

National Security and Intelligence Review Agency

Quarterly Financial Report

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

For the quarter ended September 30, 2020

Table of Contents

- Introduction
- Mandate
- Basis of Presentation
- Highlights of Fiscal Quarter and Fiscal Year to Date Results
 - Significant changes to authorities
 - Significant changes to quarter expenditures
 - Significant changes to year-to-date expenditures
- Risks and Uncertainties
- Significant Changes In Relation To Operations, Personnel and Programs
- Approval by Senior Officials
- Appendix

Introduction

This quarterly 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 Directive on Accounting Standards, GC 4400 Departmental Quarterly Financial Report. This quarterly financial report should be read in conjunction with the 2020-21 *Main Estimates*.

A summary description of the National Security and Intelligence Review Agency Secretariat (NSIRA) program activities can be found in Part II of the *Main Estimates*. For information on the mandate of NSIRA, please visit its website at <http://www.nsira-ossnr.gc.ca>.

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

Mandate

The National Security and Intelligence Review Agency (NSIRA) is an independent external review body, which reports to Parliament. NSIRA was established in July of

National Security and Intelligence Review Agency

Quarterly Financial Report

2019 and is responsible to conduct reviews of the Government of Canada national security and intelligence activities to ensure that they are lawful, reasonable and necessary. NSIRA also hears public complaints regarding key national security agencies and activities. NSIRA replaces the Security Intelligence Review Committee (SIRC), which reviewed CSIS (Canadian Security Intelligence Service) activities as well as those related to the revocation or denial of security clearances. Going forward, it will also hear complaints regarding the Communication Security Establishment (CSE), as well as national security-related complaints regarding the RCMP.

Basis of Presentation

This quarterly report has been prepared by management using an expenditure basis of accounting. The accompanying Statement of Authorities includes the department's spending authorities granted by Parliament and those used by the department, consistent with the 2020-21 *Main Estimates*. This quarterly report has been prepared using a special purpose financial reporting framework (cash basis) designed to meet financial information needs with respect to the use of spending authorities.

The authority of Parliament is required before moneys can be spent by the Government. 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.

Highlights of Fiscal Quarter and Fiscal Year to Date Results

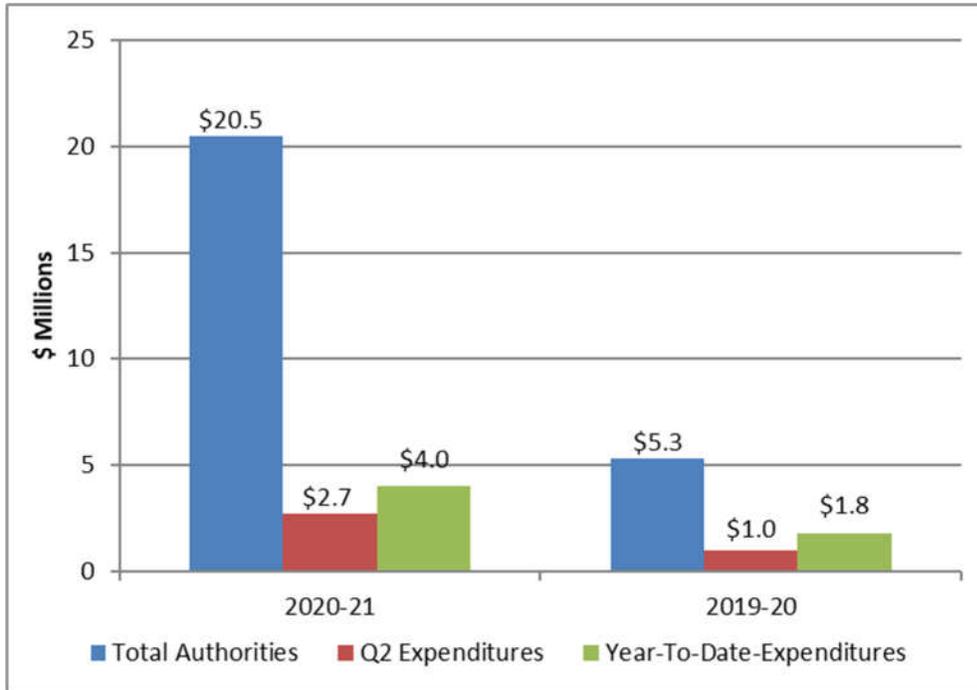
This section highlights the significant items that contributed to the net increase or decrease in authorities available for the year and actual expenditures for the quarter ended September 30, 2020.

NSIRA spent approximately 20% of its authorities by the end of the second quarter, compared to 34% in the same quarter of 2019-20 (see graph 1 below).

National Security and Intelligence Review Agency

Quarterly Financial Report

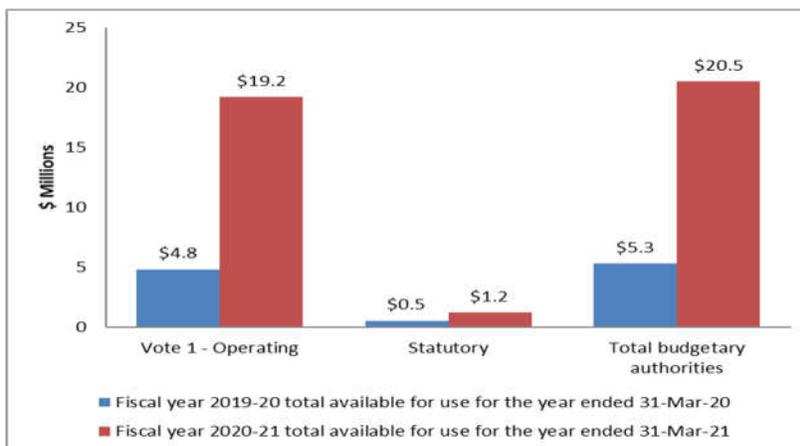
Graph 1: Comparison of Total Authorities and Total Net Budgetary Expenditures as of Q2 2020-21 and 2019-20



Significant changes to authorities

As per graph 2 below as at September 30, 2020, NSIRA had authorities available for use of \$20.5 million in 2020-21 compared to \$5.3 million as of September 30, 2019, for a net increase of \$15.2 million or 287%.

Graph 2: Variance in Authorities as at September 30, 2020



* Details may not add to totals due to rounding

National Security and Intelligence Review Agency

Quarterly Financial Report

Due to the COVID-19 pandemic and limited sessions in the spring for Parliament to study supply, the Standing Orders of the House of Commons were amended to extend the study period into the Fall. As a result, NSIRA is expected to receive full supply for the 2020-21 Main Estimates in December 2020.

The authorities' increase of \$15.2 million is explained by the approval of funding for the mandate of NSIRA. A portion of the increase, \$5.0 M, is to be used to initiate temporary and permanent accommodation projects.

Significant changes to quarter expenditures

The second quarter expenditures totaled \$2.7M for an increase of \$1.7M when compared to \$1M spent during the same period in 2019-20. Table 1 below presents budgetary expenditures by standard object.

Table 1

Material Variances to Expenditures by Standard Object (in thousands of dollars)	Fiscal year 2020-21 Expended during the quarter ended 30- September-2020	Fiscal year 2019-20 Expended during the quarter ended 30-September-2019	Variance \$	Variance %
Personnel	2,229	761	1,468	193%
Transportation and communications	12	55	(43)	(78%)
Information	(9)	0	(9)	
Professional and special services	275	91	184	202%
Rentals	64	14	50	357%
Repair and maintenance	4	6	(2)	(33%)
Utilities, materials and supplies	(3)	3	(6)	(200%)
Acquisition of machinery and equipment	43	23	20	87%
Other subsidies and payments	42	47	(5)	(11%)
Total gross budgetary expenditures	2,656	1,000	1,656	166%

Personnel

The increase of \$1.5M relates to additional staffing to support NSIRA's new departmental mandate.

Transportation and communications

The decrease of \$43K is mainly explained by the lack of travel due to the COVID-19 pandemic.

Information

The decrease of \$9K is explained by a reallocation of expenditures between standard objects.

National Security and Intelligence Review Agency

Quarterly Financial Report

Professional and special services

The increase of \$184K is mainly due to large contracts in Management consulting.

Rentals

The increase of \$50K is mostly explained by the timing of the invoices as well as new software licence costs.

Utilities, Materials and Supplies

The decrease of \$6K is explained by a reallocation of expenses between standard objects.

Acquisition of machinery and equipment

The increase of \$20K is mainly explained by furniture acquisitions and office remodelling to accommodate the increased number of employees.

Other Subsidies and payments

The decrease of \$5K is due to multiple salary overpayments processed in the second quarter of 2019-20 which didn't occur in 2020-21

Significant changes to year-to-date expenditures

Year-to-date expenditures recorded to the end of the second quarter totaled \$4.0M for an increase of \$2.2M when compared to \$1.8M spent during the same period in 2019-20. Table 2 below presents budgetary expenditures by standard object.

National Security and Intelligence Review Agency

Quarterly Financial Report

Table 2

Material Variances to Expenditures by Standard Object (in thousands of dollars)	YTD Expenditures as of 30-September-2020	YTD Expenditures as of 30-September-2019	Variance \$	Variance %
Personnel	3,340	1,310	2,030	155%
Transportation and communications	19	85	(66)	(78%)
Information	41	4	37	925%
Professional and special services	343	178	165	93%
Rentals	64	39	25	64%
Repair and maintenance	57	7	50	714%
Utilities, materials and supplies	7	7	0	0%
Acquisition of machinery and equipment	43	28	15	54%
Other subsidies and payments	42	144	(102)	(71%)
Total gross budgetary expenditures	3,955	1,801	2,154	120%

* Details may not add to totals due to rounding

Personnel

The increase of \$2M is mainly related to staffing to support NSIRA's new departmental mandate as well as timing of salary recoveries by other government departments.

Transportation and communications

The decrease of \$66K is mainly explained by lack of travel due to the COVID-19 pandemic.

Information

The increase of \$37K is explained by higher expenditures for electronic subscriptions and communication consultants.

Professional and special services

The increase of \$165K is mainly due to large contract in Management consulting.

Rentals

The increase of \$25K is mostly explained by new software licence costs.

Acquisition of machinery and equipment

The increase of \$15K is mainly explained by furniture acquisitions and office remodelling to accommodate the increase in number of employees.

National Security and Intelligence Review Agency

Quarterly Financial Report

Other Subsidies and payments

The decrease of \$102K is due to multiple Salary Overpayments processed in first two quarters of 2019-20.

Risks and Uncertainties

The COVID-19 pandemic had a significant impact on the ability of NSIRA to grow its organization in a way that is commensurate with its new mandate. The physical distancing requirements decreased the ability of staff to concurrently work with departments and agencies subject to reviews. In light of that, NSIRA revised its Review Plan and has advanced the introduction of a new approach to the review of complaints.

The ability to hire a sufficient number of qualified personnel within relevant timelines remains a short- and medium-term risk for NSIRA, particularly given the specialized knowledge and skillset required for many positions. This is further compounded by the requirement for candidates to obtain a Top Secret security clearance, which can incur significant delays, especially during the pandemic.

While NSIRA has been able to secure temporary space to address its immediate space requirements, the timing at which this staff will be able to operate within this high security zone has still not been determined. NSIRA is working closely with Public Services and Procurement Canada to expedite the fit-up plans.

The ability of NSIRA to access the information it needs to do its work and speak to the relevant internal stakeholders to understand policies, operations and ongoing issues is closely tied to the reviewed departments' capacity to respond to the demands of NSIRA. The pandemic impacts and existing resource constraints of the reviewed departments could delay NSIRA's ability to deliver on its mandate in a timely way.

NSIRA is closely monitoring pay transactions to identify and address over and under payments in a timely manner and continues to apply ongoing mitigating controls, which were implemented in 2016.

Mitigation measures for the risks outlined above have been identified and are factored into NSIRA's approach to the conduct of its mandate.

Significant Changes In Relation To Operations, Personnel and Programs

The pandemic forced changes in the way NSIRA conducts operations. The requirement for physical distancing and the existing challenge with respect to high

National Security and Intelligence Review Agency

Quarterly Financial Report

security zone accommodation has led NSIRA to authorize staff to work with non-sensitive files from home.

Murray Rankin, Chair of NSIRA, has left the Agency. Honourable L. Yves Fortier has been designated acting Chair.

There have been no new Governor-in-Council appointments during the second quarter.

There have been no changes to the NSIRA Program.

Approved by Senior Officials:

John Davies
Executive Director

Pierre Souligny
Senior Director, Corporate Services,
Chief Financial Officer

Ottawa, Canada

Date:

National Security and Intelligence Review Agency

For the quarter ended September 30, 2020

STATEMENT OF AUTHORITIES *(unaudited) (note 2)*

	Fiscal year 2020-2021			Fiscal year 2019-2020		
	Total available for use for the year ending March 31, 2021 (note 1)	Used during the quarter ended September 30, 2020	Year-to-date used at quarter-end	Total available for use for the year ending March 31, 2020 (note 1)	Used during the quarter ended September 30, 2019	Year-to-date used at quarter-end
<i>(In thousands of dollars)</i>						
Vote 1 - Net operating expenditures	19,217	2,285	3,213	4,809	869	1,538
Budgetary statutory authorities - Contributions to employee benefit plans	1,237	371	742	526	131	263
Total budgetary authorities	20,453	2,656	3,955	5,334	1,000	1,801
TOTAL AUTHORITIES	20,453	2,656	3,955	5,334	1,000	1,801

Note 1: Includes only Authorities available for use and granted by Parliament at quarter-end

Note 2: Details may not add to totals due to rounding

National Security and Intelligence Review Agency

For the quarter ended September 30, 2020

Departmental budgetary expenditures by Standard Object *(unaudited) (note 2)*

(In thousands of dollars)

	Fiscal year 2020-2021			Fiscal year 2019-2020		
	Planned expenditures for the year ending March 31, 2021 (note 1)	Expended during the quarter ended September 30, 2020	Year-to-date used at quarter-end	Planned expenditures for the year ending March 31, 2020 (note 1)	Expended during the quarter ended September 30, 2019	Year-to-date used at quarter-end
Expenditures						
Personnel	9,592	2,229	3,340	4,142	761	1,310
Transportation and communications	968	12	19	232	55	85
Information	303	(9)	41	76	-	4
Professional and special services	2,708	275	343	465	91	178
Rentals	197	64	64	70	14	39
Repair and maintenance	5,945	4	57	4	6	7
Utilities, materials and supplies	144	(3)	7	29	3	7
Acquisition of machinery and equipment	327	43	43	315	23	28
Other subsidies and payments	268	42	42	2	47	144
Total gross budgetary expenditures	20,453	2,656	3,955	5,334	1,000	1,801
TOTAL AUTHORITIES	20,453	2,656	3,955	5,334	1,000	1,801

Note 1: Includes only Authorities available for use and granted by Parliament at quarter-end

Note 2: Details may not add to totals due to rounding