

Employment and Social Development Canada

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

**For the period from April 1, 2018 to March 31, 2019
(in thousands of dollars)**

Employment and Social Development Canada
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Charged to the Canada Pension Plan Accounts
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Independent auditor's report

To the Internal Audit and Enterprise Risk Management Branch of Employment and Social Development Canada

Our opinion

In our opinion, the accompanying consolidated financial statement of administrative costs charged to the Canada Pension Plan Accounts (the CPP) by Employment and Social Development Canada (ESDC) and the related schedules (together "the financial information") for the period from April 1, 2018 to March 31, 2019 is prepared, in all material respects, in accordance with the financial reporting provisions of the 2018-2019 Memorandum of Understanding (MoU) between the CPP and ESDC dated March 25, 2019.

What we have audited

The financial information comprises the consolidated financial statement of administrative costs charged to the CPP Accounts by ESDC for the period from April 1, 2018 to March 31, 2019 and the related schedules, which include a summary of significant accounting policies in Schedule 1.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial information* section of our report.

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

Independence

We are independent of ESDC in accordance with the ethical requirements that are relevant to our audit of the financial information in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Emphasis of matter – basis of accounting and restriction on use

We draw attention to Schedule 1 – Note 1 of the financial information, which describes the basis of accounting. The financial information is 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.

Our opinion is not modified in respect of this matter.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



Responsibilities of management and those charged with governance for the financial information

Management is responsible for the preparation of the financial information in accordance with the financial reporting provisions of the 2018-2019 MoU between the CPP and ESDC; this includes determining that the financial reporting framework is acceptable in the circumstances, and for such internal control as management determines is necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

In preparing the financial information, management is responsible for assessing ESDC's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing ESDC's financial reporting process.

Auditor's responsibilities for the audit of the financial information

Our objectives are to obtain reasonable assurance about whether the financial information as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial information.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal controls relevant to the audit 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 controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or



conditions that may cast significant doubt on ESDC's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause ESDC to cease to continue as a going concern.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Ontario
August 9, 2019

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Service Area as per the Memorandum of Understanding	2019	2018
	\$	\$
Deputy Minister's Office (Schedule 2)	499	451
Chief Operating Officer (Schedule 3)	235	224
Income Security and Social Development Branch (Schedule 4)	12,714	14,262
Corporate Secretariat (Schedule 5)	1,857	1,857
Public Affairs and Stakeholder Relations Branch (Schedule 6)	3,105	3,096
Human Resources Services Branch (Schedule 7)	13,478	12,487
Legal Services Branch (Schedule 8)	3,501	3,924
Internal Audit Services Branch (Schedule 9)	844	833
Strategic and Service Policy Branch (Schedule 10)	3,393	4,684
Transformation and Integrated Service Management Branch and Benefits Delivery Services (Schedule 11)	212,970	204,958
Citizen Service Branch (Schedule 12)	21,698	22,346
Integrity Services Branch (Schedule 13)	8,310	7,840
Social Insurance Register (Schedule 14)	4,666	4,723
Innovation, Information and Technology Branch (Schedule 15)	62,507	59,479
Chief Financial Officer Branch (Schedule 16)	44,447	45,250
Strategic Services Bureau and Regional Assistant Deputy Ministers (Schedule 17)	3,097	3,419
Canada School of Public Service	515	515
Provision of Pay Administration Services	315	319
Back Office Transformation	271	353
Total Administrative Costs Charged to the Canada Pension Plan Accounts	398,422	391,020

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

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

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), that pertains to 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 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.

The 2018-2019 Memorandum of Understanding (MoU) between the CPP and ESDC was signed on March 25, 2019. This 2018-2019 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 Accounts, in accordance with the costing principles approved by Treasury Board in January 1988.

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

2 Canada Pension Plan Enhancement

The 2018-2019 consolidated statement of administrative costs charged to the CPP Accounts is reflective of the total amount invoiced to the CPP Accounts by ESDC, and includes \$4,757,774 in project costs (excluding Contributions to Employee Benefit Plans and Public Service Insurance) associated with the implementation of CPP enhancement.

3 Comparative information

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

4 Contingencies

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 will result in a change of classification, which may impact charges relating to the CPP Accounts for future periods beyond the period ended March 31, 2019. 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 Accounts, however the financial impact is not determinable at this time.

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

	2019	2018
	\$	\$
Deputy Minister's Office	409	368
Contributions to Employee Benefit Plans	56	50
Public Service Insurance	34	33
	499	451

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

	2019	2018
	\$	\$
Chief Operating Officer	193	184
Contributions to Employee Benefit Plans	26	24
Public Service Insurance	16	16
	235	224

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

	2019	2018
	\$	\$
Income Security and Social Development Branch	10,464	11,676
Contributions to Employee Benefit Plans	1,398	1,556
Public Service Insurance	852	1,030
	12,714	14,262

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

	2019	2018
	\$	\$
Corporate Secretariat	1,529	1,520
Contributions to Employee Benefit Plans	204	203
Public Service Insurance	124	134
	1,857	1,857

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

	2019	2018
	\$	\$
Public Affairs and Stakeholder Relations Branch	2,575	2,556
Contributions to Employee Benefit Plans	329	325
Public Service Insurance	201	215
	3,105	3,096

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

	2019	2018
	\$	\$
Human Resources Services Branch	11,362	10,478
Contributions to Employee Benefit Plans	1,315	1,209
Public Service Insurance	801	800
	13,478	12,487

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

	2019	2018
	\$	\$
Legal Services Branch	3,272	3,665
Contributions to Employee Benefit Plans	142	156
Public Service Insurance	87	103
	<u>3,501</u>	<u>3,924</u>

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

	2019	2018
	\$	\$
Internal Audit Services Branch	714	709
Contributions to Employee Benefit Plans	81	75
Public Service Insurance	49	49
	<u>844</u>	<u>833</u>

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

	2019	2018
	\$	\$
Strategic and Service Policy Branch	3,118	4,372
Contributions to Employee Benefit Plans	171	188
Public Service Insurance	104	124
	<u>3,393</u>	<u>4,684</u>

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

	2019	2018
	\$	\$
Benefits Delivery Services - National Headquarters (NHQ)	52,494	43,288
Benefits Delivery Services - Regions	112,559	114,116
Call Centers - NHQ	1,719	1,530
Call Centers - Regions	12,196	11,397
Contributions to Employee Benefit Plans	21,128	20,836
Public Service Insurance	12,874	13,791
	212,970	204,958

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

	2019	2018
	\$	\$
Citizen Service Branch - NHQ	1,524	1,486
Citizen Service Branch - Regions	16,441	17,015
Contributions to Employee Benefit Plans	2,320	2,314
Public Service Insurance	1,413	1,531
	21,698	22,346

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

	2019	2018
	\$	\$
Integrity Services Branch - NHQ	2,111	1,162
Integrity Services Branch - Regions	4,910	5,383
Contributions to Employee Benefit Plans	801	779
Public Service Insurance	488	516
	8,310	7,840

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

	2019	2018
	\$	\$
Social Insurance Register	5,442	5,470
Contributions to Employee Benefit Plans	554	561
Public Service Insurance	337	371
Total Administrative Costs	6,333	6,402
Less: Funding from Treasury Board	(1,667)	(1,679)
	4,666	4,723

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

	2019	2018
	\$	\$
Innovation, Information and Technology Branch - Regular Operating	35,836	33,060
Shared Services Canada	21,683	21,588
Contributions to Employee Benefit Plans	3,099	2,907
Public Service Insurance	1,889	1,924
	62,507	59,479

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

	2019	2018
	\$	\$
Chief Financial Officer Branch - Regular Operating	12,202	11,386
National Accommodation Plan	30,003	31,672
Contributions to Employee Benefit Plans	1,393	1,319
Public Service Insurance	849	873
	44,447	45,250

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

	2019	2018
	\$	\$
Strategic Services Bureau & Regional Assistant Deputy Ministers	2,556	2,829
Contributions to Employee Benefit Plans	336	355
Public Service Insurance	205	235
	<u>3,097</u>	<u>3,419</u>