

Canadian Institutes of Health Research

Quarterly Financial Report for the Quarter Ended September 30, 2017

Canadian Institutes of Health Research

Quarterly Financial Report for the Quarter Ended September 30, 2017

1. Introduction

This quarterly financial report 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 should be read in conjunction with the 2017-18 [Main Estimates](#), and [Supplementary Estimates A](#). It has not been subject to an external audit or review nor has it been subject to the approval of the Audit Committee.

1.1 Authority, mandate and programs

The Canadian Institutes of Health Research (CIHR) is the Government of Canada's health research funding agency. It was created in June 2000 by the *Canadian Institutes of Health Research Act* with a mandate “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) Achieving organizational excellence.

Further details on CIHR's mandate and programs can be found in [Part II of the Main Estimates](#) and the [Department Plan](#).

1.2 Basis of presentation

This 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 Estimate and Supplementary Estimates A for the 2017-18 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 results reporting process. However, the spending authorities voted by Parliament remain on an expenditure basis.

Canadian Institutes of Health Research

Quarterly Financial Report for the Quarter Ended September 30, 2017

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 2017-18, as well as budget adjustments approved by Treasury Board up to September 30, 2017.

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

As of September 30, 2017, total authorities available for use for CIHR have increased by \$45.6 million (4.4%) compared to September 30, 2016 as shown in the tables below. The increase to CIHR's total authorities available is due to:

- \$30.0 million announced in Budget 2016 for investigator-initiated discovery research. This funding will be used to provide additional investment in early career investigators, the generation of researchers and innovators ready to marshal their talents and expertise into productive programs of health research. The 2016-17 funding was approved in the Supplementary Estimates B 2016-2017;
- \$18.2 million increase to fund research proposals selected in the second competition of the Canada First Research Excellence Fund (CFREF) tri-agency program (with 2016-17 funding approved in the Supplementary Estimates B 2016-17);
- \$1.5 million increase in transfers from other government departments for specific programs and initiatives;
- \$0.5 million increase in the operating budget carryforward; offset by
- \$3.6 million decrease resulting from CIHR's participation in tri-agency programs in collaboration with the Natural Sciences and Engineering Research Council (NSERC) and the Social Sciences and Humanities Research Council (SSHRC). Funding for these programs varies by fiscal year as CIHR is allocated funding following each distinct competition depending on the successful applicants' alignment with CIHR's health-related mandate;
- \$0.8 million decrease to statutory authorities due to Central Agencies adjustments; and
- \$0.2 million decrease in professional services, advertising and travel announced in Budget 2016 and reduced in the Supplementary Estimates C 2016-17.

Total authorities used as at September 30, 2017 have also increased by \$12.2 million (2.4%) as compared to the prior fiscal year due mainly to the grant payments towards the newly created programs mentioned above. CIHR has used 46.9% (47.8% in 2016-17) of its available authorities through the second quarter, which is consistent with its annual spending pattern.

Canadian Institutes of Health Research

Quarterly Financial Report for the Quarter Ended September 30, 2017

Table 2.1.1 – Changes to annual authorities available and cumulative authorities used by vote
(*\$ thousands*)

	2017-18			2016-17			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	54,377	25,639	47.2%	49,728	22,572	45.4%	9.3%	13.6%
Vote 5 - Grants	1,027,149	481,465	46.9%	985,889	472,263	47.9%	4.2%	1.9%
Statutory Authorities	5,819	2,909	50.0%	6,126	2,986	48.7%	(5.0%)	(2.6%)
Total	1,087,345	510,013	46.9%	1,041,743	497,821	47.8%	4.4%	2.4%

Table 2.1.2 – Changes to annual authorities available and authorities used during the second quarter by vote
(*\$ thousands*)

	2017-18			2016-17			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	54,377	12,932	23.8%	49,728	11,817	23.8%	9.3%	9.4%
Vote 5 - Grants	1,027,149	302,190	29.4%	985,889	301,425	30.6%	4.2%	0.3%
Statutory Authorities	5,819	1,454	25.0%	6,126	1,493	24.4%	(5.0%)	(2.6%)
Total	1,087,345	316,576	29.1%	1,041,743	314,735	30.2%	4.4%	0.6%

Vote 1 – Operating Expenditures

Total authorities available for use for Vote 1 - Operating expenditures have increased by \$4.6 million (9.3%) as at September 30, 2017 as compared to the prior fiscal year as a result of:

- \$1.5 million in increased operating funding announced in Budget 2016 for early career investigators;
- \$2.8 million increase resulting from a Vote 5 – Grants transfer for the July 2016 Working Meeting held with the health research community;

Canadian Institutes of Health Research

Quarterly Financial Report for the Quarter Ended September 30, 2017

- \$0.5 million increase in the operating budget carryforward; offset by
- \$0.2 million reduction in professional services, advertising and travel announced in Budget 2016.

Operating expenditures authorities used year-to-date have increased by \$3.1 million (13.6%) due to increased Personnel, Transportation and communications expenditures and Professional and special services. The majority of the increases were directly related to the results of the July 2016 Working Meeting held with the health research community.

Authorities used during the second quarter for Vote 1 – Operating Expenditures have increased by \$1.1 million (9.4%) 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 \$41.3 million (4.2%) through the second quarter as compared to the prior fiscal year quarter, as a result of:

- New funding of \$28.2 million announced in Budget 2016 for early career investigators;
- New funding of \$18.2 million received to fund the second competition of the CFREF;
- Increase of \$1.5 million to transfers from other government departments for specific programs and initiatives; offset by
- Decrease of \$3.6 million resulting from CIHR's participation in tri-agency programs in collaboration with NSERC and SSHRC; and
- Decrease of \$3.0 million resulting from a transfer to Vote 1 – Operating Expenditures and Statutory Authorities based on the results of the July 2016 Working Meeting held with the health research community.

Year-to-date grant expenditures have increased by \$9.2 million (1.9%) as compared to the prior year. The percentage of grant authorities used through the second quarter of 2017-18 (46.9%) is consistent with authorities used at the midway point of the prior fiscal year (47.9%).

Grant authorities used during the second quarter of 2017-18 have increased minimally by \$0.8 million (0.3%) as compared to the prior fiscal year.

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 decreased marginally year over year by \$0.3 million (5.0%). The decrease to CIHR's statutory authorities available is due to:

- \$0.3 million increase in statutory authorities announced in Budget 2016 for early career investigators;
- \$0.2 million increase resulting from a Vote 5 – Grants transfer for the July 2016 Working Meeting held with the health research community; offset by
- \$0.8 million decrease due to Central Agencies adjustments.

Actual spending for statutory authorities through the second quarter of 2017-18 is 50.0% of the total available authorities for use for the year as expected given this expenditure is distributed equally throughout the fiscal year.

Canadian Institutes of Health Research

Quarterly Financial Report for the Quarter Ended September 30, 2017

2.2 Financial Highlights – Statement of Departmental Budgetary Expenditures by Standard Object (Refer to Section 6)

As of September 30, 2017, total authorities available for use by CIHR have increased by \$45.6 million (4.4%) as compared to the prior fiscal year due to increased funding received. Total authorities used as at September 30, 2017 have increased by \$12.2 million (2.5%) 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)

	2017-18			2016-17			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	42,880	23,808	55.5%	41,616	22,592	54.3%	3.0%	5.4%
Other operating expenditures	17,316	4,740	27.4%	14,238	2,967	20.8%	21.6%	59.8%
Grants	1,027,149	481,465	46.9%	985,889	472,262	47.9%	4.2%	1.9%
Total	1,087,345	510,013	46.9%	1,041,743	497,821	47.8%	4.4%	2.4%

Table 2.2.2 – Changes to annual authorities available and authorities used during the second quarter by expenditure type
(\$ thousands)

	2017-18			2016-17			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	42,880	12,351	28.8%	41,616	11,739	28.2%	3.0%	5.2%
Other Operating Expenditures	17,316	2,035	11.8%	14,238	1,572	11.0%	21.6%	29.5%
Grants	1,027,149	302,190	29.4%	985,889	301,424	30.6%	4.2%	0.3%
Total	1,087,345	316,576	29.1%	1,041,743	314,735	30.2%	4.4%	0.6%

Canadian Institutes of Health Research

Quarterly Financial Report for the Quarter Ended September 30, 2017

Personnel and Other Operating Expenditures

Authorities available for Personnel Expenditures for the period ended September 30, 2017 have increased by \$1.3 million (3.0%) as compared to the prior year. Authorities available for Other Operating Expenditures have also increased by \$3.1 million (21.6%). These increases are due to:

- Additional funding announced in Budget 2016 for early career investigators (\$1.3 million – Personnel and \$0.5 million - Other Operating);
- Additional funds from a Vote 5 – Grants transfer for the July 2016 Working Meeting held with the health research community (\$0.7 million – Personnel and \$2.3 million – Other Operating);
- \$0.5 million increase in the operating budget carryforward (\$0.5 million – Other Operating); offset by
- \$0.8 million decrease due to Central Agencies adjustments (\$0.8 million – Personnel);
- Reduction in professional services, advertising and travel announced in Budget 2016 (\$0.2 million – Other Operating).

Personnel authorities used year to date increased by \$1.2 million (5.4%) as compared to the prior fiscal year and Personnel authorities used during the second quarter increased by \$0.6 million (5.2%). In 2016-17, CIHR unfroze all vacant positions as a result of operational requirements and created positions to deliver the programs and initiatives funded from both Budget 2015 and Budget 2016, as well as positions to implement the recommendations stemming from the July 2016 Working Meeting to discuss CIHR peer review processes with the research community. As positions were unfrozen or created in 2016-17, CIHR staffed some positions in the latter part of the fiscal year, and anticipates these positions to be fully staffed in 2017-18. The percentage of authorities used for Personnel Expenditures through the second quarter (55.5%) is reasonable for this type of expenditure and is comparable to the prior fiscal year (54.3%).

Other Operating Expenditures used year to date increased by \$1.8 million (59.8%) as compared to the prior fiscal year and Other Operating Expenditures used during the second quarter increased by \$0.5 million (29.5%) as compared to the prior fiscal year quarter. These increases are the result of increased costs of Non-Public Servant travel (Transportation and communications) and hospitality (Professional and special services) related to Peer Review meetings. Professional and special services for the first two quarters of 2016-17 were lower than normal as a result of CIHR reprioritizing its planned activities to ensure timely implementation of recommendations stemming from the July Working Meeting with the health research community.

Grants

Authorities available for the period ended September 30, 2017 have increased by \$41.3 million (4.2%) over the prior year due primarily to additional health research funding discussed in section 2.1. Authorities used year-to-date for the quarter ended September 30, 2017 have also increased by \$9.2 million (1.9%) due to increased grant payments resulting from the increased authorities available for use. The percentage of grant authorities used through the second quarter of 2017-18 (46.9%) is consistent with authorities used as at September 30th of the prior fiscal year (47.9%).

Canadian Institutes of Health Research

Quarterly Financial Report for the Quarter Ended September 30, 2017

2.3 Other Non-Financial Highlights

Other non-financial highlights for the second quarter of 2017-18 include:

- On July 19, 2017, the Honourable Jane Philpott, Minister of Health, and Robert C. McLeod, Deputy Premier, Minister of Finance, and Minister of Environment and Natural Resources, Government of the Northwest Territories, announced an important collaboration in research that will improve patient care and Indigenous Peoples' health outcomes in the Northwest Territories. The Government of Canada, the Government of the Northwest Territories, and its partners signed an agreement with the Tlicho Government to provide \$24.9 million in funding and in-kind contributions to establish a Northwest Territories Strategy for Patient-Oriented Research (SPOR) Support for People and Patient-Oriented Research and Trials (SUPPORT) Unit – Hotì ts'eeda.
- On August 28, 2017, Ginette Petitpas Taylor was appointed as Canada's new Minister of Health.
- On September 14, 2017, the Honourable Ginette Petitpas Taylor, Minister of Health, announced an investment of \$7.5 million from CIHR to support practical research interventions to prevent opioid overdoses, treat those living with opioid dependency, and promote harm reduction. This research investment will enhance the development of evidence-based practices that can be used by those dealing with this crisis on the ground, while at the same time providing additional access to interventions across Canada. This investment will provide meaningful opportunities to improve ongoing efforts in communities. The Canadian Research Initiative in Substance Misuse will use this funding to study how to best integrate evidence-based interventions into practical settings. This national program will focus on interventions that have a high potential for reducing the individual and population harms of opioid use.

3. Risk 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 macro-level risk factors such as economic fluctuations, technological and scientific development, evolving government priorities, and central agency or government-wide initiatives.

Since the 2017-18 corporate risks were developed, there have been significant leadership changes at both the Executive and Extended Executive levels. These changes have also corresponded with the Acting President's priorities related to the open suite of programs, Institutes, the Strategy for Patient-Oriented Research (SPOR), and staff morale. Over the past quarter, progress was made in implementing the strategic directions set out in CIHR's strategic plan, Health Research Roadmap II, to contribute to a sustainable Canadian health research environment and to ensure the reliability, consistency, fairness and efficiency of the competition and review processes.

Given this organizational context, CIHR has identified key risks that could impact its ability to deliver on its strategic plan and meet research community expectations. CIHR is committed to a disciplined, integrated risk management process in its daily operations. Based on departmental best practices, 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 its activities, achieve outcomes and deliver on its mandate. CIHR is mitigating and monitoring the top risks identified in its CRP as follows:

Canadian Institutes of Health Research

Quarterly Financial Report for the Quarter Ended September 30, 2017

- There is a risk that CIHR's ability to deliver the Foundation and Project Grant Competitions could be impacted through ongoing pressure from the research community to change the competition delivery design. This pressure is resulting in impacts on competition delivery design, processes and timelines. It is also possible that the participation of Canada's health research community in CIHR review processes will decrease.
 - Since this risk was identified, a number of changes to program implementation have been undertaken. These include but are not limited to the re-allocation of the budget envelope from the Foundation to the Project Grant program, a change in eligibility for early career researchers in the 2017 Foundation Grant program, postponement of the Spring 2017 Project Grant program, and a return to face-to-face mandate-driven committees for review of Project Grants. All of these changes have been well-informed through community engagement and are being closely monitored through weekly status updates of activities, milestones, and risks. As a result, there is a reduction in the overall likelihood and impact of this risk.
- There is a risk that the organization will be impacted by limitations and delays in technology modernization and integration through Project Enabling Business by Leveraging Systems (EnaBLEs). This may impact CIHR's ability to adequately maintain its ongoing business as well as support new business processes. This could result in a loss of credibility from key external and internal stakeholders and the public at large.
 - In the time since this risk was identified, several external events have impacted the risk. These include the release of the Government of Canada's Fundamental Science Review which calls for greater Tri-Agency harmonization, the appointment of a Chief Science Advisor which will begin changes to Tri-Agency governance and coordination structures, and the Government of Canada Chief Information Officer interest in refreshing technology systems for grants management across departments and agencies. These external events have resulted in a deliberate delay of the Treasury board submission for Enabling Business by Leveraging Systems (EnaBLEs). Ongoing maintenance of legacy systems (e.g., Electronic Information System, Researchnet) while also deploying new systems (e.g., Customer Relationship Management) are serving to mitigate this risk. It should be noted that although a response to the Peer Review Expert Panel has been completed, it has not been made public or approved by the CIHR Governing Council.
- There is a risk that CIHR's ability to manage the expectations of various stakeholder groups (such as Indigenous health researchers, early career investigators, gender and official language minority communities) may be beyond the Agency's current capacity. With the number of competing expectations increasing, CIHR will need to effectively communicate with stakeholder groups and bring competing needs into alignment otherwise CIHR may lose stakeholder trust in the organization.
 - Since this risk was identified, a new Director-General for Partnerships and Business Development has been appointed. This new Branch leadership will focus on advancing the planned Stakeholder engagement Strategy. The Official Languages and Minority Communities Action Plan continues to progress, as does the CIHR Indigenous Action Plan. The likelihood and impact of the stakeholder engagement-related risk remains high.

Canadian Institutes of Health Research

Quarterly Financial Report for the Quarter Ended September 30, 2017

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

Effective June 2, 2017, Adrian Mota was appointed as the Acting Vice-President, Competition Management.

Approval by Senior Officials

Approved by:

[Original signed by]

[Original signed by]

Roderick R. McInnes, C.M., O.Ont., PhD, FRSC
Acting President

Thérèse Roy, CPA, CA (Québec)
Chief Financial Officer
Vice-President, Resource Planning and Management

Ottawa, Canada
November 29, 2017

Canadian Institutes of Health Research

Quarterly Financial Report for the Quarter Ended September 30, 2017

5. Statement of Authorities *(unaudited)*

For the quarter ended September 30, 2017

<i>(in thousands of dollars)</i>	Fiscal year 2017-2018			Fiscal year 2016-2017		
	Total available for use for the year ending March 31, 2018 *	Used during the quarter ended September 30, 2017	Year to date used at quarter-end	Total available for use for the year ended March 31, 2017 *	Used during the quarter ended September 30, 2016	Year to date used at quarter-end
Vote 1 – Operating expenditures	54,377	12,932	25,639	49,728	11,817	22,572
Vote 5 - Grants	1,027,149	302,190	481,465	985,889	301,425	472,263
Budgetary statutory authorities						
Contributions to employee benefit plans	5,819	1,454	2,909	6,126	1,493	2,986
Total budgetary authorities	1,087,345	316,576	510,013	1,041,743	314,735	497,821

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

Canadian Institutes of Health Research

Quarterly Financial Report for the Quarter Ended September 30, 2017

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

For the quarter ended September 30, 2017

	Fiscal year 2017-2018			Fiscal year 2016-2017		
	Planned expenditures for the year ending March 31, 2018 *	Expended during the quarter ended September 30, 2017	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2017 *	Expended during the quarter ended September 30, 2016	Year to date used at quarter-end
<i>(In thousands of dollars)</i>						
Expenditures:						
Personnel	42,880	12,351	23,808	41,616	11,739	22,592
Transportation and communications	4,409	546	1,908	4,449	533	965
Information	546	123	210	894	181	245
Professional and special services	9,843	1,220	1,742	6,381	681	1,103
Rentals	1,261	80	435	1,795	73	255
Repair and maintenance	58	5	5	58	4	7
Utilities, materials and supplies	144	18	21	180	23	29
Acquisition of machinery and equipment	1,055	70	308	481	57	324
Transfer payments	1,027,149	302,190	481,465	985,889	301,424	472,262
Other subsidies and payments	-	(27)	111	-	20	39
Total budgetary expenditures	1,087,345	316,576	510,013	1,041,743	314,735	497,821

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