



Canadian Institutes of Health Research
Instituts de recherche en santé du Canada



Canadian Institutes of Health Research

Quarterly Financial Report
for the Quarter Ended June 30, 2013

Canadian Institutes of Health Research

Quarterly Financial Report for the Quarter Ended June 30, 2013

1. Introduction

This quarterly financial report should be read in conjunction with the 2013-14 [Main Estimates](#), [Supplementary Estimates A](#) as well as *Canada's Economic Action Plan 2012 (Budget 2012)*. It 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. It has not been subject to an external audit or review nor has it been subject to the approval of the Departmental Audit Committee.

The Canadian Institutes of Health Research (CIHR) is the Government of Canada's health research funding agency. Its mandate is to excel, according to internationally accepted standards of scientific excellence, in the creation of new knowledge and its translation into improved health for Canadians, more effective health services and products and a strengthened Canadian health care system.

CIHR invests in high quality health research and health research personnel to help create and apply new knowledge that can improve health outcomes for Canadians, lead to innovative products and services that improve Canada's health care system, and create high quality employment and commercial opportunities. CIHR's [Health Research Roadmap: Creating innovative research for better health and health care](#) outlines four strategic directions that are aligned with CIHR's corporate, business and operational priorities, including:

- 1) Invest in world-class research excellence;
- 2) Address health and health system research priorities;
- 3) Accelerate the capture of health and economic benefits of health research; and
- 4) Achieve organizational excellence, foster ethics and demonstrate impact.

Further details on CIHR's authority, mandate and program activities can be found in [Part II of the Main Estimates](#) and the [Report on Plans and Priorities](#).

Basis of Presentation

The quarterly report has been prepared by management using an expenditure basis of accounting. The accompanying Statement of Authorities includes CIHR's spending authorities granted by Parliament and those used by CIHR, consistent with the *Main Estimates* and *Supplementary Estimates A* for the 2013-14 fiscal year. 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.

As part of the Parliamentary business of supply, the Main Estimates must be tabled in Parliament on or before March 1 preceding the new fiscal year. Budget 2012 was tabled in Parliament on March 29, after the tabling of the Main Estimates on February 28, 2012. As a result the measures announced in the Budget 2012 could not be reflected in the 2012-13 Main Estimates.

In fiscal year 2012-2013, frozen allotments were established by Treasury Board authority in departmental votes to prohibit the spending of funds already identified as savings measures in Budget 2012. In 2013-2014, the changes to departmental authorities were reflected in the 2013-2014 Main Estimates tabled in Parliament.

The authority of Parliament is required before monies 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.

Canadian Institutes of Health Research
 Quarterly Financial Report for the Quarter Ended June 30, 2013

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

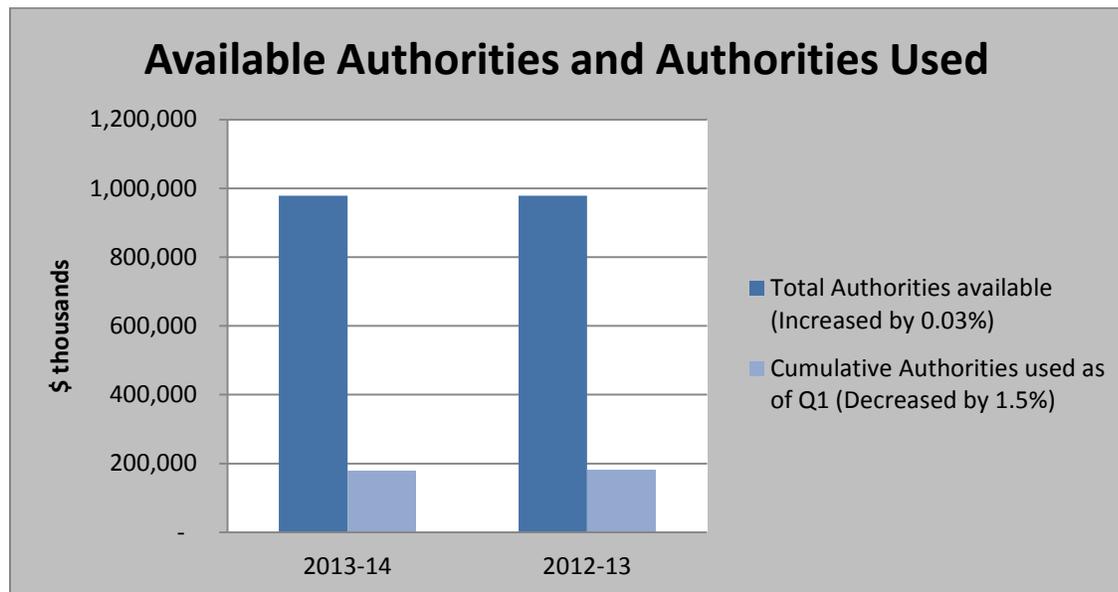
2. Highlights of fiscal quarter and fiscal year to date (YTD) results

As part of the 2012-13 Government of Canada spending review, organizations were asked to focus on achieving efficiencies in their operations, as well as to refocus business processes and service delivery platforms. CIHR will continue to review and analyze its spending during the 2013-14 fiscal year in areas such as operating efficiency, internal services, effectiveness, affordability and relevance to ensure that it continues to meet its mandate as effectively and as efficiently as possible. Results for the first quarter are as follows:

2.1 Financial Highlights – Statement of Authorities (Refer to Section 6)

As of June 30, 2013, total authorities available for use for CIHR have remained relatively consistent compared to 2012-13 with a slight increase of \$0.3 million, as shown in the tables below. This minimal increase is mainly a result of increased authorities in Vote 20 – Grants, offset by decreased authorities in Vote 15 – Operating expenditures and Budgetary statutory authorities. As at June 30, 2013, authorities used have decreased by approximately \$2.8 million (1.5%) as compared to the prior fiscal year. CIHR has used 18.3% (18.6% in 2012-13) of its available authorities through the first quarter, which is in line with the prior year spending pattern.

Table 2.1.1 – Changes to authorities available and authorities used by fiscal quarter and fiscal year
 (\$ thousands)



Canadian Institutes of Health Research
 Quarterly Financial Report for the Quarter Ended June 30, 2013

Table 2.1.2 – Changes to authorities available and authorities used by fiscal quarter and fiscal year by Vote
 (\$ thousands)

	2013-14			2012-13			Variance	
	Q1			Q1			Q1	
	Authorities available	Authorities used	% used	Authorities available	Authorities used	% used	(1) vs (3)	(2) vs (4)
	(1)	(2)		(3)	(4)			
Vote 15 - Operating Expenditures	46,357	10,831	23.4%	49,057	12,161	24.8%	-5.5%	-10.9%
Vote 20 - Grants and Contributions	926,577	167,169	18.0%	922,879	168,449	18.3%	0.4%	-0.8%
Statutory Authorities	5,935	1,488	25.1%	6,618	1,660	25.1%	-10.3%	-10.4%
Total	978,869	179,488	18.3%	978,554	182,270	18.6%	0.0%	-1.5%

Vote 15 – Operating Expenditures & Vote 20 – Grants

Authorities available for use for Vote 15 - Operating expenditures have decreased by \$2.7 million (5.5%) over the prior year due to the expenditure reductions announced in Budget 2012 being removed from CIHR's reference levels for 2013-14. The timing of the Budget 2012 announcement did not allow sufficient time to reflect changes in the 2012-13 available parliamentary authorities as at June 30, 2012. Therefore, CIHR's Vote 15 reference levels are lower than in the first quarter of 2012-13.

Authorities available for use for Vote 20 - Grants have increased by \$3.7 million (0.4%) over the prior year as a result of new program funding offset by the Budget 2012 reductions.

CIHR received additional grant funding for the following initiatives:

- \$11.1 million to fund the remainder of the 4th cohort for the Centres of Excellence for Commercialization and Research as part of the 2013-14 Supplementary Estimates A;
- \$13.9 million for CIHR's Strategy for Patient-Oriented Research through Budget 2012;
- \$1.7 million for Business-Led Networks of Centres of Excellence grants through Budget 2012; and
- \$1.5 million net increase as a result of transfers from other government departments.

CIHR's grant funding decreased for the following reasons:

- \$24.5 million decrease to CIHR's base budget as a result of the Budget 2012 implementation. As mentioned, the implications of Budget 2012 were not reflected in the 2012-13 Q1 approved authorities given the timing of the announcement.

Authorities used during the first quarter for Vote 15 – Operating expenditures and for Vote 20 – Grants have decreased by approximately \$1.3 million (10.9%) and \$1.3 million (0.8%), respectively. The decrease in operating expenditures is attributed to decreased personnel costs as a result of the

Canadian Institutes of Health Research
 Quarterly Financial Report for the Quarter Ended June 30, 2013

implementation of expenditure reductions approved in Budget 2012. The decrease in grant expenditures is very minimal for the quarter, a decrease of only \$1.3 million or 0.8%. Grant expenditures are consistent with those incurred in the first quarter of the prior fiscal year.

Budgetary Statutory Authorities

Budgetary statutory authorities available for use decreased year over year by \$0.7 million (10.3%) as a result of the Budget 2012 implementation. Budgetary statutory authorities are directly related to Personnel costs which have decreased by a similar percentage, as explained above.

Actual spending for statutory authorities through the first quarter is 25.1% of the total available authorities for use for the year. This is consistent with spending for the same quarter in the prior year (25.1%) and the type of expenditure (straight line). The variance in actual spending over the prior year's quarter was a \$0.2 million (10.4%) decrease. This decrease is also a result of the Budget 2012 Implementation.

2.2 Financial Highlights – Statement of Departmental Budgetary Expenditures by Standard Object (Refer to Section 7)

As of June 30, 2013, total authorities available for use for the Canadian Institutes of Health Research have increased nominally by approximately \$0.3 million. This increase is reflected in the following table, where expenditure types are re-grouped into three categories (Personnel, Other Operating Expenditures and Transfer Payments):

Table 2.2.1 – Changes to authorities available and authorities used by fiscal quarter and fiscal year and by expenditure type
 (\$ thousands)

	2013-14			2012-13			Variance	
	Q1			Q1			Q1	
	Authorities available	Authorities used	% used	Authorities available	Authorities used	% used	(1) vs (3)	(2) vs (4)
	(1)	(2)		(3)	(4)			
Personnel	40,044	10,344	25.8%	44,218	12,347	27.9%	-9.4%	-16.2%
Other Operating Expenditures	12,248	1,975	16.1%	11,457	1,474	12.9%	6.9%	34.0%
Transfer Payments	926,577	167,169	18.0%	922,879	168,449	18.3%	0.4%	-0.8%
Total	978,869	179,488	18.3%	978,554	182,270	18.6%	0.0%	-1.5%

Personnel and Other Operating Expenditures

Authorities available for Personnel and Other Operating Expenditures for the period ended June 30, 2013, have decreased by \$4.2 million and increased by \$0.8 million, respectively. The available authorities for

Canadian Institutes of Health Research

Quarterly Financial Report for the Quarter Ended June 30, 2013

Personnel decrease of \$4.2 million (9.4%) is the result of the Budget 2012 implementation. The increase in Other Operating Expenditures of \$0.8 million is not significant. Authorities used for Personnel Expenditures have decreased by \$2.0 million (16.2%) over the prior year's first quarter. Once again, this is the result of the implementation of Budget 2012.

The percentage of authorities used for Personnel Expenditures for the first quarter (25.8%) is reasonable for this type of expenditure. The percentage of authorities used for Other Operating Expenditures is similar to the prior year (16.1% vs. 12.9%) and is reasonable given that these expenditures are not used on a straight line basis throughout the year like Personnel Expenditures.

Transfer Payments

Authorities available for the period ended June 30, 2013 have increased by \$3.7 million (0.4%) over the prior year as a result of new program funding offset by the Budget 2012 reductions as discussed in section 2.1- Statement of Authorities.

Authorities used for the quarter ended June 30, 2013 for the aforementioned standard object have decreased slightly by \$1.3 million (0.8%). The percentage used is consistent with prior year (18% and 18.3%) as grants are typically paid-out in bi-monthly installments starting in May of each fiscal year.

2.3 Other Non-Financial Highlights

Other non-financial highlights for the first quarter include:

- On May 14, 2013, a study conducted by CIHR funded researcher Dr. May Faraj (associate research professor at the Université de Montréal), along with her research team and medical collaborators found a new mechanism to prevent type 2 diabetes in obese individuals. The study shows that the number of particles carrying bad cholesterol in the blood is an important factor in promoting the risk for type 2 diabetes in obese individuals. Their results are published in the May issue of the *Journal of Lipid Research*. This scientific breakthrough may help prevent diabetes by targeting treatments to higher-risk individuals.
- On May 27, 2013, during a keynote speech at the 2013 e-Health: *Accelerating Change* conference, the Honourable Leona Aglukkaq, Minister of Health, announced funding from the Federal Government to support research projects focused on developing innovative new electronic health (ehealth) technologies. These technologies will capitalize on advances in electronic patient records, internet technology and mobile devices. CIHR announced funding for 16 new research projects through the *eHealth Innovation Catalyst Grant* program, led by the CIHR Institute of Health Services and Policy Research. The program focuses on promoting the development of innovative technologies that enable patients to self-manage their conditions via ehealth applications, support health professional decision-making and enable enhanced population health monitoring.
- On June 28, 2013, the results of the March 2013 Open Operating Grant competition were announced. CIHR approved the investment of \$238.4 million over six years. As with previous competitions, CIHR met their ongoing commitment to the research community to fund at least 400 grants from the core competition. As well, approximately 53 full-term and bridge grants will be funded through Priority Announcements and other sources for a total of 453 grants approved from the Operating Grant 2012-2013 (March) competition.

Canadian Institutes of Health Research

Quarterly Financial Report for the Quarter Ended June 30, 2013

- CIHR and its partners released several funding opportunities during the quarter ended June 30, 2013 which totaled approximately \$471.4 million in total future multi-year funding. The funding opportunities released during the quarter cover CIHR programs ranging from the Open Operating Grant Program and related Priority Announcements, Breast Cancer in Young Women Research Program, Doctoral Research Awards, Clinician-Scientist Salary & Training Awards, and the Rapid Funding for Drug Safety and Effectiveness Network (DSEN) Targeted Research grant. Funding opportunities can be found on CIHR's website at <http://www.cihr-irsc.gc.ca/e/26626.html>.

3. Risks and uncertainties

CIHR is funded through voted parliamentary spending authorities and statutory authorities for operating expenditures and transfer payments. As a result, its operations are impacted by any changes to funding approved through Parliament. Therefore, delivering programs and services may depend on several risk factors such as economic fluctuations, technological and scientific development, government priorities, and central agencies or government-wide initiatives.

CIHR manages a number of risks, the most prominent of which are identified in its internal Corporate Risk Profile. A certain number of these risks are financial, including the risk associated with financial forecasting. These risks are being monitored and managed on an ongoing basis and inform discussions and decisions at the senior management level.

Like other departments, CIHR has to manage within an environment of fiscal restraint while mitigating the risks to the delivery of its core mandate and commitments. CIHR has been implementing the following actions in this respect:

- Conducting a vigilant review on all planned salary and planned operating expenditures;
- Closely monitoring all staffing actions to ensure budget authorities are respected – in particular, that new staffing actions are carefully reviewed to ensure that employees affected by fiscal restraint measures are considered first and that work force adjustment costs are therefore minimized; and
- Enhancing internal discipline, monitoring, and reporting measures to ensure that expenditure levels in the areas of travel, hospitality, and conferences are reduced.

CIHR has managed the aforementioned risks and uncertainties through rigorous planning and monitoring activities and the application of sound project management strategies.

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

The Honourable Leona Aglukkaq, Minister of Health, announced on April 26, 2013, the reappointment of Alain Beaudet, MD, PhD, as President of the CIHR for an additional five-year term.

Effective April 20, 2013, Jane Aubin, PhD, took on the additional responsibility of Executive Vice-President while maintaining her roles as Chief Scientific Officer and Vice-President Research and Knowledge Translation.

Canadian Institutes of Health Research

Quarterly Financial Report for the Quarter Ended June 30, 2013

Effective May 6th, 2013, Thérèse Roy, CPA, CA, was appointed Chief Financial Officer and Vice-President, Resource Planning and Management.

No other significant changes occurred in relation to Operations, Personnel and Programs during the first quarter of fiscal year 2013-14.

5. Budget 2012 Implementation

This section provides an overview of the savings measures announced in Budget 2012 that are being implemented in order to refocus government and programs; make it easier for Canadians and business to deal with their government; and, modernize and reduce the back office.

The Canadian Institutes of Health Research (CIHR) will achieve annual Budget 2012 savings of \$30 million (\$5.5 million in Operating, \$24.5 million in Grants) in 2013-14 and all future fiscal years. These measures explicitly spare critical programs such as the Open Operating Grants Program. In fact, the budget clearly stated that CIHR's programming in support of basic research, student scholarships and industry-related research initiatives and collaborations has been maintained. In protecting CIHR's grants and awards budget, the Government of Canada has signaled that these are core functions of CIHR and will remain so. Rather, the savings will be achieved through efficiency measures and program reductions that align resources to its core mandate, scaling back where the need is reduced.

There is a net decrease of \$15 million in CIHR's authorities between fiscal year 2012-13 and 2013-14 related to Budget 2012 for the following reasons:

- Decrease of \$24.5 million to CIHR's grants and awards programs;
- Decrease of \$5.5 million to CIHR's operating expenditures; and
- Increase of \$15.0 million to fund CIHR's Strategy for Patient-Oriented Research.

To realize the required Grants savings, reductions of \$24.5 million were applied to the Health Researchers, Health Research Commercialization and Health and Health Services Advances program activities. CIHR's programming in support of basic research, student scholarships and industry-related research initiatives and collaborations have been maintained and all existing obligations will be honored. Overall the 2012 Budget Implementation exercise has little impact on CIHR's ability to meet its mandate and to provide programs directed at the research community and its other stakeholders. Therefore, there is no impact on service levels to Canadians.

To realize the required Operating savings of \$5.5 million, CIHR effectively managed the impact of Budget 2012 implementation through the early adoption of an effective Vacancy Management strategy which achieved savings through attrition and voluntary departures. CIHR also streamlined its operations, merged functions and units through a restructuring exercise which included the reduction of portfolios and a realignment of management functions. In addition, a new matrix model for the management of CIHR's operations was implemented. Operating savings have been fully realized.

There are no financial risks or uncertainties related to these savings.

Canadian Institutes of Health Research
Quarterly Financial Report for the Quarter Ended June 30, 2013

Approved by:

[Original signed by]

[Original signed by]

Alain Beaudet, MD, PhD
President

Thérèse Roy, CPA, CA (Québec)
Chief Financial Officer

Ottawa, Canada
August 29, 2013

Canadian Institutes of Health Research

6. Statement of Authorities *(unaudited)* For the quarter ended June 30, 2013

<i>(in thousands of dollars)</i>	Fiscal year 2013-2014			Fiscal year 2012-2013		
	Total available for use for the year ending March 31, 2014 *	Used during the quarter ended June 30, 2013	Year to date used at quarter-end	Total available for use for the year ended March 31, 2013 *, **	Used during the quarter ended June 30, 2012	Year to date used at quarter-end
Vote 15 – Operating expenditures	46,357	10,831	10,831	49,057	12,161	12,161
Vote 20 - Grants	926,577	167,169	167,169	922,879	168,449	168,449
Budgetary statutory authorities	5,935	1,488	1,488	6,618	1,660	1,660
Total authorities	978,869	179,488	179,488	978,554	182,270	182,270

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

** Total available for use does not reflect measures announced in Budget 2012.

Canadian Institutes of Health Research

7. Departmental budgetary expenditures by Standard Object (*unaudited*) For the quarter ended June 30, 2013

	Fiscal year 2013-2014			Fiscal year 2012-2013		
	Planned expenditures for the year ending March 31, 2014 *	Expended during the quarter ended June 30, 2013	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2013 *, **	Expended during the quarter ended June 30, 2012	Year to date used at quarter-end
<i>(In thousand of dollars)</i>						
Expenditures:						
Personnel	40,044	10,344	10,344	44,218	12,347	12,347
Transportation and communications	3,536	962	962	4,877	686	686
Information	855	79	79	1,035	120	120
Professional and special services	6,390	520	520	3,773	349	349
Rentals	251	305	305	397	240	240
Repair and maintenance	138	-	-	851	1	1
Utilities, materials and supplies	192	24	24	310	23	23
Acquisition of machinery and equipment	886	21	21	214	7	7
Transfer payments	926,577	167,169	167,169	922,879	168,449	168,449
Other subsidies and payments	-	64	64	-	48	48
Total budgetary expenditures	978,869	179,488	179,488	978,554	182,270	182,270

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

** Planned expenditures do not reflect measures announced in Budget 2012.