



## **Quarterly Financial Report For the quarter ended 30 September 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.



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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**

Year to date personnel spending at the end of the second quarter is \$1.7M greater than the same period in the previous year as a result of additional staffing outlined in Budget 2012. Additional information can be found in the Budget 2012 Implementation section of this document.

Professional and special services expenditures for the year are greater compared to the same period in 2012-13. The majority of this increase (\$2.3M) relates to charges for the NEB office relocation that will take place in fiscal year 2014-15.

#### **Planned Expenditures**

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

- Funding received through Budget 2012 is \$4.8M in 2013-14 compared to \$5.9M in 2012-13. The majority of the impact of this \$1.1M decrease has been on one time expenditures in the areas of transportation and communication and acquisition of machinery and equipment.
- 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 an additional \$3.0M in special purpose funding that was allocated to 2012-13. Subsequently the projects associated with this one time funding were postponed and the \$3.0 has been reprofiled; \$0.75M was allocated to 2013-14 and \$2.25M has been allocated to 2014-15.
- The remaining decreases in planned expenditures of \$2.6M between 2012-13 and 2013-14 are related to the timing and allocation of eligible payroll reimbursements and previous year's operating budget carry forward. These variances are primarily impacting personnel, professional and special services and repair and maintenance. They are expected to resolve in the third quarter.



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### **Risks and Uncertainties**

The NEB operates within an evolving economic, environmental and social landscape and 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. Parliamentarians and the public continue to show increased interest in the energy industry and concern regarding the safety and environmental impacts of energy pipeline incidents. The NEB has responded to this concern by increasing their work in the area of safety and environment compliance and enforcement. There has also been an increase in public hearings and requests under *the Access to Information Act*. As well, the NEB has acquired new responsibilities as a result of changes to the *NEB Act* by the passing of the *Jobs, Growth and Long-term Prosperity Act*.

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 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.

Approval has been received to relocate the NEB offices in 2014-15. The cost of this move will result in additional one-time authorities of \$12.4M in 2013-14 (Supplementary Estimate (B)) and \$8.4M in 2014-15.

### **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 was unaffected by the savings measure announced in Budget 2012. Conversely the department received additional funding 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.



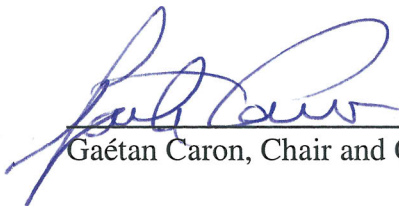
National Energy  
Board

Office national  
de l'énergie

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### Approval by Senior Officials

Approved by,



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Gaétan Caron, Chair and CEO

*(Calgary, Canada)  
(26 November 2013)*



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Ed Jansen, Chief Financial Officer



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**STATEMENT OF AUTHORITIES (unaudited)**

	Fiscal year 2013-2014			Fiscal year 2012-2013		
	Planned expenditures for the year ending March 31, 2014*	Expended during the quarter ended September 30, 2013	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2013*	Expended during the quarter ended September 30, 2012	Year to date used at quarter-end
Operating expenditures	55,241	16,465	31,028	61,846	15,070	27,414
Contributions to employee benefit plans	7,195	1,799	3,598	6,520	1,624	3,247
<b>Total Budgetary authorities</b>	<b>62,436</b>	<b>18,264</b>	<b>34,626</b>	<b>68,366</b>	<b>16,694</b>	<b>30,661</b>
<b>Non-budgetary authorities</b>						
<b>Total authorities</b>	<b>62,436</b>	<b>18,264</b>	<b>34,626</b>	<b>68,366</b>	<b>16,694</b>	<b>30,661</b>

*More information is available in the attached table.*

*\* Includes only Authorities available for use and granted by Parliament at quarter-end (September 2013).*



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

*(in thousands of dollars)*

	Fiscal year 2013-2014			Fiscal year 2012-2013		
	Planned expenditures for the year ending March 31, 2014*	Expended during the quarter ended September 30, 2013	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2013*	Expended during the quarter ended September 30, 2012	Year to date used at quarter-end
<b>Expenditures:</b>						
Personnel	48,546	13,852	27,334	48,524	13,728	25,599
Transportation and communications	3,415	528	1,316	3,898	998	1,612
Information	589	50	142	700	55	174
Professional and special services	5,417	3,239	4,669	6,897	1,396	2,276
Rentals	589	215	334	415	150	224
Repair and maintenance	471	161	499	1,041	133	295
Utilities, materials and supplies	471	93	143	699	89	146
Acquisition of land, buildings and works	-	-	-	-	-	-
Acquisition of machinery and equipment	824	126	148	1,397	50	126
Transfer payments	2,114	11	11	4,340	59	123
Public debt charges	-	-	-	-	-	-
Other subsidies and payments	-	(11)	30	455	36	86
<b>Total gross budgetary expenditures</b>	<b>62,436</b>	<b>18,264</b>	<b>34,626</b>	<b>68,366</b>	<b>16,694</b>	<b>30,661</b>

\* Includes only Authorities available for use and granted by Parliament at quarter-end (September 2013).