

Human Resources Development Canada

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

March 31, 2002

(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, 2002

(in thousands of dollars)

	Page
Index	
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
Schedule 2B Corporate Services Charged to the Canada Pension Plan Account by Corporation Services – Audit adjustments	8
Schedule 3 Administrative Costs Charged to the Canada Pension Plan Account by Service Delivery Support	9
Schedule 3A Administrative Costs Charged to the Canada Pension Plan Account by Service Delivery Support – Analysis of significant variances	10-11
Schedule 3B Administrative Costs Charged to the Canada Pension Plan Account by Service Delivery Support – Audit adjustments	12-13
Schedule 4 Administrative Costs Charged to the Canada Pension Plan Account by the Social Insurance Registry	14
Schedule 4A Administrative Costs Charged to the Canada Pension Plan Account by the Social Insurance Registry – Analysis of significant variances	15
Schedule 4B Administrative Costs Charged to the Canada Pension Plan Account by the Social Insurance Registry – Audit adjustments	16-17

July 12, 2002

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, 2002, in agreement with the Memoranda of Understanding between the Canada Pension Plan and the following:

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

This consolidated statement of Income Security Programs Branch, Corporate Services, Service Delivery Support and 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, 2002 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, 2002

(in thousands of dollars)

	2002 \$	2001 \$	Increase \$
Income Security Programs Branch (Schedule 1)	197 962	178 915	19 047
Corporate Services (Schedule 2)	42 034	35 409	6 625
Service Delivery Support (Schedule 3)	43 627	25 997	17 630
Social Insurance Registry (Schedule 4)	3 624	2 544	1 080
Total administrative costs	<u>287 247</u>	<u>242 865</u>	<u>44 382</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, 2002

(in thousands of dollars)

	2002 \$	2001 \$	Increase (Decrease) \$
Costs by organization			
Headquarters and regional operations	170 436	151 824	18 612
Contributions to employee benefits plan	18 780	21 165	(2 385)
Employee medical surgical insurance	8 746	5 926	2 820
	<hr/> 197 962	<hr/> 178 915	<hr/> 19 047

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, 2002

(in thousands of dollars)

Headquarters and regional operations

\$
18 612

The 18 612 \$ increase is mainly attributable to:

- (i) the change in the methodology of charging costs to the CPP,
- (ii) the increase in the 2001-2002 recovery rate to 66,2% from 65,8% in 2000-2001, and
- (iii) the increase in resources directed to operational areas to meet ISP's increased workload, and salary increases as a result of a new collective agreement.

The methodology used to calculate the recovery for 2001-2002 is based on the new financial coding structure. The methodology allows HRDC to more accurately identify those costs that are 100% attributable to CPP activities. The methodology used to calculate the 2000-2001 recovery was applied to total ISP expenditures as it was not possible to determine the recovery for individual parts of the organization. Expenditures made by operational areas that were fully devoted to supporting CPP clients were not recovered at 100%, but at the same rate as the remainder of ISP at 65,8%.

Employee benefit plan (EBP)

(2 385)

The reduction in the EBP premium rate is the result of a change in the methodology used to calculate the recovery rate. In 2000-01, the recovery rate was established as the same percentage that was used in the Annual Reference Level Update at 20% of salary budgets. In 2001-02, the recovery rate of 19,5% was determined by multiplying the ratio of actual employee benefit costs to total salary costs to the amount of salary costs being recovered from CPP.

Employee medical surgical insurance (EMSI)

2 820

The increase in the EMSI premium rate was established in the Annual Reference Level Update call letter, at 7.5% of salary costs whereas the rate used in 2000-01 was 5.6%.

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, 2002

(in thousands of dollars)

	Submitted Amounts	Audit Adjustments	Audited Amounts
	\$	\$	\$
Costs by organization			
Headquarters and regional operations	170 436	–	170 436
Contributions to employee benefits plan	18 780	–	18 780
Employee medical surgical insurance	8 746	–	8 746
	<hr/>		<hr/>
	197 962	–	197 962
			<hr/>
Administrative costs charged for 2001-2002			197 962
Payments from the Canada Pension Plan to the ISP Branch in 2001-2002			176 233
Payment established in 2001-2002			<hr/> 17 400
Outstanding costs to be paid by Canada Pension Plan for the year ended March 31, 2002			<hr/> 4 329

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, 2002

(in thousands of dollars)

	2002 \$	2001 \$	Increase (Decrease) \$
Accommodation costs	22 007	17 149	4 858
Regions	7 775	6 531	1 244
Administration	3 785	3 924	(139)
Legal services	2 418	2 311	107
Employee benefit plan	2 006	1 728	278
Financial services	1 247	1 233	14
Strategic policy and program evaluation	1 101	1 164	(63)
Employee medical surgical insurance	772	496	276
Policy and system	305	174	131
Communications	269	369	(100)
Corporate secretariat	207	199	8
Security	102	82	20
Human resources	38	47	(9)
Internal audit	2	2	–
	<hr/>	<hr/>	<hr/>
	42 034	35 409	6 625

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, 2002

(in thousands of dollars)

	\$
Regions	1 244

The 1 244 \$ increase for the regions is related to an overall increase in regional expenditures as well as an increase in the percentage of regional CPP expenditures as a ratio of total regional expenditures. A new collective bargaining agreement signed late in the year under which retroactive pay increases were made also contributed to the increased expenditures.

Employee benefit plan (EBP)	278
------------------------------------	-----

The amount calculated for EBP is based on the total salaries attributable to CPP. The 278 \$ increase in EBP is due to an increase in total salaries arising from an overall increase in regional salary expenditures, an increase in the percentage of regional CPP expenditures as a ratio of total regional expenditures, and the new collective bargaining agreement.

Employee medical surgical insurance (EMSI)	276
---	-----

The amount calculated for EMSI is based on the total salaries attributable to CPP. The 276 \$ increase is mainly due to an increase in total salaries and from a 1.9% rate increase from 2000-2001.

Accommodation costs	4 858
----------------------------	-------

Crown-owned and lease costs increased 2 029 \$ due to an increase in the CPP recovery rate as result of a change to the MOU. Also, fit-up costs increased by 2 829 \$ due to a 3 539 \$ charge for the refit of Place Vanier, offset by a reduction in total costs incurred by HRDC of 335 \$ and an offset by a decrease in the percentage of staff working on the CPP account of \$375.

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, 2002

(in thousands of dollars)

	Submitted Amounts	Audit Adjustments	Audited Amounts
	\$	\$	\$
Accommodation costs	22 007	–	22 007
Regions	7 775	–	7 775
Administration	3 785	–	3 785
Legal services	2 418	–	2 418
Employee benefit plan	2 006	–	2 006
Financial services	1 247	–	1 247
Strategic policy and program evaluation	1 101	–	1 101
Employee medical surgical insurance	772	–	772
Policy and system	305	–	305
Communications	269	–	269
Corporate secretariat	207	–	207
Security	102	–	102
Human resources	38	–	38
Internal audit	2	–	2
	<hr/>		
	42 034		42 034
	<hr/>		
Corporate Services costs charged for 2001-2002			42 034
Payments from the Canada Pension Plan to Corporate Services in 2001-2002			36 434
Payments established in 2001-2002			<hr/> 5 568
Outstanding costs to be paid by Canada Pension Plan for the year ended March 31, 2002			<hr/> 32

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, 2002

(in thousands of dollars)

	2002 \$	2001 \$	Increase \$
Systems delivery support	39 416	23 616	15 800
Employee benefit plan	3 041	1 850	1 191
Employee medical surgical insurance	1 170	531	639
	<hr/>	<hr/>	<hr/>
	43 627	25 997	17 630

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, 2002

(in thousands of dollars)

	\$
Service delivery support	15 800

The increase is attributable to the following:

Joint Service Delivery	2 015
Systems – National Headquarters;	
ISP Technology	(2 185)
A-Base funding/Systems Integrity	15 970
	<u>15 800</u>

This is analyzed as follows:

Joint service delivery

As part of the reorganization of business lines this fiscal year, Service Delivery Support is made up of two components: Joint Service Delivery (JSD), and Systems. This is the first year that JSD costs have been charged to the CPP account in accordance with the MOU.

ISP technology

The \$2,185 decrease for ISP Technology represents the CPP portion of the net decrease in the funding approved by Treasury Board for this initiative in 2001-02 as compared to 2000-01.

A-Base funding / Systems integrity

The \$15,970 increase represents the CPP portion of Systems A-base requirements, special funded projects and infrastructure renewal initiatives that were funded by Treasury Board as part of Program Integrity.

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, 2002

(in thousands of dollars)

	\$
Employee benefit plan (EPB)	1 191

The amount calculated for EPB is based on the total salaries attributable to CPP. The \$1,191 increase is attributable to an increase in total salaries as result of the new JSD business line and to increased IT infrastructure renewal initiatives.

Employee medical surgical insurance (EMSI)	639
---	-----

The amount calculated for EMSI is based on the total salaries attributable to CPP. The increase is attributable to an increase in total salaries as result of the new JSD business line and increased IT infrastructure renewal initiatives, as well as a 1,9% rate increase from 2000-2001.

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, 2002

(in thousands of dollars)

	Submitted amounts \$	Audit adjustments \$	Audited amounts \$
Systems delivery support	39 416	–	39 416
Employee benefit plan	–	3 041	3 041
Employee medical surgical insurance	–	1 170	1 170
	<u>39 416</u>	<u>4 211</u>	<u>43 627</u>
Systems Delivery Support costs charged for 2001-2002			43 627
Payments from the Canada Pension Plan to Corporate Services in 2001-2002			14 991
Payments established in 2001-2002			<u>27 684</u>
Outstanding costs to be paid by Canada Pension Plan for the year ended March 31, 2002			<u>952</u>

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, 2002

(in thousands of dollars)

Adjustments

Employee benefit plan and employee medical surgical insurance

The costs for the EBP and EMSI were not included in the submitted costs charged to the Canada Pension Plan. SDS initially considered that these costs were absorbed by Corporate Services.

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, 2002

(in thousands of dollars)

	2002 \$	2001 \$	Increase (Decrease) \$
Salaries	2 464	1 922	542
Professional and special services	810	478	332
Contributions to employee benefits	668	564	104
Central government services	557	471	86
Indirect costs	473	353	120
Transportation and communications	378	318	60
Information	93	71	22
Utilities, materials and supplies	42	34	8
Rentals, repairs and maintenance	21	15	6
Acquisition of machinery and equipment	2	5	(3)
Total administrative costs	5 508	4 231	1 277
Less: Funding from Treasury Board re: Canadian Education Savings Grants	(1 198)	(1 043)	(155)
Less: Revenue from replacement Social Insurance cards	(686)	(644)	(42)
Net administrative costs charged to the Canada Pension Plan Account	3 624	2 544	1 080

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, 2002

(in thousands of dollars)

	\$
Salaries	542

Increase is due in large part to staff increases of 23,3 full time equivalents (FTE's). These increases were the result of continuing initiatives affecting the SIR such as the SIN integrity project, Inet work to improve internet presence of the SIR, and the corporate letter book program. In addition to the increase in FTE's there was a new collective bargaining agreement signed late in the year under which retroactive pay increases were made.

Professional and Special Services

The increase in costs for Professional and Special Services was due to an increase in the SIR percentage share of the Moncton ITC costs from 16,3% in FY01 to 24,7% in FY02. The SIR shares the Moncton ITC mainframe with several other HRDC programs such as Insurance.	332
---	-----

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, 2002

(in thousands of dollars)

	Submitted amounts	Audit adjustments	Audited amounts
	\$	\$	\$
Salaries	2 464	–	2 464
Professional and special services	1 064	(254)	810
Contributions to employee benefits	668	–	668
Central government services	557	–	557
Indirect costs	473	–	473
Transportation and communications	378	–	378
Information	93	–	93
Utilities, materials and supplies	42	–	42
Rentals, repairs and maintenance	21	–	21
Acquisition of machinery and equipment	2	–	2
Total administrative costs	5 762	(254)	5 508
Less: Funding from Treasury Board re CESG	(1 198)	–	(1 198)
Less: Revenue from replacement Social Insurance cards	(686)	–	(686)
Net administrative costs charged to the Canada Pension Plan Account	3 878	(254)	3 624
Administrative costs charged for 2001-2002			3 624
Payments from the Canada Pension Plan to NSSIR in 2001-2002			2 545
Outstanding costs to be paid by Canada Pension Plan for the year ended March 31, 2002			1 079

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, 2002

(in thousands of dollars)

Adjustments

Professional and special services

The SIR utilization of ITC costs was overstated. The original 32.54% allocation to SIR was based on a workload in a month when the SIR workload was at its peak. The ITC cost charged was adjusted to reflect the average utilization of 24.7%, as the SIR workload fluctuates throughout the year.

