



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



# **Canadian Institutes of Health Research**

**Quarterly Financial Report**  
for the Quarter Ended June 30, 2016 (Revised)

# Canadian Institutes of Health Research

Quarterly Financial Report for the Quarter Ended June 30, 2016

## *Erratum*

**Date:** October 17, 2016

**Location:** Departmental budgetary expenditures by Standard Object (unaudited), Total available for use for the year ended March 31, 2016, Acquisition of machinery and equipment.

**Revision:** “Acquisition of machinery and equipment \$983 thousands” replaces “Acquisition of machinery and equipment \$1,983 thousands”.

**Rationale for the revision:** Original amount reported was not correct

## **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.

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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.

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.

## **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 June 30, 2016.

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

As of June 30, 2016, total authorities available for use for CIHR have remained relatively consistent compared to 2015-16 with an increase of \$17.0 million (1.7%) as shown in the Table 2.1.1. The increase to CIHR's total authorities available is mainly due to CIHR receiving \$16.4 million as announced in Budget 2015, resulting in the inaugural competition for the Canada First Research Excellence Fund (CFREF) tri-agency program. In collaboration with the Natural Sciences and Engineering Research Council (NSERC) and the Social Sciences and Humanities Research Council (SSHRC), CIHR will be providing funding to Canada's post-secondary institutions to position them to compete with the best in the world for talent, partnership opportunities and breakthrough discoveries, thus creating long-term economic advantages for Canada.

Total authorities used as at June 30, 2016 have also increased by \$9.0 million (5.2%) as compared to the prior fiscal year partially due to the grant payments towards the newly created CFREF program, as well as timing differences in the disbursement of the remaining grant program payments. CIHR has used 17.9% (17.3% in 2015-16) of its available authorities through the first quarter, which is consistent with its annual spending pattern.

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**Table 2.1.1 – Changes to authorities available and authorities used by fiscal quarter and fiscal year by Vote**  
 (in thousands of dollars)

	2016-17			2015-16			Variance	
	Q1			Q1			Q1	
	Authorities available	Authorities used	% used	Authorities available	Authorities used	% used	(1) vs (3)	(2) vs (4)
	(1)	(2)		(3)	(4)			
Vote 1 - Operating Expenditures	47,309	10,755	22.7%	47,464	11,493	24.2%	-0.3%	-6.4%
Vote 5 - Grants	972,339	170,838	17.6%	955,287	161,087	16.9%	1.8%	6.0%
Statutory Authorities	5,972	1,493	25.0%	5,833	1,458	25.0%	2.3%	2.4%
<b>Total</b>	<b>1,025,620</b>	<b>183,086</b>	<b>17.9%</b>	<b>1,008,584</b>	<b>174,038</b>	<b>17.3%</b>	<b>1.7%</b>	<b>5.2%</b>

**Vote 1 – Operating Expenditures**

Authorities available for use for Vote 1 - Operating expenditures have decreased slightly by \$0.2 million (0.3%) as at June 30, 2016, as compared to the prior fiscal year. Authorities used during the first quarter for Vote 1 – Operating Expenditures have decreased by \$0.7 million (6.4%) as compared to the prior fiscal year.

**Vote 5 – Grants**

Authorities available for use for Vote 5 - Grants have increased by approximately \$17.1 million (1.8%) through the first quarter as compared to the prior fiscal year, primarily as a result of new grant funding totaling \$16.4 million announced in Budget 2015 for the recently created CFREF Program.

Grant authorities used during the first quarter have increased by \$9.8 million (6.0%) as compared to the prior fiscal year partially due to the grant payments towards the new CFREF program, as well timing differences with respect to the disbursement of funds to health researchers. The percentage of grant authorities used is consistent with the prior year (17.6% and 16.9%, respectively) as grants are typically paid out in bi-monthly installments starting in May of each fiscal year.

Overall spending as at June 30, 2016 are consistent with management expectations.

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**Statutory Authorities**

Budgetary statutory authorities (representing CIHR's contribution to employee benefit plans) available for use increased year over year by \$0.1 million (2.3%). Actual spending for statutory authorities through the first quarter is 25.0% 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 June 30, 2016, total authorities available for use by the CIHR have increased by \$17.0 million (1.7%) as compared to the prior fiscal year. This increase is reflected in Table 2.2.1, where expenditure types are re-grouped into three categories (Personnel, Other Operating Expenditures and Grants):

**Table 2.2.1 – Changes to authorities available and authorities used by fiscal quarter and fiscal year and by expenditure type**  
*(in thousands of dollars)*

	2016-17			2015-16			Variance	
	Q1			Q1			Q1	
	Authorities available	Authorities used	% used	Authorities available	Authorities used	% used	(1) vs (3)	(2) vs (4)
	(1)	(2)		(3)	(4)			
Personnel	40,694	10,853	26.7%	40,555	10,598	26.1%	0.3%	2.4%
Other Operating Expenditures	12,587	1,395	11.1%	12,742	2,353	18.5%	-1.2%	-40.7%
Grants	972,339	170,838	17.6%	955,287	161,087	16.9%	1.7%	6.0%
<b>Total</b>	<b>1,025,620</b>	<b>183,086</b>	<b>17.8%</b>	<b>1,008,584</b>	<b>174,038</b>	<b>17.3%</b>	<b>1.6%</b>	<b>5.1%</b>

**Personnel and Other Operating Expenditures**

Authorities available for Personnel for the period ended June 30, 2016, have slightly increased by \$0.1 million (0.3%), while Other Operating Expenses have decreased by \$0.2 million (1.2%) as compared to the prior year. Available authorities for Personnel and Other Operating Expenditures are very consistent with the prior fiscal year.

Personnel authorities used during the first quarter slightly increased by \$0.3 million (2.4%) as compared to the prior fiscal year. The percentage of authorities used for Personnel Expenditures through the first quarter (26.7%) is reasonable for this type of expenditure and is comparable to the prior fiscal year (26.1%).

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The significant decrease in Other Operating Expenditures authorities used during the first quarter of \$1.0 million (40.7%) as compared to the prior fiscal year is primarily due to lower peer review travel costs as it directly relates to the new Project and Foundation Schemes.

### Grants

Authorities available for the period ended June 30, 2016 have increased by \$17.0 million (1.7%) over the prior year due primarily to additional strategic health research priority funding announced in Budget 2015. Authorities used during the quarter ended June 30, 2016 have also increased by 6.0% partially due to the grant payments towards the newly created CFREF tri-agency program, as well as timing differences with respect to the remaining disbursement of grant funds.

### *2.3 Other Non-Financial Highlights*

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

- On July 13, 2016, CIHR hosted a Working Meeting with members of the health research community to review and jointly address concerns raised regarding CIHR's peer review processes. Together, a consensus on concrete solutions was agreed upon, where CIHR will implement over the coming months to further strengthen our peer review process.

The group agreed to the immediate implementation of the following:

- Face-to-face discussions will be restored and virtual discussions will no longer be needed;
  - Teams of Virtual Chairs and Scientific Officers will be organized to oversee a group of applications throughout the process;
  - A complementary iterative process will be implemented for indigenous focused research;
  - A working group will be created to further refine the recommendations moving forward.
- On June 10th, 2016, CIHR announced the appointment of the inaugural Chairs of CIHR's College of Reviewers (College). The Chairs will play a vital role in helping to build a College that is recognized as a valued resource throughout Canada and around the world. This appointment includes an Executive Chair and fifteen College Chairs and are effective July 1, 2016. Dr. Paul Kubes of the University of Calgary has been appointed as the College's Executive Chair. Working in close collaboration with CIHR's Chief Scientific Officer and his Chair colleagues, he will be responsible for ensuring peer review excellence across all fields of health research and for adapting peer review to the evolving profile of science and convergence of research fields. Fifteen outstanding candidates have been appointed as College Chairs. These Chairs will oversee strategies aimed at attracting and retaining outstanding peer reviewers. They will also ensure that the necessary frameworks are in place to provide peer reviewers with the relevant learning, mentoring, and support required to deliver fair and quality reviews.

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- On May 11th, 2016, the Honourable Jane Philpott, Minister of Health, announced a total investment of \$4.95 million in the global fight against the Zika virus. The World Health Organization (WHO) declared the Zika virus a public health emergency of international concern, as cases of the virus have now been documented in more than 60 countries. Canada has taken concerted action to tackle the spread of the Zika virus in the Americas. Through CIHR and the International Development Research Centre, Canada is investing \$3 million to fund teams of Canadian and Latin American and Caribbean researchers. These teams will collaborate to better understand the link between Zika, microcephaly and Guillain-Barré syndrome; develop improved diagnostic tests; study how the virus is transmitted; and, better prevent its transmission through more effective mosquito control measures. The Public Health Agency of Canada (PHAC) is contributing a further \$950,000 to support the Pan-American Health Organization (PAHO) in responding to the epidemic in the hardest hit countries. Global Affairs Canada will also provide \$1 million in humanitarian funding to the WHO, PAHO, the United Nations Children's Fund (UNICEF) and the International Federation of Red Cross and Red Crescent Societies.
- On May 2nd, 2016, the Honourable Jane Philpott, Minister of Health, announced an investment of \$16 million over five years to support new research that will help find new ways to prevent or treat chronic conditions affecting millions of Canadians. The Government of Canada, through the CIHR, is funding eight new research teams. Funding partners for selected projects include Genome BC and Crohn's and Colitis Canada. These teams will advance our understanding of the complex interaction between our genes and the environment in which we live and guide the development of new approaches to prevent, treat or better manage chronic conditions. Their work promises to improve the lives of Canadians and reduce the burden on our health care system.
- To ensure that federal support for research, including through the granting councils, is strategic and effective, Budget 2016 also announces that the Minister of Science will undertake a comprehensive review of all elements of federal support for fundamental science over the coming year. In order to strengthen the granting councils and Canada's research ecosystem, the review will:
  - Assess opportunities to increase the impact of federal support on Canada's research excellence and the benefits that flow from it;
  - Examine the rationale for current targeting of granting councils' funding and bring greater coherence to the diverse range of federal research and development priorities and funding instruments;
  - Assess the support for promising emerging research leaders; and
  - Ensure there is sufficient flexibility to respond to emerging research opportunities for Canada, including big science projects and other international collaborations.
- Budget 2016 announced \$30 million per year to CIHR (starting in 2016-17). It is anticipated that CIHR will allocate \$28.2 million of the new grant funding to its Investigator-Initiated Health Research Program, with the remaining \$1.8 million to its operating funding to effectively deliver and monitor investigator-initiated research, with a focus on early career investigators.

## 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

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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 our 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 our 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 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.



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- 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

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

There have been no significant changes in relation to operations, personnel and programs during the quarter.

##### **Approval by Senior Officials**

Approved by:

[Original signed by]

[Original signed by]

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Alain Beaudet, MD, PhD  
President

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Thérèse Roy, CPA, CA (Québec)  
Chief Financial Officer

Ottawa, Canada  
August 29, 2016

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### 5. Statement of Authorities *(unaudited)*

For the quarter ended June 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 June 30, 2016	Year to date used at quarter-end	Total available for use for the year ended March 31, 2016 *	Used during the quarter ended June 30, 2015	Year to date used at quarter-end
Vote 1 – Operating expenditures	47,309	10,755	10,755	47,464	11,493	11,493
Vote 5 - Grants	972,339	170,838	170,838	955,287	161,087	161,087
Budgetary statutory authorities	5,972	1,493	1,493	5,833	1,458	1,458
<b>Total authorities</b>	<b>1,025,620</b>	<b>183,086</b>	<b>183,086</b>	<b>1,008,584</b>	<b>174,038</b>	<b>174,038</b>

\* 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 June 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 June 30, 2016	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2016 *	Expended during the quarter ended June 30, 2015	Year to date used at quarter-end
<b>Expenditures:</b>						
Personnel	40,694	10,853	10,853	40,555	10,598	10,598
Transportation and communications	3,736	432	432	6,127	922	922
Information	810	64	64	1,141	70	70
Professional and special services	5,795	422	422	1,023	817	817
Rentals	1,636	182	182	2,844	462	462
Repair and maintenance	53	3	3	133	1	1
Utilities, materials and supplies	158	6	6	491	5	5
Acquisition of machinery and equipment	399	267	267	983	13	13
Transfer payments	972,339	170,838	170,838	955,287	161,087	161,087
Other subsidies and payments	-	19	19	-	63	63
<b>Total budgetary expenditures</b>	<b>1,025,620</b>	<b>183,086</b>	<b>183,086</b>	<b>1,008,584</b>	<b>174,038</b>	<b>174,038</b>

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