



## 2012-2013 Financial Statements - *Unaudited*

### Statement of Management Responsibility Including Internal Control Over Financial Reporting

Responsibility for the integrity and objectivity of the accompanying financial statements for the year ended March 31, 2013 and all information contained in these statements rests with the management of the National Energy Board (NEB). These financial statements have been prepared by management using the Government's accounting policies, which are based on Canadian public sector accounting standards.

Management is responsible for the integrity and objectivity of the information in these financial statements. Some of the information in the financial statements is based on management's best estimates and judgment and gives due consideration to materiality. To fulfil its accounting and reporting responsibilities, management maintains a set of accounts that provides a centralized record of the NEB's financial transactions. Financial information submitted in the preparation of the Public Accounts of Canada, and included in the NEB's *Departmental Performance Report* is consistent with these financial statements.

Management is also responsible for maintaining an effective system of internal control over financial reporting (ICFR) designed to provide reasonable assurance that financial information is reliable, that assets are safeguarded and that transactions are properly authorized and recorded in accordance with the *Financial Administration Act* and other applicable legislation, regulations, authorities and policies.

Management seeks to ensure the objectivity and integrity of data in its financial statements through careful selection, training, and development of qualified staff; through organizational arrangements that provide appropriate divisions of responsibility; through communication programs aimed at ensuring that regulations, policies, standards, and managerial authorities are understood throughout the NEB and through conducting an annual risk-based assessment of the effectiveness of the system of ICFR.

The system of ICFR is designed to mitigate risks to a reasonable level based on an on-going process to identify key risks, to assess effectiveness of associated key controls, and to make any necessary adjustments.

The NEB will be subject to periodic Core Control Audits performed by the Office of the Comptroller General and will use the results of such audits to adhere to the Treasury Board *Policy on Internal Control*.


In the interim, the NEB has undertaken a risk-based assessment of the system of ICFR for the year ended March 31, 2013, in accordance with the Treasury Board *Policy on Internal Control*, and the results and action plan is summarized in the annex.



National Energy Board      Office national  
de l'énergie

## 2012-2013 Financial Statements - *Unaudited*


The financial statements of the NEB have not been audited for the March 31, 2013 fiscal year. However, the National Energy Board also produces financial statements on a calendar year basis in accordance with the *National Energy Board Cost Recovery Regulations*. The Office of the Auditor General of Canada, the independent auditor for the Government of Canada, has expressed an opinion on the fair presentation of the 2012 financial statements of the NEB which does not include an audit opinion on the annual assessment of the effectiveness of the department's internal controls over financial reporting.



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Gaetan Caron, Chair and CEO

(Calgary, Canada)  
(30 August 2013)



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Ed Jansen, CA, Chief Financial Officer

# National Energy Board

## Statement of Financial Position (Unaudited)

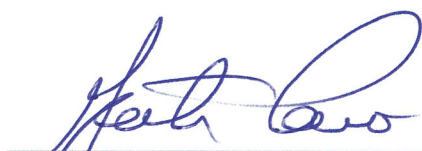
As at March 31

(in thousands of dollars)

	<u>2013</u> Planned Results Note 2(a)	<u>2013</u>	<u>2012</u>
<b>Liabilities</b>			
Accounts payable and accrued liabilities (Note 4)	5,671	8,672	7,265
Other Payables (Note 5)	11,775	598	15,700
Vacation pay and compensatory leave	2,809	2,812	2,437
Employee future benefits (Note 6)	7,652	7,221	7,846
<b>Total net liabilities</b>	<b>27,907</b>	<b>19,303</b>	<b>33,248</b>
<b>Financial Assets</b>			
Due from Consolidated Revenue Fund	5,479	8,436	7,033
Accounts receivable and advances (Note 7)	28,314	32,217	25,678
<b>Total gross financial assets</b>	<b>33,793</b>	<b>40,653</b>	<b>32,711</b>
<b>Financial assets held on behalf of Government</b>			
Accounts receivable and advances (Note 7)		(31,981)	(25,446)
<b>Total financial assets held on behalf of Government</b>		<b>(31,981)</b>	<b>(25,446)</b>
<b>Total net financial assets</b>		<b>8,672</b>	<b>7,265</b>
<b>Departmental net debt</b>		<b>10,631</b>	<b>25,983</b>
<b>Non-financial assets</b>			
Prepaid expenses		623	183
Tangible capital assets (Note 8)		6,897	6,654
<b>Total non-financial assets</b>		<b>7,520</b>	<b>6,837</b>
<b>Departmental net financial position</b>		<b>(3,111)</b>	<b>(19,146)</b>

Contractual obligations and contingent liabilities (Note 9)

The accompanying notes form an integral part of these financial statements

  
 Gaetan Caron, Chair and CEO  
 (Calgary, Canada)  
 (30 August 2013)

  
 Ed Jansen, CA, Chief Financial Officer

National Energy Board

**Statement of Operations and Departmental Net Financial Position (Unaudited)**

**For the Year Ended March 31**

(in thousands of dollars)

	<u>2013</u>	<u>2013</u>	<u>2012</u>
	Planned Results Note 2(a)		
<b>Expenses</b>			
Energy Regulation	41,011	51,785	40,614
Energy Information	7,719	5,825	9,135
Internal Services	23,271	19,394	22,346
<b>Total Expenses</b>	<b>72,001</b>	<b>77,004</b>	<b>72,095</b>
<b>Revenues</b>			
Regulatory Revenue	65,210	70,193	64,926
Miscellaneous Revenue	-	16	18
Revenues earned on behalf of Government	(65,210)	(70,209)	(64,944)
<b>Total Revenues</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net cost of operations before government funding and transfers</b>	<b>73,997</b>	<b>77,004</b>	<b>72,095</b>
<b>Government funding and transfers</b>			
Net cash provided by (to) Government		83,185	47,492
Change in due from the Consolidated Revenue Fund		1,403	1,115
Services received without charge from other government departments (Note 10)		8,451	8,238
<b>Net cost of operations after government funding and transfers</b>		<b>(16,035)</b>	<b>15,250</b>
<b>Departmental net financial position - Beginning of year</b>		<b>(19,146)</b>	<b>(3,896)</b>
<b>Departmental net financial position – End of year</b>		<b>(3,111)</b>	<b>(19,146)</b>

Segmented information (Note 11)

The accompanying notes form an integral part of these financial statements.

**National Energy Board**

**Statement of Change in Departmental Net Debt (Unaudited)**

**For the Year Ended March 31**

(in thousands of dollars)

	<u>2013</u>	<u>2012</u>
<b>Net cost of operations after government funding and transfers</b>	<b>(16,035)</b>	<b>15,250</b>
<b>Change due to tangible capital assets</b>		
Acquisition of tangible capital assets	2,653	2,707
Amortization of tangible capital assets	(2,129)	(1,595)
Net (loss) or gain on disposal of tangible capital assets	(281)	-
<b>Total change due to tangible capital assets</b>	<b>243</b>	<b>1,112</b>
<b>Change due to prepaid expenses</b>	<b>440</b>	<b>(4)</b>
<b>Net increase (decrease) in departmental net debt</b>	<b>(15,352)</b>	<b>16,358</b>
<b>Departmental net debt - Beginning of year</b>	<b>25,983</b>	<b>9,625</b>
<b>Departmental net debt - End of year</b>	<b>10,631</b>	<b>25,983</b>

The accompanying notes form an integral part of these financial statements

## National Energy Board

### Statement of Cash Flows (Unaudited)

For the Year Ended March 31

(in thousands of dollars)

	<u>2013</u>	<u>2012</u>
<b>Operating activities</b>		
Net cost of operations before government funding and transfers	77,004	72,095
Non-cash items:		
Amortization of tangible capital assets	(2,129)	(1,595)
Gain (loss) on disposal of tangible capital assets	(281)	-
Services provided without charge by other government departments (Note 10)	(8,451)	(8,238)
Variations in Statement of Financial Position:		
Increase (decrease) in accounts receivables and advances	4	34
Increase (decrease) in prepaid expenses	440	(4)
Decrease (increase) in accounts payables and accrued liabilities	(1,407)	(1,149)
Decrease (increase) in other payables	15,102	(15,700)
Decrease (increase) in vacation pay and compensatory leave	(375)	(196)
Decrease (increase) in future employee benefits	625	(462)
<b>Cash used in (provided by) operating activities</b>	<u>80,532</u>	<u>44,785</u>
<b>Capital investing activities</b>		
Acquisitions of tangible capital assets	2,653	2,707
<b>Cash used in investing activities</b>	<u>2,653</u>	<u>2,707</u>
<b>Net cash provided by (to) Gov't of Canada (Note 3)</b>	<u><u>83,185</u></u>	<u><u>47,492</u></u>

The accompanying notes form an integral part of these financial statements

## 1. Authority and objectives

The National Energy Board (NEB or the Board) is an independent federal regulator established in 1959 to promote safety and security, environmental protection and economic efficiency in the Canadian public interest for the regulation of pipelines, energy development and trade.

The Board reports to Parliament through the Minister of Natural Resources. The NEB was established under the *National Energy Board Act* (NEB Act) and is designated as a department and named under Schedule I.1 of the *Financial Administration Act*.

The Board's responsibilities can be framed into the following program activity architecture which is also the basis for its segmented Statement of Operations:

### I. Energy Regulation

The Board's responsibilities include regulating the construction and operation of interprovincial and international oil and gas pipelines, international power lines, and designated interprovincial power lines. The Board also regulates the tolls and tariffs of the pipelines under its jurisdiction as well as the export of natural gas, oil, natural gas liquids and electricity, and the import of natural gas. Additionally, the Board regulates oil and gas exploration and development on frontier lands and offshore areas not covered by provincial or federal management agreements.

### II. Energy Information

The Board monitors aspects of energy supply, demand, production, development and trade of all energy commodities that fall within the jurisdiction of the federal government. The Board publishes periodic assessments of Canadian supply and demand of energy and natural gas markets to inform Canadians on trends, events and issues which may affect Canadian energy markets.

### III. Internal Services

The Board ensures that it has the capacity to deliver on its mandate by its commitment to enhancing its organizational performance by developing, nurturing and maintaining expertise in its people strategy.

The NEB is an independent, federal, quasi-judicial regulatory tribunal guided by the principles of natural justice and procedural fairness. The Board is a court of record and has certain powers of a superior court with respect to the attendance, swearing and examination of witnesses; the production and inspection of documents; the enforcement of its orders; the entry on and inspection of property; and other matters necessary or proper for the due exercise of its jurisdiction. Aside from rare exceptions, the Board's regulatory decisions and the accompanying Reasons for Decision are issued as public documents.

## 2. Summary of significant accounting policies

The financial statements have been prepared using the Government's accounting policies stated below, which are based on Canadian public sector accounting standards. The presentation and results using the stated accounting policies do not result in any significant differences from Canadian public sector accounting standards.

Significant accounting policies are as follows:

- a) Parliamentary authorities – The NEB is financed by the Government of Canada through Parliamentary authorities. Financial reporting of authorities provided to the NEB do not parallel financial reporting according to generally accepted accounting principles since authorities are primarily based on cash flow requirements. Consequently, items recognized in the Statement of Operations and Departmental Net Financial Position and the Statement of Financial Position are not necessarily the same as those provided through authorities from Parliament. Note 3 provides a high-level reconciliation between the bases of reporting. The planned results amounts in the Statement of Operations, the Departmental Net Financial Position and the Statement of Change in Departmental Net Debt are the amounts reported in the future-oriented financial statements included in the 2012-2013 *Report on Plans and Priorities*.
- b) Net cash provided by (to) Government – The NEB operates within the Consolidated Revenue Fund (CRF), which is administered by the Receiver General for Canada. All cash received by the department is deposited to the CRF and all cash disbursements made by the department are paid from the CRF. The net cash provided by (to) Government is the difference between all cash receipts and all cash disbursements including transactions between departments of the federal government.
- c) Amounts due from/to the CRF are the result of timing differences at year-end between when a transaction affects authorities and when it is processed through the CRF. Amounts due from the CRF represent the net amount of cash that the Department is entitled to draw from the CRF without further authorities to discharge its liabilities.
- d) Revenues:
- Revenues from regulatory levies are recognized in the accounts when they are invoiced and, in accordance with the *National Energy Board Cost Recovery Regulations*, are based on the estimated cost of operations for the calendar year, with a billing adjustment to actual costs once the costs are known.
  - Other revenues are accounted for in the period in which the underlying transaction or event occurred that gave rise to the revenues.
  - Funds that have been received are recorded as deferred revenue, provided the Department has an obligation to other parties for the provision of goods, services or use of assets in the future.
  - Revenues that are non-respendable are not available to discharge the NEB's liabilities. While the Chair is expected to maintain accounting control, he or she has no authority regarding the disposition of non-respendable revenues. As a result, non-respendable revenues are considered to be earned on behalf of the Government of Canada and are therefore presented in reduction of the entity's gross revenues.
- e) Expenses – Expenses are recorded on the accrual basis:
- Vacation pay and compensatory leave are expensed as the benefits accrue to employees under their respective terms of employment.
  - Services provided without charge by other government departments for accommodation, the employer's contribution to the health and dental insurance plans, and legal services are recorded as operating expenses at their estimated cost.



- Expenditures of the Board that are excluded from Cost Recovery Regulations are those expenditures related to the regulation of, exploration for, and the development of oil and gas on frontier lands. These amounts are included in Expenses in the Statement of Operations and Net Departmental Financial Position.
- f) Employee future benefits
- i. Pension benefits: Eligible employees participate in the Public Service Pension Plan, a multiemployer plan administered by the Government of Canada. The NEB contributions to the Plan are charged to expenses in the year incurred and represent the total departmental obligation to the Plan. The NEB's responsibility with regard to the Plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the financial statements of the Government of Canada, as the Plan's sponsor.
  - ii. Severance benefits: Employees entitled to severance benefits under labour contracts or conditions of employment earn these benefits as services necessary to earn them are rendered. The obligation relating to the benefits earned by employees is calculated using information derived from the results of the actuarially determined liability for employee severance benefits for the Government as a whole.
- g) Accounts receivables are stated at the lower of cost and net recoverable value. A valuation allowance is recorded for receivables where recovery is considered uncertain.
- h) Contingent liabilities – Contingent liabilities are potential liabilities which may become actual liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded. If the likelihood is not determinable or an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the financial statements.
- i) Tangible capital assets – All tangible capital assets and leasehold improvements having an initial cost of \$10,000 or more or significant bulk purchases over \$10,000 where each item may be less than \$10,000, are recorded at their acquisition cost. The department does not capitalize intangibles, works of art and historical treasures that have cultural, aesthetic or historical value, assets located on Indian Reserves and museum collections.

Amortization of tangible capital assets is done on a straight-line basis over the estimated useful life of the asset as follows:

<b>Asset class</b>	<b>Amortization period</b>
Informatics hardware:	
PCs and accessories	3 years
Computer servers & accessories	5 years
Informatics software	
Commercial software	2 years
In-house developed software	5 years
Machinery and equipment	5 years
Furniture	10 years
Vehicles	5 years
Leasehold improvements	Lesser of the remaining term of the lease or useful life of the improvement

Assets under construction are recorded in the applicable capital asset class in the year that they become available for use and are not amortized until they become available for use.

- (j) Measurement uncertainty —The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses reported in the financial statements. At the time of preparation of these statements, management believes the estimates and assumptions to be reasonable. The most significant items where estimates are used are contingent liabilities, the liability for employee future benefits, allowance for doubtful accounts and the useful life of tangible capital assets. Actual results could significantly differ from those estimated. Management's estimates are reviewed periodically and, as adjustments become necessary, they are recorded in the financial statements in the year they become known.

### 3. Parliamentary authorities

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. Items recognized in the Statement of Operations and Net Financial Position and the Statement of Financial Position in one year may be funded through Parliamentary authorities in prior, current or future years. Accordingly, the NEB has different net results of operations for the year on a government funding basis than on an accrual accounting basis. The differences are reconciled in the following tables:

**(a) Reconciliation of net cost of operations to current year authorities used:**

	<b>2013</b>	<b>2012</b>
	(in thousands of dollars)	
Net cost of operations before government funding and transfers	77,004	72,095
Adjustments for items affecting net cost of operations but not affecting authorities:		
Services provided without charge	(8,451)	(8,238)
Amortization of tangible capital assets	(2,129)	(1,595)
Gain (loss) on disposal of tangible capital assets	(281)	-
Increase in vacation pay and compensatory leave	(375)	(196)
Decrease (increase) in employee future benefits	625	(462)
Refund of prior years' expenditures	60	54
Other	-	14
Total items affecting net cost of operations but not affecting authorities	(10,551)	(10,423)
Adjustments for items not affecting net cost of operations but affecting authorities		
Acquisitions of tangible capital assets	2,653	2,707
Increase (decrease) in prepaid expenses	440	(4)
Total items not affecting net cost of operations but affecting authorities	3,093	2,703
<b>Current year authorities used</b>	<b>69,546</b>	<b>64,375</b>

**(b) Authorities provided and used**

	<b>2013</b>	<b>2012</b>
	(in thousands of dollars)	
Vote 25 – Program expenditures	66,897	60,678
Statutory amounts	7,548	7,276
<i>Less:</i>		
Lapsed authorities: Operating	(4,899)	(3,579)
<b>Current year authorities used</b>	<b>69,546</b>	<b>64,375</b>

**4. Accounts payable and accrued liabilities**

The following table presents details of accounts payable and accrued liabilities:

	<b>2013</b>	<b>2012</b>
	(in thousands of dollars)	
Accounts payable to other government departments and agencies	1,386	206
Accounts payable to external parties	3,443	3,285
Total accounts payable	4,829	3,491
Accrued liabilities	3,843	3,774
<b>Total accounts payable and accrued liabilities</b>	<b>8,672</b>	<b>7,265</b>

**5. Other Payables**

Other payables represents the levies collected from newly regulated parties under Section 5.2(1) of the National Energy Board Cost Recovery Regulations. These amounts will reduce the cost recovery levies payable by other regulated parties and is included as an adjustment to billings to other regulated parties in the year after the Section 5.2(1) levies have been invoiced.

**6. Employee benefits****a) Pension benefits:**

The NEB's employees participate in the Public Service Pension Plan, which is sponsored and administered by the Government. Pension benefits accrue up to a maximum period of 35 years at a rate of 2 percent per year of pensionable service, times the average of the best five consecutive years of earnings. The benefits are integrated with Canada/Québec Pension Plans benefits and they are indexed to inflation.

Both the employees and the NEB contribute to the cost of the Plan. The 2012-13 expense amounts to \$5,382,478 (\$5,231,624 in 2011-12), which represents approximately 1.7 times (1.8 in 2011-12) the contributions by employees.

The NEB's responsibility with regard to the Plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the financial statements of the Government of Canada, as the Plan's sponsor.

**b) Severance benefits:**

The NEB provides severance benefits to its employees based on eligibility, years of service and salary at termination of employment. These severance benefits are not pre-funded. Benefits will be paid from future authorities.

Commencing in 2012, and due to changes to conditions of employment for executives and certain non-represented employees, the accumulation of severance benefits under the employee severance pay program ceased for these employees. Employees subject to these changes have been given the option to be immediately paid the full or partial value of benefits earned to date or collect the full or remaining value of benefits on termination from the public service. These changes have been reflected in the calculation of the outstanding severance benefit obligation and reflect management's best estimate of these future events.

Information about the severance benefits, measured as at March 31, is as follows:

	<b>2013</b>	<b>2012</b>
	(in thousands of dollars)	
Accrued benefit obligation, beginning of year	7,846	7,384
Expense for the year	364	1,131
Benefits paid during the year	(989)	(669)
<b>Accrued benefit obligation, end of year</b>	<b>7,221</b>	<b>7,846</b>

**7. Accounts receivable and advances**

The following table presents details of accounts receivable and advances:

	<b>2013</b>	<b>2012</b>
	(in thousands of dollars)	
Receivables – Other government departments and agencies	163	159
Receivables – External parties	32,170	27,181
Employee advances	72	68
Subtotal	32,405	27,408
Allowance for doubtful accounts on receivables from external parties	(188)	(1,730)
<b>Gross accounts receivables</b>	<b>32,217</b>	<b>25,678</b>
Accounts receivable held on behalf of Government	(31,981)	(25,446)
<b>Net accounts receivables</b>	<b>236</b>	<b>232</b>

**8. Tangible capital assets**

Capital asset class	Cost				
	Opening balance	Acquisitions	Adjustments (1)	Disposals & write-offs	Closing balance
Informatics hardware	3,134	746	-	-	3,880
Informatics software	6,880	705	189	(460)	7,314
Machinery and equipment	1,080	208	-	-	1,288
Furniture	1,422	28	-	-	1,450
Vehicles	37	-	-	-	37
Leasehold improvements	1,786	-	-	-	1,786
Assets under development	564	966	(189)	-	1,341
<b>Total</b>	<b>14,903</b>	<b>2,653</b>	<b>-</b>	<b>(460)</b>	<b>17,096</b>

(1) Adjustments include assets under construction of \$189 that were transferred to the other categories upon completion of the assets.

Capital asset class	Accumulated amortization				Net book value	
	Opening balance	Amortization	Disposals, writeoffs & Adjustments	Closing balance	2013	2012
Informatics hardware	1,903	430	-	2,333	1,547	1,231
Informatics software	3,846	1,110	(179)	4,777	2,537	3,034
Machinery and equipment	635	200	-	835	453	445
Furniture	404	144	-	548	902	1,018
Vehicles	7	8	-	15	22	30
Leasehold improvements	1,454	237	-	1,691	95	332
Assets under development	-	-	-	-	1,341	564
<b>Total</b>	<b>8,249</b>	<b>2,129</b>	<b>(179)</b>	<b>10,199</b>	<b>6,897</b>	<b>6,654</b>

**9. Contractual obligations and Contingent Liabilities****a) Contractual obligations**

The nature of the NEB's activities can result in some large multi-year contracts and obligations whereby the NEB will be obligated to make future payments when the services/goods are received. Significant contractual obligations that can be reasonably estimated are summarized as follows:

For the Year Ended March 31

(thousands of dollars)	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017 and thereafter</b>	<b>Total</b>
Vendor contracts	2,218	78	25	25	2,346

**b) Claims and litigation**

Claims have been made against the NEB in the normal course of operations. These claims include items with pleading amounts and other for which no amount is specified. Based on the NEB's assessment, legal proceedings for claims estimated at \$4,230,000 were pending at March 31, 2013. Some of these potential liabilities may become actual liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded in the financial statements.

**10. Related party transactions**

The NEB is related as a result of common ownership to all Government departments, agencies, and Crown Corporations. The NEB enters into transactions with these entities in the normal course of business and on normal trade terms. During the year, the NEB received services which were obtained without charge from other Government departments as discussed below.

**a) Common services provided without charge by other government departments:**

During the year the NEB received services without charge from certain common service organizations, related to accommodation, legal services and the employer's contribution to the health and dental insurance plans. These services provided without charge have been recognized in the NEB's Statement of Operations and Net Financial Position as follows:

	<b>2013</b>	<b>2012</b>
	(thousands of dollars)	
Accommodation	4,355	4,564
Employer's contribution to the health and dental insurance plans	4,001	3,635
Legal Services	95	39
<b>Total</b>	<b>8,451</b>	<b>8,238</b>

The Government has centralized some of its administrative activities for efficiency, cost-effectiveness purposes and economic delivery of programs to the public. As a result, the Government uses central agencies and common service organizations so that one department performs services for all other departments and agencies without charge. The costs of these services, such as the payroll and cheque issuance services provided by Public Works and Government Services Canada and audit services provided by the Office of the Auditor General are not included in the NEB's Statement of Operations and Net Financial Position.

**b) Other transactions with related parties:**

	<b>2013</b>	<b>2012</b>
	(thousands of dollars)	
Accounts receivable - Other government departments and agencies	163	159
Accounts payable - Other government departments and agencies	1,386	206
Expenses - Other government departments and agencies	10,112	8,396

Expenses and revenues disclosed in (b) exclude common services provided without charge, which are already disclosed in (a).

**11. Segmented information**

Presentation by segment is based on the NEB's program activity architecture. The presentation by segment is based on the same accounting policies as described in the Summary of significant accounting policies in note 2. The following table presents the expenses incurred and revenues generated for the main program activities, by major object of expense and by major type of revenues. The segment results for the period are as follows:

	<b>2013</b>			<b>2012</b>	
	(thousands of dollars)				
	<b>Energy Regulation</b>	<b>Energy Information</b>	<b>Internal Services</b>	<b>Total</b>	<b>Total</b>
Transfer Payments	123	-	-	123	202
Operating Expenses					
Salaries and employee benefits	39,735	4,752	11,763	56,250	54,030
Accommodation	3,578	376	1,554	5,508	5,795
Professional and special services	3,283	337	3,346	6,966	5,662
Travel	2,305	120	816	3,241	2,928
Amortization (Note 8)	1,507	177	445	2,129	1,595
Communication	868	3	680	1,551	1,030
Utilities, materials and supplies	175	36	722	933	816
Other	211	24	68	303	37
<b>Total expenses</b>	<b>51,785</b>	<b>5,825</b>	<b>19,394</b>	<b>77,004</b>	<b>72,095</b>
Revenues					
Regulatory Revenue	47,206	5,310	17,677	70,193	64,926
Miscellaneous Revenue	-	-	16	16	18
Revenue earned on behalf of Government	(47,206)	(5,310)	(17,693)	(70,209)	(64,944)
<b>Total revenues</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Cost of Operations before government funding and transfers</b>	<b>51,785</b>	<b>5,825</b>	<b>19,394</b>	<b>77,004</b>	<b>72,095</b>



# **Annex to the National Energy Board Statement of Management Responsibility Including Internal Control over Financial Statements**

## **1. Introduction**

In support of an effective system of internal control, the National Energy Board (NEB) will annually assess the performance of its financial controls to ensure that:

- Financial arrangements or contracts are entered into only when sufficient funding is available;
- Payments for goods and services are made only when the goods or services are received or the conditions of contracts or other arrangements have been satisfied; and
- Payments have been properly authorized.

The NEB will leverage the results of the periodic core control audits performed by the Office of the Comptroller General. Below is a summary of the results of the assessment conducted during fiscal year 2012-13.

## **2. Assessment results during fiscal year 2012-13**

For the most part, controls related to payment for goods and services and payment authority are in place and form an adequate system of internal control. During 2012-2013, the following adjustments were made to strengthen control in a number of key areas:

- Amendments made to segregation of duties between payment authorization and contract initiation/approval;
- Increased availability of training for budget managers in s.32 and s.34 of the FAA and delegation matrix;
- Completed centralization of voucher entry in accounts payable;
- Implemented annual internal audit of specimen signature cards;
- Enhanced budget and forecast processes, including variance reporting;
- Introduced formal process for review and approval of results by CEO related to budget and forecast processes;
- Improved controls to limit and ensure proper justification of sole source and repeat contracts;
- Introduced additional oversight on timing of expenditures to mitigate risks associated with disproportionate spending occurring late in the fiscal year; and
- Reviewed and restricted number of individuals allowed to exercise s.32 and s.34 authority.

## **3. Assessment plan**

The NEB will continue to monitor the performance of its system of internal control, with a focus on the core controls related to financial transactions.