

# **Consulting and Audit Canada Revolving Fund**

**Financial Statements  
March 31, 2004**

May 31, 2004

**Auditors' Report**

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

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We have audited the statement of financial position of the **Consulting and Audit Canada Revolving Fund** as at March 31, 2004 the statements of operations, accumulated surplus and cash flows for the year then ended. These financial statements have been prepared to comply with Section 4 of the Treasury Board of Canada's Policy on Special Revenue Spending Authorities. 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, 2004 and the results of its operations and its cash flows for the year then ended in accordance with the basis of accounting as disclosed in note 2 to the financial statements.

These financial statements, which have not been, and were not intended to be, prepared in accordance with Canadian generally accepted accounting principles, are solely for the information and use of the management of the Consulting and Audit Canada Revolving Fund and the Treasury Board of Canada Secretariat for reporting on the use of the Fund authority. The financial statements are not intended to be and should not be used by anyone other than the specified users or for any other purpose.

*PricewaterhouseCoopers LLP*

**Chartered Accountants**

## Consulting and Audit Canada Revolving Fund

### STATEMENT OF FINANCIAL POSITION

As at March 31

	2004	2003
<i>In thousands of dollars</i>		
<b>Assets</b>		
Current		
Cash	108	226
Accounts receivable		
Government of Canada	17,714	16,932
Outside parties	1,190	744
Other assets (note 3)	772	5,340
	<u>19,784</u>	<u>23,242</u>
Capital assets (note 4)	761	715
	<u>20,545</u>	<u>23,957</u>
<b>Liabilities</b>		
Current		
Accounts payable and accrued liabilities		
Government of Canada	919	1,386
Outside parties	15,105	15,521
Other liabilities	2,623	2,465
	<u>18,647</u>	<u>19,372</u>
Allowance for employee termination benefits	4,189	3,856
	<u>22,836</u>	<u>23,228</u>
<b>Equity of Canada</b>		
Accumulated net charge against the Fund's authority	(2,995)	3,982
Accumulated surplus (deficit)	704	(3,253)
	<u>(2,291)</u>	<u>729</u>
	<u>20,545</u>	<u>23,957</u>

*The accompanying notes are an integral part of the financial statements.*

## Consulting and Audit Canada Revolving Fund

### STATEMENT OF OPERATIONS

For the year ended March 31

	2004	2003
<i>In thousands of dollars</i>		
<b>Revenues (note 5)</b>	130,006	119,129
<b>Direct costs</b>	83,438	77,591
<b>Gross margin</b>	46,568	41,538
<b>Operating expenses</b>		
Salaries and employee benefits	34,243	33,206
Employee termination benefits	515	803
Occupancy costs	2,324	1,912
Professional and special services	1,761	1,969
Transportation and telecommunications	1,356	1,117
Corporate and administrative services	1,110	1,469
Utilities, materials and supplies	713	845
Amortization	235	139
Rentals	128	71
Interest on draw down	79	63
Purchased repairs and maintenance	36	57
Bad debts	35	
Information	34	48
Other expenses	42	18
	42,611	41,717
<b>Net income (loss)</b>	3,957	(179)

*The accompanying notes are an integral part of the financial statements.*

## Consulting and Audit Canada Revolving Fund

### STATEMENT OF ACCUMULATED SURPLUS (DEFICIT)

For the year ended March 31

	2004	2003
<i>In thousands of dollars</i>		
<b>Balance, beginning of year</b>	(3,253)	(3,074)
Net income (loss)	3,957	(179)
<b>Balance, end of year</b>	<u>704</u>	<u>(3,253)</u>

*The accompanying notes are an integral part of the financial statements.*

## Consulting and Audit Canada Revolving Fund

### STATEMENT OF CASH FLOWS

For the year ended March 31

	2004	2003
<i>In thousands of dollars</i>		
<b>Operating activities</b>		
Net income (loss)	3,957	(179)
Items not affecting use of the Fund's authority		
Amortization	235	139
Provision for employee termination benefits	515	803
	<u>4,707</u>	<u>763</u>
Changes in working capital (note 7)	2,733	(5,460)
Payments on provision for employee termination benefits	(182)	(174)
<b>Net financial resources provided (used) by operating activities</b>	<u>7,258</u>	<u>(4,871)</u>
<b>Investing activities</b>		
Capital assets acquisitions	(281)	(634)
<b>Net financial resources used by investing activities</b>	<u>(281)</u>	<u>(634)</u>
<b>Net increase (decrease) in accumulated net charge against the Fund's authority</b>	6,977	(5,505)
<b>Accumulated net charge against the Fund's authority, beginning of year</b>	<u>(3,982)</u>	<u>1,523</u>
<b>Accumulated net charge against the Fund's authority, end of year</b>	<u>2,995</u>	<u>(3,982)</u>

*The accompanying notes are an integral part of the financial statements.*

# Consulting and Audit Canada Revolving Fund

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2004

### 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.

In 2001-2002, in accordance with Section 12 of the *Revolving Fund Act*, and through the 2001-2002 Supplementary Estimates (B) (T.B. decision #829420 dated December 6, 2001) the draw down authority was reduced from \$25,100,613 to \$20,000,000.

### 2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with the reporting requirements for revolving funds described by the Receiver General for Canada. The basis of accounting used in these financial statements differs from Canadian generally accepted accounting principles because:

- The services received without charge from other government departments are not reported as expenses;
- The expenses and liability for employee termination benefits excludes the portion not funded by the Fund; the liabilities for employee termination benefits are based on management's estimates rather than actuarial valuation; also vacation pay and time-off in lieu are based on management's estimates; and
- The contributions to the Pension plan are based on Treasury Board's rates representing an estimate of what the cost is likely to be for the Government in the upcoming year; also actuarial surpluses or deficiencies are not accounted for in the Fund.

The significant accounting policies are as follows:

#### a) Revenues and expenses

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

## Consulting and Audit Canada Revolving Fund

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2004

#### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

##### 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 economic lives as follows:

Category	Estimated useful economic lives
Informatics hardware	3 to 5 years
Informatics software	3 years
Leasehold improvements	5 years

##### 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, vacation pay and time-off in lieu

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 \$2,990,350 (2002-2003: \$3,143,000) represent an obligation of CAC and will be funded by the Treasury Board.

The liability for vacation pay and compensatory leave is calculated at the salary levels in effect at the end of the year for all unused vacation pay and time-off in lieu benefits accruing to employees.

##### e) Insurance

CAC does not carry insurance on its property. This is consistent with the Government's policy of self-insurance.



## Consulting and Audit Canada Revolving Fund

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2004

#### 3. OTHER ASSETS

*In thousands of dollars*

	2004	2003
Goods and Services Tax refundable advances	769	5,318
Other advances	3	22
	772	5,340

#### 4. CAPITAL ASSETS AND ACCUMULATED AMORTIZATION

*In thousands of dollars*

<b>Capital Assets</b>	Balance beginning of year	Acquisitions	Disposals / adjustments	Balance end of year
Informatics hardware	306	96		402
Informatics software	167	95		262
Leasehold improvements	593	90		683
	1,066	281		1,347

<b>Accumulated Amortization</b>	Balance beginning of year	Current year amortization	Disposals / adjustments	Balance end of year
Informatics hardware	232	66		298
Informatics software	60	50		110
Leasehold improvements	59	119		178
	351	235		586
<b>Net</b>	715			761

## Consulting and Audit Canada Revolving Fund

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2004

#### 5. REVENUES

*In thousands of dollars*

	2004	2003
Consulting and audit services	110,370	100,509
Recovery - Shared systems support centre costs	19,636	18,620
	130,006	119,129

#### 6. 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*

2004-2005	2,249
2005-2006	1,564
2006-2007	841
2007-2008	652
2008-2009	163
	5,469

#### 7. CHANGES IN WORKING CAPITAL

*In thousands of dollars*

	2004	2003	Changes
Current assets	19,784	23,242	3,458
Current liabilities	18,647	19,372	(725)
			2,733

#### 8. FINANCIAL INSTRUMENTS

The Revolving Fund's financial instruments consist of cash in transit, accounts receivable, accounts payable and accrued liabilities. The carrying values of these financial instruments approximate fair value because of their short terms to maturity. Unless otherwise noted, it is management's opinion that the Revolving Fund is not exposed to significant interest, currency or credit risk arising from these financial instruments.

## **Consulting and Audit Canada Revolving Fund**

### **NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended March 31, 2004**

#### **9. USE OF ESTIMATES**

The preparation of financial statements in accordance with the reporting requirements for Revolving Funds described by the Receiver General for Canada requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from these estimates.