

AEC Briefing Note
**2003-708 Audit of the Financial Report of Administrative Costs Chargeable
to the Canada Pension Plan Account for the year ended March 31, 2003**

Authority for the Project

The audit of the Financial Report of Administrative Costs Chargeable to the Canada Pension Plan Account for the year ended March 31, 2003 was undertaken in accordance with the 2002/2003 Audit and Evaluation Plan as approved by the departmental Audit and Review Committee.

Objective

The purpose of the audit was to express an opinion as to whether Public Works and Government Services Canada (PWGSC) fairly represented its administrative costs chargeable to the Canada Pension Plan Account for the year ended March 31, 2003.

Background

The Canada Pension Plan (CPP) is administered by the Department of Human Resources Development Canada (HRDC). PWGSC provides assistance to HRDC in managing the CPP through the development, maintenance and operation of computer systems, the payment of benefits, and the production of management information statistics. These administrative costs are not funded through appropriation and are not subject to vote by Parliament, but are recovered from HRDC and are charged to the CPP Account on a quarterly basis.

An annual audit of PWGSC's administrative costs chargeable to the CPP Account is required in accordance with the provisions of a 1990 Memorandum of Understanding (MOU) between the former National Health and Welfare and Supply and Services Canada.

Results

The audit resulted in the provision of an unqualified auditor's report (opinion) from the public accounting firm PricewaterhouseCoopers LLP.

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

Financial Report
For the Year ended March 31, 2003

September 16, 2003

Auditors' Report

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

PricewaterhouseCoopers LLP
Chartered Accountants
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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, 2003 in accordance with the Memorandum of Understanding between Human Resources Development Canada, 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, 2003 in accordance with the Memorandum of Understanding between Human Resources Development Canada, formerly National Health and Welfare, and Public Works and Government Services Canada, formerly Supply and Services Canada, dated September 1990.



Chartered Accountants

Public Works and Government Services Canada

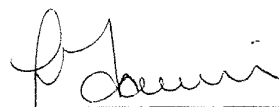
FINANCIAL REPORT OF ADMINISTRATIVE COSTS CHARGEABLE TO THE CANADA PENSION PLAN ACCOUNT

Year ended March 31

	2003	2002	Increase (Decrease)	
	\$	\$	\$	%
Electronic Data Processing costs	6,679,900	6,533,700	146,200	2.2
Direct costs	4,223,700	4,029,400	194,300	4.8
Cheque reconciliation costs	1,249,800	1,237,200	12,600	1.0
Government services	281,500	306,000	(24,500)	(8.0)
Accommodation costs	189,000	195,700	(6,700)	(3.4)
Management costs	18,100	17,200	900	5.2
Indirect costs	0	109,400	(109,400)	(100.0)
Total administrative costs	12,642,000	12,428,600	213,400	(1.7%)
Amount invoiced to the Canadian Pension Plan Account	12,505,300	12,122,000		
Outstanding amounts to be invoiced to the Canada Pension Plan Account	136,700	306,600		

See accompanying notes

Approved by



Lysanne Gauvin
Assistant Deputy Minister
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

Year ended March 31

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

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

The increase in FDP costs is attributed to the following: an increase in \$210,500 due to the renewal of the Special Service Agreement to provide the Human Resources Development Canada Income Securities processing environment with 100 million instructions per second for a full 12 month period in this fiscal year instead of a 7.5 month period in the prior year, and an increase in micrographic costs of \$3,300. The increase is offset by the decrease of \$64,000 for processing costs and by a decrease in printing costs for \$3,600.

2. DIRECT COSTS

	2003 \$	2002 \$	Increase (Decrease) \$	%
Postage	3,989,900	3,801,000	188,900	5.0%
Cheques and envelopes	233,800	228,400	5,400	2.4%
Total direct costs	4,223,700	4,029,400	194,300	4.8%

Postage

The increase in postage cost is the result of an average rate increase of \$196,100 (\$0.43 to \$0.46 for domestic postage and from \$0.52 to \$0.65 for international) and a volume increase of \$27,400. The total increase in costs was offset by a reduction of a surcharge by Canada Post's address accuracy program of \$34,600 as a result of Human Resources Development Canada's implementation of the address accuracy software in September 2002.

Cheques and Envelopes

Total cheques and envelope expenditures increased slightly. The price per 1,000 cheques increased from \$12.65 to \$12.78 and the price per 1,000 envelopes rose from \$13.83 to \$14.14, cumulatively increasing the cost by \$3,800. There was also an increase of volumes of cheques and envelopes issued, increasing the cost by \$1,600.

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

Year ended March 31

3. CHEQUE RECONCILIATION COSTS

Cheque reconciliation costs have increased by \$12,600 or 1.0% compared to the previous year due to a slight increase to the total reconciled Canada Pension Plan payments.

4. GOVERNMENT SERVICES

The overall decrease of \$24,500 is explained by a reduction in salary costs, consequently decreasing the Public Service Employee Benefits, Health Plan and Dental Plan costs.

The reduction is explained by: a decrease of \$28,600 as a result of the PWGSC Responsible Site closures in June 2001; a cheque reconciliation cost decrease of \$1,600 attributable to salary decrease; and by an increase of the Employee Benefits rate by 0.5% (from 19.5% to 20%) from the previous year for a variance of \$5,700.

5. ACCOMMODATION COSTS

The decrease of accommodation costs by \$6,700 or 3.4% compared to previous year is a result of the PWGSC Responsible Site closures in June 2001 decreasing the costs by \$14,700. The cost decrease is offset by an increase of \$8,000 associated to the renewal of space that Cheque Redemption Control Directorate occupies in Matane, Québec.

6. MANAGEMENT COST

The increase in management costs of \$900 is due to an increase of the Finance Sector Costs. The external audit costs remained stable compared to previous year.

7. INDIRECT COSTS

The decrease of \$109,400 is explained by the closure of PWGSC Responsible Sites in June 2001, resulting in the absence of indirect costs allocated for CPP activities for the year ended March 31, 2003.