



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of Canada uses financial information to support decision making, for policy development, for service delivery and for historical reference.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 of Canada (NRC) attests that they are an accurate and true reflection of the financial position for the period ended December 31, 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

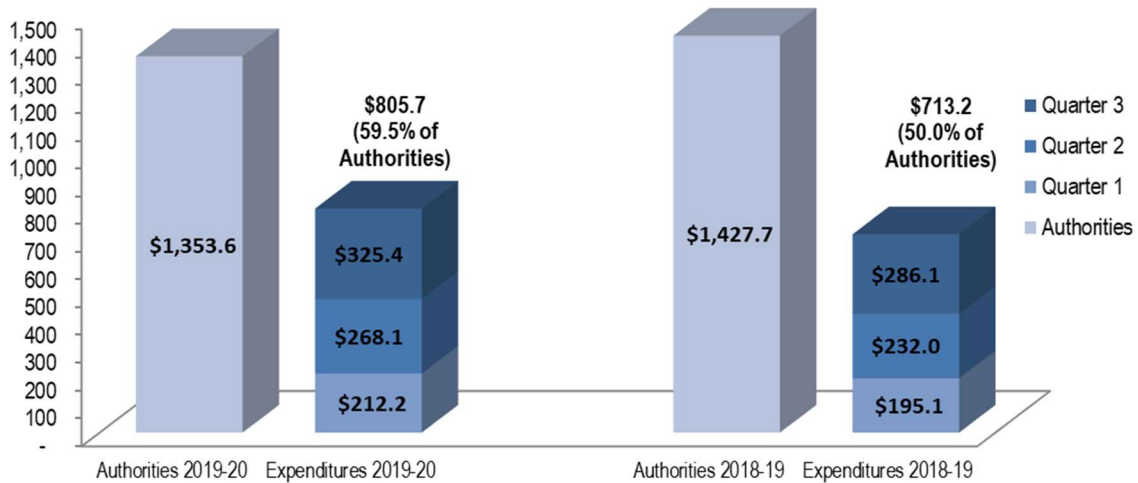
This section highlights the items that contributed most significantly to the changes in budgetary authorities for the current fiscal year and to the actual expenditures for the quarter that ended on December 31, 2019 compared with the [previous fiscal year](#). This section should be read in conjunction 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 December 31, 2019 and those as of December 31, 2018.

Comparison of Budgetary Authorities and Expenditures
as of December 31, 2019 and December 31, 2018
(in millions of dollars)



As shown in the graph above, the NRC’s expenditures totalled \$325.4M during the third quarter of 2019–20 which represents an increase of \$39.3M over the third quarter of 2018–19. Higher expenditures are attributable to increases of \$27.3M in Grants and Contributions, \$8.8M in combined operating and statutory spendable revenue expenditures, \$5.7M in statutory employee benefit plan cost (EBP), offset by a decrease of \$2.5M in capital 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 December 31, 2019, the authorities were \$1,353.6M, representing a decrease of \$74.1M (5.2%) in comparison to the 2018–19 authorities of the same period.

The decrease of \$74.1M in authorities is mainly explained by the following items:

- Transfer payments consisting of Grants and Contributions (G&C) authorities decreased by \$68.5M. The variance is mainly attributable to decreases of \$79.2M for the construction of the Thirty Meter Telescope, \$17.7M due to the sunseting of the Canada Accelerator and Incubator Program and \$12.5M for the Youth Employment and Skills Strategy, offset by an increase of \$42.1M for the Industrial Research Assistance Program (IRAP) Contributions to Firms.
- Capital authorities decreased by \$23.3M. The variance is primarily attributable to a decrease of \$25.3M in funding related to 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 the NRC's 2019-20 Main Estimates.

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

Significant Changes to Authorities (*unaudited*)

For the year ending March 31, 2020 - As of December 31, 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 September 30, 2019						1,331.7
Compensation Allocations	21.9					21.9
Total increase (decrease) in authorities in comparison to prior year	21.9	-	-	-	-	21.9
Authorities – Total available for use for the year ending March 31, 2020 - As of December 31, 2019						1,353.6



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, 2019, year-to-date expenditures were \$805.7M, representing an increase of \$92.5M (13.0%) 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 \$58.2M compared with the same period in the previous year. This change is principally attributable to an increase of IRAP Contributions to Firms of \$68.3M, offset by decreases of \$9.7M due to the sunsetting of the contributions to the Canada Accelerator and Incubator Program as well as \$2.5M in contributions to Youth Employment and Skills Strategy.
- Combined operating and statutory expenditures increased by \$31.0M compared with the same period of the previous fiscal year. This change is mainly attributable to an increase in personnel costs as a result of renewed collective agreements.

3. Risks and uncertainties

In the third quarter, the NRC held multi-level consultations to refresh its corporate risk profile. As a result of these risk consultations and in consideration of the NRC's risk context and operating environment, moving forward the NRC will focus on the following 4 corporate risks: 1) managing collaborations; 2) protection of information and assets; 3) emergency prevention and response; and 4) financial stability related to uncertain economic conditions.

These risks will be managed through existing controls and targeted action plans, as appropriate.

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

The NRC's Five-Year Strategic Plan: *From Dialogue to Action, Excellence to Impact* was released in the third quarter. Developed from a ground up approach, the Five-Year Strategic Plan defines the organization's objectives and enabling strategies for the next five years to tackle some of the biggest questions and challenges Canada faces. The plan sets out 5 areas of strategic focus to position the NRC at the forefront of research and innovation:

- Enabling a more sustainable economy
- Supporting a healthier future
- Innovating the everyday



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- Creating Canadian wealth through innovation
- Understanding our world

As a companion document to the Five-Year Strategic Plan, the NRC also released its Strategic Human Resources Plan in the third quarter. Outlining a number of targeted initiatives, including an Equity, Diversity and Inclusion Strategy, a Leadership Development Framework, and a Wellness Strategy, the Strategic HR Plan will enhance the NRC's ability to attract, develop and retain a diverse, healthy and skilled workforce.

In the third quarter, the NRC further developed its international engagement strategy with two major milestones:

- On October 8, 2019, the NRC officially opened an office in Tokyo, Japan. The Tokyo office will be the point of entry for researchers and businesses in Japan who are interested in research and development collaborations with the NRC or with Canadian small and medium-sized enterprises.
- On December 4, 2019, the NRC announced the deployment of an NRC representative to Munich which will strengthen German-Canadian relations and promote partnerships with stakeholders in various fields.

Approved by senior officials

Approved by:

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Iain Stewart
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Chief Financial Officer

Ottawa, Canada
February 25, 2020



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Statement of Authorities (unaudited)

For the quarter ended December 31, 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 December 31, 2019	Year to date used at quarter-end
	Vote 1 - Operating expenditures	473,182	137,951
Vote 5 - Capital expenditures	58,320	16,897	39,950
Vote 10 - Grants and contributions	449,105	112,441	270,583
Statutory revenue **	311,745	42,828	93,931
Statutory EBP	61,237	15,309	45,928
Total Budgetary authorities	1,353,589	325,426	805,756

	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 **	313,666	50,954	127,865
Statutory EBP	48,683	9,565	28,694
Total Budgetary authorities	1,427,670	286,140	713,239

* 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 December 31, 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 December 31, 2019	Year to date used at quarter-end
Expenditures:			
Personnel	490,997	149,807	377,800
Transportation and communications	25,980	5,101	12,537
Information	2,599	285	1,008
Professional and special services	109,494	19,459	42,942
Rentals	16,520	2,300	7,193
Purchased repair and maintenance	29,598	5,228	11,767
Utilities, materials and supplies	68,020	9,694	22,064
Acquisition of land, buildings and works	49,912	7,909	16,750
Acquisition of machinery and equipment	60,183	11,778	32,845
Transfer payments	449,105	112,441	270,583
Other subsidies and payments	51,181	1,424	10,267
Total net budgetary expenditures	1,353,589	325,426	805,756
	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
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