

***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***

**Project Team:**

**Director General:** *J. Blain*

**Audit Director:** *B. Sliter*

**Team Leader:** *M. El omari*

**Auditors:** *PricewaterhouseCoopers LLP Chartered Accountants*

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*PricewaterhouseCoopers LLP  
Chartered Accountants  
99 Bank Street, Suite 700  
Ottawa, Ontario  
Canada K1P 1K6  
Telephone +1 (613) 237 3702  
Facsimile +1 (613) 237 3963*

June 20, 2003

## **Auditors' Report**

### **To the Internal Audit Bureau of Human Resources 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, 2003, 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 May 2003;
- 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, 2003 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, 2003  
(in thousands of dollars)**

	<b>2003 \$</b>	<b>2002 \$</b>	<b>Increase (Decrease) \$</b>
<b>Costs by organization</b>			
<b>Income Security Programs Branch</b> (Schedule 1)	202,541	197,962	4,579
<b>Corporate Services</b> (Schedule 2)	54,784	42,034	12,750
<b>Service Delivery Support</b> (Schedule 3)	58,957	43,627	15,330
<b>The Social Insurance Registry</b> (Schedule 4)	2,103	2,388	(285)
<b>Total administrative costs</b>	318,385	286,011	32,374

**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, 2003  
(in thousands of dollars)**

	<b>2003 \$</b>	<b>2002 \$</b>	<b>Increase (Decrease) \$</b>
Headquarters and regional operations	169,057	170,436	(1,379)
Contributions to employee benefits plan	24,454	18,780	5,674
Employee medical surgical insurance	9,030	8,746	284
	<b>202,541</b>	<b>197,962</b>	<b>4,579</b>

**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, 2003  
(in thousands of dollars)**

	\$
<b>Headquarters and regional operations</b>	(1,379)
<p>The \$1,379 decrease is mainly attributable to:</p> <ul style="list-style-type: none"> <li>i) An increase in CPP salary expenditures of \$3,780 due to salary increases resulting from collective agreements and an increase in full time equivalents (FTE) during the year.</li> <li>ii) A reduction of non-salary expenditures of \$5,159 resulting from budget restraints and conservative spending programs imposed by HRDC.</li> </ul> <p>The methodology used to calculate the recovery for 2002-2003 is based on the identification of responsibility centres or activities with costs that have a causal relationship with CPP. This methodology allows HRDC to more accurately identify those costs that are 100% attributable to CPP activities and those costs where a proportion of the workload is attributable.</p>	
<b>Employee benefit plan (EBP)</b>	5,674
<p>The increase is mainly related to an increase in the EBP ratio from 16.1% to 20.3% as well as an increase in the total salaries charged to the CPP account. For ISP the EBP ratio is calculated as the EBP costs allocated to ISP over total ISP salaries. This ratio is then applied to CPP salaries. The EBP ratio increased as a result of a change in methodology allocating EBP costs to ISP. Total costs are allocated to the departments based on the department's percentage of salary expenditures to total government salary expenditures. In prior years, the method was based on main estimate salary budgets instead of actual expenditures.</p>	



**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, 2003  
(in thousands of dollars)**

	<b>Submitted Amounts \$</b>	<b>Audit Adjustments \$</b>	<b>Audited Amounts \$</b>
Headquarters and regional operations	168,872	185	169,057
Contributions to employee benefits plan	24,425	29	24,454
Employee medical surgical insurance	9,019	11	9,030
	202,316	225	202,541
<b>Administrative costs charged for 2002-2003</b>			202,541
<b>Payments from the Canada Pension Plan to the ISP Branch in 2002-2003</b>			180,200
<b>Payment established in 2002-2003</b>			22,416
<b>Administration costs to be repaid to the Canada Pension Plan for the year ended March 31, 2003</b>			(75)

**Audit adjustments**

The audit adjustments are the result of corrections to the initial calculation of the administrative costs. Rates used in the initial calculation were corrected to agree to the rates stated in the MOU and the full ISP costs used to calculate the allocation were corrected to agree to supporting documentation.

**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, 2003  
(in thousands of dollars)**

	<b>2003 \$</b>	<b>2002 \$</b>	<b>Increase (Decrease) \$</b>
Accommodation costs	32,884	24,371	8,513
Regions	7,181	7,775	(594)
Administration	2,676	1,421	1,255
Legal services	2,800	2,418	382
Employee benefit plan	2,521	2,006	515
Financial services	1,244	1,247	(3)
Strategic policy and program evaluation	1,166	1,101	65
Employee medical surgical insurance	945	772	173
Policy and system	314	305	9
Communications	316	269	47
Corporate secretariat	248	207	41
Security	186	102	84
Human resources	1,919	38	1,881
Internal audit	384	2	382
	<b>54,784</b>	<b>42,034</b>	<b>12,750</b>

**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, 2003  
(in thousands of dollars)**

	\$
<b>Accommodation costs</b>	8,513
The \$8,513 increase relates mainly to \$6,582 in increased costs to refit Place Vanier. Accommodation costs also increased as a result of an increase in the number of FTEs charged to the CPP account, as well as a change in the calculation of the average accommodation cost per FTE. In 2001-02, the estimated average accommodation cost was \$5,021. In 2002-03, the actual average accommodation cost increased to \$6,035.	
<b>Regions</b>	(594)
The \$594 decrease for the regions is related to a change in methodology to calculate the standard CPP ratio. The standard FTE CPP regional ratio of 55.6% is applied to commission administration and human resource expenses and the standard salary and non-salary CPP regional ratio of 59.1% is applied to all remaining expense categories. The national CPP ratio of 66.2% was used in FY2002.	
<b>Administration</b>	1,255
In 2001-02, the Facilities and Telecommunications Directorate – Strategic Property Initiatives charge was calculated using total HRDC space as the denominator in calculating the percentage of space at NHQ that is used by ISP. In 2002-03, the total NHQ space was used as it more accurately reflected the size of the ISP Branch. The expenditure levels in this unit increased in 2002-03 as well, as a result of additional equipment purchases (such as screens and workstations) required to allow for swing space while facilities/space optimization occurred.	
<b>Employee benefit plan (EBP)</b>	515
The change is mainly related to an increase in the EBP ratio from 19.5% to 20% as well as an increase in the total salaries charged to the CPP account. The ratio increased as 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. In prior years, the method was based on main estimate salary budgets instead of actual expenditures.	
<b>Human Resources</b>	1,881
In addition to salary increases related to new collective bargaining agreements, a change in methodology was used when calculating the standard CPP ratio. The FTE CPP NHQ ratio of 75.2% is applied in 2003 whereas the national CPP ratio of 66.2%, was applied in the prior year. As well, six additional functions were charged to the CPP account in 2002-03, which were not included in 2001-02. It was decided this year that these functions have a direct causal relationship to the CPP account, and as such, are appropriate to charge to the CPP account. For instance, of the \$1,881 increase, \$995 relates to the Modernizing Services for Canadians initiative, one of the new functions charged to the CPP Account.	

**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, 2003  
(in thousands of dollars)**

	<b>Submitted Amounts \$</b>	<b>Audit Adjustments \$</b>	<b>Audited Amounts \$</b>
Accommodation costs	35,521	(2,637)	32,884
Regions	7,181	–	7,181
Administration	2,676	–	2,676
Legal services	2,800	–	2,800
Employee benefit plan	2,521	–	2,521
Financial services	1,244	–	1,244
Strategic policy and program evaluation	1,166	–	1,166
Employee medical surgical insurance	945	–	945
Policy and system	314	–	314
Communications	316	–	316
Corporate secretariat	248	–	248
Security	186	–	186
Human resources	1,919	–	1,919
Internal audit	384	–	384
	57,421	(2,637)	54,784
<b>Corporate Services costs charged for 2002-2003</b>			54,784
<b>Payments from the Canada Pension Plan to Corporate Services in 2002-2003</b>			42,477
<b>Payments established in 2002-2003</b>			14,883
<b>Administrative costs to be repaid to the Canada Pension Plan for the year ended March 31, 2003</b>			(2,576)

**Audit adjustments**

The audit adjustment is a result of corrections to the calculation in determining the accommodation costs to be charged to the CPP.

**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, 2003  
(in thousands of dollars)**

	<b>2003 \$</b>	<b>2002 \$</b>	<b>Increase (Decrease) \$</b>
Systems support	32,548	37,401	(4,853)
Joint service delivery	15,874	2,015	13,859
Employee benefit plan	5,541	3,041	2,500
Employee medical surgical insurance	2,058	1,170	888
Modernizing Services for Canadians	2,936	–	2,936
	<b>58,957</b>	<b>43,627</b>	<b>15,330</b>

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

**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, 2003  
(in thousands of dollars)**

	\$
<b>Systems support</b>	(4,853)
The decrease is due to a change in methodology for allocating costs.	
<b>Joint service delivery</b>	13,859
The increase is due to a change in methodology for allocating costs. In 2003, costs are allocated by applying the ratio of CPP regional FTEs to total regional FTE to the identified costs. In 2002 costs were allocated using different proxies by region.	
<b>Employee benefit plan (EPB)</b>	2,500
The change is related to an increase in the EPB ratio from 19.5% to 20% as well as an increase in the total salaries charged to the CPP account. The ratio increased as 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. In prior years, the method was based on main estimate salary budgets instead of actual expenditures.	
<b>Employee medical surgical insurance</b>	888
The change relates to the increased salaries charged to the CPP account given the new methodologies as described above for allocating costs. The ratio for calculating these costs outlined in the Treasury Board guidelines did not change.	
<b>Modernizing Services for Canadians (MSC)</b>	2,936
MSC is a new HRDC initiative in 2003. MSC is a five-year plan to ensure that better, more responsive and more efficient HRDC policies, programs and services are developed and provided to Canadians. Its overall objective is to move from an organization based on business lines to one focused on citizens' needs.	

**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, 2003  
(in thousands of dollars)**

	<b>Submitted Amounts \$</b>	<b>Audit Adjustments \$</b>	<b>Audited Amounts \$</b>
Systems support	32,548	–	32,548
Joint service delivery	17,029	(1,155)	15,874
Employee benefit plan	5,726	(185)	5,541
Employee medical surgical insurance	2,127	(69)	2,058
Modernizing Services for Canadians	2,936	–	2,936
	<b>60,366</b>	<b>(1,409)</b>	<b>58,957</b>
<b>Service Delivery Support costs charged for 2002-2003</b>			58,957
<b>Payments from the Canada Pension Plan to Service Delivery Support in 2002-2003</b>			27,885
<b>Payments established in 2002-2003</b>			32,104
<b>Administrative costs to be repaid to the Canada Pension Plan for the year ended March 31, 2003</b>			<b>(1,032)</b>

**Audit adjustments**

The audit adjustments are the result of the ratio of CPP regional FTEs to total regional FTEs for the Quebec region, which was calculated as 4.00%, rather than 0.04%.

**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, 2003  
(in thousands of dollars)**

	<b>2003 \$</b>	<b>2002 \$</b>	<b>Increase (Decrease) \$</b>
Salaries	2,756	2,464	292
Professional and special services	449	810	(361)
Contributions to employee benefits	825	668	157
Central government services	549	557	(8)
Indirect costs	563	473	90
Transportation and communications	297	378	(81)
Information	65	93	(28)
Utilities, materials and supplies	33	42	(9)
Rentals, repairs and maintenance	16	21	(5)
Acquisition of machinery and equipment	9	2	7
<b>Total administrative costs</b>	<b>5,562</b>	<b>5,508</b>	<b>54</b>
Less: Funding from Treasury Board	(2,773)	(2,434)	(339)
Less: Revenue from replacement Social Insurance cards	(686)	(686)	–
<b>Net administrative costs charged to the Canada Pension Plan Account</b>	<b>2,103</b>	<b>2,388</b>	<b>(285)</b>

**Prior year comparatives**

The prior year funding from Treasury Board has been re-stated to reflect additional funding for the SIN Data Integrity program, contributions to employee benefits and accommodation cost.



**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, 2003  
(in thousands of dollars)**

	\$
<b>Salaries</b>	292
The change is mainly due to staff increases and a new collective bargaining agreement signed under which pay increases were given.	
<b>Professional and special services</b>	(361)
The decrease in costs for Professional and Special Services is mainly due to an decrease in the SIR percentage share of the ITC costs from 24.7% in FY02 to 11.8% in FY03.	
<b>Contributions to employee benefits</b>	157
The change is related to an increase in the EBP rate of EBP costs to SIR FTEs. The rate increased as result of a change in methodology allocating costs to departments. Total EBP costs are allocated to departments based on the department's percentage of salary expenditures to total government salary expenditures. In prior years, the method was based on main estimate salary budgets instead of actual expenditures.	
<b>Indirect costs</b>	90
Increase is mainly due to the ratio of indirect costs that relates to the SIR increasing from 13.1% to 14.7%. The ratio is calculated as SIR FTEs to total FTEs in the New Brunswick region. There were fewer FTEs in the New Brunswick region this fiscal year due to the elimination of the gun registry.	
<b>Transportation and communications</b>	(81)
Decrease is mainly due to budget reductions, less postage due to reduced volumes and better information used to allocate expense types.	

**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, 2003  
(in thousands of dollars)**

	<b>Submitted Amounts \$</b>	<b>Audit Adjustments \$</b>	<b>Audited Amounts \$</b>
Salaries	2,756	–	2,756
Professional and special services	449	–	449
Contributions to employee benefits	825	–	825
Central government services	549	–	549
Indirect costs	563	–	563
Transportation and communications	297	–	297
Information	65	–	65
Utilities, materials and supplies	33	–	33
Rentals, repairs and maintenance	16	–	16
Acquisition of machinery and equipment	9	–	9
<b>Total administrative costs</b>	<b>5,562</b>	<b>–</b>	<b>5,562</b>
Less: Funding from Treasury Board re CESG	(2,773)	–	(2,773)
Less: Revenue from replacement Social Insurance cards	(686)	–	(686)
<b>Net administrative costs charged to the Canada Pension Plan Account</b>	<b>2,103</b>	<b>–</b>	<b>2,103</b>
<b>Administrative costs charged for 2002-2003</b>			<b>2,103</b>
<b>Payments from the Canada Pension Plan to The Social Insurance Registry in 2002-2003</b>			<b>1,630</b>
<b>Outstanding costs to be paid by Canada Pension Plan for the year ended March 31, 2003</b>			<b>473</b>