly attributable to decreases of \$16.7M in statutory revenue carry-forward for use in subsequent years following the close of fiscal year 2016-17, \$7.0M resulting from the reduction of NRC's revenue forecast for 2017-18 and \$5.2M of the 2016-17 Operating Budget Carry-Forward.
- Capital authorities decreased by \$16.1M. The decrease is mainly attributable to a decrease of \$31.1M for the 2014 Federal Infrastructure Initiative, offset by increases of \$9.9 for the 2016 Federal Infrastructure Initiative and \$3.4M in Capital Budget Carry-Forward.
- Transfer payments consisting of Grants and Contributions (G&C) authorities decreased by \$6.5M. The variance is mainly attributable to a decrease of \$50.0M in Contributions to Firms, offset by increases of \$32.8M in Contributions to the Thirty Meter Telescope resulting from the reprofiling of funds to 2017-18 and of \$10.0M in Youth Employment Strategy – Green Jobs Initiative.

Significant Changes to Budgetary Expenditures

This section should be read in conjunction with the NRC's tables entitled Statement of Authorities and Departmental budgetary expenditures by Standard Object both located at the end of this report.



2.2.1 Variances in Year-to-date Expenditures

As of September 30, 2017, year-to-date expenditures were \$434.1M, representing an increase of \$19.4M (4.7%) in comparison to the 2016-17 expenditures of the same period. This increase is mostly attributable to the following items:

- Transfer payments consisting of Grants & Contributions (G&C) expenditures increased by \$24.9M compared with the same period in the previous year. This change is principally attributable to an increase of contributions to Firms of \$15.9M, to contributions to Organizations of \$3.0M, to contributions to Youth Employment Strategy of \$1.8M, as well as contributions to the International Astronomical Observatories of \$1.1M.
- Combined operating expenditures and statutory revenue expenditure increased by \$3.6M compared with the same period of the previous fiscal year. This change is mainly attributable to increases of \$1.8M in utilities, materials and supplies and \$0.9 in rentals.
- Statutory Employee Benefit Plan (EBP) expenditures decreased by \$4.9M compared with the same period in the previous year. This change is principally attributable to a reduction of the 2017-18 Main Estimates value.
- Capital expenditures decreased by \$4.2M. The decrease is mainly attributable to a reduction of acquisition of machinery and equipment (special industry machinery, computer equipment as well as research equipment).



3. Risks and Uncertainties

In Q2, NRC's President released the NRC Dialogue Action Plan for 2017-2021 in response to the internal assessment undertaken between Fall 2016, and Winter 2017. The actions, intended to revitalize and sustain NRC's role at the forefront of research and innovation excellence and in support of the priorities identified in the federal Innovation and Skills Plan, will be rolled out in three waves between Fall 2017 and Summer 2018. The actions will be coordinated through a central project management office to track interdependencies, schedules, resources and key milestones. Each of the initiatives include consideration of key risks to be managed. In undertaking its corporate risk refresh for 2018-19, NRC will take the above into consideration for any corporate risk implications.

For the remainder of NRC's corporate risks for 2017-18, progress continues in actions to manage them since Q1.

4. Significant changes in relation to operations, personnel and programs

A number of internal structural changes were announced for implementation as of October 2, 2017 as part implementation of the NRC Dialogue Action Plan. This includes: realignment of the Engineering division to create a new Transportation and Manufacturing division; the separation of NRC's ICT into two sub-programs to distinguish between Digital Technologies and Advanced Electronics and Photonics; the shift of accountability for investment plan projects and project management to the Chief Financial Officer; and merging of Occupational, Safety, and Health with Environmental Stewardship to enhance service delivery and site management in these areas.



Quarterly Financial Report
For the quarter ended September 30, 2017 (unaudited)

Approved by Senior Officials

Approved by:

Original copy was signed by:

Iain Stewart
President

Dale MacMillan
Vice-President, Corporate Services and
Chief Financial Officer

Ottawa, Canada
November 24, 2017



Quarterly Financial Report
For the quarter ended September 30, 2017 (unaudited)

Statement of Authorities (unaudited)

For the quarter ended September 30, 2017

	Fiscal Year 2017-2018 (in thousands of dollars)		
	Total available for use for	Used during the quarter	Year to date used at quarter-end
	the year ending March 31, 2018*	ended September 30, 2017	
Vote 1 - Operating expenditures	413,828	102,685	174,567
Vote 5 - Capital expenditures	107,122	11,258	15,478
Vote 10 - Grants and contributions	363,336	64,259	142,225
Statutory revenue **	300,883	37,136	82,073
Statutory EBP	46,707	9,872	19,743
Total Budgetary authorities	1,231,876	225,210	434,086

	Fiscal Year 2016-2017 (in thousands of dollars)		
	Total available for use for	Used during the	Year to date used at quarter-end
	the year ending March 31, 2017 *	quarter ended September 30, 2016	
Vote 1 - Operating expenditures	419,145	100,656	172,303
Vote 5 - Capital expenditures	123,186	14,275	19,692
Vote 10 - Grants and contributions	369,875	66,586	117,283
Statutory revenue **	324,566	34,720	80,745
Statutory EBP	49,302	12,323	24,647
Total Budgetary authorities	1,286,074	228,560	414,670

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

** Includes Statutory Revenue available for use in future years pursuant to paragraph 5(1)(e) of the National Research Council Act (R.S.C., 1985, c. N-15).



Quarterly Financial Report

For the quarter ended September 30, 2017 (unaudited)

Departmental budgetary expenditures by Standard Object (unaudited)

For the quarter ended September 30, 2017

	Fiscal Year 2017-2018 (in thousands of dollars)		
	Planned expenditures for the year ending March 31, 2018	Expended during the quarter ended September 30, 2017	Year to date used at quarter-end
Expenditures:			
Personnel	461,397	98,905	197,940
Transportation and communications	25,823	3,600	6,395
Information	2,840	472	836
Professional and special services	77,416	13,942	21,394
Rentals	12,614	2,342	4,812
Purchased repair and maintenance	40,406	4,525	6,848
Utilities, materials and supplies	69,505	9,640	14,826
Acquisition of land, buildings and works	73,548	8,204	12,183
Acquisition of machinery and equipment	85,572	11,046	15,975
Transfer payments	363,336	64,259	142,225
Other subsidies and payments	19,419	8,275	10,652
Total net budgetary expenditures	1,231,876	225,210	434,086
	Fiscal Year 2016-2017 (in thousands of dollars)		
	Planned expenditures for the year ending March 31, 2017	Expended during the quarter ended September 30, 2016	Year to date used at quarter-end
Expenditures:			
Personnel	465,507	99,528	197,670
Transportation and communications	24,890	3,820	6,778
Information	2,850	676	1,005
Professional and special services	82,676	12,068	21,874
Rentals	10,128	1,548	3,655
Purchased repair and maintenance	32,819	7,810	11,977
Utilities, materials and supplies	67,486	8,936	13,765
Acquisition of land, buildings and works	117,521	7,444	10,767
Acquisition of machinery and equipment	89,721	13,587	21,063
Transfer payments	369,875	66,586	117,283
Other subsidies and payments	22,601	6,557	8,833
Total net budgetary expenditures	1,286,074	228,560	414,670