

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, 1999 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

**Please note that information has been withheld
pursuant to the provisions of the "Access to
Information Act."**

FINANCIAL STATEMENTS

**CONSULTING AND AUDIT CANADA
REVOLVING FUND**

March 31, 1999

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, 1999, the statements of income and accumulated deficit and the statement of changes in financial position 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 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, 1999, the results of its operations and changes in financial position for the year then ended in accordance with the accounting principles for Revolving Funds of Government of Canada as described in Note 2.

The financial statements of the preceding year were audited by another firm of Chartered Accountants.

Ernst & Young LLP

Ottawa, Canada,
June 23, 1999.

Chartered Accountants

Consulting and Audit Canada Revolving Fund

BALANCE SHEET

(in thousands)

As at March 31

	1999	1998
	\$	\$
ASSETS		
Current		
Accounts receivable		
Government of Canada	32,675	29,827
Outside parties	197	279
Total current assets	32,872	30,106
Capital assets, at cost <i>[note 3]</i>	5,241	5,544
Less: Accumulated amortization	(4,076)	(3,942)
	1,165	1,602
	34,037	31,708
LIABILITIES		
Current		
Accounts payable and accrued liabilities		
Government of Canada	11,527	12,532
Outside parties	19,943	15,941
Total current liabilities	31,470	28,473
Allowance for employee termination benefits	2,084	1,620
	33,554	30,093
Contractual commitments <i>[note 5]</i>		
Equity of Canada		
Accumulated net charge against the fund's authority	10,113	15,530
Accumulated deficit	(9,630)	(13,915)
	483	1,615
	34,037	31,708

See accompanying notes



Consulting and Audit Canada Revolving Fund

STATEMENT OF INCOME AND ACCUMULATED DEFICIT

(in thousands)

Year ended March 31

	1999	1998
	\$	\$
Revenue	100,026	94,298
Direct costs	69,545	62,579
Gross operating profit	30,481	31,719
Operating expenses		
Salaries and employee benefits	21,235	21,454
Professional and special services	2,651	2,570
Occupancy costs	1,285	1,202
Amortization	828	949
Repairs, supplies and miscellaneous	596	1,022
Provision for employee termination benefits	464	224
Communications	460	307
Travel	217	252
Interest on drawdown	175	373
Information	65	79
Rentals	49	46
Freight	45	53
	28,070	28,531
Profit from operations	2,411	3,188
Work Force adjustment		
Interest, salaries and other costs	360	469
Net income	2,051	2,719
Accumulated deficit, beginning of year	(13,915)	(16,634)
Write off of employee departure program costs to accumulated net charge against the Fund's authority account [note 4]	2,234	—
Accumulated deficit, end of year	(9,630)	(13,915)

See accompanying notes



Consulting and Audit Canada Revolving Fund

STATEMENT OF CHANGES IN FINANCIAL POSITION

(in thousands)

Year ended March 31

	1999	1998
	\$	\$
OPERATING ACTIVITIES		
Net income for the year	2,051	2,719
Items not affecting use of authority:		
Amortization	828	949
Loss on disposal of capital assets	21	120
Increase in provision for employee termination benefits	464	224
	<u>3,364</u>	<u>4,012</u>
Net change in non cash working capital balances	231	2,770
Funds provided by operating activities	<u>3,595</u>	<u>6,782</u>
INVESTING ACTIVITIES		
Capital asset acquisitions	(412)	(761)
Funds used in investing activities	<u>(412)</u>	<u>(761)</u>
FINANCING ACTIVITIES		
Write-off of employee departure program costs to accumulated net charge against the Fund's authority account	2,234	—
Funds provided by financing activities	<u>2,234</u>	<u>—</u>
Net decrease in accumulated net charge against the Fund's authority	5,417	6,021
Accumulated net charge against the Fund's authority, beginning of year	(15,530)	(21,551)
Accumulated net charge against the Fund's authority, end of year	<u>(10,113)</u>	<u>(15,530)</u>

See accompanying notes



Consulting and Audit Canada Revolving Fund

NOTES TO FINANCIAL STATEMENTS

March 31, 1999

1. AUTHORITY AND PURPOSE

Consulting and Audit Canada (CAC) is a Special Operating Agency that provides, on an optional, and fee-for-service 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.

Advances drawn under these authorities are subject to interest.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with generally accepted accounting policies to the extent that they are in accordance with government policies and directives. The significant accounting policies include the following:

a) Revenues and expenses

Revenue and expenses are recorded on the accrual basis of accounting.

b) Capital assets

Capital assets are stated at cost and are amortized commencing the month after acquisition on a straight-line basis over their estimated useful lives as follows:

Category	Estimated Useful Economic Life
Furniture	5 years
Computer equipment and software	3 years
Printing equipment	5 years
Other	10 years

Consulting and Audit Canada Revolving Fund

NOTES TO FINANCIAL STATEMENTS

March 31, 1999

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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. CAC provides for the severance entitlements earned by employees since April 1, 1992.

No accrual is made for severance entitlements on service prior to April 1, 1992. Benefits earned prior to April 1, 1992 and estimated at \$3,422,000 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. CAPITAL ASSETS AND ACCUMULATED AMORTIZATION

Capital Assets	Balance, beginning of year \$	Acquisitions \$	Disposals/ Adjustments \$	Balance, end of year \$
	<i>(in thousands of dollars)</i>			
Furniture	771	5	18	758
EDP equipment and software	4,555	390	681	4,264
Printing equipment	68	—	7	61
Other	150	17	9	158
	5,544	412	715	5,241

Consulting and Audit Canada Revolving Fund

NOTES TO FINANCIAL STATEMENTS

March 31, 1999

3. CAPITAL ASSETS AND ACCUMULATED AMORTIZATION (Cont'd)

Accumulated amortization	Balance, beginning of year \$	Acquisitions \$	Disposals/ Adjustments \$	Balance, end of year \$
<i>(in thousands of dollars)</i>				
Furniture	425	183	18	590
EDP equipment and software	3,370	627	661	3,336
Printing equipment	68	—	7	61
Other	79	18	8	89
	3,942	828	694	4,076
Net	1,602	—	21	1,165

4. WRITE OFF OF EMPLOYEE DEPARTURE PROGRAM COSTS

5. CONTRACTUAL COMMITMENTS

CAC leases its premises and office equipment under operating leases. The head office lease expires in November 1999 and is being renewed. Future lease payments for the head office lease are not yet known. Future lease payments for existing leases are as follows:

<i>(in thousands of dollars)</i>	\$
2000	920
2001	157
2002	154
2003	33

Consulting and Audit Canada Revolving Fund

NOTES TO FINANCIAL STATEMENTS

March 31, 1999

6. YEAR 2000 ISSUE

The following note is required by the Canadian Institute of Chartered Accountants.

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the Year 2000 or 1900 or some other date, resulting in errors when information using Year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and if not addressed, the impact on operation and financial reporting may range from minor errors to significant systems failure which could affect the Revolving Fund ability to conduct normal business operations. However, it is not possible to be certain that all aspects of the Year 2000 Issue affecting the Revolving Fund, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

Management has developed and is implementing a plan designed to identify and address the expected effects of the Year 2000 Issue on CAC.

7. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the presentation of the current year.