

Natural Sciences and Engineering Research Council of Canada
Quarterly Financial Report
For the Quarter Ended June 30, 2021

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](#). 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 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.

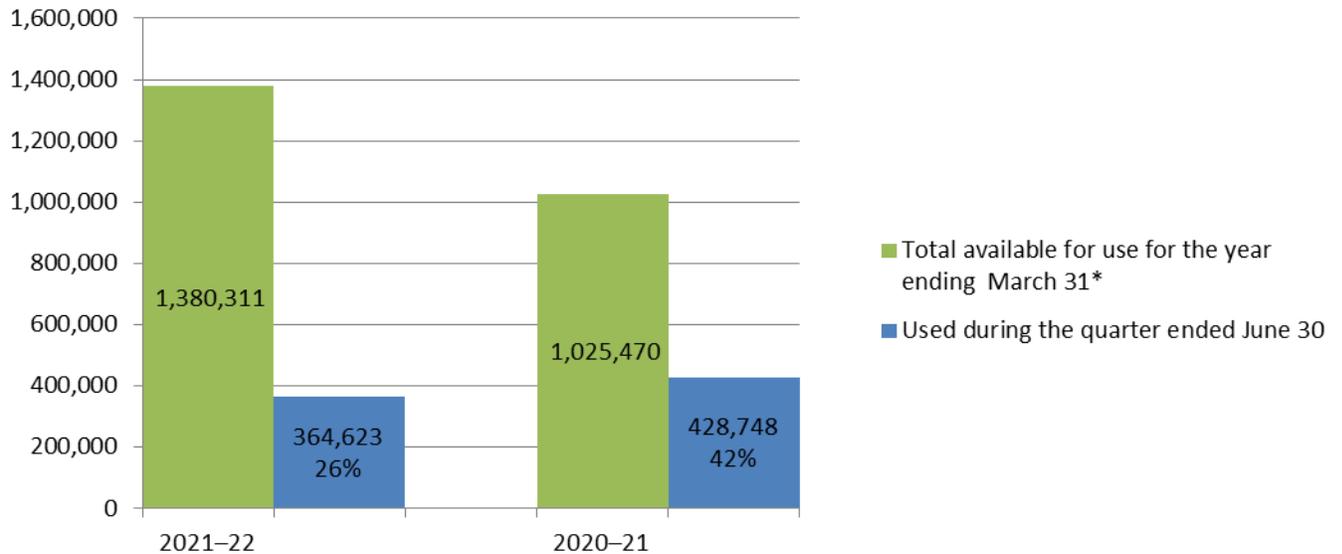
2. Highlights of fiscal year-to-date results

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.

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Comparison of budgetary authorities and year-to-date expenditures
(thousands of dollars)



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

2.1 Significant changes to budgetary authorities

As of June 30, 2021, NSERC’s total available authorities for the fiscal year 2021–22 amounted to \$1.38 billion. This represents an overall increase of \$354.8 million (34.6%) from the comparative period in the previous year. The major changes in NSERC’s budgetary authorities between the current and previous fiscal years include:

- an increase of \$339.0 million due to the exceptional withholding of 3/12ths of the Supply of Main Estimates in Q1 2020–21, with full supply being approved in December 2020 as a result of the implementation of COVID-19 measures—the full Supply was approved during the first quarter in 2021–22
- an increase of \$17.0 million for fundamental research funding, as announced in Budget 2018
- a decrease of \$7.4 million due to the sunsetting of the Business-led Networks of Centres of Excellence program and Centres of Excellence for Commercialization and Research program
- an increase of \$5.0 million for establishing a multi-disciplinary network of data specialists in modelling emerging infectious diseases to support public health actions across Canada (COVID-19)
- an increase of \$3.0 million for increasing the number of Canada Graduate Scholarship Master’s and Doctoral awards as well as for expanding paid parental leaves as announced in Budget 2019
- a decrease of \$2.4 million for the Canada Excellence Research Chairs program

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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	12.0	11.8	0.2
Non-personnel	1.7	1.6	0.1
Vote 5—Grants and scholarships	350.9	415.4	(64.5)
Total budgetary expenditures	364.6	428.8	(64.2)

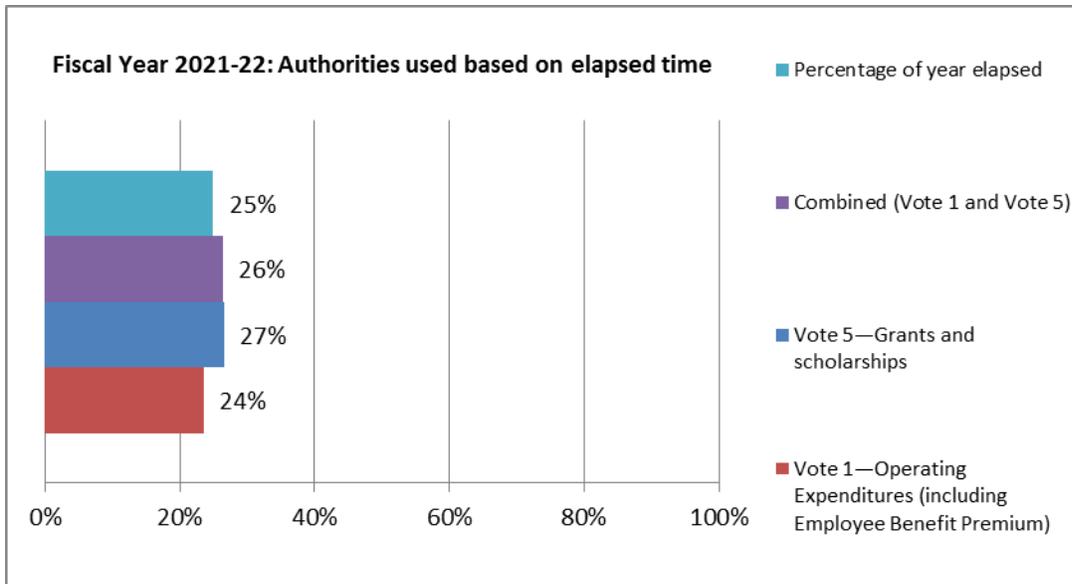
Total budgetary expenditures amounted to \$364.6 million at the end of the first quarter of the fiscal year 2021–22, compared to \$428.8 million reported in the same period in the previous fiscal year.

Grants and scholarships

At the end of the first quarter of 2021–22, the grant and scholarship expenses decreased by \$64.5 million, compared to those reported in the same period of the previous fiscal year. The decrease is mainly due to the timing of payments.

Operating expenditures

The operating expenditures at the end of the first quarter of 2021–22 are in line with those of the previous year.



The total authorities used at the end of the first quarter (\$364.6 million) of the fiscal year 2021–22 represent 26% of total available authorities (\$1.38 billion).

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3. Risks and uncertainties

NSERC produces an annual Corporate Risk Profile 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. The Corporate Risk Profile was presented to NSERC's Independent Audit Committee on April 6, 2021. This year, a risk workshop was planned, organized and facilitated to allow senior management from all NSERC directorates to review, discuss, validate and update NSERC's corporate risks to inform NSERC's 2021–22 planning cycle.

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.

4. Significant changes related to operations, personnel and programs

In April 2021, the Minister for Innovation, Science and Industry and the Minister for Health launched five multidisciplinary infectious disease modelling networks, with a total investment of \$10 million over two years, to identify gaps that can be used to prioritize more targeted infectious disease surveillance, increase understanding of the conditions that allow diseases to spread and identify actions that will manage these conditions most effectively. Established through a partnership between NSERC and the Public Health Agency of Canada (PHAC), the networks will greatly enhance Canada's ability to manage pandemic threats, inform public health measures and complement PHAC's existing modelling initiatives.

During that same month of April 2021, the three granting agencies released their Equity, Diversity and Inclusion Action Plan. The presidents of NSERC, CIHR and SSHRC co-signed a statement reaffirming their commitment to creating an inclusive post-secondary research system in Canada.

Precisely on April 19, 2021, the Minister of Finance announced an investment of \$46.9 million over two years, starting in fiscal year 2021–22, to support additional research partnerships between colleges, CEGEPs, polytechnics and businesses through NSERC's College and Community Innovation program.

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Over the coming months NSERC's role in delivering the program and other Budget 2021 initiatives will be clarified.

On May 5, 2021 NSERC [announced](#) the launch of Discovery Horizons to support investigator-initiated individual and team projects that broadly integrate or transcend disciplines to advance knowledge in the natural sciences and engineering. Full applications submitted to this NSERC program will be reviewed by a tri-agency interdisciplinary peer review committee.

Finally, on June 1, 2021 NSERC announced the appointment of a new Vice-President and Chief Financial Officer for Common Administrative Services for NSERC and SSHRC, as of July 5, 2021.

Approved by:

Dr. Alejandro Adem
President

Dominique Osterrath
Vice-President and
Chief Financial Officer

Ottawa, Canada
August 27, 2021

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5. Statement of authorities (unaudited)

	Fiscal year 2021–22			Fiscal year 2020–21		
	Total available for use for the year ending March 31, 2022*	Used during the quarter ended June 30, 2021	Year-to-date used at quarter-end	Total available for use for the year ending March 31, 2021*	Used during the quarter ended June 30, 2020	Year-to-date used at quarter-end
<i>(in thousands of dollars)</i>						
Vote 1—Operating expenditures	52,827	12,352	12,352	40,809	11,948	11,948
Vote 5—Grants and scholarships	1,321,627	350,852	350,852	978,729	415,362	415,362
Budgetary statutory authorities						
Contributions to the employee benefit plan	5,678	1,419	1,419	5,753	1,438	1,438
Spending of revenues pursuant to subsection 4 (2) of the <i>Natural Sciences and Engineering Research Council Act</i>	179	-	-	179	-	-
Total budgetary authorities	1,380,311	364,623	364,623	1,025,470	428,748	428,748

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

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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 June 30, 2021	Year-to-date used at quarter-end	Planned expenditures for the year ending March 31, 2021	Expended during the quarter ended June 30, 2020	Year-to-date used at quarter-end
<i>(in thousands of dollars)</i>						
<u>Expenditures</u>						
Personnel	44,131	12,027	12,027	35,001	11,834	11,834
Transportation and communications	1,157	102	102	3,427	31	31
Information	1,012	171	171	1,106	54	54
Professional and special services	5,730	995	995	4,601	989	989
Rentals	723	369	369	833	399	399
Repair and maintenance	145	60	60	117	9	9
Utilities, materials and supplies	145	44	44	123	42	42
Acquisition of land, buildings and works	-	-	-	48	-	-
Acquisition of machinery and equipment	5,641	3	3	1,485	33	33
Other subsidies and payments	-	-	-	-	(5)	(5)
Transfer payments	1,321,627	350,852	350,852	978,729	415,362	415,362
Total budgetary expenditures	1,380,311	364,623	364,623	1,025,470	428,748	428,748