

# **2000-701 Audit of the Translation Bureau Financial Statements 1999/2000**

## **ARC Briefing Note**

### **Audit Objective**

The purpose of the audit was to attest to the fair presentation in the financial statements of the Translation Bureau of the financial position and results of operations and changes in financial position for the year ended March 31, 2000 for the purpose of reporting to the Deputy Minister and the ADM Government Operational Service and for reporting in the Public Accounts of Canada.

### **Audit Results**

The audit resulted in the provision of the attached auditor's report (opinion) by Ernst & Young.

### **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, 2000 and the statements of operations, accumulated surplus (deficit) 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 auditing standards generally accepted in Canada. 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, 2000, the results of its operations and its cash flows for the year then ended in accordance with the accounting principles for Revolving Funds of Government of Canada as described in Note 2.

Ottawa, Canada,  
June 16, 2000.

*Ernst and Young LLP*  
Chartered Accountants

For more information about this report, please contact  
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Important Notices

Financial Statements

**Translation Bureau Revolving Fund**

March 31, 2000

## AUDITORS' REPORT

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*Ernst + Young LLP*

Ottawa, Canada,

June 16, 2000.

Chartered Accountants

## Balance sheet

Translation Bureau Revolving Fund



as at March 31

(in thousands of dollars)

	2000	1999 (restated - see note 3)
<b>Assets</b>		
Current		
Accounts receivable		
Government of Canada	12,802	18,410
Outside parties	848	1,113
	13,650	19,523
Capital assets (note 4)	202	210
Deferred employee benefits	15,865	15,865
	29,717	35,598
<b>Liabilities</b>		
Current		
Accounts payable and accrued liabilities		
Government of Canada	1,595	1,207
Outside parties	13,127	7,238
	14,722	8,445
Long-term obligations (note 5)	22,337	20,293
	37,059	28,738
Contractual commitments (note 6)		
<b>Equity of Canada</b>		
Accumulated net charge against the Fund's authority	-9,401	9,125
Accumulated surplus (deficit)	2,059	-2,265
	29,717	35,598

The accompanying notes are an integral part of the financial statements

# Statement of operations

Translation Bureau Revolving Fund



Years ended March 31

(in thousands of dollars)

	2000	1999 (restated - see note 3)
<b>Revenues (note 7)</b>	<b>144,455</b>	<b>126,428</b>
<b>Operating expenses</b>		
Salaries and employee benefits	86,580	78,622
Provision for employee termination benefits	2,375	1,729
Provision for compensation	0	238
Transportation and communications	3,536	3,448
Information	143	395
Professional and special services	34,118	32,023
Occupancy costs	5,082	5,121
Rentals	134	149
Purchased repair and maintenance	408	390
Utilities, materials and supplies	2,609	2,928
Amortization	115	221
Corporate and administrative services	4,522	4,655
Other expenditures	509	363
	<b>140,131</b>	<b>130,282</b>
<b>Net profit (loss)</b>	<b>4,324</b>	<b>-3,854</b>

The accompanying notes are an integral part of the financial statements

## Statement of accumulated surplus (deficit)

Translation Bureau Revolving Fund



Years ended March 31

(in thousands of dollars)

	2000	1999 (restated - see note 3)
<b>Balance, beginning of year</b>	<b>-2,265</b>	<b>-2,777</b>
Adjustment to accumulated deficit, beginning of year (note 3)	0	-1,956
Accumulated deficit, beginning of year as restated	-2,265	-4,733
Net profit (loss)	4,324	-3,854
Write-off of net loss to accumulated net charge against the Fund's authority account (note 1)	0	3,307
Write-off of employee departure program costs to accumulated net charge against the Fund's authority account	0	3,015
<b>Balance, end of year</b>	<b>2,059</b>	<b>-2,265</b>

The accompanying notes are an integral part of the financial statements

# Statement of cash flows

Translation Bureau Revolving Fund



Years ended March 31

(in thousands of dollars)

	2000	1999 (restated - see note 3)
<b>Operating activities</b>		
Net profit (loss)	4,324	-3,854
Item not affecting use of authority		
Amortization	115	221
	4,439	-3,633
Working capital change (note 8)	12,150	-3,800
Changes in other assets and liabilities (note 9)	2,044	1,747
	18,633	-5,686
<b>Investing activities</b>		
Capital assets		
Acquisitions	-107	-180
	-107	-180
<b>Financing activities</b>		
Write-off of net loss to accumulated net charge against the Fund's authority account	0	3,307
Write-off of employee departure program costs to accumulated net charge against the Fund's authority account	0	3,015
	0	6,322
<b>Net increase in accumulated net charge against the Fund's authority</b>	18,526	456
<b>Accumulated net charge against the Fund's authority beginning of year</b>	-9,125	-9,581
<b>Accumulated net charge against the Fund's authority end of year</b>	9,401	-9,125

The accompanying notes are an integral part of the financial statements



# Notes to the Financial Statements

Translation Bureau Revolving Fund

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## **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, and TB decision #824299 dated July 10, 1996 gave the Translation Bureau the authority to delete operating losses for the first five years of operating under the Revolving Fund. The Bureau is expected to break-even in the fiscal year-2001-2002. No amount was deleted in 1999-2000 since the Revolving Fund is showing a surplus (\$3,306,767 deleted in 1998-1999).

## **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**

Effective April 1, 1999, only assets having a purchase cost of \$10,000 or more are capitalized. Capital assets consisting of computer equipment and furniture and fixtures are stated at cost and are amortized on a straight line basis over the estimated economic life of 3 years. Current year acquisitions are amortized at half the current rate.

**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 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.

**e) Insurance**

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

**3. Change in accounting policy - capital assets**

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During the year, the Translation Bureau Revolving Fund changed its accounting policy to capitalize assets having an initial purchase cost of \$10,000 or more. Previously, the policy was to capitalize assets having an initial purchase cost of \$1,000 or more. This decision follows the release of Treasury Board (TB) Accounting Standard 3.1 - Capital Assets. This policy is being applied retroactively with a restatement of 1998 - 1999 comparative figures. Consequently, the effect of the change in accounting policy on the financial statements is as follows: the capital assets net book value decreased by \$2,152,000 in fiscal 2000 (\$2,265,000 in 1999); net profit increase by \$113,000 in fiscal 2000 (net loss increased by \$309,000 in 1999); and accumulated surplus decreased by \$2,152,000 in fiscal 2000 (accumulated deficit increased by \$2,265,000 in 1999).

**4. Capital assets and accumulated amortization**

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(in thousands of dollars)

Balance beginning

Capital Assets	of year (restated - note 3)	Acquisitions	Disposals/ Adjustments	Balance end of year
Computer equipment	1,167	107	0	1,274
Furniture and fixtures	17	0	0	17
	1,184	107	0	1,291

  

Accumulated amortization	Balance beginning of year (restated - note 3)	Current year amortization	Disposals/ Adjustments	Balance end of year
Computer equipment	957	115	0	1,072
Furniture and fixtures	17	0	0	17
	974	115	0	1,089
Net	210			202

#### 5. Long-term obligations

(in thousands of dollars)

	2000	1999
Provision for employee termination benefits	22,337	20,293

## 6. Contractual commitments

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

(in thousands of dollars)

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2000-2001	4,577
2001-2002	524
2002-2003	382
2003-2004	281
2004-2005	64
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	5,828

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## 7. Revenues

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(in thousands of dollars)

	2000	1999
Translation services	140,581	124,135
Interpretation services	2,749	1,856
Termium sales	1,000	302
Other	125	135
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	144,455	126,428

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## 8. Changes in working capital

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(in thousands of dollars)

	2000	1999	Changes
Current assets	13,650	19,523	5,873
Current liabilities	14,722	8,445	6,277
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	1,072	(11,078)	12,150

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## 9. Changes in other assets and liabilities

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(in thousands of dollars)

	2000	1999	Changes
Other assets	15,865	15,865	0
Other liabilities	22,337	20,293	2,044
	6,472	4,428	2,044

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## 10. Comparative figures

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Certain prior years amounts have been reclassified to conform with the presentation of the current year.