

Natural Sciences and Engineering Research Council of Canada
Quarterly Financial Report
For the Quarter Ended December 31, 2021

Catalogue Number: NS12-4E-PDF

ISSN: ISSN 2564-1107

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

1. Introduction

This Quarterly Financial Report (QFR) has been prepared by management as required by section 65.1 of the [Financial Administration Act](#) (FAA) and in the form and manner prescribed by the Treasury Board. It should be read in conjunction with the 2021–22 [Main Estimates](#), [Supplementary Estimates \(A\)](#) and [Supplementary Estimates \(B\)](#). This report has not been subject to an external audit or review.

1.1 Authority, mandate and programs

The Natural Sciences and Engineering Research Council of Canada (NSERC) was established in 1978 by the *Natural Sciences and Engineering Research Council Act* and is a departmental corporation named in Schedule II of the FAA. NSERC's purpose is to help make Canada a country of discoverers and innovators for the benefit of all Canadians, by supporting post-secondary students and postdoctoral fellows in their advanced studies, funding the research programs of academic researchers, and stimulating partnerships between academia and industry.

Further information on the NSERC mandate and program activities can be found in [Part II of the Main Estimates](#).

1.2 Basis of presentation

Management prepared this quarterly report using an expenditure basis of accounting. The accompanying statement of authorities includes NSERC's spending authorities granted by Parliament and those used by the agency, consistent with the Main Estimates, Supplementary Estimates (A) and Supplementary Estimates (B) for the fiscal year 2021–22. This quarterly report has been prepared using a special-purpose financial reporting framework designed to meet financial information needs with respect to the use of spending authorities.

The authority of Parliament is required before the Government of Canada can spend money. Approvals are given in the form of annually approved limits through appropriation acts or through legislation in the form of statutory spending authorities for specific purposes.

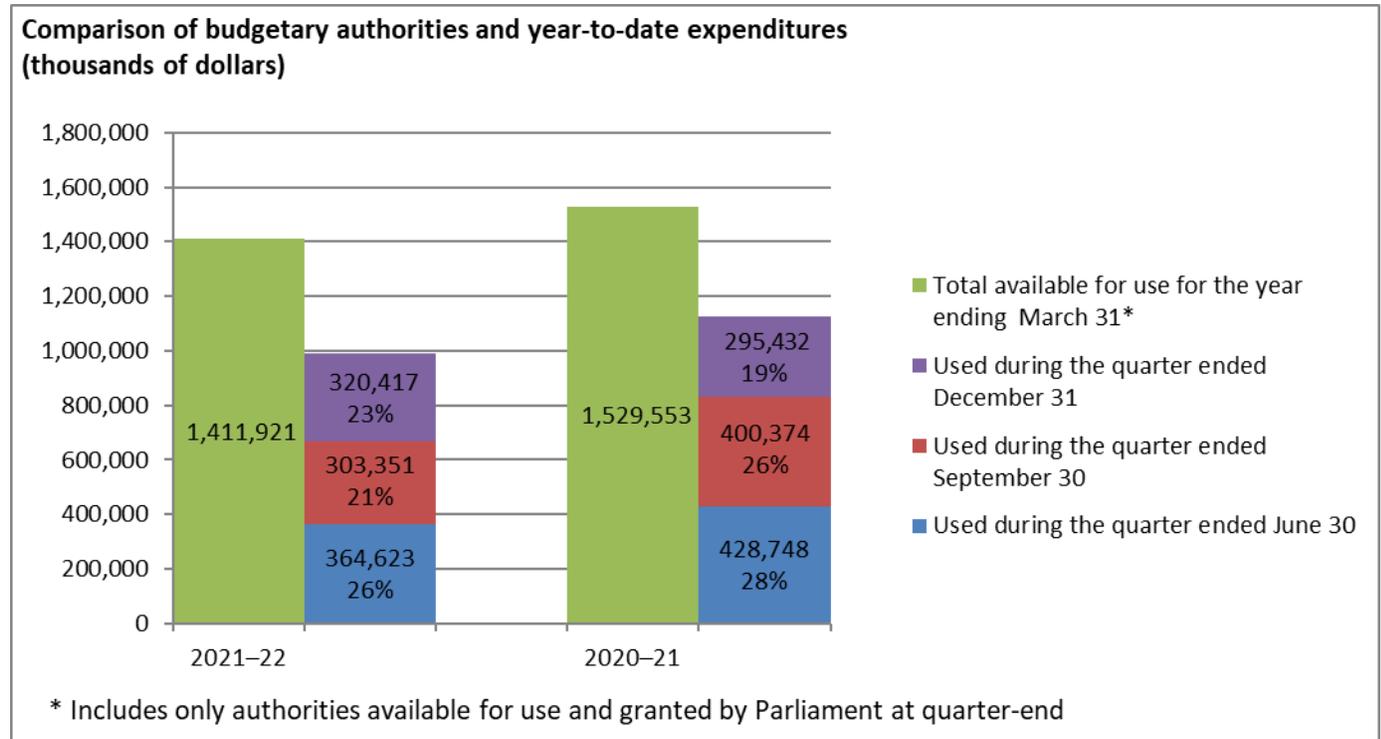
NSERC uses the full accrual method of accounting to prepare and present its annual financial statements that are part of the departmental results reporting process. However, the spending authorities voted by Parliament remain on an expenditure basis.

Natural Sciences and Engineering Research Council of Canada
Quarterly Financial Report
For the Quarter Ended December 31, 2021

2. Highlights of fiscal quarter and fiscal year-to-date results

This section highlights the significant items that contributed to the change in resources available for the fiscal year, as well as the actual year-to-date expenditures compared with the previous fiscal year.

The following graph provides a comparison of budgetary authorities available for the full fiscal year and budgetary expenditures by quarter for the fiscal year 2021–22 and the fiscal year 2020–21.



2.1 Significant changes to budgetary authorities

As of December 31, 2021, NSERC’s total available authorities for the fiscal year 2021–22 amounted to \$1.41 billion. This represents an overall decrease of \$117.6 million (7.7%) from the comparative period in the previous year. The major changes in NSERC’s budgetary authorities between the current and previous fiscal years include

- a decrease of \$153.4 million statutory COVID-19 funding received only in previous year (2020–21) from the Public Health Events of National Concern Payments Act (PHENCPA)
- an increase of \$25.4 million for fundamental research funding, as announced in Budget 2018
- an increase of \$22.0 million funding to support applied research partnerships, as announced in Budget 2021
- a decrease of \$7.4 million due to transfer out of the Business-led Networks of Centres of Excellence program and Centres of Excellence for Commercialization and Research program to Innovation, Science and Economic Development Canada Strategic Innovation Fund (SIF) program as per Budget 2018 announcement
- an increase of \$6.8 million due to an allotment adjustment for compensation

Natural Sciences and Engineering Research Council of Canada
Quarterly Financial Report
For the Quarter Ended December 31, 2021

- a decrease of \$2.5 million for the Canada Excellence Research Chairs program in accordance with the program's design and delivery schedule as renewed in Budget 2019 and planned for sun-setting by 2026–27
- an increase of \$1.9 million for increasing the number of Canada Graduate Scholarship Master's and Doctoral awards, as well as for expanding paid parental leave as announced in Budget 2019

2.2 Significant changes to authorities used

Year-to-date spending

The following table provides a comparison of cumulative spending by vote for the current and previous fiscal years.

Year-to-date budgetary expenditures used at quarter end

(millions of dollars)

	2021–22	2020–21	Variance
Vote 1—Operating expenditures			
Personnel (includes contributions to EBP)	44.2	35.9	8.3
Non-personnel	7.2	6.6	0.6
Vote 5—Grants and scholarships	936.9	1,082.0	(145.1)
Total budgetary expenditures	988.3	1,124.5	(136.2)

Total budgetary expenditures amounted to \$988.3 million at the end of the third quarter of the fiscal year 2021–22, compared to \$1,124.5 million reported in the same period in the previous fiscal year.

Grants and scholarships

At the end of the third quarter of 2021–22, the grant and scholarship expenses decreased by \$145.1 million, compared to those reported in the same period of the previous fiscal year. The decrease is mainly due to the payments of COVID-19 statutory funding received under PHENCPA to support students and youth affected by the COVID-19 pandemic and to support research institutes and universities in fiscal year 2020–21. PHENCPA funding was only applicable to last fiscal year and was not extended to this fiscal year.

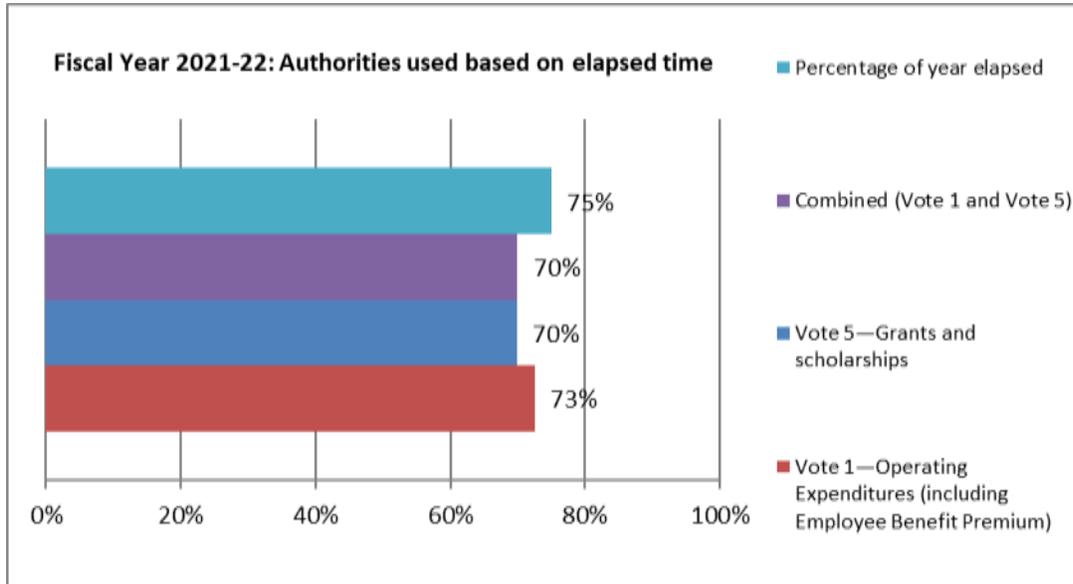
Operating expenditures

Personnel expenditure, which include contributions to employee benefit plans, have increased by \$8.3 million compared to the same period of the previous year. The increase is mainly due to the implementation of the new terms and conditions of employment (September 2021) and the related clauses relative to salary increase.

Total non-personnel expenditures as of the third quarter of fiscal year 2021–22 are largely in line with the comparative period of the previous year. There was an increase in acquisition of machinery and equipment expenditures related to the Workplace Renewal project launched during 2020–21 in joint partnership with the Social Sciences and Humanities Research Council (SSHRC). There was also an increase in rental and information expenses due to an increase in IT purchases and software license subscriptions to support the organization in operating remotely. Professional and special services

**Natural Sciences and Engineering Research Council of Canada
Quarterly Financial Report
For the Quarter Ended December 31, 2021**

expenses decreased, however, due to lower usage of management consulting services. Please see the Departmental budgetary expenditures by standard object table in section 6 for additional details.



The total authorities used at the end of the third quarter (\$988.3 million) of the fiscal year 2021–22 represent 70% of total available authorities (\$1.41 billion).

Quarterly spending

The total authorities used during the third quarter of 2021–22 amounted to \$320.4 million (23% of the total available authorities; 23% of the total authorities for grant and scholarship programs; and 24% of the total authorities for operating expenditures and employee benefits).

Budgetary expenditures used during the third quarter

(millions of dollars)

Vote 1—Operating expenditures

Personnel (includes contributions to EBP)
Non-personnel

Vote 5—Grants and scholarship

Total budgetary expenditures

	2021–22	2020–21	Variance
Personnel (includes contributions to EBP)	13.7	12.1	1.6
Non-personnel	3.3	2.8	0.5
Vote 5—Grants and scholarship	303.4	280.5	22.9
Total budgetary expenditures	320.4	295.4	25.0

Grants and scholarships

Transfer payments represent 96% of NSERC’s available authorities. Variances in transfer payments stem from the nature of program cycles. During the third quarter of 2021–22, NSERC’s transfer payment expenditures increased by \$22.9 million compared to the same quarter of the previous fiscal year. The increase is mainly due to timing differences on payments.

Natural Sciences and Engineering Research Council of Canada
Quarterly Financial Report
For the Quarter Ended December 31, 2021

Operating expenditures

Personnel expenditures, which include contributions to employee benefit plans, for the third quarter of fiscal year 2021–22 have increased by \$1.6 million compared to the same quarter of the previous year, mainly due to the implementation of the new terms and conditions of employment (September 2021) and related clauses relative to salary increase.

Total non-personnel expenditures for the third quarter of fiscal year 2021–22 have remained in line with expenses incurred during the same period of the previous fiscal year. There was an increase in the acquisition of equipment for the Workplace Renewal project. There was also an increase in rental expenses due to an increase in software license subscriptions to support the organization in operating remotely. Professional and special services expenses decreased due to lower usage of management consulting services. Please see the Departmental budgetary expenditures by standard object table in section 6 for additional details.

3. Risks and uncertainties

NSERC produces an annual Corporate Risk Profile close to the beginning of a new fiscal year that includes corporate risks along with risk mitigation activities. NSERC has linked corporate risk management with its integrated planning process to ensure greater cohesion and executive oversight in the delivery of its mandate.

Senior management closely monitors the top two risks, listed below, to ensure they are continuously mitigated and that the residual risk level is acceptable.

- i. **Aging IT system:** There is a risk that if aging software and database systems are not updated, and NSERC does not invest sufficiently in legacy IM/IT systems, these systems will be unable to support existing and new programs.

NSERC has built a number of business capabilities on the MS Dynamics platform to support key tri-agency initiatives such as the [Canada Research Chairs](#) and the [New Frontiers in Research Fund](#), and is now focused on on-boarding [Discovery Horizons](#) and [College and Community Innovation](#). NSERC maintains and monitors the platforms closely to ensure ongoing operations and support.

- ii. **Resource management:** There is a risk that if resources (human, technological and/or financial) are not allocated in an informed, flexible and strategic manner, NSERC may not be able to support its highest priorities and/or emerging needs.

The number of priorities and key commitments identified in the integrated planning process may not be fully funded due to budget and human resource pressures related to key investment projects. In addition, the uncertainty created by the COVID-19 pandemic is still a reality, and mitigation measures have been put in place to ensure that program and corporate organizational priorities are delivered.

Natural Sciences and Engineering Research Council of Canada
Quarterly Financial Report
For the Quarter Ended December 31, 2021

4. Significant changes related to operations, personnel and programs

As part of our agency's path to continuously foster a healthy, positive and productive work environment for all employees, NSERC launched the new Office of the Ombuds and Workplace Well-being to support NSERC employees. The Office of the Ombuds and Workplace Well-being provides new in-house informal conflict management and mental health and well-being services.

The NSERC-SSHRC COVID-19 Vaccination Policy came into effect November 8, 2021, requiring all employees to be fully vaccinated, whether they are working remotely or on-site. Full compliance with the policy was required by December 15, 2021. In alignment with this important measure, all supplier personnel (including subcontractor personnel) who access federal government workplaces were required to be fully vaccinated against COVID-19. Full compliance with the policy was required by November 15, 2021.

In October 2021 NSERC launched the [Alliance Missions grants](#), a unique opportunity aimed at addressing critical science and technology challenges that can play a pivotal role in Canada's economy. In December 2021 NSERC launched the [Alliance International grants](#), a new funding stream to support Canadian university researchers working with leading international academic researchers to establish and grow international research collaborations and projects of global importance that will generate benefits to Canada. NSERC also launched the [Mobilize grants](#), a new opportunity available through the tri-agency College and Community Innovation (CCI) program, managed by NSERC in collaboration with SSHRC and CIHR. The CCI program has been redesigned to simplify, streamline and address the changing dynamics of applied research in colleges and communities across Canada. By consolidating 14 streams to 5, the simplified suite of grants aims to increase connectivity within the research and innovation ecosystem by exploring new ways to continue to develop tri-agency collaboration, expand the range of partner organizations and create more training opportunities for college students.

Following the [announcement](#) of the formal partnership between NSERC and the [US National Science Foundation \(NSF\)](#), NSERC announced the first joint collaborative research opportunity focusing on discoveries and innovations in the areas of quantum science and artificial intelligence. The work funded through this call is expected to push the boundaries of new knowledge and provide a rich training experience for young researchers.

NSERC, SSHRC and CIHR have harmonized their policy to align more clearly with the Treasury Board Policy on Transfer Payments (PTP) with regard to the eligibility and funding of research projects or programs submitted by applicants who are formally affiliated with a Canadian postsecondary institution, but who are employed by the federal government. The harmonized policy position stipulates that

Natural Sciences and Engineering Research Council of Canada
Quarterly Financial Report
For the Quarter Ended December 31, 2021

1. if the proposed research falls outside the federal employer's mandate and will not be performed using federal facilities or resources, it will then be deemed eligible
2. if the proposed research falls within the federal employer's mandate and is performed using federal facilities or resources, it will then be assessed by the agencies and funding may be allocated for support of students only (salaries or stipends and travel costs)

Approved by:
Prof. Alejandro Adem, FRSC
President

Dominique Osterrath
Vice-President and
Chief Financial Officer

Ottawa, Canada
March 1, 2022

Natural Sciences and Engineering Research Council of Canada
Quarterly Financial Report
For the Quarter Ended December 31, 2021

5. Statement of authorities (unaudited)

<i>(in thousands of dollars)</i>	Fiscal year 2021–22			Fiscal year 2020–21		
	Total available for use for the year ending March 31, 2022*	Used during the quarter ended December 31, 2021	Year-to-date used at quarter-end	Total available for use for the year ending March 31, 2021*	Used during the quarter ended December 31, 2020	Year-to-date used at quarter-end
Vote 1—Operating expenditures	65,075	15,582	47,225	57,141	13,521	37,204
Vote 5—Grants and scholarships	1,340,790	303,416	936,907	1,313,079	280,473	968,388
Budgetary statutory authorities						
Contributions to the employee benefit plan	5,877	1,419	4,258	5,754	1,438	4,105
Spending of revenues pursuant to subsection 4 (2) of the <i>Natural Sciences and Engineering Research Council Act</i>	179	-	-	179	-	-
Payments related to Public Health Events of National Concern and income support	-	-	-	153,400	-	114,858
Total budgetary authorities	1,411,921	320,417	988,390	1,529,553	295,432	1,124,555

* Includes only authorities available for use and granted by Parliament at quarter-end.

Natural Sciences and Engineering Research Council of Canada
Quarterly Financial Report
For the Quarter Ended December 31, 2021

6. Departmental budgetary expenditures by standard object (unaudited)

	Fiscal year 2021–22			Fiscal year 2020–21		
	Planned expenditures for the year ending March 31, 2022	Expended during the quarter ended December 31, 2021	Year-to-date used at quarter-end	Planned expenditures for the year ending March 31, 2021	Expended during the quarter ended December 31, 2020	Year-to-date used at quarter-end
<i>(in thousands of dollars)</i>						
<u>Expenditures</u>						
Personnel	51,947	13,740	44,249	46,830	12,121	35,893
Transportation and communications	1,157	96	274	4,620	112	247
Information	1,012	228	622	1,490	234	491
Professional and special services	8,761	1,383	3,784	7,859	1,524	4,253
Rentals	723	530	1,120	1,111	419	948
Repair and maintenance	145	6	102	156	45	68
Utilities, materials and supplies	145	29	61	164	100	110
Acquisition of land, buildings and works	-	-	-	64	-	-
Acquisition of machinery and equipment	7,241	989	1,271	1,980	404	500
Transfer payments	1,340,790	303,416	936,907	1,465,279	280,473	1,082,045
Total budgetary expenditures	1,411,921	320,417	988,390	1,529,553	295,432	1,124,555