

2000-703 Audit of CAC 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 Consulting and Audit Canada, 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**

We have audited the balance sheet of the **Consulting and Audit Canada Revolving Fund** as at March 31, 2000, the statement of operations, accumulated deficit and the statement of 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 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 the Consulting and Audit Canada

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,
May 26, 2000.

Ernst and Young LLP
Chartered Accountants

For more information about this report, please contact
NCR.Media@pwgsc.gc.ca or call (819) 956-2310.

Maintained by the Communications Branch
Last Updated: 2001-08-01

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Important Notices

Financial Statements

Consulting and Audit Canada Revolving Fund
March 31, 2000

AUDITORS' REPORT

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

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Ottawa, Canada,
May 26, 2000.

Ernst + Young LLP

Chartered Accountants

Balance sheet

Consulting and Audit Canada Revolving Fund

as at March 31 (in thousands of dollars)	2000	1999 (restated - see note 3)
Assets		
Current		
Accounts receivable		
Government of Canada	22,043	32,675
Outside parties	357	197
	22,400	32,872
Capital assets (note 4)	62	153
	22,462	33,025
Liabilities		
Current		
Accounts payable and accrued liabilities		
Government of Canada	653	11,527
Outside parties	17,505	19,943
	18,158	31,470
Allowance for employee termination benefits	2,427	2,084
	20,585	33,554
Contractual commitments (note 5)		
Equity of Canada		
Accumulated net charge against the Fund's authority	9,637	10,113
Accumulated deficit	-7,760	-10,642
	22,462	33,025

The accompanying notes are an integral part of the financial statements

Statement of operations

Consulting and Audit Canada Revolving Fund

Years ended March 31 (in thousands of dollars)	2000	1999 (restated - see note 3)
Revenues		
Consulting and audit services	93,703	76,886
Recovery - Shared systems support centre costs	19,952	23,140
	113,655	100,026
Direct costs	77,894	69,545
Gross operating profit	35,761	30,481
Operating expenses		
Salaries and employee benefits	25,091	21,235
Professional and special services	2,919	2,651
Repairs, supplies and miscellaneous	1,623	933
Occupancy costs	1,386	1,285
Interest on drawdown	623	535
Communications	442	460
Provision for employee termination benefits	343	464
Travel	199	217
Amortization	102	88
Rentals	72	49
Information	43	65
Freight	36	45
	32,879	28,027
Net income	2,882	2,454

The accompanying notes are an integral part of the financial statements

Statement of accumulated deficit

Consulting and Audit Canada Revolving Fund

Years ended March 31 (in thousands of dollars)	2000	1999 (restated - see note 3)
Balance, beginning of year	-10,642	-13,915
Adjustment to accumulated deficit, beginning of year (note 3)	0	-1,415
Accumulated deficit, beginning of year as restated	-10,642	-15,330
Net income	2,882	2,454
Write-off of employee departure program costs to accumulated net charge against the Fund's authority account	0	2,234
Balance, end of year	-7,760	-10,642

The accompanying notes are an integral part of the financial statements

Statement of cash flows

Consulting and Audit Canada Revolving Fund

Years ended March 31 (in thousands of dollars)	2000	1999 (restated - see note 3)
Operating activities		
Net income	2,882	2,454
Items not affecting use of authority		
Amortization	102	88
Increase in provision for employee termination benefits	343	464
	3,327	3,006
Working capital change (note 6)	-2,840	231
	487	3,237
Investing activities		
Capital assets		
Acquisitions	-11	-54
	-11	-54
Financing activities		
Write-off of employee departure program costs to accumulated net charge against the Fund's authority account	0	2,234
	0	2,234
Net decrease in accumulated net charge against the Fund's authority	476	5,417
Accumulated net charge against the Fund's authority beginning of year	-10,113	-15,530
Accumulated net charge against the Fund's authority end of year	-9,637	-10,113

The accompanying notes are an integral part of the financial statements

Notes to the Financial Statements

Consulting and Audit Canada Revolving Fund

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.

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 being capitalized. Capital assets consisting of computer equipment and software are stated at cost and are amortized over 3 years commencing the month after acquisition on a straight-line basis.

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 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.

No accrual is made for severance entitlements on service prior to April 1, 1992. Benefits earned prior to April 1, 1992 and estimated at \$3,168,000 (1999 - \$3,422,000) 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. Change in accounting policy - capital assets

During the year, CAC 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 follow: the capital assets net book value decreased by \$1,406,000 in fiscal 2000 (\$1,013,000 in 1999); net profit decreased by \$393,000 in fiscal 2000 (increased by \$402,000 in 1999); and accumulated deficit increased by \$1,406,000 in fiscal 2000 (\$1,013,000 in 1999).

4. Capital assets and accumulated amortization

(in thousands of dollars)

Capital Assets	Balance beginning of year (restated - note 3)	Acquisitions	Disposals/ Adjustments	Balance end of year
Computer equipment and software	1,789	11	0	1,800

Accumulated amortization	Balance beginning of year (restated - note 3)	Current year amortization	Disposals/ Adjustments	Balance end of year
Computer equipment and software	1,636	102	0	1,738
Net	153			62

5. Contractual commitments

CAC leases its premises and office equipment under operating leases. The head office lease is being renewed on an annual basis but the exact payments are not yet known. Future payments for the existing leases are as follows:

(in thousands of dollars)

2000-2001	363
2001-2002	219
2002-2003	67
2003-2004	12
2004-2005	2
	663

6. Changes in working capital

(in thousands of dollars)

	2000	1999	Changes
Current assets	22,400	32,872	10,472
Current liabilities	18,158	31,470	(13,312)
	(4,242)	(1,402)	(2,840)

7. Comparative figures

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