



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



CIHR IRSC

Canadian Institutes of Health Research

Quarterly Financial Report
for the Quarter Ended June 30, 2017

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1. Introduction

This quarterly financial report has been prepared by management as required by section 65.1 of the *Financial Administration Act* and in the form and manner prescribed by the Treasury Board. It should be read in conjunction with the 2017-18 [Main Estimates](#), and [Supplementary Estimates A](#). It has not been subject to an external audit or review nor has it been subject to the approval of the Audit Committee.

1.1 Authority, mandate and programs

The Canadian Institutes of Health Research (CIHR) is the Government of Canada's health research funding agency. It was created in June 2000 by the *Canadian Institutes of Health Research Act* with a mandate “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 II: Capturing Innovation to Produce Better Health and Health Care for Canadians](#) presents CIHR's vision to capture excellence and accelerate health innovation via three strategic directions, including:

- 1) Promoting excellence, creativity and breadth in health research and knowledge translation;
- 2) Mobilizing health research for transformation and impact; and
- 3) Achieving organizational excellence.

Further details on CIHR's mandate and programs can be found in [Part II of the Main Estimates](#) and the [Department Plan](#).

1.2 Basis of presentation

This 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 Estimate and Supplementary Estimates A for the 2017-18 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.

When Parliament is dissolved for the purposes of a general election, section 30 of the *Financial Administration Act* authorizes the Governor General, under certain conditions, to issue a special warrant authorizing the Government to withdraw funds from the Consolidated Revenue Fund. A special warrant is deemed to be an appropriation for the fiscal year in which it is issued.

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

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

This quarterly financial report reflects the results of the current fiscal period in comparison to the authorities provided in the combination of the Main Estimates and Supplementary Estimates A for fiscal year 2017-18, as well as budget adjustments approved by Treasury Board up to June 30, 2017.

2.1 Financial Highlights – Statement of Authorities (Refer to Section 5)

As of June 30, 2017, total authorities available for use for CIHR have increased by \$60.0 million (5.8%) compared to June 30, 2016 as shown in the tables below. The increase to CIHR's total authorities available is due to:

- \$15.0 million announced in Budget 2015 and approved in the Supplementary Estimates A 2016-17 to fund a patient-oriented Innovative Clinical Trial (ICT) initiative under the Improving the Clinical Trials Element of Strategy for Patient-Oriented Research (SPOR) and to fund and create a targeted initiative to fight Antimicrobial Resistance (AMR);
- \$30.0 million announced in Budget 2016 and approved in the Supplementary Estimates B 2016-17 for investigator-initiated discovery research. This funding will be used to provide additional investment in early career investigators, the generation of researchers and innovators ready to marshal their talents and expertise into productive programs of health research;
- \$18.2 million approved in the Supplementary Estimates B 2016-17 to fund research proposals selected in the second competition of the Canada First Research Excellence Fund (CFREF) tri-agency program;
- \$1.5 million increase in transfers from other government departments for specific programs and initiatives; offset by
- \$3.6 million decrease resulting from CIHR's participation in tri-agency programs in collaboration with the Natural Sciences and Engineering Research Council (NSERC) and the Social Sciences and Humanities Research Council (SSHRC). Funding for these programs varies by fiscal year as CIHR is allocated funding following each distinct competition depending on the successful applicants' alignment with CIHR's health-related mandate;
- \$1.0 million decrease to statutory authorities due to Central Agencies adjustments; and
- \$0.2 million decrease in professional services, advertising and travel announced in Budget 2016 and reduced in the Supplementary Estimates C 2016-17.

Total authorities used as at June 30, 2017 have also increased by \$10.4 million (5.7%) as compared to the prior fiscal year due mainly to the grant payments towards the newly created programs mentioned above. CIHR has used 17.8% (17.9% in 2016-17) of its available authorities through the first quarter, which is consistent with its annual spending pattern.

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Table 2.1.1 – Changes to annual authorities available and authorities used during the first quarter by vote
 (\$ thousands)

	2017-18			2016-17			Variance	
	Annual Authorities available	Q1 Authorities used	% used	Annual Authorities available	Q1 Authorities used	% used	(1) vs (3)	(2) vs (4)
	(1)	(2)		(3)	(4)			
Vote 1 - Operating Expenditures	52,633	12,707	24.1%	47,309	10,755	22.7%	11.3%	18.1%
Vote 5 - Grants	1,027,149	179,275	17.5%	972,339	170,838	17.6%	5.6%	4.9%
Statutory Authorities	5,819	1,455	25.0%	5,972	1,493	25.0%	(2.6%)	(2.5%)
Total	1,085,601	193,437	17.8%	1,025,620	183,086	17.9%	5.8%	5.7%

Vote 1 – Operating Expenditures

Total authorities available for use for Vote 1 - Operating expenditures have increased by \$5.3 million (11.3%) as at June 30, 2017 as compared to the prior fiscal year as a result of:

- \$1.2 million in increased operating funding announced in Budget 2015 for the SPOR ICT and AMR initiatives;
- \$1.5 million in increased operating funding announced in Budget 2016 for early career investigators;
- \$2.8 million increase resulting from a Vote 5 – Grants transfer for the July 2016 Working Meeting held with the health research community; offset by
- \$0.2 million reduction in professional services, advertising and travel announced in Budget 2016.

Operating expenditures authorities used during the first quarter have increased by \$2.0 million (18.1%) as compared to the prior fiscal year due to increased Personnel and Transportation and communications expenditures. These increases were directly related to the results of the July 2016 Working Meeting held with the health research community.

Vote 5 – Grants

Authorities available for use for Vote 5 - Grants have increased by approximately \$54.8 million (5.6%) in the first quarter as compared to the prior fiscal year quarter, as a result of:

- New grant funding announced in Budget 2015 of \$13.5 million for the SPOR ICT and AMR initiatives;
- New funding of \$28.2 million announced in Budget 2016 for early career investigators;
- New funding of \$18.2 million received to fund the second competition of the CFREF;
- Increase of \$1.5 million to transfers from other government departments for specific programs and initiatives; offset by
- Decrease of \$3.6 million resulting from CIHR’s participation in tri-agency programs in collaboration with NSERC and SSHRC; and

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- Decrease of \$3.0 million resulting from a transfer to Vote 1 – Operating Expenditures and Statutory Authorities based on the results of the July 2016 Working Meeting held with the health research community.

Grant authorities used during the first quarter of 2017-18 have increased by \$8.4 million (4.9%) as compared to the prior fiscal year quarter due to increased grant payments resulting from the increased authorities available for use as well as timing differences with respect to the disbursement of funds to health researchers. The percentage of grant authorities used is consistent with the prior year (17.5% and 17.6%, respectively) as grants are typically paid out in bi-monthly installments starting in May of each fiscal year.

Overall spending as at June 30, 2017 is consistent with management expectations.

Statutory Authorities

Budgetary statutory authorities (representing CIHR's contribution to employee benefit plans) available for use decreased marginally year over year by \$0.2 million (2.6%). The decrease to CIHR's statutory authorities available is due to:

- \$0.3 million increase in statutory authorities announced in Budget 2015 for the SPOR ICT and AMR initiatives;
- \$0.3 million increase in statutory authorities announced in Budget 2016 for early career investigators;
- \$0.2 million increase resulting from a Vote 5 – Grants transfer for the July 2016 Working Meeting held with the health research community; offset by
- \$1.0 million decrease due to Central Agencies adjustments.

Actual spending for statutory authorities in the first quarter of 2017-18 is 25.0% of the total available authorities for use for the year which is as expected given these expenditures are distributed equally throughout the fiscal year.

2.2 Financial Highlights – Statement of Departmental Budgetary Expenditures by Standard Object (Refer to Section 6)

As of June 30, 2017, total authorities available for use by CIHR have increased by \$60.0 million (5.8%) as compared to the prior fiscal year due to increased funding received. Total authorities used as at June 30, 2017 have increased by \$10.4 million (5.7%) as compared to the prior fiscal year. These increases are reflected in Table 2.2.1 (where expenditure types are re-grouped into three categories: Personnel, Other Operating Expenditures and Grants) for further analysis.

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Table 2.2.1 – Changes to annual authorities available and authorities used during the first quarter by expenditure type
 (\$ thousands)

	2017-18			2016-17			Variance	
	Annual Authorities available	Q1 Authorities used	% used	Annual Authorities available	Q1 Authorities used	% used	(1) vs (3)	(2) vs (4)
	(1)	(2)		(3)	(4)			
Personnel	42,880	11,457	26.7%	40,694	10,853	26.7%	5.4%	5.6%
Other Operating Expenditures	15,572	2,705	17.4%	12,587	1,395	11.1%	23.7%	93.9%
Grants	1,027,149	179,275	17.5%	972,339	170,838	17.6%	5.6%	4.9%
Total	1,085,601	193,437	17.8%	1,025,620	183,086	17.9%	5.8%	5.7%

Personnel and Other Operating Expenditures

Authorities available for Personnel Expenditures for the period ended June 30, 2017 have increased by \$2.2 million (5.4%) as compared to the prior year. Authorities available for Other Operating Expenditures have also increased by \$3.0 million (23.7%). These increases are due to:

- Additional funding received for operating expenditures announced in Budget 2015 for the SPOR ICT and AMR initiatives (\$0.8 million - Personnel and \$0.4 million - Other Operating);
- Additional funding announced in Budget 2016 for early career investigators (\$1.0 million - Personnel and \$0.5 million - Other Operating);
- Additional funds from a Vote 5 – Grants transfer for the July 2016 Working Meeting held with the health research community (\$0.5 million - Personnel and \$2.3 million - Other Operating); offset by
- Reduction in professional services, advertising and travel announced in Budget 2016 (\$0.2 million - Other Operating).

Personnel authorities used year to date increased by \$0.6 million (5.6%) as compared to the prior fiscal year. In 2016-17, CIHR unfroze all vacant positions as a result of operational requirements and created positions to deliver the programs and initiatives funded from both Budget 2015 and Budget 2016, as well as positions to implement the recommendations stemming from the July 2016 Working Meeting to discuss CIHR peer review processes with the research community. As positions were unfrozen or created in 2016-17, CIHR staffed some positions in the latter part of the fiscal year, and anticipates these positions to be fully staffed in 2017-18. The percentage of authorities used for Personnel Expenditures in the first quarter (26.7%) is reasonable for this type of expenditure and is comparable to the prior fiscal year (26.7%).

Other Operating Expenditures used in the first quarter increased by \$1.3 million (93.9%) as compared to the prior fiscal quarter. The increase is mainly the result of greater Transportation and communications expenditures of \$0.9 million due to the increased costs of Non-Public Servant travel for Peer Review meetings.

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Grants

Authorities available for the period ended June 30, 2017 have increased by \$54.8 million (5.6%) over the prior year due primarily to additional health research funding discussed in section 2.1.1. Authorities used during the quarter ended June 30, 2017 have also increased by 4.9% due to increased grant payments resulting from the increased authorities available for use, as well as timing differences with respect to the disbursement of grant funds. The percentage of grant authorities used in the first quarter of 2017-18 (17.5%) is consistent with authorities used as at June 30th of the prior fiscal year (17.6%).

2.3 Other Non-Financial Highlights

Other non-financial highlights for the first quarter of 2017-18 include:

- Changes to the Peer Review Process - Upon his appointment, the Acting President announced that his first priority at CIHR was to assess the state of peer review for the Project Grant competition and to implement improvements. As a result of the review it was determined that the reformed project grant competition process is unsustainable on many levels and that significant changes were required. One of the main changes proposed was that CIHR return to face-to face grant panels with no online or other prior evaluations for the Fall 2017 Project Grant competition. He also acknowledged that changes are necessary for the Foundation Grant program and that an evaluation of the program will first be undertaken.
- On April 10, 2017, David McGuinty, MP for Ottawa South, on behalf of the Honourable Jane Philpott, Canada's Minister of Health, announced that the Government of Canada is investing in a new partnership that will help improve health outcomes and quality of care for the more than 300,000 Canadians living with type 1 diabetes, and their families. CIHR is partnering with JDRF to support clinical trials research for type 1 diabetes. Both CIHR and JDRF have committed \$15.0 million to the Partnership to Defeat Diabetes, for a total investment of \$30.0 million.
- On April 18, 2017, Canada's Minister of Health, and Jim Reiter, Saskatchewan's Minister of Health, announced a major investment in research to improve patient care in Saskatchewan. The Governments of Canada and Saskatchewan announced a combined investment of \$63.0 million in funding and in-kind contributions for the launch of the Saskatchewan Centre for Patient-Oriented Research (SCPOR). The SCPOR was developed under Canada's Strategy for Patient-Oriented Research (SPOR), a pan-Canadian coalition of partners from the public and private sector – all dedicated to the integration of research into care. SPOR is led by CIHR.
- On May 12, 2017, Canada's Minister of Health announced an investment of \$6.5 million from the Government of Canada through CIHR to support a major research initiative focused on advancing knowledge in preterm birth research and improving the health outcomes for premature babies. This funding will be matched in part by \$4.2 million of in-kind support from hospitals across Canada. This research is being funded under the Preterm Birth Initiative led by CIHR's Institute of Human Development, Child and Youth Health.
- On June 28, 2017, Canada's Minister of Health announced that CIHR is investing \$8.0 million to form a cross-country mentorship network for First Nations, Inuit and Métis peoples considering a career in health research as one means of addressing the shortage of Indigenous health professionals in Canada. The Indigenous Mentorship Network Program aims to support the next generation of Indigenous health researchers by providing distinctive learning opportunities and specially tailored

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mentoring activities to Indigenous students at the undergraduate, master's, doctoral and post-doctoral levels, as well as Indigenous researchers in the beginning phase of their careers.

3. Risk 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, evolving government priorities, and central agency or government-wide initiatives.

Over the past year, progress was made in implementing the strategic directions set out in CIHR's strategic plan, Health Research Roadmap II, to contribute to a sustainable Canadian health research environment and to ensure the reliability, consistency, fairness and efficiency of the competition and review processes. As part of the implementation of the reforms of Open Programs, and peer review, CIHR finalized the integration of its legacy open programs into CIHR's new Foundation and Project Grants competitions. In addition, with the College of Reviewers, CIHR has created a national resource that facilitates peer review across Canada, in all areas of health research.

In July 2016, CIHR held a Working Meeting with the Research Community to discuss changes to CIHR's program design and peer review processes. A Peer Review Working Group was subsequently established to further discuss the recommendations emanating from this meeting. CIHR is committed to working with the community on these recommendations, and updates on their adoption and implementations are regularly communicated via CIHR's website and other communication platforms. Implementing these recommendations will ensure that CIHR is able to recruit well-trained, knowledgeable and varied peer review experts.

In September 2016, CIHR launched an International Peer Review Expert Panel to examine the design and adjudication processes of CIHR's investigator initiated programs, in relation to the CIHR mandate and the changing health sciences landscape, international funding agency practices, and the available literature on peer review. The Panel's final report was tabled with CIHR's Governing Council and made public in February 2017, CIHR is reviewing and addressing the report's recommendations in 2017-18.

To build a healthier future for First Nations, Inuit and Metis peoples, CIHR is committed to addressing the ongoing, long-standing gap in health status between Indigenous and non-Indigenous peoples in Canada through its health research programs and policies. CIHR will support the health and wellness of Indigenous peoples through contributions to evidence-informed and culturally-sensitive health and social policies and interventions. Ultimately, our goal is to improve Indigenous health outcomes in Canada, as detailed in CIHR's Indigenous Health Research Action Plan published in November 2016.

Given this organizational context, CIHR has identified three key risks that could impact our ability to deliver on our strategic plan and meet research community expectations. In light of these risks, CIHR has set out organizational priorities for 2017-18 that will not only mitigate these risks but ensure alignment with government of Canada priorities.

CIHR is committed to a disciplined, integrated risk management process in its daily operations. A Corporate Risk Profile (CRP) is updated twice annually and provides a proactive response to manage and

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monitor risks to ensure CIHR's ability to operationalize processes, achieve outcomes and deliver on its mandate. CIHR is managing several risks that have been identified in its CRP, including:

- There is a risk that CIHR's ability to deliver the Foundation and Project Grant Competitions could be impacted through ongoing pressure from the research community to change the competition delivery design. This pressure is resulting in impacts on competition processes and timelines. It is also possible that the participation of Canada's health research community in CIHR review processes will decrease.
- There is a risk that the organization will be impacted by limitations and delays in technology modernization and integration through Project Enabling Business by Leveraging Systems (EnaBLEs). This may impact CIHR's ability to adequately maintain its ongoing business as well as support new business processes. This could result in a loss of credibility from key external and internal stakeholders and the public at large.
- There is a risk that CIHR's ability to manage the expectations of various stakeholder groups (such as Indigenous health researchers, early career investigators, gender and official language minority communities) may be beyond the Agency's current capacity. With the number of competing expectations increasing, CIHR will need to effectively communicate with stakeholder groups and bring competing needs into alignment otherwise CIHR may lose stakeholder trust in the organization.

CIHR Management has implemented several mitigations to address and monitor the associated risks, including:

- CIHR will proactively and more frequently communicate with the research community while it addresses and implements the recommendations received to date. Changes have also been made to CIHR's peer reviewer recruitment processes following the recommendations of the Peer Review Working Group. Further changes will be assessed following the recommendations of the International Peer Review Expert Panel.
- Through the EnaBLEs Steering Committee, CIHR will continue to monitor, manage and mitigate the technology modernization and integration processes necessary for implementing Roadmap II. CIHR is also updating its detailed project plan to ensure that the Agency can optimize the time and cross-organizational resources required to support the new business processes.
- CIHR will continue to engage the different research communities through the implementation of its inclusive partnership and stakeholder strategy. CIHR will also implement the Indigenous health research action plan. At the same time, CIHR will increase awareness of gender inequities and those related to the vitality of official language minority communities. CIHR will create new tools to provide information, resources and training for peer reviewers to help them to recognize funding issues and avoid unconscious bias during the peer review process. CIHR will also implement the recommendations of the Peer Review Working Group on equalizing success rates for early career investigators in the Project Grant program as well as for women at Stage 1 of the Foundation Grant program.

CIHR monitors the Corporate Risk Profile at least twice a year to facilitate reporting on our progress by managing and mitigating those priority risks.

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

Effective March 31, 2017, Dr. Alain Beaudet, President, retired from CIHR.

Effective March 31, 2017, Dr. Jane Aubin, Chief Scientific Officer and Vice-President, Research, Knowledge Translation and Ethics retired from CIHR.

On March 31, 2017, the Honourable Jane Philpott, Minister of Health, announced that Dr. Roderick McInnes was appointed as the Acting President of CIHR.

Effective April 3, 2017, Michel Perron was appointed as the Executive Vice-President, External Affairs and Business Development (formerly the Vice-President, External Affairs and Business Development).

Effective April 3, 2017, Jeff Latimer was appointed as the Acting Vice-President, Competition Management (formerly the Acting Associate Vice-President, Program Operations).

Effective May 1, 2017, Dr. Anne Martin-Matthews was appointed as the Acting Vice-President, Research, Knowledge, Translation, and Ethics.

Approval by Senior Officials

Approved by:

[original signed by]

[original signed by]

Roderick R. McInnes, C.M., O.Ont., PhD, FRSC
Acting President

David Peckham, CIA, MSc
Acting Chief Financial Officer
Acting Vice-President, Resource Planning and
Management

Ottawa, Canada
August 29, 2017

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5. Statement of Authorities (unaudited)

For the quarter ended June 30, 2017

<i>(in thousands of dollars)</i>	Fiscal year 2017-2018			Fiscal year 2016-2017		
	Total available for use for the year ending March 31, 2018 *	Used during the quarter ended June 30, 2017	Year to date used at quarter-end	Total available for use for the year ended March 31, 2017 *	Used during the quarter ended June 30, 2016	Year to date used at quarter-end
Vote 1 – Operating expenditures	52,633	12,707	12,707	47,309	10,755	10,755
Vote 5 - Grants	1,027,149	179,275	179,275	972,339	170,838	170,838
Budgetary statutory authorities						
Contributions to employee benefit plans	5,819	1,455	1,455	5,972	1,493	1,493
Total budgetary authorities	1,085,601	193,437	193,437	1,025,620	183,086	183,086

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

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6. Departmental budgetary expenditures by Standard Object (unaudited)

For the quarter ended June 30, 2017

	Fiscal year 2017-2018			Fiscal year 2016-2017		
	Planned expenditures for the year ending March 31, 2018 *	Expended during the quarter ended June 30, 2017	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2017 *	Expended during the quarter ended June 30, 2016	Year to date used at quarter-end
<i>(In thousands of dollars)</i>						
Expenditures:						
Personnel	42,880	11,457	11,457	40,694	10,853	10,853
Transportation and communications	3,965	1,362	1,362	3,736	432	432
Information	491	87	87	810	64	64
Professional and special services	8,851	522	522	5,795	422	422
Rentals	1,135	355	355	1,636	182	182
Repair and maintenance	52	-	-	53	3	3
Utilities, materials and supplies	129	3	3	158	6	6
Acquisition of machinery and equipment	949	238	238	399	267	267
Transfer payments	1,027,149	179,275	179,275	972,339	170,838	170,838
Other subsidies and payments	-	138	138	-	19	19
Total budgetary expenditures	1,085,601	193,437	193,437	1,025,620	183,086	183,086

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