

# **Human Resources and Skills Development Canada**

Schedule of the Common Experience Payment  
Designated Amount Fund  
**September 30, 2012**  
(in thousands of dollars)

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Internal Audit Services Branch (IASB) at HRSDC



March 7, 2013

## **Independent Auditor's Report**

**To the Assistant Deputy Minister, Citizen Service Branch, and the Chief Financial Officer,  
Chief Financial Officer's Branch  
Human Resources and Skills Development Canada**

We have audited the schedule of the Common Experience Payment (CEP) Designated Amount Fund of Human Resources and Skills Development Canada (HRSDC) as at September 30, 2012 and for the period from September 19, 2007 to September 30, 2012, and the related notes, which comprise a summary of significant accounting policies and other explanatory information ("the financial information"). The financial information has been prepared by management of HRSDC in accordance with Article 5 of the Indian Residential Schools Settlement Agreement (IRSSA) effective September 19, 2007.

### **Management's responsibility for the financial information**

Management of HRSDC is responsible for the preparation of the financial information in accordance with Article 5 of the IRSSA, and for such internal control as management of HRSDC determines is necessary to enable the preparation of 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 HRSDC'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 HRSDC's internal controls. An audit also includes evaluating the appropriateness of accounting policies used (described in note 2) and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial information.

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

**Opinion**

In our opinion, the schedule presents fairly, in all material respects, the Common Experience Payment Designated Amount Fund of HRSDC as at September 30, 2012 and for the period from September 19, 2007 to September 30, 2012 in accordance with those requirements of Article 5 of the IRSSA relevant to preparing such financial information.

**Basis of accounting and restriction on distribution and use**

Without modifying our opinion, we draw attention to note 2 of the financial information, which describes the basis of accounting. The financial information is prepared to assist HRSDC to comply with Article 5 of the IRSSA. As a result, the financial information may not be suitable for another purpose.

Our report is intended solely for HRSDC and the parties listed in the IRSSA and should not be used by parties other than HRSDC and the parties listed in the IRSSA.

*PricewaterhouseCoopers LLP*

**Chartered Accountants, Licensed Public Accountants**

# Human Resources and Skills Development Canada

## Schedule of the Common Experience Payment Designated Amount Fund

As at September 30, 2012 and for the period from September 19, 2007 to September 30, 2012

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(in thousands of dollars)

	\$
Designated Amount Fund, opening balance as at September 19, 2007 (note 1)	1,817,392
Payments to CEP recipients (note 3)	(1,525,404)
Interest revenue (note 2.c.)	36,915
Administration costs (note 2.d.)	<u>(23)</u>
Designated Amount Fund, closing balance as at September 30, 2012 (note 4)	<u>328,880</u>

The accompanying notes are an integral part of this financial information.

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## Notes to the Schedule of the Common Experience Payment Designated Amount Fund

As at September 30, 2012 and for the period from September 19, 2007 to September 30, 2012

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### 1 Nature of Designated Amount Fund

The Indian Residential Schools Settlement Agreement (IRSSA) is the result of a class action and other lawsuits brought against the Government of Canada and the Church entities involved in running Indian Residential Schools. The IRSSA includes the Common Experience Payment (CEP), which the Government of Canada pays to all eligible former students who resided at recognized Indian Residential Schools, an Independent Assessment Process for claims of sexual and serious physical abuse, as well as measures to support healing, commemorative activities, and the establishment of a Truth and Reconciliation Commission. The IRSSA received court approval on March 21, 2007, and the court approved implementation date was September 19, 2007.

A Designated Amount Fund was established on September 19, 2007 pursuant to Section 21 of the Financial Administration Act, to record amounts received and paid under Article 5 (Common Experience Payment) of the IRSSA. The Designated Amount Fund provides for payments to eligible former students of recognized Indian Residential Schools. The Designated Amount Fund is co-administered by Aboriginal Affairs and Northern Development Canada, which is responsible for determining the eligibility of the clients requesting CEP, and HRSDC, which manages all the financial activities related to the Designated Amount Fund through Service Canada.

As per Article 1 of the IRSSA, the Designated Amount Fund refers to \$1,900,000,000 less any amounts paid by way of advance payments, as at the implementation date of September 19, 2007. The opening balance of the Designated Amount Fund as at September 19, 2007 was \$1,817,392,100 as shown in the schedule.

### 2 Significant accounting policies

#### a. Basis of accounting

The Designated Amount Fund schedule is prepared in accordance with Article 5 of the IRSSA effective September 19, 2007.

#### b. Common Experience Payment

A Common Experience Payment is recorded on a cash basis when authorization for the payment exists and the payment has been issued.

#### c. Interest revenue

As per Article 5.03 of the IRSSA, interest revenue on the Designated Amount Fund balance is recognized in the period it is earned and as provided in Order in Council P.C. 1970-300 of February 17, 1970, made pursuant to Section 21(2) of the *Financial Administration Act*.

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As at September 30, 2012 and for the period from September 19, 2007 to September 30, 2012

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Interest on the balance of the Designated Amount Fund is calculated daily and is credited to the Fund. The interest rate used in the determination of interest revenue is equal to 90% of the simple arithmetic mean of the accepted bi-weekly three-month Treasury Bill tender rates for the month immediately preceding the month in respect of which interest revenue is earned. The calculation of interest commenced on September 19, 2007.

### **d. Administration costs**

Per Article 5.08 of the IRSSA, all internal administration costs relating to the CEP and its distribution are assumed by the Government of Canada, whereas all internal administration costs relating to the Personal Credits and their distribution are to be paid directly from the Designated Amount Fund.

Per Article 5.07 of the IRSSA, if the balance in the Designated Amount Fund exceeds the amount required to make payments to all eligible CEP recipients by more than \$40 million, the excess will be apportioned pro rata to all those who received a CEP to a maximum amount of \$3,000 per person in the form of Personal Credits.

As at September 30, 2012, internal administration costs relating to the Personal Credits had been incurred, as the balance in the Designated Amount Fund was in excess of \$40 million.

## **3 Payments to CEP recipients**

Subject to Sections 17.01 and 17.02 of the IRSSA, a CEP is made out of the Designated Amount Fund to every eligible CEP recipient who submits a CEP Application provided that:

- the CEP Application is submitted to HRSDC in accordance with the provisions of the IRSSA;
- the CEP Application is received prior to the CEP Application Deadline;
- the CEP Application is validated in accordance with the provisions of the IRSSA; and
- the eligible CEP recipient was alive on May 30, 2005, or was a member of the Cloud certified class and was alive on October 5, 1996.

As per Article 5.02 of the IRSSA, a CEP is determined as follows:

- ten thousand dollars (\$10,000.00) to every eligible CEP recipient who resided at one or more Indian Residential Schools for one school year or part thereof; and
- an additional three thousand (\$3,000.00) to every eligible CEP recipient who resided at one or more Indian Residential Schools for each school year or part thereof, after the first school year; and
- less the amount of any advance payment on the CEP received.

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## Notes to the Schedule of the Common Experience Payment Designated Amount Fund

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### 4 Contingencies

As at September 30, 2012, 2,965 CEP applications had been received by Service Canada's processing centre before the deadline of September 19, 2012, but not yet processed due to either missing information or timing. As a result, a number of these applications may ultimately represent valid CEP claims to be paid out of the Designated Amount Fund after September 30, 2012.

As at September 30, 2012, there were CEP files in process for various stages of reconsideration and appeals. These may represent additional amounts to be paid to eligible recipients out of the Designated Amount Fund after September 30, 2012.

In August 2012, a new institution was assessed and determined to meet the eligibility criteria set out in the IRSSA. As a result, the Mistassini Hostels were added to the approved list of Indian Residential Schools, and CEP applications for residents of the hostels continue to be accepted after September 30, 2012. These may represent additional CEP amounts to be paid out of the Designated Amount Fund.

In addition, as at September 30, 2012, there were a number of challenges before the courts which may represent additional CEP amounts to be paid out of the Designated Amount Fund.

At this time, the potential financial impact of these matters cannot be estimated and have not been accounted for as at September 30, 2012, but could be significant to the Fund.