

SOCIAL SCIENCES AND HUMANITIES RESEARCH COUNCIL

FINANCIAL STATEMENTS (Unaudited)

For the year ended March 31, 2022

Statement of Management Responsibility Including Internal Control Over Financial Reporting

Responsibility for the integrity and objectivity of the accompanying financial statements for the year ended March 31, 2022, and all information contained in these statements rests with the management of the Social Sciences and Humanities Research Council (SSHRC). These financial statements have been prepared by management using the Government's accounting policies, which are based on Canadian public sector accounting standards.

Management is responsible for the integrity and objectivity of the information in these financial statements. Some of the information in the financial statements is based on management's best estimates and judgment, and gives due consideration to materiality. To fulfill its accounting and reporting responsibilities, management maintains a set of accounts that provides a centralized record of SSHRC's financial transactions. Financial information submitted in the preparation of the Public Accounts of Canada, and included in SSHRC's *Departmental Results Report*, is consistent with these financial statements.

Management is also responsible for maintaining an effective system of internal control over financial reporting (ICFR) designed to provide reasonable assurance that financial information is reliable, that assets are safeguarded and that transactions are properly authorized and recorded in accordance with the *Financial Administration Act* and other applicable legislation, regulations, authorities and policies.

Management seeks to ensure the objectivity and integrity of data in its financial statements through careful selection, training and development of qualified staff; through organizational arrangements that provide appropriate divisions of responsibility; through communication programs aimed at ensuring that regulations, policies, standards, and managerial authorities are understood throughout SSHRC and through conducting an annual risk-based assessment of the effectiveness of the system of ICFR.


The system of ICFR is designed to mitigate risks to a reasonable level based on an ongoing process to identify key risks, to assess effectiveness of associated key controls, and to make any necessary adjustments.

A risk-based assessment of the system of ICFR for the year ended March 31, 2022 was completed in accordance with the Treasury Board Policy on Financial Management and the results and action plans are summarized in the annex.

The effectiveness and adequacy of the SSHRC's system of internal control is reviewed by the work of internal audit staff, who conduct periodic audits of different areas of the SSHRC's operations, and by the Independent Audit Committee, which oversees management's responsibilities for maintaining adequate control systems and the quality of financial reporting, and which recommends the financial statements to the President.

Dr. Ted Hewitt
President

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Chief Financial Officer



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Ottawa, Canada

August 22, 2022

SOCIAL SCIENCES AND HUMANITIES RESEARCH COUNCIL

Statement of Financial Position (unaudited)

As at March 31

(in thousands of dollars)

	<u>2022</u>	<u>2021</u>
Liabilities		
Accounts payable and accrued liabilities [Note 4]	7,315	6,754
Vacation pay and compensatory leave	2,095	1,368
Deferred revenue [Note 5]	261	279
Employee future benefits [Note 6b]	97	126
Total net liabilities	<u>9,768</u>	<u>8,527</u>
Financial assets		
Due from Consolidated Revenue Fund	6,671	6,366
Accounts receivable and advances [Note 7]	983	1,066
Total net financial assets	<u>7,654</u>	<u>7,432</u>
Departmental net debt	<u>2,114</u>	<u>1,095</u>
Non-financial assets		
Prepaid expenses	283	435
Tangible capital assets [Note 8]	2,658	1,336
Total non-financial assets	<u>2,941</u>	<u>1,771</u>
Departmental net financial position [Note 9]	<u>827</u>	<u>676</u>

Contractual obligations and commitments [Note 10]

The accompanying notes form an integral part of these financial statements.

Dr. Ted Hewitt
President

Ottawa, Canada
August 22, 2022

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Dominique Osterrath
Chief Financial Officer

SOCIAL SCIENCES AND HUMANITIES RESEARCH COUNCIL
Statement of Operations and Departmental Net Financial Position (unaudited)
For the year ended March 31
(in thousands of dollars)

	<u>2022</u>	<u>2022</u>	<u>2021</u>
	Planned Results		
Expenses			
Funding Social Sciences and Humanities Research and Training	568,269	505,915	983,504
Institutional Support for the Indirect Costs of Research	426,527	429,463	414,661
Internal Services	<u>20,400</u>	<u>20,383</u>	<u>23,060</u>
Total Expenses	1,015,196	955,761	1,421,225
Revenues			
Miscellaneous revenues	<u>95</u>	<u>143</u>	<u>99</u>
Total Revenues	95	143	99
Net cost of operations before government funding and transfers	1,015,101	955,618	1,421,126
Government funding and transfers			
Net cash provided by Government of Canada		950,710	1,500,040
Change in Due from Consolidated Revenue Fund		305	(84,102)
Services provided without charge by other government departments [Note 11a]		4,751	5,256
Other transfers of assets from other government departments [Note 11c]		3	-
Total Government funding and transfers		<u>955,769</u>	<u>1,421,194</u>
Net cost of operations after government funding and transfers		151	68
Departmental net financial position - Beginning of year		676	608
Departmental net financial position - End of year		<u><u>827</u></u>	<u><u>676</u></u>

Segmented information [Note 12]

The accompanying notes form an integral part of these financial statements.

SOCIAL SCIENCES AND HUMANITIES RESEARCH COUNCIL
Statement of Change in Departmental Net Debt (unaudited)
For the year ended March 31
(in thousands of dollars)

	<u>2022</u>	<u>2021</u>
Net cost of operations after government funding and transfers	(151)	(68)
Change due to tangible capital assets		
Acquisition of tangible capital assets [Note 8]	1,449	1,170
Amortization of tangible capital assets [Note 8]	(104)	(296)
Net loss on disposal of tangible capital assets including adjustments [Note 8]	(7)	-
Proceeds from disposal of tangible capital assets [Note 8]	(16)	-
Total change due to tangible capital assets	<u>1,322</u>	<u>874</u>
Change due to prepaid expenses	(152)	66
Net increase (decrease) in Departmental net debt	<u>1,019</u>	<u>872</u>
Departmental net debt - Beginning of year	<u>1,095</u>	<u>223</u>
Departmental net debt - End of year	<u><u>2,114</u></u>	<u><u>1,095</u></u>

The accompanying notes form an integral part of these financial statements.

SOCIAL SCIENCES AND HUMANITIES RESEARCH COUNCIL
Statement of Cash Flows (unaudited)
For the year ended March 31
(in thousands of dollars)

	<u>2022</u>	<u>2021</u>
Operating activities		
Net cost of operations before government funding and transfers	955,618	1,421,126
Non-cash items:		
Amortization of tangible capital assets [Note 8]	(104)	(296)
Net loss on disposal of tangible capital assets [Note 8]	(7)	-
Services provided without charge by other government departments [Note 11a]	(4,751)	(5,256)
Other transfers of assets from other government departments [Note 11c]	(3)	-
Variations in Statement of Financial Position:		
Decrease (increase) in accounts payable and accrued liabilities [Note 4]	(561)	84,541
Decrease (increase) in vacation pay and compensatory leave	(727)	41
Decrease in deferred revenue [Note 5]	18	14
Decrease (increase) in employee future benefits [Note 6b]	29	65
Increase (decrease) in accounts receivable and advances [Note 7]	(83)	(1,431)
Increase (decrease) in prepaid expenses	(152)	66
Cash used in operating activities	<u>949,277</u>	<u>1,498,870</u>
Capital investing activities		
Acquisition of tangible capital assets [Note 8]	1,449	1,170
Proceeds from disposal of tangible capital asset [Note 8]	(16)	-
Cash used in capital investing activities	<u>1,433</u>	<u>1,170</u>
Financing activities	-	-
Net cash provided by Government of Canada	<u>950,710</u>	<u>1,500,040</u>

The accompanying notes form an integral part of these financial statements.

**Social Sciences and Humanities Research Council
Notes to the Financial Statements
For the Year Ended March 31**

1. Authority and Objectives

The Social Sciences and Humanities Research Council (SSHRC) was established in 1977 by the *Social Sciences and Humanities Research Council Act*, and is a departmental corporation named in Schedule II to the *Financial Administration Act*. SSHRC's purpose is to promote and assist research and scholarship in the social sciences and humanities. SSHRC's grants, scholarships and operating expenditures are funded by budgetary lapsing authorities. Employee benefits are funded by statutory authorities. SSHRC delivers its objectives through the following programs:

a) Funding Social Sciences and Humanities Research and Training

SSHRC, through grants, fellowships and scholarships, promotes and supports research and research training in the social sciences and humanities to develop talent, generate insights and build connections in pursuit of social, cultural and economic outcomes for Canadians.

b) Institutional Support for the Indirect Costs of Research

SSHRC on behalf of the Natural Sciences and Engineering Research Council (NSERC) and the Canadian Institutes of Health Research, provides financial support to universities, colleges and their affiliated research hospitals and institutes to reimburse a portion of indirect costs associated with the funded research.

c) Internal Services

SSHRC and NSERC share internal services for general administration, human resources, finance, awards administration, information management and technology, program evaluation and audit services. This common administrative services model has proven highly efficient for the two federal granting agencies. In addition, SSHRC has its own corporate services to address the agency's distinct needs in terms of governance, policy, planning, statistics, performance measurement, communications and international relations. Internal Services provide support to the organization as a whole in the form of operations and maintenance funds. They are necessary to support the delivery of programs and other corporate obligations and include activities that apply across the organization, rather than those that support a specific program.

2. Summary of significant accounting policies

These financial statements have been prepared using the Government's accounting policies stated below, which are based on Canadian public sector accounting standards. The presentation and results using the stated accounting policies do not result in any significant differences from Canadian public sector accounting standards.

Significant accounting policies are as follows:

a) Parliamentary authorities

SSHRC is financed by the Government of Canada through Parliamentary authorities. Financial reporting of authorities provided to SSHRC do not parallel financial reporting according to generally accepted accounting principles since authorities are primarily based on cash flow requirements. Consequently, items recognized in the Statement of Operations and Departmental

Social Sciences and Humanities Research Council
Notes to the Financial Statements
For the Year Ended March 31

Net Financial Position and in the Statement of Financial Position are not necessarily the same as those provided through authorities from Parliament. Note 3 provides a reconciliation between the bases of reporting. The planned results amounts in the “Expenses” and “Revenues” sections of the Statement of Operations and Departmental Net Financial Position are the amounts reported in the Future-oriented Statement of Operations included in the *2021-22 Departmental Plan*. Planned results are not presented in the “Government funding and transfers” section of the Statement of Operations and Departmental Net Financial Position and in the Statement of Change in Net Debt because these amounts were not included in SSHRC’s *2021-22 Departmental Plan*.

b) Net cash provided by Government of Canada

SSHRC operates within the Consolidated Revenue Fund (CRF), which is administered by the Receiver General for Canada. All cash received by SSHRC is deposited to the CRF, and all cash disbursements made by SSHRC are paid from the CRF. The net cash provided by Government is the difference between all cash receipts and all cash disbursements, including transactions between departments of the Government.

c) Amounts due from the CRF

Amounts due from the CRF are the result of timing differences at year-end between when a transaction affects authorities and when it is processed through the CRF. Due from the CRF represent the net amount of cash that SSHRC is entitled to draw from the CRF without further authorities to discharge its liabilities.

d) Revenues

Miscellaneous revenues are accounted for in the period in which the underlying transaction or event that gave rise to the revenue takes place.

Funds received from external parties for specified purposes are recorded upon receipt as deferred revenue. Revenues are then recognized in the period in which the related expenses are incurred.

Included in miscellaneous revenue are revenues that are spendable and non-spendable. Non-spendable revenues are not available to discharge SSHRC’s liabilities. While the President is expected to maintain accounting control, they have no authority regarding the disposition of non-spendable revenues. As a result, non-spendable revenues are earned on behalf of the Government of Canada and are therefore presented as a reduction of the agency’s gross revenues.

e) Expenses

Expenses are recorded on an accrual basis.

Grants and scholarships (transfer payments) are recorded as expenses when authorization for the payment exists, and the recipient has met the eligibility criteria, or the entitlements established for the transfer payment program.

Social Sciences and Humanities Research Council
Notes to the Financial Statements
For the Year Ended March 31

Vacation pay and compensatory leave are accrued as the benefits are earned by employees under their respective terms of employment.

Services provided without charge by other government departments for accommodation, and employer contributions to the health and dental insurance plans are recorded as operating expenses at their estimated cost. These amounts are also presented as government funding.

f) Employee future benefits

(i) Pension benefits: Eligible employees participate in the Public Service Pension Plan (the Plan), a multiemployer pension plan administered by the Government. SSHRC's contributions to the Plan are charged to expenses in the year incurred and represent SSHRC's total obligation to the Plan. SSHRC's responsibility with regard to the Plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the financial statements of the Government, the Plan's sponsor.

(ii) Severance benefits: The accumulation of severance benefits for voluntary departures ceased for applicable employee groups. The remaining obligation for employees who did not withdraw benefits is calculated using information derived from the results of the actuarially determined liability for employee severance benefits for the Government as a whole.

g) Accounts receivable and advances

Accounts receivable and advances are stated at the lower of cost and net recoverable value. A valuation allowance is recorded for accounts receivable and advances where recovery is considered uncertain.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. SSHRC is not exposed to significant credit risk. Accounts receivable and advances are due on demand. The majority of accounts receivable and advances are due from Canadian universities and other government departments and agencies where there is minimal potential risk of loss. The maximum exposure the entity has to credit risk is equal to the carrying value of its accounts receivable and advances.

h) Contingent liabilities

Contingent liabilities are potential liabilities that may become actual liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued, and an expense recorded. If the likelihood is not determinable or if an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the financial statements.

i) Measurement uncertainty

The preparation of these financial statements requires management to make estimates and assumptions that affect the amounts of assets, liabilities, revenues and expenses reported in the

Social Sciences and Humanities Research Council
Notes to the Financial Statements
For the Year Ended March 31

financial statements and accompanying notes at March 31. At the time of preparation of these statements, management believes the estimates and assumptions to be reasonable. The most significant items where estimates are used are the liability for employee future benefits and the useful lives and valuation of tangible capital assets. Actual results could significantly differ from those estimated. Management's estimates are reviewed periodically and, as adjustments become necessary, are recorded in the financial statements in the year in which they become known.

j) Related party transactions

Related party transactions, other than inter-entity transactions, are recorded at the exchange amount.

Inter-entity transactions are transactions between commonly controlled entities. Inter-entity transactions, other than restructuring transactions, are recorded on a gross basis and are measured at the carrying amount, except for the following:

- i) Services provided on a recovery basis are recognized as revenues and expenses on a gross basis and measured at the exchange amount.
- ii) Certain services received on a without charge basis are recorded for departmental financial statement purposes at the carrying amount. Other related party transactions, other than inter-entity transactions, are recorded at the exchange amount.

3. Parliamentary Authorities

SSHRC receives its funding through annual parliamentary authorities. Items recognized in the Statement of Financial Position and in the Statement of Operations and Departmental Net Financial Position one year may be funded through parliamentary authorities in prior, current or future years. Accordingly, SSHRC has different net results of operations for the year on a government funding basis than on an accrual accounting basis. The differences are reconciled in the following tables:

Social Sciences and Humanities Research Council
Notes to the Financial Statements
For the Year Ended March 31

a) Reconciliation of net cost of operations to current year authorities used

a) Reconciliation of net cost of operations to current year authorities used:

(in thousands of dollars)

	<u>2022</u>	<u>2021</u>
Net cost of operations before government funding and transfers	955,618	1,421,126
Adjustments for items affecting net cost of operations but not affecting authorities:		
Miscellaneous revenues	123	79
Amortization of tangible capital assets	(104)	(296)
Loss on disposal of tangible capital assets	(7)	-
Services provided without charge by other government departments	(4,751)	(5,256)
Decrease (increase) in vacation pay and compensatory leave	(727)	41
Decrease in employee future benefits	29	65
Refunds of prior years' expenditures	64,925	2,082
Total items affecting net cost of operations but not affecting authorities	59,488	(3,285)
Adjustments for items not affecting net cost of operations but affecting authorities:		
Acquisitions of tangible capital assets	1,449	1,170
Increase (decrease) in salary overpayments	-	42
Increase (decrease) in prepaid expenses	(152)	66
Proceeds from disposal of tangible capital asset	(16)	-
Other transfers of assets and liabilities from other government departments	3	-
Total items not affecting net cost of operations but affecting authorities	1,284	1,278
Current year authorities used	<u>1,016,390</u>	<u>1,419,119</u>

**Social Sciences and Humanities Research Council
Notes to the Financial Statements
For the Year Ended March 31**

b) Authorities provided and used

(in thousands of dollars)

	<u>2022</u>	<u>2021</u>
Authorities provided:		
Vote 5 - Grants	970,628	1,065,683
Vote 1 – Operating expenditures	42,328	36,715
Statutory contributions to employee benefit plans	4,680	4,066
Spending of proceeds from the disposal of surplus Crown assets	16	-
Spending of revenues pursuant to subsection 4 (2) of the Social Sciences and Humanities Research Council Act	103	76
Payments to support students and youth impacted by COVID-19 pursuant to the Public Health Events of National Concern Payments Act	-	357,052
Less:		
Authorities available for future years	(374)	(24,178)
Lapsed : Grants	(10)	(19,149)
Lapsed : Operating	(981)	(1,146)
Current year authorities used	<u>1,016,390</u>	<u>1,419,119</u>

4. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities are measured at cost. The following table presents details of SSHRC’s accounts payable and accrued liabilities:

(in thousands of dollars)

	<u>2022</u>	<u>2021</u>
Accounts payable - Other government departments and agencies	4,380	3,594
Accounts payable - External parties	558	860
Total accounts payable	<u>4,938</u>	<u>4,454</u>
Accrued liabilities	2,377	2,300
Total accounts payable and accrued liabilities	<u>7,315</u>	<u>6,754</u>

5. Deferred revenue

Deferred revenue represents the balance at year-end of unearned revenues stemming from amounts received from external parties and interest earned on endowment funds not yet expensed, that are restricted in order to fund the expenditures related to specific research projects and stemming from amounts received for fees prior to services being performed.

**Social Sciences and Humanities Research Council
Notes to the Financial Statements
For the Year Ended March 31**

(in thousands of dollars)

	<u>2022</u>	<u>2021</u>
Opening balance	279	293
Amounts received	2	6
Revenue recognized	<u>(20)</u>	<u>(20)</u>
Net closing balance	<u><u>261</u></u>	<u><u>279</u></u>

6. Employee future benefits

a) Pension benefits

SSHRC's employees participate in the Plan, which is sponsored and administered by the Government. Pension benefits accrue up to a maximum period of 35 years at a rate of two per cent per year of pensionable service, times the average of the best five consecutive years of earnings. The benefits are integrated with Canada/Québec Pension Plans benefits and are indexed to inflation.

Both the employees and SSHRC contribute to the cost of the Plan. Due to the amendment of the *Public Service Superannuation Act* following the implementation of provisions related to Economic Action Plan 2012, employee contributors have been divided into two groups – Group 1 relates to existing plan members as of December 31, 2012 and Group 2 relates to members joining the Plan as of January 1, 2013. Each group has a distinct contribution rate.

The expense for 2021-22 amounts to \$3,161,909 (\$2,774,766 in 2020-2021). SSHRC's responsibility with regard to the Plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the financial statements of the Government of Canada, the Plan's sponsor.

b) Severance benefits

Severance benefits provided to the employees of SSHRC were previously based on an employee's eligibility, years of service and salary at termination of employment. However, since 2012, the accumulation of severance benefits for voluntary departures progressively ceased for substantially all employees. Employees subject to these changes were given the option to be paid the full or partial value of benefits earned to date or collect the full or remaining value of benefits upon departure from the public service. By March 31, 2022, all settlements for immediate cash out were completed. Severance benefits are unfunded and, consequently, the outstanding obligation will be paid from future authorities.

Social Sciences and Humanities Research Council
Notes to the Financial Statements
For the Year Ended March 31

The changes in the obligations during the year were as follows:

(in thousands of dollars)

	<u>2022</u>	<u>2021</u>
Accrued benefit obligation - Beginning of year	126	191
Expense (gain) for the year	(1)	(13)
Benefits paid during the year	<u>(28)</u>	<u>(52)</u>
Accrued benefit obligation - End of year	<u><u>97</u></u>	<u><u>126</u></u>

7. Accounts receivable and advances

The following table presents details of SSHRC's accounts receivable and advances:

(in thousands of dollars)

	<u>2022</u>	<u>2021</u>
Receivables - Other government departments and agencies	800	630
Receivables - External parties	100	354
Receivables - Employees	<u>83</u>	<u>82</u>
Net accounts receivable	<u><u>983</u></u>	<u><u>1,066</u></u>

SSHRC has no allowance for doubtful accounts on receivables from external parties.

**Social Sciences and Humanities Research Council
Notes to the Financial Statements
For the Year Ended March 31**

8. Tangible capital assets

All tangible capital assets and leasehold improvements having an individual initial cost of \$5,000 or more are recorded at their acquisition cost. SSHRC does not capitalize intangibles.

Amortization of tangible capital assets is performed on a straight-line basis over the estimated useful life of the asset as follows:

Asset class	Amortization period
Computer hardware	3 years
Computer purchased and developed software	5 years
Machinery and equipment	5 years
Other equipment (including furniture)	7 years
Motor Vehicles	7 years
Leasehold improvements	Lesser of the remaining term of lease or useful life of the improvement

Assets under construction are recorded in the applicable capital asset class in the year that they become available for use and are not amortized until they become available for use.

(in thousands of dollars)

Capital asset class	Cost				Accumulated amortization				Net book value	
	Opening balance	Acquisitions	Disposals and Write-offs	Closing balance	Opening balance	Amortization	Disposals and Write-offs	Closing balance	2022	2021
Computer hardware	3,358	173	-	3,531	3,205	78	-	3,283	248	154
Computer purchased and developed software	5,717	47	-	5,764	5,649	18	-	5,667	97	68
Machinery and equipment	392	-	-	392	367	5	-	372	20	24
Other equipment (including furniture)	2,044	-	-	2,044	2,044	-	-	2,044	-	-
Leasehold improvements	1,588	-	(1,588)	-	1,569	3	(1,572)	-	-	19
Motor vehicles	27	-	(27)	-	20	-	(20)	-	-	7
Other Construction or Work in Progress	1,064	1,229	-	2,293	-	-	-	-	2,293	1,064
Total	14,190	1,449	(1,615)	14,024	12,854	104	(1,592)	11,366	2,658	1,336

**Social Sciences and Humanities Research Council
Notes to the Financial Statements
For the Year Ended March 31**

9. Departmental net financial position

A portion of SSHRC's departmental net financial position is used for a specific purpose. Related revenues and expenses are included in the Statement of Operations and Departmental Net Financial Position.

The Queen's Fellowship Endowment Fund is an endowment of \$250,000 established by Parliament by Vote 45a, *Appropriation Act No. 5*, in 1973-74. The interest generated from the endowment is included in deferred revenue [Note 5]. The endowment itself does not represent a liability to third parties but is restricted for special purposes. Activity in the account is as follows:

(in thousands of dollars)

	<u>2022</u>	<u>2021</u>
Queen's Fellowship Endowment Fund - Restricted	250	250
Departmental net financial position excluding Endowment Fund	<u>577</u>	<u>426</u>
Departmental net financial position - End of year	<u>827</u>	<u>676</u>

10. Contractual obligations and commitments

Payments of grants and scholarships extending into future years are subject to the provision of funds by Parliament.

The nature of SSHRC's operating activities can result in some large multi-year contracts and obligations whereby SSHRC will be obligated to make future payments in order to carry out its transfer payment programs or when the services/goods are received. Significant contractual obligations that can be reasonably estimated are summarized as follows:

	2022	2023	2024	2025	2026 and subsequent	Total
	(in thousands of dollars)					
Grants & Scholarships	363,547	294,388	183,361	106,102	78,730	1,026,128
Operating	4,939	101	73	56	4	5,173
Total	368,486	294,489	183,434	106,158	78,734	1,031,301

11. Related party transactions

SSHRC is related as a result of common ownership to all government departments, agencies and Crown corporations. Related parties also include individuals who are members of key management personnel or close family members of those individuals, and entities controlled by, or under shared control of, a member of key management personnel or a close family member of that individual.

**Social Sciences and Humanities Research Council
Notes to the Financial Statements
For the Year Ended March 31**

SSHRC enters into transactions with these entities in the normal course of business and on normal trade terms. During the year, SSHRC received common services that were obtained without charge by other government departments as disclosed below.

a) Services provided without charge by other government departments

During the year, SSHRC received services without charge from certain common service organizations related to accommodations, audit services and the employer’s contribution to the health and dental insurance plans. These services provided without charge have been recorded in SSHRC’s Statement of Operations and Departmental Net Financial Position as follows:

(in thousands of dollars)

	<u>2022</u>	<u>2021</u>
Accommodations	1,672	2,866
Employer’s contribution to the health and dental insurance plans	<u>3,079</u>	<u>2,390</u>
Total	<u>4,751</u>	<u>5,256</u>

The Government has centralized some of its administrative activities for efficiency, cost-effectiveness purposes and economic delivery of programs to the public. As a result, the Government uses central agencies and common service organizations so that one department performs services for all other departments and agencies without charge. The costs of these services, such as the payroll and cheque issuance services provided by Public Services and Procurement Canada are not included in SSHRC’s Statement of Operations and Departmental Net Financial Position.

b) Administration of programs on behalf of other government departments

SSHRC administers funds received from other government departments and agencies to issue grants, scholarships and related payments on their behalf. During the year, SSHRC administered \$439,400,971 (\$441,151,052 in 2020-2021) in funds for grants and scholarships. These expenses are reflected in the financial statements of the departments or agencies that provided the funds and are not recorded in these financial statements.

c) Other transfers of assets from other government departments

During 2021-2022 SSHRC received a transfer of a receivable nature for transactions related to salary overpayments, from other government departments, within the scope of Phoenix interdepartmental adjustments. These overpayments are recovered in the context of the Agencies’ established salary payment process.

**Social Sciences and Humanities Research Council
Notes to the Financial Statements
For the Year Ended March 31**

12. Segmented information

Presentation by segment is based on SSHRC's Departmental Results Framework. The presentation by segment is based on the same accounting policies as described in the Summary of significant accounting policies in Note 2. The following table presents the expenses incurred for the main program, by major object of expenses and by major type of revenue. The segment results for the period are as follows:

(in thousands of dollars)

	Funding Social Sciences and Humanities Research and Training	Institutional support for the indirect costs of research	Internal Services	2022	2021
Transfer payments					
Grants & Scholarships	479,065	426,751	-	905,816	1,377,252
Operating expenses					
Salaries and employee benefits	24,951	1,870	14,554	41,375	33,929
Accommodation and rentals	60	46	2,136	2,242	3,798
Professional and special services	1,251	669	1,780	3,700	4,088
Transportation and communications	51	38	289	378	254
Information	-	0	615	615	726
Amortization	438	22	388	848	296
Acquisition of machinery and equipment	11	-	25	36	496
Repair and maintenance	84	64	538	686	63
Utilities, materials and supplies	4	3	38	45	44
Other	-	-	20	20	279
Total operating expenses	26,850	2,712	20,383	49,946	43,973
Total expenses	505,915	429,463	20,383	955,761	1,421,225
Revenues					
Miscellaneous revenues	-	-	143	143	99
Total revenues	-	-	143	143	99
Net cost of operations before government	505,915	429,463	20,240	955,618	1,421,126

Social Sciences and Humanities Research Council
Notes to the Financial Statements
For the Year Ended March 31

13. Government Transfers

During fiscal year 2021-22, SSHRC received approval and funding for the creation of new programs such as the Race, Gender and Diversity Initiative and the Canada Biomedical research Fund (CBRF). CBRF is a tri-agency program and is administered by SSHRC on behalf of the three federal research funding agencies: the Canadian Institutes of Health Research (CIHR), NSERC and SSHRC.

**Annex to the Statement of Management Responsibility Including Internal
Control Over Financial Reporting of**

Social Sciences and Humanities Research Council of Canada

for Fiscal year 2021-22 (Unaudited)

Table of contents

1. INTRODUCTION.....	1
2. DEPARTMENTAL SYSTEM OF INTERNAL CONTROL OVER FINANCIAL REPORTING.....	1
2.1 INTERNAL CONTROL MANAGEMENT	1
2.2 SERVICE ARRANGEMENTS RELEVANT TO FINANCIAL STATEMENTS	1
3. DEPARTMENTAL ASSESSMENT RESULTS DURING FISCAL YEAR 2021-22.....	2
3.1 NEW OR SIGNIFICANTLY AMENDED KEY CONTROLS:	2
3.2 ONGOING MONITORING PLAN:	3
4. SSHRC'S ACTION PLAN.....	3
4.1 PROGRESS DURING FISCAL YEAR 2021-22.....	3
4.2 ACTION PLAN FOR THE NEXT FISCAL YEAR AND SUBSEQUENT YEARS	3

1. Introduction

This document provides summary information on the measures taken by the Social Sciences and Humanities Research Council of Canada (SSHRC) to maintain an effective system of internal control over financial reporting (ICFR), including information on internal control management, assessment results and related action plans.

Detailed information on the department's authority, mandate and program activities can be found in the 2021-22 [Departmental Results Report](#) and the 2022-23 [Departmental Plan](#).

2. Departmental system of internal control over financial reporting

2.1 Internal control management

SSHRC has a well-established governance and accountability structure to support departmental assessment efforts and oversight of its system of internal control. A departmental internal control management framework, approved by the President and the CFO, is in place and includes:

- Organizational accountability structures as they relate to internal control management to support sound financial management including roles and responsibilities for senior managers in their areas of responsibility for control management;
- Through the annual Performance Management and Employee Assessment Agreements, all employees are to certify and attest that they have read the Value and Ethics Code for the Public Service. The Code outlines accountability for responsible conduct;
- Guidance to business process owners regarding impacts of changes on internal controls;
- Ongoing communication and training on statutory requirements, and policies and procedures for sound financial management and control; and
- Monitoring of, and regular updates on, internal control management, as well as the provision of relevant assessment results and action plans to the President, CFO and the Internal Audit Committee (IAC).

2.2 Service arrangements relevant to financial statements

SSHRC relies on other organizations for the processing of certain transactions or the provision of information, which impacts its financial statements as follows:

Common Arrangements

- Public Services and Procurement Canada, which administers the payments of salaries and the procurement of some goods and services in accordance with SSHRC's Delegation of Authority, and the provision of accommodation services;
- Department of Justice Canada provides legal advice and services with respect to potential liabilities and claims to which SSHRC may be subject in the normal course of operations; and
- Treasury Board Secretariat, which provides information on public sector insurance and centrally administers payment of the employer's share of contributions toward statutory employee benefit plans.

Specific Arrangements

SSHRC administers funds received from other government departments and agencies to issue grants, scholarships and related payments on their behalf. During the year, SSHRC administered \$439,400,971 (\$441,151,052 in 2020-2021) in funds for grants and scholarships. These expenses are not reflected in SSHRC's financial statements but rather are recorded in the financial statements of the departments or agencies that provided the funds.

3. Departmental assessment results during fiscal year 2021-22

The following table summarizes the status of the ongoing monitoring activities according to the previous fiscal year's rotational plan.

Progress during the 2021-22 fiscal year:

Element in previous year's rotational ongoing monitoring plan	Status
Grants & Scholarships	Due to unexpected circumstances and competing priorities, the assessment is currently underway but has not been completed. The assessment will be completed during 2022-23.
Information Technology General Controls (ITGC) – Grants Management Systems (NAMIS & AMIS)	Completed as planned; remedial actions have been identified and implementation is expected to be completed during 2022-23.
Entity Level Controls Budgeting and Forecasting	Due to the upcoming migration to a new financial system in 2023-24, the design assessments have been deferred to fiscal 2023-24, post SAP implementation, and will consider the impact of the new financial system on internal controls over financial reporting.

3.1 New or significantly amended key controls:

In the current fiscal year, there were no significantly amended key controls in existing processes which required a reassessment and there were no new processes to test for design and operating effectiveness.

3.2 Ongoing monitoring plan:

As part of its rotational ongoing monitoring plan, the department completed its reassessment of the financial controls related to ITGC – Grants Management Systems (NAMIS & AMIS). A total of fourteen (14) key controls were assessed in the areas of change management, access management and IT operations. Most of the controls tested performed as intended, with remediation required as follows:

- One (1) observation was noted in the context of segregation of duties.
- Four (4) observations were noted related to password controls and access rights.
- One (1) observation was noted in the context of quality control.

A management action plan is currently being developed to address all six (6) observations and will ensure timely remediation.

4. SSHRC's Action Plan

4.1 Progress during fiscal year 2021-22

From the assessments completed in prior fiscal years, all recommendations have been addressed for Grants and Scholarships and Entity Level Controls.

The previous assessment completed regarding ITGC Controls for Research Portal 1.0 has two (2) outstanding recommendations to implement, out of the nine (9) total observations, related to system access and password configurations. The outstanding recommendations are in progress to be implemented during 2022-23.

4.2 Action plan for the next fiscal year and subsequent years

SSHRC will be transitioning away from Freebalance, its current financial system, to a new system named "System Applications and Products in Data Processing (widely known as SAP) in April 2023. SSHRC will join a cluster of other government departments that are hosted and serviced on SAP by the Treasury Board Secretariat (TBS).

Business processes identified in the multi-year testing plan will all, to some extent, be impacted by the implementation of SAP. As such, a design assessment of business cycles should be performed post-implementation to ensure that controls are operating as intended and to identify any potential control gaps as a result of the system change.

When reviewing the detailed business processes and the potential impact on controls, the following factors will be considered:

- Leveraging the capabilities of the new system
- Minimizing the impact on operations
- Minimizing cost
- Enabling future business value

The controls adjustment will happen simultaneously during 2022-23 within the change management scope of the transition to a new financial system, following this step-by-step transition:

Step 1 – perform a comprehensive system review in order to evaluate interdependencies, system integration and flow of events.

Step 2- complete any necessary adjustments and synchronization in order to adapt the entire set of control processes to the new environment.

Step 3— map the system and develop a solid understanding of how the new system operates from a controls perspective.

Step 4- execute a multi-year controls testing plan based on the new risk profile and according to the refreshed risk matrix.

The control adjustments will be developed in collaboration with Ernst & Young (E&Y), who are experts in internal controls with a proven track record on financial system implementations.

In order to assess the global risks, the Multi-Year Ongoing Monitoring Plan has been revised to perform a design assessment of all business processes over the next three (3) fiscal years following SAP implementation based on their risk elements, and while considering the impact of the new financial system. We will resume operating effectiveness testing once design assessments have been completed for all business cycles. The SSHRC's rotational ongoing monitoring plan over the next three fiscal years, is shown in the following table.

Key control areas	Fiscal Year 2022-23	Fiscal Year 2023-24	Fiscal Year 2024-25	Fiscal Year 2025-26
i) ELCs				X
ii) ITGCs				
AMIS				X
NAMIS				X
SAP		X		
RP / CRM			X	
iii) Business process controls				
Grants and Scholarships	X	X*		X
Purchases, Payments and Payables	X		X*	
Payroll/Salaries		X*		
Interdepartmental Settlements	X		X*	
Financial Reporting: Period End		X*		
Financial Reporting: Year End			X*	
iv) Additional Internal Control over Financial Management				
Forecasting & Budgeting			X	

X* Only Design Assessment

X Design Assessment & Operating Effectiveness