

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, 2001 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.

Financial Statements

Translation Bureau Revolving Fund

March 31, 2001



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, 2001 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 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, 2001, 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 15, 2001.

Ernst & Young LLP

Chartered Accountants

Balance sheet

Translation Bureau Revolving Fund

as at March 31 (in thousands of dollars)	2001	2000
Assets		
Current		
Accounts receivable		
Government of Canada	14,737	12,802
Outside parties	724	848
	<u>15,461</u>	<u>13,650</u>
Capital assets (note 3)	386	202
Deferred employee benefits	15,601	15,865
	<u>31,448</u>	<u>29,717</u>
Liabilities		
Current		
Accounts payable and accrued liabilities		
Government of Canada	2,154	1,595
Outside parties	15,311	13,127
	<u>17,465</u>	<u>14,722</u>
Allowance for employee termination benefits	24,118	22,337
	<u>41,583</u>	<u>37,059</u>
Contractual commitments (note 4)		
Equity of Canada		
Accumulated net charge against the Fund's authority	(17,256)	(9,401)
Accumulated surplus	7,121	2,059
	<u>31,448</u>	<u>29,717</u>

The accompanying notes are an integral part of the financial statements

Statement of operations

Translation Bureau Revolving Fund

Year ended March 31 (in thousands of dollars)	2001	2000
Revenues (note 5)	157,153	144,455
<u>Operating expenses</u>		
Salaries and employee benefits	93,130	86,580
Professional and special services	36,735	34,118
Occupancy costs	5,450	5,082
Utilities, materials and supplies	3,979	2,609
Corporate and administrative services	3,960	4,522
Transportation and communications	3,783	3,536
Provision for employee termination benefits	2,336	2,375
Purchased repair and maintenance	1,097	408
Other expenditures	1,091	509
Information	305	143
Rentals	134	134
Amortization	91	115
	152,091	140,131
Net income	5,062	4,324

The accompanying notes are an integral part of the financial statements

Statement of accumulated surplus (deficit)

Translation Bureau Revolving Fund

Year ended March 31 (in thousands of dollars)	2001	2000
Balance, beginning of year	2,059	(2,265)
Net income	5,062	4,324
Write-off of net loss to accumulated net charge against the Fund's authority account (note 1)	0	0
Balance, end of year	7,121	2,059

The accompanying notes are an integral part of the financial statements

Statement of cash flows

Translation Bureau Revolving Fund

Year ended March 31 (in thousands of dollars)	2001	2000
Operating activities		
Net income	5,062	4,324
Employee termination benefits payments	(555)	(331)
Items not affecting use of authority		
Amortization	91	115
Provision for employee termination benefits	2,336	2,375
	6,934	6,483
Working capital change (note 6)	932	12,150
Changes in other assets	264	0
	8,130	18,633
Investing activities		
Capital assets		
Acquisitions	(275)	(107)
	(275)	(107)
Net increase in accumulated net charge against the Fund's authority	7,855	18,526
Accumulated net charge against the Fund's authority beginning of year	9,401	(9,125)
Accumulated net charge against the Fund's authority end of year	17,256	9,401

The accompanying notes are an integral part of the financial statements

Notes to the Financial Statements

Translation Bureau Revolving Fund

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 (nil in 1999-2000), since the Revolving Fund is showing a surplus.

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.

b) Capital assets

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 commencing the month after acquisition.

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.

2. Significant accounting policies (continued)

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. Capital assets and accumulated amortization

(in thousands of dollars)

Capital Assets	Balance beginning of year	Acquisitions	Disposals/ Adjustments	Balance end of year
Computer equipment	1,274	252	(819)	707
Furniture and fixtures	17	23	0	40
	1,291	275	(819)	747

Accumulated amortization	Balance beginning of year	Current year amortization	Disposals/ Adjustments	Balance end of year
Computer equipment	1,072	91	(819)	344
Furniture and fixtures	17	0	0	17
	1,089	91	(819)	361

Net	202			386
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4. Contractual commitments

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

(in thousands of dollars)

2001-2002	3,279
2002-2003	3,155
2003-2004	3,054
2004-2005	2,758
2005-2006	2,148
	14,394

5. Revenues

(in thousands of dollars)

	2001	2000
Translation services	153,269	140,581
Interpretation services	3,031	2,749
Termium sales	646	1,000
Other	207	125
	157,153	144,455

6. Changes in working capital

(in thousands of dollars)

	2001	2000	Changes
Current assets	15,461	13,650	(1,811)
Current liabilities	17,465	14,722	2,743
	(2,004)	(1,072)	932