

Canadian Institutes of Health Research

Quarterly Financial Report

For the quarter ended September 30, 2011

Canadian Institutes of Health Research

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1. Introduction

This quarterly financial report should be read in conjunction with the 2011-12 [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.

The Canadian Institutes of Health Research (CIHR) is the Government of Canada's health research funding agency. Its objective 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) enhancing patient-oriented care and clinical results; 2) supporting a high-quality, accessible and sustainable healthcare system; 3) reducing health inequities of Aboriginal people and other vulnerable populations including those in the North; 4) preparing for and responding to emerging threats to health; and 5) reducing the burden of chronic disease and mental illness.

Further details on CIHR's authority, mandate and program activities can be found in [Part II of the Main Estimates](#) and the [Report on Plans and Priorities](#).

Basis of Presentation

The quarterly report has been prepared by management using an expenditure basis of accounting. The accompanying Statement of Authorities includes CIHR's spending authorities granted by Parliament and those used by CIHR, consistent with the *Main Estimates* and *Supplementary Estimates A* for the 2011-12 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

Statement of Authorities

Available authorities

As of September 30, 2011, total authorities available for use for the Canadian Institutes of Health Research have increased slightly by approximately \$0.4 million to \$983.4M as compared to the prior year. This slight net increase is a result of an authority decrease in Vote 20 - Operating expenditures (\$1.1M), offset by an increase in Vote 25 – Grants (\$1.1M) and increase in Statutory authorities (\$0.4M), as described below.

Authorities available for use for Vote 20 – Operating expenditures decreased by \$1.1M (2.2%) over the prior fiscal year. This decrease was largely due to the fact that CIHR did not carry forward any of its operating budget from 2010-11 into the 2011-12 year, whereas in 2010-11, CIHR was able to carry forward approximately \$2.2M of its unspent operating budget into 2010-11 from 2009-10.

Authorities available for use for Vote 25 – Grants have increased by \$1.1M (0.1%) compared to the prior year. Despite this minor increase, there were several programs which saw significant increases and decreases as compared to the previous fiscal year, as follows:

Increases in funding: (\$37.2M)

- \$15.0M from Budget 2010 to invest in outstanding health research;
- \$8.4M for the Canada Excellence Research Chairs program;
- \$4.7M for the Medical Isotopes Supply Initiative;
- \$3.3M for the Banting Post Doctoral Fellowships program;
- \$2.8M for the Vanier Canada Graduate Scholarships program;
- \$1.7M for the Drug Safety and Effectiveness Network;
- \$1.3M of additional transfers in of funds from various government departments over the prior year;

Decreases in funding: (\$36.1M)

- \$22.1M due to the 2008 Strategic Review, resulting from the elimination of the Open Team Grants competition and the Intellectual Property Management funding program;
- \$8.0M decrease in temporary funding for the Canada Graduate Scholarships program as a result of the end of the Economic Action Plan;
- \$5.1M due to the sunset of the Pandemic Preparedness initiative; and
- \$0.9M of other minor program reductions.

Statutory authorities available for use increased year over year by \$0.4M as a result of minor adjustments made to employee benefit rates by Treasury Board.

Authorities Used during the quarter ended September 30

Total authorities used for the three months ending September 30, 2011 have decreased by \$32.0M (10%) to \$291.4M as compared to the same period in the prior year. The decrease resulted primarily from

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decreased spending for Vote 25 – Grants by \$32.5M, offset by increased spending in both Vote 20 – Operating expenditures and Statutory authorities of \$0.4M and \$0.1M respectively.

The decrease in grant spending of \$32.5M for the second quarter compared to the prior year second quarter is mainly due to a timing difference in recognizing grant expenditures for the Canada Research Chairs (CRC) program. Grant expenditures totaling \$51.8M were recognized for the CRC program in the second quarter of 2010-11, whereas in 2011-12, two separate \$25.9M CRC payments were recognized as expenditures, one in each quarter.

The remaining net decrease of \$6.6M in the second quarter resulted from:

Decreases in spending: (\$8.7M)

- \$3.4M of decreased spending on Open Team Grants as a result of its elimination in the 2008 Strategic Review exercise;
- \$2.4M of decreased spending on the federal Pandemic Preparedness Strategic Research Initiative, which sunsetted at the end of the 2010-11 fiscal year;
- \$1.5M of decreased spending for the Canada Graduate Scholarships program as a result of reduced funding received by CIHR in 2011-12 from the Government's Economic Action Plan;
- \$0.4M of decreased spending on the federal International Polar Year Research Initiative, which sunsetted at the end of the 2010-11 fiscal year; and
- An additional net decrease in spending of \$1.0M made up of several immaterial increases and decreases in spending in other grants programs.

Increases in spending: (\$2.1M)

- \$2.1M of increased spending as a result of the new Canada Excellence Research Chairs program; and

The \$0.5M (3%) increase in expenditures to Vote 20 – Operating expenditures (\$0.4M) and Statutory authorities for employee benefits (\$0.1M) is largely due to lower vacancy rates for full time equivalent positions in the 2011-12 fiscal year. The vacancy rate as of September 2010 was 10.7% compared to 9% during the second quarter of 2011-12.

Authorities Used year to date as at September 30

Total authorities used as at September 30, 2011 have decreased by \$9.6M (2%) to \$472.3M over the same two quarters in the prior year.

The decrease is largely a result of decreased spending for Vote 25 – Grants by \$11.1M, offset by increased spending on Vote 20 – Operating expenditures and Statutory authorities of \$1.3M and \$0.2M respectively.

The net decrease in grant spending of \$11.1M year to date compared to the same period in the prior year is mainly due to:

Decreases in spending: (\$15.3M)

- \$5.6M decreased spending on Open Team Grants as a result of its elimination in the 2008 Strategic Review exercise;

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- \$4.3M of decreased spending on the federal Pandemic Preparedness Strategic Research Initiative due to the sunsetting of the program at the end of 2010-11 fiscal year;
- \$2.3M of decreased spending for the Canada Graduate Scholarships program as a result of reduced funding received by CIHR in 2011-12 from the Government's Economic Action Plan;
- \$0.5M of decreasing spending on the federal International Polar Year Research Initiative, which sunsetted at the end of the 2010-11 fiscal year; and
- An additional net decrease of \$2.6M is made up of several immaterial increases and decreases in other grant programs.

Increases in spending: (\$4.2M)

- Offset by an increase of \$4.2M as a result of the new Canada Excellence Research Chairs program.

The net increased spending of \$1.5M on Vote 20 – Operating expenditures (\$1.3M) and Statutory authorities (\$0.2M) through the first two quarters of 2011-12 resulted largely from lower vacancy rates for full time equivalent positions. The vacancy rates for the first 6 months of 2011-12 were lower than those of 2010-11.

Actual authorities used in the first two quarters of 2011-12 for Vote 20 - Operating expenditures are 47.8% of total 2011-12 Authorities available. Actual authorities used for Vote 25 – Grants in the first two quarters of 2011-12 represent 48% of total 2011-12 Grants authorities compared to only 18.1% for the first quarter. CIHR typically disburses grants and awards payments on a bi-monthly basis (starting in May), and as such the proportion of Grant authorities used are highest in the second and fourth quarters of the fiscal year. Actual spending for Statutory authorities through the first two quarters was 50.3% of the total available for use for the year. All of these proportions are reasonable given that 50% of the fiscal year has been completed at the end of September 30, 2011 and CIHR typically spends its authorities steadily throughout the fiscal year.

Statement of Departmental Budgetary Expenditures by Standard Object

Total planned expenditures as of September 30, 2011, for the year ended March 31, 2012, have increased by approximately \$0.4 million over the prior year. The increase is primarily due to increased planned Transfer payment and Personnel expenditures of \$1.1M and \$1.0M respectively. These increases are offset by decreases to total planned non-salary operating expenditures for 2011-12 of \$1.7M over 2010-11, as a result of CIHR not having excess funds to carry forward from its 2010-11 Operating expenditures Vote.

Actual expenditures for the three month period ended September 30, 2011 are \$32.0M (10%) lower than the same period in the prior year. The majority of the decrease is the result of a decrease to Transfer payments of \$32.5M. This decrease is largely a result of a change in the timing of the recognition of Canada Research Chairs grant expenditures as well as expected decreases to some program spending. Actual Transportation and communications expenditures increased by \$0.7M due to a \$0.5M increase in non-staff travel related to additional peer review committee meetings being held in in the first quarter but not recognized until the second quarter due to timing issues. The remaining \$0.2M decrease is a result of multiple minor increases and decreases in operating expenditures for the period.

Actual expenditures for the six month period ending September 30, 2011 are \$9.6M (2%) lower than the same period in the prior year. Once again, the majority of the decrease is the result of a decrease to

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Transfer payments of \$11.1M due to expected decreases in program spending as described above in the Authorities section. This decrease was offset by an increase to Personnel expenditures of \$1.4M for the six month period due to lower vacancy rates in 2011-12 compared to 2010-11. The remaining Standard Objects remained fairly consistent period over period, with only minor increases and decreases.

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, political climate, 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.

In Budget 2010, the Minister of Finance announced that the operating budgets of departments, as appropriated by Parliament, would be frozen at their 2010-11 levels for the years 2011-12 and 2012-13. As a result CIHR has been managing this constraint through the following actions and mitigation strategies: CIHR has implemented a vacancy management exercise to control salary costs, the largest part of its operational budget. In an effort to offset the rising costs of peer review, CIHR has implemented various cost reduction options for travel and hospitality and will continue to monitor progress in these areas.

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

There have been no significant changes in relation to operations, personnel and programs over the last year.

Approval by Senior Officials

Approved by:

Originally Signed by:

Alain Beaudet, MD, PhD
President

Originally Signed by:

James Roberge, CMA
Chief Financial Officer

Ottawa, Canada
November 25, 2011

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Statement of Authorities *(unaudited)* For the quarter ended September 30, 2011

<i>(in thousands of dollars)</i>	Fiscal year 2011-2012			Fiscal year 2010-2011		
	Total available for use for the year ending March 31, 2012 *	Used during the quarter ended September 30, 2011	Year to date used at quarter-end	Total available for use for the year ended March 31, 2011 *	Used during the quarter ended September 30, 2010	Year to date used at quarter-end
Vote 20 – Operating expenditures	50,007	11,807	23,902	51,157	11,523	22,596
Vote 25 - Grants and contributions	928,065	277,772	445,714	926,934	310,221	456,826
Statutory authorities	5,292	1,774	2,661	4,900	1,652	2,469
Total authorities	983,364	291,353	472,277	982,991	323,396	481,891

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

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Departmental budgetary expenditures by Standard Object *(unaudited)* For the quarter ended September 30, 2011

<i>(In thousands of dollars)</i>	Fiscal year 2011-2012			Fiscal year 2010-2011		
	Planned expenditures for the year ending March 31, 2012 *	Expended during the quarter ended September 30, 2011	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2011 *	Expended during the quarter ended September 30, 2010	Year to date used at quarter-end
Expenditures:						
Personnel	34,691	11,358	22,340	33,725	11,268	20,933
Transportation and communications	5,881	1,201	1,787	8,289	516	1,537
Information	1,027	226	368	1,634	73	214
Professional and special services	10,933	894	1,424	9,230	1,068	1,744
Rentals	409	103	144	477	37	134
Repair and maintenance	78	25	245	22	1	2
Utilities, materials and supplies	310	44	81	508	58	81
Acquisition of machinery and equipment	1,970	147	177	1,053	126	363
Transfer payments	928,065	277,772	445,714	926,934	310,221	456,826
Other subsidies and payments	-	(417)	(3)	1,119	28	57
Total budgetary expenditures	983,364	291,353	472,277	982,991	323,396	481,891

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