



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



Canadian Institutes of Health Research

Quarterly Financial Report
for the Quarter Ended December 31, 2016

Canadian Institutes of Health Research

Quarterly Financial Report for the Quarter Ended December 31, 2016

1. Introduction

This quarterly financial report should be read in conjunction with the 2016-17 [Main Estimates](#), [Supplementary Estimates A](#), and [Supplementary Estimates B](#). 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 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) Enhancing and optimizing CIHR's activities and resources to align the organization with emerging and future needs.

Further details on CIHR's authority, mandate and programs 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*, *Supplementary Estimates A* and *Supplementary Estimates B* for the 2016-17 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 performance reporting process. However, the spending authorities voted by Parliament remain on an expenditure basis.

Canadian Institutes of Health Research

Quarterly Financial Report for the Quarter Ended December 31, 2016

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, Supplementary Estimates A and Supplementary Estimates B for fiscal year 2016-17, as well as budget adjustments approved by Treasury Board up to December 31, 2016.

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

As of December 31, 2016, total authorities available for use for CIHR have increased by \$71.2 million (7.0%) compared to 2015-16 as shown in the tables below. The increase to CIHR's total authorities available is mainly due to:

- \$16.4 million announced in Budget 2014 for the inaugural competition for the Canada First Research Excellence Fund (CFREF) tri-agency program included in 2016-17 total authorities but not included in 2015-16 due to timing of the approval and reporting;
- \$15 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 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; and
- \$8.8 million received to fund research proposals selected in the second competition of the Canada First Research Excellence Fund tri-agency program.

Total authorities used as at December 31, 2016 have increased slightly by \$10.4 million (1.5%) as compared to the prior fiscal year. CIHR has used 64.3% (67.8% in 2015-16) of its available authorities through the third quarter, which is consistent with its annual spending pattern.

Table 2.1.1 – Changes to annual authorities available and cumulative authorities used by vote

(\$ thousands)

	2016-17			2015-16			Variance	
	Annual Authorities available	Cumulative Authorities used	% used	Annual Authorities available	Cumulative Authorities used	% used	(1) vs (3)	(2) vs (4)
	(1)	(2)		(3)	(4)			
Vote 1 - Operating Expenditures	52,731	34,414	65.3%	49,166	34,166	69.5%	7.3%	0.7%
Vote 5 - Grants	1,023,934	657,539	64.2%	956,772	647,534	67.7%	7.0%	1.5%
Statutory Authorities	6,325	4,479	70.8%	5,833	4,375	75.0%	8.4%	2.4%
Total	1,082,990	696,432	64.3%	1,011,771	686,075	67.8%	7.0%	1.5%

Canadian Institutes of Health Research

Quarterly Financial Report for the Quarter Ended December 31, 2016

Table 2.1.2 – Changes to annual authorities available and authorities used during the third quarter by vote

(\$ thousands)

	2016-17			2015-16			Variance	
	Annual Authorities available	Q3 Authorities used	% used	Annual Authorities available	Q3 Authorities used	% used	(1) vs (3)	(2) vs (4)
	(1)	(2)		(3)	(4)			
Vote 1 - Operating Expenditures	52,731	11,843	22.5%	49,166	10,606	21.6%	7.3%	11.7%
Vote 5 - Grants	1,023,934	185,276	18.1%	956,772	178,112	18.6%	7.0%	4.0%
Statutory Authorities	6,325	1,493	23.6%	5,833	1,458	25.0%	8.4%	2.4%
Total	1,082,990	198,612	18.3%	1,011,771	190,176	18.8%	7.0%	4.4%

Vote 1 – Operating Expenditures

Total authorities available for use for Vote 1 - Operating expenditures have increased by \$3.6 million (7.3%) as at December 31, 2016 as compared to the prior fiscal year as a result of:

- \$1.3 million in increased operating funding received as part of Budget 2015 for the SPOR ICT and AMR initiatives;
- \$1.6 million in increased operating funding received as part of Budget 2016 to provide additional investment in early career investigators; and
- \$0.9 million net increase in operating budget carryforward from the 2015-16 fiscal year compared to the operation budget carryforward from the 2014-15 year.

Operating expenditures authorities used year-to-date have increased minimally by \$0.2 million (0.7%) as compared to the prior fiscal year. Authorities used during the third quarter for Vote 1 – Operating Expenditures have increased by \$1.2 million (11.7%) as compared to the prior fiscal quarter due to planned activities now coming to fruition, which were initially reprioritized into the third and fourth quarter as a result of recommendations from the July Working Meeting with the health research community.

Vote 5 – Grants

Authorities available for use for Vote 5 - Grants have increased by approximately \$67.2 million (7.0%) through the third quarter as compared to the prior fiscal year, primarily as a result of new grant funding announced in Budget 2014 of \$16.4 million for the CFREF Program, new 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, and \$8.8 million received to fund the second round of the CFREF.

Canadian Institutes of Health Research

Quarterly Financial Report for the Quarter Ended December 31, 2016

Year-to-date grant expenditures have increased by 1.5% as compared to the prior year. The percentage of grant authorities used through the third quarter of 2016-17 (64.2%) is consistent with authorities used at the third quarter of the prior fiscal year (67.7%).

Grant authorities used during the third quarter of 2016-17 have increased by \$7.2 million (4.0%) as compared to the prior fiscal year quarter due to increased authorities available for use as well as timing differences with respect to the disbursement of funds to health researchers.

Overall spending as at December 31, 2016 is consistent with management expectations.

Statutory Authorities

Budgetary statutory authorities (representing CIHR's contribution to employee benefit plans) available for use increased year over year by \$0.5 million (8.4%). The increase is mainly the result of an additional \$0.2 million received as part of Budget 2015 for the SPOR ICT and AMR initiatives (8 full-time equivalent positions) and the additional \$0.2 million received as part of Budget 2016 for early career investigators (12 full-time equivalent positions). Actual spending for statutory authorities through the third quarter of 2016-17 is 70.8% of the total available authorities for use for the year as expected given this expenditure is distributed equally throughout the fiscal year.

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

As of December 31, 2016, total authorities available for use by the Canadian Institutes of Health Research have increased by \$71.2 million (7.0%) as compared to the prior fiscal year due to increased funding received. Total authorities used as at December 31, 2016 have increased by \$10.4 million (1.5%) as compared to the prior fiscal year. These increases are reflected in Tables 2.2.1 and 2.2.2 (where expenditure types are re-grouped into three categories: Personnel, Other Operating Expenditures and Grants) for further analysis:

Table 2.2.1 – Changes to annual authorities available and cumulative authorities used by expenditure type
(\$ thousands)

	2016-17			2015-16			Variance	
	Annual Authorities available	Cumulative Authorities used	% used	Annual Authorities available	Cumulative Authorities used	% used	(1) vs (3)	(2) vs (4)
	(1)	(2)		(3)	(4)			
Personnel	42,814	33,448	78.1%	41,098	32,188	78.3%	4.2%	3.9%
Other operating expenditures	16,242	5,445	33.5%	13,901	6,353	45.7%	16.8%	-14.3%
Grants	1,023,934	657,539	64.2%	956,772	647,534	67.7%	7.0%	1.5%
Total	1,082,990	696,432	64.3%	1,011,771	686,075	67.8%	7.0%	1.5%

Canadian Institutes of Health Research

Quarterly Financial Report for the Quarter Ended December 31, 2016

Table 2.2.2 – Changes to annual authorities available and authorities used during the third quarter by expenditure type

(\$ thousands)

	2016-17			2015-16			Variance	
	Annual Authorities available	Q3 Authorities used	% used	Annual Authorities available	Q3 Authorities used	% used	(1) vs (3)	(2) vs (4)
	(1)	(2)		(3)	(4)			
Personnel	42,814	10,856	25.4%	41,098	10,489	25.5%	4.2%	3.5%
Other Operating Expenditures	16,242	2,480	15.3%	13,901	1,575	11.3%	16.8 %	57.5%
Grants	1,023,934	185,276	18.1%	956,772	178,112	18.6%	7.0%	4.0%
Total	1,082,990	198,612	18.3%	1,011,771	190,176	18.8%	7.0%	4.4%

Personnel and Other Operating Expenditures

Authorities available for Personnel Expenditures for the period ended December 31, 2016 have increased by \$1.7 million (4.2%) as compared to the prior year. In addition, authorities available for other operating expenditures have also increased by \$2.3 million (16.8%). These increases are mainly due to:

- Additional funding received for operating expenditures through Budget 2015 for the SPOR ICT and AMR initiatives (\$0.9 million - Personnel and \$0.4 million - Other Operating);
- Additional funding received through Budget 2016 for early career investigators (\$1.2 million - Personnel and \$0.3 million - Other Operating); and
- Additional funds from an operating budget carryforward from 2015-16 (increase of \$0.9 million - Other Operating).

Personnel authorities used year to date increased by \$1.3 million (3.9%) as compared to the prior fiscal year and Personnel authorities used during the third quarter increased by \$0.4 million (3.5%). These increases are in line with expectations given CIHR received additional funding. The percentage of authorities used for Personnel Expenditures through the third quarter (78.1%) is reasonable for this type of expenditure and is comparable to the prior fiscal year (78.3%).

Other Operating Expenditures used year to date decreased by \$0.9 million (14.3%) as compared to the prior fiscal year and Other Operating Expenditures used during the third quarter increased by \$0.9 million (57.5%) as compared to the prior fiscal year quarter. The year to date decrease is the result of lower travel and hospitality costs stemming from transformational activities occurring as a result of reforms. CIHR also considered the operational impact of reprioritizing its planned activities to ensure timely implementation of recommendations stemming from the July Working Meeting with the health research community. As a result, planned activities have been delayed into the third and fourth quarter. The increase in Other Operating Expenditures in Q3 2016-17 compared to Q3 2015-16 is the result of those planned activities now coming to fruition.

Canadian Institutes of Health Research

Quarterly Financial Report for the Quarter Ended December 31, 2016

Grants

Authorities available for the period ended December 31, 2016 have increased by \$67.2 million (7.0%) over the prior year due primarily to additional strategic health research priority funding announced in Budget 2014, 2015, and 2016. The increases in Authorities used to date (\$10.0 million or 1.5%) and used in the third quarter (\$7.2 million or 4%) are consistent with the increased amount of Authorities available for use. The percentage of grant authorities used through the third quarter of 2016-17 (64.2%) is consistent with authorities used as at December 31st of the prior fiscal year (67.7%).

2.3 Other Non-Financial Highlights

Other non-financial highlights for the third quarter of 2016-17 include:

- On December 14, 2016, the Honourable Jane Philpott, Minister of Health, announced that one of Canada's leading experts in the field of neuroscience, sex and gender will carry out a new research program that seeks to improve our understanding of why women are more affected by brain disorders. The program will also inform the development of new strategies to prevent, diagnose and treat diseases that affect the brain and promote brain health in women.
- On November 18, 2016, the Honourable Ralph Goodale, Minister of Public Safety and Emergency Preparedness, announced, on behalf of the Honourable Jane Philpott, Minister of Health, the funding of a research project at the University of Regina that will help address the challenge of antibiotic resistance facing health care professionals and patients. Antibiotic resistance happens when bacteria that cause illness become resistant to the antibiotic drugs used to treat them. The threat of antibiotic resistance is that infections such as pneumonia become untreatable. This situation has created an urgent demand for new treatments for bacterial infections.
- On November 9, 2016, the Honourable Jane Philpott, Canada's Minister of Health, and the Honourable Terry Lake, British Columbia's Minister of Health announced a major investment in research that will strive to improve patient care for those living in British Columbia. The Government of Canada and the Government of British Columbia announced a combined \$80 million in funding and in-kind contributions toward a new British Columbia Support Unit for People and Patient-Oriented Research and Trials (BC SUPPORT Unit). The BC SUPPORT Unit is a multidisciplinary cluster of specialized personnel in the areas of research, policy, and patient care, who will engage patients to identify their needs and set priorities for research. It is expected to increase patient-oriented research throughout the province and help improve health care services for British Columbians. The BC SUPPORT Unit will collaborate with its counterparts in other provinces and territories to create a pan-Canadian platform for supporting patient-oriented research through the sharing of information and best practices. Together with its partners, the BC SUPPORT Unit will provide services for researchers, patients, health care providers, and health system decision-makers.
- On November 4, 2016, CIHR announced an increase of investments in Indigenous health research to a minimum of 4.6 per cent of its annual budget – approximately \$46 million per year. This amount is proportional to Canada's Indigenous population (First Nations, Inuit and Métis peoples make up approximately 4.6 per cent of the Canadian population).

Canadian Institutes of Health Research

Quarterly Financial Report for the Quarter Ended December 31, 2016

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. Funding changes may pertain to evolving priorities and initiatives that government puts in place to respond to such factors as economic fluctuations, global or national health emergencies, and technological or scientific advances.

The risks detailed below could impact CIHR's ability to achieve its intended outcomes and result in a loss of credibility for CIHR from both key external and internal stakeholders and the public at large, leading to possible damage to CIHR's reputation.

Canada's new government has mandated the Ministers of Health and Science to strengthen Canada's support for fundamental, discovery-based research, foster innovations in health and health care, and increase our support for research to improve health and health system outcomes. As the Canadian federal agency responsible for funding the research and knowledge translation CIHR must recognize and take advantage of emerging trends in health and health systems research to address complex health challenges and accelerate innovation in Canada and abroad.

Exploiting the opportunities provided by scientific discovery and innovation can only be achieved by creating a balance between the multiple, and sometimes competing interests and motivations of researchers, research participants, research sponsors, academic institutions, health system leaders and individuals. A structured, analytical and deliberate approach to responsible decision making is needed to ensure these multiple interests are considered in the context of the needs of all Canadians.

In its strategic plan the [Health Research Roadmap II: Capturing Innovation to Produce Better Health and Health Care for Canadians](#) CIHR has laid out its vision to capture excellence and accelerate health innovation, to amplify the impact of CIHR's investments by expanding partnerships to accelerate the development of innovative thinking and increase the research funding envelope to maximize the impacts of health research in Canada. Additionally, over the last several years, CIHR has been working to modernize its programs, policies and systems to better capitalize on Canada's health research strengths and adapt to the evolution within the health research landscape. A bold approach was taken to design a high-quality, flexible and sustainable system that is capable of identifying and supporting excellence in all areas of health research.

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 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:

- CIHR's current commitments to its priorities may result in unsustainable pressure on available resources (both in grants and awards and operationally). This could impact CIHR's ability to remain responsive and adaptable within a rapidly changing health research environment;
- Limitations and delays in technology modernization and integration may impact CIHR's ability to adequately maintain its ongoing business as well as support new business processes; and
- CIHR's reputation, external support and stakeholder engagement are being impacted due to significant change within CIHR which would lead to disengagement and limit the ability to enact the desired transformations.

Canadian Institutes of Health Research

Quarterly Financial Report for the Quarter Ended December 31, 2016

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

- The development and implementation of an enhanced financial framework that highlights the appropriate level of budget management accountability for programs within CIHR's grants and awards budget and that builds on the financial framework implemented in 2015-16. It also delineates the process to ensure a review, by senior management committees, of proposals for initiatives with significant investments to ensure that CIHR's limited funding is directed towards addressing an identified health research priority.
- Finding balance between the return on investment and the efficiencies sought is the key to CIHR successfully implementing its *Health Research Roadmap II: Capturing Innovation to Produce Better Health and Health Care for Canadians*. CIHR is updating its detailed project plan which defines clear milestones, ensures efficiencies, looks at the limitations and options available, and identifies emerging pressures. This allows CIHR to identify the time and cross organizational resources required to support new business processes.
- Through open engagement such as the recent working meeting held to discuss CIHR peer review processes, CIHR intends to develop a more inclusive partner and stakeholder engagement strategy linked to the integrated change management plan and communication strategy which will enhance CIHR's ability to provide consistent and pro-active messaging to stakeholders; and to engage them in a thoughtful and timely manner. As CIHR moves forward with implementing the recommendations from the recent July Working Meeting, it commits to keeping the research community apprised of its progress.

CIHR will continue to monitor the aforementioned risk and work to ensure mitigations strategies are implemented.

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

On December 20, 2016, Dr. Alain Beaudet announced that he will be retiring as President of the Canadian Institutes of Health Research, effective March 31, 2017.

Approval by Senior Officials

Approved by:

[original signed by]

[original signed by]

Alain Beaudet, MD, PhD
President

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

Ottawa, Canada
February 28, 2017

Canadian Institutes of Health Research

5. Statement of Authorities *(unaudited)* For the quarter ended December 31, 2016

<i>(in thousands of dollars)</i>	Fiscal year 2016-2017			Fiscal year 2015-2016		
	Total available for use for the year ending March 31, 2017 *	Used during the quarter ended December 31, 2016	Year to date used at quarter-end	Total available for use for the year ended March 31, 2016 *	Used during the quarter ended December 31, 2015	Year to date used at quarter-end
Vote 1 – Operating expenditures	52,731	11,843	34,414	49,166	10,606	34,166
Vote 5 - Grants	1,023,934	185,276	657,539	956,772	178,112	647,534
Budgetary statutory authorities	6,325	1,493	4,479	5,833	1,458	4,375
Total authorities	1,082,990	198,612	696,432	1,011,771	190,176	686,075

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

Canadian Institutes of Health Research

6. Departmental budgetary expenditures by Standard Object *(unaudited)* For the quarter ended December 31, 2016

<i>(In thousands of dollars)</i>	Fiscal year 2016-2017			Fiscal year 2015-2016		
	Planned expenditures for the year ending March 31, 2017 *	Expended during the quarter ended December 31, 2016	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2016 *	Expended during the quarter ended December 31, 2015	Year to date used at quarter-end
Expenditures:						
Personnel	42,814	10,856	33,448	41,098	10,489	32,188
Transportation and communications	5,146	700	1,665	6,127	397	1,979
Information	894	89	335	1,141	108	372
Professional and special services	7,615	1,087	2,189	2,182	870	2,720
Rentals	1,795	176	431	2,844	82	849
Repair and maintenance	58	10	16	133	8	18
Utilities, materials and supplies	180	34	63	491	14	34
Acquisition of machinery and equipment	554	308	631	983	30	282
Transfer payments	1,023,934	185,276	657,539	956,772	178,112	647,534
Other subsidies and payments	-	76	115	-	66	99
Total budgetary expenditures	1,082,990	198,612	696,432	1,011,771	190,176	686,075

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