

***Consolidated Statement of Administrative
Costs Charged to the Canada Pension Plan
by Human Resources Development Canada
(in thousands of dollars)***

Final Report

***Audit and Evaluation Directorate
Policy and Strategic Direction
Social Development Canada***

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March 2004

**SDC-A-005-03-04E
(également disponible en français)**

Paper

ISBN: 0-662-40426-2

Cat. No.: SD31-3/2004E

PDF

ISBN: 0-662-40427-0

Cat. No.: SD31-3/2004E-PDF

HTML

ISBN: 0-662-40428-9

Cat. No.: SD31-3/2004E-HTML

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June 25, 2004

Auditors' Report

To the Audit and Evaluation Directorate of Social Development Canada

We have audited the consolidated statement of administrative costs charged to the Canada Pension Plan Account by **Human Resources Development Canada** for the year ended March 31, 2004, in agreement with the Memoranda of Understanding between the Canada Pension Plan and the following:

- Income Security Programs Branch, Human Resources Development Canada, dated March 2003;
- Corporate Services, Human Resources Development Canada, dated May 2003;
- Service Delivery Support, Human Resources Development Canada, dated June 2004;
- The Social Insurance Registry, Human Resources Development Canada, dated March 2002.

This consolidated statement of administrative costs charged to the Canada Pension Plan Account by the Income Security Programs Branch, Corporate Services, Service Delivery Support and The Social Insurance Registry is the responsibility of Human Resources Development Canada. Our responsibility is to express an opinion on this statement 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 statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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, this consolidated statement presents fairly, in all material respects, the administrative costs charged to the Canada Pension Plan Account by Human Resources Development Canada for the year ended March 31, 2004 in agreement with the Memoranda of Understanding identified above.

Chartered Accountants Ottawa, Canada

PricewaterhouseCoopers refers to the Canadian firm of PricewaterhouseCoopers LLP and the other member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.

**Human Resources Development Canada
Consolidated Statement of Administrative Costs
Charged to the Canada Pension Plan Account**

**by Human Resources Development Canada
For the year ended March 31, 2004
(in thousands of dollars)**

	2004 \$	2003 \$	Increase (Decrease) \$
Costs by organization			
Income Security Programs Branch (Schedule 1)	181,644	202,541	(20,897)
Corporate Services (Schedule 2)	51,201	54,784	(3,583)
Service Delivery Support (Schedule 3)	82,630	58,957	23,673
The Social Insurance Registry (Schedule 4)	2,727	2,103	624
Total administrative costs	318,202	318,385	(183)

**Human Resources Development Canada
Consolidated Statement of Administrative Costs
Charged to the Canada Pension Plan Account**

**Schedule 1 – Administrative Costs Charged to the
Canada Pension Plan Account by the Income Security Programs Branch
For the year ended March 31, 2004
(in thousands of dollars)**

	2004 \$	2003 \$	Increase (Decrease) \$
Headquarters and regional operations	153,171	169,057	(15,886)
Contributions to employee benefits plan	19,838	24,454	(4,616)
Employee medical surgical insurance	8,635	9,030	(395)
	181,644	202,541	(20,897)

**Human Resources Development Canada
Consolidated Statement of Administrative Costs
Charged to the Canada Pension Plan Account**

**Schedule 1A – Administrative Costs Charged to the
Canada Pension Plan Account by the Income Security Programs Branch –
Analysis of Significant Variances
For the year ended March 31, 2004
(in thousands of dollars)**

	\$
Headquarters and regional operations	(15,886)
<p>The \$15,886 decrease is mainly attributable to:</p> <ul style="list-style-type: none"> i) A decrease in CPP salary expenditures of \$1,736 due to a reduction of staff/salaries and, during the year, a change in the “mix” of full time equivalents (FTE) created a further reduction of \$850. ii) A reduction of non-salary expenditures of \$7,069 resulting from budget restraints and conservative spending programs imposed by HRDC, as well as changes in the rates used to calculate the recovery of costs. iii) The methodology for treating recoveries for Modernizing Services for Canadian expenses has changed from 2003. Expenses in 2004 for Modernizing Services for Canadian are being charged to the Service Delivery Support Branch, whereas expenses in 2003 of \$6,231 were charged directly to the ISP Branch. 	
Employee benefit plan (EBP)	(4,616)
A decrease in EBP costs of \$4,616 is mainly due to the reduction of staff/salaries and a change in the “mix” of full time equivalents (FTE) during the year. Total costs are allocated to the departments based on the department’s percentage of salary expenditures to total government salary expenditures.	

**Human Resources Development Canada
Consolidated Statement of Administrative Costs
Charged to the Canada Pension Plan Account**

**Schedule 1B – Administrative Costs Charged to the
Canada Pension Plan Account by the Income Security Programs Branch –
Audit Adjustments
For the year ended March 31, 2004
(in thousands of dollars)**

	Submitted Amounts \$	Audit Adjustments \$	Audited Amounts \$
Headquarters and regional operations	153,171	–	153,171
Contributions to employee benefits plan	19,838	–	19,838
Employee medical surgical insurance	8,635	–	8,635
	181,644	–	181,644
Income Security Programs Branch costs charged for 2003-2004			181,644
Payments from the Canada Pension Plan to the ISP Branch in 2003-2004			162,800
Payments established in 2003-2004			10,208
Outstanding costs to be paid by the Canada Pension Plan for the year ended March 31, 2004			8,636

**Human Resources Development Canada
Consolidated Statement of Administrative Costs
Charged to the Canada Pension Plan Account**

**Schedule 2 – Administrative Costs Charged to the
Canada Pension Plan Account by Corporate Services
For the year ended March 31, 2004
(in thousands of dollars)**

	2004 \$	2003 \$	Increase (Decrease) \$
Accommodation costs	29,758	32,884	(3,126)
Regions	7,578	7,181	397
Administration	2,397	2,676	(279)
Legal services	3,299	2,800	499
Employee benefit plan	2,173	2,521	(348)
Financial services	1,331	1,244	87
Strategic policy and program evaluation	567	1,166	(599)
Employee medical surgical insurance	946	945	1
Policy and system	314	314	–
Communications	317	316	1
Corporate secretariat	239	248	(9)
Security	194	186	8
Human resources	1,761	1,919	(158)
Internal audit	327	384	(57)
	51,201	54,784	(3,583)

**Human Resources Development Canada
Consolidated Statement of Administrative Costs
Charged to the Canada Pension Plan Account**

**Schedule 2A – Administrative Costs Charged to the
Canada Pension Plan Account by Corporate Services –
Analysis of Significant Variances
For the year ended March 31, 2004
(in thousands of dollars)**

	\$
Accommodation costs	(3,126)
The decrease of \$3,126 is mainly due to a decrease of \$2,776 in the costs to refit Place Vanier. For instance, lower demolition costs, lower costs for workstations due to regional standing offer, cancellation of elevator access control system, moving costs paid by PWGSC and no new plant purchases. Accommodation costs also decreased \$350 as a net result of a decrease in the number of FTEs of 72 employees charged to the CPP account, as well as an increase in the calculation of the average accommodation cost per FTE. In 2002-03, the estimated average accommodation cost was \$6,035 and in 2003-04, the average cost increased to \$6,702.	
Regions	397
The \$397 increase is mainly due to the change of treatment for telecom costs in the Quebec region. For the Quebec region in 2002-03, the telecom costs were charged to the regional offices, however, for 2003-04, the telecom costs were centralized and all these costs were charged to Corporate Services.	
Administration	(279)
The decrease of \$279 is mainly due to a one-time charge of \$291 by PWGSC in 2002-03 to cover the administration fees related to the contract management of a \$35,000, five-year contract for Forms and Publications.	
Legal Services	499
The increase of \$499 is due to centrally managed costs being included in this year's calculation.	
Employee benefit plan (EBP)	(348)
The change is mainly related to a lower rate for the EBP. This year's ratio is 17.46%, as compared to 19.5% for last year, and the decrease in the charge was also attributed to a decrease in the total salaries charged to the CPP account.	
Strategic Policy and Program Evaluation	(599)
The decrease is primarily due to the completion of the Social Policy Development Project in 2002-03. A new project, the "Income Support Policy Project" is now being charged to the CPP account in 2003-04, however, costs are low as the Income Support Policy Project is in the commencement stage.	

**Human Resources Development Canada
Consolidated Statement of Administrative Costs
Charged to the Canada Pension Plan Account**

**Schedule 2B – Administrative Costs Charged to the
Canada Pension Plan Account by Corporate Services –
Audit Adjustments
For the year ended March 31, 2004
(in thousands of dollars)**

	Submitted Amounts \$	Audit Adjustments \$	Audited Amounts \$
Accommodation costs	27,121	2,637	29,758
Regions	7,578	–	7,578
Administration	2,397	–	2,397
Legal services	3,299	–	3,299
Employee benefit plan	2,173	–	2,173
Financial services	1,331	–	1,331
Strategic policy and program evaluation	567	–	567
Employee medical surgical insurance	946	–	946
Policy and system	314	–	314
Communications	317	–	317
Corporate secretariat	239	–	239
Security	194	–	194
Human resources	1,761	–	1,761
Internal audit	327	–	327
	48,564	2,637	51,201
Corporate Services costs charged for 2003-2004			51,201
Payments from the Canada Pension Plan to Corporate Services in 2003-2004			45,117
Payments established in 2003-2004			5,139
Outstanding costs to be paid by the Canada Pension Plan for the year ended March 31, 2004			945

Audit adjustments

The audit adjustment is required to account for last year's audit adjustment, which was incorrectly recorded by the branch in the current financial year's results.

**Human Resources Development Canada
Consolidated Statement of Administrative Costs
Charged to the Canada Pension Plan Account**

**Schedule 3 – Administrative Costs Charged to the Canada Pension Plan
Account by Service Delivery Support
For the year ended March 31, 2004
(in thousands of dollars)**

	2004 \$	2003 \$	Increase (Decrease) \$
Systems support	33,617	32,548	1,069
Joint service delivery	12,994	15,874	(2,880)
Employee benefit plan	5,335	5,541	(206)
Employee medical surgical insurance	2,324	2,058	266
Modernizing Services for Canadians	28,360	2,936	25,424
	82,630	58,957	23,673

**Human Resources Development Canada
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**Schedule 3A – Administrative Costs Charged to the Canada Pension Plan
Account by Service Delivery Support –
Analysis of Significant Variances
For the year ended March 31, 2004
(in thousands of dollars)**

	\$
Systems support	1,069
The increase is due to a change in methodology for allocating costs. In 2004, costs were allocated according to the formula stipulated in the MOU and vary according to project.	
Joint service delivery	(2,880)
The decrease is due to a reduction to both budgets and CPP staff within the regions. In 2004, costs were allocated by applying the ratio of CPP regional FTEs to the total regional FTE, to the identified costs.	
Employee benefit plan (EPB)	(206)
The change is related to a decrease in the EBP ratio from 19.5% to 17.46% as well as a decrease in the total salaries charged to the CPP account. The ratio decreased as a result of a change in methodology allocating costs to departments. Total costs are allocated to departments based on the department's percentage of salary expenditures to total government salary expenditures.	
Employee medical surgical insurance	266
The change relates to the increase in the rate charged for this benefit. The rate increased from 7.5 % to 7.6 %. The ratio for calculating these costs as outlined in the Treasury Board guidelines did not change.	
Modernizing Services for Canadians (MSC)	25,424
The difference in the amount reported as charged to the CPP account for MSC between 2002-03 and 2003-04 can be attributed to the fact that the chart of accounts and related coding was changed between the two fiscal years. In 2002-03, CPP MSC charges were distributed over several Business Lines and were not consolidated in the Service Delivery Support Business line. The coding was realigned in 2003-04 so that the majority of charges related to MSC and chargeable to the CPP account appeared under the Service Delivery Support Business Line. The Treasury Board submission, TB830877 dated October 2, 2003 for MSC in fiscal year 2003/04 was approved at \$30,680.	

**Human Resources Development Canada
Consolidated Statement of Administrative Costs
Charged to the Canada Pension Plan Account**

**Schedule 3B – Administrative Costs Charged to the Canada Pension Plan
Account by Service Delivery Support –
Audit Adjustments
For the year ended March 31, 2004
(in thousands of dollars)**

	Submitted Amounts \$	Audit Adjustments \$	Audited Amounts \$
Systems support	33,617	–	33,617
Joint service delivery	12,994	–	12,994
Employee benefit plan	5,335	–	5,335
Employee medical surgical insurance	2,324	–	2,324
Modernizing Services for Canadians	28,360	–	28,360
	82,630	–	82,630
Service Delivery Support costs charged for 2003-2004			82,630
Payments from the Canada Pension Plan to Service Delivery Support in 2003-2004			43,900
Payments established in 2003-2004			35,746
Outstanding costs to be paid by the Canada Pension Plan for the year ended March 31, 2004			2,984

**Human Resources Development Canada
Consolidated Statement of Administrative Costs
Charged to the Canada Pension Plan Account**

**Schedule 4 – Administrative Costs Charged to the Canada Pension Plan
Account by The Social Insurance Registry
For the year ended March 31, 2004
(in thousands of dollars)**

	2004 \$	2003 \$	Increase (Decrease) \$
Salaries	2,583	2,756	(173)
Professional and special services	395	449	(54)
Contributions to employee benefits	765	825	(60)
Central government services	544	549	(5)
Indirect costs	543	563	(20)
Transportation and communications	291	297	(6)
Information	73	65	8
Utilities, materials and supplies	28	33	(5)
Rentals, repairs and maintenance	29	16	13
Acquisition of machinery and equipment	–	9	(9)
Total administrative costs	5,251	5,562	(311)
Less: Funding from Treasury Board	(1,811)	(2,773)	962
Less: Revenue from replacement Social Insurance cards	(713)	(686)	(27)
Net administrative costs charged to the Canada Pension Plan Account	2,727	2,103	624

**Human Resources Development Canada
Consolidated Statement of Administrative Costs
Charged to the Canada Pension Plan Account**

**Schedule 4A – Administrative Costs Charged to the Canada Pension Plan
Account by The Social Insurance Registry –
Analysis of Significant Variances
For the year ended March 31, 2004
(in thousands of dollars)**

	\$
Salaries	(173)
The change is mainly due to a net effect of a decrease of salaries and an increase in SIN exam and certification salaries.	
Professional and special services	(54)
The decrease in costs for Professional and Special Services is mainly due to a reduction in ITC Moncton non-salary costs and System Planning costs.	
Contributions to employee benefits	(60)
The change is related to a decrease in FTE's and lower total expenditures for employee benefit plans.	
Indirect costs	(20)
The decrease is primarily due to reductions in the costs for the Associate Director National Services and the Bathurst LSS unit.	

**Human Resources Development Canada
Consolidated Statement of Administrative Costs
Charged to the Canada Pension Plan Account**

**Schedule 4B – Administrative Costs Charged to the Canada Pension Plan
Account by The Social Insurance Registry –
Audit Adjustments
For the year ended March 31, 2004
(in thousands of dollars)**

	Submitted Amounts \$	Audit Adjustments \$	Audited Amounts \$
Salaries	2,583	–	2,583
Professional and special services	395	–	395
Contributions to employee benefits	765	–	765
Central government services	544	–	544
Indirect costs	543	–	543
Transportation and communications	291	–	291
Information	73	–	73
Utilities, materials and supplies	28	–	28
Rentals, repairs and maintenance	29	–	29
Acquisition of machinery and equipment	–	–	–
Total administrative costs	5,251	–	5,251
Less: Funding from Treasury Board re CESG	(1,811)	–	(1,811)
Less: Revenue from replacement Social Insurance cards	(713)	–	(713)
Net administrative costs charged to the Canada Pension Plan Account	2,727	–	2,727
Social Insurance Registry costs charged for 2003-2004			2,727
Payments from the Canada Pension Plan to The Social Insurance Registry in 2003-2004			2,074
Outstanding costs to be paid by Canada Pension Plan for the year ended March 31, 2004			653