

AEC Briefing Note
2003-701 Audit of the Translation Bureau Revolving Fund
Financial Statements 2002/2003

Authority for the Project

The audit of the financial statements of the Translation Bureau Revolving Fund (TRBRF) was undertaken in accordance with the 2002/2003 Audit and Evaluation Plan as approved by the departmental Audit and Review Committee.

Objective

The objective of the audit was to attest to the fair presentation in the financial statements of the Fund's financial position and the results of its operations and cash flow for the year ended March 31, 2003 for the purpose of reporting to the Deputy Minister and the departmental Senior Financial Officer. The financial statements and Auditor's Report are published in the Public Accounts of Canada.

Audit Results

The audit resulted in the provision of the attached auditor's report (opinion) by the public accounting firm Ernst and Young LLP.

ASSURANCE AND ADVISORY
BUSINESS SERVICES

Financial Statements

Translation Bureau Revolving Fund

March 31, 2003

 **ERNST & YOUNG**

ERNST & YOUNG LLP

AUDITORS' REPORT

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

We have audited the balance sheet of **Translation Bureau Revolving Fund** as at March 31, 2003 and the statements of operations, accumulated surplus and cash flows for the year then ended. These financial statements are the responsibility of the management of the Translation Bureau 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 **Translation Bureau Revolving Fund** as at March 31, 2003, the results of its operations and its cash flows for the year then ended in accordance with the accounting principles for Revolving Funds of the Government of Canada as described in note 2.

Ottawa, Canada,
June 6, 2003.

Ernst & Young LLP

Chartered Accountants

Translation Bureau Revolving Fund

BALANCE SHEET

	As at March 31	
	2003	2002
<i>In thousands of dollars</i>		
Assets		
Current		
Cash	166	197
Accounts receivable		
Government of Canada	17,526	15,851
Outside parties	556	488
Other assets (note 3)	3,585	337
	<u>21,833</u>	<u>16,873</u>
Deferred employee termination benefits	14,674	15,166
Capital assets (note 4)	4,406	3,756
	<u>40,913</u>	<u>35,795</u>
Liabilities		
Current		
Accounts payable and accrued liabilities		
Government of Canada	2,940	501
Outside parties	14,632	10,261
Other liabilities	4,390	3,861
	<u>21,962</u>	<u>14,626</u>
Allowance for employee termination benefits	27,461	26,000
	<u>49,423</u>	<u>40,626</u>
Equity of Canada		
Accumulated net charge against the Fund's authority	(14,745)	(10,422)
Accumulated surplus	6,235	5,591
	<u>40,913</u>	<u>35,795</u>

The accompanying notes are an integral part of the financial statements

Translation Bureau Revolving Fund

STATEMENT OF OPERATIONS

	Year ended March 31	
	2003	2002
<i>In thousands of dollars</i>		
Revenues (note 6)	198,585	169,304
Operating expenses		
Salaries and employee benefits	120,231	105,869
Professional and special services	43,624	39,752
Occupancy costs	7,070	6,251
Utilities, materials and supplies	9,372	2,873
Corporate and administrative services	8,282	6,698
Transportation and telecommunications	4,839	4,315
Employee termination benefits	2,337	2,523
Amortization	861	183
Purchased repair and maintenance	776	1,823
Information	329	329
Rentals	196	166
Other expenditures	24	52
	<u>197,941</u>	<u>170,834</u>
Net Income (loss)	<u>644</u>	<u>(1,530)</u>

The accompanying notes are an integral part of the financial statements

Translation Bureau Revolving Fund

STATEMENT OF ACCUMULATED SURPLUS

	Year ended March 31	
	2003	2002
<i>In thousands of dollars</i>		
Balance, beginning of year	5,591	7,121
Net Income (loss)	644	(1,530)
Balance, end of year	<u>6,235</u>	<u>5,591</u>

The accompanying notes are an integral part of the financial statements

Translation Bureau Revolving Fund

STATEMENT OF CASH FLOWS

	Year ended March 31	
	2003	2002
<i>In thousands of dollars</i>		
Operating activities		
Net income (loss)	644	(1,530)
Items not affecting use of the Fund's authority		
Amortization	861	183
Provision for employee termination benefits	2,337	2,523
	<u>3,842</u>	<u>1,176</u>
Changes in working capital (note 7)	2,376	(3,788)
Changes in other assets and liabilities		
Receipts of deferred employee termination benefits	492	435
Payments on provision for employee termination benefits	(876)	(641)
	<u>(384)</u>	<u>(206)</u>
Net financial resources provided (used) by operating activities	<u>5,834</u>	<u>(2,818)</u>
Investing activities		
Capital assets - acquisitions	(1,511)	(3,553)
Net financial resources used by investing activities	<u>(1,511)</u>	<u>(3,553)</u>
Net increase (decrease) in accumulated net charge against the Fund's authority	4,323	(6,371)
Accumulated net charge against the Fund's authority, beginning of year	<u>10,422</u>	<u>16,793</u>
Accumulated net charge against the Fund's authority, end of year	<u>14,745</u>	<u>10,422</u>

The accompanying notes are an integral part of the financial statements

Translation Bureau Revolving Fund

NOTES TO THE FINANCIAL STATEMENTS

Year ended March 31, 2003

1. AUTHORITY AND PURPOSE

The Translation Bureau was established in 1934, when the *Translation Bureau Act* came into effect. In April 1993, Treasury Board approved the establishment of the Bureau as a Special Operating Agency effective April 1, 1995. This decision was confirmed in the 1994-95 Supplementary Estimates D.

The Revolving Fund was created on April 1, 1995 and accounts for the following services: translation, interpretation and terminology to clients. Pursuant to Section 29.1(2) of the *Financial Administration Act*, the Fund has a continuing non-lapsing authority to make expenditures out of the Consolidated Revenue Fund and to spend for the purposes of the Fund any revenues received for those purposes. The aggregate of expenditures made for the purposes of the Fund shall not at any time exceed by more than \$75 million the revenues received in respect of the purposes of the Fund.

Treasury Board (TB) decision #822560 dated February 22, 1995, TB decision #824299 dated July 10, 1996 and TB decision #825830 dated December 11, 1997 gave the Translation Bureau the authority to delete operating losses for the first six years of operating under the Revolving Fund. No amount was written-off in 2000-2001 nor in 1999-2000, since the Revolving Fund was showing a surplus.

In accordance with Section 29.1 of the *Financial Administration Act*, and through the 2001-02 Supplementary Estimates B, (Treasury Board decision 829357 dated November 8, 2001), the drawdown authority was reduced from \$75,000,000 to \$10,000,000.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles to the extent that they are in accordance with Government policies and directives. The significant accounting policies include the following:

a) Revenues and expenses

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

Translation Bureau Revolving Fund

NOTES TO THE FINANCIAL STATEMENTS

Year ended March 31, 2003

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

b) Capital assets

Assets having a purchase cost of \$10,000 or more are capitalized. Capital assets consisting of machinery and equipment, informatics hardware and informatics software are stated at cost and are amortized on a straight line basis over the estimated economic life commencing the month after acquisition.

Category	Estimated useful economic lives
Machinery and Equipment	10 to 15 years
Informatics hardware	3 to 5 years
Informatics software	3 to 5 years

c) Pension plan

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

d) Employee termination benefits

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.

An accrual is made for severance entitlements on service prior to April 1, 1995. The asset account "Deferred Employee Termination Benefits" represents benefits earned prior to April 1, 1995. The account is drawn down as benefits are paid to the related employees and become recoverable from the Treasury Board. The Treasury Board will continue to reimburse for termination benefits paid by the Bureau, for service prior to April 1, 1995, until March 31, 2010. After March 31, 2010, the Treasury Board has no further obligation to reimburse for benefits paid.

e) Insurance

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

Translation Bureau Revolving Fund

NOTES TO THE FINANCIAL STATEMENTS

Year ended March 31, 2003

3. OTHER ASSETS

In thousands of dollars

	2003	2002
Goods and services tax refundable advances	3,528	306
Other advances	57	31
	3,585	337

4. CAPITAL ASSETS AND ACCUMULATED AMORTIZATION

In thousands of dollars

Capital Assets	Balance beginning of year	Acquisitions	Disposals / adjustments	Balance end of year
Machinery and Equipment	51			51
Informatics hardware	670	467	-	1,137
Informatics software	3,579	1,044	-	4,623
	4,300	1,511	-	5,811

Accumulated Amortization	Balance beginning of year	Current year amortization	Disposals / adjustments	Balance end of year
Machinery and Equipment	16	5	-	21
Informatics hardware	432	144	-	576
Informatics software	96	712	-	808
	544	861	-	1,405

Net	3,756			4,406
------------	-------	--	--	-------

Translation Bureau Revolving Fund

NOTES TO THE FINANCIAL STATEMENTS

Year ended March 31, 2003

5. COMMITMENTS

The fund leases its premises under operating leases. Future lease payments are as follows:

In thousands of dollars

2003-2004	7,619
2004-2005	7,161
2005-2006	6,294
2006-2007	2,583
2007-2008	1,650
	<u>25,307</u>

6. REVENUES

In thousands of dollars

	2003	2002
Translation services	193,700	164,813
Interpretation services	3,989	3,489
Termium sales	770	937
Other	126	65
	<u>198,585</u>	<u>169,304</u>

7. CHANGES IN WORKING CAPITAL

In thousands of dollars

	2003	2002	Changes
Current assets	21,833	16,873	(4,960)
Current liabilities	21,962	14,626	7,336
	<u>(129)</u>	<u>2,247</u>	<u>2,376</u>

8. COMPARATIVE FIGURES

Certain of the prior years' figures have been reclassified in order to conform to the presentation adopted in the current year.