

Canadian Institutes of Health Research

Quarterly Financial Report for the Quarter Ended September 30, 2012

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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 31 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 2012-13, frozen allotments were 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.

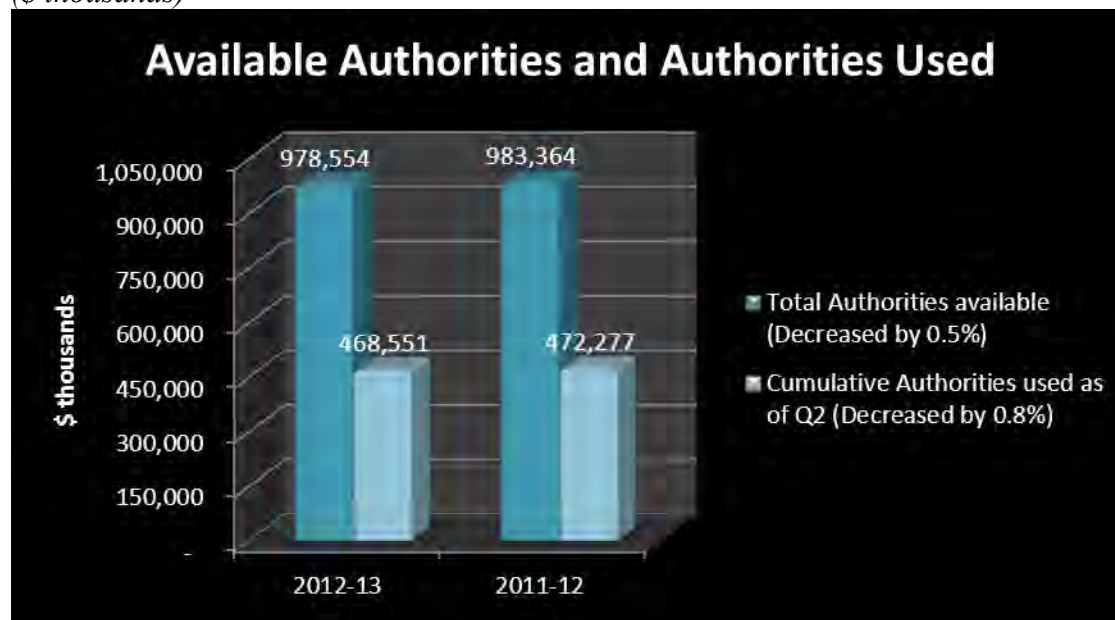
2. Highlights of fiscal quarter and fiscal year to date (YTD) results

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. Results for the second quarter are as follows:

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

As of September 30, 2012, total authorities available for use for the CIHR 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. As at September 30, 2012, authorities used have similarly decreased by approximately \$3.7 million (0.8%) as compared to the prior fiscal year. CIHR has used 47.9% of its available authorities through the second quarter (the mid-point of the fiscal year). The organization is on track to fully use its available authorities in 2012-13.

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 for Q2
 (\$ thousands)

	2012-13			2011-12			Variance	
	Q2			Q2			Q2	
	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	11,222	22.9%	50,007	11,807	23.6%	-1.9%	-5.0%
Vote 25 - Grants and Contributions	922,879	273,414	29.6%	928,065	277,772	29.9%	-0.6%	-1.6%
Statutory Authorities	6,618	1,645	24.9%	5,292	1,774	33.5%	25.1%	-7.3%
Total	978,554	286,281	29.3%	983,364	291,353	29.6%	-0.5%	-1.7%

Table 2.1.3 – Changes to cumulative authorities available and authorities used by fiscal quarter and fiscal year by Vote
 (\$ thousands)

	2012-13			2011-12			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 20 - Operating Expenditures	49,057	23,383	47.7%	50,007	23,902	47.8%	-1.9%	-2.2%
Vote 25 - Grants and Contributions	922,879	441,863	47.9%	928,065	445,714	48.0%	-0.6%	-0.9%
Statutory Authorities	6,618	3,305	49.9%	5,292	2,661	50.3%	25.1%	24.2%
Total	978,554	468,551	47.9%	983,364	472,277	48.0%	-0.5%	-0.8%

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

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to the sun setting of specific programs, such as the Pandemic Preparedness initiative and the Medical Isotopes Supply initiative.

Authorities used during the second quarter for Vote 20 – Operating expenditures and for Vote 25 – Grants have decreased by approximately \$0.6M (5.0%) and \$4.4M (1.6%), respectively, over the prior year which is consistent with the decrease noted in available authorities. CIHR’s spending pattern is consistent year-over-year as its operating vote is typically spent steadily throughout the fiscal year. The percentage of authorities used in the second quarter in 2012-13 is 22.9% versus 23.6% for the same period in prior year. Grants are typically paid-out in bi-monthly installments. The percentage of authorities used in the second quarter is 29.6% versus 29.9% for the same period in prior year. No significant variances noted in actual spending for the quarter.

Cumulative authorities used through the second quarter for Vote 20 – Operating expenditures and for Vote 25 – Grants decreased marginally by \$0.5M (2.2%) and \$3.9M (0.9%). Actual spending at the end of the second quarter is consistent with the prior year. No significant variances were noted for the period ended September 30, 2012.

Budgetary Statutory Authorities

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

Actual spending for statutory authorities through the second quarter is 24.9% of the total available authorities for use for the year, consistent with a straight-line type of expenditure. Last year’s spending for the second quarter was 33.5% due to timing issues resulting from interdepartmental settlements for the employee benefits plan charged by the Treasury Board Secretariat.

Cumulative actual spending for statutory authorities is 49.9% of the total available authorities for use for the year, consistent with spending for the same period in the prior year (50.3%) and the type of expenditure. No significant variances were noted in authorities used.

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

As of September 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 following tables, where expenditure types are re-grouped into three categories (Personnel, Other Operating Expenditures and Transfer Payments):

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Table 2.2.1 – Changes to authorities available and authorities used by fiscal quarter and fiscal year and by expenditure type for Q2
 (\$ thousands)

	2012-13			2011-12			Variance	
	Q2			Q2			Q2	
	Authorities available	Authorities used	% used	Authorities available	Authorities used	% used	(1) vs (3)	(2) vs (4)
	(1)	(2)		(3)	(4)			
Personnel	44,218	10,847	24.5%	34,691	11,358	32.7%	27.5%	-4.5%
Other Operating Expenditures	11,457	2,020	17.6%	20,608	2,223	10.8%	-44.4%	-9.1%
Transfer Payments	922,879	273,414	29.6%	928,065	277,772	29.9%	-0.6%	-1.6%
Total	978,554	286,281	29.3%	983,364	291,353	29.6%	-0.5%	-1.7%

Table 2.2.2 – Changes to cumulative authorities available and authorities used by fiscal quarter and fiscal year and by expenditure type
 (\$ thousands)

	2012-13			2011-12			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	44,218	23,194	52.5%	34,691	22,340	64.4%	27.5%	3.8%
Other Operating Expenditures	11,457	3,494	30.5%	20,608	4,223	20.5%	-44.4%	-17.3%
Transfer Payments	922,879	441,863	47.9%	928,065	445,714	48.0%	-0.6%	-0.9%
Total	978,554	468,551	47.9%	983,364	472,277	48.0%	-0.5%	-0.8%

Personnel and Other Operating Expenditures

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

Authorities used for personnel expenditures have decreased by \$0.5 million (4.5%) over the prior period's second quarter. The percentage of authorities used for the second quarter (24.5%) is reasonable given the straight-line nature of personnel expenditures.

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Cumulative authorities used for personnel expenditures have increased marginally by \$0.8 million (3.8%) over the prior period. The cumulative percentage of authorities used through the second quarter (52.5%) is reasonable given that the second quarter represents the mid-point of the fiscal year.

Authorities used and cumulative authorities used for Other Operating Expenditures have decreased by \$0.2 million (9.1%) and \$0.7 million (17.3%), respectively, over the prior period which is consistent with the cost containment measures implemented at CIHR during the year.

Transfer Payments

Authorities available for the period ended September 30, 2012 have decreased by \$5.2 million (0.6%) due to the sun setting of specific programs such as the Pandemic Preparedness initiative and the Medical Isotopes Supply initiative.

Authorities used and percent used for the quarter as well as for the period ended September 30, 2012 for the aforementioned standard object are consistent with the previous year. No significant variances were noted.

2.3 Other Non-Financial Highlights

Non-financial highlights for the second quarter include:

- Late last fiscal year, CIHR had released its “Design Discussion Document” which presented proposed changes to CIHR’s Suite of Open Programs and its Peer Review Process to its stakeholders. On August 2, 2012, CIHR published the “What CIHR Heard: Analysis of Feedback on the Design Discussion Document”, which presents a summary of the feedback received following consultation with CIHR’s researcher and stakeholder communities regarding the proposed changes to CIHR’s programs and peer review process. This feedback will be used to help inform the refinement of the design. The report can be found on CIHR’s website at <http://www.cihr-irsc.gc.ca/e/44761.html>.
- CIHR and its partners released numerous funding opportunities during the quarter ended September 30, 2012 which totaled approximately \$65.3 million in total future funding. The funding opportunities released during the quarter cover CIHR programs ranging from Vanier Canada Graduate Scholarships (Doctoral Research Awards), Banting Postdoctoral Fellowships, Team Grants: Health Challenges in Chronic Inflammation Initiative, and Catalyst Grants: Innovation in HIV Vaccine and HIV Cure Research. Funding opportunities can be found on CIHR’s website at <http://www.cihr-irsc.gc.ca/e/26626.html>.
- CIHR launched the Renewed Canadian Common CV (CCV) on June 19, 2012. More than 22 member funding agencies collaborated to help define a common dataset and build the necessary requirements so that applicant data could be entered once and be reused to apply for funding at other partnering agencies. The introduction of the CCV, however, has posed challenges for the research community. CIHR has worked diligently at providing its applicants with as much guidance and support as possible in completing their CV’s using the CCV platform.
- The Honourable Leona Aglukkaq, Minister of Health, announced on September 28, 2012 that a national Multiple Sclerosis (MS) clinical trial had received the necessary medical and ethical approvals to proceed. The clinical trial is a collaborative initiative between the Government of Canada, the provinces and territories, and the MS Society of Canada. Approximately 100 patients are expected to participate in the trial starting November 1, 2012. Funding of the \$6

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million study is a collaborative effort of CIHR, the MS Society of Canada and the provinces where the trial will take place (British Columbia and Quebec). Further details can be found on CIHR's website at <http://www.cihr-irsc.gc.ca/e/45919.html>.

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

No significant changes in relation to Operations, Personnel and Programs during the second quarter of fiscal year 2012-13, except as noted below with respect to Budget 2012 Implementation.

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 strict vacancy management process. Further adjustments were required in order to complete the implementation of CIHR's new organizational vision and ensure key strategic objectives are met and to realize the required savings. These changes, effective October 1, 2012, involved the re-alignment of work units and the discontinuance or streamlining of operational activities and work.

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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. All existing obligations will be honored.

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.

Overall, there has been no significant change in the department during the second 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 is not expected to be material in 2012-13.

Approved by:

[Original signed by]

[Original signed by]

Alain Beaudet, MD, PhD
President

James Roberge, CMA
Chief Financial Officer

Ottawa, Canada
November 27, 2012

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6. Statement of Authorities *(unaudited)* For the quarter ended September 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 September 30, 2012	Year to date used at quarter-end	Total available for use for the year ending March 31, 2012 *	Used during the quarter ended September 30, 2011	Year to date used at quarter-end
Vote 20 – Operating expenditures	49,057	11,222	23,383	50,007	11,807	23,902
Vote 25 - Grants	922,879	273,414	441,863	928,065	277,772	445,714
Budgetary statutory authorities	6,618	1,645	3,305	5,292	1,774	2,661
Total authorities	978,554	286,281	468,551	983,364	291,353	472,277

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

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7. Departmental budgetary expenditures by Standard Object *(unaudited)* For the quarter ended September 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 September 30, 2012	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2012 *	Expended during the quarter ended September 30, 2011	Year to date used at quarter-end
Expenditures:						
Personnel	44,218	10,847	23,194	34,691	11,358	22,340
Transportation and communications	4,877	958	1,644	5,881	1,201	1,787
Information	1,035	176	296	1,027	226	368
Professional and special services	3,773	585	934	10,933	894	1,424
Rentals	397	114	354	409	103	144
Repair and maintenance	851	15	16	78	25	245
Utilities, materials and supplies	310	22	45	310	44	81
Acquisition of machinery and equipment	214	181	188	1,970	147	177
Transfer payments	922,879	273,414	441,863	928,065	277,772	445,714
Other subsidies and payments	-	(31)	17	-	(417)	(3)
Total budgetary expenditures	978,554	286,281	468,551	983,364	291,353	472,277

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