

# **Consulting and Audit Canada Revolving Fund**

**Financial Statements**  
**March 31, 2005**

May 27, 2005

**Auditors' Report**

**PricewaterhouseCoopers LLP**  
**Chartered Accountants**  
99 Bank Street  
Suite 700  
Ottawa, Ontario  
Canada K1P 1K6  
Telephone +1 (613) 237 3702  
Facsimile +1 (613) 237 3963

**To the Director General, Audit and Ethics Branch  
Public Works and Government Services Canada**

We have audited the statement of financial position of the **Consulting and Audit Canada Revolving Fund** as at March 31, 2005 the statements of operations, net assets (liabilities) and cash flows for the year then ended. These financial statements have been prepared to comply with Section 4 of the Treasury Board of Canada's Policy on Special Revenue Spending Authorities. These financial statements are the responsibility of the management of the Consulting and Audit Canada Revolving Fund. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Consulting and Audit Canada Revolving Fund as at March 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with the basis of accounting as disclosed in note 2 to the financial statements.

These financial statements, which have not been, and were not intended to be, prepared in accordance with Canadian generally accepted accounting principles, are solely for the information and use of the management of the Consulting and Audit Canada Revolving Fund and the Treasury Board of Canada Secretariat for reporting on the use of the Fund authority. The financial statements are not intended to be and should not be used by anyone other than the specified users or for any other purpose.

*PricewaterhouseCoopers LLP*

**Chartered Accountants**

## Consulting and Audit Canada Revolving Fund

### STATEMENT OF FINANCIAL POSITION

As at March 31

|   | 2005          | 2004           |
|---|---------------|----------------|
| <i>In thousands of dollars</i>              |               |                |
| <b>Assets</b>                               |               |                |
| Current                                     |               |                |
| Cash  | 211           | 108            |
| Accounts receivable                         |               |                |
| Government of Canada                        | 18,868        | 17,714         |
| Outside parties                             | 768           | 1,190          |
| Other assets (note 3)                       | 1,041         | 772            |
|   | <u>20,888</u> | <u>19,784</u>  |
| Capital assets (note 4)                     | 523           | 761            |
|   | <u>21,411</u> | <u>20,545</u>  |
| <b>Liabilities and net liabilities</b>      |               |                |
| Current                                     |               |                |
| Accounts payable and accrued liabilities    |               |                |
| Government of Canada                        | 307           | 919            |
| Outside parties                             | 14,190        | 15,105         |
| Other liabilities                           | 3,112         | 2,623          |
|   | <u>17,609</u> | <u>18,647</u>  |
| Allowance for employee termination benefits | 4,478         | 4,189          |
|   | <u>22,087</u> | <u>22,836</u>  |
| <b>Net liabilities (note 5)</b>             | <u>(676)</u>  | <u>(2,291)</u> |
|   | <u>21,411</u> | <u>20,545</u>  |

*The accompanying notes are an integral part of the financial statements.*

## Consulting and Audit Canada Revolving Fund

### STATEMENT OF OPERATIONS AND NET ASSETS (LIABILITIES)

For the year ended March 31

|   | 2005    | 2004    |
|---|---------|---------|
| <i>In thousands of dollars</i>  |         |         |
| <b>Revenues (note 6)</b>  | 124,752 | 130,006 |
| <b>Direct costs</b>   | 78,510  | 83,438  |
| <b>Gross margin</b>   | 46,242  | 46,568  |
| <b>Operating expenses</b>   |         |         |
| Salaries and employee benefits  | 34,744  | 34,243  |
| Employee termination benefits   | 586     | 515     |
| Occupancy costs   | 2,131   | 2,324   |
| Professional and special services   | 1,861   | 1,761   |
| Corporate and administrative services   | 1,434   | 1,110   |
| Transportation and telecommunications   | 1,298   | 1,356   |
| Utilities, materials and supplies   | 756     | 713     |
| Amortization  | 275     | 235     |
| Rentals   | 104     | 128     |
| Purchased repairs and maintenance   | 37      | 36      |
| Information   | 14      | 34      |
| Interest on draw down   | -       | 79      |
| Bad debts   | -       | 35      |
| Other expenses  | 130     | 42      |
|   | 43,370  | 42,611  |
| <b>Net results</b>  | 2,872   | 3,957   |
| <b>Net assets (liabilities), beginning of year</b>  | (2,291) | 729     |
| Net financial resources provided and change in<br>the accumulated net charge against the Fund's authority<br>account, during the year | (1,257) | (6,977) |
| <b>Net liabilities, end of year</b>   | (676)   | (2,291) |

*The accompanying notes are an integral part of the financial statements.*

## Consulting and Audit Canada Revolving Fund

### STATEMENT OF CASH FLOWS

For the year ended March 31

|  | 2005         | 2004           |
|--|--------------|----------------|
| <i>In thousands of dollars</i>   |              |                |
| <b>Operating activities</b>  |              |                |
| Net results  | 2,872        | 3,957          |
| Items not affecting use of the Fund's authority  |              |                |
| Amortization   | 275          | 235            |
| Provision for employee termination benefits  | 586          | 515            |
|  | <u>3,733</u> | <u>4,707</u>   |
| Changes in working capital (note 8)  | (2,142)      | 2,733          |
| Payments on provision for employee termination benefits  | (297)        | (182)          |
| <b>Net financial resources provided by operating activities</b>  | <u>1,294</u> | <u>7,258</u>   |
| <b>Investing activities</b>  |              |                |
| Capital assets - acquisitions  | (37)         | (281)          |
| <b>Net financial resources used by investing activities</b>  | <u>(37)</u>  | <u>(281)</u>   |
| <b>Net financial resources provided and change in<br/>the accumulated net charge against the Fund's authority<br/>account, during the year</b> | 1,257        | 6,977          |
| <b>Accumulated net charge against the Fund's authority,<br/>beginning of year</b>  | <u>2,995</u> | <u>(3,982)</u> |
| <b>Accumulated net charge against the Fund's authority,<br/>end of year (note 5)</b>   | <u>4,252</u> | <u>2,995</u>   |

*The accompanying notes are an integral part of the financial statements.*

# Consulting and Audit Canada Revolving Fund

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2005

### 1. AUTHORITY AND PURPOSE

Consulting and Audit Canada (CAC) is a Special Operating Agency that provides, on an optional and fee-for-services basis, consulting and audit services to federal Government departments and agencies across Canada. Services may also be made available to foreign governments and international organizations.

CAC is financed by means of the Consulting and Audit Canada Revolving Fund, effective April 1, 1992. Under paragraph 55.5.4 (3) of the *Department of Public Works and Government Services Act*, the Fund was initially provided with a line of credit to a maximum of \$30,000,000 to fund operations. This limit was later adjusted by \$4,899,387 to \$25,100,613 by the Treasury Board (T.B. decision #826332 dated November 5, 1998) to reflect an adjustment to the spending authority.

In 2001-2002, in accordance with Section 12 of the *Revolving Fund Act*, and through the 2001-2002 Supplementary Estimates (B) (T.B. decision #829420 dated December 6, 2001) the draw down authority was reduced from \$25,100,613 to \$20,000,000.

### 2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with accounting standards issued by the Treasury Board of Canada Secretariat. The basis of accounting used in these financial statements differs from Canadian generally accepted accounting principles for the public sector because the expenses and liability for employee termination benefits exclude the portion not funded by the Fund.

The significant accounting policies are as follows:

#### a) Use of estimates

The preparation of financial statements in accordance with the reporting requirements for Revolving Funds described by the Receiver General for Canada requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from these estimates.

#### b) Revenues and expenses

Revenues and expenses are recorded on the accrual basis of accounting.

# Consulting and Audit Canada Revolving Fund

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2005

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### c) Capital assets

Capital assets are stated at cost and are amortized commencing the month after acquisition on a straight-line basis over their estimated useful economic lives as follows:

| Category               | Estimated useful economic lives |
|------------------------|---------------------------------|
| Informatics hardware   | 3 to 5 years                    |
| Informatics software   | 3 years                         |
| Leasehold improvements | 5 years                         |

#### d) Pension plan

Employees of CAC are covered by the *Public Service Superannuation Act* and the *Supplementary Retirement Benefit Act*. The Government of Canada's portion of the pension cost is included in the employee benefit charge assessed against the Fund. The actual payment of the pension is made from the Public Service Superannuation and Supplementary Retirement Benefits Accounts.

#### e) Employee termination benefits, vacation pay and time-off in lieu

Termination benefits accrue to employees over their years of service with the Government of Canada as provided for under collective agreements, and the estimated costs of these benefits are recorded in the accounts as they are earned by the employees.

No accrual is made for severance entitlements on service prior to April 1, 1992. Benefits earned prior to April 1, 1992 and estimated at \$2,861,305 (2003-2004: \$2,990,350) represent an obligation of CAC and will be funded by the Treasury Board.

The liability for vacation pay and compensatory leave is calculated at the salary levels in effect at the end of the year for all unused vacation pay and time-off in lieu benefits accruing to employees.

#### f) Insurance

CAC does not carry insurance on its property. This is consistent with the Government's policy of self-insurance.

## Consulting and Audit Canada Revolving Fund

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2005

#### 3. OTHER ASSETS

*In thousands of dollars*

|  | 2005  | 2004 |
|--|-------|------|
| Goods and Services Tax refundable advances | 900   | 769  |
| Other advances                             | 141   | 3    |
|  | 1,041 | 772  |

#### 4. CAPITAL ASSETS AND ACCUMULATED AMORTIZATION

*In thousands of dollars*

| <b>Capital assets</b>  | Balance<br>beginning of<br>year | Acquisitions | Balance end<br>of year |
|------------------------|---------------------------------|--------------|------------------------|
| Informatics hardware   | 402                             | 11           | 413                    |
| Informatics software   | 262                             | 26           | 288                    |
| Leasehold improvements | 683                             | -            | 683                    |
|                        | 1,347                           | 37           | 1,384                  |

  

| <b>Accumulated amortization</b> | Balance<br>beginning of<br>year | Current year<br>amortization | Balance end<br>of year |
|---------------------------------|---------------------------------|------------------------------|------------------------|
| Informatics hardware            | 298                             | 54                           | 352                    |
| Informatics software            | 110                             | 82                           | 192                    |
| Leasehold improvements          | 178                             | 139                          | 317                    |
|                                 | 586                             | 275                          | 861                    |

  

|            |     |  |     |
|------------|-----|--|-----|
| <b>Net</b> | 761 |  | 523 |
|------------|-----|--|-----|



## Consulting and Audit Canada Revolving Fund

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2005

#### 5. NET LIABILITIES

*In thousands of dollars*

|   | 2005    | 2004    |
|---|---------|---------|
| Accumulated net charge against the Fund's authority | (4,252) | (2,995) |
| Accumulated surplus (deficit), beginning of year    | 704     | (3,253) |
| Net results   | 2,872   | 3,957   |
| Accumulated surplus, end of year                    | 3,576   | 704     |
|   | (676)   | (2,291) |

#### 6. REVENUES

*In thousands of dollars*

|  | 2005    | 2004    |
|--|---------|---------|
| Consulting and audit services                  | 109,823 | 110,370 |
| Recovery – Shared systems support centre costs | 14,929  | 19,636  |
|  | 124,752 | 130,006 |

#### 7. CONTRACTUAL OBLIGATIONS

CAC leases its premises and office equipment under operating leases. The head office lease is being renewed on an annual basis. Future payments for the existing leases are as follows:

*In thousands of dollars*

|                            |       |
|----------------------------|-------|
| Year ending March 31, 2006 | 1,719 |
| 2007                       | 908   |
| 2008                       | 718   |
| 2009                       | 230   |
| 2010 and thereafter        | 9     |
|                            | 3,584 |

## Consulting and Audit Canada Revolving Fund

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2005

#### 8. CHANGES IN WORKING CAPITAL

*In thousands of dollars*

|                     | 2005   | 2004   | Changes |
|---------------------|--------|--------|---------|
| Current assets      | 20,888 | 19,784 | (1,104) |
| Current liabilities | 17,609 | 18,647 | (1,038) |
|                     |        |        | (2,142) |

#### 9. FINANCIAL INSTRUMENTS

The Revolving Fund's financial instruments consist of cash, accounts receivable and accounts payable. The carrying values of these financial instruments approximate their fair value because of their short terms to maturity. Unless otherwise noted, it is management's opinion that the Revolving Fund is not exposed to significant interest, currency or credit risk arising from these financial instruments.