

# **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, 2016**  
**(in thousands of dollars)**



August 16, 2016

## **Independent Auditor's Report**

### **To the Internal Audit Services Branch of Employment 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) for the year ended March 31, 2016 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 2015-2016 Memorandum of Understanding between the CPP and ESDC dated March 30, 2016 (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 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.

**Opinion**

In our opinion, the financial information for the year ended March 31, 2016 is prepared, in all material respects, in accordance with the financial reporting provisions of the MoU.

**Basis of accounting and restriction on use**

Without modifying our opinion, we draw attention to Schedule 1 - Note 1 of the financial information, which describes the basis of accounting. The financial information has been prepared to assist ESDC to comply with the financial reporting requirements of the MoU between ESDC and the CPP. 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 used by parties other than ESDC and the CPP.

**Chartered Professional Accountants, Licensed Public Accountants**

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## **Employment and Social Development Canada**

### **Consolidated Statement of Administrative Costs**

#### **Charged to the Canada Pension Plan Account**

**For the year ended March 31, 2016**

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(in thousands of dollars)

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Deputy Minister's Office (Schedule 2)	285	293
Chief Operating Officer (Schedule 3)	223	214
Income Security and Social Development Branch (Schedule 4)	14,407	14,418
Social Security Tribunal (Schedules 1 and 5)	0	12,877
Corporate Secretariat (Schedule 6)	1,628	1,699
Public Affairs and Stakeholder Relations Branch (Schedule 7)	2,712	3,149
Human Resources Services Branch (Schedule 8)	10,397	10,811
Legal Services Branch (Schedule 9)	4,539	4,777
Internal Audit Services Branch (Schedule 10)	635	683
Strategic and Service Policy Branch (Schedule 11)	4,352	3,168
Processing and Payment Services Branch (Schedule 12)	172,598	173,666
Citizen Service Branch (Schedule 13)	16,287	12,894
Integrity Services Branch (Schedule 14)	6,935	7,447
Social Insurance Registry (Schedule 15)	5,357	5,065
Innovation, Information and Technology Branch (Schedule 16)	56,622	57,154
Chief Financial Officer Branch (Schedule 17)	38,830	37,885
Strategic Services Branches and Regional Assistant Deputy Ministers (Schedule 18)	2,528	2,967
Enabling Services Renewal Program (Schedule 19)	-	2,572
Provision of Pay Administration Services (Schedule 20)	163	-
Back Office Transformation (Schedule 20)	324	-
<b>Total Administrative Costs to the Canada Pension Plan Account</b>	<b>338,822</b>	<b>351,739</b>

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

# **Employment and Social Development Canada**

Consolidated Statement of Administrative Costs

Charged to the Canada Pension Plan Account

**For the year ended March 31, 2016**

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## **Schedule 1 - Notes to the 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), Department of Finance, the Canada Revenue Agency, Public Service and Procurement Canada, the Office of the Superintendent of Financial Institutions, the Royal Canadian Mounted Police and the CPP Investment Board.

The 2015-2016 Memorandum of Understanding (2015-2016 MoU) between the CPP and ESDC was approved in March 2016. This 2015-2016 MOU is comprised of two parts: the first part (Part A) sets out the framework and basic principles regarding the services to be provided 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 (SST)**

The Social Security Tribunal (SST) is an independent administrative tribunal that provides independent appeal processes for Employment Insurance (EI), the CPP and Old Age Security (OAS) decisions. Following passage of Bill C-51, the Economic Action Plan 2014 Act, effective November 1st, 2014 the SST is now part of the Administrative Tribunals Support Service of Canada (ATSSC) under the Department of Justice portfolio. As of November 2014, CPP-related expenditures for tribunal services (SST) are being administered by ATSSC through its vote-netted revenue authority.

As a transitional measure, a Memorandum of Understanding between ATSSC and ESDC was signed on October 31, 2014, and established that ESDC would continue to provide the necessary internal (corporate) support services to the SST and its Secretariat operations on ATSSC's behalf.

Subsequently, a new Memorandum of Understanding between ESDC, CPP and ATSSC was created to outline the relationship, roles and responsibilities, methodology for recovering costs, and reporting requirements, with respect to the provision of services by ATSSC to the CPP as administered by ESDC. The 2015-17 financial MoU between ESDC, the CPP and

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ATSSC was signed in February 2016 and covers the period from April 1, 2015 to March 31, 2017.

The SST CPP-related expenditures for the period from April 1, 2015 to March 31, 2016 are therefore included in the Consolidated Statement of Administrative Costs Charged to the Canada Pension Plan Account by ATSSC for the year ended March 31, 2016.

**3 Comparative information**

Comparative figures have been reclassified to conform to the current year's presentation.



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(in thousands of dollars)

**Schedule 2 - Administrative Costs Charged to the Canada Pension Plan Account by Deputy Minister's Office**

	<b>2016</b>	<b>2015</b>
	\$	\$
Deputy Minister's Office	230	237
Contributions to Employee Benefit Plans	35	36
Management Insurance Plan	20	20
	<hr/>	<hr/>
	<b>285</b>	<b>293</b>
	<hr/>	<hr/>

**Schedule 3 - Administrative Costs Charged to the Canada Pension Plan Account by Chief Operating Officer**

	<b>2016</b>	<b>2015</b>
	\$	\$
Chief Operating Officer	180	174
Contributions to Employee Benefit Plans	28	26
Management Insurance Plan	15	14
	<hr/>	<hr/>
	<b>223</b>	<b>214</b>
	<hr/>	<hr/>

**Schedule 4 - Administrative Costs Charged to the Canada Pension Plan Account by Income Security and Social Development Branch**

	<b>2016</b>	<b>2015</b>
	\$	\$
Income Security and Social Development Branch	11,753	11,680
Contributions to Employee Benefit Plans	1,709	1,789
Management Insurance Plan	945	949
	<hr/>	<hr/>
	<b>14,407</b>	<b>14,418</b>
	<hr/>	<hr/>

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(in thousands of dollars)

**Schedule 5 - Administrative Costs Charged to the Canada Pension Plan Account by Social Security Tribunal**

	<b>2016</b>	<b>2015</b>
	\$	\$
Social Security Tribunal	-	10,667
Contributions to Employee Benefit Plans	-	1,444
Management Insurance Plan	-	766
	<hr/>	<hr/>
	<b>-</b>	<b>12,877</b>
	<hr/>	<hr/>

**Schedule 6 - Administrative Costs Charged to the Canada Pension Plan Account by Corporate Secretariat**

	<b>2016</b>	<b>2015</b>
	\$	\$
ESDC Corporate Secretariat	1,321	1,392
Contributions to Employee Benefit Plans	198	201
Management Insurance Plan	109	106
	<hr/>	<hr/>
	<b>1,628</b>	<b>1,699</b>
	<hr/>	<hr/>

**Schedule 7 - Administrative Costs Charged to the Canada Pension Plan Account by Public Affairs and Stakeholder Relations Branch**

	<b>2016</b>	<b>2015</b>
	\$	\$
Public Affairs and Stakeholder Relations Branch	2,224	2,587
Contributions to Employee Benefit Plans	314	367
Management Insurance Plan	174	195
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	<b>2,712</b>	<b>3,149</b>
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**Schedule 8 - Administrative Costs Charged to the Canada Pension Plan Account by Human Resources Services Branch**

	<b>2016</b>	<b>2015</b>
	\$	\$
Human Resources Services Branch	8,611	9,017
Contributions to Employee Benefit Plans	1,150	1,172
Management Insurance Plan	636	622
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	<b>10,397</b>	<b>10,811</b>
	<hr/>	<hr/>

**Schedule 9 - Administrative Costs Charged to the Canada Pension Plan Account by ESDC Legal Services Branch**

	<b>2016</b>	<b>2015</b>
	\$	\$
ESDC Legal Services Branch	4,157	4,415
Contributions to Employee Benefit Plans	246	236
Management Insurance Plan	136	126
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	<b>4,539</b>	<b>4,777</b>
	<hr/>	<hr/>

**Schedule 10 - Administrative Costs Charged to the Canada Pension Plan Account by Internal Audit Services Branch**

	<b>2016</b>	<b>2015</b>
	\$	\$
Internal Audit Services Branch	536	580
Contributions to Employee Benefit Plans	64	67
Management Insurance Plan	35	36
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	<b>635</b>	<b>683</b>
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**Schedule 11 - Administrative Costs Charged to the Canada Pension Plan Account by Strategic and Service Policy Branch**

	<b>2016</b>	<b>2015</b>
	\$	\$
Strategic and Service Policy Branch	4,012	2,858
Contributions to Employee Benefit Plans	219	203
Management Insurance Plan	121	107
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	<b>4,352</b>	<b>3,168</b>
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**Schedule 12 - Administrative Costs Charged to the Canada Pension Plan Account by Processing and Payment Services Branch**

	<b>2016</b>	<b>2015</b>
	\$	\$
Processing and Payment – Regions	100,162	88,941
Processing and Payment – National Headquarters (NHQ)	29,747	41,443
Call Centres (Regions and NHQ)	12,042	13,143
Contributions to Employee Benefit Plans	19,733	19,685
Management Insurance Plan	10,914	10,454
	<hr/>	<hr/>
	<b>172,598</b>	<b>173,666</b>
	<hr/>	<hr/>

**Schedule 13 - Administrative Costs Charged to the Canada Pension Plan Account by Citizen Service Branch**

	<b>2016</b>	<b>2015</b>
	\$	\$
Citizen Services – Regions	11,697	9,391
Citizen Services – NHQ	1,547	1,114
Contributions to Employee Benefit Plans	1,959	1,560
Management Insurance Plan	1,084	829
	<hr/>	<hr/>
	<b>16,287</b>	<b>12,894</b>
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**Schedule 14 - Administrative Costs Charged to the Canada Pension Plan Account by Integrity Services Branch**

	<b>2016</b>	<b>2015</b>
	\$	\$
Integrity Services Branch	5,701	6,123
Contributions to Employee Benefit Plans	795	865
Management Insurance Plan	439	459
	<hr/>	<hr/>
	<b>6,935</b>	<b>7,447</b>
	<hr/>	<hr/>

**Schedule 15 - Administrative Costs Charged to the Canada Pension Plan Account by Social Insurance Registry**

	<b>2016</b>	<b>2015</b>
	\$	\$
Personnel Costs	4,361	4,166
Contributions to Employee Benefit Plans	733	651
Central Government Services	601	667
Transportation and Communication	420	415
Professional and Special Services	400	327
Management Insurance Plan	379	346
Indirect Expenses	94	126
Travel	16	1
Training and Educational Services	14	2
Construction or Acquisition of Machinery and Equipment	3	2
Utilities, Material and Supplies	3	2
Information	1	-
Other Services	1	-
Rental, Repairs and Maintenance	1	1
	<hr/>	<hr/>
Total Administrative Costs	<b>7,027</b>	<b>6,706</b>
	<hr/>	<hr/>
Less: Funding from Treasury Board	(1,670)	(1,641)
	<hr/>	<hr/>
	<b>5,357</b>	<b>5,065</b>
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**Schedule 16 - Administrative Costs Charged to the Canada Pension Plan Account by  
 Innovation, Information and Technology Branch**

	<b>2016</b>	<b>2015</b>
	\$	\$
Innovation, Information and Technology Branch	51,689	51,994
Contributions to Employee Benefit Plans	3,176	3,370
Management Insurance Plan	1,757	1,790
	<hr/>	<hr/>
	<b>56,622</b>	<b>57,154</b>
	<hr/>	<hr/>

**Schedule 17 - Administrative Costs Charged to the Canada Pension Plan Account by Chief  
 Financial Officer Branch**

	<b>2016</b>	<b>2015</b>
	\$	\$
Regular Operating Expenses	9,969	9,253
National Accommodation Plan	26,956	26,770
Contributions to Employee Benefit Plans	1,227	1,216
Management Insurance Plan	678	646
	<hr/>	<hr/>
	<b>38,830</b>	<b>37,885</b>
	<hr/>	<hr/>

**Schedule 18 - Administrative Costs Charged to the Canada Pension Plan Account by  
 Strategic Services Branches and Regional Assistant Deputy Ministers**

	<b>2016</b>	<b>2015</b>
	\$	\$
Strategic Services Branches & Regional Assistant Deputy Ministers	2,075	2,452
Contributions to Employee Benefit Plans	292	336
Management Insurance Plan	161	179
	<hr/>	<hr/>
	<b>2,528</b>	<b>2,967</b>
	<hr/>	<hr/>

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**Schedule 19 - Administrative Costs Charged to the Canada Pension Plan Account by Enabling Services Renewal Program**

	<b>2016</b>	<b>2015</b>
	\$	\$
Enabling Services Renewal Program	-	2,341
Contributions to Employee Benefit Plans	-	151
Management Insurance Plan	-	80
	<hr/>	<hr/>
	<b>-</b>	<b>2,572</b>
	<hr/>	<hr/>

**Schedule 20 - Administrative Costs Charged to the Canada Pension Plan Account for Provision of Pay Administration Services**

	<b>2016</b>	<b>2015</b>
	\$	\$
Provision of Pay Administration Services	163	-
	<hr/>	<hr/>
	<b>163</b>	<b>-</b>
	<hr/>	<hr/>

**Schedule 21 - Administrative Costs Charged to the Canada Pension Plan Account for Back Office Transformation**

	<b>2016</b>	<b>2015</b>
	\$	\$
Back Office Transformation	324	-
	<hr/>	<hr/>
	<b>324</b>	<b>-</b>
	<hr/>	<hr/>