



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 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	8
6.	Departmental budgetary expenditures by Standard Object	9



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of Canada uses financial information to support decision making, for policy development, for service delivery and for historical reference.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](#), and [Supplementary Estimates \(A\)](#). 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 December 31, 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 and Supplementary Estimates (A). 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

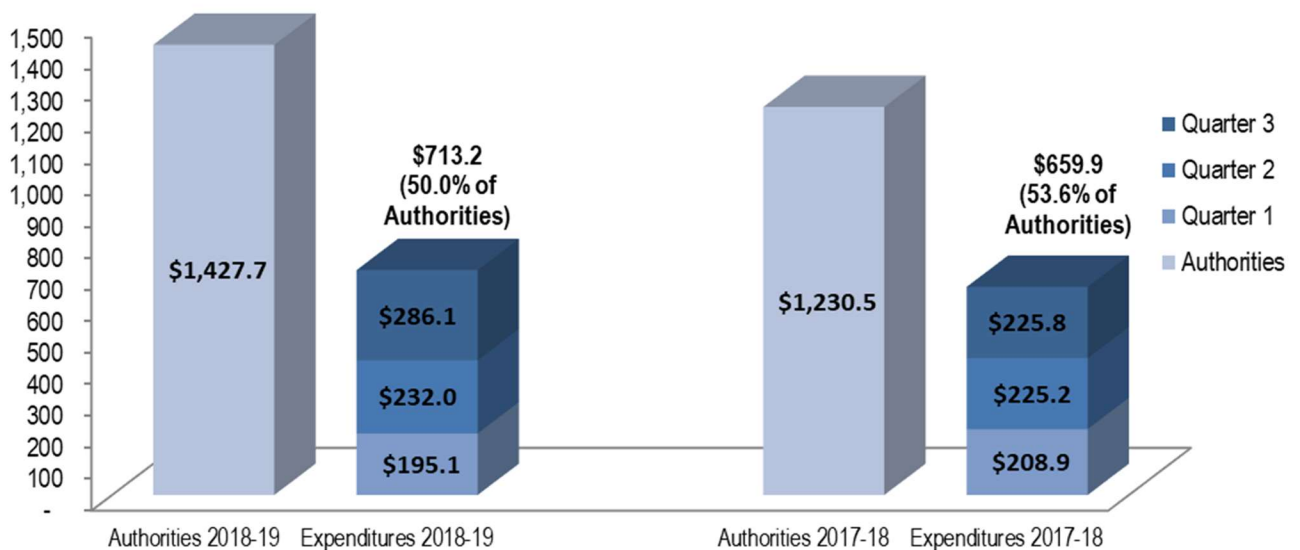
This section highlights the items that contributed most significantly to the changes in budgetary authorities for the current fiscal year and to the actual expenditures for the quarter that ended on December 31, 2018 compared with the [previous fiscal year](#). This section should be read in conjunction 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 December 31, 2018 and those as of December 31, 2017.

Comparison of Budgetary Authorities and Expenditures
as of December 31, 2018 and December 31, 2017
(in millions of dollars)



As shown in the graph above, the NRC's expenditures totalled \$286.1M during the third quarter of 2018-19 which represents an increase of \$60.3M over the third quarter of 2017-18. Higher expenditures are mainly attributable to increases of \$32.7M in combined operating and statutory revenue expenditures, \$19.7 in Grants and Contributions and \$8.2M in capital expenditures. Refer to 2.3 Significant Changes to Budgetary Expenditures for additional details.

2.2 Significant Changes to Authorities

As of December 31, 2018, the authorities were \$1,427.7M, representing an increase of \$197.2M (16.0%) in comparison to the 2017-18 authorities of the same period.

The increase of \$197.2M in authorities is explained by the following items:

- Transfer payments consisting of Grants and Contributions (G&C) authorities increased by \$154.2M. The variance is mainly attributable to Budget 2018 increases of \$90.0M for the Industrial Research Assistance Program (IRAP) and \$27.0M for Collaborative Research



Quarterly Financial Report
For the quarter ended December 31, 2018 (unaudited)

Excellence. The remaining variance is primarily associated with an increase of \$38.3M in contributions to the International Astronomical Observatory Program and \$4.9M for the re-profile of 2017-18 unspent funds for IRAP, offset by a decrease of \$7.1M in contributions for the Canada Accelerator and Incubator Program;

- Combined operating and statutory authorities increased by \$66.6M. This growth is mainly attributable to \$28.1M in funding from Budget 2018, \$20.4M from the signing of collective bargaining agreements and a \$12.8M variance in Statutory Revenue authorities;
- Capital authorities decreased by \$25.4M. 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 September 30, 2018:

Significant Changes to Authorities (unaudited)
For the year ending March 31, 2019 - As of December 31, 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 September 30, 2018						1,401.7
Supplementary Estimates (A)	-	0.6	5.0			5.6
Compensation Allocations	20.4					20.4
Total increase (decrease) in authorities in comparison to prior year	20.4	0.6	5.0	-	-	26.0
Authorities – Total available for use for the year ending March 31, 2019 - As of December 31, 2018						1,427.7

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 December 31, 2018, year-to-date expenditures were \$713.2M, representing an increase of \$53.3M (8.1%) in comparison to the 2017-18 expenditures of the same period. This increase is primarily associated with the following items:



- Transfer payments consisting of Grants & Contributions (G&C) expenditures increased by \$4.6M compared with the same period in the previous year. This change is mainly attributable to increases of \$5.6M for the International Astronomical Observatories Program, \$1.4M for the Youth Employment Strategy and \$0.7M for TRIUMF, offset by a decrease of \$4.2M for IRAP Contributions to Firms;
- Combined operating and statutory revenue expenditures increased by \$39.5M compared with the same period of the previous fiscal year. This variance largely results from costs incurred from collective bargaining. More specifically, NRC incurred \$22.7M in retroactive payroll costs, mainly as a result of the Research Officer and Research Council Officer (RO/RCO) Collective Agreement in 2018-19;
- Capital expenditures increased by \$10.1M. The increase is mainly attributable to increases of \$3.4M in capital labour which is now recorded on a monthly basis instead of annually, \$3.3M in acquisition of land, buildings and works and \$1.2M in utilities, materials and supplies.

3. Risks and Uncertainties

Progress continued in managing key risks in the 2018-19 corporate risk profile, with particular focus on:

Addressing Public Service Employee Survey (PSES) Results: The three primary areas of concern identified through PSES results and employee consultations will be addressed through existing Workplace Wellness, Career Development, and Process Optimization initiatives of the NRC Dialogue Action plan. Action plans have also been developed by Research Centres and Branches to address results at the local level.

Enabling Information Technologies: NRC made progress in transforming its IT infrastructure with the roll-out of applications such as email on its secure network, tooling the organization to use a documentation management platform and a paperless travel process. NRC also continued to make investments in high performance computing and storage space, including cloud-based solutions and the acquisition of specialized scientific equipment.

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

The NRC new Executive Committee (EXCO) was launched in November as a management forum for communication, consultation and collaborative decision-making. Membership is comprised of NRC senior executives and director generals of research centres, branches and IRAP.



Quarterly Financial Report
For the quarter ended December 31, 2018 (unaudited)

NRC launched its policy on Research and Scientific Integrity. Championed by NRC's Departmental Science Advisor, the policy includes such goals as:

- Increasing the reliability of the research and science performed at NRC;
- Encouraging NRC employees to speak freely about their work; and
- Enhancing the public's trust in government research and science.

NRC's Ideation-New Beginnings funding announced the selection of 52 successful research proposals. This initiative supports research-led exploration of transformative research ideas done in collaboration with academic partners.

NRC announced one of its first collaboration centres, the Centre for Research and Applications in Fluidic Technologies (CRAFT). Located in the University of Toronto's Medical Sciences Building, the centre will be used to scale up research in in-vitro diagnostics, regenerative medicine and precision medicine.

Approved by Senior Officials

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Vice-President, Corporate Services and
Chief Financial Officer

Ottawa, Canada
February 17, 2019



Quarterly Financial Report
For the quarter ended December 31, 2018 (unaudited)

Statement of Authorities (unaudited)

For the quarter ended December 31, 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 December 31, 2018	Year to date used at quarter-end
	Vote 1 - Operating expenditures	466,056	121,047
Vote 5 - Capital expenditures	81,657	19,422	36,690
Vote 10 - Grants and contributions	517,608	85,152	212,408
Statutory revenue **	48,683	50,954	127,865
Statutory EBP	313,666	9,565	28,694
Total Budgetary authorities	1,427,670	286,140	713,239

	Fiscal Year 2017-2018 (in thousands of dollars)		
	Total available for use for the year ending March 31, 2018 *	Used during the quarter ended December 31, 2017	Year to date used at quarter-end
	Vote 1 - Operating expenditures	412,343	102,869
Vote 5 - Capital expenditures	107,122	11,153	26,632
Vote 10 - Grants and contributions	363,421	65,536	207,760
Statutory revenue **	46,707	36,418	118,491
Statutory EBP	300,883	9,872	29,615
Total Budgetary authorities	1,230,476	225,848	659,934

* 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, 2018 (unaudited)

Departmental budgetary expenditures by Standard Object (unaudited)

For the quarter ended December 31, 2018

	Fiscal Year 2018-2019 (in thousands of dollars)		
	Planned expenditures for the year ending March 31, 2019	Used during the quarter ended December 31, 2018	Year to date used at quarter-end
	Expenditures:		
Personnel	515,260	129,595	334,451
Transportation and communications	23,176	5,046	11,635
Information	2,649	391	1,215
Professional and special services	87,710	23,552	50,170
Rentals	11,104	2,267	6,800
Purchased repair and maintenance	31,300	4,680	12,097
Utilities, materials and supplies	66,355	10,417	24,362
Acquisition of land, buildings and works	78,878	10,180	16,616
Acquisition of machinery and equipment	68,408	12,281	32,427
Transfer payments	517,608	85,152	212,408
Other subsidies and payments	25,222	2,579	11,058
Total net budgetary expenditures	1,427,670	286,140	713,239
	Fiscal Year 2017-2018 (in thousands of dollars)		
	Planned expenditures for the year ending March 31, 2018	Used during the quarter ended December 31, 2017	Year to date used at quarter-end
	Expenditures:		
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
Total net budgetary expenditures	1,230,476	225,848	659,934