

**AEC Briefing Note**  
**2003-703 Audit of the Consulting and Audit Canada Revolving Fund**  
**Financial Statements 2002/2003**

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### **Authority for the Project**

The audit of the financial statements of the Consulting and Audit Canada (CAC) Revolving Fund 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.

### **Results**

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

**Consulting and Audit Canada  
Revolving Fund**

**Financial Statements  
March 31, 2003**

June 5, 2003

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**Auditors' Report**

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

We have audited the balance sheet of the **Consulting and Audit Canada Revolving Fund** as at March 31, 2003 the statements of operations, accumulated deficit and cash flows for the year then ended. 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, 2003 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.

*PricewaterhouseCoopers LLP*

**Chartered Accountants**

## Consulting and Audit Canada Revolving Fund

### BALANCE SHEET

	As at March 31	
	2003	2002
<i>In thousands of dollars</i>		
<b>Assets</b>		
Current		
Cash	226	162
Accounts receivable		
Government of Canada	16,932	19,824
Outside parties	744	922
Other assets (note 3)	5,340	1,217
	<u>23,242</u>	<u>22,155</u>
Capital assets (note 4)	715	220
	<u>23,957</u>	<u>22,375</u>
<b>Liabilities</b>		
Current		
Accounts payable and accrued liabilities		
Government of Canada	1,386	1,438
Outside parties	15,521	20,167
Other liabilities	2,465	2,140
	<u>19,372</u>	<u>23,745</u>
Allowance for employee termination benefits	3,856	3,227
	<u>23,228</u>	<u>26,972</u>
<b>Equity of Canada</b>		
Accumulated net charge against the Fund's authority	3,982	(1,523)
Accumulated deficit	(3,253)	(3,074)
	<u>23,957</u>	<u>22,375</u>

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

## Consulting and Audit Canada Revolving Fund

### STATEMENT OF OPERATIONS

	Year ended March 31	
	2003	2002
<i>In thousands of dollars</i>		
<b>Revenues (note 5)</b>	119,129	116,809
<b>Direct costs</b>	77,591	75,721
<b>Gross margin</b>	41,538	41,088
<b>Operating expenses</b>		
Salaries and employee benefits	33,206	31,509
Employee termination benefits	803	522
Professional and special services	1,969	2,018
Occupancy costs	1,912	1,929
Corporate and administrative services	1,469	1,276
Transportation and telecommunications	1,117	972
Utilities, materials and supplies	845	1,260
Amortization	139	32
Bad debts	0	(240)
Purchased repairs and maintenance	57	18
Interest on draw down	63	188
Information	48	128
Rentals	71	79
Other expenses	18	97
	41,717	39,788
<b>Net (loss) income</b>	(179)	1,300

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

## Consulting and Audit Canada Revolving Fund

### STATEMENT OF ACCUMULATED DEFICIT

	Year ended March 31	
	2003	2002
<i>In thousands of dollars</i>		
<b>Balance, beginning of year</b>	(3,074)	(4,374)
Net (loss) income	(179)	1,300
<b>Balance, end of year</b>	<u>(3,253)</u>	<u>(3,074)</u>

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

## Consulting and Audit Canada Revolving Fund

### STATEMENT OF CASH FLOWS

	Year ended March 31	
	2003	2002
<i>In thousands of dollars</i>		
<b>Operating activities</b>		
Net (loss) income	(179)	1,300
Items not affecting use of the Fund's authority		
Amortization	139	32
Provision for employee termination benefits	803	522
	<u>763</u>	<u>1,854</u>
Changes in working capital (note 7)	(5,460)	2,152
Payment on provision for employee termination benefits	(174)	(194)
<b>Net financial resources (used) provided by operating activities</b>	<u>(4,871)</u>	<u>3,812</u>
<b>Investing activities</b>		
Capital assets- acquisitions	(634)	(190)
<b>Net financial resources used by investing activities</b>	<u>(634)</u>	<u>(190)</u>
<b>Net (decrease) increase in accumulated net charge against the Fund's authority</b>	(5,505)	3,622
<b>Accumulated net charge against the Fund's authority, beginning of year</b>	<u>1,523</u>	<u>(2,099)</u>
<b>Accumulated net charge against the Fund's authority, end of year</b>	<u>(3,982)</u>	<u>1,523</u>

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

## Consulting and Audit Canada Revolving Fund

### NOTES TO THE FINANCIAL STATEMENTS

Year ended March 31, 2003

#### 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 2001-02 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 principles generally accepted in Canada 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.

b) **Capital assets**

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

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



## Consulting and Audit Canada Revolving Fund

### NOTES TO THE FINANCIAL STATEMENTS

Year ended March 31, 2003

#### 2. SIGNIFIICANT ACCCOUNTING POLICIES (continued)

##### c) 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.

##### 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.

No accrual is made for severance entitlements on service prior to April 1, 1992. Benefits earned prior to April 1, 1992 are estimated at \$3,143,000 (2001-2002 - \$3,123,000), represent an obligation of CAC and will be funded by the Treasury Board.

##### e) Insurance

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

#### 3. OTHER ASSETS

*In thousands of dollars*

	2003	2002
Goods and Services Tax refundable advances	5,318	1,061
Work in process	-	167
Other advances	22	19
	5,340	1,247

## Consulting and Audit Canada Revolving Fund

### NOTES TO THE FINANCIAL STATEMENTS

Year ended March 31, 2003

#### 4. CAPITAL ASSETS AND ACCUMULATED AMORTIZATION

*In thousands of dollars*

<b>Capital Assets</b>	Balance beginning of year	Acquisitions	Disposals / adjustments	Balance end of year
Informatics hardware	285	21	-	306
Informatics software	147	20	-	167
Leasehold improvements	-	593	-	593
	432	634	-	1,066

  

<b>Accumulated Amortization</b>	Balance beginning of year	Current year amortization	Disposals / adjustments	Balance end of year
Informatics hardware	195	37	-	232
Informatics software	17	43	-	60
Leasehold improvements	-	59	-	59
	212	139	-	351

  

<b>Net</b>	220			715
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#### 5. REVENUES

*In thousands of dollars*

	2003	2002
Consulting and audit services	100,509	99,261
Recovery - Shared systems support centre costs	18,620	17,548
	119,129	116,809

## Consulting and Audit Canada Revolving Fund

### NOTES TO THE FINANCIAL STATEMENTS

Year ended March 31, 2003

#### 6. COMMITMENTS

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*

2003-2004	2,137
2004-2005	1,511
2005-2006	692
2006-2007	690
2007-2008	501
	5,531

#### 7. CHANGES IN WORKING CAPITAL

*In thousands of dollars*

	2003	2002	Changes
Current assets	23,242	22,155	(1,087)
Current liabilities	19,372	23,745	(4,373)
	3,870	(1,590)	(5,460)

#### 8. COMPARATIVE FIGURES

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