



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, 2016

Canadian Institutes of Health Research

Quarterly Financial Report for the Quarter Ended September 30, 2016

1. Introduction

This quarterly financial report should be read in conjunction with the 2016-17 [Main Estimates](#) and [Supplementary Estimates A](#). 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* and *Supplementary Estimates A* 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.

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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 and Supplementary Estimates A for fiscal year 2016-17, as well as budget adjustments approved by Treasury Board up to September 30, 2016.

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

As of September 30, 2016, total authorities available for use for CIHR have remained relatively consistent compared to 2015-16 with an increase of \$33.0 million (3.3%) as shown in the tables below. The increase to CIHR's total authorities available is due to:

- \$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).
- \$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;

Total authorities used as at September 30, 2016 have increased slightly by \$1.9 million (0.4%) as compared to the prior fiscal year. CIHR has used 47.8% (49.2% in 2015-16) of its available authorities through the second 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	49,728	22,572	45.4%	47,643	23,560	49.5%	4.4%	-4.2%
Vote 5 - Grants	985,889	472,263	47.9%	955,287	469,422	49.1%	3.2%	0.6%
Statutory Authorities	6,126	2,986	48.7%	5,833	2,917	50.0%	5.0%	2.4%
Total	1,041,743	497,821	47.8%	1,008,763	495,899	49.2%	3.3%	0.4%

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

(\$ thousands)

	2016-17			2015-16			Variance	
	Annual Authorities available	Q2 Authorities used	% used	Annual Authorities available	Q2 Authorities used	% used	(1) vs (3)	(2) vs (4)
	(1)	(2)		(3)	(4)			
Vote 1 - Operating Expenditures	49,728	11,817	23.8%	47,643	12,067	25.3%	4.4%	-2.1%
Vote 5 - Grants	985,889	301,425	30.6%	955,287	308,335	32.3%	3.2%	-2.2%
Statutory Authorities	6,126	1,493	24.4%	5,833	1,459	25.0%	5.0%	2.3%
Total	1,041,743	314,735	30.2%	1,008,763	321,861	31.9%	3.3%	-2.2%

Vote 1 – Operating Expenditures

Total authorities available for use for Vote 1 - Operating expenditures have increased by \$2.1 million (4.4%) as at September 30, 2016 as compared to the prior fiscal year due to \$1.2 million in increased operating funding received as part of Budget 2015 for the SPOR ICT and AMR initiatives as well as a \$1.2 million operating budget carryforward from 2015-16.

Operating expenditures authorities used year-to-date have decreased by \$1.0 million (4.2%) as compared to the prior fiscal year due to 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. Authorities used during the second quarter for Vote 1 – Operating Expenditures have decreased by \$0.3 million (2.1%) as compared to the prior fiscal year for the same reasons.

Vote 5 – Grants

Authorities available for use for Vote 5 - Grants have increased by approximately \$30.6 million (3.2%) through the second 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, and new funding announced in Budget 2015 of \$13.5 million for the SPOR ICT and AMR initiatives.

Year-to-date grant expenditures have increased by 0.6% as compared to the prior year. The percentage of grant authorities used through the second quarter of 2016-17 (47.9%) is consistent with authorities used at the midway point of the prior fiscal year (49.1%).

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Grant authorities used during the second quarter of 2016-17 have decreased by \$6.9 million (2.2%) as compared to the prior fiscal year quarter due simply to timing differences with respect to the disbursement of funds to health researchers.

Overall spending as at September 30, 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 \$0.3 million (5.0%). The slight increase is the result of an additional \$0.15 million received as part of Budget 2015 for the SPOR ICT and AMR initiatives (8 full-time equivalent positions). Actual spending for statutory authorities through the second quarter of 2016-17 is 48.7% 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 September 30, 2016, total authorities available for use by the Canadian Institutes of Health Research have increased by \$33.0 million (3.3%) as compared to the prior fiscal year due to increased funding received. Total authorities used as at September 30, 2016 have increased minimally by \$1.9 million (0.4%) 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	41,616	22,592	54.3%	40,555	21,699	53.5%	2.6%	4.1%
Other operating expenditures	14,238	2,967	20.8%	12,921	4,778	37.0%	10.2%	-37.9%
Grants	985,889	472,262	47.9%	955,287	469,422	49.1%	3.2%	0.6%
Total	1,041,743	497,821	47.8%	1,008,763	495,899	49.2%	3.3%	0.4%

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

(\$ thousands)

	2016-17			2015-16			Variance	
	Annual Authorities available	Q2 Authorities used	% used	Annual Authorities available	Q2 Authorities used	% used	(1) vs (3)	(2) vs (4)
	(1)	(2)		(3)	(4)			
Personnel	41,616	11,739	28.2%	40,555	11,101	27.4%	2.6%	5.7%
Other Operating Expenditures	14,238	1,572	11.0%	12,921	2,425	18.8%	10.2%	-35.2%
Grants	985,889	301,424	30.6%	955,287	308,335	32.3%	3.2%	-2.2%
Total	1,041,743	314,735	30.2%	1,008,763	321,861	31.9%	3.3%	-2.2%

Personnel and Other Operating Expenditures

Authorities available for Personnel Expenditures for the period ended September 30, 2016 have increased by \$1.1 million (2.6%) as compared to the prior year. In addition, authorities available for other operating expenditures have also increased by \$1.3 million (10.2%). These increases are due to additional funding received through Budget 2015 for operating expenditures (\$0.9 million Personnel and \$0.4 million Other Operating) for the SPOR ICT and AMR initiatives as well as an operating budget carryforward from 2015-16.

Personnel authorities used year to date increased by \$0.9 million (4.1%) as compared to the prior fiscal year and Personnel authorities used during the second quarter increased by \$0.6 million (5.7%). These increases are in line with expectations given CIHR received additional funding. The percentage of authorities used for Personnel Expenditures through the second quarter (54.3%) is reasonable for this type of expenditure and is comparable to the prior fiscal year (53.5%).

Other Operating Expenditures used year to date decreased by \$1.8 million (37.9%) as compared to the prior fiscal year and Other Operating Expenditures used during the second quarter decreased by \$0.9 million (35.2%) as compared to the prior fiscal year quarter. These decreases are 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.

Grants

Authorities available for the period ended September 30, 2016 have increased by \$30.6 million (3.2%) over the prior year due primarily to additional strategic health research priority funding announced in Budget 2014 and 2015. Authorities used during the quarter ended September 30, 2016 have decreased by 2.2% due to timing differences with respect to the disbursement of grant funds on a year-over-year basis.

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The percentage of grant authorities used through the second quarter of 2016-17 (47.9%) is consistent with authorities used as at September 30th of the prior fiscal year (49.1%).

2.3 Other Non-Financial Highlights

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

- On September 23, 2016, CIHR announced the implementation of changes to the Project Grant peer review process. The changes will reflect the recommendations of the Peer Review Working Group and discussions from the July 13, 2016 Working Meeting. CIHR is also implementing a new and distinct iterative peer review process for Indigenous health research applications, which is being designed with members of the Indigenous health research community. The changes being implemented for the Project Grant competition will reflect the collective efforts and shared commitment of the health research community to implement a trusted and fair peer review process. Being proactive, CIHR had decided to lift the restriction that limits researchers to applying to either the Foundation Grant or Project Grant competition. In the upcoming round of the Investigator Initiated programs, researchers will be able to apply for funding through both competitions.
- From September 18-20, 2016, the Canadian Institutes of Health Research (CIHR) hosted a Canadian Pain Research Summit where researchers, clinicians, partners, charities, patients and policymakers worked together to create a national agenda that will help CIHR Institutes develop new funding opportunities for pain research. Canada is an international leader in basic and pediatric pain research. The Government of Canada, through CIHR, has helped address the treatment and quality of care of patients suffering from pain by providing \$16 million in annual funding support to over 1,200 physical and psychological pain researchers. Through Canada's Strategy for Patient Oriented Research (SPOR), CIHR and its partners have also created a Chronic Pain Network which specializes in directing new research, training researchers and clinicians, increasing access to care for chronic pain sufferers, and speeding up the translation of the most recent research discoveries into care of patients. The development of an evidence-based Canadian Pain Research agenda at this summit will help Canadian researchers and clinicians create better care and treatments for patients who suffer from pain in social, psychological or physical ways.
- On September 13, 2016, the Honourable Jane Philpott, Canada's Minister of Health, announced that the federal government is partnering with the Government of Alberta and the Canadian Red Cross to invest \$3 million that will support research into the health effects of the Alberta wildfires. Natural disasters such as wildfires can have significant impacts on health, including exacerbating respiratory and cardiac conditions linked to poor air quality; mental health challenges like anxiety, depression and post-traumatic stress disorder; the development or recurrence of addictions; and long-term health impacts from exposure to ash and environmental contaminants. The funding announced will fund the work of researchers investigating resiliency related to mental health and psychosocial wellbeing, addiction, and occupational health and safety for those living and working in the fire zone, including first responders and emergency clean-up crews.

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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.

Canada's new government has mandated the Ministers of Health and Science to strengthen our 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 needed to inform the evolution of Canadian health policies and regulations, 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, individuals and society. A structured, analytical and deliberate approach to responsible decision making is needed to ensure that these multiple interests are considered.

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, the Agency 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) 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 the Agency which would lead to disengagement and limit the ability to enact the desired transformations.

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

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delineates the process to ensure a thorough 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 Roadmap II. 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 the Agency 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 the Agency'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 working meeting, it commits to keeping the research community apprised of its progress. These dialogues and multilateral conversations will help CIHR to understand and identify key concerns; establish shared priorities; develop consensus; test and improve solutions; minimize implementation burden; and facilitate stakeholder understanding and awareness of possible or planned program changes, among a number of goals CIHR hopes to achieve through its new stakeholder engagement strategy.

If not properly mitigated, the aforementioned risks associated 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

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

Effective August 22, 2016, Jeff Latimer was appointed Associate Vice-President, Program Operations (formerly called Associate Vice-President Research, Knowledge Translation and Ethics).

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
November 29, 2016

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5. Statement of Authorities *(unaudited)* For the quarter ended September 30, 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 September 30, 2016	Year to date used at quarter-end	Total available for use for the year ending March 31, 2016 *	Used during the quarter ended September 30, 2015	Year to date used at quarter-end
Vote 1 – Operating expenditures	49,728	11,817	22,572	47,643	12,067	23,560
Vote 5 - Grants	985,889	301,425	472,263	955,287	308,335	469,422
Budgetary statutory authorities	6,126	1,493	2,986	5,833	1,459	2,917
Total authorities	1,041,743	314,735	497,821	1,008,763	321,861	495,899

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

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6. Departmental budgetary expenditures by Standard Object *(unaudited)* For the quarter ended September 30, 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 September 30, 2016	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2016 *	Expended during the quarter ended September 30, 2015	Year to date used at quarter-end
Expenditures:						
Personnel	41,616	11,739	22,592	40,555	11,101	21,699
Transportation and communications	4,449	533	965	6,127	660	1,582
Information	894	181	245	1,141	194	264
Professional and special services	6,381	681	1,103	1,202	1,033	1,850
Rentals	1,795	73	255	2,844	305	767
Repair and maintenance	58	4	7	133	9	10
Utilities, materials and supplies	180	23	29	491	15	20
Acquisition of machinery and equipment	481	57	324	983	239	252
Transfer payments	985,889	301,424	472,262	955,287	308,335	469,422
Other subsidies and payments	-	20	39	-	(30)	33
Total budgetary expenditures	1,041,743	314,735	497,821	1,008,763	321,861	495,899

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