



Public Works and  
Government Services  
Canada

Travaux publics et  
Services gouvernementaux  
Canada

Canada

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

Financial Report  
For the Year ended March 31, 2005

September 26, 2005

**Auditors' Report**

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

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, 2005 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 management. 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, 2005 in accordance with the Memorandum of Understanding referred to above, dated September 1990.

*PricewaterhouseCoopers LLP*

**Chartered Accountants**

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# Public Works and Government Services Canada

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

(rounded to the nearest hundred dollars)

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Year ended March 31

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	2005	2004	Increase (Decrease)	
	\$	\$	\$	%
Electronic Data Processing costs	<b>8,206,700</b>	6,968,200	1,238,500	17.8%
Direct costs	<b>5,684,400</b>	5,893,600	(209,200)	-3.6%
Cheque reconciliation costs	<b>1,422,700</b>	1,313,000	109,700	8.4%
Government services	<b>339,600</b>	304,700	34,900	11.5%
Accommodation costs	<b>232,700</b>	220,100	12,600	5.7%
Management costs	<b>22,200</b>	18,400	3,800	20.7%
Total administrative costs	<b>15,908,300</b>	14,718,000	1,190,300	8.1%
Amount invoiced to the Canada Pension Plan Account	<b>15,658,600</b>	14,556,100		
Outstanding amounts to be invoiced to the Canada Pension Plan Account	<b>249,700</b>	161,900		

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*See accompanying notes to the Financial Report*

Approved by

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Renée Jolicoeur  
A/Assistant Deputy Minister  
Accounting, Banking and Compensation Branch

Approved by

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Mike Hawkes  
Senior Financial Officer  
Finance Branch

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# 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 to the nearest hundreds of dollars)

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Year ended March 31

#### 1. ELECTRONIC DATA PROCESSING (“EDP”) COSTS – INFORMATION TECHNOLOGY SERVICES BRANCH (“ITSB”)

EDP costs consist of computer operations, telecommunications, micrographic activity and disaster recovery fees provided by the ITSB.

The increase in EDP costs in 2004-05 as compared to 2003-04 is mainly attributed to the continuance of the IT service level agreement between Public Works and Government Services Canada (“PWGSC”) and Social Development Canada (“SDC”) which includes responsibilities to support SDC’s Oracle database (which increased by \$142,800). EDP costs were further increased by \$700,000 with a second service level agreement to provide an increase in SDC’s Income Security Programs capacity effective May 1, 2004, and by an additional \$434,700 for the off-site payment processing for the Standard Payment System (“SPS”) in the event of a major failure at PWGSC’s King Edward Computer. However, a decrease of \$38,400 in printing costs and a further decrease of \$600 in micrographic services have resulted in an overall increase in costs of \$1,238,500.

#### 2. DIRECT COSTS

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	2005	2004	Increase (Decrease)	%
	\$	\$	\$	
Postage	<b>3,706,900</b>	3,992,800	(285,900)	(7.2)%
Cheques and envelopes	<b>216,000</b>	228,500	(12,500)	(5.5)%
Banking fees	<b>1,684,500</b>	1,672,300	12,200	0.7 %
Collateral costs	<b>77,000</b>	0	77,000	100%
<b>Total direct costs</b>	<b>5,684,400</b>	5,893,600	(209,200)	(3.6)%

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##### Postage

The decrease in postage costs is the result of a reduction in postage volumes of \$236,900 and a reduction in the average rate for postage of \$49,000 (i.e. \$0.47 to \$0.46 for domestic postage and from \$0.72 to \$0.50 for international postage).

##### Cheques and envelopes

The decrease in cheque and envelope costs is the result of a volume reduction of \$13,700, which was offset by an increase in the price per 1,000 cheques from \$12.78 to \$12.92 for a total of \$1,200.

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# 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 to the nearest hundreds of dollars)

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Year ended March 31

#### Banking fees

Banking fees are paid by the Receiver General on behalf of the Social Development Canada (“SDC”) for charges incurred in the support of customer, non-customer encashment and those fees resulting from fraudulent endorsement. The charge is based on a unit transaction banking fee for both cheques and direct deposits.

Banking fees have increased by an amount of \$12,200 from the prior fiscal year. This is partly due to an increase in the average transaction banking fee for cheques from \$0.111 to \$0.1117 and direct deposits from \$0.0201 to \$0.0212 for a total of \$45,800. Banking fees have decreased by the amount of \$57,900 due to a reduction in the volume of cheques for the fiscal year. Banking fees have also increased by \$24,300 due to an increase in the volume of direct deposits.

#### Collateral costs

Collateral costs were implemented effective September 2004 to cover the costs incurred to post additional credit security for transfers of funds in excess of \$25 million between the Receiver General concentrator account set up for SDC and the Consolidated Revenue Fund (“CRF”) at the Bank of Canada, using the Large Value Transfer System (“LVTS”). This fee, billed on a monthly fee from September 2004 up to March 2005, consisted of monthly charges of \$11,000, of which \$10,000 pertained to minimum collateral costs and \$1,000 to administrative fees.

### **3. CHEQUE RECONCILIATION COSTS**

Cheque reconciliation costs relate to service costs for payment redemption directly attributable to Canada Pension Plan payments. The Cheque Redemption Centre Directorate (“CRCD”) provides payment reconciliation and redemption services for Canada Pension Plan payments on behalf of the Receiver General of Canada.

The recently signed collective agreement in fiscal year 2004-05 and the increase in the number of Full-Time Equivalents attributable to the Canada Pension Plan (“CPP”) has resulted in an increase in personnel expenses of \$46,900 by the CRCD. In addition, the CRCD operating and capital expenditure costs attributable to the CPP have increased by \$62,800.

### **4. GOVERNMENT SERVICES**

Government service costs relate to expenditures incurred to cover the Employee Benefits and Health and Dental Plans. The increase in government services costs of \$34,900 is the result of an increase in the Employee Benefits rate (from 20.0% to 21.5%) and the Health and Dental Plan rate (from 7.6% to 8.0%) from the previous year for a variance of \$21,900, and an increase in the cheque reconciliation salary costs of \$13,000.

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# 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 to the nearest hundreds of dollars)

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Year ended March 31

#### 5. ACCOMMODATION COSTS

Accommodation costs are incurred for space occupied to provide Canada Pension Plan (“CPP”) services. The increase in accommodation costs of \$9,900 is due to changes to the Occupancy Agreement which commenced on July 1, 2003 for the space occupied by the Cheque Redemption Centre Directorate (“CRCD”) in Matane, Québec. In fiscal 2003-04, the changes were in effect for nine months and for fiscal 2004-05, they were in effect for the whole year. Also, there was an increase in costs of \$2,700 due to an increase in the volume of CPP transactions as compared to the previous year, which directly impacts the level of accommodation costs attributable to the CPP.

#### 6. MANAGEMENT COSTS

Management costs include costs relating to the compilation and the preparation of the financial statements. The changes in these costs are attributed to an increase in the external audit costs of \$4,100 and a decrease in the Finance Sector costs of \$300.