



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of Canada uses financial information to support decision making, for policy development, for service delivery and for historical reference.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 Canada's Economic Action Plan ([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 June 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; and
- 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

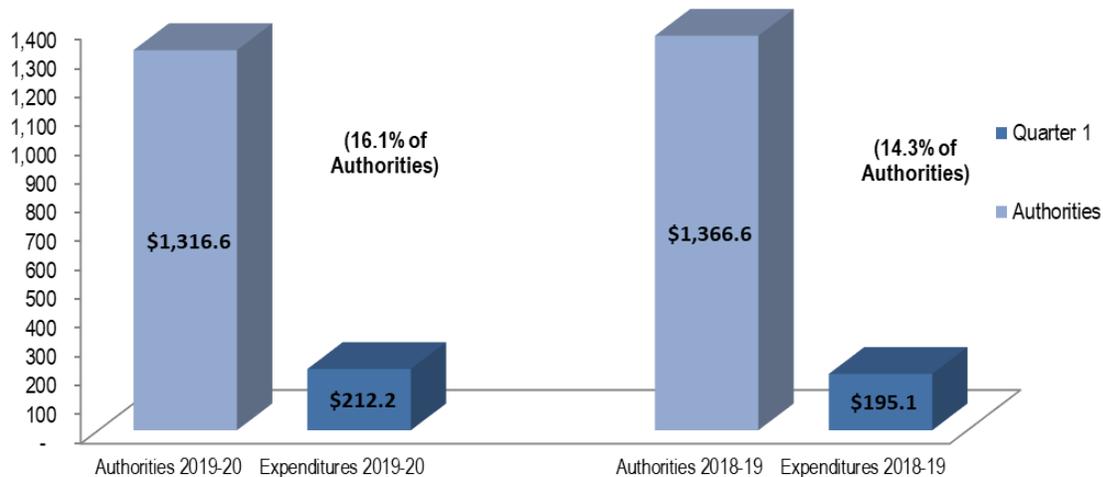
This section highlights the items that contributed most significantly to the changes in budgetary authorities for the current fiscal year and to the actual expenditures for the quarter that ended on June 30, 2019 compared with the [previous fiscal year](#). This section should be read in conjunction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

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



As shown in the graph above, the NRC's expenditures totalled \$212.2M during the first quarter of 2019–20 which represents an increase of \$17.1M over the first quarter of 2018–19. Higher expenditures are attributable to increases of \$6.0M in Grants and Contributions, \$5.8M in statutory employee benefit plan cost (EBP), \$2.8M 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 June 30, 2019, the authorities were \$1,316.6M, representing a decrease of \$50.0M (3.7%) in comparison to the 2018–19 authorities of the same period. The following table summarizes the significant changes to NRC authorities:

Significant Changes to Authorities (unaudited)

For the year ending March 31, 2020 - As of June 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, 2019 - As of June 30, 2018						1,366.6
Industrial Research Assistance Program (Budget 2018)	6.0	-	43.0	-	1.0	50.0
Compensation Allocation	11.4	-	-	-	2.4	13.8
Free access to electronic copies of National Building Codes	9.7	2.6	-	-	1.2	13.5
Thirty Meter Telescope Observatory	-	-	(79.2)	-	-	(79.2)
Canada Accelerator and Incubator Program	-	-	(17.1)	-	-	(17.1)
Youth Employment Strategy	-	-	(10.0)	-	-	(10.0)
Employee Benefit Plan Adjustment	-	-	-	-	(7.4)	(7.4)
2014 Federal Infrastructure Initiative	-	(7.2)	-	-	-	(7.2)
Transfer to support Accelerated Growth Service under Innovation Canada	(3.2)	-	-	-	-	(3.2)
Statutory Revenue Carry-Forward Adjustment	-	-	-	(1.9)	-	(1.9)
Re-baseline of Personnel sub-allotment	(15.3)	-	-	-	15.3	-
Other	(0.8)	-	(0.5)	-	-	(1.3)
Total increase (decrease) in authorities in comparison to prior year	7.8	(4.6)	(63.8)	(1.9)	12.5	(50.0)

Authorities – Total available for use for the year ending March 31, 2020 -
As of June 30, 2019

1,316.6

The decrease of \$50.0M in authorities is mainly explained by the following items:

- An increase of \$50.0M for the Industrial Research Assistance Program, announced in Budget 2018, to support business research and development for projects;
- An increase of \$13.8M for compensation allocation following the signature a collective bargaining agreements; and
- An increase of \$13.5M for the free access to electronic copies of National Building Codes and promotion of harmonized building codes across Canada.

Offset by,

- A decrease of \$79.2M for the construction of the Thirty Meter Telescope Observatory, mainly due to the reprofile of 2018–19 funding to future years;
- A decrease of \$17.1M due to the sunseting of the Canada Accelerator and Incubator Program;
- A decrease of \$10.0M for the Youth Employment Strategy;



- A decrease of \$7.4M due to the adjustment of the Employee Benefit Plan statutory rate;
- A decrease of \$7.2M for the 2014 Federal Infrastructure Initiative;
- A decrease of \$3.2M due to the transfer to Department of Industry to support the Accelerated Growth Service under Innovation Canada;
- A decrease of \$1.9M in statutory revenue carry-forward for use in subsequent years following the close of 2018–19.

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 June 30, 2019, year-to-date expenditures were \$212.2M, representing an increase of \$17.1M (8.8%) in comparison to the 2018–19 expenditures of the same period. This decrease is mostly attributable to the following items:

- Transfer payments consisting of Grants and Contributions (G&C) expenditures increased by \$6.0M compared with the same period in the previous year. This change is principally attributable to an increase of contributions to Firms of \$22.7M, offset by decreases of \$13.7M to contributions to [TRIUMF](#), \$2.1M in contributions to Youth Employment Strategy as well as \$1.3M due to the sunseting of the contributions to the Canada Accelerator and Incubator Program.
- Statutory Employee Benefit Plan (EBP) expenditures increased by \$5.8M 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 \$2.8M. The increase is mainly attributable to an increase of \$1.9M in acquisition of buildings and works and \$1.0M in acquisition of machinery and equipment.
- Combined operating and statutory spendable revenue expenditures increased by \$2.5M compared with the same period of the previous fiscal year. This change is mainly attributable to increases of \$6.5M in personnel costs, not including employee benefit costs, as a result of renewed collective agreements, offset by decreases of \$1.9M in acquisition of machinery and equipment as well as \$1.4M in professional and special services.



3. Risks and Uncertainties

In Q1, the 2019–20 Corporate Risk Profile was launched, with a focus on managing key risks, including:

- **New R&D program implementation:** capabilities such as facilities, expertise, and partners may not be available to deliver R&D programs in a timely manner and meet the NRC's Budget 2018 commitments. Mitigation strategies include: finalizing internal systems for delivery of grant and contribution agreements; engaging program stakeholders; and implementing an outcome-focused program model.
- **NRC IRAP scale-up:** the rapid and significant scale-up, and timeframe for implementation of Budget 2018 commitments may impact IRAP's ability to maintain the high quality and innovativeness of its programs. Strategies to mitigate this risk include: the creation of tools for developing and managing large value contribution projects of \$1M to \$10M; an improved HR recruitment strategy; simplified due diligence processes; and accelerated service.

For 2019–20, certain corporate risks were reclassified as issues, as they have shifted from uncertain events to issues being actively dealt with. The following issues have been assessed as having an impact on the NRC's strategic goals and will be monitored in parallel with the risks:

- **Workplace wellness:** building on consultations in 2018–19 and working on the basis of the Public Service Employee Survey (PSES) results, the NRC is in the preliminary phases of developing a comprehensive organizational Wellness strategy, which aims to facilitate a healthy and productive workplace. To enable the growth of leaders and high-potential employees, including underrepresented groups, the Leadership Development Framework was approved by the NRC Senior Executive Committee in April, with implementation over the next 3 years.
- **Enabling tools and infrastructure:** the NRC continued to mitigate this issue by: completing migration of email to a secure network; continuing the migration of corporate applications; allocating funding for new information technology (IT) investments in research environments; completing implementation of a new information management (IM) platform, which will be extended to include external collaboration; completing migration of Industrial Technology Advisors to mobile platforms in order to better serve clients; and continuing the acquisition of specialized scientific equipment.

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

In April, the Minister of Innovation, Science and Economic Development announced the appointment of the new Chair of the NRC Council, Dr. Douglas Muzyka. Dr. Muzyka's extensive experience in the industrial sector in senior leadership positions, including Chief Science and Technology Officer of E.I. du Pont de Nemours & Co. and President and CEO of DuPont Canada, will be an asset in providing effective leadership to the Council. An additional 6 Council members were appointed in June.

The NRC continued to develop a 5-year strategic plan to solidify and strengthen the NRC's role in Canada's research and innovation system. The NRC also continued development of a companion



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Strategic Human Resources Plan, including an Equity, Diversity and Inclusion (EDI) strategy to enhance the organization's ability to attract, develop and retain a diverse, talented, healthy and engaged workforce. In Q1, senior leaders held town halls across Canada to engage employees on the 2 plans and a self-identification campaign was launched as part of the EDI strategy.

The NRC announced its first Ombudsperson in May. This role will provide employees with a trusted, neutral space to discuss the NRC's Code of Conduct, the Values and Ethics Code for the Public Service, and issues on scientific integrity, research ethics and harassment.

The third annual NRC Dialogue Summit was held in June with a focus on action progress in 3 areas of priority: collaboration, research excellence, and support of SMEs. 68 participants from across the NRC made presentations at the summit, including members of the NRC Council and the Departmental Audit Committee.

Aligned with NRC Dialogue, 3 new collaboration centres were announced during the month of June:

- The CIC-NRC Cybersecurity Collaboration Consortium (CNCCC), with the University of New Brunswick, will conduct innovative cybersecurity research with a focus on the Internet of Things (IoT) security, artificial intelligence, human-computer interaction, and natural language processing;
- The NRC Waterloo Collaboration on Artificial Intelligence, Internet of Things, and Cybersecurity, with the University of Waterloo, will conduct research that contributes to intelligent logistics and other applications; and
- The NRC Fields Mathematical Sciences Collaboration Centre, with the Fields Institute for Mathematical Sciences, will research applications of math in areas such as health, energy, connectivity, and advanced manufacturing. The centre will contribute to the NRC's Artificial Intelligence for Design Program and other projects involving advanced math and algorithms.

Approved by Senior Officials

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Ottawa, Canada
August 25, 2019



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Statement of Authorities (unaudited)
For the quarter ended June 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 June 30, 2019	Year to date used at quarter-end
Vote 1 - Operating expenditures	436,504	106,935	106,935
Vote 5 - Capital expenditures	58,320	7,981	7,981
Vote 10 - Grants and contributions	448,814	63,428	63,428
Statutory revenue **	311,745	18,511	18,511
Statutory EBP	61,237	15,309	15,309
Total Budgetary authorities	1,316,620	212,164	212,164

Fiscal Year 2018-2019 (in thousands of dollars)			
	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
Vote 1 - Operating expenditures	428,619	100,033	100,033
Vote 5 - Capital expenditures	62,984	5,183	5,183
Vote 10 - Grants and contributions	512,680	57,415	57,415
Statutory revenue **	313,666	22,933	22,933
Statutory EBP	48,683	9,565	9,565
Total Budgetary authorities	1,366,632	195,129	195,129

* 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 June 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 June 30, 2019	Year to date used at quarter-end
Expenditures:			
Personnel	461,480	111,638	111,638
Transportation and communications	25,489	3,468	3,468
Information	2,536	318	318
Professional and special services	107,323	8,335	8,335
Rentals	16,137	2,941	2,941
Purchased repair and maintenance	29,105	2,914	2,914
Utilities, materials and supplies	66,612	5,612	5,612
Acquisition of land, buildings and works	48,562	3,447	3,447
Acquisition of machinery and equipment	59,381	8,033	8,033
Transfer payments	448,814	63,428	63,428
Other subsidies and payments	51,181	2,030	2,030
Total net budgetary expenditures	1,316,620	212,164	212,164
Fiscal Year 2018-2019 (in thousands of dollars)			
	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
Expenditures:			
Personnel	494,860	98,642	98,642
Transportation and communications	22,191	2,888	2,888
Information	2,525	486	486
Professional and special services	84,041	10,547	10,547
Rentals	10,543	2,331	2,331
Purchased repair and maintenance	29,700	3,358	3,358
Utilities, materials and supplies	63,555	5,643	5,643
Acquisition of land, buildings and works	56,896	2,240	2,240
Acquisition of machinery and equipment	64,419	9,004	9,004
Transfer payments	512,680	57,415	57,415
Other subsidies and payments	25,223	2,575	2,575
Total net budgetary expenditures	1,366,633	195,129	195,129