

### **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, 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.

# Government Telecommunication and Informatics Services Revolving Fund

Financial Statements  
March 31, 2002

May 28, 2002

**Auditors' Report**

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

We have audited the balance sheet of the **Government Telecommunication and Informatics Services 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 Government Telecommunication 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 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 Government Telecommunication and Informatics Services 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 July 4, 2001.

*PricewaterhouseCoopers LLP*

Chartered Accountants

# Balance sheet

Government Telecommunications and Informatics Services Revolving Fund

as at March 31 (in thousands of dollars)	2002	2001
<b>Assets</b>		
<b>Current</b>		
Accounts receivable		
Government of Canada	17,064	6,211
Outside parties	861	1,144
Other assets	1,269	508
	<u>19,194</u>	<u>7,863</u>
Capital assets (note 3)	166	226
	<u>19,360</u>	<u>8,089</u>
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities		
Government of Canada	520	249
Outside parties	15,555	7,363
Other liabilities	601	521
	<u>16,676</u>	<u>8,133</u>
Allowance for employee termination benefits	2,754	2,497
	<u>19,430</u>	<u>10,630</u>
Contractual commitments (note 4)		
<b>Equity of Canada</b>		
Accumulated net charge against the Fund's authority	(14,181)	(14,832)
Accumulated surplus	14,111	12,291
	<u>19,360</u>	<u>8,089</u>

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)	2002	2001
<b>Revenues</b>	131,814	124,351
Cost of sales	102,339	95,329
Cost of sales -amortization	33	116
<b>Gross margin</b>	<b>29,442</b>	<b>28,906</b>
<b>Operating expenses</b>		
Salaries and employee benefits	12,811	11,563
Employee termination benefits	308	255
Professional and special services	10,653	7,536
Corporate and administrative services	1,017	676
Transportation and communications	1,003	746
Occupancy costs	816	816
Utilities, materials and supplies	737	538
Amortization	141	147
Rentals	52	49
Purchased repair and maintenance	14	92
Information	33	279
Other expenditures	37	0
Interest on drawdown	0	64
Gain on disposal of capital assets	0	(109)
	27,622	22,652
<b>Net income</b>	<b>1,820</b>	<b>6,254</b>

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)	2002	2001
<b>Balance, beginning of year</b>	12,291	6,037
Net income	1,820	6,254
<b>Balance, end of year</b>	<b>14,111</b>	<b>12,291</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)	2002	2001
<b>Operating activities</b>		
Net income	1,820	6,254
Items not affecting use of authority		
Amortization	141	147
Amortization - Recoverable from OGD's	33	116
Provision for employee termination benefits	257	55
Gain on disposal of capital assets	0	(109)
	<u>2,251</u>	<u>6,463</u>
Changes in working capital (note 5)	(2,788)	23,330
	<u>(537)</u>	<u>29,793</u>
<b>Investing activities</b>		
Capital assets - Acquisitions	(114)	(65)
Net (increase) decrease in accumulated net charge against the Fund's authority	(651)	29,728
Accumulated net charge against the Fund's authority, beginning of year	14,832	(14,896)
Accumulated net charge against the Fund's authority, end of year	<u>14,181</u>	<u>14,832</u>

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.

In 2001-2002, in accordance with Section 12 of the *Revolving Fund Act*, and through the 2001-2002 Supplementary Estimates (B) (Treasury Board decision 829420 dated December 6, 2001), the draw down authority of the Fund was reduced from \$45,000,000 to \$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 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) 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
Informatics hardware	3 years
Informatics software	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.



# Notes to the Financial Statements

Government Telecommunications and Informatics Services Revolving Fund

## 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
Informatics hardware	1,192	72	-	1,264
Informatics software	-	42	-	42
	1,192	114	-	1,306

  

Accumulated amortization	Balance beginning of year	Current year amortization	Disposals/ adjustments	Balance end of year
Informatics hardware	966	174	-	1,140
Informatics software	-	-	-	0
	966	174	-	1,140

  

Net	226	-	-	166
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# Notes to the Financial Statements

Government Telecommunications and Informatics Services Revolving Fund

## 4. Contractual commitments

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

(in thousands of dollars)

2002-2003	30,971
2003-2004	12,274
2004-2005	2,217
2005-2006	269
2006-2007	33
	<u>45,764</u>

## 5. Changes in working capital

(in thousands of dollars)

	2002	2001	Changes
Current assets	19,194	7,863	(11,331)
Current liabilities	16,676	8,133	8,543
	<u>2,518</u>	<u>(270)</u>	<u>(2,788)</u>

## 6. Comparative figures

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