

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, 2019 to March 31, 2020
(in thousands of dollars)**

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Employment and Social Development Canada**

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Consolidated statement of administrative costs charged to the CPP accounts by ESDC, March 31, 2020

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List of Abbreviations

CPP

Canada Pension Plan

ESDC

Employment and Social Development Canada

MoU

Memorandum of Understanding

NHQ

National Headquarters

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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 financial information of Employment and Social Development Canada (ESDC) for the period from April 1, 2019 to March 31, 2020 is prepared, in all material respects, in accordance with the financial reporting provisions of the 2019-2020 Memorandum of Understanding (MoU) between Canada Pension Plan (the CPP) Accounts and ESDC dated March 31, 2020.

What we have audited

The ESDC financial information comprises the consolidated statement of administrative costs charged to the CPP accounts by ESDC for the period from April 1, 2019 to March 31, 2020 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 to 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 in accordance with the terms of our engagement and should not be distributed to or used by parties other than ESDC, the CPP and the Office of the Auditor General of Canada (OAG). Our opinion is not modified in respect of this matter.

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

ESDC management is responsible for the preparation of the financial information in accordance with the financial reporting provisions of the 2019-2020 MoU between the CPP and ESDC, 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.

Those charged with governance are responsible for overseeing management'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 control 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 management's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Ontario August 28, 2020

Table 1: Consolidated statement of administrative costs charged to the CPP accounts by ESDC

Service area as per the Memorandum of Understanding	2020 cost in thousands of dollars	2019 cost in thousands of dollars
Deputy Minister's Office (Schedule 2)	588	499
Chief Operating Officer (Schedule 3)	231	235
Income Security and Social Development Branch (Schedule 4)	12,819	12,714
Corporate Secretariat (Schedule 5)	1,992	1,857
Public Affairs and Stakeholder Relations Branch (Schedule 6)	3,281	3,105
Human Resources Services Branch (Schedule 7)	16,408	13,478
Legal Services Branch (Schedule 8)	3,681	3,501
Internal Audit and Enterprise Risk Management Branch (Schedule 9)	983	844
Strategic and Service Policy Branch (Schedule 10)	6,010	3,393
Transformation and Integrated Service Management Branch and Benefits Delivery Services (Schedule 11)	230,780	212,970
Citizen Service Branch (Schedule 12)	21,121	21,698
Integrity Services Branch (Schedule 13)	10,887	8,310
Social Insurance Register (Schedule 14)	4,674	4,666
Innovation, Information and Technology Branch (Schedule 15)	81,608	62,507

Service area as per the Memorandum of Understanding	2020 cost in thousands of dollars	2019 cost in thousands of dollars
Chief Financial Officer Branch (Schedule 16)	52,053	44,447
Strategic Services Bureau and Regional Assistant Deputy Ministers (Schedule 17)	3,893	3,097
Canada School of Public Service	515	515
Provision of pay administration services	350	315
Financial Management Transformation	172	271
Total administrative costs charged to the Canada Pension Plan accounts	452,046	398,422

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

Schedule 1 - Notes to the consolidated statement of administrative costs charged to the Canada Pension Plan accounts

Note 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 2019-2020 Memorandum of Understanding (MoU) between the CPP and ESDC was signed on March 31, 2020. This 2019-2020 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 the Treasury Board in January 1988.

The 2018-2019 MoU between CPP and ESDC was signed on March 25, 2019. The framework and basic principles for the comparative figures shown in the Consolidated Statement of Administrative Costs under the 2019 header are set out in the 2018-2019 MoU.

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.

Note 2: Canada Pension Plan enhancement

On December 15, 2016, legislation to enact the CPP enhancement received Royal Assent. The CPP now defines two separate accounts, the CPP Account (base or existing CPP), and the Additional CPP Account (enhanced CPP), where the financial activities of each account are accounted for separately. For the purpose of the MoU and the Consolidated Statement of Administrative Costs, CPP refers to the whole of the Canada Pension Plan, which includes both the base and enhanced components of the CPP.

The 2019-2020 consolidated administrative costs of \$452,046,840 (including Contributions to Employee Benefit Plans and Public Service Insurance) charged to the CPP Accounts includes direct and indirect costs of \$324,650,867 associated with the CPP account and \$127,395,973 associated with the CPP enhancement account. The \$127,395,973 is broken down between \$9,048,137 of direct costs and \$118,347,836 of indirect costs. The CPP enhancement account has significantly increased from last year due to a new fixed percentage allocation of indirect costs in the 2019-2020 MoU that corresponds to the relative size of the two components of the CPP Accounts.

Based on benefit projections at maturity, a ratio was determined, where 27% of the indirect costs would be paid by the CPP enhancement account, and the remaining 73% by the CPP account. This ratio was determined to accurately reflect the scope of the enhancement relative to the base CPP, the volume and complexity of work done.

Note 3: Comparative information

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

Note 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, 2020. 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.

Schedule 2 - Administrative costs charged to the Canada Pension Plan accounts by the Deputy Minister's Office

Table 2: Administrative costs charged to the CPP accounts by the Deputy Minister's Office

Cost description	2020 cost in thousands of dollars	2019 cost in thousands of dollars
Deputy Minister's Office	480	409
Contributions to Employee Benefit Plans	65	56
Public Service Insurance	43	34
Total	588	499

Schedule 3 - Administrative costs charged to the Canada Pension Plan accounts by the Chief Operating Officer

Table 3: Administrative costs charged to the CPP accounts by the Chief Operating Officer

Cost description	2020 cost in thousands of dollars	2019 cost in thousands of dollars
Chief Operating Officer	189	193
Contributions to Employee Benefit Plans	25	26
Public Service Insurance	17	16
Total	231	235

Schedule 4 - Administrative costs charged to the Canada Pension Plan accounts by the Income Security and Social Development Branch

Table 4: Administrative costs charged to the CPP accounts by the Income Security and Social Development Branch

Cost description	2020 cost in thousands of dollars	2019 cost in thousands of dollars
Income Security and Social Development Branch	10,481	10,464
Contributions to Employee Benefit Plans	1,409	1,398
Public Service Insurance	929	852
Total	12,819	12,714

Schedule 5 - Administrative costs charged to the Canada Pension Plan accounts by the Corporate Secretariat

Table 5: Administrative costs charged to the CPP accounts by the Corporate Secretariat

Cost description	2020 cost in thousands of dollars	2019 cost in thousands of dollars
Corporate Secretariat	1,630	1,529
Contributions to Employee Benefit Plans	218	204
Public Service Insurance	144	124
Total	1,992	1,857

Schedule 6 - Administrative costs charged to the Canada Pension Plan accounts by the Public Affairs and Stakeholder Relations Branch

Table 6: Administrative costs charged to the CPP accounts by the Public Affairs and Stakeholder Relations Branch

Cost description	2020 cost in thousands of dollars	2019 cost in thousands of dollars
Public Affairs and Stakeholder Relations Branch	2,697	2,575
Contributions to Employee Benefit Plans	352	329
Public Service Insurance	232	201
Total	3,281	3,105

Schedule 7 - Administrative costs charged to the Canada Pension Plan accounts by the Human Resources Services Branch

Table 7: Administrative costs charged to the CPP accounts by the Human Resources Services Branch

Cost description	2020 cost in thousands of dollars	2019 cost in thousands of dollars
Human Resources Services Branch	13,733	11,362
Contributions to Employee Benefit Plans	1,612	1,315
Public Service Insurance	1,063	801

Cost description	2020 cost in thousands of dollars	2019 cost in thousands of dollars
Total	16,408	13,478

Schedule 8 - Administrative costs charged to the Canada Pension Plan accounts by the Legal Services Branch

Table 8: Administrative costs charged to the CPP accounts by the Legal Services Branch

Cost description	2020 cost in thousands of dollars	2019 cost in thousands of dollars
Legal Services Branch	3,414	3,272
Contributions to Employee Benefit Plans	161	142
Public Service Insurance	106	87
Total	3,681	3,501

Schedule 9 - Administrative Costs Charged to the Canada Pension Plan Accounts by the Internal Audit and Enterprise Risk Management Branch

Table 9: Administrative costs charged to the CPP accounts by the Internal Audit and Enterprise Risk Management Branch

Cost description	2020 cost in thousands of dollars	2019 cost in thousands of dollars
Internal Audit Services and Enterprise Risk Management Branch	834	714
Contributions to Employee Benefit Plans	90	81
Public Service Insurance	59	49
Total	983	844

Schedule 10 - Administrative costs charged to the Canada Pension Plan accounts by the Strategic and Service Policy Branch

Table 10: Administrative costs charged to the CPP accounts by the Strategic and Service Policy Branch

Cost description	2020 cost in thousands of dollars	2019 cost in thousands of dollars
Strategic and Service Policy Branch	5,650	3,118
Contributions to Employee Benefit Plans	217	171
Public Service Insurance	143	104
Total	6,010	3,393

Schedule 11 - Administrative costs charged to the Canada Pension Plan accounts by the Transformation and Integrated Service Management Branch and Benefits Delivery Services

Table 11: Administrative costs charged to the CPP accounts by the Transformation and Integrated Service Management Branch and Benefits Delivery Services

Cost description	2020 cost in thousands of dollars	2019 cost in thousands of dollars
Benefits Delivery Services — National Headquarters (NHQ)	50,045	52,494
Benefits Delivery Services — Regions	128,190	112,559
Call Centers — NHQ	1,826	1,719
Call Centers — Regions	12,391	12,196
Contributions to Employee Benefit Plans	23,096	21,128
Public Service Insurance	15,232	12,874
Total	230,780	212,970

Schedule 12 - Administrative costs charged to the Canada Pension Plan accounts by the Citizen Service Branch

Table 12: Administrative costs charged to the CPP accounts by the Citizen Service Branch

Cost description	2020 cost in thousands of dollars	2019 cost in thousands of dollars
Citizen Service Branch — NHQ	1,462	1,524
Citizen Service Branch — Regions	15,841	16,441
Contributions to Employee Benefit Plans	2,301	2,320
Public Service Insurance	1,517	1,413
Total	21,121	21,698

Schedule 13 - Administrative costs charged to the Canada Pension Plan accounts by the Integrity Services Branch

Table 13: Administrative costs charged to the CPP accounts by the Integrity Services Branch

Cost description	2020 cost in thousands of dollars	2019 cost in thousands of dollars
Integrity Services Branch — NHQ	2,291	2,111
Integrity Services Branch — Regions	6,789	4,910

Cost description	2020 cost in thousands of dollars	2019 cost in thousands of dollars
Contributions to Employee Benefit Plans	1,089	801
Public Service Insurance	718	488
Total	10,887	8,310

Schedule 14 - Administrative costs charged to the Canada Pension Plan accounts by the Social Insurance Register

Table 14: Administrative costs charged to the CPP accounts by the Social Insurance Register

Cost description	2020 cost in thousands of dollars	2019 cost in thousands of dollars
Social Insurance Register	5,421	5,442
Contributions to Employee Benefit Plans	550	554
Public Service Insurance	363	337
Total administrative costs	6,334	6,333
Less: funding from Treasury Board	(1,660)	(1,667)
Total	4,674	4,666

Schedule 15 - Administrative costs charged to the Canada Pension Plan accounts by the Innovation, Information and Technology Branch

Table 15: Administrative costs charged to the CPP accounts by the Innovation, Information and Technology Branch

Cost description	2020 cost in thousands of dollars	2019 cost in thousands of dollars
Innovation, Information and Technology Branch - regular operating	52,866	35,836
Shared Services Canada	22,287	21,683
Contributions to Employee Benefit Plans	3,890	3,099
Public Service Insurance	2,565	1,889
Total	81,608	62,507

Schedule 16 - Administrative costs charged to the Canada Pension Plan accounts by the Chief Financial Officer Branch

Table 16: Administrative costs charged to the CPP accounts by the Chief Financial Officer Branch

Cost description	2020 cost in thousands of dollars	2019 cost in thousands of dollars
Chief Financial Officer Branch - regular operating	13,574	12,202
National Accommodation Plan	35,880	30,003
Contributions to Employee Benefit Plans	1,566	1,393

Cost description	2020 cost in thousands of dollars	2019 cost in thousands of dollars
Public Service Insurance	1,033	849
Total	52,053	44,447

Schedule 17 - Administrative costs charged to the Canada Pension Plan accounts by the Strategic Services Bureau and Regional Assistant Deputy Ministers

Table 17: Administrative costs charged to the CPP accounts by the Strategic Services Bureau and Regional Assistant Deputy Ministers

Cost description	2020 cost in thousands of dollars	2019 cost in thousands of dollars
Strategic Services Bureau and Regional Assistant Deputy Ministers	3,226	2,556
Contributions to Employee Benefit Plans	402	336
Public Service Insurance	265	205
Total	3,893	3,097