



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

Canada

# **Canadian Institutes of Health Research**

## **Quarterly Financial Report**

**For the quarter ended June 30, 2012**

# Canadian Institutes of Health Research

Quarterly Financial Report for the Quarter Ended June 30, 2012

## 1. Introduction

This quarterly financial report should be read in conjunction with the 2012-13 [Main Estimates](#) and [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 Strategic Plan identifies five key health research priorities including:

- 1) Enhance patient-oriented care and improve clinical results through scientific and technological innovations;
- 2) Support a high-quality, accessible and sustainable health-care system;
- 3) Reduce health inequities of Aboriginal people and other vulnerable populations;
- 4) Prepare for and respond to existing and emerging threats to health; and
- 5) Promote health and reduce the burden of chronic disease and mental illness.

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 2012-13 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 will be established by Treasury Board authority in departmental votes to prohibit the spending of funds already identified as savings measures in Budget 2012. In future years, the change to departmental authorities will be implemented through the Annual Reference Level Update, as approved by Treasury Board, and reflected in the subsequent Main Estimates tabled in Parliament.

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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.

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.

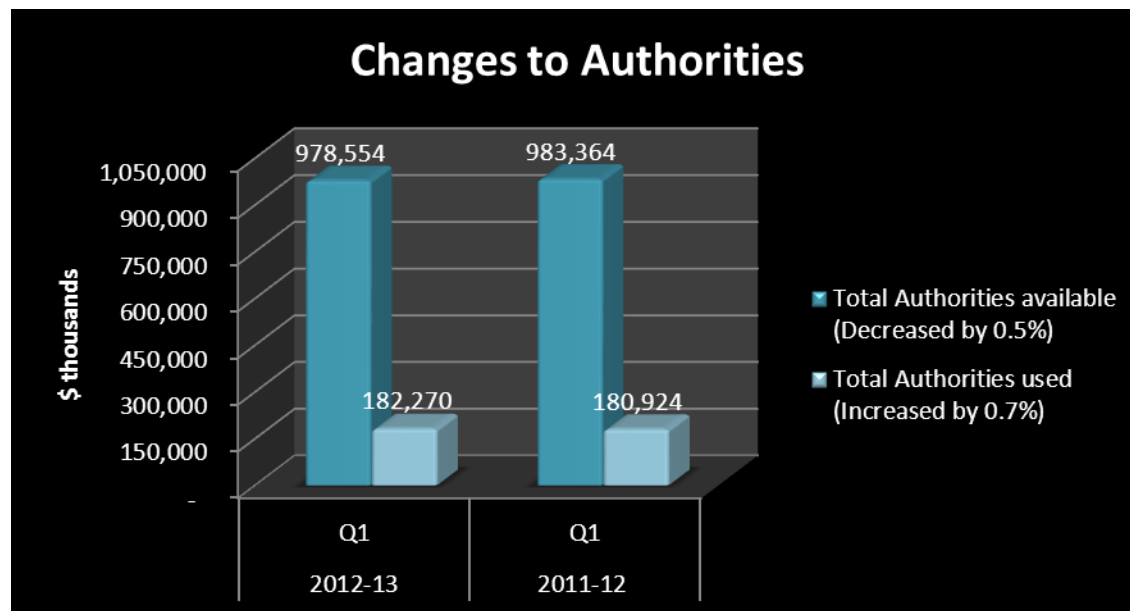
## 2. Highlights of fiscal quarter and fiscal year to date (YTD) results

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 2012-13 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. Initial results for the first quarter are as follows:

### 2.1 Statement of Authorities

As of June 30, 2012, total authorities available for use for the Canadian Institutes of Health Research have decreased by approximately \$4.8 million (0.5%). This decrease is mainly a result of decreased authorities in Vote 25 - Grants, as shown in the tables below:

**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)

|                                  | 2012-13               |                  |              | 2011-12               |                  |              | 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 20 - Operating Expenditures | 49,057                | 12,161           | 24.8%        | 50,007                | 12,095           | 24.2%        | -1.9%        | 0.5%        |
| Vote 25 - Grants                 | 922,879               | 168,449          | 18.3%        | 928,065               | 167,942          | 18.1%        | -0.6%        | 0.3%        |
| Budgetary Statutory Authorities  | 6,618                 | 1,660            | 25.1%        | 5,292                 | 887              | 16.8%        | 25.1%        | 87.1%       |
| <b>Total</b>                     | <b>978,554</b>        | <b>182,270</b>   | <b>18.6%</b> | <b>983,364</b>        | <b>180,924</b>   | <b>18.4%</b> | <b>-0.5%</b> | <b>0.7%</b> |

**Vote 20 – Operating Expenditures & Vote 25 – Grants**

Authorities available for use for Vote 20 – Operating expenditures and for Vote 25 – Grants have decreased by approximately \$1M (1.9%) and \$5.2M (0.6%), respectively, over the prior year mostly due to the sunsetting of specific programs, such as the Pandemic Preparedness initiative and the Medical Isotopes Supply initiative.

Authorities used for Vote 20 – Operating expenditures and for Vote 25 – Grants have increased by approximately \$0.7M (0.5%) and \$0.5M (0.3%), respectively, over the prior year. CIHR’s spending pattern is consistent year-over-year as its largest expenditures (Grants) are typically paid-out in bi-monthly installments. No significant variances noted in authorities used (0.5% and 0.3%).

**Budgetary Statutory Authorities**

Budgetary statutory authorities available for use increased year over year by \$1.3M as a result of re-alignment between the salary and non-salary envelope from Vote 20 – Operating expenditures.

Actual spending for statutory authorities through the first quarter is 25.1% of the total available authorities for use for the year, consistent with a straight-line type of expenditure. Last year’s spending for the first quarter was 16.8% due to timing issues resulting from interdepartmental settlements for employee benefits plan charged by the Treasury Board Secretariat.

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**2.2 Statement of Departmental Budgetary Expenditures by Standard Object**

As of June 30, 2012, total authorities available for use for the Canadian Institutes of Health Research have decreased by approximately \$4.8 million (0.5%). This decrease is reflected in the table below:

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

|                         | 2012-13               |                  |              | 2011-12               |                  |              | 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               | 44,218                | 12,347           | 27.9%        | 34,691                | 10,982           | 31.7%        | 27.5%        | 12.4%       |
| Operating & Maintenance | 11,457                | 1,474            | 12.9%        | 20,608                | 2,000            | 9.7%         | -44.4%       | -26.3%      |
| Transfer Payments       | 922,879               | 168,449          | 18.3%        | 928,065               | 167,942          | 18.1%        | -0.6%        | 0.3%        |
| <b>Total</b>            | <b>978,554</b>        | <b>182,270</b>   | <b>18.6%</b> | <b>983,364</b>        | <b>180,924</b>   | <b>18.4%</b> | <b>-0.5%</b> | <b>0.7%</b> |

Note: For a breakdown of the Operating & Maintenance expenditures, please refer to the Departmental budgetary expenditures by Standard Object in the attached table.

**Personnel and Operating & Maintenance (O&M) expenditures**

Authorities available for the period ended June 30, 2012 have increased by \$9.5 million (27.5%) for Personnel and decreased by \$9.2 million (44.4%) for O&M. A shift between Personnel and O&M was initiated to reflect CIHR’s actual salary expenditure levels, including additional budgetary statutory authorities.

Authorities used for personnel expenditures have increased by \$1.4 million (12.4%) over the prior period primarily due to the adjustment to actual salary expenditure levels. The percent used for the first quarter (27.9%) is still consistent over prior year’s quarter given the type of expenditure.

Authorities used for O&M expenditures have decreased by \$0.5 million (26.3%) over the prior period which is consistent with the decrease noted in available authorities. A shift between the standard objects was noted as a result of changes in the Government-wide Chart of Accounts 2012-2013. Object codes previously reporting to Purchased Repairs & Maintenance are now coded under Rentals. Combined, the percent used for rentals and purchased repairs & maintenance is in line with expectations.

**Transfer Payments**

Authorities available for the period ended June 30, 2012 have decreased by \$5.2 million (0.6%) due to the sunseting of specific programs as described in section 2.1.

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Authorities used and percent used for the period ended June 30, 2012 for the aforementioned standard object is consistent with the previous year. No significant variance noted.

### **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 is also a knowledge-based organization and as such, relies on maintaining its talented and committed workforce to continue delivering programs and services.

CIHR has managed these 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**

Significant changes in relation to Operations, Personnel and Programs during the first quarter of fiscal year 2012-13 include:

- On May 1st, 2012, a new consolidated organizational structure came into effect. This was a key milestone towards the implementation of a fully integrated business, re-aligned from four to three portfolios: Research and Knowledge Translation (RKT), Public, Government and Institute Affairs (PGIA), and Resources Planning and Management (RPM).
- In moving forward, key individuals were asked to assume functions under the new structure:
  - Mr. James Roberge took on the responsibility of Executive Vice-President together with his Chief Financial Officer and Vice-President, RPM roles.
  - Dr. Robert Thirsk was appointed as Vice-President, Public, Government and Institute Affairs (VP, PGIA), effective August 13, 2012. In the newly created position of VP, PGIA, Dr. Thirsk will provide CIHR with expert advice on all matters related to strategic relations, public and private sector partnerships, communication and public outreach.
  - Dr. Jane Aubin took on the responsibility of Vice-President, RKT together with her Chief Scientific Officer role.

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## 5. Budget 2012 Implementation

This section provides an overview of the savings measures announced in Budget 2012 that will be 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 Budget 2012 savings of \$15 million (\$2.75 million in Operating, \$12.25 million in Grants) in 2012-13, doubling to \$30 million in 2013-14 and beyond. 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.

To realize the required Operating savings, CIHR implemented a number of measures, including a vacancy management process. Further adjustments are anticipated in order to complete the implementation of CIHR new organizational vision and to realize the required savings. These changes are likely to involve additional re-alignment of work units and decisions regarding the discontinuance or streamlining of operational activities and work.

To realize the required Grants savings, reductions of \$12.25 million were applied to the Health Researcher, Health Research Commercialization and Health and Health Services Advances program activities. For 2013-14, the reductions will be increased to \$24.50 million, expanding the impact on these program activities. Please note that these actions will not adversely affect existing commitments to disburse grant funds as all existing obligations will be honoured.

Budget 2012 also announced \$37 million in new annual investments starting in 2012-13 to the three granting councils to enhance support for industry-academic research partnership initiatives. CIHR will receive \$15 million annually for its Strategy for Patient-Oriented Research.

Budget 2012 also proposed \$12 million per year to make the Business-Led Networks of Centres of Excellence (BL NCE) Tri-Council program permanent. CIHR expects to receive \$1.7 million annually to support grants in the BL NCE program.

Finally, CIHR will receive an additional \$2 million in grants over 5 years to honour Canada-Gairdner Award winners and enhance educational outreach activities.

Overall, there has been no significant change in the department during the first quarter as a result of the implementation of new or renewed initiatives and savings measures announced in Budget 2012. Moreover, the net impact of Budget 2012 on CIHR reference levels will not be expected to be material in 2012-13.

Approved by:

# **Canadian Institutes of Health Research**

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[Original signed by]

[Original signed by]

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Alain Beaudet, MD, PhD  
President

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James Roberge, CMA  
Chief Financial Officer

Ottawa, Canada  
August 27, 2012



## Canadian Institutes of Health Research

### Statement of Authorities *(unaudited)* For the quarter ended June 30, 2012

| <i>(in thousands of dollars)</i> | Fiscal year 2012-2013  |   |                                  | Fiscal year 2011-2012                                       |   |                                  |
|----------------------------------|--|---|----------------------------------|---|---|----------------------------------|
|                                  | Total available for use for the year ending March 31, 2013 * | Used during the quarter ended June 30, 2012 | Year to date used at quarter-end | Total available for use for the year ended March 31, 2012 * | Used during the quarter ended June 30, 2011 | Year to date used at quarter-end |
| Vote 20 – Operating expenditures | 49,057   | 12,161                                      | 12,161                           | 50,007  | 12,095                                      | 12,095                           |
| Vote 25 - Grants                 | 922,879  | 168,449                                     | 168,449                          | 928,065   | 167,942                                     | 167,942                          |
| Budgetary statutory authorities  | 6,618  | 1,660                                       | 1,660                            | 5,292   | 887   | 887                              |
| <b>Total authorities</b>         | <b>978,554</b>   | <b>182,270</b>                              | <b>182,270</b>                   | <b>983,364</b>  | <b>180,924</b>                              | <b>180,924</b>                   |

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

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## Departmental budgetary expenditures by Standard Object *(unaudited)* For the quarter ended June 30, 2012

| <i>(In thousand of dollars)</i>        | Fiscal year 2012-2013                                     |   |                                  | Fiscal year 2011-2012                                     |   |                                  |
|--|---|---|----------------------------------|---|---|----------------------------------|
|  | Planned expenditures for the year ending March 31, 2013 * | Expended during the quarter ended June 30, 2012 | Year to date used at quarter-end | Planned expenditures for the year ending March 31, 2012 * | Expended during the quarter ended June 30, 2011 | Year to date used at quarter-end |
| <b>Expenditures:</b>                   |   |   |                                  |   |   |                                  |
| Personnel                              | 44,218  | 12,347  | 12,347                           | 34,691  | 10,982  | 10,982                           |
| Transportation and communications      | 4,877   | 686   | 686                              | 5,881   | 586   | 586                              |
| Information                            | 1,035   | 120   | 120                              | 1,027   | 142   | 142                              |
| Professional and special services      | 3,773   | 349   | 349                              | 10,933  | 530   | 530                              |
| Rentals                                | 397   | 240   | 240                              | 409   | 41  | 41                               |
| Repair and maintenance                 | 851   | 1   | 1                                | 78  | 220   | 220                              |
| Utilities, materials and supplies      | 310   | 23  | 23                               | 310   | 37  | 37                               |
| Acquisition of machinery and equipment | 214   | 7   | 7                                | 1,970   | 30  | 30                               |
| Transfer payments                      | 922,879   | 168,449   | 168,449                          | 928,065   | 167,942   | 167,942                          |
| Other subsidies and payments           | -   | 48  | 48                               | -   | 414   | 414                              |
| <b>Total budgetary expenditures</b>    | <b>978,554</b>  | <b>182,270</b>                                  | <b>182,270</b>                   | <b>983,364</b>  | <b>180,924</b>                                  | <b>180,924</b>                   |

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