

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, 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

**TRANSLATION BUREAU
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 **Translation Bureau Revolving Fund** as at March 31, 1999, the statements of operations 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 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 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, 1999, the results of its operations and the changes in its 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,
July 8, 1999.

Chartered Accountants

Balance sheet

Translation Bureau Revolving Fund

as at March 31 (in thousands of dollars)	1999	1998
Assets		
Current		
Accounts receivable		
Government of Canada	18,410	18,632
Outside parties	1,113	684
	<u>19,523</u>	<u>19,316</u>
Capital assets (note 3)	2,475	2,207
Deferred employee benefits	15,865	16,351
	<u>37,863</u>	<u>37,874</u>
Liabilities		
Current		
Accounts payable and accrued liabilities		
Government of Canada	1,207	1,328
Outside parties	7,238	10,710
	<u>8,445</u>	<u>12,038</u>
Long-term obligations (note 4)	20,293	19,032
Contractual commitments (note 5)		
Equity of Canada		
Accumulated net charge against the Fund's authority	9,125	9,581
Accumulated deficit	0	(2,777)
	<u>37,863</u>	<u>37,874</u>

The accompanying notes are an integral part of the financial statements

Statement of operations

Translation Bureau Revolving Fund

Years ended March 31 (in thousands of dollars)	1999	1998
Revenues (note 6)	126,428	112,244
Operating expenses		
Salaries and employee benefits	78,622	70,335
Provision for employee termination benefits	1,729	1,401
Provision for compensation	238	143
Transportation and communications	3,448	3,754
Information	395	148
Professional and special services	32,023	27,483
Occupancy costs	5,121	5,328
Rentals	149	153
Purchased repair and maintenance	390	287
Utilities, materials and supplies	1,286	1,123
Amortization	1,554	2,017
Corporate and administrative services	4,655	4,355
Other expenditures (note 9)	363	18
	129,973	116,545
Net loss	(3,545)	(4,301)

The accompanying notes are an integral part of the financial statements

Statement of accumulated deficit

Translation Bureau Revolving Fund

Years ended March 31 (in thousands of dollars)	1999	1998
Balance, beginning of year	(2,777)	(2,634)
Net loss	(3,545)	(4,301)
Write-off of net loss to accumulated net charge against the Fund's authority account (note 1)	3,307	4,158
Write-off of employee departure program costs to accumulated net charge against the Fund's authority account (note 10)	3,015	0
Balance, end of year	0	(2,777)

The accompanying notes are an integral part of the financial statements

Statement of changes in financial position

Translation Bureau Revolving Fund

Years ended March 31 (in thousands of dollars)	1999	1998
Operating activities		
Net loss	(3,545)	(4,301)
Items not affecting use of authority		
Amortization	1,554	2,017
	(1,991)	(2,284)
Working capital change (note 7)	(3,800)	(288)
Changes in other assets and liabilities (note 8)	1,747	1,642
	(4,044)	(930)
Investing activities		
Capital assets		
Acquisitions	(1,822)	(1,475)
	(1,822)	(1,475)
Financing activities		
Write-off of net loss to accumulated net charge against the Fund's authority account	3,307	4,158
Write-off of employee departure program costs to accumulated net charge against the Fund's authority account	3,015	0
	6,322	4,158
Net decrease in accumulated net charge against the Fund's authority	456	1,753
Accumulated net charge against the Fund's authority beginning of year	(9,581)	(11,334)
Accumulated net charge against the Fund's authority end of year	(9,125)	(9,581)

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 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.

The Bureau is expected to break-even in the fiscal-year 2001-2102. The amounts deleted totalled \$3,306,767 for 1998-99 (\$4,158,483 for 1997-98).

2. Significant accounting policies

The financial statements have been prepared in accordance with 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

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
Office equipment	3 years
Furniture and fixtures	3 years

Current year acquisitions are amortized at half the current rate.

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 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/ Adjustments	Balance end of year
Office equipment	12,568	1,822	0	14,390
Furniture and fixtures	37	0	0	37
	12,605	1,822	0	14,427

Accumulated amortization	Balance beginning of year	Current year amortization	Disposals/ Adjustments	Balance end of year
Office equipment	10,371	1,547	0	11,918
Furniture and fixtures	27	7	0	34
	10,398	1,554	0	11,952

Net	2,207		0	2,475
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4. Long-term obligations

(in thousands of dollars)

	1999	1998
Provision for employee termination benefits	20,293	19,032

5. Contractual commitments

The Fund leases its premises under operating leases. Future lease payments are as follows:

(in thousands of dollars)

1999-2000	4,459
2000-2001	3,643
2001-2002	275
2002-2003	184
2003-2004	150
	<u>8,711</u>

6. Revenues

(in thousands of dollars)

	1999	1998
Translation services	124,135	109,357
Interpretation services	1,856	2,279
Termium sales	302	452
Other	135	156
	<u>126,428</u>	<u>112,244</u>

7. Changes in working capital

(in thousands of dollars)

	1999	1998	Changes
Current assets	19,523	19,316	(207)
Current liabilities	8,445	12,038	(3,593)
	<u>(11,078)</u>	<u>(7,278)</u>	<u>(3,800)</u>

8. Changes in other assets and liabilities

(in thousands of dollars)

	1999	1998	Changes
Other assets	15,865	16,351	486
Other liabilities	20,293	19,032	1,261
	<u>4,428</u>	<u>2,681</u>	<u>1,747</u>

9. Accounts Receivable write-off

During the year outstanding Government of Canada Accounts receivable totalling \$352,881 were written off. These accounts were deemed uncollectible thus management agreed in a one time approach to write-off these amounts.

10. Write-off of employee departure program costs

The amount of \$3,015,067 represents costs incurred by Translation Bureau Revolving Fund from 1995-96 to 1998-99 relating to employee departures under various work force reduction initiatives:

11. Uncertainty due to the Year 2000 Issue

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 as 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 operations and financial reporting may range from minor errors to significant systems failure which could affect the Revolving Fund's 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 the Translation Bureau Revolving Fund.

12. Comparative figures

Certain prior years amounts have been reclassified to conform with the presentation of the current year.