



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 December 31, 2014

Canadian Institutes of Health Research

Quarterly Financial Report for the Quarter Ended December 31, 2014

1. Introduction

This quarterly financial report should be read in conjunction with the 2014-15 [Main Estimates](#), [Supplementary Estimates A](#) and [Supplementary Estimates B](#) 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 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 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.

Canadian Institutes of Health Research

Quarterly Financial Report for the Quarter Ended December 31, 2014

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 third quarter of the fiscal year are as follows:

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

As of December 31, 2014, total authorities available for use for CIHR have remained relatively consistent compared to 2013-14 with an increase of \$3.4 million (0.3%) as shown in the tables below. As at December 31, 2014, total authorities used have increased by \$10.7 million (1.6%) as compared to the prior fiscal year. CIHR has used 66.9% (66.0% in 2013-14) of its available authorities through the third quarter, which is consistent with the prior year spending pattern.

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

	2014-15			2013-14			Variance	
	Q3			Q3			Q3	
	Authorities available	Authorities used	% used	Authorities available	Authorities used	% used	(1) vs (3)	(2) vs (4)
	(1)	(2)		(3)	(4)			
Vote 1 - Operating Expenditures	49,431	11,610	23.5%	50,168	11,251	22.4%	-1.5%	3.2%
Vote 5 - Grants	946,201	178,284	18.8%	941,782	179,469	19.1%	0.5%	-0.7%
Statutory Authorities	5,696	1,424	25.0%	6,013	1,480	24.6%	-5.3%	-3.8%
Total	1,001,328	191,318	19.1%	997,963	192,200	19.3%	0.3%	-0.5%

Canadian Institutes of Health Research

Quarterly Financial Report for the Quarter Ended December 31, 2014

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

	2014-15			2013-14			Variance	
	Cumulative			Cumulative			Cumulative	
	Authorities available	Authorities used	% used	Authorities available	Authorities used	% used	(1) vs (3)	(2) vs (4)
	(1)	(2)		(3)	(4)			
Vote 1 - Operating expenditures	49,431	36,182	73.2%	50,168	32,315	64.4%	-1.5%	12.0%
Vote 5 - Grants	946,201	629,115	66.5%	941,782	622,146	66.1%	0.5%	1.1%
Budgetary statutory authorities	5,696	4,272	75.0%	6,013	4,426	73.6%	-5.3%	-3.6%
Total	1,001,328	669,569	66.9%	997,963	658,887	66.0%	0.3%	1.6%

Vote 1 – Operating Expenditures

Authorities available for use for Vote 1 - Operating expenditures have decreased slightly by \$0.7 million through the third quarter (1.5%) as compared to the prior fiscal year due to minor technical adjustments. Authorities used during the third quarter for Vote 1 – Operating Expenditures have increased by \$0.4 million (3.2%) as compared to the prior fiscal year, which is immaterial.

Operating Expenditures Authorities used year-to-date have increased by \$3.9 million (12.0%) as compared to the prior fiscal year due to the increased number of peer review committee meetings held in the first three quarters of the fiscal year, and due to a one-time transition payment of \$1.4 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 if required.

Vote 5 – Grants

Authorities available for use for Vote 5 - Grants have increased by approximately \$4.4 million (0.5%) through the third quarter as compared to the prior fiscal year, primarily as a result of:

- Additional net transfers from other federal government departments of approximately \$2.8 million to fund key strategic priority research initiatives such as immunization health research networks, the HIV vaccine initiative and the Canadian Longitudinal Study on Aging;
- An increase of \$1.0 million for the Centres of Excellence for Commercialization and Research program; and
- An increase of \$0.6 million for the Canada Excellence Research Chairs program.

Canadian Institutes of Health Research

Quarterly Financial Report for the Quarter Ended December 31, 2014

Authorities used during the third quarter have decreased slightly by \$1.2 million (0.7%) as compared to the prior fiscal year. Authorities used year-to-date as at December 31, 2014 are approximately \$7.0 million (1.1%) higher than in 2013-14 due to timing differences with respect to the disbursement of grants by the organization. The increase in year-to-date grant expenditures is minimal and consistent with available grant authorities being \$4.4 million (0.5%) higher than in the prior fiscal year. The percentages of available authorities used during the third quarter and cumulative year to date are consistent with those incurred in the same periods of the prior fiscal year (18.8% vs. 19.1% and 66.5% vs. 66.1%).

Overall results as at December 31, 2014 are consistent with the prior fiscal year.

Statutory Authorities

Budgetary statutory authorities (representing CIHR's contribution to employee benefit plans) available for use decreased year over year by \$0.3 million (5.3%). Actual spending for statutory authorities through the third quarter is 75.0% of the total available authorities for use for the year. This is consistent with spending at the same point of the prior year (73.6%) and the nature of the 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 December 31, 2014, total authorities available for use by the Canadian Institutes of Health Research have increased by \$3.4 million (0.3%) 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	
	Q3			Q3			Q3	
	Authorities available	Authorities used	% used	Authorities available	Authorities used	% used	(1) vs (3)	(2) vs (4)
	(1)	(2)		(3)	(4)			
Personnel	40,218	10,965	27.3%	41,002	10,754	26.2%	-1.9%	2.0%
Other Operating Expenditures	14,909	2,069	13.9%	15,179	1,977	13.0%	-1.8%	4.7%
Transfer Payments	946,201	178,284	18.8%	941,782	179,469	19.1%	0.5%	-0.7%
Total	1,001,328	191,318	19.1%	997,963	192,200	19.3%	0.3%	-0.5%

Canadian Institutes of Health Research

Quarterly Financial Report for the Quarter Ended December 31, 2014

Table 2.2.2 – Changes to cumulative authorities available and authorities used by fiscal year and by expenditure type

(\$ thousands)

	2014-15			2013-14			Variance	
	Cumulative			Cumulative			Cumulative	
	Authorities available	Authorities used	% used	Authorities available	Authorities used	% used	(1) vs (3)	(2) vs (4)
	(1)	(2)		(3)	(4)			
Personnel	40,218	32,446	80.7%	41,002	31,414	76.6%	-1.9%	3.3%
Other operating expenditures	14,909	8,008	53.7%	15,179	5,327	35.1%	-1.8%	50.3%
Transfer payments	946,201	629,115	66.5%	941,782	622,146	66.1%	0.5%	1.1%
Total	1,001,328	669,569	66.9%	997,963	658,887	66.0%	0.3%	1.6%

Personnel and Other Operating Expenditures

Authorities available for Personnel and Other Operating Expenditures for the period ended December 31, 2014, have decreased by \$0.8 million (1.9%) and increased by \$0.3 million (1.8%), respectively, as compared to the prior year.

Personnel authorities used increased by \$0.2 million (2.0%) in the third quarter of 2014-15 as compared to the prior fiscal year. The percentage of authorities used for Personnel Expenditures through the third quarter (80.7%) is reasonable for this type of expenditure and is comparable to the prior fiscal year (76.6%). Restraint measures with respect to Personnel expenditures have been implemented for the remainder of the fiscal year to ensure adherence with available authorities.

The increase in Other Operating Expenditures authorities used during the third quarter of \$0.1 million (4.7%) as compared to the prior fiscal year is insignificant. The decrease in available Other Operating Expenditures authorities of \$0.3 million (1.8%) is also immaterial.

Authorities used for Other Operating Expenditures have increased by \$2.7 million (50.3%) through the third quarter of 2014-15 for two reasons. Firstly, as CIHR has begun piloting its new funding program through its reform of open programs, an increased number of peer review committee meetings have taken place through the third quarter as compared to the prior fiscal year. Secondly, CIHR incurred a one-time transition payment of \$1.4 million for implementing salary payment in arrears by the Government of Canada.

Grants

Authorities available for the period ended December 31, 2014 have increased by \$4.4 million (0.5%) over the prior year, due primarily from increased transfers from other federal government departments to fund strategic health research priorities. Authorities used during the quarter ended December 31, 2014 have

Canadian Institutes of Health Research

Quarterly Financial Report for the Quarter Ended December 31, 2014

decreased minimally (\$1.2 million, or 0.7%). The percentage of Grants authorities used through the third quarter of the fiscal year is consistent with prior year (66.5% and 66.1%, respectively).

2.3 Other Non-Financial Highlights

Other non-financial highlights for the third quarter include:

- On November 3, 2014, the Government of Canada committed \$23.5 million to support further research and development of Ebola medical countermeasures – namely Canada’s Ebola vaccine and monoclonal antibody treatments. The Honourable Rona Ambrose, Minister of Health, subsequently announced on November 14, 2014 the launch of a Canadian Phase I clinical trial for Canada’s Ebola vaccine. The trial will be led by the Canadian Immunization Research Network (CIRN) and will take place in Halifax, Nova Scotia. In this trial, jointly funded by CIHR and the Public Health Agency of Canada (PHAC), the experimental vaccine will be tested on a small group of people to assess its safety, determine the appropriate dosage, and identify any side effects. The trial will test whether lower doses of the vaccine can induce an immune response in an individual and will also generate valuable information about the use of the vaccine in older adults. CIHR and PHAC are committed to supporting international efforts to control the Ebola outbreak and ensure that appropriate precautions and measures are in place to protect Canadians.
- On November 27, 2014, CIHR along with the Government of Newfoundland and Labrador and private-sector partner IBM, announced the launch of the Newfoundland and Labrador SUPPORT Unit for patient-oriented research. SUPPORT (Support for People and Patient-Oriented Research and Trials) Units are provincial or regional centres that connect patients, researchers, policy makers, funders and health care professionals to facilitate patient-oriented research and to help attract, train and mentor patient-oriented researchers. The Newfoundland and Labrador SUPPORT Unit will receive \$19.8 million from CIHR, the Government of Newfoundland and Labrador and IBM, which is providing both financial and in-kind support. The funding will help the SUPPORT Unit to improve health care practices, therapies and policies to better improve patient care.
- On December 1, 2014, CIHR joined with its partners – the Canadian Foundation for AIDS Research (CANFAR) and the Ontario HIV Treatment Network (OHTN) – to support three research projects aimed at addressing HIV/AIDS health challenges affecting men. In Canada, men have a shorter average life expectancy than women, tend to access health care services less frequently, and experience higher mortality rates across many leading causes of death. The CIHR Boys and Men’s Health Initiative will support projects that examine these issues in general, as well as in the specific context of HIV, with the ultimate goal of finding better treatments and improving the health of men and boys in Canada.

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

Canadian Institutes of Health Research

Quarterly Financial Report for the Quarter Ended December 31, 2014

CIHR is continuously adapting to the ever-changing health research landscape to ensure that the research it funds contributes to the health and well-being of Canadians. CIHR is currently managing a number of risks with respect to several change management initiatives, including the Reform of its Open Suite of Programs and the Institute Model Review. These initiatives aim to improve and modernize how CIHR delivers its programs to benefit all Canadians. The changes currently being implemented at CIHR are significant. The primary risk associated with both the Reform of the Open Programs and the Institute Model Review is that CIHR will be unable to make needed program, policy or other changes to adapt to or efficiently meet emerging or evolving needs. CIHR Management has already implemented several mitigation measures to monitor and measure the associated risks, including:

- The completion of an external stakeholder analysis to effectively inform an external stakeholder and communication plan;
- The implementation of governance structures (e.g. Steering Committees, Executive Task Forces) to oversee the change initiatives; and
- The development of implementation plans with regular updates provided to the Executive Management Committee and the other established governance structures.

In addition, CIHR Management is developing a new financial framework to more effectively align CIHR's resources to its strategic research priorities.

If not properly mitigated, the risks associated with these key initiatives could 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.

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 administrative processes.

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.

Canadian Institutes of Health Research

Quarterly Financial Report for the Quarter Ended December 31, 2014

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

Approved by:

[Original signed by]

[Original signed by]

Alain Beaudet, MD, PhD
President

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

Ottawa, Canada
March 1, 2015

Canadian Institutes of Health Research

Quarterly Financial Report for the Quarter Ended December 31, 2014

6. Statement of Authorities (*unaudited*)

For the quarter ended December 31, 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 December 31, 2014	Year to date used at quarter-end	Total available for use for the year ended March 31, 2014 *	Used during the quarter ended December 31, 2013	Year to date used at quarter-end
Vote 1 – Operating expenditures	49,431	11,610	36,182	50,168	11,251	32,315
Vote 5 - Grants	946,201	178,284	629,115	941,782	179,469	622,146
Budgetary statutory authorities	5,696	1,424	4,272	6,013	1,480	4,426
Total authorities	1,001,328	191,318	669,569	997,963	192,200	658,887

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

Canadian Institutes of Health Research

Quarterly Financial Report for the Quarter Ended December 31, 2014

7. Departmental budgetary expenditures by Standard Object *(unaudited)*

For the quarter ended December 31, 2014

<i>(In thousands 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 December 31, 2014	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2014 *	Expended during the quarter ended December 31, 2013	Year to date used at quarter-end
Expenditures:						
Personnel	40,218	10,965	32,446	41,002	10,754	31,414
Transportation and communications	5,785	600	2,383	4,384	541	2,107
Information	1,185	146	404	1,059	173	329
Professional and special services	5,678	922	2,591	7,918	699	1,710
Rentals	898	148	769	311	94	525
Repair and maintenance	110	10	16	171	18	25
Utilities, materials and supplies	224	20	74	238	25	77
Acquisition of machinery and equipment	1,029	68	258	1,098	24	89
Transfer payments	946,201	178,284	629,115	941,782	179,469	622,146
Other subsidies and payments	-	155	1,513	-	403	465
Total budgetary expenditures	1,001,328	191,318	669,569	997,963	192,200	658,887

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