

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, 2002 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, 2002



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, 2002 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 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, 2002, 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,
June 7, 2002.

Ernst + Young LLP

Chartered Accountants



Balance sheet

Translation Bureau Revolving Fund

as at March 31

(in thousands of dollars)

2002

2001

Assets

Current

Accounts receivable

Government of Canada

15,851

14,737

Outside parties

488

420

Other assets

534

649

16,873

15,806

Deferred employee termination benefits

15,166

15,601

Capital assets (Note 3)

3,756

386

35,795

31,793

Liabilities

Current

Accounts payable and accrued liabilities

Government of Canada

504

2,154

Outside parties

10,261

11,607

Other liabilities

3,861

3,586

14,626

17,347

Allowance for employee termination benefits

26,000

24,118

40,626

41,465

Contractual commitments (Note 4)

Equity of Canada

Accumulated net charge against the Fund's authority

(10,422)

(16,793)

Accumulated surplus

5,591

7,121

35,795

31,793

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)	2002	2001
Revenues (Note 5)	169,304	157,153
Operating expenses		
Salaries and employee benefits	105,869	93,720
Professional and special services	39,752	36,735
Occupancy costs	6,251	5,450
Utilities, materials and supplies	2,873	3,979
Corporate and administrative services	6,698	3,960
Transportation and communications	4,315	3,783
Employee termination benefits	2,523	2,336
Purchased repair and maintenance	1,823	1,097
Other expenditures	52	501
Information	329	305
Rentals	166	134
Amortization	183	91
	170,834	152,091
Net income (loss)	(1,530)	5,062

The accompanying notes are an integral part of the financial statements

Statement of accumulated surplus

Translation Bureau Revolving Fund

Year ended March 31	2002	2001
(in thousands of dollars)		
Balance, beginning of year	7,121	2,059
Net income (loss)	(1,530)	5,062
Balance, end of year	5,591	7,121

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)	2002	2001
Operating activities		
Net income (loss)	(1,530)	5,062
Employee termination benefits payments	(641)	(555)
Items not affecting use of authority		
Amortization	183	91
Provision for employee termination benefits	2,523	2,336
	535	6,934
Working capital change (Note 6)	(3,788)	469
Changes in deferred employee termination benefits	435	264
	(2,818)	7,667
Investing activities		
Capital assets		
Acquisitions	(3,553)	(275)
	(3,553)	(275)
Net increase (decrease) in accumulated net charge against the Fund's authority	(6,371)	7,392
Accumulated net charge against the Fund's authority beginning of year	16,793	9,401
Accumulated net charge against the Fund's authority end of year	10,422	16,793

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.

In accordance with Section 29.1 of the *Financial Administration Act*, and through the 2001-02 Supplementary Estimates B, (Treasury Board decision 829357 dated November 8, 2001), the drawdown authority was reduced from \$75,000,000 to \$10,000,000.

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 machinery and equipment, informatics hardware and informatics software are stated at cost and are amortized on a straight-line basis over the estimated economic life commencing the month after acquisition.

Category	Estimated economic life
Machinery and Equipment	10 - 15 years
Informatics Hardware	3 - 5 years
Informatics Software	3 - 5 years

2. Significant accounting policies (continued)

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.

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 Termination 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	Balance end of year
Machinery and Equipment	51	-	-	51
Informatics Hardware	586	84	-	670
Informatics Software	110	3,469	-	3,579
	747	3,553	-	4,300

Accumulated amortization	Balance beginning of year	Current year amortization	Disposals	Balance end of year
Machinery and Equipment	11	5	-	16
Informatics Hardware	269	163	-	432
Informatics Software	81	15	-	96
	361	183	-	544

Net	386			3,756
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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)

2002-2003	6,570
2003-2004	6,018
2004-2005	5,572
2005-2006	4,812
2006-2007	480
	23,452

5. Revenues

(in thousands of dollars)

	2002	2001
Translation services	164,813	153,269
Interpretation services	3,489	3,031
Termium sales	937	646
Other	65	207
	169,304	157,153

6. Changes in working capital

(in thousands of dollars)

	2002	2001	Changes
Current assets	16,873	15,806	(1,067)
Current liabilities	14,626	17,347	(2,721)
	2,247	(1,541)	(3,788)

7. Comparative figures

Certain of the prior years' figures have been reclassified in order to conform to the presentation adopted in the current year.