

Canadian Institutes of Health Research

Quarterly Financial Report for the Quarter Ended June 30, 2014

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1. Introduction

This quarterly financial report should be read in conjunction with the 2014-15 [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 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 2014-15 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.

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.

As part of the departmental performance reporting process, CIHR prepares its annual departmental financial statements on a full accrual basis in accordance with Treasury Board accounting policies, which are based on Canadian public sector accounting standards. The spending authorities voted by Parliament remain on an expenditure basis.

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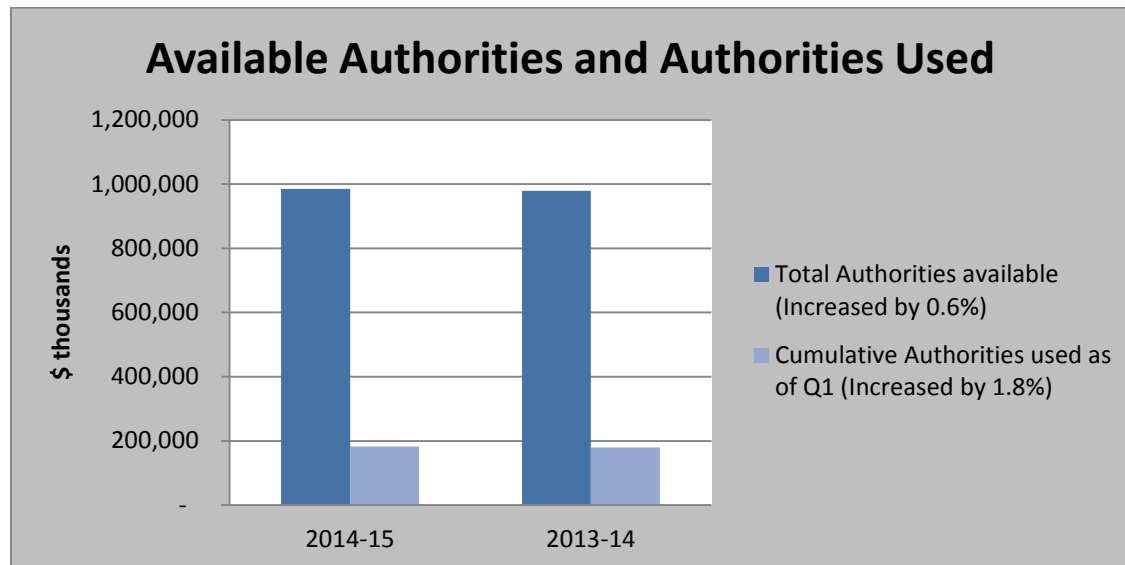
2. Highlights of fiscal quarter and fiscal year to date (YTD) results

As part of the 2012-13 Government of Canada spending review, organizations were asked to focus on achieving efficiencies in their operations, to better align resources to its core mandate, to transform internal processes and streamline operations, as well as to refocus business processes and its service delivery platforms. CIHR will continue to review and analyze its spending during the 2014-15 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, 2014, total authorities available for use for CIHR have remained relatively consistent compared to 2013-14 with a slight increase of \$6.1 million (0.6%) as shown in the tables below. This increase is mainly a result of new grant funding announced in Budget 2013 for the CIHR Strategy for Patient-Oriented Research (SPOR) Initiative. As at June 30, 2014, authorities used have increased by \$3.3 million (1.8%) as compared to the prior fiscal year. CIHR has used 18.6% (18.3% in 2013-14) 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*)



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

	2014-15			2013-14			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 1 - Operating Expenditures	47,112	12,868	27.3%	46,357	10,831	23.4%	1.6%	18.8%
Vote 5 - Grants	932,144	168,507	18.1%	926,577	167,169	18.0%	0.6%	0.8%
Statutory Authorities	5,696	1,424	25.0%	5,935	1,488	25.1%	-4.0%	-4.3%
Total	984,952	182,799	18.6%	978,869	179,488	18.3%	0.6%	1.8%

Vote 1 – Operating Expenditures

Authorities available for use for Vote 1 - Operating expenditures have increased by \$0.8 million (1.6%) over the prior year due to new funding announced in Budget 2013 to fund CIHR's Strategy for Patient-Oriented Research (SPOR).

Authorities used during the first quarter for Vote 1 – Operating Expenditures have increased by \$2.0 million (18.8%) as compared to the prior fiscal year. This increase in authorities used is primarily due to a one-time transition payment of \$1.3 million for implementing salary payment in arrears by the Government of Canada. Adopting payment in arrears means that employees will be paid on a bi-weekly basis for the ten days worked that concluded two weeks prior to payday. As a result, employees' pay will more accurately reflect actual time worked. Departments who find they are unable to absorb some or all of the cost of the transition payment within their existing available authorities will be able to seek relief from central sources.

Vote 5 – Grants

Authorities available for use for Vote 5 - Grants have increased by a net of \$5.6 million (0.6%) over the prior year primarily as a result of:

- An increase of \$14.0 million from funding announced in Budget 2013 for CIHR's Strategy for Patient-Oriented Research;
- An increase of \$1.3 million for the Business-Led Networks of Centres of Excellence program; and
- A net decrease of \$9.7 million in funding available for the Centres of Excellence for Commercialization and Research (CECR) program. This net decrease is a result of an expected timing difference in the announcement of competition results. For 2014-15, CIHR anticipates that funding for CECR will be approved through Supplementary Estimates 'B' and should be

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made available to CIHR for disbursement to grant recipients in the third quarter of the fiscal year. Once CECR funding is approved, available authorities for this program should be similar to those of the prior fiscal year and reduce the aforementioned variance.

Statutory Authorities

Budgetary statutory authorities (representing CIHR's contribution to employee benefit plans) available for use decreased year over year by \$0.1 million (4.3%) – a negligible difference. Actual spending for statutory authorities through the first quarter is 25.0% 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 (distributed equally throughout the fiscal year).

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

As of June 30, 2014, total authorities available for use by the Canadian Institutes of Health Research have increased \$6.1 million (0.6%) as compared to the prior fiscal year. This increase is reflected in the following table, where expenditure types are re-grouped into three categories (Personnel, Other Operating Expenditures and Grants):

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

	2014-15			2013-14			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	40,218	10,475	26.0%	40,044	10,344	25.8%	0.4%	1.3%
Other Operating Expenditures	12,590	3,817	30.3%	12,248	1,975	16.1%	2.8%	93.3%
Grants	932,144	168,507	18.1%	926,577	167,169	18.0%	0.6%	0.8%
Total	984,952	182,799	18.6%	978,869	179,488	18.3%	0.6%	1.8%

Personnel and Other Operating Expenditures

Authorities available for Personnel and Other Operating Expenditures for the period ended June 30, 2014, have increased by \$0.2 million and increased by \$0.4 million, respectively. The available authorities for Personnel increased marginally (0.4%) as compared to the prior fiscal year. Personnel authorities used increased by \$0.2 million (1.3%) in the first quarter of 2014-15 as compared to the prior fiscal year. The

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percentage of authorities used for Personnel Expenditures for the first quarter (26.0%) is reasonable for this type of expenditure.

The increase in Other Operating Expenditures authorities of \$0.4 million (2.8%) as compared to the prior fiscal year is not material. Authorities used for Other Operating Expenditures have increased by \$1.8 million (93.3%) during the first quarter of 2014-15 due primarily to a one-time transition payment of \$1.3 million for implementing salary payment in arrears by the Government of Canada.

Grants

Authorities available for the period ended June 30, 2014 have increased by \$5.6 million (0.6%) over the prior year, primarily as a result of new program funding announced in Budget 2013 for CIHR's SPOR initiative. Authorities used for the quarter ended June 30, 2014 have increased by \$1.3 million (0.8%) due to the increase in available authorities. The percentage of authorities used is consistent with prior year (18.1% and 18.0%, respectively) 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:

- Minister Rona Ambrose announced several new appointments and re-appointments to the CIHR Governing Council during the quarter. Dr. Lori West, a Professor at the University of Alberta and the Director of Research at the Alberta Transplant Institute, who is internationally recognized for her contributions in the field of pediatric cardiac transplantation and transplant immunology, was appointed for a three year term. Minister Ambrose also appointed Chris Power (President and CEO of the Capital District Health Authority in Halifax, Nova Scotia), Amy Ornstein (Pediatrician and Head of General Pediatric Medicine at IWK Health Centre in Halifax, Nova Scotia) and Terry-Lynn Young (Associate Professor in the Faculty of Medicine at Memorial University in St. John's, Newfoundland & Labrador) to three year terms, and also re-appointed both Nadine Caron (General and Endocrine Surgeon and Assistant Professor at the University of British Columbia) and Maura Davies (President and CEO of the Saskatoon Health Region) to additional three year terms on the Governing Council.
- On June 11, 2014, it was announced that a study conducted by CIHR funded researcher Dr. Robert Myers at the University of Calgary showed the efficacy of a device assessing liver disease and determining its progression. This device predicts the severity of liver illness and associated complications such as liver failure, liver cancer, and the need for liver transplantation. This is a non-invasive method that can replace biopsy that may lead in itself to pain, bleeding and death. Additionally, the device produces rapid and immediate assessment of liver disease at significantly reduced cost compared to biopsy. Further information can be found at: <http://www.ucalgary.ca/utoday/issue/2014-05-27/painless-test-can-predict-severity-chronic-liver-disease>
- On June 16, 2014, CIHR and the Canadian Breast Cancer Foundation (CBCF) announced a joint \$5.7 million investment to support a pan-Canadian research team investigating breast cancer in young women. The research aims to better understand the unique biology of breast cancer in women under 40 and its implications for prevention, risk reduction, and delivering care that addresses their distinct needs. The program brings together Canada's best minds in breast cancer

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research to address gaps not currently served by traditional operating grants or other existing funding mechanisms. The team was funded through the joint CBCF-CIHR Breast Cancer in Young Women Research Program – an initiative to improve the clinical outcomes and quality of life for young women with breast cancer. The research proposed could lead to significant changes in clinical practice and policy, as well as information to enable women to make more informed decisions about their lives during and after breast cancer.

- CIHR and its partners released several funding opportunities during the first quarter of 2014-15 which totaled approximately \$75.2 million in total future multi-year funding. The funding opportunities released during the quarter cover CIHR programs ranging from the Vanier Canada Graduate Scholarships Program, Doctoral Research Awards, Partnerships for Health System Improvement, Banting Postdoctoral Fellowships Program, Bariatric Care Team Grants, and the Collaborative Health Research Projects Program. Funding opportunities can be found on CIHR's website at: <https://www.researchnet-recherchenet.ca/rnr16/search.do?fodAgency=CIHR&fodLanguage=E&view=currentOpps> .

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 Corporate Risk Profile. A certain number of these risks are financial, including the risk associated with limited available resources to face the challenging environment in health research, thus impacting CIHR's ability to strategically invest in priority health areas. Several mitigation measures have been implemented to monitor and measure these risks, including:

- A first phase review of all planned Grants & Awards initiatives has been completed for 2014-15; a second phase will build a multi-year G&A investment plan. Developing a new G&A planning process will enable better planning and enhanced decision making moving forward.
- Operational Planning process has been initiated to better plan, monitor and align CIHR priorities to available resources.
- Ongoing financial monitoring by senior management committees.

In addition, the following actions are in effect:

- Conducting a vigilant review on all planned salary and planned operating expenditures;
- Closely monitoring all staffing actions to ensure budget authorities are respected; 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

There have been no significant changes in relation to operations, personnel and programs during the quarter.

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.

In the first year of implementation (2012-13), CIHR achieved savings of \$15.0 million. Savings increased to \$30.0 million in 2013-14 and will result in ongoing savings of \$30.0 million (\$24.5 million in Grants and \$5.5 million in Operating Expenditures) in 2014-15 and all future years. These savings were achieved through efficiency measures and program reductions that better align CIHR's resources to its core mandate, scaling back where the need is reduced, transforming how it works internally, and by consolidating and streamlining. To realize the required Operating savings of \$5.5 million, CIHR streamlined its operations, merged functions and units through a restructuring exercise which included the reduction of portfolios and a realignment of management functions.

The measures implemented have explicitly spared critical CIHR programs such as the Open Operating Grants Program. In fact, Budget 2012 clearly stated that CIHR's programming in support of basic research, student scholarships, and industry-related research initiatives and collaborations was to be maintained.

Overall the 2012 Budget Implementation exercise has had minimal impact on CIHR's ability to meet its mandate and to provide programs directed at the health research community and its other stakeholders. Therefore, there is no impact on service levels to Canadians.

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, 2014

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6. Statement of Authorities *(unaudited)*

For the quarter ended June 30, 2014

<i>(in thousands of dollars)</i>	Fiscal year 2014-2015			Fiscal year 2013-2014		
	Total available for use for the year ending March 31, 2015 *	Used during the quarter ended June 30, 2014	Year to date used at quarter-end	Total available for use for the year ended March 31, 2014 *	Used during the quarter ended June 30, 2013	Year to date used at quarter-end
Vote 1 – Operating expenditures	47,112	12,868	12,868	46,357	10,831	10,831
Vote 5 - Grants	932,144	168,507	168,507	926,577	167,169	167,169
Budgetary statutory authorities	5,696	1,424	1,424	5,935	1,488	1,488
Total authorities	984,952	182,799	182,799	978,869	179,488	179,488

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

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7. Departmental budgetary expenditures by Standard Object *(unaudited)* For the quarter ended June 30, 2014

<i>(In thousand of dollars)</i>	Fiscal year 2014-2015			Fiscal year 2013-2014		
	Planned expenditures for the year ending March 31, 2015 *	Expended during the quarter ended June 30, 2014	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2014 *	Expended during the quarter ended June 30, 2013	Year to date used at quarter-end
Expenditures:						
Personnel	40,218	10,475	10,475	40,044	10,344	10,344
Transportation and communications	4,885	1,207	1,207	3,536	962	962
Information	1,001	102	102	855	79	79
Professional and special services	4,795	670	670	6,390	520	520
Rentals	758	429	429	251	305	305
Repair and maintenance	93	-	-	138	-	-
Utilities, materials and supplies	189	4	4	192	24	24
Acquisition of machinery and equipment	869	8	8	886	21	21
Transfer payments	932,144	168,507	168,507	926,577	167,169	167,169
Other subsidies and payments	-	1,397	1,397	-	64	64
Total budgetary expenditures	984,952	182,799	182,799	978,869	179,488	179,488

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