

Human Resources Development Canada

Consolidated Statement of Administrative Costs
Charged to the Canada Pension Plan Account
Year Ended March 31, 2001
(in thousands of dollars)

Human Resources Development Canada

Consolidated Statement of Administrative Costs

Charged to the Canada Pension Plan Account

For the year ended March 31, 2001

(in thousands of dollars)

Index	Page
Auditors' Report	1
Consolidated Statement of Administrative Costs Charged to the Canada Pension Plan Account by Human Resources Development Canada	2
Schedule 1 Administrative Costs Charged to the Canada Pension Plan Account by the Income Security Programs Branch	3
Schedule 1A Administrative Costs Charged to the Canada Pension Plan Account by the Income Security Programs Branch – Analysis of significant variances	4
Schedule 1B Administrative Costs Charged to the Canada Pension Plan Account by the Income Security Programs Branch – Audit adjustments	5
Schedule 2 Corporate Services Charged to the Canada Pension Plan Account by Corporate Services	6
Schedule 2A Corporate Services Charged to the Canada Pension Plan Account by Corporate Services – Analysis of significant variances	7-8
Schedule 2B Corporate Services Charged to the Canada Pension Plan Account by Corporation Services – Audit adjustments	9
Schedule 3 Administrative Costs Charged to the Canada Pension Plan Account by the National Services Social Insurance Registry	10
Schedule 3A Administrative Costs Charged to the Canada Pension Plan Account by the National Services Social Insurance Registry – Analysis of significant variances	11
Schedule 3B Administrative Costs Charged to the Canada Pension Plan Account by the National Services Social Insurance Registry – Audit adjustments	12-13

July 6, 2001

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, 2001 in agreement with the Memoranda of Understanding between the Canada Pension Plan and the following:

- The Income Security Programs Branch, formerly National Health and Welfare, now Human Resources Development Canada, dated December 1996, as amended;
- Corporate Services, Human Resources Development Canada, dated February 1996, as amended; and
- National Services Social Insurance Registry, formerly Canada Employment and Immigration Commission, dated August 1990.

This consolidated statement of Income Security Programs Branch, Corporate Services and National Services 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, 2001 in agreement with the Memoranda of Understanding identified above.

Chartered Accountants
Ottawa, Canada

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, 2001

(in thousands of dollars)

	2001	2000	Increase (Decrease)
	\$	\$	\$
Income Security Programs Branch (Schedule 1)	178,915	166,678	12,237
Corporate Services (Schedule 2)	61,406	73,028	(11,622)
National Services Social Insurance Registry (Schedule 3)	2,544	1,622	922
Total administrative costs	<u>242,865</u>	<u>241,328</u>	<u>1,537</u>

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, 2001

(in thousands of dollars)

	2001 \$	2000 \$	Increase (Decrease) \$
Costs by organization			
Headquarters and regional operations	151,824	142,291	9,533
Contributions to employee benefits plan	21,165	19,307	1,858
Employee medical surgical insurance	5,926	5,080	846
	<hr/> 178,915	<hr/> 166,678	<hr/> 12,237

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, 2001

(in thousands of dollars)

	\$	\$
Headquarters and regional operations		9,533
The decrease is attributable to the following:		
(i) Increase in 100% CPP initiatives	12,826	
(ii) Decrease in ISP mixed expenditures	(4,857)	
(iii) Increase in CPP recovery rate	<u>1,564</u>	
	<u>9,533</u>	

(i) The increase in 100% CPP initiatives is primarily a result of the following:

- Disability costs related to the CPP have been analyzed and included in this expense account. Starting in 1996-97 the responsibility for administering disability benefits was decentralized to ISP regional offices but there was no financial coding to identify the costs. Effective April 1, 2000, financial coding was implemented which enabled the Branch to identify the costs.
- Salary expenditures totalling \$1,100 have been identified and included in the expense account for vocational rehabilitation.
- Pension Appeals Board expenditures increased due to the implementation of a plan to reduce the number of unheard appeals. Salaries increased due to a 37% increase in staff to handle the increased workload. Non-salary expenses such as travel, honoraria paid to board members, and space rental increased in direct relation to the increased workload.

(ii) The decrease in ISP mixed expenditures is mainly due to the following:

- Gross salary expenses increased as FTE resources were added in reaction to the increased workload. However, the gross salary increase is offset by non-salary cost reductions such as temporary help, supplies, postage and equipment expenditures which were not repeated in 2000-2001; expenditures for IT renewal and Y2K preparation were not incurred; and start-up costs for the Income Retirement Information System were not incurred.

(iii) The CPP recovery rate increased from 60.50% in 1999-2000 to 61.24% in 2000-2001, accounting for this variance.

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, 2001

(in thousands of dollars)

	Submitted Amounts	Audit Adjustments	Audited Amounts
	\$	\$	\$
Costs by organization			
Headquarters and regional operations	151,824	-	151,824
Contributions to employee benefits plan	21,165	-	21,165
Employee medical surgical insurance	5,926	-	5,926
	<hr/>		<hr/>
	178,915	-	178,915
			<hr/>
Administrative costs charged for 2000-2001			178,915
Payments from the Canada Pension Plan to the ISP Branch in 2000-2001			176,469
			<hr/>
Outstanding costs to be paid by Canada Pension Plan for the year ended March 31, 2001			<hr/> 2,446

Human Resources Development Canada

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

Schedule 2 – Corporate Services Charged to the Canada Pension Plan Account by Corporate Services For the year ended March 31, 2001

(in thousands of dollars)

	2001 \$	2000 \$	Increase (Decrease) \$
Regions	6,531	5,219	1,312
Systems – National headquarters	23,616	40,177	(16,561)
Administration	3,924	3,603	321
Financial services	1,233	1,228	5
Human resources	47	24	23
Employee benefit plan	3,578	3,013	565
Strategic policy and program evaluation	1,164	1,047	117
Employee medical surgical insurance	1,027	829	198
Legal services	2,311	1,706	605
Security	82	46	36
Communications	369	256	113
Corporate secretariat	199	181	18
Internal audit	2	2	-
Policy and system	174	130	44
Accommodation costs	17,149	15,567	1,582
	<hr/> 61,406	<hr/> 73,028	<hr/> (11,622)

Human Resources Development Canada

Consolidated Statement of Administrative Costs

Charged to the Canada Pension Plan Account

Schedule 2A – Corporate Services Charged to the
Canada Pension Plan Account by Corporate Services –

Analysis of Significant Variances

For the year ended March 31, 2001

(in thousands of dollars)

Regions

\$
1,312

The \$1,312 increase for the Regions is mainly due to increased spending at the gross level for all regional activities attributable to CPP, i.e., total expenditures increased by \$7,800 from 1999-00.

Systems – National Headquarters

(16,561)

The decrease is attributable to the following:

ISP IT operations/ Network Management;	(792)
ISP Technology/A-Base funding/ Systems Integrity;	(10,973)
Y2K;	(4,063)
Financial Information Strategy; and	388
RCs 9440/9441/9442/9443 / SSAs 292/293/306/310/437.	(1,121)
	<hr/>
	(16,561)

This is analyzed as follows:

ISP IT Operations / Network Management

The decrease of \$1,100 for ISP IT Operations and the increase of \$308 for Network Management is due to reorganization. The ISP IT Operations RC did not exist in 2000-01 and the Network Management group assumed some of the functions previously performed by ISP IT Operations.

ISP Technology / A-Base Funding / Systems Integrity

The \$10,973 decrease for ISP Technology, A-Base Funding and Systems Integrity represents the CPP portion of the net decrease in the funding approved by Treasury Board for these initiatives in 2000-01 as compared to 1999-00.

Y2K (NHQ and Regions)

The \$4,063 decrease in Y2K related expenditures is due to the completion of this project in 1999-00.

Human Resources Development Canada

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

Schedule 2A – Corporate Services Charged to the Canada Pension Plan Account by Corporate Services – Analysis of Significant Variances For the year ended March 31, 2001

(in thousands of dollars)

Systems – National Headquarters – Cont'd

\$

Financial Information Strategy

The \$388 increase for the Financial Information Strategy (FIS) represents the CPP portion of the funding approved by Treasury Board for the FIS initiative in 2000-01.

RCs 9440/9441/9442/9443 / SSAs 292/293/306/310/437

The \$4,207 decrease and the \$3,086 increase for the above listed responsibility centres represents a reorganization within the Systems coding structure. The net decrease of \$1,121 is attributed to decreased expenditures as a result of ISP Technologies.

Employee benefits plan (EBP)

565

The amount calculated for EBP is based on the total salaries attributable to CPP. The \$565 increase is due to an increase in the total salaries of \$3,369 from 1999-00.

Legal services

605

The increase of \$605 for Legal Services is based mainly on the increased level of funding transferred from ISP to Legal Services due to a greater level of legal services required by ISP in 2000-01. The increased level of funding consisted of an additional \$505 in salaries and \$56 in non-salaries. The amount applicable to CPP is based on a managerial estimate that also increased to 90% for 2000-01 as compared to 85% for 1999-00.

Accommodation

1,582

Crown-owned and lease costs increased \$2,169 due to an increase in ISP Staff of \$1,618, and to an increase in the CPP recovery rate of \$551. Also, fit-up costs reduced by \$587 due to a reduction in total costs incurred by HRDC of \$1,094, offset by an increase in the percentage of staff working on CPP of \$507.

(8)

Human Resources Development Canada

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

Schedule 2B – Corporate Services Charged to the
Canada Pension Plan Account by Corporate Services –
Audit Adjustments

For the year ended March 31, 2001

(in thousands of dollars)

	Submitted Amounts	Audit Adjustments	Audited Amounts
	\$	\$	\$
Regions	6,531	-	6,531
Systems – National headquarters	23,616	-	23,616
Administration	3,924	-	3,924
Financial services	1,233	-	1,233
Human resources	47	-	47
Employee benefit plan	3,578	-	3,578
Strategic policy and program evaluation	1,164	-	1,164
Employee medical surgical insurance	1,027	-	1,027
Legal services	2,311	-	2,311
Security	82	-	82
Communications	369	-	369
Corporate secretariat	199	-	199
Internal audit	2	-	2
Policy and system	174	-	174
Accommodation costs	17,149	-	17,149
	<hr/> 61,406	-	<hr/> 61,406
Corporate Services costs charged for 2000-2001			61,406
Payments from the Canada Pension Plan to Corporate Services in 2000-2001			60,980
Outstanding costs to be paid by Canada Pension Plan for the year ended March 31, 2001			<hr/> 426

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 the National Services Social Insurance Registry For the year ended March 31, 2001

(in thousands of dollars)

	2001 \$	2000 \$	Increase (Decrease) \$
Salaries	1,922	1,695	227
Transportation and communications	318	298	20
Information	71	73	(2)
Professional and special services	478	166	312
Rentals, repairs and maintenance	15	1	14
Utilities, materials and supplies	34	37	(3)
Acquisition of machinery and equipment	5	177	(172)
Central government services	471	388	83
Contributions to employee benefits	564	404	160
Indirect costs	353	360	(7)
Total administrative costs	4,231	3,599	632
Less: Funding from Treasury Board re CESG	(1,043)	(1,370)	327
Less: Revenue from replacement Social Insurance cards	(644)	(607)	(37)
Net administrative costs charged to the Canada Pension Plan Account	2,544	1,622	922

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 the National Services Social Insurance Registry -

Analysis of Significant Variances

For the year ended March 31, 2001

(in thousands of dollars)

	\$
Salaries	227
<p>Increase is due in large part to an increase of 12.6 FTE's, mainly in the Systems Planning and Program and Liaison Services group. These increases were the result of new initiatives affecting the SIR such as Government Online and the SIR database cleanup. In addition to the the increase in FTEs, collective bargaining and pay equity increases were made for most groups, further resulting in increased salaries expense for the year.</p>	
Professional and Special Services	312
<p>Based on a measure of processor utilization, the SIR portion increased from 7.0% to 16.3 %. The main reason is due to the transfer of financial systems from ITC Moncton to ITC Montreal (the new central CMS site). There is no corresponding decrease in resources spent since this is not labour intensive work. The data input is done in field offices and the ITC only looks after processing.</p>	
Acquisition of machinery and equipment	(172)
<p>There were major equipment purchases in 1999-2000, which was not repeated in 2000-2001.</p>	
Funding from Treasury Board re: CESG	(327)
<p>Funding from Treasury Board re: CESG is a function of SIN application volumes. The decrease in funding is therefore due to lower expected and actual volume of SIN applications for 2000-2001.</p>	

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 the National Services Social Insurance Registry -
Audit Adjustments
For the year ended March 31, 2001

(in thousands of dollars)

	Submitted Amounts	Audit Adjustments	Audited Amounts
	\$	\$	\$
Salaries	1,922	-	1,922
Transportation and communications	318	-	318
Information	71	-	71
Professional and special services	478	-	478
Rentals, repairs and maintenance	15	-	15
Utilities, materials and supplies	34	-	34
Acquisition of machinery and equipment	5	-	5
Central government services	471	-	471
Contributions to employee benefits	475	89	564
Indirect costs	327	26	353
Total administrative costs	4,116	115	4,231
Less: Funding from Treasury Board re CESG	(1,043)	-	(1,043)
Less: Revenue from replacement Social Insurance cards	(644)	-	(644)
Net administrative costs charged to the Canada Pension Plan Account	2,429	115	2,544
Administrative costs charged for 2000-2001			2,544
Payments from the Canada Pension Plan to NSSIR in 2000-2001			1,622
Outstanding costs to be paid by Canada Pension Plan for the year ended March 31, 2001			922

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 the National Services Social Insurance Registry -

Audit Adjustments

For the year ended March 31, 2001

(in thousands of dollars)

Adjustments

Contributions to employee benefits

The adjustment relates to the inclusion of employee health plan benefits. The MOU does not make specific reference to the type of employee benefits, however, employer contributions to the SIR employee health plans are allowable costs.

Indirect costs

Costs related to the office of the director and salaries of summer students were not included in the allocation of indirect costs.