

Natural Sciences and Engineering Research Council of Canada
Quarterly Financial Report
For the Quarter Ended June 30, 2018

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 2018-19 [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 postsecondary students and postdoctoral fellows in their advanced studies, promoting discovery by 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 fiscal 2018-19. 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 monies. 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.

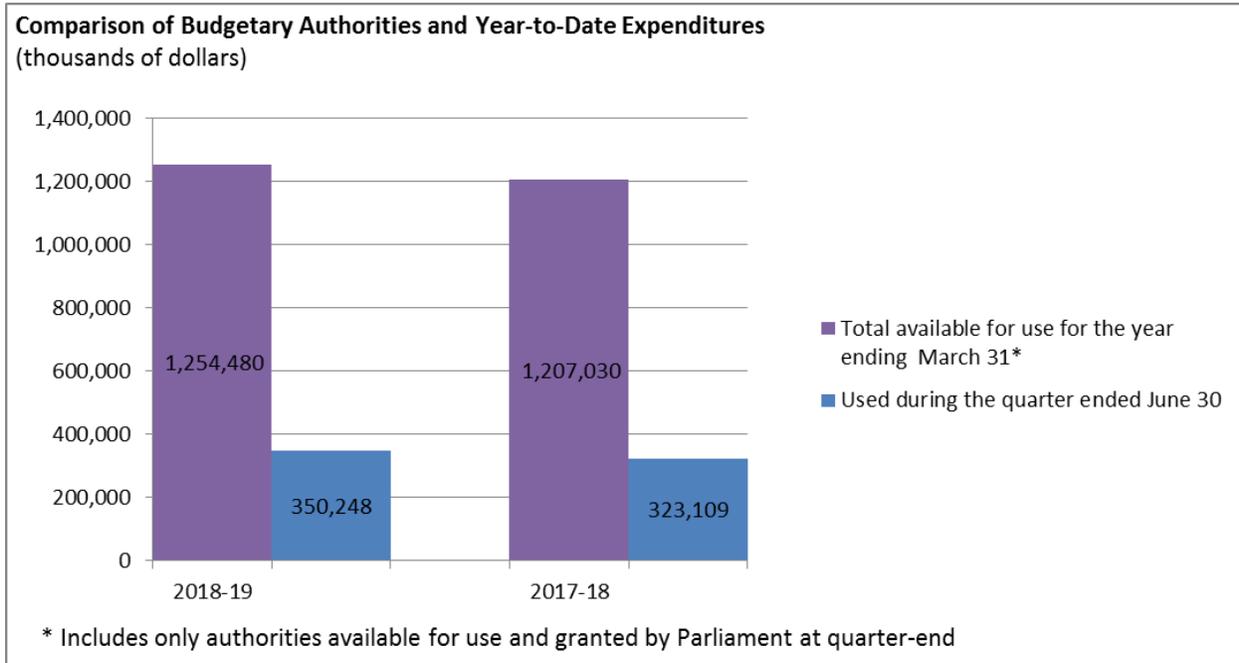
NSERC uses the full accrual method of accounting to prepare and present its annual financial statements that are part of the departmental performance reporting process. However, the spending authorities voted by Parliament remain on an expenditure basis.

2. Highlights of fiscal quarter and fiscal year-to-date 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 and quarterly 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 fiscal 2018-19 and fiscal 2017-18.

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2.1 Significant changes to budgetary authorities

As of June 30, 2018, NSERC's total available authorities for fiscal 2018-19 amounted to \$1,254.5 million. This represents an overall increase of \$47.5 million (3.9%) from the comparative period of the previous year. Of the \$47.5 million, \$46 million relates to an increase in NSERC's grant and scholarship programs (Vote 5), \$1.4 million to an increase in net operating expenditures (Vote 1) and \$0.1 million to an increase in budgetary statutory authorities.

The \$47.5 million variation in NSERC's budgets between the current and previous fiscal years is:

- an increase of \$35.3 million for the Canada First Research Excellence Fund, a tri-agency initiative to help institutions excel globally in research areas that create long-term economic advantages for Canada;
- an increase of \$7.8 million from Budget 2017 for the Canada 150 Research Chairs, a new grant program that has been created to attract international scholars and researchers who are among the top 5–10% in their fields and enhance Canada's reputation as a global centre for innovation, science and research excellence;
- an increase of \$5.0 million from Budget 2017 for the extension of the College and Community Social Innovation Fund;
- an increase of \$2.4 million from Budget 2017 for the PromoScience Program to support science, technology, engineering and mathematics learning activities for youth;
- an increase of \$2.1 million for the Business-Led Network Centres of Excellence due to a variation in payment schedule and ending of an award cycle;
- an increase of \$1.5 million to Centres of Excellence for Commercialization and Research program to support world-renowned researchers and their teams, to establish ambitious research programs at Canadian universities;
- an increase of \$1.4 million for negotiated salary adjustments; and

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- a decrease of \$8.0 million for the Canada Excellence Research Chairs Program due to the ending of an award cycle.

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)

Vote 1 - Operating expenditures

	2018-19	2017-18	Variance
Personnel	10.6	9.8	0.8
Non-personnel	1.5	1.7	(0.2)

Vote 5 - Grants and scholarships

Total budgetary expenditures

	2018-19	2017-18	Variance
Vote 1 - Operating expenditures			
Personnel	10.6	9.8	0.8
Non-personnel	1.5	1.7	(0.2)
Vote 5 - Grants and scholarships	338.2	311.6	26.6
Total budgetary expenditures	350.3	323.1	27.2

Total budgetary expenditures amounted to \$350.3 million at the end of the first quarter of fiscal 2018-19, compared to \$323.1 million reported in the same period in the previous fiscal year.

Grants and scholarships:

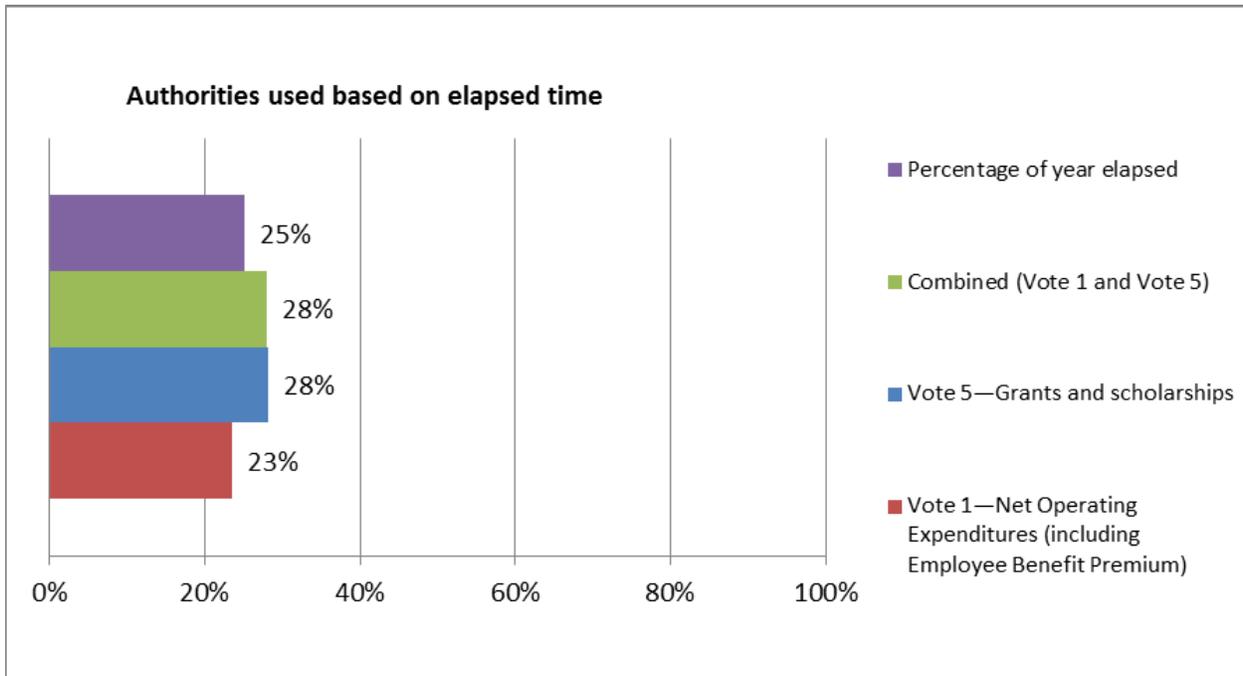
At the end of the first quarter of 2018-19, the grant and scholarship expenses increased by \$26.6 million, compared to what was reported in the same period of the previous fiscal year. The differences are attributable to the following:

- an increase of \$8.8 million for the Canada First Research Excellence Fund, due to expanded program authorities and timing differences;
- a decrease of \$1.1 million for the Canada Excellence Research Chairs Program, due to the ending of the first award cycle; and
- a net increase of \$18.9 million due to timing differences on payments.

Operating expenditures:

Operating expenditures for the first quarter of fiscal 2018-19 are in line with the same period of the previous year.

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The total authorities used during the first quarter (\$350.3 million) of fiscal 2018-19 represent 28% of total available authorities (\$1,254.5 million).

3. Risks and uncertainties

Through the corporate risk identification exercise, NSERC annually identifies corporate level risks and develops response measures to minimize their likelihood and/or impact. Senior management closely follows the risks listed below to ensure they are continuously mitigated and that the residual risk level is acceptable.

Strategic risk 1- NSERC may face challenges adjusting in a timely way to government policy decisions resulting from Canada’s Fundamental Science Review and Innovation Agenda.

NSERC will work within its existing governance, planning, and priority-setting mechanisms to adapt to changing priorities in delivering on its core mandate and NSERC 2020 strategic goals.

As a member of the Canada Research Coordinating Committee (CRCC), NSERC works with the Social Sciences and Humanities Research Council (SSHRC) and the Canadian Institutes of Health Research (CIHR) (the agencies) to achieve greater harmonization, integration and coordination of research-related programs and policies. The goal is to address issues of common concern to the agencies and the Canada Foundation for Innovation (CFI). All CRCC members are working closely and with the research community to develop new programming and initiatives in five priority areas, as mandated by the minister of Science and Sport.

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Strategic Risk 2- NSERC, as a small agency, may be limited in its ability to reallocate/use resources effectively to meet operational needs and respond to government priorities.

Implementing the NSERC 2020 strategic plan will continue to involve consultations with external stakeholders to ensure the plan remains responsive to Canadian stakeholder needs and aligns with government priorities. NSERC will assess and prioritize government-wide initiatives to define a resource plan linking project decisions and human/financial resources.

To ensure the most efficient delivery of its programs, NSERC requires a robust, adaptable information solution that facilitates the grant application and award management process. To address challenges associated with aging and disparate technology, NSERC is working together with SSHRC and CIHR to develop a shared, harmonized grants management system. In light of the critical importance of information infrastructure in delivering programs and tracking results, the agencies have developed joint governance structures to oversee the project and investment planning and to ensure business continuity.

In addition, NSERC will implement its People Strategy Action Plan to ensure that the workforce is well prepared to adapt to change and to promote workplace wellness and mental health.

Read more about [NSERC's key strategic risks](#) for the current year.

4. Significant changes related to operations, personnel and programs

In Budget 2018, the Government of Canada announced historic new investments in science, technology and innovation, including more than \$1.7 billion over five years to support the next generation of Canadian researchers through Canada's granting agencies and research institutes. NSERC funding announced in the federal budget entails:

- \$354.7 million over five years (\$90.1 million per year ongoing) to support fundamental research;
- \$140 million over five years (\$30 million per year ongoing) for the Colleges and Community Innovation Program;
- \$82 million over five years (\$20 million per year ongoing) for the Canada Research Chairs Program;
- \$15 million over five years for increasing diversity in science; and
- consolidation of the Engage Grants (including Engage Plus Grants), Industrial Research Chairs, Connect Grants, Strategic Partnership Grants for Networks and Projects, Experience Awards, and the Collaborative Research and Development Grants into a single grant program.

The data discussed throughout this QFR does not include the Budget 2018 amounts presented above.

In June 2018, the Honourable Kirsty Duncan, minister of Science and Sport, met the CRCC to outline her expectations for transformative change in the research community. The minister launched the CRCC in October 2017 to deliver on priorities that include:

- bringing greater harmony and coordination to research-related programs and policies in Canada and addressing common concerns across the agencies and the CFI;
- improving equity, diversity and inclusion across the research spectrum; and
- developing, in partnership with Indigenous communities, an interdisciplinary Indigenous research and training model that contributes to reconciliation with First Nations, Métis and Inuit.

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The committee consists of:

- the president of NSERC;
- the president of SSHRC;
- the president of CIHR;
- the president of the CFI;
- the president of the National Research Council Canada;
- the chief science advisor;
- the deputy minister of Health Canada; and
- the deputy minister of Innovation, Science and Economic Development Canada.

Approved by:

Original signed by

**B. Mario Pinto, PhD, FCIC, FRSC
President, NSERC**

**Ottawa, Canada
August 29, 2018**

Original signed by

**Patricia Sauvé-McCuan
Vice-President and
Chief Financial Officer, NSERC**

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5. Statement of authorities (unaudited)

	Fiscal year 2018-19			Fiscal year 2017-18		
	Total available for use for the year ending March 31, 2019*	Used during the quarter ended June 30, 2018	Year-to-date used at quarter-end	Total available for use for the year ending March 31, 2018*	Used during the quarter ended June 30, 2017	Year-to-date used at quarter-end
<i>(in thousands of dollars)</i>						
Vote 1 — Net Operating Expenditure	46,122	10,752	10,752	44,692	10,297	10,297
Vote 5 — Grants and Scholarships	1,202,908	338,178	338,178	1,156,972	311,615	311,615
Budgetary Statutory Authorities						
Contributions to the employee benefit plan	5,362	1,318	1,318	4,787	1,197	1,197
Spending of revenues pursuant to subsection 4 (2) of the <i>Natural Sciences and Engineering Research Council Act</i>	88	-	-	579	-	-
Total Budgetary Authorities	1,254,480	350,248	350,248	1,207,030	323,109	323,109

* 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 2018-19			Fiscal year 2017-18		
	Planned expenditures for the year ending March 31, 2019	Expended during the quarter ended June 30, 2018	Year-to-date used at quarter-end	Planned expenditures for the year ending March 31, 2018	Expended during the quarter ended June 30, 2017	Year-to-date used at quarter-end
<i>(in thousands of dollars)</i>						
Expenditures						
Personnel	40,042	10,594	10,594	35,367	9,762	9,762
Transportation and communications	3,561	461	461	5,035	462	462
Information	1,735	137	137	1,669	366	366
Professional and special services	4,248	422	422	5,105	399	399
Rentals	1,061	329	329	1,494	402	402
Repair and maintenance	96	3	3	220	33	33
Utilities, materials and supplies	160	84	84	263	46	46
Acquisition of machinery and equipment	669	40	40	905	24	24
Transfer payments	1,202,908	338,178	338,178	1,156,972	311,615	311,615
Total Budgetary Expenditures	1,254,480	350,248	350,248	1,207,030	323,109	323,109