

Public Works and Government Services Canada
ADMINISTRATIVE COSTS CHARGEABLE TO
THE CANADA PENSION PLAN ACCOUNT

Financial Report
For the Year ended March 31, 2004

October 1, 2004

Auditors' Report

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

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We have audited the financial report of **Administrative Costs Chargeable to the Canada Pension Plan Account** by Public Works and Government Services Canada for the year ended March 31, 2004 in accordance with the Memorandum of Understanding between Social Development Canada, formerly Human Resources Development Canada and formerly National Health and Welfare, and Public Works and Government Services Canada, formerly Supply and Services Canada, dated September 1990. This financial report is the responsibility of Public Works and Government Services Canada. Our responsibility is to express an opinion on this financial report 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 report is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial report. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial report presentation.

In our opinion, this financial report presents fairly, in all material respects, the Administrative Costs Chargeable to the Canada Pension Plan Account by Public Works and Government Services Canada for the year ended March 31, 2004 in accordance with the Memorandum of Understanding between Social Development Canada, formerly Human Resources Development Canada and formerly National Health and Welfare, and Public Works and Government Services Canada, formerly Supply and Services Canada, dated September 1990.

PricewaterhouseCoopers LLP

Chartered Accountants

Public Works and Government Services Canada

FINANCIAL REPORT OF ADMINISTRATIVE COSTS CHARGEABLE TO THE CANADA PENSION PLAN ACCOUNT

(rounded to the nearest hundreds of dollars)

Year ended March 31

	2004	2003	Increase	
	\$	\$	\$	%
Electronic Data Processing costs	6,968,200	6,679,900	288,300	4.3
Direct costs	5,893,600	4,223,700	1,669,900	39.5
Cheque reconciliation costs	1,313,000	1,249,800	63,200	5.1
Government services	304,700	281,500	23,200	8.2
Accommodation costs	220,100	189,000	31,100	16.5
Management costs	18,400	18,100	300	1.7
Total administrative costs	14,718,000	12,642,000	2,076,000	16.4%
Amount invoiced to the Canada Pension Plan Account	14,556,100	12,505,300		
Outstanding amounts to be invoiced to the Canada Pension Plan Account	161,900	136,700		

See accompanying notes to the Financial Report

Approved by



Lysanne Gauvin
Assistant Deputy Minister and Senior Financial Officer
Finance, Accounting, Banking and Compensation
Branch

Public Works and Government Services Canada

Financial Report of Administrative Costs Chargeable to the Canada Pension Plan Account

Notes to the Financial Report Analysis of Variances (rounded in the nearest hundreds of dollars)

Year ended March 31

1. ELECTRONIC DATA PROCESSING ["EDP"] COST - TELECOMMUNICATIONS AND INFORMATICS PROGRAM (TIP)

EDP costs consist of data processing, regional computer printing and operating cost provided by the TIP.

The increase in EDP costs in 2003-04 compared to 2002-03 is attributed to the continuance of the IT service level agreement (increased by \$303,300) between PWGSC and the Department of Social Development ("DSDC"). This service level agreement also includes, effective July 1, 2003, the responsibility to support DSDC's Oracle database. However, a decrease of \$10,800 in printing costs and a further decrease of \$4,200 in micrographic services have resulted in an overall increase in costs of \$288,300 in 2003-2004.

2. DIRECT COSTS

	2004 \$	2003 \$	Increase (Decrease) \$	%
Postage	3,992,800	3,989,900	2,900	0.1%
Cheques and envelopes	228,500	233,800	(5,300)	(2.3)%
Banking fees	1,672,300	0	1,672,300	100.0%
Total direct costs	5,893,600	4,223,700	1,669,900	39.5%

Postage

The total increase of \$2,900 in postage costs is the result of an average rate increase of \$93,700 (\$0.46 to \$0.47 for domestic postage and from \$0.65 to \$0.72 for international), which is offset by a volume decrease of \$65,600. The total increase was further offset by a reduction of Canada Post's address accuracy program costs of \$25,200, a program implemented in September 2002.

Cheques and envelopes

Total cheques and envelope expenditures decreased slightly. The price per 1,000 envelopes decreased from \$14.14 to \$13.95, decreasing the cost by \$1,700. There was also a decrease in the volume of cheques and envelopes issued, decreasing the cost by a further \$3,600.

Public Works and Government Services Canada

Financial Report of Administrative Costs Chargeable to the Canada Pension Plan Account

Notes to the Financial Report Analysis of Variances (rounded in the nearest hundreds of dollars)

Year ended March 31

Banking fees

The increase in direct costs in the current fiscal year is mostly due to the introduction of banking fees, which have increased direct costs by a total of \$1,672,300. Banking fees paid by the receiver general on behalf of the Department of Social Development relate to charges incurred in support of customer and non-customer encashment as well as fees resulting from fraudulent endorsement. The charge is based on a unit transaction fee for both cheques (\$0.1110) and direct deposits (\$0.0201).

3. CHEQUE RECONCILIATION COSTS

An increase in costs by \$153,300 due to the transfer of technical support staff personnel costs to the Cheque Redemption Control Directorate ("CRCD"), offset by a decrease in non-technical staff personnel costs for \$72,800, explains the overall increase in cheque reconciliation costs. These costs were further offset by a decrease in the operating and capital expenditures of \$17,300.

It is important to note that an increase in personnel costs consequently increases accommodation, Public Services Employee Benefits and Health and Dental Plan costs.

4. GOVERNMENT SERVICES

A cheque reconciliation salary cost increase of \$22,200, and an increase of the Health and Dental Plan rate by 0.1% (from 7.5% to 7.6%) from the previous year for a variance of \$1,000, explains the overall increase of \$23,200.

5. ACCOMMODATION COSTS

The \$31,100 increase in accommodation costs is a result of the additional space occupied by the Cheque Redemption Centre Directorate (CRCD) in Matane, Québec. The total CRCD's space now includes space (682 square meters) for the technical support resources transferred in 2003-04 costing \$27,500. The remaining increase of costs of \$3,600 is due to an increase in the price per square meters (from \$150 to \$230) for office space and a decrease of the price for storage space (from \$150 to \$92).

6. MANAGEMENT COST

The increase in management costs of \$300 is due to an increase in the external audit costs of \$400 offset by a decrease of the Finance sector costs of \$100 as compared to the previous year.