



## **Quarterly Financial Report For the quarter ended 30 June 2013**

### **Statement outlining results, risks and significant changes in operations, personnel and program**

#### **Introduction**

The quarterly financial report for the National Energy Board (NEB or Board):

- should be read in conjunction with the Main Estimates;
- 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; and
- has not been subject to an external audit or review.

The Board's top priorities are the continual improvement of safety and environmental outcomes, a robust regulatory framework for the North, and a flexible and efficient organization able to meet new and ongoing priorities.

A summary description of the NEB's program activities can be found in *Part II of the Main Estimates*.

The NEB receives most of its funding through annual Parliamentary authorities. The majority of these expenditures are subsequently recovered from the companies regulated by the NEB and the funds are deposited in the Consolidated Revenue Fund of the Government of Canada.

#### **Basis of Presentation**

This quarterly report has been prepared by management using an expenditure basis of accounting. The accompanying Statement of Authorities includes the National Energy Board's spending authorities granted by Parliament and those used by the department, consistent with the Main Estimates and Supplementary Estimates for the 2013-14 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 moneys 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.



National Energy  
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The National Energy Board 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.

### **Highlights of Fiscal Quarter and Fiscal Year to Date Results**

#### **Actual Expenditures**

The increase of \$1.6M in personnel spending in the first quarter of 2013-14 compared to 2012-13 is a result of Budget 2012. Additional information can be found in the Budget 2012 Implementation section of this document.

Professional and special services expenditures are \$0.55M greater in Q1 2013-14 over the same period of the previous year. The increase is the result of \$0.35M for consultation charges related to the NEB office relocation (in fiscal year 2014-15) as well as increased spending on IT projects of approximately \$0.2M.

#### **Planned Expenditures**

The variances in planned expenditures for 2013-14 over the previous year are as follows:

- Funding received through Budget 2012 has resulted in planned spending increases in both personnel (\$5.1M) and transportation and communication (\$0.5). Refer to the Budget 2012 Implementation section for more information on these increases.
- Transfer payments relate to the NEB's Participant Funding Program. Funding for this program decreased by \$2.2M in 2013-14 as a result of \$3.0M in special purpose funding that had been allocated to 2012-13. The projects associated with this one time funding were subsequently postponed and the \$3.0 has been reprofiled; \$0.75M was allocated to 2013-14 and \$2.25M has been allocated to 2014-15.

#### **Risks and Uncertainties**

The NEB operates within an evolving economic, environmental and social landscape. Dynamics such as high levels of sovereign debt in industrialized economies worldwide and an abundant energy supply in North America have impacted energy markets. Due to the nature of its mandate, the NEB's expenditures are influenced by planned and unplanned events (internal and external) that create uncertainty in expenditures and resource pressures.



National Energy  
Board

Office national  
de l'énergie

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The skills and experience needed by the NEB to fulfill its mandate are in high demand throughout the oil and gas industry. The NEB has experienced increasing attrition rates and non-productive staffing processes, highlighting a potential return to the very competitive recruitment environment for skilled staff within the energy sector. To mitigate this risk, the NEB has initiated a strong and strategic focus on recruitment and retention to ensure it has the right people, at the right time, for the right jobs.

### **Significant Changes in Relation to Operations, Personnel and Programs**

The approval of additional personnel to enhance priority processes for the National Energy Board has resulted in an increase to NEB authorities.

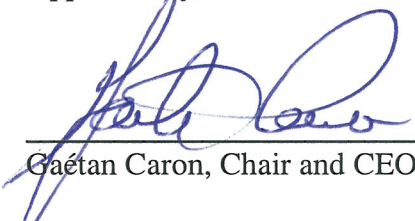
### **Budget 2012 Implementation**

This section provides an overview of the savings measures announced in Budget 2012 that will be implemented in order to refocus government and programs; make it easier for Canadians and business to deal with their government; and, modernize and reduce the back office.

The NEB is unaffected by the savings measure announced in Budget 2012. The department received additional funding over two years to strengthen pipeline safety. It is expected that inspections will increase from 100 to 150 per year and the number of annual comprehensive audits will double from 3 to 6.

### **Approval by Senior Officials**

Approved by,



Gaétan Caron, Chair and CEO

*(Calgary, Canada)  
(30 August 2013)*



Ed Jansen, Chief Financial Officer



**STATEMENT OF AUTHORITIES (unaudited)**

	<b>Fiscal year 2013-2014</b>			<b>Fiscal year 2012-2013</b>		
	Planned expenditures for the year ending March 31, 2014*	Expended during the quarter ended June 30, 2013	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2013*	Expended during the quarter ended June 30, 2012	Year to date used at quarter-end
Operating expenditures	55,241	14,562	14,562	52,592	12,343	12,343
Contributions to employee benefit plans	7,195	1,799	1,799	6,495	1,624	1,624
<b>Total Budgetary authorities</b>	<b>62,436</b>	<b>16,361</b>	<b>16,361</b>	<b>59,087</b>	<b>13,967</b>	<b>13,967</b>
<b>Non-budgetary authorities</b>	-	-	-	-	-	-
<b>Total authorities</b>	<b>62,436</b>	<b>16,361</b>	<b>16,361</b>	<b>59,087</b>	<b>13,967</b>	<b>13,967</b>

*More information is available in the attached table.*

*\* Includes only Authorities available for use and granted by Parliament at quarter-end (does not include Supplementary Estimates).*

**DEPARTMENTAL BUDGETARY EXPENDITURES BY STANDARD OBJECT (unaudited)**

<i>(in thousands of dollars)</i>	Fiscal year 2013-2014			Fiscal year 2012-2013		
	Planned expenditures for the year ending March 31, 2014*	Expended during the quarter ended June 30, 2013	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2013*	Expended during the quarter ended June 30, 2012	Year to date used at quarter-end
<b>Expenditures:</b>						
Personnel	48,546	13,481	13,481	43,395	11,871	11,871
Transportation and communications	3,415	788	788	3,065	614	614
Information	589	92	92	568	119	119
Professional and special services	5,417	1,430	1,430	5,335	880	880
Rentals	589	119	119	341	74	74
Repair and maintenance	471	338	338	681	162	162
Utilities, materials and supplies	471	49	49	454	57	57
Acquisition of land, buildings and works	-	-	-	-	-	-
Acquisition of machinery and equipment	824	23	23	908	76	76
Transfer payments	2,114	-	-	4,340	64	64
Public debt charges	-	-	-	-	-	-
Other subsidies and payments	-	41	41	-	50	50
<b>Total gross budgetary expenditures</b>	<b>62,436</b>	<b>16,361</b>	<b>16,361</b>	<b>59,087</b>	<b>13,967</b>	<b>13,967</b>

\* Includes only Authorities available for use and granted by Parliament at quarter-end (does not include Supplementary Estimates).