

**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, 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

**Consulting and Audit Canada Revolving Fund**

March 31, 2001



## 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, 2001, 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 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, 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 5, 2001.

*Ernst + Young LLP*

Chartered Accountants

## Balance sheet

Consulting and Audit Canada Revolving Fund

as at March 31	2001	2000
(in thousands of dollars)		
<b>Assets</b>		
<b>Current</b>		
Accounts receivable		
Government of Canada	22,913	22,043
Outside parties	169	357
	23,082	22,400
Capital assets (note 3)	62	62
	23,144	22,462
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities		
Government of Canada	2,049	653
Outside parties	20,471	17,505
	22,520	18,158
Allowance for employee termination benefits	2,899	2,427
	25,419	20,585
Commitments and contingencies (notes 4 and 5)		
<b>Equity of Canada</b>		
Accumulated net charge against the Fund's authority	2,099	9,637
Accumulated deficit	(4,374)	(7,760)
	23,144	22,462

The accompanying notes are an integral part of the financial statements

# Statement of operations

Consulting and Audit Canada Revolving Fund

Year ended March 31 (in thousands of dollars)	2001	2000
<b>Revenues</b>		
Consulting and audit services	92,614	93,703
Recovery - Shared systems support centre costs	20,227	19,952
	112,841	113,655
Direct costs	74,494	77,894
<b>Gross operating profit</b>	<b>38,347</b>	<b>35,761</b>
<b>Operating expenses</b>		
Salaries and employee benefits	26,323	25,091
Professional and special services	3,563	2,919
Repairs, supplies and miscellaneous	2,153	1,623
Occupancy costs	1,211	1,386
Interest on drawdown	254	623
Communications	505	442
Provision for employee termination benefits	472	343
Travel	267	199
Amortization	35	102
Rentals	90	72
Information	52	43
Freight	36	36
	34,961	32,879
<b>Net income</b>	<b>3,386</b>	<b>2,882</b>

The accompanying notes are an integral part of the financial statements

## Statement of accumulated deficit

Consulting and Audit Canada Revolving Fund

Year ended March 31 (in thousands of dollars)	2001	2000
<b>Balance, beginning of year</b>	(7,760)	(10,642)
Net income	3,386	2,882
<b>Balance, end of year</b>	(4,374)	(7,760)

The accompanying notes are an integral part of the financial statements

## Statement of cash flows

Consulting and Audit Canada Revolving Fund

Year ended March 31 (in thousands of dollars)	2001	2000
<b>Operating activities</b>		
Net income	3,386	2,882
Employee termination benefits payments	(118)	(83)
Items not affecting use of authority		
Amortization	35	102
Provision for employee termination benefits	590	426
	3,893	3,327
Working capital change (note 6)	3,680	(2,840)
	7,573	487
<b>Investing activities</b>		
Capital assets		
Acquisitions	(58)	(11)
Disposals / adjustments	23	
	(35)	(11)
<b>Net decrease in accumulated net</b>		
charge against the Fund's authority	7,538	476
<b>Accumulated net charge against the Fund's</b>		
authority beginning of year	(9,637)	(10,113)
<b>Accumulated net charge against the Fund's</b>		
authority end of year	(2,099)	(9,637)

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

Capital assets 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 \$3,361,000 (1999-2000: \$3,168,000) 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. Capital assets and accumulated amortization

(in thousands of dollars)

Capital Assets	Balance beginning of year	Acquisitions	Disposals/ Adjustments	Balance end of year
Computer equipment and software	1,800	58	(1,616)	242
Accumulated Amortization	Balance beginning of year	Current year amortization	Disposals/ Adjustments	Balance end of year
Computer equipment and software	1,738	35	(1,593)	180
Net	62			62

### 4. 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)

2001-2002	1,388
2002-2003	842
2003-2004	73
2004-2005	26
2005-2006	
	2,329

### 5. Contingencies

CAC has some legal claims outstanding as at March 31, 2001. The outcome of these actions are currently not determinable, however they are not expected to have a material impact on the financial position of the organization.

### 6. Changes in working capital

(in thousands of dollars)

	2001	2000	Changes
Current assets	23,082	22,400	(682)
Current liabilities	22,520	18,158	4,362
	(562)	(4,242)	3,680