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Internal Audit Services



May 2007

Consolidated Statement of Administrative Costs Charged to the Canada Pension Plan Account

***Consolidated Statement of Administrative
Costs Charged to the Canada
Pension Plan Account
by Social Development Canada and Service Canada
March 31, 2006
(in thousands of dollars)***

Project No.: 6510/06

Project Team:

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DIRECTOR GENERAL:	<u><i>E. Murphy-Walsh</i></u> Name	<u><i>January 25, 2005</i></u> Date
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August 15, 2006

Auditors' Report

To the Audit and Evaluation Directorate of Human Resources and Social Development Canada

We have audited the consolidated statement of administrative costs charged to the Canada Pension Plan Account by **Human Resources and Social Development Canada** for the year ended March 31, 2006, with the criteria established by the Memoranda of Understanding ("MOU") between the Canada Pension Plan and the following:

- Service Canada, dated June 15, 2006;
- Social Development Canada, dated May 31, 2006.

Compliance of the consolidated statement of administrative costs charged to the Canada Pension Plan Account by the Service Canada and Social Development Canada with the criteria established by the provisions of the MOU is the responsibility of the management of Service Canada and Human Resources and Social Development Canada. Our responsibility is to express an opinion on this compliance 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 consolidated statement of administrative costs is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated statement of administrative costs. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall 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 Service Canada and Human Resources and Social Development Canada for the year ended March 31, 2006 in agreement with the Memoranda of Understanding identified above.

PricewaterhouseCoopers LLP

**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.

**Social Development Canada and Service Canada
Consolidated Statement of Administrative Costs
Charged to the Canada Pension Plan Account**

For the year ended March 31, 2006

(in thousands of dollars)

	2006 \$	2005 \$	Increase (Decrease) \$
Costs by Organization – Social Development Canada (Schedule 2)			
Social Development Sectors Branch (Schedule 4)	42,195	49,719	(7,524)
Corporate Management and Public Affairs Branch (Schedule 5)	11,768	309	11,459
Comptroller's Office (Schedule 6)	576	508	68
Legal Service Department (Schedule 7)	2,144	1,582	562
Audit and Evaluation Department	25	90	(65)
	56,708	52,208	4,500
Costs by Organization – Service Canada (Schedule 3)			
Operations and Processing Branch (Schedule 8)	127,765	124,561	3,204
Shared and Corporate Service Branch (Schedule 9)	36,877	36,842	35
Shared Service (Innovation and Information Technology) Branch (Schedule 10)	43,018	42,164	854
Service Delivery Branch (Schedule 11)	16,237	2,914	13,323
Social Insurance Registry (Schedule 12)	4,224	2,989	1,235
	228,121	209,470	18,651
Total administrative costs	284,829	261,678	23,151

**Social Development Canada and Service Canada
Consolidated Statement of Administrative Costs
Charged to the Canada Pension Plan Account**

**Schedule 1 – Notes to the Consolidated Statement of Administrative Costs
For the year ended March 31, 2006**

1. Introduction

On December 12, 2003 the former Human Resources Development Canada (HRDC) was split into the two departments, Social Development Canada (SDC) and Human Resources and Skills Development Canada (HRSDC).

The Service Canada (SC) initiative for Shared Services under the Minister of Social Development Canada was announced in the 2005 Federal budget as the Government of Canada's one-stop delivery network and was officially launched in September 2005. On February 6, 2006 the Prime Minister announced the merger of SDC and HRSDC into one department called Human Resources and Social Development Canada (HRSD) and re-confirmed the commitment of the Government on the Service Canada Initiative.

While certain of the comparative figures have been reclassified to conform with the current year's presentation, a number of figures are not comparable due to the amalgamation of the former SDC and HRSDC and the creation of the Service Canada Initiative (SC). The 2005 figures only contain costs from Memoranda of Understanding entered into with the former SDC with the exclusion of the former HRSDC, while the 2006 figures contain costs from Memoranda of Understanding entered into with HRSD (i.e. SDC & HRSDC) and SC.

2. Variance Analysis

The following is an overview of the main factors resulting in the variance fluctuations between the Fiscal Year (FY) 2006 and 2005:

- As explained above, the 2005 figures only contain costs from Memorandum of Understanding (MOU) entered into with the former SDC with the exclusion of the former HRSDC, while the 2006 figures contain costs from MOU entered into with HRSD (i.e. SDC & HRSDC) and SC.
- Due to the reorganization of the departments during the current year, the Canada Pension Plan (CPP) recovery methodology was refined to more adequately reflect the level of work in support of the CPP for Fiscal Year 2006.
- The costs charged by SDC have increased by \$4,000,000 largely due to a payment related to the class action for same-sex common-law partners.
- The HRSDC costs increased by \$5,000,000 in 2006 as they were not part of the SDC Consolidated Statement of Administrative Costs in FY05. In addition, costs charged by HRSDC have increased by \$10,000,000 largely due to the refinement in the recovery methodology to adequately reflect the level of administrative support and joint services provided by regions in support of the CPP.
- The contribution to employee benefits plan (EBP) and employee Medical Surgical Insurance (EMSI) were calculated as a percentage of the departmental salary expenditures. The SDC and HRSDC costs have increased by \$4,000,000 (EBP \$3,000,000 and EMSI \$1,000,000) in FY06 as a result of an increase in total salaries charged to the CPP account.

**Social Development Canada and Service Canada
Consolidated Statement of Administrative Costs
Charged to the Canada Pension Plan Account**

**Schedule 2 – Administrative Costs Charged to the Canada Pension Plan
Account – Costs by Organization: Social Development Canada
For the year ended March 31, 2006**
(in thousands of dollars)

	Submitted Amounts \$	Audit Adjustments and Timing Differences \$	Audited Amounts \$
Social Development Sectors Branch (Schedule 4)	42,572	(377)	42,195
Corporate Management and Public Affairs Branch (Schedule 5)	11,768	–	11,768
Comptroller's Office (Schedule 6)	576	–	576
Legal Service Department (Schedule 7)	3,518	(1,374)	2,144
Audit and Evaluation Department	25	–	25
	58,459	(1,751)	56,708
Social Development Canada costs charged for 2005-2006			56,708
Payments from the Canada Pension Plan to Social Development Canada in 2005-2006			(55,978)
Payments from the Canada Pension Plan to the Treasury Board for employee Medical Surgical Insurance in 2005-2006			(2,483)
Administrative costs to be repaid by Social Development Canada to the Canada Pension Plan for the year ended March 31, 2006			(1,753)

**Social Development Canada and Service Canada
Consolidated Statement of Administrative Costs
Charged to the Canada Pension Plan Account**

**Schedule 3 – Administrative Costs Charged to the Canada Pension Plan
Account – Costs by Organization: Service Canada
For the year ended March 31, 2006**
(in thousands of dollars)

	Submitted Amounts \$	Audit Adjustments and Timing Differences \$	Audited Amounts \$
Operations and Processing Branch (Schedule 8)	127,743	22	127,765
Shared and Corporate Service Branch (Schedule 9)	36,859	18	36,877
Shared Service (Innovation and Information Technology) Branch (Schedule 10)	43,018	–	43,018
Service Delivery Branch (Schedule 11)	17,378	(1,141)	16,237
Social Insurance Registry (Schedule 12)	4,224	–	4,224
	229,222	(1,101)	228,121
Service Canada costs charged for 2005-2006			228,121
Payments from the Canada Pension Plan to Service Canada in 2005-2006			(214,367)
Payments from the Canada Pension Plan to the Treasury Board for employee Medical Surgical Insurance in 2005-2006			(10,635)
Social Insurance Registry for which payments are made directly to the Employment Insurance Account in 2005-2006			(3,251)
Administrative costs to be repaid by Service Canada to Canada Pension Plan for the year ended March 31, 2006			(132)

**Social Development Canada and Service 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 Development Sectors Branch
For the year ended March 31, 2006**
(in thousands of dollars)

	Submitted Amounts \$	Audit Adjustments and Timing Differences \$	2006 \$	2005 \$	Increase (Decrease) \$
Headquarters and regional operations	37,044	(377)	36,667	42,633	(5,966)
Contributions to employee benefits plan	3,805	–	3,805	4,847	(1,042)
Employee Medical Surgical Insurance	1,723	–	1,723	2,239	(516)
	42,572	(377)	42,195	49,719	(7,524)

Audit adjustment of \$377 as legal expenditures have been transferred from Social Development Canada and charged to the Department of Justice.

**Social Development Canada and Service Canada
Consolidated Statement of Administrative Costs
Charged to the Canada Pension Plan Account**

**Schedule 5 – Administrative Costs Charged to the Canada Pension Plan
Account by the Corporate Management and Public Affairs Branch
For the year ended March 31, 2006**
(in thousands of dollars)

	Submitted Amounts \$	Audit Adjustments and Timing Differences \$	2006 \$	2005 \$	Increase (Decrease) \$
Corporate Management and Public Affairs	9,926	–	9,926	251	9,675
Contributions to employee benefits plan	1,268	–	1,268	40	1,228
Employee Medical Surgical Insurance	574	–	574	18	556
	11,768	–	11,768	309	11,459

**Social Development Canada and Service Canada
Consolidated Statement of Administrative Costs
Charged to the Canada Pension Plan Account**

**Schedule 6 – Administrative Costs Charged to the Canada Pension Plan
Account by the Comptroller's Office
For the year ended March 31, 2006
(in thousands of dollars)**

	Submitted Amounts \$	Audit Adjustments and Timing Differences \$	2006 \$	2005 \$	Increase (Decrease) \$
SDC Comptroller's Office	467	–	467	414	53
Contributions to employee benefits plan	75	–	75	64	11
Employee Medical Surgical Insurance	34	–	34	30	4
	576	–	576	508	68

**Social Development Canada and Service Canada
Consolidated Statement of Administrative Costs
Charged to the Canada Pension Plan Account**

**Schedule 7 – Administrative Costs Charged to the Canada Pension Plan
Account by the Legal Service Department
For the year ended March 31, 2006
(in thousands of dollars)**

	Submitted Amounts \$	Audit Adjustments and Timing Differences \$	2006 \$	2005 \$	Increase (Decrease) \$
SDC Legal Service	3,030	(1,374)	1,656	1,336	320
Contributions to employee benefits plan	336	–	336	168	168
Employee Medical Surgical Insurance	152	–	152	78	74
	3,518	(1,374)	2,144	1,582	562

Audit adjustment of \$1,374 as legal expenditures have been transferred from Social Development Canada and charged to the Department of Justice.

**Social Development Canada and Service Canada
Consolidated Statement of Administrative Costs
Charged to the Canada Pension Plan Account**

**Schedule 8 – Administrative Costs Charged to the Canada Pension Plan
Account by the Operations and Processing Branch
For the year ended March 31, 2006**
(in thousands of dollars)

	Submitted Amounts \$	Audit Adjustments and Timing Differences \$	2006 \$	2005 \$	Increase (Decrease) \$
Branch Executive	1,419	222	1,641	–	1,641
CPP Processing – NHQ Operating Costs	18,100	147	18,247	16,995	1,252
CPP Processing – Regional Operating Costs	72,545	(313)	72,232	70,997	1,235
E-Channel – Call Centre & Internet Service Delivery	13,468	–	13,468	15,535	(2,067)
Contributions to Employee Benefits Plans	15,289	(23)	15,266	14,447	819
Contributions to Medical Surgical Insurance	6,922	(11)	6,911	6,587	324
	127,743	22	127,765	124,561	3,204

Audit Adjustments and Timing Differences:

- Audit adjustment of \$222 due to the net effect of other cost misallocations identified in other Branches.
- An audit adjustment of \$147 due to the Branch including the wrong amount for RC 8249 as compared to the amount included in CMS.
- There was an audit adjustment of \$313 due to an oversight in Table B of the MOU. SA 469 was listed as 100% CRF where in fact, it should have been listed as a joint CPP/OAS cost.
- Audit adjustments to Employee Benefits Plans and Medical Surgical Insurance resulted from the other audit adjustments.

**Social Development Canada and Service Canada
Consolidated Statement of Administrative Costs
Charged to the Canada Pension Plan Account**

**Schedule 9 – Administrative Costs Charged to the Canada Pension Plan
Account by the Shared and Corporate Service Branch
For the year ended March 31, 2006**
(in thousands of dollars)

	Submitted Amounts \$	Audit Adjustments and Timing Differences \$	2006 \$	2005 \$	Increase (Decrease) \$
Regional Shared Service	5,390	(137)	5,253	5,423	(170)
People and Culture	3,106	–	3,106	4,468	(1,362)
Chief Financial Office (CFO)	2,128	–	2,128	2,297	(169)
National Accommodation Plan	21,216	188	21,404	20,720	684
Legal Service	106	–	106	–	106
National Collection Service	902	–	902	654	248
Marketing and Communications	925	–	925	376	549
Policy, Partnership and Corporate affairs	241	–	241	–	241
Office of Client Satisfaction	19	–	19	–	19
Contributions to Employee Benefits Plans	1,945	(23)	1,922	1,988	(66)
Contributions to Medical Surgical Insurance	881	(10)	871	916	(45)
	36,859	18	36,877	36,842	35

Audit Adjustments and Timing Differences:

- Audit adjustment of \$137 due to adjustments in the amount submitted by the Operations and Processing Branch based on audit adjustments identified.
- Timing difference adjustment of \$188 due to a revision in final MOU to reflect a more accurate portrayal of the CPP programs for refit costs within National Accommodation Plan.
- Audit adjustments to Employee Benefits Plans and Medical Surgical Insurance resulted from the other adjustments.

**Social Development Canada and Service Canada
Consolidated Statement of Administrative Costs
Charged to the Canada Pension Plan Account**

**Schedule 10 – Administrative Costs Charged to the Canada Pension Plan
Account by the Shared Service
(Innovation and Information Technology) Branch
For the year ended March 31, 2006
(in thousands of dollars)**

	Submitted Amounts \$	Audit Adjustments and Timing Differences \$	2006 \$	2005 \$	Increase (Decrease) \$
System Support	37,088	–	37,088	36,407	681
Contributions to employee benefits plan	4,082	–	4,082	3,938	144
Employee Medical Surgical Insurance	1,848	–	1,848	1,819	29
	43,018	–	43,018	42,164	854

**Social Development Canada and Service Canada
Consolidated Statement of Administrative Costs
Charged to the Canada Pension Plan Account**

**Schedule 11 – Administrative Costs Charged to the Canada Pension Plan
Account by the Service Delivery Branch
For the year ended March 31, 2006
(in thousands of dollars)**

	Submitted Amounts \$	Audit Adjustments and Timing Differences \$	2006 \$	2005 \$	Increase (Decrease) \$
Integrity Operating Costs	3,391	(141)	3,250	2,352	898
ISP In-Person Operating Costs and SDD Operating Costs	5,694	–	5,694	–	5,694
Regional Administration & Joint Service Delivery (RAJSD)	5,136	(809)	4,327	–	4,327
Contributions to Employee Benefits Plans	2,173	(131)	2,042	384	1,658
Contributions to Medical Surgical Insurance	984	(60)	924	178	746
	17,378	(1,141)	16,237	2,914	13,323

Audit Adjustments:

- Audit adjustment of \$141 due to Branch inclusion of RC 7700 in the calculation which is not included in the MOU. This difference is included in the amount absorbed in NHQ.
- Timing difference of \$809 due to change in the FTE percentage applied in the calculation. This change was identified after the final recoveries and could therefore not be processed before closing the 2005-2006 fiscal year.
- Audit adjustments to Employee Benefits Plans and Medical Surgical Insurance resulted from the other audit adjustments.

**Social Development Canada and Service Canada
Consolidated Statement of Administrative Costs
Charged to the Canada Pension Plan Account**

**Schedule 12 – Administrative Costs Charged to the Canada Pension Plan
Account by the Social Insurance Registry
For the year ended March 31, 2006
(in thousands of dollars)**

	Submitted Amounts \$	Audit Adjustments and Timing Differences \$	2006 \$	2005 \$	Increase (Decrease) \$
Salaries	3,575	–	3,575	2,626	949
Professional and special services	683	–	683	425	258
Contributions to employee benefits	792	–	792	753	39
Central government services	578	–	578	529	49
Indirect costs	514	–	514	620	(106)
Transportation and communications	253	–	253	248	5
Information	66	–	66	61	5
Utilities, materials and supplies	24	–	24	26	(2)
Rentals, repairs and maintenance	17	–	17	17	0
Acquisition of machinery and equipment	9	–	9	6	3
Total administrative costs	6,511	–	6,511	5,311	1,200
Less: Funding from Treasury Board	(1,630)	–	(1,630)	(1,671)	41
Less: Revenue from replacement Social Insurance cards	(657)	–	(657)	(651)	(6)
Net administrative costs charged to the Canada Pension Plan Account	4,224	–	4,224	2,989	1,235