



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



Canadian Institutes of Health Research

Quarterly Financial Report
for the Quarter Ended December 31, 2012

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Quarterly Financial Report for the Quarter Ended December 31, 2012

1. Introduction

This quarterly financial report should be read in conjunction with the 2012-13 [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 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*, *Supplementary Estimates A* and *Supplementary Estimates B* 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.

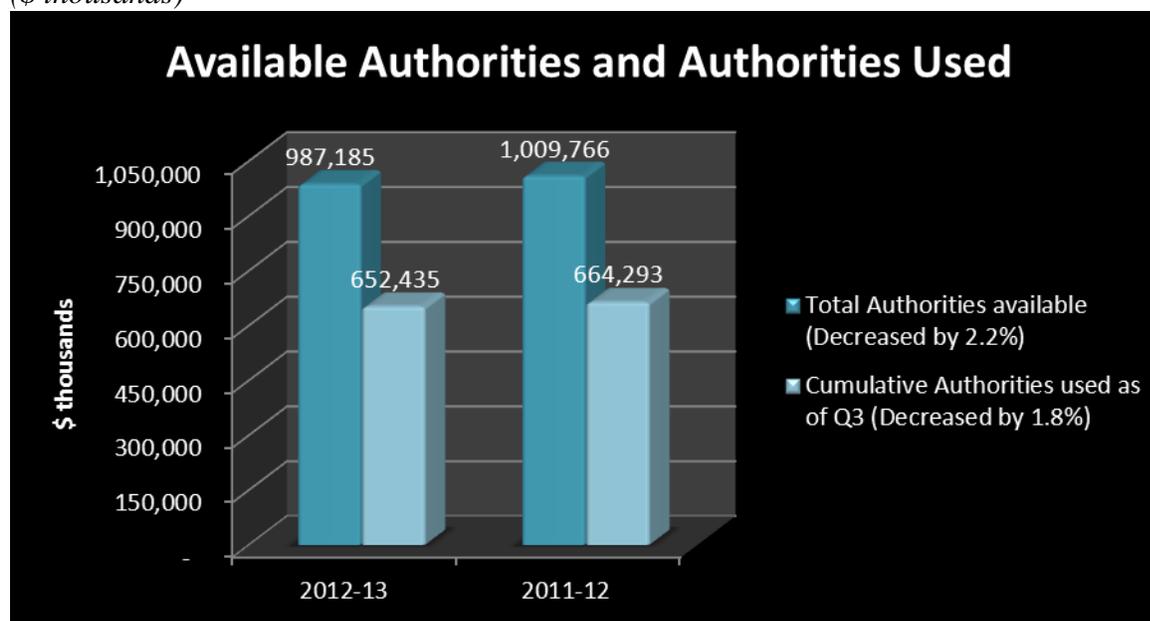
2. Highlights of fiscal quarter and fiscal year to date (YTD) results

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 third quarter are as follows:

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

As of December 31, 2012, total authorities available for use for CIHR have decreased by approximately \$22.6 million (2.2%) compared to 2011-12. This decrease is mainly a result of decreased authorities in Vote 25 – Grants, as shown in the tables below. As at December 31, 2012, authorities used have also decreased by approximately \$11.9 million (1.8%) as compared to the prior fiscal year. CIHR has used 66.1% (65.8% in 2011-12) of its available authorities through the third quarter. The organization is in line with prior year spending; hence will most likely use its full 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 Q3

(\$ thousands)

	2012-13			2011-12			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 20 - Operating Expenditures	52,370	11,399	21.8%	52,740	11,804	22.4%	-0.7%	-3.4%
Vote 25 - Grants and Contributions	928,197	170,843	18.4%	951,734	178,907	18.8%	-2.5%	-4.5%
Statutory Authorities	6,618	1,642	24.8%	5,292	1,305	24.7%	25.1%	25.8%
Total	987,185	183,884	18.6%	1,009,766	192,016	19.0%	-2.2%	-4.2%

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	52,370	34,781	66.4%	52,740	35,706	67.7%	-0.7%	-2.6%
Vote 25 - Grants and Contributions	928,197	612,706	66.0%	951,734	624,621	65.6%	-2.5%	-1.9%
Statutory Authorities	6,618	4,948	74.8%	5,292	3,966	74.9%	25.1%	24.8%
Total	987,185	652,435	66.1%	1,009,766	664,293	65.8%	-2.2%	-1.8%

Vote 20 – Operating Expenditures & Vote 25 – Grants

Authorities available for use for Vote 20 - Operating expenditures and for Vote 25 - Grants have increased by approximately \$3.3 million and \$5.3 million, respectively, since the second quarter of 2012-13 quarter as a result of the following budgetary items:

Vote 20 – Operating expenditures (net increase of \$3.3 million)

- Permanent Allocations from TB Votes (\$3.9 million increase);
- Other (\$0.5 million increase); and

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- Net impact of 2012 Federal Budget (\$1.1 million net decrease).

Vote 25 – Grants (net increase of \$5.3 million)

- Transfers from Other Government Departments (\$1.9 million increase);
- Funding for Business-Led Networks of Centres of Excellence (\$1.7 million increase); and
- Net impact of 2012 Federal Budget (\$1.7 million increase).

Authorities available for use for Vote 20 - Operating expenditures and for Vote 25 - Grants have decreased by approximately \$0.3 million (0.7%) and \$23.5 million (2.5%), respectively, over the prior year due to funding for certain programs (e.g. the Centres of Excellence for Commercialization and Research and the Business-Led Networks of Centres of Excellence) expected to be approved through the 2012-13 Supplementary Estimates C instead of the Supplementary Estimates B as in prior years. No significant yearly variances are expected for 2012-13.

Authorities used during the third quarter for Vote 20 – Operating expenditures and for Vote 25 – Grants have decreased by approximately \$0.4 million (3.4%) and \$8.1 million (4.5%), 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 third quarter in 2012-13 is 22.8% versus 22.4% for the same quarter in prior year. Grants are typically paid-out in bi-monthly installments. The percentage of authorities used in the third quarter is 24.8% versus 24.7% for the same period in prior year. No significant variances noted in actual spending for the quarter.

Cumulative authorities used through the third quarter for Vote 20 – Operating expenditures and for Vote 25 – Grants decreased by \$0.9 million (2.6%) and \$11.9 million (1.9%), respectively, which is consistent with the decrease noted in available authorities. Actual spending proportions at the end of the third quarter are consistent with the prior year and the disbursement pattern. No significant variances were noted for the period ended December 31, 2012.

Budgetary Statutory Authorities

Budgetary statutory authorities available for use increased year over year by \$1.3 million (25.1%) as a result of the re-alignment between the salary and non-salary envelope from Vote 20 – Operating expenditures.

Actual spending for statutory authorities through the third quarter is 24.8% of the total available authorities for use for the year, consistent with spending for the same quarter in the prior year (24.7%) and the type of expenditure (straight line). No significant variances noted in actual spending for the quarter.

Cumulative actual spending for statutory authorities is 74.8% of the total available authorities for use for the year, consistent with spending for the same period in the prior year (74.9%) and the type of expenditure. No significant variances were noted in authorities used.

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

As of December 31, 2012, total authorities available for use for the Canadian Institutes of Health Research have decreased by approximately \$22.6 million (2.2%). This decrease 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 Q3

(\$ thousands)

	2012-13			2011-12			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	44,576	10,898	24.4%	35,875	10,855	30.3%	24.3%	0.4%
Other Operating Expenditures	14,412	2,143	14.9%	22,157	2,254	10.2%	-35.0%	-4.9%
Transfer Payments	928,197	170,843	18.4%	951,734	178,907	18.8%	-2.5%	-4.5%
Total	987,185	183,884	18.6%	1,009,766	192,016	19.0%	-2.2%	-4.2%

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	44,576	34,093	76.5%	35,875	33,195	92.5%	24.3%	2.7%
Other Operating Expenditures	14,412	5,636	39.1%	22,157	6,477	29.2%	-35.0%	-13.0%
Transfer Payments	928,197	612,706	66.0%	951,734	624,621	65.6%	-2.5%	-1.9%
Total	987,185	652,435	66.1%	1,009,766	664,293	65.8%	-2.2%	-1.8%

Personnel and Other Operating Expenditures

Authorities available for use for Personnel and for Other Operating Expenditures are up by roughly \$0.4 million and \$2.9 million respectively since last quarter as a result of the budgetary items stated above in section 2.1.

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Authorities available for Personnel and Other Operating Expenditures have increased by \$8.7 million (24.3%) and decreased by \$7.7 million (35.0%) respectively, over the prior year. 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 increased by a marginal \$0.04 million (0.4%) over the prior period's third quarter. The percentage of authorities used for the third quarter (24.4%) is reasonable given the straight-line nature of personnel expenditures.

Cumulative authorities used for personnel expenditures have increased marginally by \$0.9 million (2.7%) over the prior period. The cumulative percentage of authorities used through the third quarter (76.5%) is reasonable for this type of expenditure.

Authorities used and cumulative authorities used for Other Operating Expenditures have decreased by \$0.1 million (4.9%) and \$0.8 million (13.0%), 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 December 31, 2012 have decreased by \$23.5 million (2.5%) due to the funding of specific grant programs expected to be approved via the Supplementary Estimates C as mentioned in the Section 2.1.

Authorities used for the quarter as well as for the period ended December 31, 2012 for the aforementioned standard object have decreased by \$8.1 million and \$11.9 million, respectively, which is consistent with the decrease noted in available authorities. The percent used are consistent with prior year as grants are typically paid-out in bi-monthly installments.

2.3 Other Non-Financial Highlights

Other non-financial highlights for the third quarter include:

- On October 1, 2012, the Honourable Leona Aglukkaq, Minister of Health, joined Tony Boeckh, Chair of the Graham Boeckh Foundation, and Dr. Alain Beaudet, President of the Canadian Institutes of Health Research (CIHR), to announce the launch of the new Patient-Oriented Network in Adolescent and Youth Mental Health. The research network aims to improve the care provided to young Canadians with mental illness by taking research findings and using them in practice and policy. Through CIHR, the Government of Canada is supporting the network with \$12.5 million, over five years. The network is a collaborative effort between CIHR and the Graham Boeckh Foundation, which is providing matching funding of \$12.5 million for a total investment of \$25 million. The network is the first initiative under the [Strategy for Patient-Oriented Research \(SPOR\)](#) – a new way of working collaboratively with the provinces and like-minded partners, in order to increase resources and support transforming the health care system. The network will unite patients, researchers, and health care providers who will work together to make sure that innovative practices, therapies and policies are taken out of the research environment and shared with the decision makers and health care providers who need them. Please visit CIHR's website at <http://www.cihr-irsc.gc.ca/e/45927.html> to learn more.

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- On December 20, 2012, CIHR published *Designing for the Future: The New Open Suite of Programs and Peer Review Process*. This document outlines the refined design and implementation plan for the new Open Suite of Programs and peer review process. Please visit 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 December 31, 2012 which totaled approximately \$50.7 million in total future multi-year funding. The funding opportunities released during the quarter cover CIHR programs ranging from Fellowship, Industry-Partnered Collaborative Research, Human Frontier Science Program – Career Development Awards, Child and Youth Health, Catalyst: Environments, Genes and Chronic Disease, E-Rare-2 Joint Transnational Call on Rare Diseases, International Network of Centres of Excellence in Neurodegeneration Initiative and many others. 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 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 third 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

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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.

To realize the required Grants savings, reductions of \$12.25 million were applied to the Health Researchers, 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.

As of the third quarter, all initiatives planned under Budget 2012 are on track for savings to be achieved.

Approved by:

[Original signed by]

[Original signed by]

Alain Beaudet, MD, PhD
President

James Roberge, CMA
Chief Financial Officer

Ottawa, Canada
March 1, 2013

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6. Statement of Authorities *(unaudited)* For the quarter ended December 31, 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 December 31, 2012	Year to date used at quarter-end	Total available for use for the year ending March 31, 2012 *	Used during the quarter ended December 31, 2011	Year to date used at quarter-end
Vote 20 – Operating expenditures	52,370	11,399	34,781	52,740	11,804	35,706
Vote 25 - Grants	928,197	170,843	612,706	951,734	178,907	624,621
Budgetary statutory authorities	6,618	1,642	4,948	5,292	1,305	3,966
Total authorities	987,185	183,884	652,435	1,009,766	192,016	664,293

* 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 December 31, 2012

	Fiscal year 2012-2013			Fiscal year 2011-2012		
	Planned expenditures for the year ending March 31, 2013 *	Expended during the quarter ended December 31, 2012	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2012 *	Expended during the quarter ended December 31, 2011	Year to date used at quarter-end
<i>(In thousand of dollars)</i>						
Expenditures:						
Personnel	44,576	10,898	34,093	35,875	10,855	33,195
Transportation and communications	6,135	784	2,428	6,323	1,105	2,892
Information	1,302	223	518	1,104	206	574
Professional and special services	4,746	736	1,670	11,755	715	2,139
Rentals	499	150	504	440	103	247
Repair and maintenance	1,071	8	24	84	18	263
Utilities, materials and supplies	390	33	78	333	28	109
Acquisition of machinery and equipment	269	88	276	2,118	12	189
Transfer payments	928,197	170,843	612,706	951,734	178,907	624,621
Other subsidies and payments	-	121	138	-	67	64
Total budgetary expenditures	987,185	183,884	652,435	1,009,766	192,016	664,293

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