



# Canadian Nuclear Safety Commission Quarterly Financial Report for the Quarter Ended June 30, 2018 (unaudited)

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August 2018



## **Canadian Nuclear Safety Commission Quarterly Financial Report for the Quarter Ended June 30, 2018**

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### **Document availability**

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## **Statement outlining results, risks and significant changes in operations, personnel and program**

### **1. Introduction**

This quarterly financial report has been prepared by management, as required by section 65.1 of the *Financial Administration Act*, and in the form and manner prescribed by the Treasury Board Secretariat. The report should be read in conjunction with the *Main Estimates* and *Supplementary Estimates*.

The quarterly financial report has not been subject to an external audit or review.

#### **1.1 Authority and mandate**

The Canadian Nuclear Safety Commission (CNSC) was established on May 31, 2000, with the coming into effect of the *Nuclear Safety and Control Act* (NSCA). The CNSC is a departmental corporation and reports to Parliament through the Minister of Natural Resources.

As an independent regulatory agency and quasi-judicial administrative tribunal, the CNSC has jurisdiction over all nuclear-related activities and substances in Canada. Its mandate under the NSCA is to:

- regulate the development, production and use of nuclear energy in Canada to protect health, safety and the environment
- regulate the production, possession, use and transport of nuclear substances, and the production, possession and use of prescribed equipment and prescribed information
- implement measures respecting international control of the development, production, transport and use of nuclear energy and substances, including measures respecting the non-proliferation of nuclear weapons and nuclear explosive devices
- disseminate objective scientific, technical and regulatory information concerning the CNSC's activities, and about how the development, production, possession, transport and use of nuclear substances affect the environment and the health and safety of persons

Further details on the CNSC's authority, mandate and Departmental Results Framework can be found in the *Departmental Plan* and the *Main Estimates (Part II)*.

#### **1.2 Basis of presentation**

This quarterly report has been prepared by management using an expenditure basis of accounting. The accompanying Statement of authorities table (see appendix) includes the

CNSC's spending authorities granted by Parliament and those used by the CNSC, consistent with the *Main Estimates* and *Supplementary Estimates* for both the 2017–18 and 2018–19 fiscal years, as well as transfers from Treasury Board central votes that are approved as at the end of the quarter. This quarterly report has been prepared using a special purpose financial reporting framework that is designed to meet financial information needs with respect to the use of spending authorities.

The authority of Parliament is required before monies 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.

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

### **1.3 The CNSC's financial structure**

The CNSC has a structure where various funding mechanisms are used to deliver its mandate. Most of the CNSC's funding is received from statutory budgetary authorities, with the remainder from voted budgetary authorities.

Pursuant to subsection 21(3) of the NSCA, the CNSC has statutory authority to spend during a fiscal year any revenues that it receives in the current or previous fiscal year through the conduct of its operations. The revenues received from regulatory fees for licences and applications are charged in accordance with the *Canadian Nuclear Safety Commission Cost Recovery Fees Regulations*. This authority to spend revenues provides a sustainable and timely funding regime to address the rapid changes in the regulatory oversight workload associated with the Canadian nuclear industry.

The CNSC is also funded through a voted budgetary authority from Parliament (Vote 1 – Program expenditures). The voted authority is used to fund activities and certain types of licensees that are, under the regulations, not subject to cost recovery. The regulations state that licensees such as hospitals and universities are exempt from paying fees, as these entities exist for the public good. Additionally, fees are not charged for activities that result from CNSC obligations that do not provide a direct benefit to identifiable licensees. These include activities with respect to Canada's international obligations (including non-proliferation activities), public responsibilities (such as emergency management and public information programs), and the updating of the NSCA and its associated regulations.

Contributions to the employee benefit plans are statutory budgetary authorities.

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

This section highlights the significant items that contributed to the net increase in authorities for the year and actual expenditures for the quarter and year to date ended June 30, 2018.

### 2.1 Statement of voted and statutory authorities

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

<b>Authorities</b> <i>(in thousands of dollars)</i>	<b>2018–19</b>	<b>2017–18</b>	<b>Variance</b>
<b>Vote 1 – Program expenditures</b>	<b>38,177</b>	<b>37,940</b>	<b>237</b>
<b>Statutory:</b>			
Contributions to employee benefit plans	4,095	4,191	(96)
Expenditures pursuant to subsection 21(3) of the <i>Nuclear Safety and Control Act</i>	98,530	93,279	5,251
<b>Total statutory</b>	<b>102,625</b>	<b>97,470</b>	<b>5,155</b>
<b>Total authorities</b>	<b>140,802</b>	<b>135,410</b>	<b>5,392</b>

The CNSC's total authorities available to spend have increased by \$5.4 million (to \$140.8 million), or 4.0%, as of the end of the first quarter of 2018–19.

The voted authorities increased by \$0.2 million (to \$38.2 million), or 0.1%, due to compensation adjustments to fund salary increases to meet obligations under new collective agreements.

The contributions to employee benefit plans (EBP) decreased by \$0.1 million (to \$4.1 million) due to a decrease in the plan rate applied by Treasury Board Secretariat.

The CNSC's statutory authority for expenditures pursuant to subsection 21(3) of the NSCA is based on the CNSC's expenditures for activities subject to cost recovery fees. This authority has increased by \$5.3 million (to \$98.5 million), or 5.6%, due to salary increases and increased staffing for major licensing hearings and other regulatory efforts.

### 2.2 Expenditure analysis

As noted in the annexed Statement of authorities table, by the end of the fiscal quarter ended June 30, 2018, budgetary expenditures had increased by \$1.8 million (6.3%) compared with the same period in the previous year. Vote 1 expenditures increased by

\$0.9 million (to \$8.7 million), or 11.5%; contributions to employee benefit plans were largely unchanged at \$1.0 million; and the expenditures pursuant to subsection 21(3) of the NSCA increased by \$0.9 million (to \$20.5 million), or 4.8%.

As noted in the annexed table on Departmental budgetary expenditures by standard object table, the increase in expenditures of \$1.8 million, by standard object, is due to the:

- \$1.6 million increase in personnel costs due to negotiated salary adjustments
- \$0.7 million increase in professional and special services due to costs for the replacement of the CNSC's current financial and material management system
- \$0.4 million decrease in transfer payments due to timing differences for contributions for the Research and Support Program
- \$0.1 million net decrease in other expenditure categories

### **3. Risks and uncertainties**

Most of the CNSC's expenditures are funded through revenue from fees received from the industry. While the authority to spend revenues provides a sustainable and timely funding regime to address the changes in the regulatory oversight workload, it also poses a financial risk due to changing industry patterns and global economies. The CNSC works to mitigate such risk by increasing its use of term employees, a practice that increases workforce flexibility.

The CNSC continues to review its strategic planning framework to reflect changes taking place in the nuclear sector, and to reflect and anticipate the needs of a changing industry. Recent changes in the nuclear sector include:

- reduced level of regulatory activity in the uranium mining sector
- Ontario Power Generation's (OPG's) plan to pursue continued operations at the Pickering Nuclear Generating Station through 2024
- the licensing process for OPG's proposed Deep Geologic Repository for low-to-intermediate-level radioactive waste
- continued progress towards the realization of small modular reactors, resulting in increased demand for pre-licensing vendor design reviews and the applicable regulatory framework development

The CNSC is currently implementing a workforce renewal initiative, part of a comprehensive strategy to protect core organizational capabilities critical to the CNSC's mandate. The outlook for CNSC regulatory oversight requirements is stable.



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

On June 19, 2018, Ms. Rumina Velshi was appointed by the Governor in Council as the new President and Chief Executive Officer of the CNSC, for a five-year term effective August 22, 2018.

#### **5. Approval by senior officials**

Approved by:

*Original signed by*

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Ramzi Jammal  
Acting Chief Executive Officer

*Original signed by Daniel Schndr for:*

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Stéphane Cyr  
Chief Financial Officer

Ottawa, Canada  
Date: August 21, 2018

## Appendix

### Statement of authorities (unaudited)

<i>(in thousands of dollars)</i>	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 ended March 31, 2018*	Used during the quarter ended June 30, 2017	Year to date used at quarter-end
Vote 1 – Program expenditures	38,177	8,694	8,694	37,940	7,799	7,799
<b>Budgetary statutory authorities</b>						
Contribution to employee benefit plans	4,095	1,024	1,024	4,191	1,048	1,048
Expenditures pursuant to subsection 21(3) of the <i>Nuclear Safety and Control Act</i>	98,530	20,498	20,498	93,279	19,568	19,568
<b>Total budgetary authorities</b>	<b>140,802</b>	<b>30,216</b>	<b>30,216</b>	<b>135,410</b>	<b>28,415</b>	<b>28,415</b>
<b>Non-budgetary authorities</b>	-	-	-	-	-	-
<b>Total authorities</b>	<b>140,802</b>	<b>30,216</b>	<b>30,216</b>	<b>135,410</b>	<b>28,415</b>	<b>28,415</b>

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

**Departmental budgetary expenditures by standard object (unaudited)**

<i>(in thousands of dollars)</i>	<b>Fiscal year 2018–19</b>			<b>Fiscal year 2017–18</b>		
	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
<b>Expenditures:</b>						
Personnel	102,473	24,206	24,206	96,965	22,639	22,639
Transportation and communications	5,331	1,276	1,276	5,476	1,384	1,384
Information	1,198	236	236	1,269	301	301
Professional and special services	18,038	2,660	2,660	17,424	1,950	1,950
Rentals	5,644	642	642	5,416	555	555
Repair and maintenance	1,705	138	138	1,642	95	95
Utilities, materials and supplies	707	85	85	794	53	53
Acquisition of machinery and equipment	3,905	408	408	3,894	554	554
Transfer payments	1,770	406	406	2,502	788	788
Other subsidies and payments	31	159	159	28	96	96
<b>Total gross budgetary expenditures</b>	<b>140,802</b>	<b>30,216</b>	<b>30,216</b>	<b>135,410</b>	<b>28,415</b>	<b>28,415</b>
<b>Total revenues netted against expenditures</b>	-	-	-	-	-	-
<b>Total net budgetary expenditures</b>	<b>140,802</b>	<b>30,216</b>	<b>30,216</b>	<b>135,410</b>	<b>28,415</b>	<b>28,415</b>

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