



# 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 .....	4
2.2	Significant Changes to Authorities.....	4
2.3	Significant Changes to Budgetary Expenditures .....	5
2.3.1	Variances in Third Quarter Expenditures.....	5
2.3.2	Variances in Year-to-date Expenditures .....	5
3.	Risks and Uncertainties.....	6
4.	Significant changes in relation to operations, personnel and programs.....	6
5.	Statement of Authorities .....	7
6.	Departmental budgetary expenditures by Standard Object .....	7



## 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of Canada uses financial information to support decision making, for policy development, for service delivery and for historical reference.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](#), [Supplementary Estimates \(A\)](#) and [Supplementary Estimates \(B\)](#). The QFR should be read in conjunction with the Main Estimates, Supplementary Estimates (A), Supplementary Estimates (B) 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 December 31, 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, Supplementary Estimates (A) and Supplementary Estimates (B) 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 money 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**

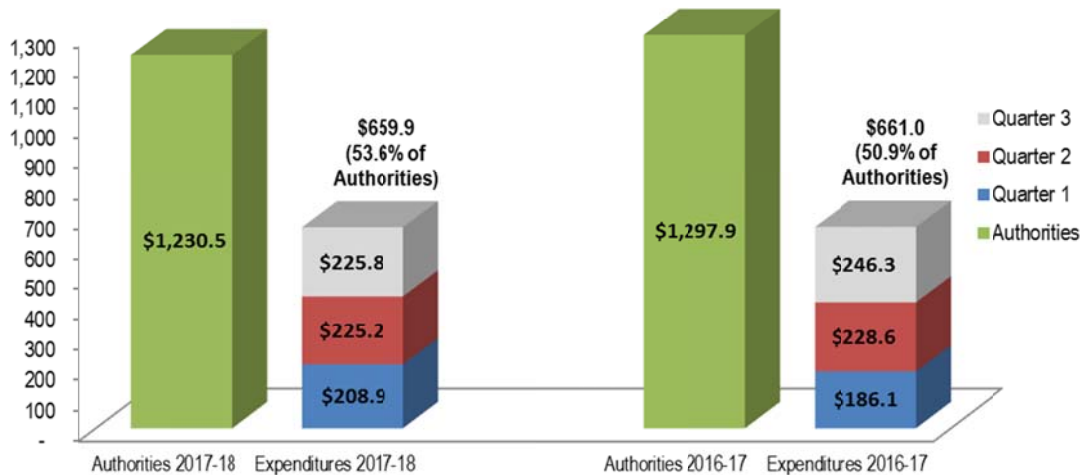
This section highlights the items that contributed most significantly to the changes in budgetary authorities for the current fiscal year and to the actual expenditures for the quarter that ended on December 31, 2017 compared with the [previous fiscal year](#). This section should be read in conjunction 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 December 31, 2017 and those as of December 31, 2016.

**Comparison of Budgetary Authorities and Expenditures**  
as of December 31, 2017 and December 31, 2016  
(in millions of dollars)



## 2.2 Significant Changes to Authorities

As of December 31, 2017, the authorities were \$1,230.5M, representing a decrease of \$67.4M (5.2%) in comparison to the 2016-17 authorities of the same period.

The decrease of \$67.4M in authorities is explained by the following items:

- Combined operating and statutory authorities decreased by \$32.1M. 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 \$16.5M. The variance is mainly attributable to a decrease of \$50.0M in Contributions to Firms, offset by an increase of \$32.8M in Contributions to the Thirty Meter Telescope resulting from the reprofiling of funds to 2017-18.



## 2.3 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.

### 2.3.1 *Variations in Third Quarter Expenditures*

NRC's expenditures totalled \$225.8M during the third quarter of 2017-18 which represents a decrease of \$20.5M over the third quarter of 2016-17. Lower expenses are mainly attributable to decreases of \$12.6 M in Grants and Contributions, \$6.1M in capital expenditures, \$2.5M in Statutory Employee Benefit Plan.

### 2.3.2 *Variance in Year-to-date Expenditures*

As of December 31, 2017, year-to-date expenditures were \$659.9M, representing a decrease of \$1.1M (0.2%) in comparison to the 2016-17 expenditures of the same period. This decrease is mostly attributable to the following items:

- Capital expenditures decreased by \$10.3M. The decrease is mainly attributable to a reduction of \$4.2M in acquisition of machinery and equipment (special industry machinery and research equipment), a reduction of \$3.6M in acquisition of land, buildings and works (mainly laboratories and other non-residential buildings) and a reduction of \$3.6M in work that improves service potential to machinery and research equipment.
- Transfer payments consisting of Grants & Contributions (G&C) expenditures increased by \$12.3M compared with the same period in the previous year. This change is principally attributable to an increase of contributions to Firms of \$8.4M, to contributions to Organizations of \$1.6M and to contributions to Youth Employment Strategy of \$1.6M.



### 3. Risks and Uncertainties

The majority of actions to manage NRC's FY2017-18 corporate risks continued to be on track in Q3. Particular progress was made on managing NRC's IT risks, with a focus on advancing NRC's initiative to modernize the organization's research IT infrastructure. In Q3, NRC's Senior Executive Committee also initiated planning to refresh NRC's corporate risk profile for FY2018-19.

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

As part of the first wave of the NRC Dialogue Action Plan, NRC launched a renewal exercise in Q3 to align, refocus and consolidate its R&D initiatives to support the Innovation and Skills Plan and position the organization to effectively respond to FY2018-19 Government priorities. NRC also initiated planning to develop its five-year Strategic Science and Innovation Plan (2019-20 to 2023-24) that will act as a guidepost to focus its activities and resources in high-value targeted areas where the organization can have the greatest impact for Canada.

NRC continued to deliver on its existing commitments with clients and partners while undertaking its NRC Dialogue Action Plan.

#### 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  
February 15, 2018



Quarterly Financial Report  
For the quarter ended December 31, 2017 (unaudited)

### Statement of Authorities (unaudited)

For the quarter ended December 31, 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 December 31, 2017	
Vote 1 - Operating expenditures	412,343	102,869	277,436
Vote 5 - Capital expenditures	107,122	11,153	26,632
Vote 10 - Grants and contributions	363,421	65,536	207,760
Statutory revenue **	300,883	36,418	118,491
Statutory EBP	46,707	9,872	29,615
<b>Total Budgetary authorities</b>	<b>1,230,476</b>	<b>225,848</b>	<b>659,934</b>

	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 December 31, 2016	
Vote 1 - Operating expenditures	420,763	97,285	269,588
Vote 5 - Capital expenditures	123,186	17,224	36,916
Vote 10 - Grants and contributions	379,875	78,167	195,450
Statutory revenue **	324,566	41,360	122,105
Statutory EBP	49,498	12,323	36,970
<b>Total Budgetary authorities</b>	<b>1,297,888</b>	<b>246,359</b>	<b>661,029</b>

\* 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 December 31, 2017 (unaudited)

**Departmental budgetary expenditures by Standard Object (unaudited)**

For the quarter ended December 31, 2017

	<b>Fiscal Year 2017-2018</b> (in thousands of dollars)		
	Planned expenditures for the year ending March 31, 2018	Expended during the quarter ended December 31, 2017	Year to date used at quarter-end
<b>Expenditures:</b>			
Personnel	461,397	99,108	297,048
Transportation and communications	25,823	4,127	10,522
Information	2,840	387	1,223
Professional and special services	75,931	14,528	35,921
Rentals	12,614	2,645	7,457
Purchased repair and maintenance	40,406	5,257	12,105
Utilities, materials and supplies	69,505	12,772	27,599
Acquisition of land, buildings and works	73,548	9,945	22,128
Acquisition of machinery and equipment	85,572	12,027	28,003
Transfer payments	363,421	65,536	207,760
Other subsidies and payments	19,419	(484)	10,168
<b>Total net budgetary expenditures</b>	<b>1,230,476</b>	<b>225,848</b>	<b>659,934</b>

	<b>Fiscal Year 2016-2017</b> (in thousands of dollars)		
	Planned expenditures for the year ending March 31, 2017	Expended during the quarter ended December 31, 2016	Year to date used at quarter-end
<b>Expenditures:</b>			
Personnel	466,679	100,985	298,655
Transportation and communications	25,042	4,096	10,873
Information	2,850	346	1,351
Professional and special services	82,810	11,585	33,459
Rentals	10,128	2,642	6,297
Purchased repair and maintenance	32,944	5,414	17,391
Utilities, materials and supplies	67,717	16,716	30,480
Acquisition of land, buildings and works	117,521	12,298	23,065
Acquisition of machinery and equipment	89,721	12,043	33,106
Transfer payments	379,875	78,167	195,450
Other subsidies and payments	22,601	2,067	10,902
<b>Total net budgetary expenditures</b>	<b>1,297,888</b>	<b>246,359</b>	<b>661,029</b>