

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, 2018
(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, 2017 to March 31, 2018

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August 10, 2018

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 period from April 1, 2017 to March 31, 2018 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 2017-2018 Memorandum of Understanding between the CPP and ESDC dated March 29, 2018 ("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

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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 period from April 1, 2017 to March 31, 2018 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

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Service Area as per the Memorandum of Understanding	2018	2017
	\$	\$
Deputy Minister's Office (Schedule 2)	451	275
Chief Operating Officer (Schedule 3)	224	204
Income Security and Social Development Branch (Schedule 4)	14,262	13,810
Corporate Secretariat (Schedule 5)	1,857	1,610
Public Affairs and Stakeholder Relations Branch (Schedule 6)	3,096	2,510
Human Resources Services Branch (Schedule 7)	12,487	8,615
Legal Services Branch (Schedule 8)	3,924	3,946
Internal Audit Services Branch (Schedule 9)	833	645
Strategic and Service Policy Branch (Schedule 10)	4,684	3,791
Transformation and Integrated Service Management Branch and Benefits Delivery Services (Schedule 11)	204,958	185,728
Citizen Service Branch (Schedule 12)	22,346	20,565
Integrity Services Branch (Schedule 13)	7,840	6,371
Social Insurance Register (Schedule 14)	4,723	5,306
Innovation, Information and Technology Branch (Schedule 15)	59,479	54,915
Chief Financial Officer Branch (Schedule 16)	45,250	39,159
Strategic Services Bureau and Regional Assistant Deputy Ministers (Schedule 17)	3,419	2,581
Canada School of Public Service	515	515
Provision of Pay Administration Services	319	319
Back Office Transformation	353	353
Total Administrative Costs Charged to the Canada Pension Plan Account	391,020	351,218

The notes included in Schedule 1 form an integral part of the Consolidated Statement of Administrative Costs Charged to the Canada Pension Plan Account.

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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 Services and Procurement Canada, the Office of the Superintendent of Financial Institutions, the Royal Canadian Mounted Police, the CPP Investment Board, and the Administrative Tribunal Support Service of Canada (ATSSC).

The 2017-2018 Memorandum of Understanding (MoU) between the CPP and ESDC was signed on March 29, 2018. This 2017-2018 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 Canada Pension Plan Enhancement

The 2017-18 consolidated statement of administrative costs charged to the CPP is reflective of the total amount invoiced to the CPP by ESDC, and includes approximately \$697,000 in project costs associated with the implementation of CPP enhancement.

3 Subsequent Event

Due to the nature of its operations, ESDC as a department within the Government of Canada is sometimes subject to grievances filed by its employees. A grievance has been raised that may result in a change of classification, which may impact charges relating to the CPP Account for future periods beyond the period ended March 31, 2018. The resolution of this grievance could have a material effect on the expenses included in the Consolidated Statement of Administrative Costs Charged to the CPP Account, however the outcome is not determinable at this time.

4 Comparative information

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

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

	2018	2017
	\$	\$
Deputy Minister's Office	368	223
Contributions to Employee Benefit Plans	50	32
Management Insurance Plan	33	20
	<u>451</u>	<u>275</u>

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

	2018	2017
	\$	\$
Chief Operating Officer	184	166
Contributions to Employee Benefit Plans	24	23
Management Insurance Plan	16	15
	<u>224</u>	<u>204</u>

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

	2018	2017
	\$	\$
Income Security and Social Development Branch	11,676	11,226
Contributions to Employee Benefit Plans	1,556	1,579
Management Insurance Plan	1,030	1,005
	<u>14,262</u>	<u>13,810</u>

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Schedule 5 - Administrative Costs Charged to the Canada Pension Plan Account by the Corporate Secretariat

	2018	2017
	\$	\$
Corporate Secretariat	1,520	1,319
Contributions to Employee Benefit Plans	203	178
Management Insurance Plan	134	113
	<u>1,857</u>	<u>1,610</u>

Schedule 6 - Administrative Costs Charged to the Canada Pension Plan Account by the Public Affairs and Stakeholder Relations Branch

	2018	2017
	\$	\$
Public Affairs and Stakeholder Relations Branch	2,556	2,057
Contributions to Employee Benefit Plans	325	277
Management Insurance Plan	215	176
	<u>3,096</u>	<u>2,510</u>

Schedule 7 - Administrative Costs Charged to the Canada Pension Plan Account by the Human Resources Services Branch

	2018	2017
	\$	\$
Human Resources Services Branch	10,478	7,167
Contributions to Employee Benefit Plans	1,209	885
Management Insurance Plan	800	563
	<u>12,487</u>	<u>8,615</u>

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Schedule 8 - Administrative Costs Charged to the Canada Pension Plan Account by the Legal Services Branch

	2018	2017
	\$	\$
Legal Services Branch	3,665	3,674
Contributions to Employee Benefit Plans	156	166
Management Insurance Plan	103	106
	<u>3,924</u>	<u>3,946</u>

Schedule 9 - Administrative Costs Charged to the Canada Pension Plan Account by the Internal Audit Services Branch

	2018	2017
	\$	\$
Internal Audit Services Branch	709	545
Contributions to Employee Benefit Plans	75	61
Management Insurance Plan	49	39
	<u>833</u>	<u>645</u>

Schedule 10 - Administrative Costs Charged to the Canada Pension Plan Account by the Strategic and Service Policy Branch

	2018	2017
	\$	\$
Strategic and Service Policy Branch	4,372	3,504
Contributions to Employee Benefit Plans	188	175
Management Insurance Plan	124	112
	<u>4,684</u>	<u>3,791</u>

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Schedule 11 - Administrative Costs Charged to the Canada Pension Plan Account by the Transformation and Integrated Service Management Branch and Benefits Delivery Services

	2018	2017
	\$	\$
Benefits Delivery Services - NHQ	43,288	41,794
Benefits Delivery Services - Regions	114,116	99,533
Call Centers - NHQ	1,530	1,162
Call Centers - Regions	11,397	12,209
Contributions to Employee Benefit Plans	20,836	18,966
Management Insurance Plan	13,791	12,064
	204,958	185,728

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

	2018	2017
	\$	\$
Citizen Service Branch - NHQ	1,486	1,595
Citizen Service Branch - Regions	17,015	15,278
Contributions to Employee Benefit Plans	2,314	2,257
Management Insurance Plan	1,531	1,435
	22,346	20,565

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

	2018	2017
	\$	\$
Integrity Services Branch - NHQ	1,162	1,050
Integrity Services Branch - Regions	5,383	4,270
Contributions to Employee Benefit Plans	779	642
Management Insurance Plan	516	409
	7,840	6,371

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

	2018	2017
	\$	\$
Social Insurance Register	3,791	4,167
Contributions to Employee Benefit Plans	561	750
Management Insurance Plan	371	389
	4,723	5,306

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

	2018	2017
	\$	\$
Innovation, Information and Technology Branch - Regular Operating	33,060	28,897
Shared Services Canada	21,588	21,523
Contributions to Employee Benefit Plans	2,907	2,747
Management Insurance Plan	1,924	1,748
	59,479	54,915

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

	2018	2017
	\$	\$
Chief Financial Officer Branch - Regular Operating	11,386	9,360
National Accommodation Plan	31,672	28,046
Contributions to Employee Benefit Plans	1,319	1,071
Management Insurance Plan	873	682
	45,250	39,159

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

	2018	2017
	\$	\$
Strategic Services Bureau & Regional Assistant Deputy Ministers	2,829	2,123
Contributions to Employee Benefit Plans	355	280
Management Insurance Plan	235	178
	<u>3,419</u>	<u>2,581</u>