

Canadian Institutes of Health Research

Quarterly Financial Report for the Quarter Ended September 30, 2018

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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 2018-19 [Main Estimates](#). 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 Estimates for the 2018-19 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.

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.

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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 Main Estimates for fiscal year 2018-19, as well as budget adjustments approved by Treasury Board up to September 30, 2018.

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

As of September 30, 2018, total authorities available for use for CIHR have increased by \$59.3 million (5.5%) compared to September 30, 2017 as shown in the tables below. The increase to CIHR's total authorities available is due to:

- \$43.9 million announced in Budget 2018 to enhance support for health research and for Gairdner Foundation activities;
- \$7.4 million increase 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. CIHR received additional funds for the Canada First Research Excellence Fund (CFREF) (\$9.1 million) and the Canada Excellence Research Chairs (CERC) (\$3.5 million) programs, offset by a decrease in funds for the Centres of Excellence for Commercialization and Research (CECR) (\$3.7 million) and the Business-Led Networks of Centres of Excellence (BL-NCE) (\$1.5 million) programs;
- \$4.7 million increase announced in Budget 2017 for the Canada 150 Research Chairs program;
- \$2.5 million increase announced in Budget 2017 for adapting to the impacts of climate change;
- \$2.0 million increase announced in Budget 2017 to support the Canadian Drugs and Substance Strategy;
- \$0.4 million increase in net transfers from other government departments for specific programs and initiatives; offset by
- \$1.4 million decrease in the operating budget carryforward; and
- \$0.2 million decrease to statutory authorities due to Central Agency and other adjustments.

Total authorities used as at September 30, 2018 have also increased by \$22.2 million (4.4%) as compared to the prior fiscal year mainly due to the grant payments towards the newly created programs mentioned above. CIHR has used 46.4% (46.9% in 2017-18) of its available authorities through the second quarter, which is consistent with its annual spending pattern.

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

	2018-19			2017-18			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	56,296	26,616	47.3%	54,377	25,639	47.2%	3.5%	3.8%
Vote 5 - Grants	1,084,432	502,770	46.4%	1,027,149	481,465	46.9%	5.6%	4.4%
Statutory Authorities	5,936	2,834	47.7%	5,819	2,909	50.0%	2.0%	(2.6%)
Total	1,146,664	532,220	46.4%	1,087,345	510,013	46.9%	5.5%	4.4%

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

	2018-19			2017-18			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	56,296	13,301	23.6%	54,377	12,932	23.8%	3.5%	2.9%
Vote 5 - Grants	1,084,432	314,511	29.0%	1,027,149	302,190	29.4%	5.6%	4.1%
Statutory Authorities	5,936	1,417	23.9%	5,819	1,454	25.0%	2.0%	(2.5%)
Total	1,146,664	329,229	28.7%	1,087,345	316,576	29.1%	5.5%	4.0%

Vote 1 – Operating Expenditures

Total authorities available for use for Vote 1 - Operating expenditures have increased by \$1.9 million (3.5%) as at September 30, 2018 as compared to the prior fiscal year as a result of:

- \$3.0 million in increased operating funding announced in Budget 2018 to enhance support for health research and for Gairdner Foundation activities;
- \$0.2 million in increased operating funding announced in Budget 2017 for adapting to the impacts of climate change;

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- \$0.1 million in increased operating funding announced in Budget 2017 to support the Canadian Drugs and Substance Strategy; offset by
- \$1.4 million decrease in the operating budget carryforward.

Operating expenditures authorities used year-to-date have increased by \$1.0 million (3.8%) primarily due to increased Rentals expenditures and Acquisition of machinery and equipment. The increases were made up of increased expenditures on subscriptions and support related to information technology due to the timing of invoice payments as well as the purchase of a storage area network.

Authorities used during the second quarter for Vote 1 – Operating Expenditures have increased by \$0.4 million (2.9%) as compared to the prior fiscal year due to primarily to the purchase of a storage area network in the second quarter of fiscal 2018-19.

Vote 5 – Grants

Authorities available for use for Vote 5 - Grants have increased by approximately \$57.3 million (5.6%) through the second quarter as compared to the prior fiscal year quarter, as a result of:

- \$40.6 million in increased grant funding announced in Budget 2018 to enhance support for health research and for Gairdner Foundation activities;
- \$7.4 million in increased grant funding resulting from CIHR's participation in tri-agency programs in collaboration with NSERC and SSHRC. CIHR received additional funds for the CFREF and CERC programs (\$9.1 million and \$3.5 million respectively), which was offset by decreased funding for the CECR and BL-NCE programs (\$3.7 million and \$1.5 million respectively);
- \$4.7 million in increased grant funding announced in Budget 2017 for the Canada 150 Research Chairs program;
- \$2.3 million in increased grant funding announced in Budget 2017 for adapting to the impacts of climate change;
- \$1.9 million in increased grant funding announced in Budget 2017 to support the Canadian Drugs and Substance Strategy; and
- \$0.4 million increase in net transfers from other government departments for specific programs and initiatives.

Year-to-date grant expenditures have increased by \$21.3 million (4.4%) compared to the prior fiscal year due to increased grant payments resulting from the increased authorities available for use. The percentage of grant authorities used through the second quarter of 2018-19 (46.4%) is consistent with authorities used at the midway point of the prior fiscal year (46.9%).

Grant authorities used during the second quarter of 2018-19 have also increased by \$12.3 million (4.1%) compared to the prior fiscal year due to the increase in authorities available for use.

Overall spending as at September 30, 2018 is consistent with management expectations.

Statutory Authorities

Budgetary statutory authorities (representing CIHR's contribution to employee benefit plans) available for use increased marginally year over year by \$0.1 million (2.0%). The increase to CIHR's statutory authorities available is due to:

- \$0.3 million increase in statutory authorities announced in Budget 2018 to enhance support for health research and for Gairdner Foundation activities; offset by

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- \$0.2 million decrease due to Central Agencies adjustments.

Actual spending for statutory authorities through the second quarter of 2018-19 is 47.7% 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, 2018, total authorities available for use by CIHR have increased by \$59.3 million (5.5%) as compared to the prior fiscal year due to increased funding received. Total authorities used as at September 30, 2018 have increased by \$22.2 million (4.4%) 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)

	2018-19			2017-18			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	44,566	24,028	53.9%	42,880	23,808	55.5%	3.9%	0.9%
Other operating expenditures	17,666	5,422	30.7%	17,316	4,740	27.4%	2.0%	14.4%
Grants	1,084,432	502,770	46.4%	1,027,149	481,465	46.9%	5.6%	4.4%
Total	1,146,664	532,220	46.4%	1,087,345	510,013	46.9%	5.5%	4.4%

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

	2018-19			2017-18			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	44,566	12,390	27.8%	42,880	12,351	28.8%	3.9%	0.3%
Other Operating Expenditures	17,666	2,328	13.2%	17,316	2,035	11.8%	2.0%	14.4%
Grants	1,084,432	314,511	29.0%	1,027,149	302,190	29.4%	5.6%	4.1%
Total	1,146,664	329,229	28.7%	1,087,345	316,576	29.1%	5.5%	4.0%

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Personnel and Other Operating Expenditures

Authorities available for Personnel Expenditures for the period ended September 30, 2018 have increased by \$1.7 million (3.9%) as compared to the prior year. Authorities available for Other Operating Expenditures have also increased by \$0.3 million (2.0%). These increases are due to:

- Additional funding announced in Budget 2018 to enhance support for health research and for Gairdner Foundation activities (\$1.6 million – Personnel and \$1.7 million - Other Operating);
- Additional funding announced in Budget 2017 for adapting to the impacts of climate change (\$0.1 million – Personnel and \$0.1 million - Other Operating);
- Additional funding announced in Budget 2017 to support the Canadian Drugs and Substance Strategy (\$0.1 million – Personnel); offset by
- Decrease in the operating budget carryforward (\$1.4 million – Other Operating); and
- Decrease in statutory authorities due to Central Agencies adjustments (\$0.2 million - Personnel).

Personnel authorities used year to date increased minimally by \$0.2 million (0.9%) as compared to the prior fiscal year and Personnel authorities used during the second quarter increased by \$0.04 million (0.3%). The percentage of authorities used for Personnel Expenditures through the second quarter (53.9%) is reasonable for this type of expenditure and is comparable to the prior fiscal year (55.5%).

Other Operating Expenditures used year to date increased by \$0.7 million (14.4%) as compared to the prior fiscal year and Other Operating Expenditures used during the second quarter increased by \$0.3 million (14.4%) as compared to the prior fiscal year quarter. These increases are due to the timing of invoice payments on subscription and maintenance expenditures related to information technology (Rentals) and the purchase of a storage area network (Acquisition of machinery and equipment).

Grants

Authorities available for the period ended September 30, 2018 have increased by \$57.3 million (5.6%) 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, 2018 have also increased by \$21.3 million (4.4%) due to increased grant payments resulting from the increased authorities available for use. The percentage of grant authorities used through the second quarter of 2018-19 (46.4%) is consistent with authorities used as at September 30th of the prior fiscal year (46.9%).

2.3 Other Non-Financial Highlights

Other non-financial highlights for the second quarter of 2018-19 include:

- On July 24, 2018, Sonia Sidhu, Member of Parliament for Brampton South, on behalf of the Honourable Ginette Petitpas Taylor, Canada's Minister of Health, announced an investment from the Government of Canada, through CIHR, of \$9.3 million while visiting St. Michael's Hospital, where three of the research projects will be based. The program, known as the Innovative Clinical Trials Initiative, will include additional funding of \$13.3 million from partners, for a total investment of \$22.6 million. The investment will provide support over the next four years to seven research projects tackling a range of health issues that matter to Canadians:
 - Reducing the incidence of diabetic foot ulcers – one of the most common and feared side-effects of diabetes, which, if left untreated, can lead to amputations;

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- Reducing the number of unnecessary x-rays and pre-operative tests administered to patients;
 - Supporting doctors to improve opioid- and antibiotic-prescribing practices;
 - Reducing childhood obesity by re-examining the consumption of low-fat versus whole milk;
 - Improving care and outcomes for patients admitted to intensive care units;
 - Helping patients with multiple complex conditions navigate the health care system; and
 - Improving care and recovery for young adults experiencing their first episodes of psychosis, such as schizophrenia.
- On July 26, 2018, to support the mental health of Canada's public safety personnel, Canada's Minister of Health, and the Honourable Ralph Goodale, Minister of Public Safety and Emergency Preparedness, announced the launch of the CIHR catalyst grants for post-traumatic stress injuries (PTSI) research in public safety personnel. The \$2.3 million investment will fund up to 15 research projects designed to strengthen and expand the evidence base needed to inform the development of new policies and programs that improve the mental wellness and resilience of public safety personnel. Projects will focus on better understanding, identifying, mitigating and preventing PTSI in public safety occupations.
 - On August 13, 2018, Canada's Minister of Health announced an investment of \$378.1 million, to support 405 health research projects across the country. This investment in health research supports Canada's economy and creates high quality middle class jobs. Every \$100.0 million invested in health research represents 1,800 jobs for researchers and trainees. The projects receiving funding are supported by CIHR's Foundation Grant competition where CIHR has invested \$101.1 million to provide 36 research grants to support established research leaders build and conduct programs of health research and by CIHR's Project Grant competition where CIHR has invested \$277.0 million to provide 369 research grants to support researchers at various stages in their careers as they conduct health research that covers the full range of health research topics. Eighty-two of the grants were awarded to early career researchers (those within the first five years of their first academic appointment) and 11 of the grants funded are focused on Indigenous health research.

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. 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.

Since the 2018-19 corporate risks were developed, there have been significant leadership changes to key positions at both the board, executive and extended executive levels. These changes will result in revisions to CIHR's strategic direction, priorities and governance.

CIHR is committed to a disciplined, risk management process in its daily operations. Based on departmental best practices, the Corporate Risk Profile (CRP) is updated bi-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 risks identified in its CRP as follows:

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R1 – Effective Governance for Decision-Making: *Changing CIHR leadership and an absence of clarity around governance roles, membership, communications, and processes present a risk that CIHR will be unable to maximize functionality or address barriers to effective decision-making.*

Since this risk was identified, a significant number of changes have been implemented including the appointment of CIHR's new President, Vice-President Research Programs, and several new Governing Council (GC) members. Additionally, updates have been made to the CIHR Act to support strengthened governance and operations. As CIHR adapts to these changes, the roles and responsibilities for corporate governance will be reexamined to reduce risk and support the design of CIHR's new strategic plan.

R2 – Effective Strategic and Operational Prioritization: *There is a risk that, without meaningful and effective processes to assure effective prioritization, CIHR will be unable to deliver its core business (core responsibility and programs) while also having sufficient reserve capacity to respond to emerging opportunities or threats.*

CIHR has been working with internal stakeholders, its Governing Council members, its Institutes, partners and the research community to crystalize priorities under the leadership of CIHR's new president by beginning the development of its new strategic plan which will be supported by its business planning activities. The plan is focused on implementing the CIHR Act to improve health systems and/or improve health outcomes in these priority areas for Canadians.

R3 – Optimizing Existing Human Resource Capacity: *There is a risk that, without proactive strategies to attract and retain key talent, CIHR will not have the Human Resource capacity required to deliver its current core business and respond to future priorities and will lose its competitive edge as an employer of choice.*

Since this risk was identified, the talent management initiative was launched to optimize CIHR's plan for human resources (HR), the goal of which is to attract, engage, develop, and retain excellent talent in support of realizing the organization's business objectives. A new Director-General of Human Resources has been appointed. Under her leadership, the Human Resources Unit has focused on reviewing their HR service delivery model to develop and implement a three-year HR operational plan, which should allow CIHR to have the capacity and the resources required to fulfill its mandate.

R4 – Optimizing Technology: *There is a risk that CIHR will be unable to have high data quality and modernized business processes and systems if it is unable to upgrade to new technology, leverage existing technology, and integrate these systems to deliver on its core business.*

Since this risk was identified, the three granting agencies approved a collaborative approach to implement a single grants management solution, intended to improve CIHR's ability to maintain its ongoing business as well as support new business processes. A new Director-General of Information Management, Technology and Security/Chief Information Officer has been appointed. Under his leadership the CIHR has completed its 3-year technology roadmap and started to focus on its implementation plan.

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

On September 27, 2018, Thérèse Roy, CIHR's Chief Financial Officer and Vice-President, Resource Planning and Management, announced her retirement from the Public Service, effective December 21, 2018.

On October 4, 2018, Dr. Michael Strong, President of CIHR, announced the appointment of Dr. Tammy J. Clifford to the position of Vice-President, Research Programs, effective October 29, 2018.

Approval by Senior Officials

Approved by:

[original signed by]

[original signed by]

Michael J. Strong, MD, FRCPC, FAAN, FCAHS
President

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

Ottawa, Canada
November 29, 2018

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5. Statement of Authorities *(unaudited)*

For the quarter ended September 30, 2018

<i>(in thousands of dollars)</i>	Fiscal year 2018-2019			Fiscal year 2017-2018		
	Total available for use for the year ending March 31, 2019 *	Used during the quarter ended September 30, 2018	Year to date used at quarter-end	Total available for use for the year ended March 31, 2018 *	Used during the quarter ended September 30, 2017	Year to date used at quarter-end
Vote 1 – Operating expenditures	56,296	13,301	26,616	54,377	12,932	25,639
Vote 5 - Grants	1,084,432	314,511	502,770	1,027,149	302,190	481,465
Budgetary statutory authorities						
Contributions to employee benefit plans	5,936	1,417	2,834	5,819	1,454	2,909
Total budgetary authorities	1,146,664	329,229	532,220	1,087,345	316,576	510,013

* 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, 2018

	Fiscal year 2018-2019			Fiscal year 2017-2018		
	Planned expenditures for the year ending March 31, 2019 *	Expended during the quarter ended September 30, 2018	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2018 *	Expended during the quarter ended September 30, 2017	Year to date used at quarter-end
<i>(In thousands of dollars)</i>						
Expenditures:						
Personnel	44,566	12,390	24,028	42,880	12,351	23,808
Transportation and communications	6,473	584	2,084	4,409	546	1,908
Information	343	104	197	546	123	210
Professional and special services	7,814	1,062	1,700	9,843	1,220	1,742
Rentals	1,763	210	693	1,261	80	435
Repair and maintenance	57	91	91	58	5	5
Utilities, materials and supplies	308	37	39	144	18	21
Acquisition of machinery and equipment	908	343	567	1,055	70	308
Transfer payments	1,084,432	314,511	502,770	1,027,149	302,190	481,465
Other subsidies and payments	-	(103)	51	-	(27)	111
Total budgetary expenditures	1,146,664	329,229	532,220	1,087,345	316,576	510,013

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