

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, 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 PricewaterhouseCoopers.

**Consulting and Audit Canada
Revolving Fund**

**Financial Statements
March 31, 2002**

May 31, 2002

PricewaterhouseCoopers LLP
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Auditors' Report

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

We have audited the balance sheet of the **Consulting and Audit Canada Revolving Fund** as at March 31, 2002 and the statements of operations, accumulated deficit and 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, 2002 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.

The financial statements as at March 31, 2001 and for the year then ended were audited by other auditors who expressed an opinion without reservation on those statements in their report dated June 5, 2001.

PricewaterhouseCoopers LLP

Chartered Accountants

Balance sheet

Consulting and Audit Canada Revolving Fund

as at March 31

(in thousands of dollars)

	2002	2001
Assets		
Current		
Accounts receivable		
Government of Canada	19,992	21,723
Outside parties	927	166
Other assets	1,236	1,193
	22,155	23,082
Capital assets (note 3)	220	62
	22,375	23,144
Liabilities		
Current		
Accounts payable and accrued liabilities		
Government of Canada	1,438	2,049
Outside parties	20,167	18,593
Other liabilities	2,140	1,878
	23,745	22,520
Allowance for employee termination benefits	3,227	2,899
	26,972	25,419
Commitments and contingencies (notes 4 and 5)		
Equity of Canada		
Accumulated net charge against the Fund's authority	(1,523)	2,099
Accumulated deficit	(3,074)	(4,374)
	22,375	23,144

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)

	2002	2001
Revenues		
Consulting and audit services	99,261	92,614
Recovery - Shared systems support centre costs	17,548	20,227
	116,809	112,841
Direct costs	75,721	74,494
Gross margin	41,088	38,347
Operating expenses		
Salaries and employee benefits	31,509	26,205
Employee termination benefits	522	590
Professional and special services	3,294	3,563
Repairs, supplies and miscellaneous	1,375	2,153
Occupancy costs	1,929	1,211
Transportation and communications	734	541
Bad debts	(240)	0
Travel	238	267
Interest on draw down	188	254
Information	128	52
Amortization	32	35
Rentals	79	90
	39,788	34,961
Net income	1,300	3,386

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)	2002	2001
Balance, beginning of year	(4,374)	(7,760)
Net income	1,300	3,386
Balance, end of year	(3,074)	(4,374)

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)	2002	2001
Operating activities		
Net income	1,300	3,386
Items not affecting use of authority		
Amortization	32	35
Provision for employee termination benefits	328	472
	1,660	3,893
Changes in working capital (note 6)	2,152	3,680
	3,812	7,573
Investing activities		
Capital assets		
Acquisitions	(190)	(58)
Dispositions / adjustments	0	23
	(190)	(35)
Net decrease in accumulated net charge against the Fund's authority	3,622	7,538
Accumulated net charge against the Fund's authority, beginning of year	(2,099)	(9,637)
Accumulated net charge against the Fund's authority, end of year	1,523	(2,099)

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.

In 2001-2002, in accordance with Section 12 of the *Revolving Fund Act*, and through the 2001-02 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 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 commencing the month after acquisition on a straight-line basis over their estimated economic lives as follow:

Category	Estimated economic life
Informatics hardware	3 to 5 years
Informatics software	3 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.

Notes to the Financial Statements

Consulting and Audit Canada Revolving Fund

2. Significant accounting policies (cont'd)

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 \$3,123,000 (2000-2001: \$3,361,000) 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
Informatics hardware	242	43	-	285
Informatics software	-	147	-	147
	242	190	-	432

Accumulated amortization	Balance beginning of year	Current year amortization	Disposals/ adjustments	Balance end of year
Informatics hardware	180	15	-	195
Informatics software	0	17	-	17
	180	32	-	212
Net	62			220

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)

2002-2003	1,075
2003-2004	313
2004-2005	125
	1,513

Notes to the Financial Statements

Consulting and Audit Canada Revolving Fund

5. Contingencies

CAC has some legal claims outstanding as at March 31, 2002. The outcome of these actions are currently not determinable, however, management does not expect these claims to have a material impact on the financial position of the organization.

6. Changes in working capital

(in thousands of dollars)

	2002	2001	Changes
Current assets	22,155	23,082	927
Current liabilities	23,745	22,520	1,225
	1,590	(562)	2,152

7. Comparative figures

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