



National Research Council Canada

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

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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of Canada uses financial information to support decision making, for policy development, for service delivery and for historical reference.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 September 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

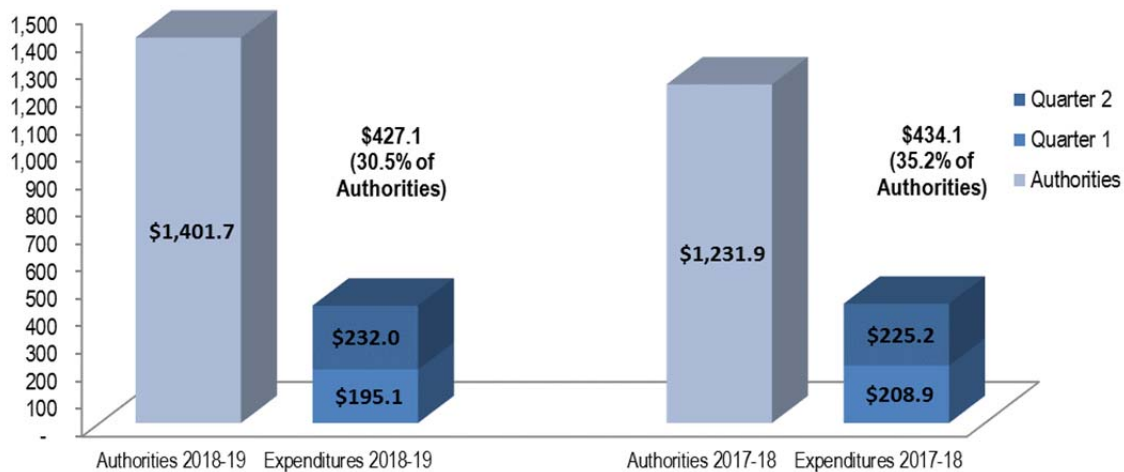
This section highlights the items that contributed most significantly to the changes in budgetary authorities for the current fiscal year and to the actual expenditures for the quarter that ended on September 30, 2018 compared with the [previous fiscal year](#). This section should be read in conjunction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

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



As shown in the graph above, the NRC’s expenditures totalled \$232.0M during the second quarter of 2018-19 which represents an increase of \$6.8M over the second quarter of 2017-18. Higher expenditures are mainly attributable to increases of \$5.6M in Grants and Contributions, \$0.8M in capital expenditures and \$0.7M in combined 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, 2018, the authorities were \$1,401.7M, representing an increase of \$169.8M (13.8%) in comparison to the 2017-18 authorities of the same period.

The increase of \$169.8M in authorities is explained by the following items:

- Transfer payments consisting of Grants and Contributions (G&C) authorities increased by \$149.3M. The variance is mainly attributable to Budget 2018 increases of \$90.0M for the Industrial Research Assistance Program and \$27.0M for Collaborative Research Excellence. The remaining variance is primarily associated with an increase of \$38.3M in contributions to the International Astronomical Observatory Program, offset by a decrease of \$7.1M in contributions for the Canada Accelerator and Incubator Program.
- Combined operating and statutory authorities increased by \$44.6M. This growth is mainly attributable to \$28.1M in funding from Budget 2018 and a \$12.8M variance in Statutory Revenue authorities.
- Capital authorities decreased by \$26.1M. The variance is primarily attributable to a \$26.5M decrease in funding for Federal Infrastructure Initiatives, \$2.2M for the sale of land and \$1.1M for the Thirty Meter Telescope Observatory, offset by a year-over-year increase of \$3.6M in NRC's Capital Budget Carry-Forward.

The following table summarizes the significant changes to NRC authorities since June 30, 2018:

Significant Changes to Authorities (*unaudited*)

For the year ending March 31, 2019 - As of September 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, 2019 - As of June 30, 2018						1,366.6
Operating and Capital Budget Carry-Forward	17.0	18.1				35.1
Total increase (decrease) in authorities in comparison to prior year	17.0	18.1	-	-	-	35.1
Authorities – Total available for use for the year ending March 31, 2019 - As of September 30, 2018						1,401.7



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 September 30, 2018, year-to-date expenditures were \$427.1M, representing a decrease of \$7.0M (1.6%) in comparison to the 2017-18 expenditures of the same period. This decrease is primarily associated with the following items:

- Transfer payments consisting of Grants & Contributions (G&C) expenditures decreased by \$15.0M compared with the same period in the previous year. This change is mainly attributable to decreases in contributions to Firms and Organizations of \$21.1M and \$1.7M respectively, offset by increases in contributions of \$3.7M for the Youth Employment Strategy and \$3.5M for the International Astronomical Observatories Program.
- Combined operating expenditures and statutory revenue expenditure increased by \$6.8M compared with the same period of the previous fiscal year. The variance results from a \$5.7M increase in personnel costs, mainly due to the retro-active payments of multiple collective bargaining agreements and a \$3.5M increase in acquisition of machinery and equipment, offset by a decrease of \$2.2M for Payment in lieu of taxes (PILT).

3. Risks and Uncertainties

Progress continued to be made against the 2018-19 corporate risks (e.g., Dialogue implementation, collaboration, governance) with recognition of some continuing areas for attention, including:

- **Managing the pace of change:** In Q2, NRC undertook a stock-take of its implementation progress against the action plan for achieving its new vision defined through its internal assessment exercise (NRC Dialogue). Both internal and external experts were consulted on the path forward with a focus on delivering the most impactful initiatives, and consolidating and implementing the remaining actions as part of NRC operational activities.
- **Enabling Information Technologies:** NRC continues to work with SSC to explore options and implement solutions to address NRC's needs to address client requirements and collaborate with research partners.
- **Addressing Public Service Employee Survey (PSES) Results:** Internal consultations on NRC's results from the PSES were undertaken in Q2, the results of which were discussed with NRC's senior executive committee to move forward on concrete solutions to address concerns identified.



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

A series of new R&D initiatives were announced within NRC: i) Ideation Programs (New Beginnings Fund and Collaborative (Small Teams) Ideation Fund) to support self-directed research in collaboration with our partners; ii) Supercluster Support Programs to deliver research in support of the five winning business-led innovation superclusters; iii) Challenge Programs to build collaborative multi-stakeholder teams to tackle priority issues for Canada.

NRC's first Departmental Science Advisor and Chief Science Officer was appointed to support the federal science agenda, while the new position of internal Science Advisor to the President was also filled, working with the new President's Research Excellence Advisory Committee.

A new governance structure was announced for a combined Executive Committee (EXCO) to support NRC decision-making, comprising of the NRC senior executives and director generals of research centres, branches, and IRAP.

Approved by Senior Officials

Approved by:

Original was signed by:

Iain Stewart
President

Johanne Diotte
Vice-President, Corporate Services and
Chief Financial Officer (Acting)

Ottawa, Canada
November 26, 2018



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

Statement of Authorities (unaudited)

For the quarter ended September 30, 2018

	Fiscal Year 2018-2019 (in thousands of dollars)		
	Total available for use for the year ending March 31, 2019*	Used during the quarter ended September 30, 2018	Year to date used at quarter-end
Vote 1 - Operating expenditures	445,656	86,503	186,535
Vote 5 - Capital expenditures	81,048	12,086	17,269
Vote 10 - Grants and contributions	512,680	69,841	127,256
Statutory revenue **	313,666	53,978	76,912
Statutory EBP	48,683	9,565	19,129
Total Budgetary authorities	1,401,733	231,973	427,101

	Fiscal Year 2017-2018 (in thousands of dollars)		
	Total available for use for the year ending March 31, 2018 *	Used during the quarter ended September 30, 2017	Year to date used at quarter-end
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

* 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, 2018 (unaudited)

Departmental budgetary expenditures by Standard Object (unaudited)

For the quarter ended September 30, 2018

	Fiscal Year 2018-2019 (in thousands of dollars)		
	Planned expenditures for	Expended during the	Year to date used at
	the year ending March 31, 2019	quarter ended September 30, 2018	quarter-end
Expenditures:			
Personnel	494,860	106,213	204,856
Transportation and communications	23,176	3,702	6,590
Information	2,649	339	824
Professional and special services	87,710	16,072	26,619
Rentals	11,104	2,202	4,533
Purchased repair and maintenance	31,300	4,058	7,416
Utilities, materials and supplies	66,355	8,304	13,947
Acquisition of land, buildings and works	78,878	4,195	6,435
Acquisition of machinery and equipment	67,799	11,142	20,146
Transfer payments	512,680	69,841	127,256
Other subsidies and payments	25,222	5,905	8,479
Total net budgetary expenditures	1,401,733	231,973	427,101

	Fiscal Year 2017-2018 (in thousands of dollars)		
	Planned expenditures for	Expended during the	Year to date used at
	the year ending March 31, 2018	quarter ended September 30, 2017	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	19,418	8,275	10,652
Total net budgetary expenditures	1,231,875	225,210	434,086