



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



Canadian Institutes of Health Research

Quarterly Financial Report
for the Quarter Ended September 30, 2013

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Quarterly Financial Report for the Quarter Ended September 30, 2013

1. Introduction

This quarterly financial report should be read in conjunction with the 2013-14 [Main Estimates](#), [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 [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 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 2013-14 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 were established by Treasury Board authority in departmental votes to prohibit the spending of funds already identified as savings measures in Budget 2012. In 2013-2014, the changes to departmental authorities were reflected in the 2013-2014 Main Estimates tabled in Parliament.

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.

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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.

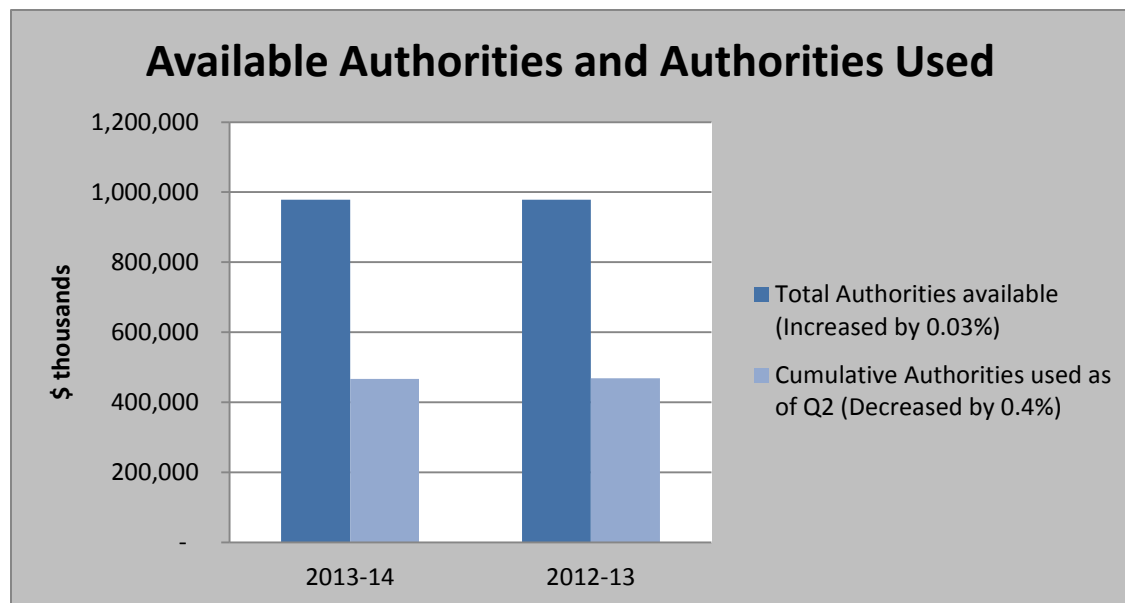
2. Highlights of fiscal quarter and fiscal year to date (YTD) results

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 2013-14 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, 2013, total authorities available for use for CIHR have remained relatively consistent compared to 2012-13 with a slight increase of \$0.3 million, as shown in the tables below. As at September 30, 2013, cumulative authorities used have decreased by approximately \$1.9 million (0.4%) as compared to the prior fiscal year. CIHR has used 47.7% (47.9% in 2012-13) of its available authorities through the first two quarters, which is in line with the prior year spending pattern.

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)

	2013-14			2012-13			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 15 - Operating expenditures	46,357	10,233	22.1%	49,057	11,222	22.9%	-5.5%	-8.8%
Vote 20 - Grants	926,577	275,507	29.7%	922,879	273,414	29.6%	0.4%	0.8%
Budgetary statutory authorities	5,935	1,458	24.6%	6,618	1,645	24.9%	-10.3%	-11.4%
Total	978,869	287,198	29.3%	978,554	286,281	29.3%	0.0%	0.3%

Table 2.1.3 – Changes to cumulative authorities available and authorities used by fiscal quarter and fiscal year by Vote

(\$ thousands)

	2013-14			2012-13			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 15 - Operating expenditures	46,357	21,064	45.4%	49,057	23,383	47.7%	-5.5%	-9.9%
Vote 20 - Grants	926,577	442,676	47.8%	922,879	441,863	47.9%	0.4%	0.2%
Budgetary statutory authorities	5,935	2,946	49.6%	6,618	3,305	49.9%	-10.3%	-10.9%
Total	978,869	466,686	47.7%	978,554	468,551	47.9%	0.0%	-0.4%

Vote 15 – Operating Expenditures

Authorities available for use for Vote 15 - Operating expenditures have decreased by \$2.7 million (5.5%) over the prior year due to the expenditure reductions announced in Budget 2012 being removed from CIHR's reference levels for 2013-14. The timing of the Budget 2012 announcement did not allow

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sufficient time to reflect changes in the 2012-13 available parliamentary authorities as at September 30, 2012. Therefore, CIHR's Vote 15 reference levels are lower than in the second quarter of 2012-13.

Authorities used during the second quarter and cumulative authorities used as at September 30, 2013 for Vote 15 – Operating expenditures have decreased by approximately \$1.0 million (8.8%) and \$2.3 million (9.9%), respectively, over the prior year periods. The decrease in operating expenditures is mainly attributed to decreased personnel costs as a result of streamlined operations and the implementation of efficiency measures. Further analysis on Operating expenditures can be found in section 2.2 – Statement of Departmental Budgetary Expenditures by Standard Object.

Vote 20 – Grants

Authorities available for use for Vote 20 - Grants have increased by \$3.7 million (0.4%) over the prior year as a result of new program funding offset by the Budget 2012 reductions.

CIHR received additional grant funding for the following initiatives:

- \$11.1 million to fund the remainder of the 4th cohort for the Centres of Excellence for Commercialization and Research as part of the 2013-14 Supplementary Estimates A;
- \$13.9 million for CIHR's Strategy for Patient-Oriented Research through Budget 2012;
- \$1.7 million for Business-Led Networks of Centres of Excellence grants through Budget 2012; and
- \$1.5 million net increase as a result of transfers from other government departments.

CIHR's grant funding decreased for the following reasons:

- \$24.5 million decrease to CIHR's base budget as a result of the implementation of efficiency measures. As mentioned, the implications of Budget 2012 were not reflected in the approved authorities as at September 30, 2012 given the timing of the announcement.

Authorities used during the second quarter and cumulative authorities used as at September 30, 2013 for Vote 20 – Grants have increased by approximately \$2.1 million (0.8%) and \$0.8 million (0.2%), respectively, over the prior year periods. The increases in grant expenditures are minimal and the percentages of available authorities used during the second quarter and cumulative year to date are consistent with those incurred in the same periods of the prior fiscal year (29.7% vs. 29.6% and 47.8% vs. 47.9%).

Budgetary Statutory Authorities

Budgetary statutory authorities available for use decreased year over year by \$0.7 million (10.3%) as a result of the implementation of efficiency measures and the streamlining of operations. Budgetary statutory authorities are directly related to Personnel costs which have decreased by a similar percentage, as explained above.

The variance in actual spending over the prior year's quarter was a \$0.2 million (11.4%) decrease. This decrease is also a result of the implementation of efficiency measures.

Actual spending for statutory authorities for the second quarter and year to date is 24.6% and 49.6% of the total available authorities for use for the year. This is consistent with spending for the same periods in the prior year (24.9% and 49.9%) and the type of expenditure.

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

As of September 30, 2013, total authorities available for use for the Canadian Institutes of Health Research have increased nominally by approximately \$0.3 million. This increase is reflected in the following tables, where expenditure types are re-grouped into three categories (Personnel, Other Operating Expenditures and Transfer Payments):

Table 2.2.1 – Changes to authorities available and authorities used by fiscal quarter and fiscal year and by expenditure type for Q2

(\$ thousands)

	2013-14			2012-13			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	40,044	10,315	25.8%	44,218	10,847	24.5%	-9.4%	-4.9%
Other operating expenditures	12,248	1,376	11.2%	11,457	2,020	17.6%	6.9%	-31.9%
Transfer payments	926,577	275,507	29.7%	922,879	273,414	29.6%	0.4%	0.8%
Total	978,869	287,198	29.3%	978,554	286,281	29.3%	0.0%	0.3%

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

(\$ thousands)

	2013-14			2012-13			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	40,044	20,659	51.6%	44,218	23,194	52.5%	-9.4%	-10.9%
Other operating expenditures	12,248	3,351	27.4%	11,457	3,494	30.5%	6.9%	-4.1%
Transfer payments	926,577	442,676	47.8%	922,879	441,863	47.9%	0.4%	0.2%
Total	978,869	466,686	47.7%	978,554	468,551	47.9%	0.0%	-0.4%

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Personnel

Authorities available for Personnel expenditures for the period ended September 30, 2013, have decreased by \$4.2 million or 9.4%. The decrease is the result of the implementation of efficiency measures and the streamlining of operations.

Authorities used during the second quarter and cumulative authorities used as at September 30, 2013 for Personnel expenditures have decreased by approximately \$0.5 million (4.9%) and \$2.5 million (10.9%), respectively, over the prior year periods. These decrease are also the result of the implementation of efficiency measures and the streamlining of operations.

Actual spending for Personnel for the second quarter and year to date is 25.8% and 51.6% of the total available authorities for use for the year. This is consistent with spending for the same periods in the prior year (24.5% and 52.5%).

Other Operating Expenditures

Authorities available for Other operating expenditures as at September 30, 2013, have increased by a minimal amount of \$0.8 million (6.9%).

Actual spending for Other operating expenditures is lower this quarter than it was in the prior year quarter by \$0.6 million or 31.9%. This decrease is the result of: lower travel costs in Q2 2013-14 as a result of increased reliance on the virtual peer review process; timing of the receipt of invoices; and the implementation of efficiency measures to reduce operating expenditures. Actual cumulative spending year to date for Other operating expenses is similar to the prior year with a slight decrease in 2013-14 of \$0.1 million (4.1%).

The percentage of authorities used for Other operating expenditures for the second quarter and year to date of 11.2% and 27.4% are similar to the prior year (17.6% and 30.5%). These expenditures are not used on a linear basis throughout the year like Personnel expenditures.

Transfer Payments

Authorities available for Transfer payments for the period ended September 30, 2013 have increased by \$3.7 million (0.4%) over the prior year as a result of new program funding offset by the efficiency measures as discussed in section 2.1- Statement of Authorities.

Authorities used for the quarter ended September 30, 2013 and year to date for Transfer payments have increased slightly by \$2.1 million (0.8%) and \$0.8 million (0.2%), respectively. The percentages used are consistent with prior year periods (29.7% vs. 29.6% and 47.8% vs. 47.9%) as grants are typically paid-out in bi-monthly installments starting in May of each fiscal year.

2.3 Other Non-Financial Highlights

Other non-financial highlights for the second quarter include:

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- On July 10, 2013, the Honourable Leona Aglukkaq, Minister of Health, announced that nine teams of researchers have received funding to examine how environmental factors can alter the expression of our DNA and potentially affect our health. The research teams are being funded by the Government of Canada in partnership with Genome BC, Fonds de recherche du Québec-Santé (FRQS) and the Japan Science & Technology Agency. Please visit CIHR's website at <http://www.cihr-irsc.gc.ca/e/47168.html> to learn more.
- On September 10, 2013, the Honourable Rona Ambrose, Minister of Health, and Domenic Pilla, Shoppers Drug Mart President & CEO, announced an innovative new arthritis screening program made possible by CIHR-funded research. Pharmacists at 1,200 Shoppers Drug Mart locations across the country will now be able to provide arthritis screening and treatment guidance to customers. Patients will also be able to consult a web-based arthritis screening application on the Shoppers Drug Mart website. This unique program is the result of a partnership between Shoppers Drug Mart/Pharmaprix, Arthritis Consumer Experts (ACE) and the Arthritis Research Centre (ARC). This patient-oriented screening tool is based on the work of ARC researchers Drs. Jolanda Cibere, Carlo Marra and John Esdaile. Their work was supported in part by CIHR. Please visit CIHR's website at <http://www.cihr-irsc.gc.ca/e/42405.html> to learn more.
- CIHR and its partners released several funding opportunities during the quarter ended September 30, 2013 which totaled approximately \$118.0 million in total future multi-year funding. The funding opportunities released during the quarter cover CIHR programs ranging from the Fellowships Programs (including the Banting Postdoctoral Fellowship), Vanier Canada Graduate Scholarship Program, New Investigator Salary Awards Program, Applied Public Health Program, and the Masters Awards Program. Funding opportunities can be found on CIHR's website at <http://www.cihr-irsc.gc.ca/e/26626.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 manages a number of risks, the most prominent of them are identified in its internal Corporate Risk Profile. These risks are being monitored and managed on an ongoing basis and inform discussions and decisions at the senior management level.

Like other departments, CIHR has to manage within an environment of fiscal restraint while mitigating the risks to the delivery of its core mandate and commitments. CIHR has been implementing the following actions in this respect:

- Conducting a vigilant review on all planned salary and planned operating expenditures;
- Closely monitoring all staffing actions to ensure budget authorities are respected – in particular, that new staffing actions are carefully reviewed to ensure that employees affected by fiscal restraint measures are considered first and that work force adjustment costs are therefore minimized; and
- Enhancing internal discipline, monitoring, and reporting measures to ensure that expenditure levels in the areas of travel, hospitality, and conferences are reduced.

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CIHR has managed the aforementioned 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

Prime Minister Stephen Harper announced on July 15, 2013, the appointment of the Honourable Rona Ambrose as the new [Minister of Health](#) for CIHR.

No other significant changes occurred in relation to operations, personnel and programs during the second quarter of fiscal year 2013-14.

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 and reduce the back office.

The Canadian Institutes of Health Research will achieve annual Budget 2012 savings of \$30 million (\$5.5 million in Operating, \$24.5 million in Grants) in 2013-14 and all future fiscal years. 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.

There is a net decrease of \$15 million in CIHR's authorities between fiscal year 2012-13 and 2013-14 related to Budget 2012 for the following reasons:

- Decrease of \$24.5 million to CIHR's grants and awards programs;
- Decrease of \$5.5 million to CIHR's operating expenditures; and
- Increase of \$15.0 million to fund CIHR's Strategy for Patient-Oriented Research.

To realize the required Grants savings, reductions of \$24.5 million were applied to the Health Researchers, Health Research Commercialization and Health and Health Services Advances program activities. CIHR's programming in support of basic research, student scholarships and industry-related research initiatives and collaborations have been maintained and all existing obligations will be honored. Overall the 2012 Budget Implementation exercise has little impact on CIHR's ability to meet its mandate and to provide programs directed at the research community and its other stakeholders. Therefore, there is no impact on service levels to Canadians.

To realize the required Operating savings of \$5.5 million, CIHR effectively managed the impact of Budget 2012 implementation through the early adoption of an effective Vacancy Management strategy which achieved savings through attrition and voluntary departures. CIHR also streamlined its operations, merged functions and units through a restructuring exercise which included the reduction of portfolios and a realignment of management functions. In addition, a new matrix model for the management of CIHR's operations was implemented. Operating savings have been fully realized.

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There are no financial risks or uncertainties 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
November 29, 2013

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6. Statement of Authorities (*unaudited*) For the quarter ended September 30, 2013

<i>(in thousands of dollars)</i>	Fiscal year 2013-2014			Fiscal year 2012-2013		
	Total available for use for the year ending March 31, 2014 *	Used during the quarter ended September 30, 2013	Year to date used at quarter-end	Total available for use for the year ended March 31, 2013 *, **	Used during the quarter ended September 30, 2012	Year to date used at quarter-end
Vote 15 – Operating expenditures	46,357	10,233	21,064	49,057	11,222	23,383
Vote 20 - Grants	926,577	275,507	442,676	922,879	273,414	441,863
Budgetary statutory authorities	5,935	1,458	2,946	6,618	1,645	3,305
Total authorities	978,869	287,198	466,686	978,554	286,281	468,551

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

** Total available for use does not reflect measures announced in Budget 2012.

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7. Departmental budgetary expenditures by Standard Object *(unaudited)* For the quarter ended September 30, 2013

<i>(In thousand of dollars)</i>	Fiscal year 2013-2014			Fiscal year 2012-2013		
	Planned expenditures for the year ending March 31, 2014 *	Expended during the quarter ended September 30, 2013	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2013 **,	Expended during the quarter ended September 30, 2012	Year to date used at quarter-end
Expenditures:						
Personnel	40,044	10,315	20,659	44,218	10,847	23,194
Transportation and communications	3,536	604	1,566	4,877	958	1,644
Information	855	77	156	1,035	176	296
Professional and special services	6,390	491	1,011	3,773	585	934
Rentals	251	126	431	397	114	354
Repair and maintenance	138	7	7	851	15	16
Utilities, materials and supplies	192	28	52	310	22	45
Acquisition of machinery and equipment	886	45	66	214	181	188
Transfer payments	926,577	275,507	442,676	922,879	273,414	441,863
Other subsidies and payments	-	(2)	62	-	(31)	17
Total budgetary expenditures	978,869	287,198	466,686	978,554	286,281	468,551

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

** Planned expenditures do not reflect measures announced in Budget 2012.