



National Energy
Board

Office national
de l'énergie

Statement of Management Responsibility Including Internal Control over Financial Reporting

Responsibility for the integrity and objectivity of the accompanying financial statements for the period from April 1, 2019 to August 27, 2019 and all information contained in these financial statements rests with the management of the National Energy Board (NEB). Management is responsible for the preparation of the accompanying financial statements 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 fulfill its accounting and reporting responsibilities, management maintains a set of accounts that provides a centralized record of the NEB's financial transactions. Management is responsible for ensuring that financial information submitted in the preparation of the Public Accounts of Canada, and included in the NEB's *Departmental Result 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 adjustment.

The NEB is subject to periodic Core Control Audits performed by the Office of the Comptroller General and uses the results of such audits to comply with the Treasury Board Policy on Financial Management.

A Core Control Audit was performed in 2017-18 by the Office of the Comptroller General of Canada (OCG). The Audit Report and related Management Action Plan are posted on the departmental web site at <https://www.neb-one.gc.ca/bts/pblctn/dtrrprtndnbfnnclsttmnt/index-eng.html>.

The NEB has undertaken a risk-based assessment of the system of ICFR for the period ended August 27, 2019, in accordance with the Treasury Board Policy on Financial Management, and the results are summarized in the annex.

The Financial statements of National Energy Board have not been audited.

The original version was signed by

The original version was signed by

Gitane De Silva
Chief Executive Officer

Mark Power, CPA, CGA, CIA, MBA
Chief Financial Officer

Calgary, Canada
November 20, 2020

NATIONAL ENERGY BOARD

Statement of Financial Position (Unaudited)

(in thousands of dollars)

	As at August	As at March
	27, 2019	31, 2019
Liabilities		
Accounts payable and accrued liabilities (Note 6)	-	15,800
Due to the Consolidated Revenue Fund (Note 8)	-	363
Vacation pay and compensatory leave	-	4,029
Employee benefits (Note 7)	-	5,645
Total liabilities	-	25,837
Financial assets		
Due from the Consolidated Revenue Fund	-	15,800
Accounts receivable and advances (Note 8)	-	48,181
Total financial assets	-	63,981
Financial assets held on behalf of Government (Note 8)	-	(47,818)
Total net financial assets	-	16,163
Net debt	-	9,674
Non-financial assets		
Prepaid expenses	-	747
Tangible capital assets (Note 9)	-	16,903
Total non-financial assets	-	17,650
Net financial position	-	7,976

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

The original version was signed by

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Gitane De Silva
Chief Executive Officer
Calgary, Canada
November 20, 2020

Mark Power, CPA, CGA, CIA, MBA
Chief Financial Officer

NATIONAL ENERGY BOARD

Statement of Operations and Net Financial Position (Unaudited)

(in thousands of dollars)

	Planned Results (Note 2a)	Period ended August 27, 2019	Year ended March 31, 2019
Expenses			
Energy Adjudication	10,917	11,567	27,226
Safety and Environment Oversight	10,662	11,971	27,682
Energy Information	4,503	4,104	11,224
Engagement	2,440	3,532	7,163
Internal Services	15,449	15,891	51,097
Total expenses	43,971	47,065	124,392
Revenues			
Regulatory revenue	45,597	44,231	108,210
Miscellaneous revenue	49	76	75
Revenues earned on behalf of Government	(45,646)	(44,308)	(108,285)
Total revenues	-	-	-
Net cost of operations before government funding and transfers	43,971	47,065	124,392
Government funding and transfers			
Net cash provided by Government	36,181	52,594	116,769
Change in due from the Consolidated Revenue Fund	2,632	(15,437)	(8,702)
Services provided without charge from other government departments (Note 10)	5,520	5,829	13,330
Restructuring loss (Note 3)		(3,897)	
Net cost (recovery) of operations	(362)	7,976	2,995
Net financial position – Beginning of period	4,472	7,976	10,971
Net financial position – End of period	4,834	-	7,976

Segmented information (Note 11)

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

NATIONAL ENERGY BOARD

Statement of Change in Net Debt (Unaudited)

(in thousands of dollars)

	Planned Results (Note 2a)	Period ended August 27,	Year ended March 31,
		2019	2019
Net cost (recovery) of operations	(362)	7,976	2,995
Change due to tangible capital assets (Note 9)			
Acquisition of tangible capital assets	441	491	1,914
Amortization of tangible capital assets	(1,747)	(1,654)	(5,055)
Net book value of tangible capital assets transferred to the Canada Energy Regulator (Note 3)		(15,740)	
Total change due to tangible capital assets	(1,306)	(16,903)	(3,141)
Change in prepaid expenses	131	(747)	57
Net decrease in net debt	(1,537)	(9,673)	(89)
Net debt - Beginning of year	2,639	9,673	9,762
Net debt - End of year	1,112	-	9,673

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

NATIONAL ENERGY BOARD

Statement of Cash Flows (Unaudited)

(in thousands of dollars)

	Period ended August 27,	Year ended March 31,
	2019	2019
Operating activities		
Net cost of operations before government funding and transfers	47,065	124,392
Items not affecting cash:		
Amortization of tangible capital assets (Note 9)	(1,654)	(5,055)
Services provided without charge by other government departments (Note 10)	(5,829)	(13,330)
Variations in Statement of Financial Position:		
Change in accounts receivable and advances	(363)	(30)
Change in prepaid expenses	(747)	57
Change in accounts payable and accrued liabilities	15,800	9,575
Change in vacation pay and compensatory leave	4,029	2
Change in employee benefits	5,645	86
Transfer of assets and liabilities to another government department (Note 3)	(11,843)	
Cash used in operating activities	52,103	115,697
Capital investing activities		
Acquisitions of tangible capital assets	491	1,072
Cash used in investing activities	491	1,072
Net cash provided by Government of Canada	52,594	116,769

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

National Energy Board
Notes to the Financial Statements (Unaudited)
For the Period Ended August 27, 2019

1. Authority and objectives

The National Energy Board (NEB or the Board) is an independent federal quasi-judicial regulatory tribunal established in 1959 to promote safety and security, environmental protection and economic efficiency in the Canadian public interest within the mandate set by Parliament for the regulation of pipelines, energy development and trade. The Board is accountable 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*.

Additional information about the concordance between Strategic Outcomes, Program Alignment Architecture and Departmental Results Framework, Core Responsibilities can be found in the Departmental Plan. The Board's responsibilities can be framed into the following core responsibilities:

I. Energy Adjudication

Making decisions or recommendations to the Governor in Council on applications, which include environmental assessments, using processes that are fair, transparent, timely and accessible. These applications pertain to pipelines and related facilities, international power lines, tolls and tariffs, energy exports and imports, and oil and gas exploration and drilling in certain northern and offshore areas of Canada.

II. Safety and Environment Oversight

Setting and enforcing regulatory expectations for NEB regulated companies over the full lifecycle — construction, operation and abandonment — of energy-related activities. These activities pertain to pipelines and related facilities, international power lines, tolls and tariffs, energy exports and imports, and oil and gas exploration and drilling in certain northern and offshore areas of Canada.

III. Energy Information

Collecting, monitoring, analysing and publishing information on energy markets and supply, sources of energy, and the safety and security of pipelines and international power lines.

IV. Engagement

Engaging with stakeholders and Indigenous Peoples on topics within the NEB's mandate and role, beyond engagement on specific projects.

National Energy Board
Notes to the Financial Statements (Unaudited)
For the Period Ended August 27, 2019

1. Authority and objectives – continued

IV. Engagement – continued

As part of its Core Responsibilities, the NEB plans to engage actively and effectively with Canadians and Indigenous Peoples throughout the lifecycle of energy infrastructure projects. A stakeholder engagement program and an Indigenous engagement program were developed for this purpose. As a result of the activities undertaken through these programs, the NEB and its stakeholders will be better informed about issues relevant to the NEB and its mandate.

Specifically, Canadians and Indigenous Peoples will:

- have a better understanding of the NEB’s mandate, roles, processes, and programs as a full life cycle regulator;
- be aware of NEB actions taken to ensure and improve public safety and environmental protection with respect to regulated infrastructure; and
- participate in NEB processes and programs that provide them with the opportunity to share their perspectives and provide feedback regarding the NEB and NEB-regulated activities.

V. Internal Services

Internal Services are those groups of related activities and resources that the federal government considers to be services in support of programs and/or required to meet corporate obligations of an organization. Internal Services refers to the activities and resources of the ten distinct service categories that support program delivery in the organization, regardless of the Internal Services delivery model in a department. The ten service categories are: Management and Oversight; Communication; Legal; Human Resources Management; Financial Management; Information Management; Information Technology; Real Property; Material; and Acquisition.

The NEB regulates pipelines, power lines, energy development and energy trade. The NEB contributes to the safety of Canadians, the protection of the environment and efficient energy infrastructure and markets, while respecting the rights and interests of those affected by NEB decisions and recommendations. It is guided by the principles of natural justice and procedural fairness.

The NEB 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.

National Energy Board
Notes to the Financial Statements (Unaudited)
For the Period Ended August 27, 2019

1. Authority and objectives – continued

In accordance with Section 24.1 of the NEB Act, the Board may, for the purposes of recovering all or a portion of such costs as the Board determines to be attributable to its responsibilities under this or any other Act of Parliament, make regulations to impose fees, levies or charges. The *National Energy Board Cost Recovery Regulations* provide for the calculation and allocation of recoverable costs. Cost recovery calculations performed on a calendar year basis are included in Schedule A of these financial statements. The NEB is funded through parliamentary appropriations. The Government of Canada recovers approximately 99 percent (98 percent in 2018–19) of the appropriation from the regulated industry. The revenues are deposited directly into the Consolidated Revenue Fund. This process is regulated by the *National Energy Board Cost Recovery Regulations*.

The financial statements of the NEB have been prepared for the period ended August 27, 2019. On August 8, 2019 the Federal Government announced that the *Canadian Energy Regulator Act* would come into force on August 28, 2019, which established the Canadian Energy Regulator, operating as the Canada Energy Regulator. As such, these financial statements include all activities of the NEB for the period from April 1, 2019 to August 27, 2019, up to and including after the transfer of net assets to the Canada Energy Regulator. Activities undertaken beginning on August 28, 2019 are the responsibility of the Canada Energy Regulator and are not included in these financial statements (see Note 3 for further details).

2. Summary of significant accounting policies

These 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.

As the NEB’s net assets have been transferred to the CER (see Note 3), the Statement of Financial Position does not include any assets nor liabilities for financial reporting purposes.

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 Net Financial Position and the Statement of Financial Position are not necessarily the same as those provided through authorities from Parliament. Note 5 provides a high-level reconciliation between the bases of reporting. The planned results amounts in the “Expenses” and “Revenues” sections of the Statement of Operations

National Energy Board
Notes to the Financial Statements (Unaudited)
For the Period Ended August 27, 2019

2. Summary of significant accounting policies (continued)

a) Parliamentary authorities - continued

and Net Financial Position are the amounts reported in the 2019–20 *Departmental Plan*. They have been pro-rated based on the number of months the NEB has operated during the fiscal year of 2019-20. The planned results amounts in the “Government funding and transfers” section of the Statement of Operations and Net Financial Position and in the Statement of Change in Net Debt were prepared for internal management purposes and have not been previously published.

b) Net cash provided by Government

The NEB operates within the Consolidated Revenue Fund (CRF), which is administered by the Receiver General for Canada. All cash received by the NEB is deposited to the CRF and all cash disbursements made by the NEB are paid from the CRF. The net cash provided by Government is the difference between all cash receipts and all cash disbursements including transactions between departments of the Government.

c) Amounts due to or from the CRF

Amounts due to or from 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 NEB is entitled to draw from the CRF without further authorities to discharge its liabilities.

d) Revenues

- The NEB has the authority to charge those companies that it regulates, in accordance with sub-section 24.1 of the National Energy Board Act, the costs attributable to the NEB’s operations in carrying out its responsibilities. Under the National Energy Board Cost Recovery Regulations (Regulations) approved by Treasury Board, effective January 1, 1991, the NEB recovers, from the companies that it regulates, the cost of its operations. Revenues from regulatory levies are recognized in the accounts when they are invoiced and, in accordance with the 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. Revenues are recognized both when estimated invoices are billed and when adjustments for true costs are calculated. Actual costs are defined as the sum of one-quarter of year 1 audited fiscal costs (January to March) and three-quarters of year 2 audited fiscal costs (April to December). The recoverable costs for a given calendar year are allocated to the oil, gas and electricity commodities proportionately on the basis of the actual time spent by Board members and employees during the preceding fiscal year (April 1 to March 31).
- Other revenues are accounted for in the period in which the underlying transaction or event occurred that gave rise to the revenues.

National Energy Board
Notes to the Financial Statements (Unaudited)
For the Period Ended August 27, 2019

2. Summary of significant accounting policies – continued

d) Revenues – continued

- Revenues that are non-respondable are not available to discharge the NEB's liabilities. While the CEO is expected to maintain accounting control, he or she has no authority regarding the disposition of non-respondable revenues. As a result, non-respondable revenues are considered to be earned on behalf of the Government of Canada and are therefore presented in reduction of the NEB's gross revenues.

e) Expenses

Expenses are recorded on the accrual basis.

- Vacation pay and compensatory leave are accrued as the benefits are earned by 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, legal and audit services are recorded as operating expenses at their carrying value of the providing entity. Services received without charge are recoverable costs under the NEB Cost Recovery Regulations.
- Transfer payments are recorded as expenses when authorization for the payment exists and the recipient has met the eligibility criteria or the entitlements established for the transfer payment program.
- Expenditures of the NEB that are listed from Cost Recovery Regulations are those expenditures related to the regulation of, exploration for, and the development of oil and gas on frontier lands and offshore areas and are disclosed in Schedule A.

f) Liabilities

Liabilities are financial obligations of the NEB to outside organizations and individuals as a result of events and transactions that occurred on or before period end. They are the result of contracts, agreements and legislation in force at period end that require the NEB to repay borrowings or to pay for goods and services acquired or provided prior to year-end.

Accounts payable and accrued liabilities are measured at cost, the majority of which are due within six months of period-end.

National Energy Board
Notes to the Financial Statements (Unaudited)
For the Period Ended August 27, 2019

2. Summary of significant accounting policies – continued

g) Employee benefits

- i. Pension benefits: Eligible employees participate in the Public Service Pension Plan (Plan), a multiemployer pension plan administered by the Government of Canada. The NEB contributions to the Plan are charged to expenses in the period incurred and represent the total Board 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. Health and dental benefits: The Government of Canada sponsors employee benefit plans (health and dental) in which the NEB participates. Employees are entitled to health and dental benefits, as provided for under labour contracts and conditions of employment. The NEB's contributions to the plans, which are provided without charge by the Treasury Board Secretariat, are recorded at carrying value of the providing entity. They represent the NEB's total obligation to the plans. Current legislation does not require the NEB to make contributions for any future unfunded liabilities of the plans.
- iii. Severance benefits: The accumulation of severance benefits for employees ceased in the 2012–13 fiscal year. The accrued benefit obligation is determined using employees' salaries at period-end and the number of weeks earned but unpaid for employees who have elected to defer the receipt of their full or partial severance benefits payment.
- iv. Sick leave benefits: Employees are eligible to accumulate sick leave benefits until the end of employment, according to their labour contracts and conditions of employment. Sick leave benefits are earned based on employee services rendered and are paid upon an illness or injury related absence. These are accumulating non-vesting benefits that can be carried forward to future years, but are not eligible for payment on retirement or termination, nor can these be used for any other purpose. A liability is recorded for unused sick leave credits expected to be used in future years in excess of future allotments, based on an actuarial valuation using an accrued benefit method.

h) Accounts receivable and advances

Accounts receivable and advances are stated at the lower of cost and net recoverable value. A valuation allowance is recorded for receivables where recovery is considered uncertain. In addition, a distinction is made between financial assets that are available to discharge the NEB's liabilities versus the ones that are not. Accounts receivable that pertain to non-responsible revenues earned on behalf of Government are considered to be held on behalf of the Government of Canada and are therefore presented in the Statement of Financial Position as a reduction of the NEB's gross financial assets.

National Energy Board
Notes to the Financial Statements (Unaudited)
For the Period Ended August 27, 2019

2. Summary of significant accounting policies - continued

i) 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. If the likelihood is unlikely, the contingency is not disclosed in the notes to the financial statements.

j) Tangible capital assets

All tangible capital assets and leasehold improvements having an initial cost of \$10,000 or more per unit, per bundle or purchased in bulk, are recorded at their acquisition cost. Tangible capital assets under development are recorded as assets under development and amortized when they become available for use. Amortization of tangible capital assets is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Asset class	Amortization period
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

k) Measurement uncertainty

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses in the financial statements. At the time of preparation of these financial statements, management believes the estimates and assumptions to be reasonable. 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 period they become known.

The most significant items where estimates are used are sick leave benefit obligations and the determination of the proration of planned results on the statement of operations and net financial position.

National Energy Board
Notes to the Financial Statements (Unaudited)
For the Period Ended August 27, 2019

2. Summary of significant accounting policies - continued

k) Measurement uncertainty (continued)

The liability for sick leave benefits is actuarially determined and actual experiences could differ from the assumptions used in the calculations. The significant actuarial assumptions used in measuring the benefit obligation are disclosed in Note 7d.

l) Related party transactions

Related parties include key management personnel having authority and responsibility for planning, directing and controlling the activities of the NEB as well as their close family members. Related party transactions, other than inter-entity transactions, are recorded at the exchange amount.

Inter-entity transactions are transactions between commonly controlled entities. Inter-entity transactions, other than restructuring transactions, are recorded on a gross basis and are measured at the carrying amount, except for the following:

- i. Services provided on a recovery basis are recognized as revenues and expenses on a gross basis and measured at the exchange amount.
- ii. Certain services received on a without charge basis are recorded in these financial statements at the carrying amount.

3. Wind-up of the National Energy Board

On June 21, 2019, Bill C-69 received Royal Assent. This is an Act which enacted the *Canadian Energy Regulator Act* (CER Act) and to make consequential amendments to other Acts. The bill included repealing the *National Energy Board Act* and replacing it with the new the CER Act.

As a result of this bill, the following assets and liabilities have been transferred by the National Energy Board to the Canada Energy Regulator upon dissolution, for which no compensation was received by the NEB for this transaction.

Assets (in thousands of dollars)

Due from the Consolidated Revenue Fund	12,438
Accounts receivable and advances	46,214
Financial assets held on behalf of Government	(45,424)
Prepaid expenses	751
Tangible capital assets	15,740
Total Assets	29,719

National Energy Board
Notes to the Financial Statements (Unaudited)
For the Period Ended August 27, 2019

3. Wind-up of the National Energy Board (continued)

Liabilities (in thousands of dollars)

Accounts payable and accrued liabilities	12,438
Due to the Consolidated Revenue Fund	790
Vacation pay and compensatory leave	4,454
Employee future benefits	8,140
<u>Total Liabilities</u>	<u>25,822</u>

Both the National Energy Board and the Canada Energy Regulator are entities under common control of the Government of Canada; as such, the NEB accounted for this transaction as a restructuring transaction per the recommendations of the Public Sector Accounting Handbook. A loss on the restructuring transaction of \$3,897,000 was recorded in the Statement of Operations and Net Financial Position as a result of this transaction.

NEB's liability for vacation pay and compensatory leave balances of \$4,454,000 and employee future benefits of \$8,140,000 did not impact the consolidated revenue fund. This is offset by the asset of prepaid expenses of \$751,000, which impacted the consolidated revenue fund. The net balance of \$11,843,000 is reflected as a transfer in the statement of cash flows.

In addition to the above, the Canada Energy Regulator has assumed responsibilities of the National Energy Board's total obligations, claims and litigations as well as the National Energy Board's unexpended appropriations (voted and statutory) for an amount of \$58,527,292. NEB's authority was capped at their total expenditures against the Vote up to the date of coming into force of the CER Act.

Restructuring costs for an amount of \$2,470,034 were also incurred by the National Energy Board; these costs were recognized in the Statement of Operations and Net Financial Position. The restructuring cost included \$2,249,661 related to termination benefits for NEB board members who would not be retained as either a commissioner or board member of CER, as well as \$220,373 of legal, accounting and professional fees which were also recorded in salary and employee benefits and professional services respectively.

4. Financial Management Risk

Consistent with Section 32 of the *Financial Administration Act*, the Board's policy to manage liquidity risk is that no contract or other arrangement providing for a payment shall be entered into with respect to any program for which there is an appropriation by Parliament or an item included in estimates then before the House of Commons to which the payment will be charged unless there is a sufficient unencumbered balance available out of the appropriation or item to discharge any debt that, under the contract or other arrangement, will be incurred during the fiscal year in which the contract or other arrangement is entered into.

National Energy Board
Notes to the Financial Statements (Unaudited)
For the Period Ended August 27, 2019

4. Financial Management Risk – continued

The NEB's objectives, policies and processes to manage and measure this risk did not change significantly from the prior year up to the transfer of assets and liabilities to the Canada Energy Regulator.

During the year, the NEB's risk exposure consisted of liquidity risk and credit risk. Liquidity risk is the risk that the Board will encounter difficulty in meeting its obligations associated with financial liabilities. The NEB's objective for managing liquidity risk is to manage operations and cash expenditures within the appropriation authorized by Parliament or allotment limits approved by the Treasury Board.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The NEB provides services to other government departments and agencies and to external parties in the normal course of business. Accounts receivable are due on demand. The NEB is not exposed to significant credit risk and has incurred very minimal credit losses in the past. The maximum exposure the NEB has to credit risk is equal to the carrying value of its accounts receivable.

Upon dissolution, as all assets and liabilities were transferred to the Canada Energy Regulator, the NEB is no longer exposed to liquidity risk or credit risk.

5. 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:

National Energy Board
Notes to the Financial Statements (Unaudited)
For the Period Ended August 27, 2019

5. Parliamentary authorities (continued)

(a) Authorities provided and used

	Period ended August 27, 2019	Year ended March 31, 2019
	(in thousands of dollars)	
Authorities provided:		
Vote 1 – Program expenditures	86,206	91,399
Spending of proceeds from disposal of surplus assets	-	11
Statutory amounts – Contributions to employee benefit plans	9,148	8,920
– Remission	-	14,710
<i>Less:</i>		
Transfer unexpended appropriation (voted and statutory) to the CER	(58,527)	-
Appropriations lapsed	-	(6,934)
Current year authorities used	36,827	108,106

(b) Reconciliation of net cost of operations to current year authorities used

	Period ended August 27, 2019	Year ended March 31, 2019
	(in thousands of dollars)	
Net cost of operations before government funding and transfers	47,065	124,392
Adjustments for items affecting net cost of operations but not affecting authorities:		
Services provided without charge by other government departments (Note 10)	(5,829)	(13,330)
Amortization of tangible capital assets (Note 9)	(1,654)	(5,055)
Transition cost (Note 3)	(2,250)	
Bad debt expense	28	(2)
Change in vacation pay and compensatory leave	(425)	2
Change in employee future benefits	(245)	86
Refund of prior years' expenditures		35
	(10,375)	(18,264)

National Energy Board
Notes to the Financial Statements (Unaudited)
For the Period Ended August 27, 2019

5. Parliamentary authorities (continued)

Adjustments for items not affecting net cost of operations but affecting authorities:

Acquisitions of tangible capital assets (Note 9)	491	1,915
Accountable advance	(4)	6
Change in prepaid expenses	(350)	57
	137	1,978

Current year authorities used

36,827	108,106
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6. Accounts payable and accrued liabilities

August 27,	March 31,
2019	2019

(in thousands of dollars)

Accounts payable to other government departments and agencies	30	1,265
Accounts payable and accrued liabilities to external parties	12,408	14,535
Liability transferred to Canada Energy Regulator (Note 3)	(12,438)	
Total accounts payable and accrued liabilities	-	15,800

7. Employee benefits

a) Pension benefits:

All eligible NEB employees contribute to the public service pension plan (the “Plan”), which is sponsored and administered by the Government of Canada. Pension benefits accrue up to a maximum period of 35 years at a rate of two 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 Plan benefits and they are indexed to inflation.

Both the employees and the NEB contribute to the cost of the Plan. Due to the amendment of the *Public Service Superannuation Act* following the implementation of provisions related to Economic Action Plan 2012, employee contributors have been divided into two groups. Group 1 relates to existing plan members as of December 31, 2012 and Group 2 relates to members joining the Plan as of January 1, 2013.

National Energy Board
Notes to the Financial Statements (Unaudited)
For the Period Ended August 27, 2019

7. Employee benefits – continued

a) Pension benefits: (continued)

Each group has a distinct contribution rate. For Group 1 members, the expense represents approximately 1.01 times (1.01 times for the year ended March 31, 2019) the employee contributions and, for Group 2 members, approximately 1.00 times (1.00 times for the year ended March 31, 2019) the employee contributions. The expense amount for the period ended August 27, 2019 is \$2,640,795 (\$6,180,108 for the year ended March 31, 2019).

b) Health and dental benefits:

The NEB contributes for all eligible employees to the Public Service Health Care Plan and Public Service Dental Care Plan which are sponsored by the Government of Canada. The NEB's responsibility with regard to these plans is limited to its contributions (Note 10a).

c) Severance benefits:

The NEB provides severance benefits to its employees based on eligibility, years of service and salary at termination of employment. However, since 2012–13 the accumulation of severance benefits for voluntary departures progressively ceased for substantially all employees. These severance benefits are not pre-funded and benefits will be paid from future parliamentary authorities.

Information about severance benefits is presented in the following table as at August 27, 2019:

	August 27, 2019	March 31, 2019
	(in thousands of dollars)	
Severance benefit, beginning of period	1,676	2,042
Expense for the period	2,348	20
Transfers during the period		(158)
Benefits paid during the period	(153)	(228)
Liability transferred to Canada Energy Regulator	(3,871)	-
Severance benefit, end of year	-	1,676

National Energy Board
Notes to the Financial Statements (Unaudited)
For the Period Ended August 27, 2019

7. Employee benefits – continued

d) Sick leave benefits:

Employees are credited, based on service, a maximum of 15 days annually for use as paid absences due to illness or injury. The sick leave benefit obligation is unfunded and will be paid from future parliamentary authorities.

Annually, the NEB obtains an actuarial valuation of the accrued employee sick leave benefit obligation for accounting purposes. The most recent actuarial valuation was completed as of March 31, 2018 and extrapolated to August 27, 2019.

Actuarial assumptions are used to determine the sick leave accrued benefit obligation. The assumptions are reviewed at the financial reporting date and are management's best estimate based on an analysis of the historical data up to the reporting date. The key assumptions used are: a discount rate of 1.26 percent (1.72 percent as at March 31, 2019), which is based on an average yield of government borrowings over the expected average remaining service life of employees of 13.31 years (13.31 years as at March 31, 2019); and a long term general rate of salary increase of 2.6 percent (2.6 percent as at March 31, 2019).

Information about sick leave benefits is presented in the following table:

	August 27, 2019	March 31, 2019
	(in thousands of dollars)	
Sick leave benefit, beginning of period	3,969	3,689
Service cost	396	693
Interest cost	28	78
Benefit payments	(251)	(602)
Actuarial losses	126	110
Liability transferred to the Canada Energy Regulator	(4,268)	
Sick leave benefit, end of period	-	3,969

National Energy Board
Notes to the Financial Statements (Unaudited)
For the Period Ended August 27, 2019

7. Employee benefits – continued

e) Summary information:

The table below summarizes the employee benefits liability:

	August 27, 2019	March 31, 2019
	(in thousands of dollars)	
Severance benefits	-	1,676
Sick leave benefits	-	3,969
Employee benefits	-	5,645

8. Accounts receivable and advances

The following table presents details of the NEB's accounts receivable and advances balances:

	August 27, 2019	March 31, 2019
	(in thousands of dollars)	
Receivables – External parties		
Outstanding provisional billings for current year	32,075	25,925
Outstanding prior year billings	28	28
Accrued billing adjustments	13,470	22,044
Receivables – Other government departments and agencies	640	211
Employee advances	145	145
	46,358	48,353
Allowance for doubtful accounts	(144)	(172)
Accounts receivable and Advances	46,214	48,181
Assets transferred to the Canada Energy Regulator (Note 3)	(46,214)	
Financial assets held on behalf of Government	(45,424)	(47,818)
Assets transferred to the Canada Energy Regulator (Note 3)	45,424	
Due to Consolidated Revenue Fund	-	363

National Energy Board
Notes to the Financial Statements (Unaudited)
For the Period Ended August 27, 2019

9. Tangible capital assets

(in thousands of dollars)

Capital asset class	Cost				Closing balance
	Opening balance	Acquisitions	Transfer to the Canada Energy Regulator	Disposals & write-offs	
Informatics hardware	5,989		(5,989)	-	-
Informatics software	12,894	144	(13,038)	-	-
Machinery and equipment	3,076		(3,076)	-	-
Furniture	3,183		(3,183)	-	-
Vehicles	24		(24)	-	-
Leasehold improvements	15,797		(15,797)	-	-
Assets under development	1,441	347	(1,788)	-	-
Total	42,404	491	(42,895)	-	-

Capital asset class	Accumulated amortization			Net book value		
	Opening balance	Amortization	Transfer to the Canada Energy Regulator	Closing balance	August 27, 2019	March 31, 2019
Informatics hardware	4,273	288	(4,561)	-	-	1,716
Informatics software	10,261	397	(10,658)	-	-	2,633
Machinery and equipment	2,199	164	(2,363)	-	-	877
Furniture	1,515	127	(1,642)	-	-	1,668
Vehicles	10	2	(12)	-	-	14
Leasehold improvements	7,244	676	(7,920)	-	-	8,553
Assets under development	-	-	-	-	-	1,441
Total	25,502	1,654	(27,156)	-	-	16,902

**National Energy Board
Notes to the Financial Statements (Unaudited)
For the Period Ended August 27, 2019**

10. Related Party Transactions

The NEB is related as a result of common ownership to all government departments, agencies, and Crown Corporations. Related parties also include individuals who are members of key management personnel or close family members of those individuals, and entities controlled by, or under shared control of, a member of key management personnel or a close family member of that individual. The NEB enters into transactions with these entities in the normal course of business and on normal trade terms. During the period and in addition to the restructuring transaction described in Note 3, 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 period, 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:

	August 27, 2019	March 31, 2019
	<u>(in thousands of dollars)</u>	
Accommodation	3,203	7,855
Employer's contribution to health and dental insurance plans	2,222	5,072
Audit services	232	232
Other professional and Special services	172	171
Total	<u>5,829</u>	<u>13,330</u>

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.

Based on an agreement between the NEB and Public Services and Procurement Canada (PSPC), PSPC incurred fit up costs for new office space related to the NEB office move which took place in 2014–15 which were recognized as leasehold improvements and are being amortized over the remaining term of the lease.

National Energy Board
Notes to the Financial Statements (Unaudited)
For the Period Ended August 27, 2019

10. Related Party Transactions - continue

b) Other transactions with related parties

	August 27, 2019	March 31, 2019
	<u>(in thousands of dollars)</u>	
Expenses – other government departments and agencies	4,316	10,498
Accounts payable (Note 6)	30	1,265
Accounts receivable (Note 8)	640	211

Expenses disclosed above exclude common services provided without charge, which are already disclosed in a. Expenses are mainly comprised of payments to Treasury Board for employee benefits, including superannuation.

National Energy Board
Notes to the Financial Statements (Unaudited)
For the Period Ended August 27, 2019

11. Segmented information

Presentation by segment is based on the NEB's Departmental Results Framework. 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 programs, by major object of expense and by major type of revenues. Revenues are allocated to each main program based on their share of total annual expenditures. The segment results for the period are as follows:

For the period of April 1-Aug 27, 2019

(thousands of dollars)

	Energy Adjudication	Safety and Environment Oversight	Energy Information	Engagement	Internal Services	Total	March 31, 2019 Total
Transfer Payments	293					293	4,880
Operating Expenses							
Salaries and employee benefits	9,544	8,875	3,096	2,598	10,981	35,094	74,016
Accommodation	827	858	288	268	1,593	3,834	9,440
Professional services	334	1203	522	374	2,120	4,553	11,337
Travel	130	407	41	125	294	997	2,766
Amortization	364	443	148	138	561	1,654	5,055
Communication	68	154	0	23	157	402	998
Utilities and supplies	7	29	8	6	125	175	1,187
Other	0	2	1	0	60	63	14,713
Total expenses	11,567	11,971	4,104	3,532	15,891	47,065	124,392
Revenues							
Regulatory revenue	10,870	11,251	3,857	3,319	14,934	44,231	108,210
Miscellaneous revenue	19	19	7	6	26	77	75
Revenue earned on behalf of Government	(10,889)	(11,270)	(3,864)	(3,325)	(14,960)	(44,308)	(108,285)
Total revenues	-	-	-	-	-	-	-
Net Cost of Operations before government funding, transfers and restructuring loss	11,567	11,971	4,104	3,532	15,891	47,065	124,392

12. Comparative Figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

**National Energy Board
Schedule A (Unaudited)
Allocation of Recoverable Operating Costs
For the Period Ended August 27, 2019**

In accordance with the NEB Cost Recovery Regulations recoverable operating costs are based on the expenditures for the calendar year. A calendar year is the period from January 1 to December 31. The operating costs for Calendar 2019 will be included in the 31 March 2020 financial statements of the Canada Energy Regulator. The current year recoverable expenses are calculated using one quarter of recoverable expenses from the prior fiscal year and three quarters of recoverable expenses from the current fiscal year. The methodology used by management to determine actual costs is reviewed on a periodic basis and adjusted for significant events.

	2018 <i>(calendar 2018)</i>
(in thousands of dollars)	
January to March expenses – 1/4 from previous fiscal year	26,780
April to December expenses – 3/4 from current fiscal year	93,296
Total calculated expenses for cost recovery purposes	120,076
Less: non-recoverable costs related to the regulation of Frontier Lands and review of Arctic safety and offshore drilling	(3,140)
Less: 3/4 non-recoverable remission payment *	(11,033)
Recoverable operating costs	105,903

*Northern Gateway Pipelines Limited Partnership (NGPL) paid a levy of \$14,710,000 to the Federal Government after the project certificates were issued for the Northern Gateway pipeline project in 2014-15. On June 23, 2016, the Federal Court of Appeal quashed these certificates. As a result, NGPL requested the levy be refunded and the Federal Government provided off-cycle funding in 2018-19 to enable NEB to remit the \$14,710,000 to NGLP on behalf of the Federal Government. There is no authority to recover the remission payment from the other pipeline companies, of which ¾ relates to calendar 2018 and ¼ relates to calendar 2019. NEB recorded the payment of \$14,710,000 to NGPL in 2018-19 as an other expense in Internal Services.

**National Energy Board
Schedule A (Unaudited)
Allocation of Recoverable Operating Costs
For the Period Ended August 27, 2019**

The allocation of recoverable operating costs to the commodities for calendar 2019 is based on actual time spent by Board members, officers and employees during the 2017–18 fiscal year (2016–17 for calendar 2018):

		2018 <i>(calendar 2018)</i>
	(in thousands of dollars)	
Gas	45.1%	47,756
Oil	47.8%	50,615
Electricity	7.1%	7,518
	100%	105,589
Commodity		14
Recoverable operating costs		105,903

Billing Adjustment

	2018 <i>(calendar 2018)</i>	2017 <i>(calendar 2017)</i>
	(in thousands of dollars)	
Recoverable operating costs	105,903	102,007
Deduct: provisional billing	(95,049)	(90,817)
Billing adjustment	10,854	11,190

The billing adjustment represents the difference between the provisional billing and the actual recoverable operating costs. In accordance with Section 19 of the Regulations, the billing adjustment for the calendar year ended December 31, 2019 will be determined at completion of the March 31, 2020 fiscal year end and that billing adjustment will be applied to the provisional billings of calendar 2021.

The billing adjustment of \$10,854,015 for the prior calendar year will be applied to the provisional billings of calendar 2020 of the Canada Energy Regulator. Billing adjustments are included in accounts receivable until collected.

Annex to the Statement of Management Responsibility Including Internal Control over Financial Reporting of National Energy Board for the Period ended August 27, 2019 (unaudited)

1. Introduction

In support of an effective system of internal control, the National Energy Board (NEB) annually assesses 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 the period ended August 27, 2019.

2. Assessment results during the period ended August 27, 2019

For the most part, controls related to payment for goods and services and payment authority were functioning well and form an adequate basis for the department's system of internal control.