



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of Canada uses financial information to support decision making, for policy development, for service delivery and for historical reference.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](#). The QFR should be read in conjunction with the Main Estimates as well as the Federal Budget ([Budget 2016](#), [Budget 2017](#), [Budget 2018](#) and [Budget 2019](#)). 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, 2019.

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 have an impact by advancing knowledge, applying leading-edge technologies, and working with other innovators to find creative, relevant and sustainable solutions to Canada's current and future economic, social and environmental challenges.

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
- 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 2019–20. 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

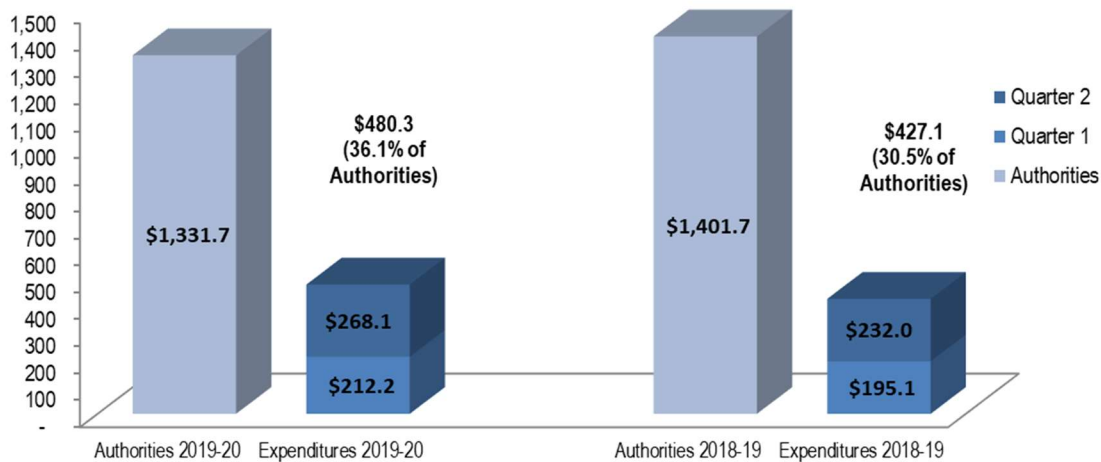
This section highlights the items that contributed most significantly to the changes in budgetary authorities for the current fiscal year and to the actual expenditures for the quarter that ended on September 30, 2019 compared with the [previous fiscal year](#). This section should be read in conjunction 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, 2019 and those as of September 30, 2018.

Comparison of Budgetary Authorities and Expenditures
as of September 30, 2019 and September 30, 2018
(in millions of dollars)



As shown in the graph above, the NRC’s expenditures totalled \$268.1M during the second quarter of 2019–20 which represents an increase of \$36.1M over the second quarter of 2018–19. Higher expenditures are attributable to increases of \$24.9M in Grants and Contributions, \$5.7M in statutory employee benefit plan cost (EBP), \$3.0M in capital and \$2.5M in combined operating and statutory spendable revenue expenditures. Refer to 2.3 Significant changes to Budgetary Expenditures for additional details.



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2.2 Significant changes to authorities

As of September 30, 2019, the authorities were \$1,331.7M, representing a decrease of \$70.0M (5.0%) in comparison to the 2018–19 authorities of the same period.

The decrease of \$70.0M in authorities is mainly explained by the following items:

- Transfer payments consisting of Grants and Contributions (G&C) authorities decreased by \$63.6M. The variance is mainly attributable to decreases of \$79.2M for the construction of the Thirty Meter Telescope, \$17.1M due to the sunseting of the Canada Accelerator and Incubator Program and \$10.0M for the Youth Employment Strategy, offset by an increase of \$43.0M for the Industrial Research Assistance Program.
- Capital authorities decreased by \$22.7M. The variance is primarily attributable to a decrease of \$24.8M in funding received through the 2014 Federal Infrastructure Initiative, offset by an increase of \$2.6M for the Free Access to electronic copies of National Building Codes.
- Statutory Employee Benefit Plan (EBP) authorities increased by \$12.6M compared with the same period in the previous year. This change is principally attributable to a realignment between the personnel and non-personnel operating vote sub-allotments reflected in NRC's 2019-20 Main Estimates.

The following table summarizes the significant changes to NRC authorities since June 30, 2019:

Significant Changes to Authorities (*unaudited*)

For the year ending March 31, 2020 - As of September 30, 2019

(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, 2020 - As of June 30, 2019						1,316.6
Operating Budget Carry-Forward	14.8					14.8
TB Vote 5			0.3			0.3
Total increase (decrease) in authorities in comparison to prior year	14.8	-	0.3	-	-	15.1
Authorities – Total available for use for the year ending March 31, 2020 - As of September 30, 2019						1,331.7



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, 2019, year-to-date expenditures were \$480.3M, representing an increase of \$53.2M (12.5%) in comparison to the 2018–19 expenditures of the same period. This increase is mostly attributable to the following items:

- Transfer payments consisting of Grants and Contributions (G&C) expenditures increased by \$30.9M compared with the same period in the previous year. This change is principally attributable to an increase of contributions to Firms of \$52.9M, offset by decreases of \$14.2M to contributions to [TRIUMF](#), \$4.5M in contributions to Youth Employment Strategy as well as \$4.1M due to the sunsetting of the contributions to the Canada Accelerator and Incubator Program.
- Statutory Employee Benefit Plan (EBP) expenditures increased by \$11.5M compared with the same period in the previous year. This change is principally attributable to an increase of the 2019–20 Main Estimates value.
- Capital expenditures increased by \$5.6M. The increase is mainly attributable to increases of \$4.3M in acquisition of machinery and \$4.1M in acquisition of buildings and works, offset by a decrease of \$2.9M in professional fees.
- Combined operating and statutory spendable revenue expenditures increased by \$5.1M compared with the same period of the previous fiscal year. This change is mainly attributable to increases of \$11.9M in personnel costs, not including employee benefit costs, as a result of renewed collective agreements, offset by decreases of \$3.3M in acquisition of machinery and equipment, \$1.8M in utilities, materials and supplies as well as \$1.3 in repair and maintenance.

3. Risks and uncertainties

In Q2, the NRC implemented a new, consultative semi-annual risk process. This new process supports the enhancement of bottom-up, top-down synchronization in the development and validation of the NRC's corporate strategic risks and issues, and in-year stock-taking and adjustments. The NRC will officially refresh its Corporate Risk Profile in November 2019.

In Q2, progress continued in managing key issues, with particular focus on:

- **Workplace wellness:** Significant progress was made on the NRC's Wellness Strategy in Q2. The NRC is on track to launch its strategy and conflict resolution program by the end of March 2020.



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- **Enabling tools and infrastructure:** Several productivity tools were introduced in Q2 (e.g. the launch of an external collaboration tool and roll-out of cloud services to be transitioned into operations). The NRC is also working with Shared Services Canada to develop a new service delivery model that will improve the agility of NRC's research IT.

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

On June 25, the NRC held its first Women in STEM Luncheon. Geneviève Tanguay, Vice-President of Emerging Technologies, was joined by 80 NRC researchers to discuss important topics such as equity, diversity and inclusion; leadership and mentorship; recruitment and attraction of girls in STEM; work-life balance and wellness; motherhood and childcare; and strategies to promote women in STEM. Based on the success of the first luncheon, the NRC will host additional events to continue the promotion of careers in STEM and an inclusive workplace.

Vice-President of Engineering, Michel Dumoulin and NRC Council Chair, Doug Muzyka participated in the official launch of the Karluk Collaboration Space in St. John's, Newfoundland on June 28. This collaboration with the Memorial University of Newfoundland will facilitate leading innovation in ocean engineering, technology and science. Research will span disciplines as varied as maritime technology, oceanography, naval architecture and digitization of seaways.

On July 12, the NRC's Vice-President of Transportation and Manufacturing, François Cordeau, accepted an 18-month executive assignment to oversee the delivery of a key NRC Dialogue initiative: the simplification of internal NRC processes (including: contracting in, licensing and management of intellectual property; project management and timecoding of staff; leaning out procurement; onboarding of new employees; and a facilities review and recapitalization planning). The Director General for the Medical Devices Research Centre, Jean-François Houle is the acting Vice-President of Transportation and Manufacturing during this period.

Approved by senior officials

Approved by: _En

Original was signed by:

Iain Stewart
President

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

Ottawa, Canada
November 25, 2019



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Statement of Authorities (unaudited)
For the quarter ended September 30, 2019

	Fiscal Year 2019-2020 (in thousands of dollars)		
	Total available for use for the year ending March 31, 2020*	Used during the quarter ended September 30, 2019	Year to date used at quarter-end
	Vote 1 - Operating expenditures	451,284	110,478
Vote 5 - Capital expenditures	58,320	15,072	23,053
Vote 10 - Grants and contributions	449,105	94,714	158,142
Statutory revenue **	311,745	32,592	51,103
Statutory EBP	61,237	15,309	30,619
Total Budgetary authorities	1,331,691	268,165	480,330

	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
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

* 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).



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Departmental budgetary expenditures by Standard Object (unaudited)

For the quarter ended September 30, 2019

	Fiscal Year 2019-2020 (in thousands of dollars)		
	Total available for use for the year ending March 31, 2020*	Used during the quarter ended September 30, 2019	Year to date used at quarter-end
	Expenditures:		
Personnel	469,099	116,355	227,993
Transportation and communications	25,980	3,969	7,437
Information	2,599	404	722
Professional and special services	109,494	15,148	23,483
Rentals	16,520	1,952	4,893
Purchased repair and maintenance	29,598	3,625	6,539
Utilities, materials and supplies	68,020	6,758	12,370
Acquisition of land, buildings and works	49,912	5,395	8,841
Acquisition of machinery and equipment	60,183	13,033	21,067
Transfer payments	449,105	94,714	158,142
Other subsidies and payments	51,181	6,812	8,843
Total net budgetary expenditures	1,331,691	268,165	480,330
	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
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