

**Audit Objective**

The purpose of the audit was to attest to the fair presentation in the financial statements of Government Telecommunications and Informatics Services Revolving Fund, 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

**Government Telecommunications and Informatics  
Services Revolving Fund**

March 31, 2001



## AUDITORS' REPORT

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

We have audited the balance sheet of the **Government Telecommunications and Informatics Services Revolving Fund** as at March 31, 2001 and the statements of operations, accumulated surplus and cash flows for the year then ended. These financial statements are the responsibility of the management of the Government Telecommunications and Informatics Services 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 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 **Government Telecommunications and Informatics Services Revolving Fund** as at March 31, 2001 and the results of its operations and its cash flows for the year then ended in accordance with the accounting principles for Revolving Funds of the Government of Canada as described in note 2.

Ottawa, Canada,  
July 4, 2001.

*Ernst & Young LLP*

Chartered Accountants

# Balance sheet

Government Telecommunications and Informatics Services Revolving Fund

as at March 31 (in thousands of dollars)	2001	2000
<b>Assets</b>		
<b>Current</b>		
Accounts receivable		
Government of Canada	6,727	25,415
Outside parties	1,136	3,553
Inventories	0	136
	<b>7,863</b>	<b>29,104</b>
<b>Capital assets (note 3)</b>	<b>226</b>	<b>315</b>
	<b>8,089</b>	<b>29,419</b>
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities		
Government of Canada	249	891
Outside parties	7,884	5,153
	<b>8,133</b>	<b>6,044</b>
Allowance for employee termination benefits	2,497	2,442
	<b>10,630</b>	<b>8,486</b>
Contractual commitments (note 4)		
<b>Equity of Canada</b>		
Accumulated net charge against the Fund's authority	(14,832)	14,896
Accumulated surplus	12,291	6,037
	<b>8,089</b>	<b>29,419</b>

The accompanying notes are an integral part of the financial statements

## Statement of operations

Government Telecommunications and Informatics Services Revolving Fund

Year ended March 31 (in thousands of dollars)	2001	2000
<b>Revenues</b>	124,351	143,471
<b>Cost of sales</b>	95,445	120,355
<b>Gross operating profit</b>	28,906	23,116
<b>Operating expenses</b>		
Salaries and employee benefits	11,563	12,208
Provision for employee termination benefits	255	338
Transportation and communications	746	695
Information	279	223
Professional and special services	7,536	7,324
Occupancy costs	816	851
Rentals	49	89
Purchased repair and maintenance	92	26
Utilities, materials and supplies	538	396
Amortization	147	108
Interest on drawdown	64	219
Gain on disposal of capital assets	(109)	0
Corporate and administrative services	676	710
Other expenditures	0	172
	22,652	23,359
<b>Net income (loss)</b>	6,254	(243)

The accompanying notes are an integral part of the financial statements

## Statement of accumulated surplus

Government Telecommunications and Informatics Services Revolving Fund

Year ended March 31 (in thousands of dollars)	2001	2000
<b>Balance, beginning of year</b>	6,037	26,280
Net income (loss)	6,254	(243)
Reduction in accumulated surplus (note 1)	0	(20,000)
<b>Balance, end of year</b>	<b>12,291</b>	<b>6,037</b>

The accompanying notes are an integral part of the financial statements

## Statement of cash flows

Government Telecommunications and Informatics Services Revolving Fund

Year ended March 31 (in thousands of dollars)	2001	2000
<b>Operating activities</b>		
Net income (loss)	6,254	(243)
Employee termination benefits payments	(178)	(22)
Items not affecting use of authority		
Amortization	147	108
Amortization - Recoverable from OGD's	116	570
Provision for employee termination benefits	233	276
Gain on disposal of capital assets	(109)	0
	6,463	689
 Working capital change (note 5)	 23,330	 14,602
	29,793	15,291
 <b>Investing activities</b>		
Capital assets		
Acquisitions	(65)	(145)
Disposals/adjustments	0	1,197
	(65)	1,052
 Net decrease (increase) in accumulated net charge against the Fund's authority	 29,728	 16,343
 Accumulated net charge against the Fund's authority beginning of year	 (14,896)	 (11,239)
Reduction in drawdown authority (note 1)	0	(20,000)
 Accumulated net charge against the Fund's authority end of year	 14,832	 (14,896)

The accompanying notes are an integral part of the financial statements

# Notes to the Financial Statements

Government Telecommunications and Informatics Services Revolving Fund

## 1. Authority and purpose

The Government Telecommunications Agency (GTA) Revolving Fund was established in 1963 to plan and provide telecommunications facilities and services for federal departments and agencies. Section 5.2 of the *Revolving Funds Act* authorizes the Minister to make payments out of the Consolidated Revenue Fund for working capital, capital equipment and temporary financing of operating requirements, the total of which was not to exceed \$8,000,000 at any time. The authority was increased intermittently over the years. The last increase was for \$34,000,000 which brought the authority to \$64,000,000 as per *Appropriation Act No. 4, 1991-92* which was repealed in 1996 and replaced by section 5.5 of the *Revolving Funds Act*. As per Treasury Board decision #827175, on April 1, 1999 the draw down authority of the GTIS Revolving Fund was reduced from \$64,000,000 to \$45,000,000 and the accumulated surplus was reduced by \$20,000,000.

As part of the restructuring announced June 25, 1993, GTA was merged with the informatics groups from the former Supply and Services Canada (SSC) and Public Works Canada (PWC) to form what is called Government Telecommunications and Informatics Services (GTIS). As of April 1, 1994 all balances in the GTA Revolving Fund were transferred to the GTIS Revolving Fund. The 1998-99 Planning, Reporting and Accountability Structure (PRAS) exercise transferred the activities providing internal support to PWGSC from the GTIS Revolving Fund to the Vote effective April 1, 1998.

## 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) Inventories

Inventories are valued at the lower of cost or the net realization value and are recorded on a first-in, first-out basis,

### c) Capital assets

Assets having a purchase cost of \$10,000 or more are capitalized. Capital assets are stated at cost and are amortized on a straight line basis over their estimated economic lives as follows:

Category	Estimated economic life
Office Equipment	3 years
Telecommunications Equipment	3 years

The current year acquisitions are amortized commencing the first day of the month following the month the expenditure for the asset is recorded.



## 2. Significant accounting policies (continued)

### d) 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.

### e) 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, 1994. This accrual represents a net liability assumed by the Fund and thus was charged to the Fund's accumulated net charge against the Fund's authority.

### f) 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
Office Equipment	308	65	343	716
Telecommunications Equipment	2,051	0	(1,575)	476
	2,359	65	(1,232)	1,192

  

Accumulated amortization	Balance beginning of year	Current year amortization	Disposals/ Adjustments	Balance end of year
Office Equipment	161	147	205	513
Telecommunications Equipment	1,883	116	(1,546)	453
	2,044	263	(1,341)	966

  

Net	315			226
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#### 4. Contractual commitments

The Fund is engaged in contracts with telecommunication suppliers. Future payments are as follows:

(in thousands of dollars)

2001-2002	22,006
2002-2003	12,802
2003-2004	1,688
	<b>36,496</b>

#### 5. Changes in working capital

(in thousands of dollars)

	2001	2000	Changes
Current assets	7,863	29,104	21,241
Current liabilities	8,133	6,044	2,089
	(270)	23,060	23,330