



New Brunswick Internal Services Agency

Annual Report
2012-2013

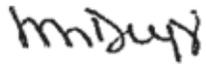
September 27, 2013

The Honourable Sue Stultz
Minister responsible for the New Brunswick Internal Services Agency
Government 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 2012-2013 fiscal year.

Sincerely,

A handwritten signature in black ink, appearing to read "m Dupuis".

Jean-Marc Dupuis
Chairperson, Board of Directors



Service New Brunswick Annual Report
2012-2013

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President's Report 2012-2013

The 2012-2013 fiscal year was a time of continued growth and transition for the Agency. The Agency aligned with the Department of Government Services and Service New Brunswick under a common Minister and Deputy Minister/President in March 2012. An integrated Executive Management Team was established that combined the three organizations' expertise, experience and leadership in shared service. This enabled us to focus on ensuring a consistent and comprehensive approach to the delivery of high-quality services that provide maximum value to our clients within the Government of New Brunswick.

Thanks to a team of dedicated employees focused on improving the delivery of our services, we have a great deal to be proud of in our third year of operation. Among the highlights:

- introduction of an online leave management module in Employee Self-Service,
- completion of the Print Optimization Initiative, resulting in more than \$2 million in savings,
- introduction of a single, secure and standard identification card for employees and agents of the Government of New Brunswick, and
- savings achieved through renegotiation of contract for IT Services.

Additionally, the Agency was accepted as an adopter of the Government of New Brunswick's Performance Excellence Process.

I would also like to acknowledge our Board of Directors for their continued support and guidance. They continue to be essential to our success.

I look forward to further building and aligning shared services within the Government of New Brunswick. The Agency remains focused on achieving economies of scale, gaining efficiencies and streamlining our processes, all to better respond to the needs of our clients.

Sincerely,



Kim Daley

About New Brunswick Internal Services Agency

The New Brunswick Internal Services Agency (the "Agency") 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 the Agency 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 ten 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. Members of the Agency's Board of Directors during 2012-2013 included:

Jean-Marc Dupuis (Chairperson)
Deputy Minister
Transportation and Infrastructure

Dale Wilson
(Vice-Chairperson and
Chairperson, Audit and
Finance Committee)
Deputy Minister
Public Safety

Kim Daley
Deputy Minister
Human Resources

Edith Doucet
Deputy Minister
Social Development

Jane Garbutt
Deputy Minister
Finance

Byron James
Clerk
Executive Council Office

Marc Léger
Deputy Minister
Health

Tom Mann
Deputy Minister
Post-Secondary Education,
Training and Labour

Gérald Richard
Deputy Minister
Education and Early
Childhood Development

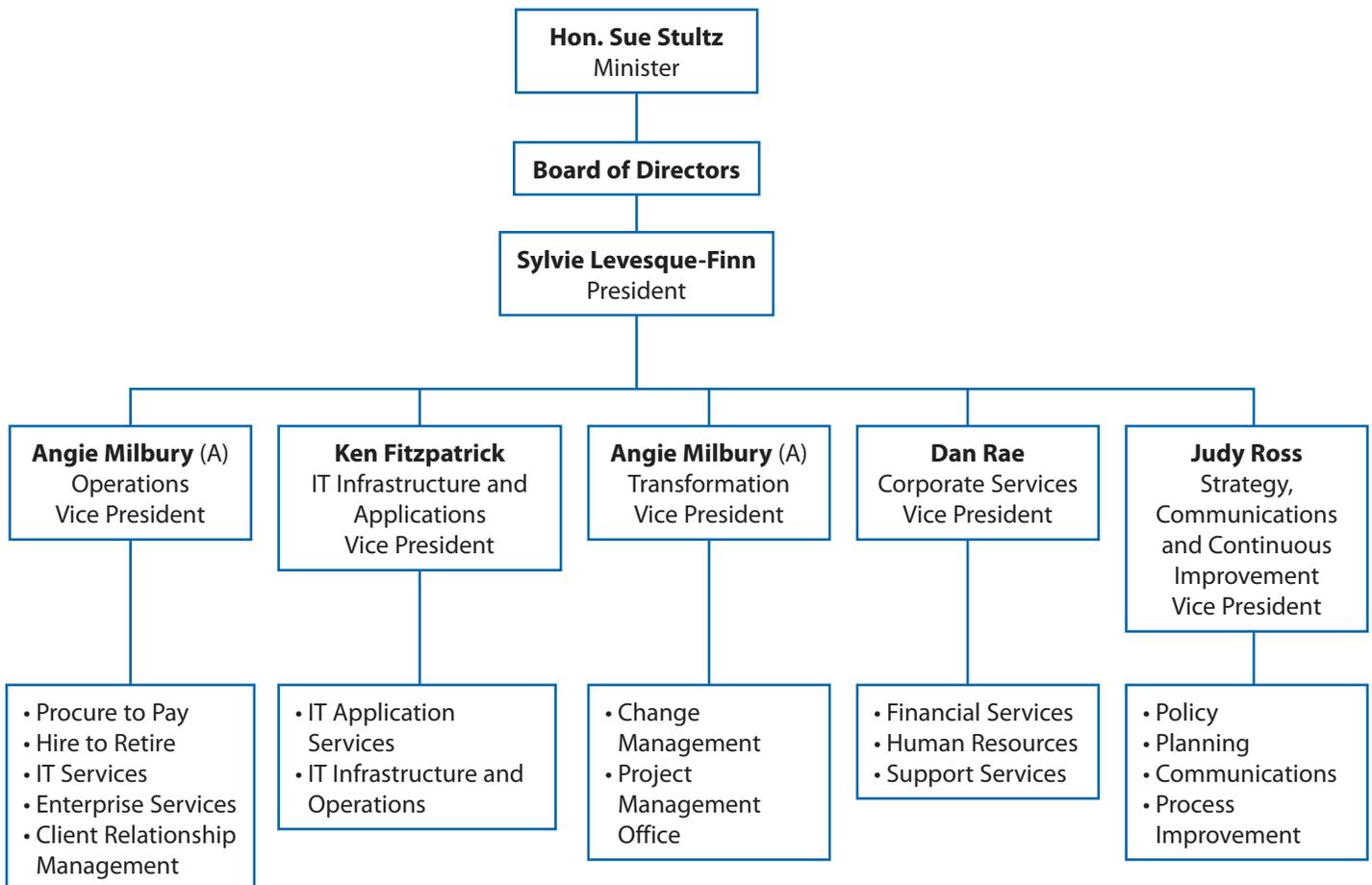
Sylvie Levesque-Finn
President, New Brunswick Internal
Services Agency
President, Service New Brunswick
Deputy Minister
Government Services

Organization and People

Staffing

As of March 31, 2013, the Agency has a total of 319 employees, 228 of which are located at the Agency's headquarters at Brookside Place and another 29 providing IT desk-side support in Fredericton. The remaining 57 employees are regionally located, providing IT desk-side support, accounts payable and payroll services.

Organizational Chart*



(A) = Acting

* As of March 31, 2013

Operations

The Operations Division offers Payroll and Benefits, IT Services, Accounts Payable and Enterprise Services to more than 10,500 employees in 17 government departments.

This year, the Agency stabilized the delivery of these common services and introduced repeatable, re-usable processes, supported by performance metrics and partnership agreements.

Procure to Pay

Procure to Pay manages the delivery of Accounts Payable services to Part I government departments and agencies covering both standard payables, as well as transactions associated with numerous Client and Case Management Systems used to deliver programs for client departments.

The Accounts Payable services team is responsible for the provision and management of transactional services, ensuring compliance with procurement rules and regulations, administration of the purchase-card and i-Expense processes, supplier maintenance, payment processing, and for the attainment of Key Performance Indicators established as part of Service Partnership Agreements with respective customers. The team also provides end-user guidance, documentation and support to client organizations.

During the 2012-2013 fiscal year, the Accounts Payable team processed over 600,000 transactions affecting 50,000 payees, representing payments in excess of \$5 billion.

Key highlights for the year:

- implementing technology enhancements to improve processing efficiency;
- consolidating of regional functions;
- providing significant support to the Government of New Brunswick Financial Information System upgrade; and
- surpassing targeted savings in operating costs by over \$500,000.

Hire to Retire

This service is responsible for making payroll and benefits payments to approximately 8,700 civil servants and 1,280 casual employees and pension payments to approximately 29,000 retirees on behalf of the Department of Human Resources. The Payroll and Benefits Services is also responsible for maintaining employee records, leave entry, and reporting accounting and regulatory compliance.

During the fiscal year ending March 31, 2013, Payroll and Benefits Services staff processed more than 37,000 service requests and over 226,000 transactions covering appointments, salary, pension and insured benefits and other regulatory payments.

Key highlights for the year:

- employees now have the ability to enter leave requests online;
- development and implementation of standard forms reducing forms from 30 to three;
- development of an online tool through Employee Self-Service to implement Department of Human Resource's Payout in Lieu of Retirement Allowance, along with developing internal procedures and forms;
- standardizing processes through continuous service improvement; and
- thereby achieving cumulative savings of \$1.452 million.

IT Services

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

IT Service Desk 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 Government of New Brunswick employees in 375 locations across the province and handled over 90,000 incidents in 2012-2013.

Key highlights for the year:

- maintenance of IT Service Desk satisfaction indexes consistently above 90%;
- upgrade of the management system for corporate desktop and laptops;
- launch of new End Point Encryption service to improve the security of corporate data on desktop and laptop devices;
- consolidation of the corporately managed laptop and desktop fleet in order to allow better use of existing resources;
- enhancement to the service management system, Remedy, to automatically discover and track desktop and laptop asset information;
- deployment of standardized desktop and laptop hardware policies including managed refresh procedures;
- completion of Lean Six Sigma process improvements within IT Procurement processes resulting in improved client experience, increased employee productivity and faster purchase turnaround times; and
- commencement of contract insourcing activities for IT Service Desk and Desktop Services-related functions.

Enterprise Services

Enterprise Services is responsible for the management of business-related services that are common across the Government of New Brunswick which currently includes: the Print Centre, Postal Services, Print Optimization and Employee/Agent identification cards. The Print Centre as well as Postal Services was transitioned mid-year from the Department of Government Service to the Agency.

Print Centre

The Print Centre is the resource centre for the production and distribution of government documents. It provides high-speed digital printing service for both black and white and colour print requests along with finishing capabilities such as collating, cutting and binding.

Key highlights for the year:

- 2,342 in-house requests representing 9.7 million impressions were processed; and
- 428 print requests, individually valued at less than \$5,000, were tendered externally due to customized or specific requirements.

Postal Services

Postal Services provides a centralized mail and delivery service to the Government of New Brunswick from its main processing facility in Fredericton. Regional inter-office mail services are provided to Bathurst, Miramichi, Moncton, Saint John, Richibucto, Campbellton, Edmundston, Grand Falls and Woodstock.

Key highlights for the year:

- 3.55 million pieces of mail processed and metered (postage applied);
- 4.2 million pieces of inter-office mail sorted and delivered internally; and
- a new Maritime courier Request for Proposal was led by New Brunswick and is expected to save in excess \$500,000 for New Brunswick over three years.

Print Optimization

The deployment phase of the Print Optimization Initiative was successfully completed on October 26, 2012 in Part I of Government. This involved replacing over 4,400 devices with 1,926 new, more efficient devices in over 350 locations across the province.

All Key Performance Indicators in the project, including cost per impression and employee to device ratio were either met or exceeded. A chargeback model was implemented that provides all departments with an accurate and fully transparent costing of their print requirements and usage.

Phase I deployments were also completed in Part II of Government (Schools and School Districts) representing 431 new devices with deployments on-going at New Brunswick Community College and Collège communautaire du Nouveau-Brunswick.

Key highlights for the year:

- in excess of \$2 million in savings were achieved in Part I; and
- replacing single function devices with multifunctional devices capable of fax, print, scan and copy.

Employee/Agent Identification Cards

This new service was launched in January 2013 and provides a secure and standardized process for the acquisition and distribution of government issued identification cards for those employees/agents that may need to establish their identity as a government employee or agent within the performance of their duties.

The process for applying for and receiving a card is fully paperless and leverages existing infrastructure within the Department of Public Safety, Service New Brunswick and the Agency. The new process has eliminated duplicate equipment for producing cards.

Client Relationship Management

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

The Client Relationship Management framework at the Agency focuses on:

- standard process control;
- service partnership agreements;
- performance measurement and reporting;
- account/relationship management;
- client contact management;
- client feedback; and
- continuous improvement.

Service Partnership Agreements outline the services offered including performance expectations and how the Agency will work with departments to develop a strong partnership and deliver value to Government. Over the course of the year, the Agency facilitated 12 operational delivery forums with client groups to discuss key accomplishments and challenges and to present quarterly key performance indicators.

Key highlights for the year:

- issuing and signing of the Service Partnership Agreements;
- further development of the performance reporting process and expansion to additional service areas;
- commencing the roll-out of client satisfaction surveys; and
- facilitating a formalized service review of IT services.

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 Branch include:

- Imaging and Process Management system for invoice management (2,100 users);
- Human Resources Information System (10,500 users);
- Genesys payroll system (33,800 users);
- Employee Self-Service for online access of employee records (16,700 users);
- Remedy IT service management software (225 users); and
- Project In A Box for Project Management support (73 users).

Key highlights for the year:

- changes to the Imaging and Process Management system to align with Government's Financials System upgrade of 2012; and
- implementation of an asset management interface to the Remedy software to allow for desktop and laptop inventory management for Part I.

IT Infrastructure and Operations

IT Infrastructure and Operations provides services and support to Part I of Government of New Brunswick as well as other agencies and organizations in Parts II and IV. The Branch 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.

Key highlights for the year:

- renegotiated the Master Services Agreement for IT Services, reducing expenditures by \$3 million over two years;
- issued a tender for voice wireless services which has reduced cost by 57% resulting in savings to departments of \$2 million a year;
- designed a new secured network (Service Block) to provide services to all parts of Government reducing duplication of services and costs;
- established the new data centre for use by Government organizations;
- added organizations to the Government of New Brunswick network thereby avoiding \$400,000 in capital expenditures; and
- enhanced the Department of Transportation and Infrastructure radio dispatch network (provincial mobile communication centre) saving \$44,000 annually.

Transformation

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

Change Management

The framework for leading and managing change at the Agency 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 primary areas of focus for leading change at the Agency are:

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

Key highlights for the year:

- established a change management forum for all change management practitioners within the Government of New Brunswick;
- conducted workshops and service reviews with our clients and other stakeholders to support change initiatives and service delivery;
- developed and implemented an action plan to support Employee Engagement; and
- implemented an Agency Operational Training Plan focused on building internal capacity through operational development for employees and management.

Project Management Office

In September 2012, the Project Management Office celebrated its first year in operation. It has continued to build on its best practice framework, by establishing a Project Prioritization and Selection process that enables the selection and management of the Agency's portfolio of projects.

The Project Management Office also provided significant support to the delivery of services within the Agency, by providing project management support to:

- Microsoft Exchange 2010 Upgrade for Parts I and III;
- Print Optimization project close out and transition to Enterprise Services;
- Payroll Request for Information project for Parts I, II and III of Government;
- Government Employee/Agent Identification Card implementation;
- Data Centre Migration; and
- IT Services Transformation.

A key highlight was the continued skill development with over 80% of Project Managers successfully achieving Project Management Professional certification. The Project Management Office continues to support the development of project management skills and practices across the Government of New Brunswick by encouraging a community of practice and providing educational and training opportunities.

Corporate Services

The Corporate Services Division of the Agency 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.

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

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

Corporate Services also supports the Agency's day-to-day operations. The key functions provided are reception, mail distribution, translation and print coordination, facilities management and records management. Additionally, the Division provides the secretariat function to the Audit and Finance Committee of the Board of Directors.

Strategy, Communications and Continuous Improvement

Duties of the Policy Branch include advancing the organization's legislation and corporate policies, as well as liaising with central departments and other governments on policy issues. The Branch also coordinates briefing materials for the President and Minister and is responsible for oversight of the access to information and protection of personal information.

The Planning Branch leads the strategic planning process, including developing and monitoring of business plans, annual action plans and performance metrics using the balanced scorecard methodology.

Communications is responsible for the day-to-day communication needs of the Agency and the employee intranet. This year, a new client intranet site was launched after extensive consultation with clients.

The Process Improvement Branch leads continuous improvement efforts within the organization. Facilitators trained in Lean Six Sigma methodology lend their expertise in business process improvement to improve efficiencies and play a supportive role by coaching in best practice methodologies.

Performance Measurement

Aligned with the Government of New Brunswick's strategic objectives of providing services more efficiently and effectively to "live within our means", the Agency has developed client-focused services that deliver value and foster collaborative partnerships with clients through continuous service improvement. At the core of the Agency's shared-services model are the Service Partnership Agreements that create a "shared responsibility for the delivery of services", and the Key Performance Indicators measure and share results on a regular basis.

The Agency openly shares Key Performance Indicators with client departments, reaffirming the spirit of partnership and co-operation. The Key Performance Indicators are laid out and agreed to by the Agency and our client departments.

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

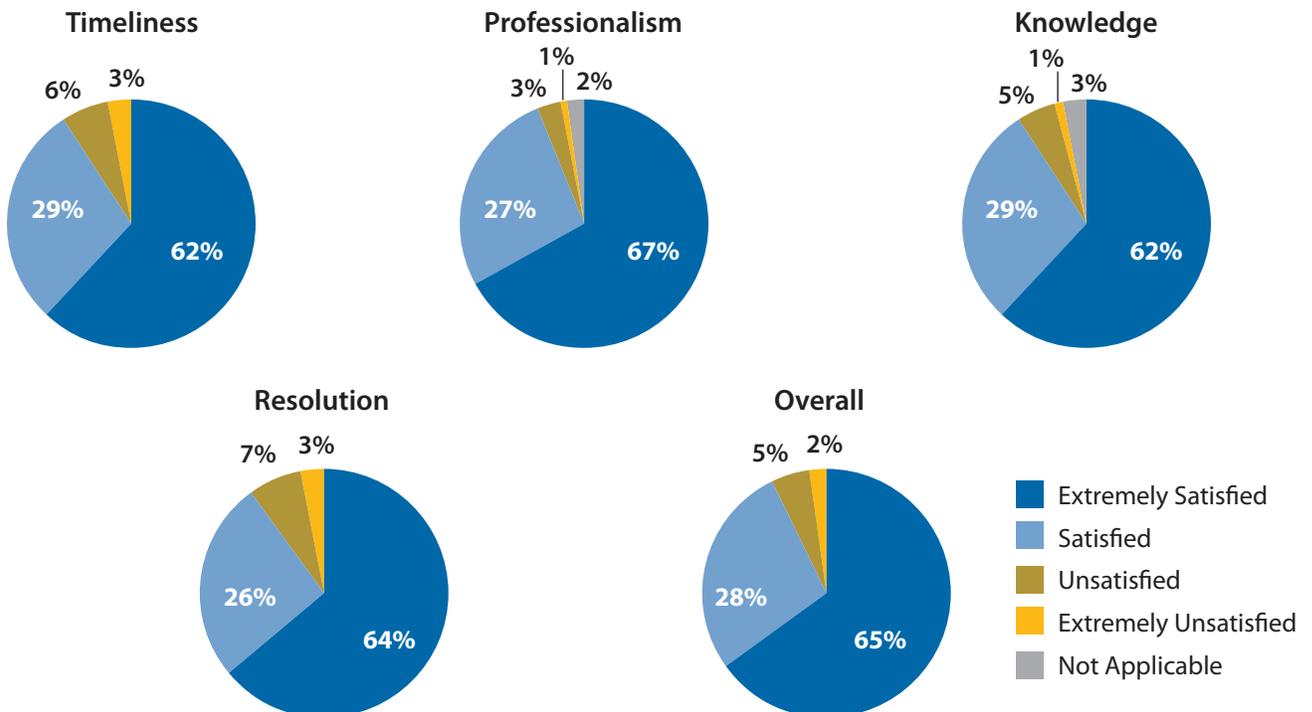
Meeting clients' needs is the Agency's number one goal. Clients are asked for feedback in the areas of timeliness, professionalism and knowledge of the agent, and satisfaction with resolution of their recent inquiry, incident or service request. These measures are collected for each service-delivery 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% 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, 93% of respondents were satisfied or extremely satisfied with their level of service.



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

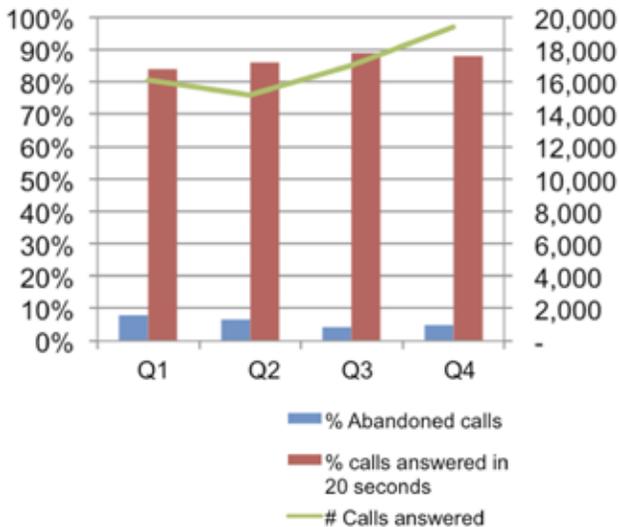
The Agency offers a single point of contact for Part I government employees who are requesting information, advice or access to the services offered at the Agency.

Targets:

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

Results:

Over the fiscal year, focus has been placed on increasing the availability of staff providing front line support, which includes answering calls for their service areas. Despite the increase in call volume through the year, considerable improvements have been made, as demonstrated by the reduction in abandoned calls and the stability of calls answered within 20 seconds.



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

The primary objective of the Agency 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 Key Performance Indicators, aligned with the variety of processes for each of the service delivery area, are identified, measured and reported for the timeliness of those services.

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

Accounts Payable

Targets:

- >80% of standard invoices approved for payment within 27 days of invoice date.

Results:

Accounts Payable has been challenged with receiving invoices from suppliers or from departmental clients in a timely manner. In excess 35% of invoices were more than 15 days old and 18% were overdue when received at the Agency.



IT Services

Target:

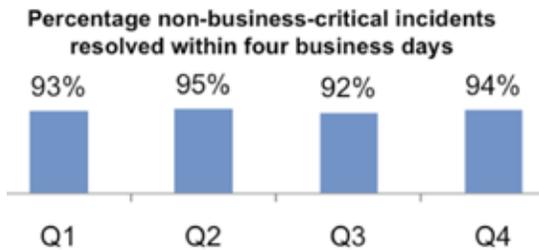
- >95% of non-business-critical incidents resolved within four business days.

Results:

This Key Performance Indicator with a target resolution of >95% is intended to measure results for incidents that are transactional in nature. For example, user cannot print or user cannot connect to the network.

Currently, within the Agency's environment, non-transactional requests (training setup, computer refresh, departmental application support requests, etc.) are also included in this measure. Also, approximately 10% of all incidents are logged and routed to department applications groups.

Future system enhancements planned for the service management tool (Remedy) for fiscal 2013-2014 will lead to more improved reporting on this measure.



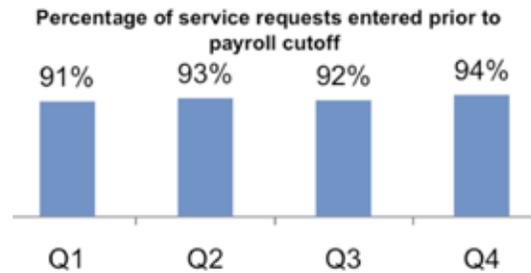
Payroll and Benefits

Target:

- >99.5% of service requests for employee creations, position creations or modifications, employee terminations, leave entries and timesheets are entered prior to payroll cutoff.

Results:

Delay in receipt of service requests from departments has been a challenge. More than 28% of service requests were received after the respective deadline for data entry.



Official Languages

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

One complaint was filed against the Agency under the Act during the 2012-2013 fiscal year. The complaint was substantiated and action is being taken to resolve the complaint.

Public Interest Disclosure Act

The purpose of the *Public Interest Disclosure Act* is to:

- Facilitate 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
- Protect persons who make those disclosures.

During the 2012-2013 fiscal year, the Agency did not receive nor act on any disclosures of wrongdoings under the Act, and no investigations were initiated.

During the same fiscal year, no claim was referred to the Agency by the Ombudsman under section 23 of the Act.

14 Financial Statements, Discussion and Analysis

The Financial Statement Discussion and Analysis presents management's commentary on the financial position of the Agency, and is meant to be used as supporting information to the March 31, 2013 audited financial statements. This discussion highlights key features of the financial statements.

Overview of the Financial Statements

The Agency's financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles for public sector entities. These statements consist of:

- A Statement of Financial Position
- A Statement of Operations & Change in Accumulated Surplus
- A Statement of Change in Net Financial Assets
- A Statement of Cash Flows
- Notes to the Financial Statements

New Accounting Standards

Effective April 1, 2012, the Agency adopted PS 1201 – *Financial statement presentation* and PS 3450 – *Financial instruments*. The impact of these accounting standards is not significant, affecting only disclosures in the notes to the financial statements. Some of this increased disclosure can be seen in Note 2 Accounting Policies under Financial Instruments and Note 5 Risk Management. The Agency's Financial Instruments at March 31, 2013 consist of: Cash and Cash Equivalents, Accounts Receivable, Accounts Payable and Accrued Liabilities.

Effective April 1, 2012, the Agency adopted PS 3410 – *Government transfers*. The new standard was retroactively adopted and therefore, 2012 comparative figures have been restated. The standard revises the recognition criteria for government transfers, affecting how the Agency accounts for such transfers. This has a direct impact on the deferred capital contribution balance which consists of revenue received from the Province to acquire tangible capital assets. Previously, deferred capital contributions were amortized over the estimated useful life of the asset acquired to match the amortization expense recorded for the asset.

Key adjustments resulting from the adoption of this accounting policy are as follows: The 2012-2013 financial statements have been adjusted to eliminate the deferred capital contribution at April 1, 2011. The impact is to remove the deferred capital contribution amount and adjust the accumulated surplus amount. This resulted in an increase of \$8.69 million in the April 1, 2011 opening balance of Accumulated Surplus. Also during 2012 \$921,000 in capital contributions were received and recorded as revenue.

The Statement of Financial Position and the Statement of Operations & Change in Accumulated Surplus have been restated to reflect the changes.

Significant Financial Variances

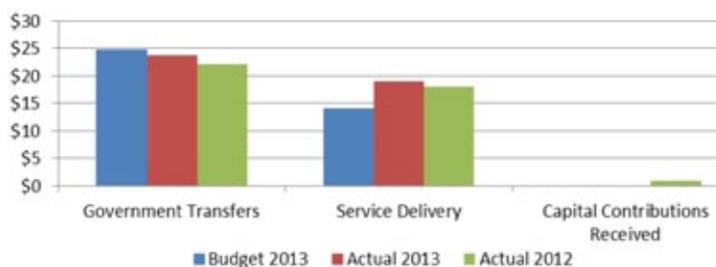
The following table compares 2012-2013 actuals to 2011-2012 actuals, as well as to budgeted figures for 2012-2013.

Financial Statement Analysis For the year ended March 31 STATEMENT OF OPERATIONS

	Budget 2013	Actuals 2013	Actuals 2012	Actuals Difference	Budget Difference
Revenues					(under) / over
Government Transfers	\$24,698,000	\$23,799,476	\$22,091,217	\$1,708,259	\$(898,524)
Service Delivery	14,028,710	18,995,972	17,970,311	1,025,661	4,967,262
Capital Contributions Received	-	-	921,164	(921,164)	-
TOTAL REVENUE	38,726,710	42,795,448	40,982,692	1,812,756	4,068,738
Expenses					
Executive Administration	620,240	513,733	459,144	54,589	(106,507)
Corporate Services	3,418,786	3,296,942	3,351,418	(54,476)	(121,844)
Transformation	1,492,840	879,978	932,832	(52,854)	(612,862)
Infrastructure & Application Support Operations	16,952,272	16,107,221	15,277,496	829,725	(845,051)
	16,242,572	19,718,577	14,554,615	5,163,962	3,476,005
TOTAL EXPENSE	38,726,710	40,516,451	34,575,505	5,940,946	1,789,741
ANNUAL SURPLUS	-	\$2,278,997	\$6,407,187	\$(4,128,190)	\$2,278,997

Revenue Variances

Total revenues for 2012-2013 are \$4.1 million more than budgeted, and \$1.8 million higher than in 2011-2012.



Government Transfers

The decrease from budget by \$0.9 million is due to a decrease in the transfer from government.

The net increase from prior year of \$1.7 million is the result of an increase of \$2.6 million for additional service delivery requirements offset by the \$0.9 million reduction from budget.

Service Delivery

Two major initiatives had no budgeted revenue amounts allocated for 2012-2013: the Print Optimization and IT Asset Refresh programs.

The increase from budget of \$5 million is due to the Print Optimization program of \$2.8 million and the new IT Asset Refresh program of \$2.6 million. This is offset by lower infrastructure chargebacks of \$0.4 million.

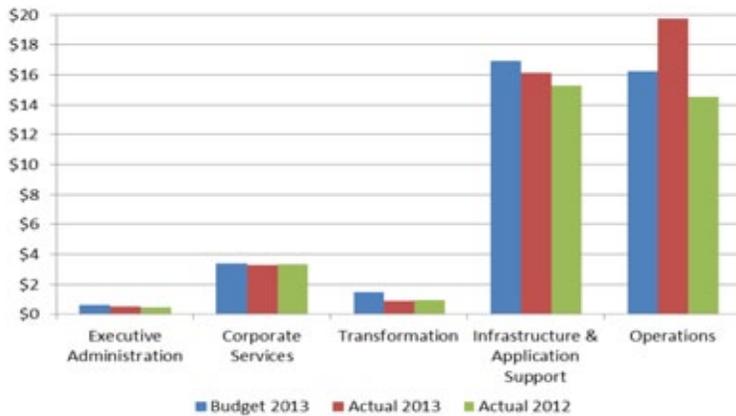
The increase from prior year of \$1 million is due primarily to the new IT Asset Refresh program of \$2.6 million and the Print Optimization program of \$1.5 million. This is offset by lower infrastructure and MS Office chargebacks.

Capital Contributions Received

This reflects the value of the capital contributions received during 2011-2012 from the former Department of Supply and Services. This is comprised of leasehold improvements and information and technology hardware. No capital contributions were received during 2012-2013.

Expense Variances

Total expenses for 2012-2013 are \$1.8 million over budget and \$5.9 million more than total expense in 2011-2012.



Executive Administration

The decrease from budget of \$107,000 is due to a vacant senior position during the year.

The increase from prior year of \$55,000 is due to shared executive salaries within the three Government Services organizations.

Corporate Services

The decrease from budget of \$122,000 is due to lower lease payments, translation services savings, salary and other savings, offset by unbudgeted amortization of leasehold improvements.

The decrease from prior year of \$54,000 is due to lower costs for printing, postage and management consulting services.

Transformation

The decrease from budget of \$613,000 is due to vacancies and savings in management consulting services.

The decrease from prior year of \$53,000 is due to savings in management consulting.

Infrastructure & Application Support

The decrease from budget of \$845,000 is due to savings in salaries, management consulting, reduced wide area network expenditures, and various other infrastructure savings.

The increase from prior year of \$830,000 is due to cost increases for amortization expense, costs associated with the new Alison Boulevard data centre and Application Support staffing, offset by reduced wide area network expenditures and IT system development costs.

Operations

As noted in the Service Delivery revenue section, two major initiatives were not budgeted for in 2012-2013: the Print Optimization and IT Asset Refresh programs.

The increase from budget of \$3.48 million is due to Print Optimization expenditures, IT Asset Refresh program expenditures, and Microsoft Enterprise agreement expenditures, offset somewhat by savings in management consulting and operational salaries.

The increase from prior year of \$5.16 million is due to an increase in Print Optimization related printing expenditures, expenditures associated with the new IT Assets Refresh program, and increased salary costs in the accounts payable area, as a result of new employees transferred in.

Management Report

March 31, 2013

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 New Brunswick Internal Services Agency 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 New Brunswick Internal Services Agency 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
Chief Financial Officer



**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, 2013, the statements of operations & change in accumulated surplus, cash flows, and 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, 2013 and the results of its operations, its cash flows, change in its net financial assets and change 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.
June 21, 2013

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



	2013		2012
Financial Assets			
Cash and Cash Equivalents	\$ 11,173,856	\$	8,805,561
Accounts Receivable	1,802,840		878,962
Total Financial Assets	12,976,696		9,684,523
Liabilities			
Accounts Payable and Accrued Liabilities (Note 7)	\$ 4,004,228	\$	3,853,133
Total Liabilities	4,004,228		3,853,133

Net Financial Assets	\$ 8,972,468	\$	5,831,390
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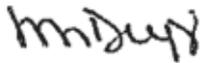
Non-Financial Assets			
Prepaid Expenses	\$ 610,056	\$	410,541
Tangible Capital Assets (Note 8)	9,457,483		10,519,079
Total Non-Financial Assets	10,067,539		10,929,620

Accumulated Surplus	\$ 19,040,007	\$	16,761,010
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The accompanying notes are an integral part of these Financial Statements.

Contingent Liabilities Note 10

Lease Commitments Note 11



Jean-Marc Dupuis
Chairperson - Board of Directors



Dale Wilson, CA
Chairperson - Audit & Finance Committee



New Brunswick Internal Services Agency

Statement of Operations & Change in Accumulated Surplus

For the years ended March 31

	Budget Note 4	2013	2012
Revenues (Note 6)			
Government Transfers	\$ 24,698,000	\$ 23,799,476	\$ 22,091,217
Service Delivery	14,028,710	18,995,972	17,970,311
Capital Contributions Received (Note 3)		-	921,164
	38,726,710	42,795,448	40,982,692
Expenses			
Executive Administration	620,240	513,733	459,144
Corporate Services	3,418,786	3,296,942	3,351,418
Transformation	1,492,840	879,978	932,832
Infrastructure & Applications Support	16,952,272	16,107,221	15,277,496
Operations	16,242,572	19,718,577	14,554,615
	38,726,710	40,516,451	34,575,505
Annual Surplus	-	2,278,997	6,407,187
Accumulated Surplus, Beginning of Year (Note 3)		16,761,010	10,353,823
Accumulated Surplus, End of Year		\$ 19,040,007	\$ 16,761,010

Statement of Change in Net Financial Assets

For the years ended March 31

	2013	2012
Net Financial Assets, Beginning of Year	\$ 5,831,390	\$ 1,468,317
Annual Surplus	2,278,997	6,407,187
Acquisition of Tangible Capital Assets	(314,880)	(2,717,982)
Amortization of Tangible Capital Assets	1,376,476	888,500
Net Changes in Prepaid Expenses	(199,515)	(214,632)
Increase in Net Financial Assets	3,141,078	4,363,073
Net Financial Assets, End of Year	\$ 8,972,468	\$ 5,831,390

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

New Brunswick Internal Services Agency
Statement of Cash Flows
For the years ended March 31



	2013	2012
Cash and Cash Equivalents Generated by (used in):		
Operating Activities		
Annual Surplus	\$ 2,278,997	\$ 6,407,187
Amortization of Tangible Capital Assets	1,376,476	888,500
Capital Contributions Received	-	(921,164)
	3,655,473	6,374,523
Changes in Non-Cash Working Capital Balances		
Accounts Receivable	(923,878)	(785,962)
Accounts Payable and Accrued Liabilities	151,095	2,898,791
Prepaid Expenses	(199,515)	(214,632)
	2,683,175	8,272,720
Capital Activities		
Acquisition of Tangible Capital Assets	(314,880)	(2,717,982)
Revenue Received to Acquire Tangible Capital Assets	-	921,164
	(314,880)	(1,796,818)
Increase in Cash and Cash Equivalents	2,368,295	6,475,902
Cash and Cash Equivalents, Beginning of Year	8,805,561	2,329,659
Cash and Cash Equivalents, End of Year	\$ 11,173,856	\$ 8,805,561

Cash and Cash Equivalents is represented by:

	2013	2012
Due from Province of New Brunswick	\$ 11,173,256	\$ 8,805,261
Petty Cash	600	300
	\$ 11,173,856	\$ 8,805,561

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

1. Description of Operations

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.

2. Accounting Policies

General

These financial statements are prepared by management using the Agency's accounting policies stated below, which are in accordance with Canadian public sector accounting standards (PSAS) as issued by the Public Sector Accounting Board.

The Agency has adopted the accounting standards contained in PS 1201 - *Financial statement presentation*, PS 3450 - *Financial instruments*, and PS 3410 - *Government transfers* in the preparation of these financial statements. The impact of these accounting standards is disclosed in Note 3.

Cash and Cash equivalents

Cash and cash equivalents consists of cash on hand and amounts held by the Province of New Brunswick ("the Province") on behalf of the Agency. The Agency does not have a separate bank account; Agency expenses and revenues flow through the Province of New Brunswick's 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. For practical purposes certain dollar thresholds have been established for each asset.

Tangible capital assets are reported at gross cost and 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	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 Contributions

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 employer and the employees. The Agency's employer contributions are made by the Province as described below.

Agency Expenses Paid by Other Parties

Employer expenses such as Pension contributions \$1.3 million (2012 - \$ 1.1 million), Canada Pension Plan contributions \$0.7 million (2012 - \$ 0.6 million), Retirement Allowance payments of \$0.27 million (2012 - \$ 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.

Financial Instruments

Financial instruments consist of cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities.

Financial instruments are recognized when the Agency becomes a party to the contractual rights and obligations of the financial instrument.

Financial instruments are derecognised when the contractual rights to the cash flows from the financial asset have expired or have been transferred, and the Agency has transferred substantially all risks and rewards of ownership, or are derecognized when the contractual obligation has been discharged, cancelled, or has expired.



The Agency designates its financial instruments as follows:

- a) Cash and cash equivalents are measured at fair value. Fair value is assumed to represent the carrying value, which is at historical cost.
- b) Accounts receivable, and accounts payable and accrued liabilities are measured at cost.

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. Significant areas requiring the use of management estimates relate to the determination of useful lives of tangible capital assets for amortization, allocation of costs and employee benefit accruals. Actual results could differ from management's estimates as additional information becomes available in the future.

3. Change in Accounting Policy

Effective April 1, 2012, the Agency adopted PS 1201 – *Financial statement presentation* and PS 3450 – *Financial instruments*. The impact of these accounting standards is not significant, affecting only disclosures in the notes to the financial statements. The financial statements of prior periods, including comparative figures, have not been restated.

Effective April 1, 2011, the Agency adopted PS 3410 – *Government transfers*. The new standard was retroactively adopted and therefore, 2012 comparative figures have been restated. The standard revises recognition criteria for government transfers, affecting how the Agency accounts for such transfers. This has a direct impact on the deferred capital contribution balance which consists of revenue received from the Province to acquire tangible capital assets. Previously, deferred capital contributions were amortized over the estimated useful life of the asset acquired to match the amortization recorded for the asset in expense.

Key adjustments resulting from the adoption of this accounting policy are as follows:

The 2012 financial statements have been adjusted to eliminate the deferred capital contribution at April 1, 2011. The impact is to remove the deferred capital contribution amount and adjust the accumulated surplus amount.

The Statement of Financial Position and the Statement of Operations & Change in Accumulated Surplus have been restated to reflect the changes.

The impact of this change on the 2012 financial statements is as follows:

Statement of Financial Position
As at March 31, 2012

Non-Financial Assets, as previously reported and restated	\$ 1,991,690	
Add: elimination of Deferred Capital Contributions	8,937,930	
Total Non-Financial Assets as restated	\$ 10,929,620	
Accumulated Surplus, as previously reported	\$ 7,823,080	
Add: adjustment for elimination of Deferred Capital Contributions	8,937,930	
Accumulated Surplus as restated	\$ 16,761,010	

Statement of Operations & Change in Accumulated Surplus
For the year ended March 31, 2012

Annual Surplus as previously stated	\$ 6,158,854	
Add: eliminate Amortization of Deferred Capital Contributions	(672,831)	
Add: adjustment for recognition of Capital Contributions Received	921,164	
Annual Surplus as restated	\$ 6,407,187	
Accumulated Surplus – Beginning of Year as previously stated	\$ 1,664,226	
Add: adjustment for elimination of Deferred Capital Contributions	8,689,597	
Accumulated Surplus – Beginning of Year as restated	\$ 10,353,823	

4. Budget

The revenue and expense 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 and estimated cost of service delivery. They have not been audited.

5. Risk Management

The carrying value of the Agency's financial instruments are assumed to approximate their fair amounts because of their short term to maturity.

An analysis of significant risk from the Agency's financial instruments is provided below:

a) Credit Risk

Credit risk is the risk that one party to a financial instrument will cause financial loss for the other party by failing to discharge an obligation. Accounts receivable balances as described in Note 6 are due from related entities of the Province and are considered low risk due to excellent collection history. Accounts receivable balances from external organizations are deemed insignificant to the Agency's financial statements. The Agency's maximum exposure to credit risk at March 31, 2013 is equal to the accounts receivable balance of \$1,802,840. Credit risk is not disbursed as related entities of the Province comprise a significant portion of the accounts receivable balance.

b) Liquidity risk

Liquidity risk is the risk of not being able to settle or meet an obligation on time or at a reasonable price. The Agency manages liquidity risk by maintaining sufficient cash and cash equivalent balances to meet operating and capital requirements.

c) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair values of financial instruments. The Agency's management considers exposure to interest rate risk to be insignificant.

d) Currency risk

Currency risk arises on financial instruments denominated in a foreign currency. The Agency is exposed to currency risk on purchases and that are denominated in a currency other than the Agency's functional currency, primarily in US Dollars (USD). The Agency's foreign currency transactions are normally settled in the short term, therefore management considers exposure to currency risk to be insignificant.

6. Related Entity Transactions

The Agency is controlled by and is economically dependent on the Province of New Brunswick.

The Statement of Financial Position contains the following Province of New Brunswick related entity amounts.

	2013	2012
Cash and Cash Equivalents	\$ 11,173,256	\$ 8,805,261
Accounts Receivable	\$ 1,798,508	\$ 841,458
Accounts Payable and Accrued Liabilities	\$ (220,620)	\$ (34,770)
Net Due to the Agency	\$ 12,751,144	\$ 9,611,949

The Statement of Operations & Change in Accumulated Surplus contains the following Province of New Brunswick related entity amounts:

	2013	2012
Revenue	\$ 42,772,116	\$ 40,982,381
Expense	(2,709,746)	(2,802,502)
Net Revenue	\$ 40,062,370	\$ 38,179,879

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

7. Accounts Payable and Accrued Liabilities

	2013	2012
Regular Accounts Payables	\$ 3,385,587	\$ 3,254,077
Salary Accruals	21,747	30,439
Vacation Liability	596,894	568,617
	\$ 4,004,228	\$ 3,853,133

8. Tangible Capital Assets

					2013	2012
	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	\$ 5,786,936	\$ 4,087,427	\$ 1,794,274	\$ -	\$ 11,668,637	\$ 8,950,655
Additions / (Transfers)	89,983	-	-	224,897	314,880	2,717,982
Closing Cost	\$ 5,876,919	\$ 4,087,427	\$ 1,794,274	\$ 224,897	\$ 11,983,517	\$ 11,668,637
Accumulated Amortization						
Opening Accumulated Amortization	315,422	295,853	538,283	-	1,149,558	261,058
Amortization Expense	639,842	377,779	358,855	-	1,376,476	888,500
Closing Accumulated Amortization	955,264	673,632	897,138	-	2,526,034	1,149,558
Net Book Value	\$ 4,921,655	\$ 3,413,795	\$ 897,136	\$ 224,897	\$ 9,457,483	\$ 10,519,079

9. Expenses by Object

	2013	2012
Personal Services	\$ 17,477,426	\$ 15,482,575
Other Services	16,480,983	16,388,776
Materials and Supplies	117,291	185,374
Property and Equipment	5,064,275	1,630,280
Amortization	1,376,476	888,500
	\$ 40,516,451	\$ 34,575,505

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 contractual payments for leased premises and equipment and do not include variable usage charges:

Fiscal Year	Amount
2014	\$ 3,825,003
2015	3,825,003
2016	3,825,003
2017	3,830,403
2018	2,487,403
Thereafter	14,763,694
	\$32,556,509

12. Comparative Figures

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