

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, 2017
(in thousands of dollars)

Employment and Social Development Canada
Consolidated Statement of Administrative Costs
Charged to the Canada Pension Plan Account
For the period from April 1, 2016 to March 31, 2017

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August 28, 2017

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, 2017 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 2016-2017 Memorandum of Understanding between the CPP and ESDC dated March 31, 2017 and the June 2017 addendum (together, "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.

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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 financial information for the year ended March 31, 2017 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 should not be used by parties other than ESDC and the CPP.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Employment and Social Development Canada

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(in thousands of dollars)

For the period from April 1, 2016 to March 31, 2017

	2017	2016
	\$	\$
Deputy Minister's Office (Schedule 2)	275	285
Chief Operating Officer (Schedule 3)	204	223
Income Security and Social Development Branch (Schedule 4)	13,810	14,407
Corporate Secretariat (Schedule 5)	1,610	1,628
Public Affairs and Stakeholder Relations Branch (Schedule 6)	2,510	2,712
Human Resources Services Branch (Schedule 7)	8,615	10,397
Legal Services Branch (Schedule 8)	3,946	4,539
Internal Audit Services Branch (Schedule 9)	645	635
Strategic and Service Policy Branch (Schedule 10)	3,791	4,352
Transformation and Integrated Service Management Branch and Benefits Delivery Services (Schedule 1 and 11)	185,728	172,598
Citizen Service Branch (Schedule 12)	20,565	16,287
Integrity Services Branch (Schedule 13)	6,371	6,935
Social Insurance Register (Schedule 14)	5,306	5,357
Innovation, Information and Technology Branch (Schedule 15)	54,915	56,622
Chief Financial Officer Branch (Schedule 16)	39,159	38,830
Strategic Services Bureau and Regional Assistant Deputy Ministers (Schedule 17)	2,581	2,528
Canada School of Public Service	515	0
Provision of Pay Administration Services	319	163
Back Office Transformation	353	324
Total Administrative Costs Charged to Canada Pension Plan Account	351,218	338,822

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**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 or the “Department”) 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 Services and Procurement Canada, the Office of the Superintendent of Financial Institutions, the Royal Canadian Mounted Police and the CPP Investment Board.

The 2016-2017 Memorandum of Understanding (MoU) between the CPP and ESDC was approved on March 31, 2017 and was revised in June 2017 by way of an addendum. This 2016-2017 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 Comparative information

Expenditures for the period from April 1, 2015 to March 31, 2016 of the Processing and Payments Services Branch are included in the Consolidated Statement of Administrative Costs Charged to the Canada Pension Plan Account by ESDC under the Transformation and Integrated Service Management Branch and Benefits Delivery Services line item as 2016 comparative financial information.

During the 2016-2017 period, ESDC expanded the mandate of the Processing and Payments Services Branch and it is now known as the Transformation and Integrated Service Management Branch (TISMB). TISMB helps ESDC drive the Service Strategy and a multi-year action plan, provides oversight over the Department’s transformation work and design, and leads key transformation initiatives. TISMB is also responsible for ensuring continuing and consistent delivery of core benefits to Canadians through the newly created Benefits Delivery Services group.

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

	2017	2016
	\$	\$
Deputy Minister's Office	223	230
Contributions to Employee Benefit Plans	32	35
Management Insurance Plan	20	20
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	275	285
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Schedule 3 - Administrative Costs Charged to the Canada Pension Plan Account by Chief Operating Officer

	2017	2016
	\$	\$
Chief Operating Officer	166	180
Contributions to Employee Benefit Plans	23	28
Management Insurance Plan	15	15
	<hr/>	<hr/>
	204	223
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Schedule 4 - Administrative Costs Charged to the Canada Pension Plan Account by Income Security and Social Development Branch

	2017	2016
	\$	\$
Income Security and Social Development Branch	11,226	11,753
Contributions to Employee Benefit Plans	1,579	1,709
Management Insurance Plan	1,005	945
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	13,810	14,407
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Schedule 5 - Administrative Costs Charged to the Canada Pension Plan Account by Corporate Secretariat

	2017	2016
	\$	\$
ESDC Corporate Secretariat	1,319	1,321
Contributions to Employee Benefit Plans	178	198
Management Insurance Plan	113	109
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	1,610	1,628
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Schedule 6 - Administrative Costs Charged to the Canada Pension Plan Account by Public Affairs and Stakeholder Relations Branch

	2017	2016
	\$	\$
Public Affairs and Stakeholder Relations Branch	2,057	2,224
Contributions to Employee Benefit Plans	277	314
Management Insurance Plan	176	174
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	2,510	2,712
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Schedule 7 - Administrative Costs Charged to the Canada Pension Plan Account by Human Resources Services Branch

	2017	2016
	\$	\$
Human Resources Services Branch	7,167	8,611
Contributions to Employee Benefit Plans	885	1,150
Management Insurance Plan	563	636
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	8,615	10,397
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**Schedule 8 - Administrative Costs Charged to the Canada Pension Plan Account by ESDC
 Legal Services Branch**

	2017	2016
	\$	\$
ESDC Legal Services Branch	3,674	4,157
Contributions to Employee Benefit Plans	166	246
Management Insurance Plan	106	136
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	3,946	4,539
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**Schedule 9 - Administrative Costs Charged to the Canada Pension Plan Account by
 Internal Audit Services Branch**

	2017	2016
	\$	\$
Internal Audit Services Branch	545	536
Contributions to Employee Benefit Plans	61	64
Management Insurance Plan	39	35
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	645	635
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**Schedule 10 - Administrative Costs Charged to the Canada Pension Plan Account by
 Strategic and Service Policy Branch**

	2017	2016
	\$	\$
Strategic and Service Policy Branch	3,504	4,012
Contributions to Employee Benefit Plans	175	219
Management Insurance Plan	112	121
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	3,791	4,352
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Schedule 11 - Administrative Costs Charged to the Canada Pension Plan Account by Transformation and Integrated Service Management Branch and Benefits Delivery Services

	2017	2016
	\$	\$
Processing and Payment – Regions	99,533	100,162
Processing and Payment – NHQ	41,794	29,747
Call Centers (Regions and NHQ)	13,371	12,042
Contributions to Employee Benefit Plans	18,966	19,733
Management Insurance Plan	12,064	10,914
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	185,728	172,598

Schedule 12 - Administrative Costs Charged to the Canada Pension Plan Account by Citizen Service Branch

	2017	2016
	\$	\$
Citizen Services – Regions	15,278	11,697
Citizen Services – NHQ	1,595	1,547
Contributions to Employee Benefit Plans	2,257	1,959
Management Insurance Plan	1,435	1,084
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	20,565	16,287

Schedule 13 - Administrative Costs Charged to the Canada Pension Plan Account by Integrity Services Branch

	2017	2016
	\$	\$
Integrity Services Branch	5,320	5,701
Contributions to Employee Benefit Plans	642	795
Management Insurance Plan	409	439
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	6,371	6,935

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Schedule 14 - Administrative Costs Charged to the Canada Pension Plan Account by Social Insurance Register

	2017	2016
	\$	\$
Personnel Cost	4,298	4,361
Contributions to Employee Benefit Plans	750	733
Central Government Services	575	601
Transportation and Communication	423	420
Professional and Special Services	407	400
Management Insurance Plan	389	379
Indirect Expenses	86	94
Other Services	21	1
Travel	18	16
Rental, Repairs and Maintenance	6	1
Construction or Acquisition of Machinery and Equipment	6	3
Utilities, Material and Supplies	3	3
Training and Educational Services	2	14
Information	1	1
Total Administrative Costs	6,985	7,027
Less: Funding from Treasury Board	(1,679)	(1,670)
	5,306	5,357

Schedule 15 - Administrative Costs Charged to the Canada Pension Plan Account by Innovation, Information and Technology Branch

	2017	2016
	\$	\$
Innovation, Information and Technology Branch	50,420	51,689
Contributions to Employee Benefit Plans	2,747	3,176
Management Insurance Plan	1,748	1,757
	54,915	56,622

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Schedule 16 - Administrative Costs Charged to the Canada Pension Plan Account by Chief Financial Officer Branch

	2017	2016
	\$	\$
Regular Operating	9,360	9,969
National Accommodation Plan	28,046	26,956
Contributions to Employee Benefit Plans	1,071	1,227
Management Insurance Plan	682	678
	<u>39,159</u>	<u>38,830</u>

Schedule 17 - Administrative Costs Charged to the Canada Pension Plan Account by Strategic Services Bureau and Regional Assistant Deputy Ministers

	2017	2016
	\$	\$
Strategic Services Bureau & Regional Assistant Deputy Ministers	2,123	2,075
Contributions to Employee Benefit Plans	280	292
Management Insurance Plan	178	161
	<u>2,581</u>	<u>2,528</u>