

Employment and Social Development Canada

Consolidated Statement of Administrative Costs Charged to the Canada Pension Plan Account by Employment and Social Development Canada

March 31, 2014
(in thousands of dollars)

Employment and Social Development Canada
Consolidated Statement of Administrative Costs
Charged to the Canada Pension Plan Account by Employment and Social Development
Canada
For the year ended March 31, 2014

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August 13, 2014

Independent Auditor's Report

To the Internal Audit Services Branch of Employment Services and Social Development Canada

We have audited the accompanying Consolidated Statement of Administrative Costs Charged to the Canada Pension Plan (CPP) Account by Employment and Social Development Canada (ESDC), formerly Human Resources and Skills Development Canada (HRSDC), for the year ended March 31, 2014 and the related schedules (together "the financial information"). The financial information has been prepared by management of ESDC based on the financial reporting provisions established in the 2010-2014 Memorandum of Understanding between the CPP and ESDC dated June 21, 2010, and its amendments dated March 29, 2011, March 30, 2012, March 11, 2013, and March 31, 2014 respectively (collectively, "the MoU").

Management's responsibility for the financial information

Management of ESDC is responsible for the preparation of the financial information in accordance with the financial reporting provisions of the MoU, and for such internal control as management of ESDC determines is necessary to enable the preparation of the financial information that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the financial information based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial information is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial information. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial information, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to ESDC's preparation of the financial information in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of ESDC's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial information.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial information for the year ended March 31, 2014 is prepared, in all material respects, in accordance with the financial reporting provisions of the MoU.

Basis of accounting and restriction on distribution and use

Without modifying our opinion, we draw attention to the fact that the financial information has been prepared in accordance with the financial reporting provisions of the above noted MoU. The financial information has been prepared to assist ESDC to meet the requirements of Part A of the MoU. As a result, the financial information may not be suitable for another purpose. Our report is intended solely for ESDC and the CPP and should not be distributed to or used by parties other than ESDC and the CPP.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Employment and Social Development Canada
Consolidated Statement of Administrative Costs
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Canada
For the year ended March 31, 2014

(in thousands of dollars)

| | 2014 | 2013 |
|---|----------------|----------------|
| | \$ | \$ |
| Income Security and Social Development Branch (Schedule 2) | 16,785 | 20,709 |
| Social Security Tribunal, Pension Appeals Board and Office of the Commissioner of Review Tribunals (Schedule 3) | 15,544 | 18,163 |
| Corporate Secretariat (Schedule 4) | 1,574 | 1,842 |
| Public Affairs and Stakeholder Relations Branch (Schedule 5) | 2,848 | 4,602 |
| Human Resources Services Branch (Schedule 6) | 8,513 | 11,061 |
| ESDC Legal Services Branch (Schedule 7) | 4,371 | 4,815 |
| Internal Audit Services Branch (Schedule 8) | 28 | 27 |
| Strategic Policy and Research Branch (Schedule 9) | 167 | 149 |
| Processing and Payment Services Branch (Schedule 10) | 183,073 | 323,218 |
| Citizen Service Branch (Schedule 11) | 16,896 | 15,291 |
| Integrity Services Branch (Schedule 12) | 3,267 | 3,144 |
| Social Insurance Registry (Schedule 13) | 4,664 | 4,594 |
| Innovation, Information and Technology Branch (Schedule 14) | 77,715 | 75,406 |
| Chief Financial Officer Branch (Schedule 15) | 40,209 | 43,715 |
| Service Canada Services Management Branch (Schedule 16) | 8,340 | 8,596 |
| Strategic Services (Schedule 17) | 2,590 | 2,184 |
| Enabling Services Renewal Program (Schedule 18) | 4,140 | 3,512 |
| Total Administrative Costs | 390,724 | 541,028 |

Employment and Social Development Canada

Consolidated Statement of Administrative Costs

Charged to the Canada Pension Plan Account by Employment and Social Development Canada

For the year ended March 31, 2014

Schedule 1 - Notes to Consolidated Statement of Administrative Costs Charged to the Canada Pension Plan Account

1 Introduction

Under the *Canada Pension Plan (CPP)* Legislation, the Minister of Employment and Social Development Canada (ESDC) has the responsibility for the administration of Parts II and III (except for some sections of Part III), which concern the general administration of the CPP. The CPP is administered by ESDC, with support from the Income Security and Social Development Branch (ISSDB), the Department of Finance, the Canada Revenue Agency, Public Works and Government Services Canada, the Office of the Superintendent of Financial Institutions, the Royal Canadian Mounted Police and the CPP Investment Board.

The 2010-2014 Memorandum of Understanding (MOU) is comprised of two parts: the first part (Part A) sets out the framework and basic principles regarding the services to be provided by ESDC to the CPP. The second part (Part B) specifies the cost allocation methodologies used by ESDC to calculate the charges for its services to the CPP, in accordance with the costing principles approved by Treasury Board in January 1988.

The Consolidated Statement of Administrative Costs Charged to the CPP focuses on authority for payments in a fiscal year and is prepared for on a near-cash basis.

2 Social Security Tribunal

The Social Security Tribunal (SST) is an independent administrative tribunal that provides independent appeal processes for Employment Insurance (EI), the Canada Pension Plan (CPP), and Old Age Security (OAS) decisions. As of April 1, 2013, the SST replaced the Pension Appeals Board (PAB) and the Office of the Commissioner of Review Tribunals (OCRT) which previously handled appeals. The three organizations have been combined in Schedule 3 for comparative purposes.

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Schedule 2 - Administrative Costs Charged to the Canada Pension Plan Account by Income Security and Social Development Branch

| | 2014 | 2013 |
|--|---------------|---------------|
| | \$ | \$ |
| Income Security and Social Development Branch: | 13,650 | 16,851 |
| Contributions to Employee Benefit Plans | 2,072 | 2,426 |
| Medical Insurance Premium | 1,063 | 1,432 |
| | 16,785 | 20,709 |

Schedule 3 - Administrative Costs Charged to the Canada Pension Plan Account by Social Security Tribunal, Pension Appeals Board and Office of the Commissioner of Review Tribunals

| | 2014 | 2013 |
|---|---------------|---------------|
| | \$ | \$ |
| Social Security Tribunal, Pension Appeals Board and Office of the Commissioner of Review Tribunals | 12,780 | 16,261 |
| Contributions to Employee Benefit Plans | 1,826 | 1,196 |
| Medical Insurance Premium | 938 | 706 |
| | 15,544 | 18,163 |

Schedule 4 - Administrative Costs Charged to the Canada Pension Plan Account by Corporate Secretariat

| | 2014 | 2013 |
|---|--------------|--------------|
| | \$ | \$ |
| ESDC Corporate Secretariat | 1,280 | 1,496 |
| Contributions to Employee Benefit Plans | 194 | 218 |
| Medical Insurance Premium | 100 | 128 |
| | 1,574 | 1,842 |

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**Schedule 5 - Administrative Costs Charged to the Canada Pension Plan Account by Public
 Affairs and Stakeholder Relations Branch**

| | 2014 | 2013 |
|---|--------------|--------------|
| | \$ | \$ |
| Public Affairs and Stakeholder Relations Branch | 2,340 | 4,071 |
| Contributions to Employee Benefit Plans | 336 | 334 |
| Medical Insurance Premium | 172 | 197 |
| | <hr/> | <hr/> |
| | 2,848 | 4,602 |
| | <hr/> | <hr/> |

**Schedule 6 - Administrative Costs Charged to the Canada Pension Plan Account by Human
 Resources Services Branch**

| | 2014 | 2013 |
|---|--------------|---------------|
| | \$ | \$ |
| Human Resources Services Branch | 6,938 | 9,031 |
| Contributions to Employee Benefit Plans | 1,041 | 1,277 |
| Medical Insurance Premium | 534 | 753 |
| | <hr/> | <hr/> |
| | 8,513 | 11,061 |
| | <hr/> | <hr/> |

**Schedule 7 - Administrative Costs Charged to the Canada Pension Plan Account by ESDC
 Legal Services Branch**

| | 2014 | 2013 |
|---|--------------|--------------|
| | \$ | \$ |
| ESDC Legal Services Branch | 4,097 | 4,434 |
| Contributions to Employee Benefit Plans | 181 | 240 |
| Medical Insurance Premium | 93 | 141 |
| | <hr/> | <hr/> |
| | 4,371 | 4,815 |
| | <hr/> | <hr/> |

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**Schedule 8 - Administrative Costs Charged to the Canada Pension Plan Account by
 Internal Audit Services Branch**

| | 2014 | 2013 |
|---|-------------|-------------|
| | \$ | \$ |
| Internal Audit Services Branch | 28 | 27 |
| Contributions to Employee Benefit Plans | - | - |
| Medical Insurance Premium | - | - |
| | <u>28</u> | <u>27</u> |

**Schedule 9 - Administrative Costs Charged to the Canada Pension Plan Account by
 Strategic Policy and Research Branch**

| | 2014 | 2013 |
|---|-------------|-------------|
| | \$ | \$ |
| Strategic Policy and Research Branch | 138 | 123 |
| Contributions to Employee Benefit Plans | 19 | 16 |
| Medical Insurance Premium | 10 | 10 |
| | <u>167</u> | <u>149</u> |

**Schedule 10 - Administrative Costs Charged to the Canada Pension Plan Account by
 Processing and Payment Services Branch**

| | 2014 | 2013 |
|--|----------------|----------------|
| | \$ | \$ |
| Processing and Payment - Regions | 88,072 | 87,343 |
| Processing and Payment – NHQ (National Headquarters) | 52,318 | 170,348 |
| Call Centers (Regions and NHQ) | 13,337 | 12,414 |
| Contributions to Employee Benefit Plans | 19,392 | 33,401 |
| Medical Insurance Premium | 9,954 | 19,712 |
| | <u>183,073</u> | <u>323,218</u> |

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**Schedule 11 - Administrative Costs Charged to the Canada Pension Plan Account by
 Citizen Service Branch**

| | 2014 | 2013 |
|--|---------------|---------------|
| | \$ | \$ |
| Service Offerings and Implementation | 72 | 185 |
| Web Channel Office | 290 | 262 |
| In-Person | 10,955 | 9,708 |
| Office of Client Satisfaction | 14 | 53 |
| Marketing | 421 | 567 |
| Provincial Outreach | 1,123 | 657 |
| Interdepartmental Partnerships and Assistant Deputy Minister's Office | 692 | 896 |
| Local Offices | 284 | 233 |
| Contributions to Employee Benefit Plans | 2,012 | 1,717 |
| Medical Insurance Premium | 1,033 | 1,013 |
| | 16,896 | 15,291 |

**Schedule 12 - Administrative Costs Charged to the Canada Pension Plan Account by
 Integrity Services Branch**

| | 2014 | 2013 |
|---|--------------|--------------|
| | \$ | \$ |
| Integrity Services Branch | 2,677 | 2,573 |
| Contributions to Employee Benefit Plans | 390 | 359 |
| Medical Insurance Premium | 200 | 212 |
| | 3,267 | 3,144 |

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Canada**For the year ended March 31, 2014**

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Schedule 13 - Administrative Costs Charged to the Canada Pension Plan Account by Social Insurance Registry

| | 2014 | 2013 |
|---|--------------|--------------|
| | \$ | \$ |
| Personnel Costs | 3,566 | 3,413 |
| Indirect Expenses | 507 | 753 |
| Transportation and Communication | 678 | 604 |
| Central Government Services | 703 | 596 |
| Professional and Special Services | 347 | 496 |
| Information | 25 | 29 |
| Utilities, Material and Supplies | 20 | 29 |
| Rental, Repairs and Maintenance | 4 | 2 |
| Construction or Acquisition of Machinery and Equipment | 2 | 8 |
| Contributions to Employee Benefit Plan | 577 | 514 |
| Medical Insurance Premium | 296 | 304 |
| Total Administrative Costs | 6,725 | 6,748 |
| Less: Funding from Treasury Board | (1,642) | (1,658) |
| Less: Revenue from Replacement SIN (Social Insurance Number) Cards | (419) | (496) |
| | 4,664 | 4,594 |

Schedule 14 - Administrative Costs Charged to the Canada Pension Plan Account by Innovation, Information and Technology Branch

| | 2014 | 2013 |
|---|---------------|---------------|
| | \$ | \$ |
| Innovation, Information and Technology Branch | 68,685 | 67,323 |
| Contributions to Employee Benefit Plans | 5,967 | 5,083 |
| Medical Insurance Premium | 3,063 | 3,000 |
| | 77,715 | 75,406 |

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**Schedule 15 - Administrative Costs Charged to the Canada Pension Plan Account by Chief
 Financial Officer Branch**

| | 2014 | 2013 |
|--|---------------|---------------|
| | \$ | \$ |
| Accounting Services | 964 | 734 |
| Financial Management Services | 1,057 | 1,135 |
| Financial Policy, Internal Control and Business Services | 279 | 566 |
| Tenant Services and Gatineau Tower | 1,640 | 3,070 |
| Material Management | 86 | 121 |
| National Accommodation Plan | 32,288 | 33,001 |
| Regional Shared Services | 2,700 | 3,692 |
| Contributions to Employee Benefit Plans | 790 | 878 |
| Medical Insurance Premium | 405 | 518 |
| | 40,209 | 43,715 |

**Schedule 16 - Administrative Costs Charged to the Canada Pension Plan Account by
 Service Canada Services Management Branch**

| | 2014 | 2013 |
|---|--------------|--------------|
| | \$ | \$ |
| Service Canada Services Management Branch | 7,149 | 7,300 |
| Contributions to Employee Benefit Plans | 787 | 815 |
| Medical Insurance Premium | 404 | 481 |
| | 8,340 | 8,596 |

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**Schedule 17 - Administrative Costs Charged to the Canada Pension Plan Account by
 Strategic Services**

| | 2014 | 2013 |
|---|--------------|--------------|
| | \$ | \$ |
| Strategic Services | 2,157 | 1,826 |
| Contributions to Employee Benefit Plans | 286 | 225 |
| Medical Insurance Premium | 147 | 133 |
| | <hr/> | <hr/> |
| | 2,590 | 2,184 |
| | <hr/> | <hr/> |

**Schedule 18 - Administrative Costs Charged to the Canada Pension Plan Account by
 Enabling Services Renewal Program**

| | 2014 | 2013 |
|---|--------------|--------------|
| | \$ | \$ |
| Enabling Services Renewal Program | 3,815 | 3,205 |
| Contributions to Employee Benefit Plans | 215 | 193 |
| Medical Insurance Premium | 110 | 114 |
| | <hr/> | <hr/> |
| | 4,140 | 3,512 |
| | <hr/> | <hr/> |