

New Brunswick Internal Services Agency

Annual Report
2011-2012

Published by:

New Brunswick Internal Services Agency
Province of New Brunswick
P.O. Box 6000
Fredericton, New Brunswick
E3B 5H1
Canada

November 2012

ISBN: 978-1-4605-0104-7
ISSN: 2290-3895

Printed in New Brunswick

October 25, 2012

The Honourable Sue Stultz
Minister of Government Services
Province of New Brunswick
Fredericton, New Brunswick

Honourable Sue Stultz:

On behalf of the Board of Directors, it is my pleasure to submit to you the New Brunswick Internal Services Agency's annual report for the 2011-2012 fiscal year.

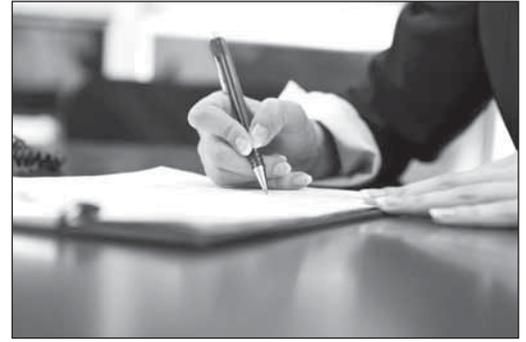
Sincerely,

A handwritten signature in black ink, appearing to read "Marc Léger". The signature is fluid and cursive, with a horizontal line above the "e" in "Léger".

Marc Léger
NBISA Board of Directors Chair



President's Report



The 2011-2012 fiscal year was a time of growth and transition for the agency. We are proud of the improvements that we have made to the quality of our services, as well as to the efficiency and effectiveness of our service delivery processes.

In keeping with the objectives of Government Renewal, during our second year of operation our focus turned from service deployment and transition to continuous performance improvement and accountability. A key priority of this work was the development and implementation of key performance indicators for each service area.

Thanks to a solid team of dedicated employees, we began to realize the benefits of a shared services model by standardizing processes, driving down the cost-per-transaction, and reducing the number of positions through attrition.

I would like to acknowledge the NBISA Board of Directors for their support and strategic oversight to the agency. I am particularly thankful to the agency's employees who worked diligently to improve the delivery of our services. Our achievements over the past year would not have been possible without them.

The end of the 2011-2012 fiscal year saw the New Brunswick Internal Services Agency aligned with the Department of Government Services. This reorganization broadened the scope of shared services within government, and created additional opportunities to bring services together and achieve efficiencies. I look forward to working within the new structure to streamline administration and better utilize existing resources in order to meet our mandate.

Sincerely,

Handwritten signature of Sylvie Levesque-Finn.

Sylvie Levesque-Finn

Table of Contents

About NBISA -----	1
Operations-----	3
IT Infrastructure and Applications-----	6
Transformation -----	8
Agency Services -----	9
Performance Measurement-----	10
Official Languages-----	14
<i>Public Interest Disclosure Act</i> -----	14
Financial Statements-----	15

About NBISA

The New Brunswick Internal Services Agency (NBISA) was established on May 1, 2010 following the proclamation of the *New Brunswick Internal Services Agency Act*.

The organization was created to bring together similar processes from all departments with the express purpose of improving service and gaining from economies of scale. It was based on the principle that shared services provides a way of reducing costs and leveraging capability in the delivery of services internal to government, such as human resources, information technology and financial services. This has allowed departments to focus primarily on delivering their front-line core services to the citizens of New Brunswick.



LEGISLATION

The *New Brunswick Internal Services Agency Act* enables the agency to be wholly owned and operated by, and responsible to government, with the ability to pursue, deliver and manage shared services on behalf of government departments and other areas of the public service. The Act enables NBISA to operate like a business with a focus on clients, delivering service excellence and driving performance.

GOVERNANCE

Board of Directors

The agency's Board of Directors consists of 10 senior public servants appointed by the minister designated by the Lieutenant Governor in Council to administer the Act. The *New Brunswick Internal Services Agency Act* requires that at least six of the board members be at the deputy head level, plus the president of the agency as an ex-officio member. The Lieutenant Governor in Council, on the recommendation of the minister, is also able to appoint two non-public servants as members. All appointments, with the exception of the president, are for a three-year term. The members of the 2011-2012 NBISA Board of Directors were:

Marc Léger (Chair)
Deputy Minister
Post-Secondary Education, Training
and Labour

Brian Durelle
Assistant Deputy Minister
Office of Human Resources

Doug Holt
(Chair, Audit and Finance Committee)
Deputy Minister
Management Board

Roger Doucet (Vice-Chair)
Deputy Minister
Education and Early Childhood
Development

Don Ferguson
Deputy Minister
Health

Byron James
Deputy Minister
Executive Council Office

Sylvie Levesque-Finn
 President, New Brunswick Internal Services Agency
 President, Service New Brunswick
 Deputy Minister
 Department of Government Services

Dale Wilson
 Deputy Minister
 Public Safety

Executive Management

The NBISA Executive Management Team oversees the agency’s day-to-day operations and provides overall strategic leadership and guidance. The 2011-2012 executive management team consisted of:

Sylvie Levesque-Finn, President

Andrea Seymour, Chief Operating Officer and Vice-President of Operations/Acting Vice-President of Transformation

Kenneth Fitzpatrick, Chief Technology Officer and Vice-President of Technology

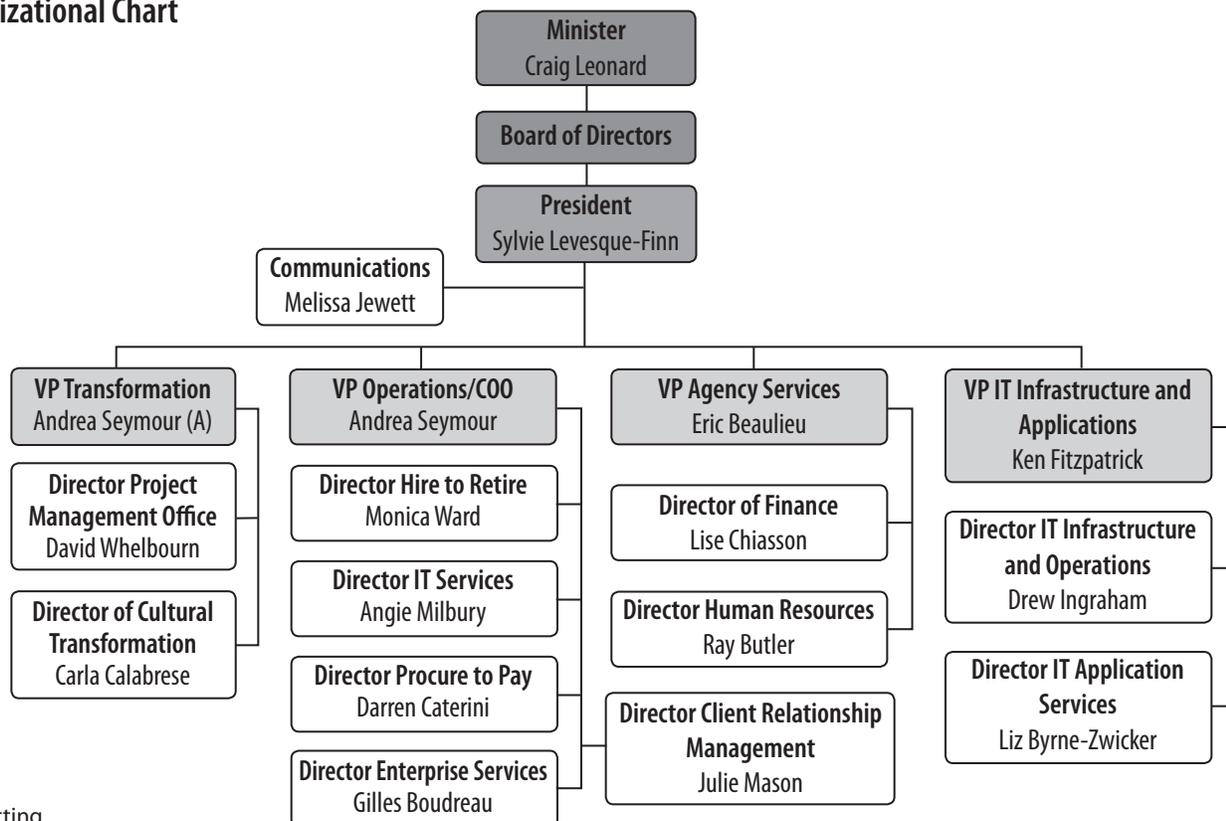
Eric Beaulieu, Vice-President of Agency Services

ORGANIZATION AND PEOPLE

Staffing

As of March 31, 2012, NBISA has a total of 320 employees, 248 of which are located at the agency’s headquarters at Brookside Place and another 20 providing IT desk-side support in Fredericton. The remaining 52 employees are regionally located, providing IT desk-side support, accounts payable and payroll services.

Organizational Chart



(A) = Acting

Operations

The Operations Division offers Payroll and Benefits, IT Services, Accounts Payable and Enterprise Services to more than 10,500 employees in all government departments.



This year, NBISA stabilized the delivery of common services and introduced repeatable, re-usable processes, supported by performance metrics and partnership agreements. Over the course of the year, each of the service delivery units focused effort on continuous process improvement, enabled by Lean Six Sigma methodology.

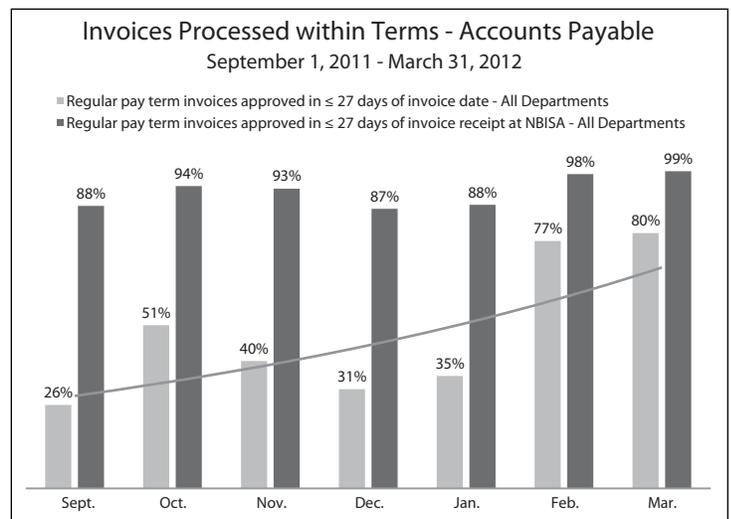
Procure to Pay

Procure to Pay manages the delivery of Accounts Payable (AP) services to Part I government departments and agencies. The AP services team ensures compliance with procurement rules and regulations, and administers purchase card and i-Expense processes. The team also provides related training, documentation, and support to client organizations.

During the 2011-2012 fiscal year, the AP team processed over 500,000 transactions, completed the final and largest wave of deployment in June 2011, which effectively doubled the volume of transactions processed and expanded their business line to include accounts payable functions related to numerous client and case management systems.

Highlights from 2011-2012 include:

- developing and rolling out an e-learning module to support training of nearly 1,000 GNB employees on the Imaging and Process Management (IPM) system,
- reducing invoice processing time from 11 days between receipt and routing for approval to an average of 1.5 days,
- achieving a 13 per cent reduction in the number of positions, and
- achieving savings of over \$250,000.



Hire to Retire

This service is responsible for making payroll and benefits payments to 8,702 civil servants and 1,277 casual employees, and pension payments to approximately 28,000 retirees on behalf of the Office of Human Resources. The Payroll and Benefits Services team is also responsible for maintaining employee records, leave entry, and reporting for accounting and regulatory compliance.

By the end of March 2012, staff processed more than 43,000 service requests covering appointments, salary, pension, insured benefits, and other regulatory payments.

Highlights from 2011-2012 include:

- redesigning the Employee Self-Serve (ESS) website,
- launching electronic T4's within ESS,
- standardizing processes and forms through continuous service improvement,
- reducing the Payroll and Benefits Services team by 8 per cent, and
- achieving savings of \$326,000 in the first year of operation.

IT Services

The IT Services Branch provides IT Service Desk (ITSD) and Desktop Services to Part I government employees.

ITSD is the single point of contact for employees who experience an interruption to their computer hardware, software, or network connection, or are requesting information, advice, procurement of IT equipment, or access to other services. The IT Services team provided support to GNB employees in over 375 locations across the province and handled over 87,000 incidents in 2011-2012.

Highlights from 2011-2012 include:

- achieving savings of \$1.2-million through the Microsoft Enterprise Licence Initiative,
- creating an environment that enables IT Services staff to cross train and gain department-specific IT knowledge from their peers, while providing more flexibility in work assignments,
- creating an advanced technical support group to allow staff to specialize in specific technologies, resulting in quicker resolution of complex technical issues, and
- implementing mobile device management software.



Enterprise Services

Formally created in November 2011, Enterprise Services is responsible for the management of business-related initiatives that are common across the Government of New Brunswick. During the 2011-2012 fiscal year, the team focused on the Print Optimization Project, designing a process for new employee/agent ID cards, and preparing for the transfer of the Print Centre and Postal Services to NBISA.

The Print Optimization Project began in the fall of 2010 with a commitment to deploy 2,121 devices to GNB. As of March 31, 2012 almost 1,100 print devices had been deployed to Parts I and IV, and the deployment of approximately 500 devices to Part II began in late March 2012.

The highlight of 2011-2012 was achieving print performance that met or exceeded targets established by industry leaders. Performance related to average cost per impression, number of staff per device, average monthly impressions per device, and percentage of networked devices demonstrated the viability and success of the Print Optimization Project.

Client Relationship Management

Client Relationship Management (CRM) is the process through which client-provider relationships are formed, managed, measured and enhanced. Developing a “trusted partner” relationship with our clients is essential to driving enhanced service and value.

The CRM framework at NBISA focuses on:

- account/relationship management
- service performance management,
- standard process control, and
- service partnership agreements.

Service partnership agreements (SPA) outline how the agency will work with departments to develop a strong partnership culture. NBISA met with all client departments twice to discuss key accomplishments and challenges, key performance indicators, and results from the previous quarter.

Highlights from 2011-2012 include:

- further developing and issuing the SPAs,
- developing a performance reporting process,
- issuing the agency’s first key performance indicator (KPI) report,
- introducing client satisfaction surveys, and
- hosting the agency’s first service improvement workshops with our client departments.

IT Infrastructure and Applications

The IT Infrastructure and Applications Division has two service branches - IT Application Services and IT Infrastructure and Operations.



IT Application Services

IT Application Services is responsible for developing, maintaining and supporting the corporate applications that enable the delivery of a variety of services to clients. Applications supported by the section include the:

- Imaging and Process Management (IPM) system for invoice management (2,100 users),
- Human Resource Information System (HRIS) (10,400 users),
- Genesys payroll system (33,800 users),
- Employee Self-Service (ESS) (16,700 users), and
- Remedy IT service management software (225 users).

Highlights from 2011-2012 include:

- designing and successfully implementing electronic T4s for Part 1 employees, and
- implementing upgrades to the IPM system to improve:
 - year-end functionality by enabling tagging of old-year and new-year to invoices, and
 - the process for handling duplicate invoices.

IT Infrastructure and Operations

IT Infrastructure and Operations provides services and support to Part I of GNB, as well as other agencies and organizations in Parts II and IV. The section is responsible for:

- network and security services,
- IT operations and data centre facilities,
- infrastructure architecture and support, and
- contracts and strategic procurement related to telecommunication services.

Highlights from 2011-2012 include:

- working on a number of service-enhancement projects, including the establishment of a secure wireless service,
- renewing network-connectivity and software-licensing contracts, ultimately reducing expenditures by \$1.8-million annually,

- working with FacilicorpNB on combining e-mail systems that will provide a single service for 34,000 users by late fall 2012, and
- nearing completion of the new data centre that will be used by all four parts of GNB.

The division continues to work in partnership with the Office of the Chief Information Officer to ensure that IT strategies align and support the broader GNB-user community.

Transformation

The Transformation Division of NBISA supports the development of new initiatives, drives transformational change within the agency, and fosters a collaborative environment in which initiatives can rapidly advance. Both collaborative transformation and project management are integral components of the NBISA service delivery model.

Cultural Transformation

The change framework for leading and managing change at NBISA is based on a collaborative approach. The framework provides a structured process, using best-practice methodologies, and tools that support the change process and manage the 'people-side' of change. The five (5) primary areas of focus for leading change at NBISA are:

- supporting leadership alignment,
- enabling workforce transition and culture change,
- implementing process change management,
- building change capacity, and
- fostering stakeholder collaboration.

The highlights of 2011-2012 include:

- developing and implementing a government-wide change plan following a government restructure that helped minimize the impact on service delivery to our clients,
- supporting the transition of IT and Accounts Payable staff to NBISA, and
- engaging with departments in the transfer of services to NBISA.

Project Management Office

During the 2011-2012 fiscal year, the Project Management Office (PMO) provided significant support to the delivery of services within NBISA, by:

- supporting the final wave of deployment of Accounts Payable and IT Services,
- assisting with service stabilization following deployment,
- providing project management support to service delivery improvement initiatives, and
- sending two NBISA business analysts for Lean Six Sigma Black Belt certification.

A key highlight was the strong adoption of Prince2 project management methodology. The agency's PMO supported the development of project management skills and practices across GNB by introducing and encouraging a community of practice and providing educational and training opportunities. This led to 25 employees across five departments earning PRINCE 2 certification.



Agency Services

The Agency Services Division of NBISA is responsible for delivering corporate services to the agency. The division's work is focused on three key areas; financial services, human resources, and the provision of support services to the agency.

During the 2011-2012 fiscal year, Agency Services at NBISA and Corporate Services at the Department of Supply and Services (DSS) were merged. This created a single organizational unit servicing both organizations, effectively creating shared corporate services.

Financial services is responsible for all aspects of financial support to the organization, including the development and monitoring of revenue and expense budgets, the preparation of quarterly forecasts, financial support/advice and the production of the agency's financial statements.

Human resources (HR) is responsible for employee recruitment and retention, strategic HR planning and management, workforce planning, employee engagement, classification, employee relations, performance management, training and development, and the coordination of a variety of employee programs.

Agency Services also supports the agency's day-to-day operations. The key functions provided are reception and mail distribution, translation/print coordination, facilities management, and document management. Additionally, the Division provides the secretariat function to the Board of Directors, coordinates the legislative process, and assists with the production of the annual report.



Performance Measurement



Aligned with GNB's strategic objectives of providing services more efficiently and effectively the New Brunswick Internal Services Agency (NBISA) has developed client-focused services that deliver value and foster collaborative partnerships with the agency's clients through continuous service improvement. At the core of the agency's shared-services model are the service partnership agreements (SPA) that create a "shared responsibility for the delivery of services", and the key performance indicators (KPI) the agency uses to measure and share results on a regular basis.

NBISA openly shares KPIs with client departments, reaffirming the spirit of partnership and co-operation. The KPIs are laid out and agreed to by NBISA and its client departments, as outlined in the SPAs.

Key Performance Indicators

The final service deployments were completed in July 2011, followed by a six-month stabilization period. NBISA began reporting on its KPIs in January 2012. The KPIs support the agency's objective of being a client-focused organization that meets the business requirements of the departments and agencies it serves.

Goal 1: To provide quality service driven by quality people in a competitive environment

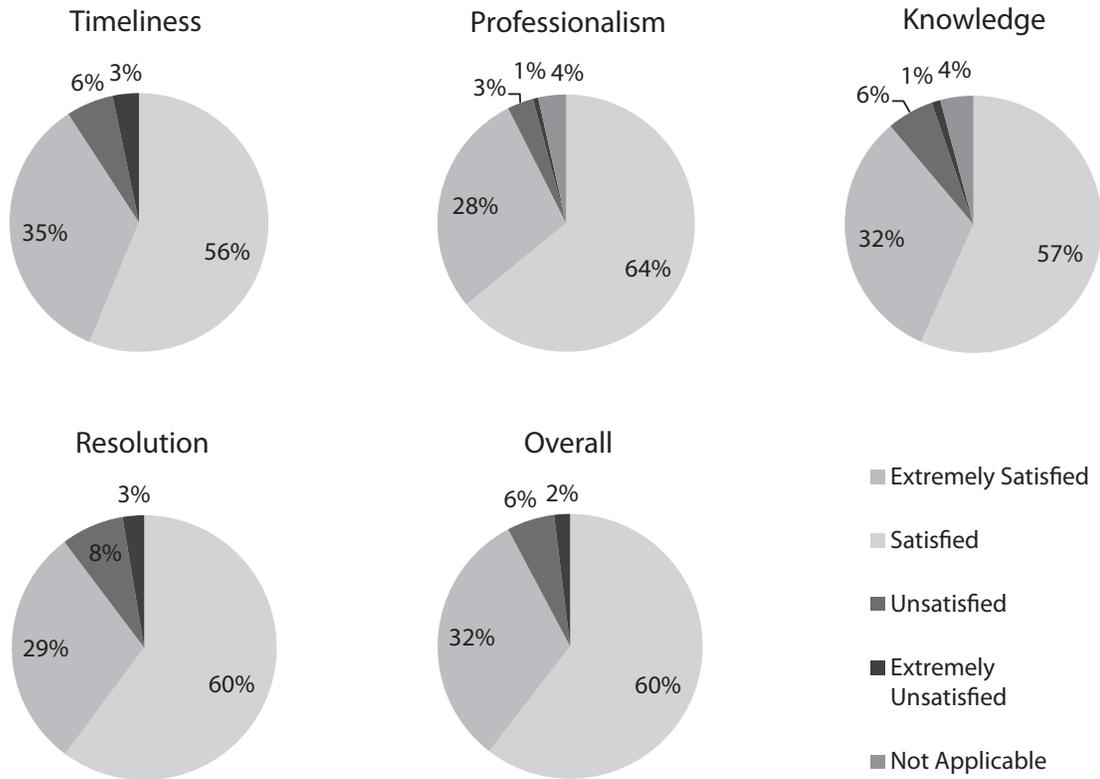
Meeting clients' needs is NBISA's number one goal. Clients are asked for feedback in the areas of timeliness, professionalism and knowledge of the agent, and satisfaction with resolution of their recent inquiry, incident or service request. These measures are collected for each service delivery unit, and aggregated to demonstrate overall satisfaction with the services provided by the agency.

Target:

- Client satisfaction will be met or exceeded for at least 80 per cent of inquiries, incidents and service requests submitted.

Results:

- Client satisfaction is currently measured by follow-up surveys filled out after completion of a service request or incident resolution. Overall, 92 per cent of respondents were satisfied or extremely satisfied with their level of service.



Goal 2: To be client-focused and valued by stakeholders

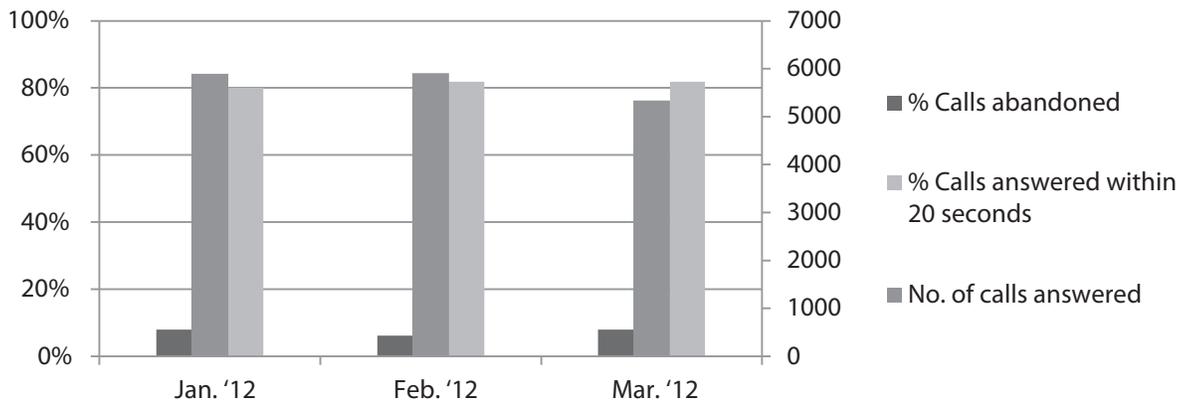
NBISA offers a single point of contact for Part I government employees who are requesting information, advice or access to the services offered at NBISA.

Targets:

- NBISA will be available and receive phone inquiries, incidents and service requests within 20 seconds of the call being received, more than 80 per cent of the time.
- Less than 5% of calls are abandoned by the user (caller hangs up prior to reaching an agent or leaving a voicemail).

Results:

- Through the stabilization period, significant improvements were made to increase the percentage of calls answered in the first 20 seconds, thereby decreasing significantly the number of calls abandoned.



Goal 3: To strategically deliver innovative, effective and efficient services

The primary objective of the NBISA service delivery team is to ensure accurate and timely processing of service requests and inquiries, whether they are related to payments to suppliers, payroll for employees, or IT services. A number of KPIs, aligned with the variety of processes for each of the service delivery areas, are identified, measured and reported for the timeliness of those services.

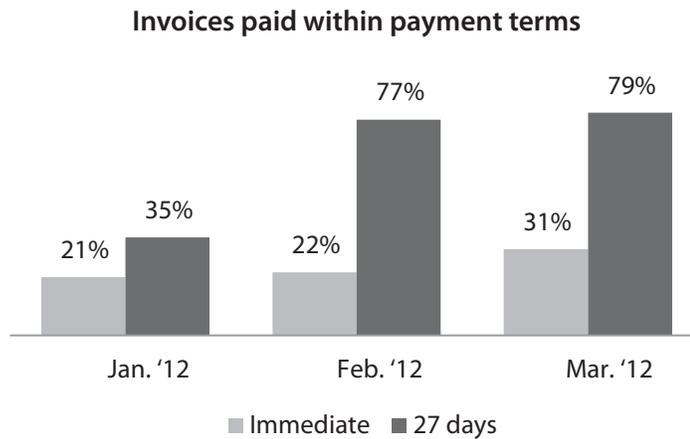
The following KPIs demonstrate the timeliness of the most critical or high-level processes for each of the service delivery areas.

Accounts Payable

Targets:

- >80 per cent of standard invoices approved for payment within 27 days of invoice date.
- >80 per cent of invoices with immediate payment terms approved for payment within five days of invoice date.

Results:

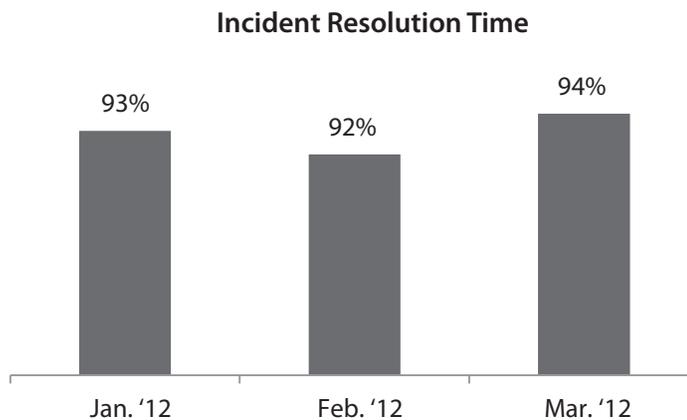


IT Services

Target:

- > 95 per cent of non-business-critical incidents resolved within four business days.

Results:



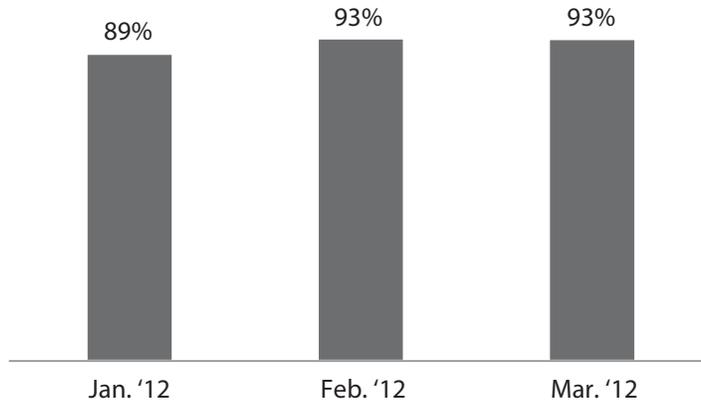
Payroll and Benefits

Target:

- >99.5 per cent of service requests for employee creations, position creations or modifications, employee terminations, leave entries and timesheets are entered within four days of receipt of service requests from the department

Results:

Percentage of Service Requests that Meet KPI



Official Languages

The New Brunswick Internal Services Agency recognizes its obligations under the *Official Languages Act* and is committed to actively offering and providing quality services in both official languages.



Two complaints were filed under the Act during the 2011-2012 fiscal year and both were substantiated and resolved. NBISA continues to work to resolve an outstanding complaint that was made in 2009, prior to the establishment of NBISA, related to the provincial government's automated voicemail system. The system does not adequately meet the Government of New Brunswick's policy on active offer as automated voicemail greetings are not bilingual. We have been actively pursuing this matter with the service provider, Bell Aliant, and are close to resolving the issue.

Public Interest Disclosure Act

The *Public Interest Disclosure Act* facilitates the disclosure and investigation of significant and serious matters in, or relating to the public service that are potentially unlawful, dangerous to the public or injurious to the public interest, and protects people who make those disclosures.

During the 2011-2012 fiscal year, the New Brunswick Internal Services Agency did not receive nor act on any disclosures of wrongdoings under the Act, no investigations were initiated, and no claim was referred to the agency by the Ombudsman under section 23 of the Act.

Financial Statements

Management is pleased to present the Financial Statements for the New Brunswick Internal Services Agency for fiscal year ending March 31, 2012.



MAJOR BUDGET-TO-ACTUAL VARIANCE EXPLANATIONS:

Revenue:

Service Delivery Revenue

Revenue exceeded budget by \$4.7M primarily due to the implementation of the Microsoft Enterprise Licence initiative and the Print Optimization Project.

Expenses:

Infrastructure and Applications Support

Expenses were lower than budget by \$1.4M. NBISA follows Public Sector Accounting Standards with respect to tangible capital assets. Consequently, expenditures related to the acquisition of computer hardware have been capitalized. In addition, program expenditures were lower than anticipated.

Operations

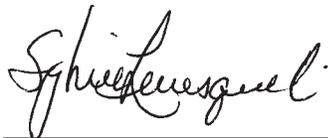
Expenses were higher than budget by \$1.5M primarily due to implementation of the Microsoft Office Enterprise initiative and the Print Optimization project.

Management Report

The preparation of financial information is an integral part of management's responsibilities and the accompanying financial statements are the responsibility of the management of the agency.

The agency maintains an accounting system and related controls to provide management and the Board of Directors with reasonable assurance that transactions are executed and recorded as authorized, that assets are properly safeguarded and accounted for, and that financial records are reliable for the preparation of financial statements in accordance with Canadian public sector accounting standards.

It is the responsibility of the NBISA Board of Directors to oversee management's performance of its financial reporting responsibilities and to review and approve the financial statements. It is assisted in its responsibilities by the NBISA Audit and Finance Committee. This committee reviews and recommends approval of the financial statements, and meets periodically with management and the external auditors concerning internal controls and other financial matters.



Sylvie Levesque-Finn
President



Dan Rae, CGA
Vice President of Corporate Services

Fredericton, N.B., Canada
June 14, 2012





AUDITOR GENERAL OF NEW BRUNSWICK

INDEPENDENT AUDITOR'S REPORT

To the Chairperson and Board of Directors
New Brunswick Internal Services Agency

I have audited the accompanying financial statements of the New Brunswick Internal Services Agency, which comprise the statement of financial position as at March 31, 2012, and the statement of operations and change in accumulated surplus, and the statement of change in net financial assets for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the New Brunswick Internal Services Agency as at March 31, 2012, and the results of its operations, changes in its net financial assets, and changes in its accumulated surplus for the year then ended in accordance with Canadian public sector accounting standards.

Kim MacPherson, CA
Auditor General

Fredericton, N.B.
October 2, 2012



New Brunswick Internal Services Agency
Statement of Financial Position
As at March 31, 2012

Assets	2012	2011
Financial Assets		
Due from Province of New Brunswick	\$ 8,805,261	\$ 2,329,359
Other Accounts Receivables	878,962	93,000
Total Financial Assets	9,684,223	2,422,359
Liabilities		
Current Liabilities		
Accounts Payable and Accrued Liabilities (Note 8)	3,853,133	954,342
Total Liabilities	3,853,133	954,342

Net Financial Assets	5,831,090	1,468,017
----------------------	-----------	-----------

Non-Financial Assets	2012	2011
Prepaid Expenses	410,841	196,209
Tangible Capital Assets (Note 12)	10,519,079	8,689,597
Deferred Capital Contributions (Note 7)	(8,937,930)	(8,689,597)
Total Non-Financial Assets	1,991,990	196,209

Accumulated Surplus	\$ 7,823,080	\$ 1,664,226
---------------------	--------------	--------------

Contingent Liabilities Note 10

Lease Commitments Note 11

The accompanying notes are an integral part of these Financial Statements.

Marc Léger
Chairperson - Board of Directors

Dale Wilson
Member - Audit & Finance Committee



New Brunswick Internal Services Agency Statement of Operations & Change in Accumulated Surplus For the year ended March 31, 2012

Revenue	2012 Budget	2012 Actual	2011 Actual
Province of New Brunswick			
Transfer	\$ 22,091,217	\$ 22,091,217	\$ 20,031,429
Service Delivery	13,221,986	17,970,311	12,979,376
Amortization of Deferred Capital Contributions	-	672,831	261,058
	35,313,203	40,734,359	33,271,863
Expense			
Executive Administration	575,481	459,144	432,845
Agency Administration	3,549,629	3,351,418	2,748,394
Transformation	1,469,533	932,832	1,554,266
Infrastructure & Applications Support	16,697,845	15,277,496	14,165,587
Operations	13,020,715	14,554,615	12,706,545
	35,313,203	34,575,505	31,607,637
Annual Surplus	-	6,158,854	1,664,226
Accumulated Surplus - Beginning of Year	1,664,226	1,664,226	-
Accumulated Surplus - End of Year	\$ 1,664,226	\$ 7,823,080	\$ 1,664,226

The accompanying notes are an integral part of these Financial Statements.



New Brunswick Internal Services Agency Statement of Change in Net Financial Assets For the year ended March 31, 2012

	2012 Actual	2011 Actual
Net Financial Assets at Beginning of Year	\$ 1,468,017	\$ -
Changes in Year		
Annual Surplus	6,158,854	1,664,226
Acquisition of Tangible Capital Assets	(2,717,982)	(8,950,655)
Amortization of Tangible Capital Assets	888,500	261,058
Deferred Capital Contributions Received	921,164	8,950,655
Amortization of Deferred Capital Contributions	(672,831)	(261,058)
Net Change in Prepaid Expenses	(214,632)	(196,209)
Increase in Net Financial Assets	4,363,073	1,468,017
Net Financial Assets at End of Year	\$ 5,831,090	\$ 1,468,017

The accompanying notes are an integral part of these Financial Statements.

1. *New Brunswick Internal Services Agency*

New Brunswick Internal Services Agency (hereafter referred to as the Agency) is responsible for developing and managing the delivery of shared services internal to government in the areas of finance, administration, human resources and information technology.

The *New Brunswick Internal Services Agency Act* was proclaimed and came into force May 1, 2010.

The Agency is responsible for the preparation of the financial statements and the accompanying notes.

2. *Accounting Policies*

General

These financial statements are prepared using the Agency's accounting policies stated below, which are based on Canadian public sector accounting standards (PSAS).

Cash

The Agency does not have a separate bank account; Agency expenses and revenues flow through the Province of New Brunswick's ("the Province") bank accounts.

Asset Classification

Assets are classified as either financial or non-financial. Financial assets are assets that could be used to discharge existing liabilities or finance future operations and are not to be consumed in the normal course of operations. Non-financial assets are acquired, constructed or developed assets that do not normally provide resources to discharge existing liabilities but instead are employed to deliver government services, may be consumed in normal operations and are not for resale. Non-financial assets include prepaid expenses and tangible capital assets.

Tangible Capital Assets

Tangible capital assets are assets owned by the Agency which have useful lives greater than one year. Certain dollar thresholds have been established for practical purposes.

Tangible capital assets are reported at gross cost. Contributions received to assist in the acquisition of tangible capital assets are reported as Deferred Capital Contributions and amortized to income at the same rate as the related asset.

Tangible capital assets are amortized on a straight-line basis over their estimated useful lives.

In the year of acquisition and of disposal, one-half of the annual amortization expense will be recorded.

Thresholds and Amortization Rates		
Class	Cost Thresholds	Amortization Rate
Buildings	\$ 100,000	40 years
Leasehold Improvements	\$ 100,000	Lease Term
Capital Leases (various classes)	As per related class	Terms of lease
Computer Hardware	\$ 30,000	Expected Life
Software Acquisition and Development	\$ 30,000	Expected Life
Motor Vehicles	\$ 15,000	5 – 10 years
Major Equipment	\$ 15,000	5 – 15 years
First Time Equipping of New Buildings	\$ 100,000	5 years
Assets Under Construction (various classes)	As per related class	n/a

Revenue

Revenue is recognized on an accrual basis as earned. Amounts receivable but deemed uncollectable are recognized as bad debt expense.

Pension Expenses

Regular employees of the Agency are covered by the Public Service Superannuation Plan of the Province. The Superannuation Plan is a defined benefit multi-employer plan under which contributions are made by both the Province and the employees. Refer to the Agency Expenses Paid by Other Parties note below for further information.

Agency Expenses Paid by Other Parties

Employer expenses such as Pension contributions (\$ 1.1 million), Canada Pension Plan (\$ 0.6 million), Retirement Allowance expenses (\$ 0.3 million) and Sick Leave Accrual are paid and expensed by the Province on behalf of the Agency. These expenses and the related asset/liability balances are not presented in these financial statements. Under the agreed operating terms of the Agency, these benefit plan balances will remain obligations/assets of the Province and will not be assumed by the Agency.

Measurement Uncertainty

The preparation of financial statements in accordance with PSAS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The most significant areas requiring the use of management estimates relate to the determination of future employee benefits and amortization. Actual results could differ from those estimates.

3. Statement of Cash Flows

A statement of cash flows has not been prepared as the required cash flow information is readily apparent from the other financial statements.

4. Budget

The revenue budget amounts included in these financial statements are comprised of the transfer from the Province as well as service delivery charges to departments and other government organizations. They have not been audited.

5. Financial Instrument Risk

The reported value of financial instruments which comprise due from Province of New Brunswick, other accounts receivable, accounts payable and accrued liabilities approximate their fair values due to the short-term maturity of these instruments.

Potential credit risk related to accounts receivable is low due to the fact that a significant portion of the receivable balance is due from provincial government organizations.

6. Related Entity Transactions

The Agency is solely owned by and is economically dependent on the Province.
The Statement of Financial Position contains the following related entity amounts:

	2012	2011
Due from Province of New Brunswick and Other Accounts Receivable	\$ 9,646,453	\$ 2,329,359
Deferred Capital Contributions	\$ 8,937,930	\$ 8,689,597

The Statement of Operations and Change in Accumulated Surplus contains the following related entity amounts:

	2012	2011
Revenue	\$ 40,734,359	\$ 33,271,863
Expense	34,550,505	31,577,637
Net Revenue	\$ 6,183,854	\$ 1,694,226

The expense amount reported above is for expenses incurred on behalf of the Province.

7. Deferred Capital Contributions

Deferred capital contributions were realized as a result of the transfer of assets from the Province necessary to support delivery of the Agency's mandated services.

The changes in the balance of deferred capital contributions during the year are as follows:

	2012	2011
Balance, Beginning of Year	\$ (8,689,597)	\$ -
Contributions Received	(921,164)	(8,950,655)
Amortized to Revenue During the Year	672,831	261,058
Balance, End of Year	\$ (8,937,930)	\$ (8,689,597)

8. Accounts Payable and Accrued Liabilities

	2012	2011
Regular Accounts Payables	\$ 3,254,077	\$ 441,616
Salary and Benefit Accruals	30,439	16,851
Vacation Liability	568,617	495,875
	\$ 3,853,133	\$ 954,342

9. Expenses by Object

	2012	2011
Personal Services	\$ 15,482,575	\$ 14,440,630
Other Services	16,388,776	15,796,577
Materials and Supplies	185,374	190,738
Property and Equipment	1,630,280	918,634
Amortization	888,500	261,058
	\$ 34,575,505	\$ 31,607,637

10. Contingent Liabilities

The Agency does not carry general liability insurance on its assets. Any successful liability claims against the Agency and any replacement of lost or damaged property are charged to expense in the year of settlement or replacement. In management's judgement, no material exposure exists at this time as there are no known or potential litigations.

11. Lease Commitments

The following are future minimum payments for leased premises and equipment for the years ending:

	Amount
2013	\$ 5,044,663
2014	5,519,216
2015	5,519,216
2016	5,519,216
2017	5,524,616
Thereafter	17,310,011
	\$ 44,436,938

The above amounts include future minimum payments for Print devices leased on behalf of the Province.

12. Tangible Capital Assets

					2012	2011
	Computer Hardware	Leasehold Improvements	First Time Equipping of New Buildings	Assets Under Construction	Total	Total
Estimated Useful Life (Years)	Expected Life	Lease Term	5 Years	As related Class		
Cost						
Opening Cost	\$ -	\$ 816,307	\$ 1,794,274	\$ 6,340,074	\$ 8,950,655	\$ -
Additions / (Transfers)	5,786,936	3,271,120	-	(6,340,074)	2,717,982	8,950,655
Closing Cost	5,786,936	4,087,427	1,794,274	-	11,668,637	8,950,655
Accumulated Amortization						
Opening Accumulated Amortization	-	81,630	179,428	-	261,058	-
Amortization Expense	315,422	214,223	358,855	-	888,500	261,058
Closing Accumulated Amortization	315,422	295,853	538,283	-	1,149,558	261,058
Net Book Value	\$ 5,471,514	\$ 3,791,574	\$ 1,255,991	\$ -	\$ 10,519,079	\$ 8,689,597

13. Comparative Figures

Certain 2011 figures have been restated to conform to 2012 presentation.

New Brunswick Internal Services Agency

Brookside Place
435 Brookside Drive
Fredericton, NB E3A 8V4

Tel.: (506) 444-4600, Fax: (506) 444-3784

