



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.....	5
2.3	Significant Changes to Budgetary Expenditures	6
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of Canada uses financial information to support decision making, for policy development, for service delivery and for historical reference.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](#), including the Budget 2018 items which were accessed through the [Treasury Board Budget Implementation Vote](#). The QFR should be read in conjunction with the Main Estimates as well as Canada's Economic Action Plan ([Budget 2012](#), [Budget 2013](#), [Budget 2014](#), [Budget 2015](#), [Budget 2016](#), [Budget 2017](#) and [Budget 2018](#)). 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 June 30, 2018.

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 for 2018-19, including the Budget 2018 items which were accessed through the Treasury Board Budget Implementation vote. 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

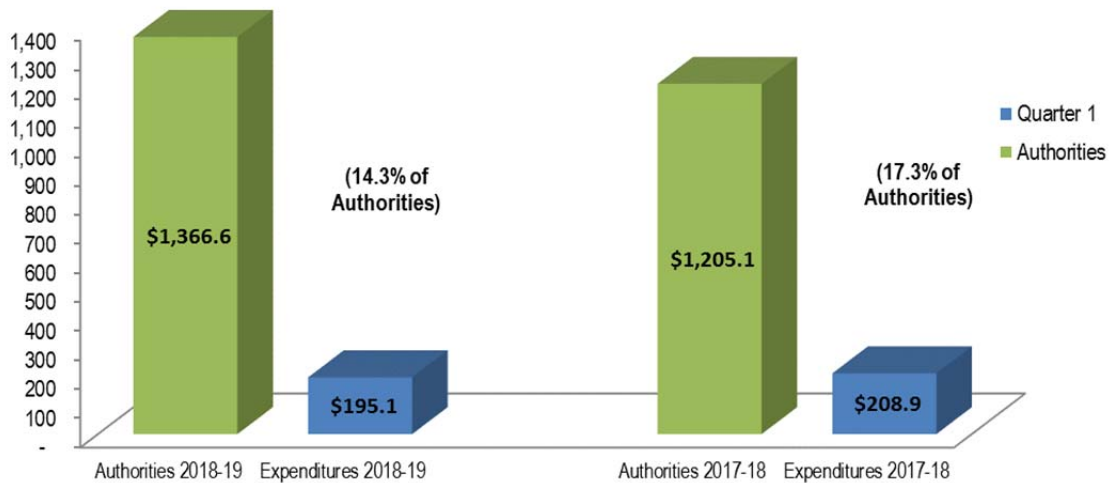
This section highlights the items that contributed most significantly to the changes in budgetary authorities for the current fiscal year and to the actual expenditures for the quarter that ended on June 30, 2018 compared with the [previous fiscal year](#). This section should be read in conjunction 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 June 30, 2018 and those as of June 30, 2017.

Comparison of Budgetary Authorities and Expenditures
as of June 30, 2018 and June 30, 2017
(in millions of dollars)



As shown in the graph above, the NRC's expenditures totalled \$195.1M during the first quarter of 2018-19 which represents a decrease of \$13.8M over the first quarter of 2017-18. Lower expenditures are mainly attributable to the decrease of \$20.1M in Grants and Contributions, offset by increases of \$6.1M in combined in operating and statutory revenue expenditures and \$1.0M in capital expenditures. Refer to 2.3 Significant Changes to Budgetary Expenditures for additional details.



Quarterly Financial Report
For the quarter ended June 30, 2018 (unaudited)

2.2 Significant Changes to Authorities

As of June 30, 2018, the authorities were \$1,366.6M, representing an increase of \$161.5 (13.4%) in comparison to the 2017-18 authorities of the same period. The following table summarizes the significant changes to NRC authorities:

Significant Changes to Authorities (*unaudited*)

For the year ending March 31, 2019 - As of June 30, 2018

(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
Industrial Research Assistance Program (Budget 2018)	8.8		90.0		1.1	99.9
Thirty Meter Telescope Observatory			37.2			37.2
Collaborative Research Excellence (Budget 2018)	8.5		27.0		0.5	36.0
Statutory Revenue Adjustment				14.0		14.0
Reduced Fees at NRC (Budget 2018)	10.8				1.6	12.4
2016 Federal Infrastructure Initiative (Budget 2016)		(14.2)				(14.2)
2014 Federal Infrastructure Initiative		(12.8)				(12.8)
Canada Accelerator and Incubator Program			(7.6)			(7.6)
Reinvestment for Sale of Real Property		(2.2)				(2.2)
Statutory Revenue Carry-Forward adjustment				(1.2)		(1.2)
Total increase (decrease) in authorities in comparison to prior year	28.1	(29.2)	146.6	12.8	3.2	161.5
Authorities – Total available for use for the year ending March 31, 2019 - As of June 30, 2018						1,366.6

The increase of \$161.5M in authorities is explained by the following items:

- An increase of \$99.9M for the Industrial Research Assistance Program, announced in Budget 2018, to support business research and development for projects;
- An increase of \$37.2M for the Thirty Meter Telescope Observatory, mainly due to the reprofile request of 2017-18 funding (\$76.1M) to 2018-19 when compared to previous year reprofile request (\$46.6M);
- An increase of \$36.0M for Collaborative Research Excellence announced in Budget 2018 which includes \$30.0M for Collaborative research and development programs to work with innovators from post-secondary institutions and businesses on multi-party research and \$6.0M for the establishment of an Ideation Fund to target breakthrough research ideas through a competitive peer-reviewed process;
- An increase of \$14.0M resulting from the growth of NRC's revenue forecast for 2018-19;
- An increase of \$12.4M announced in Budget 2018 to lower access fees charged to small and medium-sized enterprises and universities and colleges to enhance collaboration with



businesses and improve access to NRC's specialized facilities and equipment, scientists and technical services.

Offset by,

- An decrease of \$14.2M for the 2016 Federal Infrastructure Initiative due to the funding profile of the Initiative;
- A decrease of \$12.8M for the 2014 Federal Infrastructure Initiative when compared to previous year due to the funding profile of the Initiative (decrease of \$17.0M) and net reprofile request increase of 2017-18 funding to 2018-19 of \$4.2M;
- A decrease of \$7.6M for the Canada Accelerator and Incubator Program due to the sunseting of the program;
- A decrease of \$2.2M in capital funding resulting from the sale of real property in 2017-18; and
- A decrease of \$1.2M in statutory revenue carry-forward for use in subsequent years following the close of fiscal year 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 Variances in Year-to-date Expenditures

As of June 30, 2018, year-to-date expenditures were \$195.1M, representing a decrease of \$13.8M (6.6%) in comparison to the 2017-18 expenditures of the same period. This decrease is mostly attributable to the following items:

- Transfer payments consisting of Grants & Contributions (G&C) expenditures decreased by \$20.6M compared with the same period in the previous year. This change is principally attributable to decrease of contributions to Firms of \$13.5M as well as a decrease of \$12.5M to contributions to [TRIUMF](#), offset by increases of \$3.8M in contributions to the International Astronomical Observatories and \$3.1M in contributions to Youth Employment Strategy.
- Combined operating expenditures and statutory revenue expenditure increased by \$6.1M compared with the same period of the previous fiscal year. This change is mainly attributable to increases of \$2.6M in acquisition of machinery and equipment, \$2.1M in professional and special services as well as \$0.9M in purchased repair and maintenance.
- Capital expenditures increased by \$1.0M. The increase is mainly attributable to an increase of \$1.5M of acquisition of machinery and equipment (special industry machinery, computer equipment as well as research equipment), \$1.0M in professional fees, offset by a decrease of \$1.7M in acquisition of land, buildings and works.



3. Risks and Uncertainties

NRC's corporate risk profile for 2018-19, finalized in Q1, noted the top areas of risk continue to be:

- 1) Rebuilding and modernizing NRC's information technology infrastructure and the security of IT systems and practices; followed by
- 2) Effectively managing the implementation and changes associated with NRC's Dialogue ¹Action Plan; and
- 3) Having the necessary infrastructure and culture for effective collaboration.

Progress is being made in addressing each of these areas:

- 1) Transitioning NRC's email to a new secure environment; implementing an ecosystem approach designed to supply fit-for-purpose IT platforms (e.g., Shared Services Canada, external service providers, locally maintained and sourced through strategic partnerships);
- 2) Taking stock of progress against the NRC Action Plan 2017-2021, including accepting external expert advice to help identify and address gaps and opportunities for effective implementation of NRC Dialogue action items; and
- 3) Launching an internal project to assess and address barriers to collaboration between research centres; and implementation of the new collaborative R&D programs.

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

A number of internal structural changes were announced for implementation in Q1 including the merger, on a pilot basis, of NRC international relations and the IRAP international programs into a single International Innovation Office (IIO), and creation of a new Policy, Strategy and Performance Branch through merging units from two different corporate groups. Both groups now report to the Secretary General (the IIO also reports to the VP of IRAP). A National Program Office was also established to coordinate and oversee the R&D programs, and administer the new G&Cs funds for major collaborative R&D projects with external partners.

¹ NRC Dialogue is an internal exercise intended to improve research excellence, increase stakeholder engagement, improve governance and management practices, responding to the Mandate letter received by the President in August 2016.



Quarterly Financial Report
For the quarter ended June 30, 2018 (unaudited)

NRC's President was confirmed for a new 5-year term, which will provide continuity for managing the changes underway with the implementation of the Dialogue initiatives, and help ensure effective support of the federal Innovation and Skills Plan.

Approved by Senior Officials

Approved by:

Original was signed by:

Iain Stewart
President

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

Ottawa, Canada
August 24, 2018



Quarterly Financial Report
For the quarter ended June 30, 2018 (unaudited)

Statement of Authorities (unaudited)

For the quarter ended June 30, 2018

	Fiscal Year 2018-2019 (in thousands of dollars)		
	Total available for use for	Used during the quarter	Year to date used at
	the year ending March 31, 2019*	ended June 30, 2018	quarter-end
Vote 1 - Operating expenditures	428,619	100,033	100,033
Vote 5 - Capital expenditures	62,984	5,183	5,183
Vote 10 - Grants and contributions	512,680	57,415	57,415
Statutory revenue **	313,666	22,933	22,933
Statutory EBP	48,683	9,565	9,565
Total Budgetary authorities	1,366,632	195,129	195,129

	Fiscal Year 2017-2018 (in thousands of dollars)		
	Total available for use for	Used during the	Year to date used at
	the year ending March 31, 2018 *	quarter ended June 30, 2017	quarter-end
Vote 1 - Operating expenditures	401,517	71,882	71,882
Vote 5 - Capital expenditures	92,640	4,220	4,220
Vote 10 - Grants and contributions	363,336	77,966	77,966
Statutory revenue **	300,883	44,937	44,937
Statutory EBP	46,707	9,872	9,872
Total Budgetary authorities	1,205,083	208,877	208,877

* 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 June 30, 2018 (unaudited)

Departmental budgetary expenditures by Standard Object (unaudited)

For the quarter ended June 30, 2018

	Fiscal Year 2018-2019 (in thousands of dollars)		
	Planned expenditures for the year ending March 31, 2019	Expended during the quarter ended June 30, 2018	Year to date used at quarter-end
Expenditures:			
Personnel	494,860	98,642	98,642
Transportation and communications	22,191	2,888	2,888
Information	2,525	486	486
Professional and special services	84,041	10,547	10,547
Rentals	10,543	2,331	2,331
Purchased repair and maintenance	29,700	3,358	3,358
Utilities, materials and supplies	63,555	5,643	5,643
Acquisition of land, buildings and works	56,896	2,240	2,240
Acquisition of machinery and equipment	64,419	9,004	9,004
Transfer payments	512,680	57,415	57,415
Other subsidies and payments	25,222	2,575	2,575
Total net budgetary expenditures	1,366,632	195,129	195,129

	Fiscal Year 2017-2018 (in thousands of dollars)		
	Planned expenditures for the year ending March 31, 2018	Expended during the quarter ended June 30, 2017	Year to date used at quarter-end
Expenditures:			
Personnel	461,397	99,035	99,035
Transportation and communications	24,971	2,794	2,794
Information	2,747	364	364
Professional and special services	74,863	7,452	7,452
Rentals	12,198	2,471	2,471
Purchased repair and maintenance	39,073	2,323	2,323
Utilities, materials and supplies	67,213	5,187	5,187
Acquisition of land, buildings and works	57,117	3,979	3,979
Acquisition of machinery and equipment	82,750	4,930	4,930
Transfer payments	363,336	77,966	77,966
Other subsidies and payments	19,418	2,376	2,376
Total net budgetary expenditures	1,205,083	208,877	208,877