



Financial Statements of

The Senate of Canada

For The Year Ended March 31, 2014



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INDEPENDENT AUDITORS' REPORT

To the Chair of the Standing Committee on Internal Economy, Budgets and Administration, the Senate of Canada

We have audited the accompanying financial statements of the Senate of Canada, which comprise the statement of financial position as at March 31, 2014, the statements of operations, deficit and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements 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 statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity'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 statements.

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 statements present fairly, in all material respects, the financial position of the Senate of Canada as at March 31, 2014, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

October 9, 2014

Ottawa, Canada

The Senate of Canada

MANAGEMENT RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Responsibility for the integrity and objectivity of the accompanying financial statements for the year ended March 31, 2014, and all the information contained in these statements rests with The Senate of Canada (the "Senate") management. These financial statements have been prepared in accordance with Canadian public sector accounting standards.

Management is responsible for the integrity and objectivity of the information in these financial statements. Some of the information in the financial statements is based on management's best estimates and judgment and gives due consideration to materiality. To fulfill its accounting and reporting responsibilities, management maintains a set of accounts that provides a centralized record of the financial transactions of the Senate of Canada.

Management is also responsible for maintaining an effective system of internal control over financial reporting designed to provide reasonable assurance that financial information is reliable, that assets are safeguarded, and that transactions are properly authorized and recorded in accordance with the *Senate Administrative Rules* and other applicable legislation, regulations, authorities and policies.

Management seeks to ensure the objectivity and integrity of data in its financial statements through careful selection, training and development of qualified staff, through organizational arrangements that provide appropriate divisions of responsibility, and through communication programs aimed at ensuring that regulations, policies, guidelines, standards and managerial authorities are understood throughout the Senate.

These financial statements have been audited by KPMG LLP, the independent auditors of the Senate of Canada.



Gary W. O'Brien
Clerk of the Senate
The Senate of Canada
Ottawa, Canada



Nicole Proulx
Director of Finance and Procurement
The Senate of Canada
Ottawa, Canada

THE SENATE OF CANADA

Statement of Financial Position

As at March 31, 2014, with comparative information for 2013

(In dollars)	2014	2013
Assets		
Financial assets:		
Deposits on hand	\$ 4,302	\$ 598
Due from the Consolidated Revenue Fund	1,875,017	2,296,421
Accounts receivable and advances (note 4)	910,519	1,457,107
	2,789,838	3,754,126
Non-financial assets:		
Tangible capital assets (note 5)	5,301,489	4,737,537
Prepaid expenses	212,076	213,812
	5,513,565	4,951,349
Total assets	\$ 8,303,403	\$ 8,705,475

Liabilities and Accumulated Surplus (Deficit)

Financial liabilities:		
Accounts payable and accrued liabilities	\$ 2,657,779	\$ 3,606,062
Vacation pay and compensatory leave	1,715,875	1,815,201
Employee severance benefits (note 6(b))	2,847,271	4,142,472
	7,220,925	9,563,735
Accumulated surplus (deficit)	1,082,478	(858,260)
Total liabilities and accumulated surplus (deficit)	\$ 8,303,403	\$ 8,705,475

Commitments (note 9)

Contingencies (note 10)

The accompanying notes are an integral part of these financial statements.

THE SENATE OF CANADA

Statement of Operations

Year Ended March 31, 2014, with comparative information for 2013

(In dollars)	Budget (note 11)	2014	2013
Expenses:			
Expenses subject to budgetary spending authorities:			
Salaries and benefits	\$ 68,891,636	\$ 67,952,699	\$ 66,934,116
Transportation and communications	13,083,755	7,665,762	10,598,364
Professional services, hospitality and meals	5,679,913	2,839,217	3,544,891
Machinery and equipment (note 5)	1,388,854	368,480	396,303
Repairs and maintenance	1,250,805	532,850	549,187
Materials and supplies	852,688	699,054	727,625
Information and publications	638,579	484,987	608,626
Rentals	183,799	864,341	849,455
Miscellaneous	—	1,212	71,055
Contribution to external organizations	547,000	402,207	373,275
	92,517,029	81,810,809	84,652,897
Other expenses:			
Services provided without charge (note 8(a)):			
Accommodation		14,881,287	13,497,708
Employer's contribution to the health and dental insurance plans		4,866,777	5,295,672
Workers' compensation services		172,478	154,608
Amortization of tangible capital assets		986,491	994,366
		20,907,033	19,942,354
Total expenses		102,717,842	104,595,251
Revenues:			
Refund of previous year expenditures		426,176	543,744
Miscellaneous revenues		12,653	78,242
Total revenues		438,829	621,986
Net cost of operations		102,279,013	103,973,265
Funded by:			
Net cash provided from the Consolidated Revenue Fund		84,720,613	91,896,548
Change in due from the Consolidated Revenue Fund		(421,404)	(4,842,195)
Services provided without charge (note 8(a))		19,920,542	18,947,988
Total funds provided		104,219,751	106,002,341
Annual surplus	\$	1,940,738	\$ 2,029,076

The accompanying notes are an integral part of these financial statements.

THE SENATE OF CANADA

Statement of Surplus (Deficit)

Year Ended March 31, 2014, with comparative information for 2013

(In dollars)	2014	2013
Accumulated deficit, beginning of year	\$ (858,260)	\$ (2,887,336)
Annual surplus	1,940,738	2,029,076
Accumulated surplus (deficit), end of year	\$ 1,082,478	\$ (858,260)

The accompanying notes are an integral part of these financial statements.

THE SENATE OF CANADA

Statement of Cash Flows

Year Ended March 31, 2014, with comparative information for 2013

(In dollars)	2014	2013
Cash provided by (used in):		
Operations:		
Net cost of operations	\$ 102,279,013	\$ 103,973,265
Non-cash items:		
Amortization of tangible capital assets (note 5)	(986,491)	(994,366)
Services provided without charge	(19,920,542)	(18,947,988)
Loss on disposal of tangible capital assets	—	(5,961)
Employee severance benefit payments in excess of expense	1,295,201	2,651,355
Variations in Statement of Financial Position balances:		
Deposits on hand	3,704	598
Accounts receivable and advances	(546,588)	31,901
Prepaid expenses	(1,736)	137,998
Accounts payable and accrued liabilities	948,283	4,676,506
Vacation pay and compensatory leave	99,326	(139,310)
	83,170,170	91,383,998
Capital activities:		
Acquisitions of tangible capital assets (note 5)	1,550,443	546,850
Proceeds on disposal of tangible capital assets	—	(34,300)
	1,550,443	512,550
Net cash provided from the Consolidated Revenue Fund	\$ 84,720,613	\$ 91,896,548

The accompanying notes are an integral part of these financial statements.

THE SENATE OF CANADA

Notes to Financial Statements

Year Ended March 31, 2014

(in dollars)

1. Authority and objectives:

The Senate of Canada is a self-governing institution, established under the *Constitution Act, 1867* and its authority to act on all financial and administrative matters is provided under the *Parliament of Canada Act*. The Senate has four main functions; to debate; to legislate; to investigate national issues; and to represent regional, provincial and minority interests. Senators perform these functions either individually through their offices or collectively through deliberations in the Senate Chamber and in committees. The Senate administration provides the support services required by Senators in the performance of these parliamentary functions.

2. Summary of significant accounting policies:

(a) Basis of presentation:

The financial statements have been prepared in accordance with Canadian public sector accounting standards.

(b) Parliamentary appropriations:

The Senate of Canada is funded from the Consolidated Revenue Fund ("CRF") of Canada through Parliamentary appropriations. Appropriations provided to the Senate do not parallel financial reporting according to Canadian public sector accounting standards since appropriations are primarily based on cash flow requirements. Consequently, items recognized in the Statement of Operations and the Statement of Financial Position are not necessarily the same as those provided through appropriations from Parliament. Note 3 provides a summary reconciliation between the bases of reporting.

(c) Net cash provided from the Consolidated Revenue Fund:

The Senate of Canada operates within the CRF, which is administered by the Receiver General for Canada. All cash received by the Senate is deposited to the CRF and all cash disbursements made by the Senate are paid from the CRF. The net cash provided from the CRF is the difference between all cash receipts and all cash disbursements including transactions with departments of the Federal Government.

(d) Due from the Consolidated Revenue Fund:

Amounts due from the CRF are the result of timing differences at year-end between when a transaction affects authorities and when it is processed through the CRF. Amounts due from the CRF represent the net amount of cash that the Senate is entitled to draw from the CRF without further appropriations to discharge its liabilities.

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Notes to Financial Statements (continued)

Year Ended March 31, 2014

(in dollars)

2. Summary of significant accounting policies (continued):

(e) Revenues:

Revenues are accounted for in the period in which the underlying transaction or event occurred that gave rise to the revenue.

(f) Expenses:

Expenses are recorded when the underlying transaction or event occurred, subject to the following:

- Transfer payments are recognized in the year in which the recipient has met the eligibility criteria or fulfilled the terms of a contractual transfer agreement.
- Vacation and compensatory leave are accrued as the benefits are earned by employees under their respective terms of employment.
- Services received without charge from federal government departments for accommodation, the employer's contribution to the health and dental insurance plans, and the administrative charges for Workers' Compensation Boards and Commissions are recorded as operating expenses at their estimated costs.

(g) Employee future benefits:

- (i) Pension benefits: Eligible employees participate in the Public Service Superannuation Plan, a multiemployer plan administered by the Government of Canada. The Senate's contributions to the Plan are charged to expenses in the year incurred and represent the Senate's total obligation to the Plan. Current legislation does not require the Senate to make contributions for any actuarial deficiencies to the Plan.
- (ii) Severance benefits: Employees were entitled to severance benefits under labor contracts or the terms and conditions of employment. As with the broader public service, the accumulation of severance benefits ceased for employees of the Senate as the Senate concluded its collective agreements with unionized staff and made changes to conditions of employment. The revisions to terms and conditions of employment were made over a three year period with the final group taking effect in 2013-14. Employees subject to these changes were given the option to be immediately paid the full or partial value of benefits earned to date, or collect the full or remaining value of benefits upon termination from the Senate of Canada. For those employees who did not opt for an immediate payment, the obligation is calculated as at March 31st, based on the employee's earned number of weeks and their salary at March 31st. These remaining severance benefits are not pre-funded and will be paid from future appropriations in the year of departure of the employee.

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Notes to Financial Statements (continued)

Year Ended March 31, 2014

(in dollars)

2. Summary of significant accounting policies (continued):

(h) Members' pension accounts:

Assets and liabilities for the members' pension accounts are not included in the Senate's statement of financial position as these accounts are the responsibility of the Government of Canada. The Senate's contribution to these accounts is charged to salaries and benefits expense in the year incurred.

(i) Accounts receivable and advances:

Accounts receivable and advances are stated at amounts expected to be ultimately realized. A provision is made for receivables where recovery is considered uncertain.

(j) Contingent liabilities:

Contingent liabilities are potential liabilities which may become actual liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded. If the likelihood is not determinable or an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the financial statements.

(k) Tangible capital assets:

All tangible capital assets and leasehold improvements having an initial cost of \$3,000 or more are recorded at their acquisition cost. Amounts included in assets under development are transferred to the appropriate class of asset upon completion and are then amortized.

Amortization of tangible capital assets is done on a straight-line basis over the estimated useful life of the tangible capital asset as follows:

Asset	Amortization period
Machinery and equipment	3 to 15 years
Informatics hardware	3 to 7 years
Informatics software	2 to 5 years
Furniture and furnishings	5 to 20 years
Motor vehicles	3 to 10 years
Leasehold improvements	Over the useful life of the improvement

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Notes to Financial Statements (continued)

Year Ended March 31, 2014

(in dollars)

2. Summary of significant accounting policies (continued):

(l) Measurement uncertainty:

The preparation of these financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and expenses reported in the financial statements. At the time of preparation of these statements, management believes the estimates and assumptions to be reasonable. The most significant item where estimates are used are the liability for employee severance benefits. Actual results could significantly differ from those estimated. Management's estimates are reviewed periodically and, as adjustments become necessary, they are recorded in the financial statements in the year they become known.

3. Parliamentary Appropriations:

The Senate of Canada receives most of its funding through annual Parliamentary Appropriations. Items recognized in the Statement of Operations and the Statement of Financial Position in one year may be funded through Parliamentary Appropriations in prior, current or future years. Accordingly, the Senate has different net results of operations for the year on an appropriations funding basis than on an accrual accounting basis. The differences are reconciled in the following tables:

(a) Reconciliation of net cost of operations to current year appropriations used:

	2014	2013
Net cost of operations	\$ 102,279,013	\$ 103,973,265
Adjustments for items affecting net cost of operations but not affecting appropriations:		
Services provided without charge	(19,920,542)	(18,947,988)
Amortization of tangible capital assets	(986,491)	(994,366)
Refund of previous year expenditures	426,176	543,744
Gain/(loss) on disposal of capital assets	—	(5,961)
Increase in vacation pay and compensatory leave liability	99,326	(139,310)
Adjustment to employee severance benefits	40,649	976,062
Decrease in employee severance benefits	1,295,201	2,651,355
Other	(87,989)	174,439
	(19,133,670)	(15,742,025)
Adjustments for items not affecting net cost of operations but affecting appropriations:		
Acquisitions of tangible capital assets	1,550,443	546,850
Proceeds on disposal of capital assets	—	(34,300)
Increase in prepaid expenses	(1,736)	137,998
Current year appropriations used	\$ 84,694,050	\$ 88,881,788

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Notes to Financial Statements (continued)

Year Ended March 31, 2014

(in dollars)

3. Parliamentary Appropriations (continued):

(b) Appropriations used:

	2014	2013
Vote 1 - Operating expenditures	\$ 58,169,816	\$ 57,933,343
Statutory Senators' salaries, allowances and retirement contributions	23,665,559	26,322,815
Statutory contributions to benefits plan	7,212,635	6,908,886
Less: lapsed appropriations - operating	(4,353,960)	(2,283,256)
Current year appropriations used	\$ 84,694,050	\$ 88,881,788

(c) Reconciliation of net cash provided from the Consolidated Revenue Fund to current year appropriations used:

	2014	2013
Net cash provided from the Consolidated Revenue Fund	\$ 84,720,613	\$ 91,896,548
Refund of previous year expenditures	426,176	543,744
Decrease/(increase) in GST/HST refundable	16,005	133,190
Adjustment to employee severance benefits	40,649	976,062
Other	(87,989)	174,439
Change in net position in the Consolidated Revenue Fund:		
Decrease/(increase) in deposits on hand	(3,704)	(598)
Decrease/(increase) in accounts receivable and advances (excluding GST/HST refundable)	530,583	(165,091)
Increase/(decrease) in account payable and accrued liabilities	(948,283)	(4,676,506)
	(421,404)	(4,842,195)
Current year appropriations used	\$ 84,694,050	\$ 88,881,788

4. Accounts receivable and advances:

	2014	2013
Receivables from federal government departments and agencies	\$ 699,575	\$ 964,678
Receivables from other parties	205,794	487,079
Petty cash and advances	5,150	5,350
	\$ 910,519	\$ 1,457,107

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Notes to Financial Statements (continued)

Year Ended March 31, 2014

(in dollars)

5. Tangible capital assets:

	Cost			Closing balance
	Opening balance	Acquisitions	Disposals	
Machinery and equipment	\$ 4,973,933	\$ 152,959	\$ (139,706)	4,987,186
Informatics hardware	2,054,712	111,115	(211,246)	1,954,581
Informatics software	2,316,722	534,491	(82,820)	2,768,393
Furniture and furnishings	4,039,553	183,741	(395,461)	3,827,833
Motor vehicles	363,491	131,214	—	494,705
Assets under development	—	436,923	—	436,923
Leasehold improvements	550,072	—	—	550,072
	\$ 14,298,483	\$ 1,550,443	\$ (829,233)	\$ 15,019,693

	Accumulated amortization			Closing balance
	Opening balance	Amortization	Disposals	
Machinery and equipment	\$ 3,514,686	\$ 286,524	\$ (139,706)	\$ 3,661,504
Informatics hardware	1,270,484	189,961	(211,246)	1,249,199
Informatics software	2,099,275	224,003	(82,820)	2,240,458
Furniture and furnishings	2,253,006	235,776	(395,461)	2,093,321
Motor vehicles	200,739	13,555	—	214,294
Leasehold improvements	222,756	36,672	—	259,428
	\$ 9,560,946	\$ 986,491	\$ (829,233)	\$ 9,718,204

Net book value	2014	2013
Machinery and equipment	\$ 1,325,682	\$ 1,459,247
Informatics hardware	705,382	784,228
Informatics software	527,935	217,447
Furniture and furnishings	1,734,512	1,786,547
Motor vehicles	280,411	162,752
Assets under development	436,923	—
Leasehold improvements	290,644	327,316
	\$ 5,301,489	\$ 4,737,537

Amortization expense for the year ended March 31, 2014 is \$986,491 (2013 - \$994,366).

Certain 2013 comparative information for tangible capital assets has been reclassified to conform with the financial statement presentation adopted for 2014.

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Notes to Financial Statements (continued)

Year Ended March 31, 2014

(in dollars)

5. Tangible capital assets (continued):

Parliamentary appropriations budgeted for machinery and equipment in the year ended March 31, 2014 as shown on the Statement of Operations is \$1,388,854 (2013 - \$1,388,855). This budget is used to fund the acquisition of tangible capital assets included on the Statement of Financial Position (2014 - \$1,550,443, 2013 - \$546,850) as well as the cost of machinery and equipment expense included on the Statement of Operations (2014 - \$368,480, 2013 - \$396,303). Total Parliamentary appropriations used for the acquisition of capital and non-capital machinery and equipment in the year ended March 31, 2014 is \$1,918,923 (2013 - \$943,153).

6. Employee benefits:

(a) Pension benefits:

The Senate of Canada employees participate in the Public Service Superannuation account, which is sponsored and administered by the Government of Canada. Pension benefits accrue up to a maximum period of 35 years at a rate of two per cent per year of pensionable service, times the average of the best five consecutive years of earnings. The benefits are integrated with Canada/Québec Pension Plans benefits and they are indexed to inflation.

Both the employees and the Senate contribute to the cost of the Plan. The 2013-2014 Senate contributions of \$5,071,204 (\$4,932,945 in 2012-2013), is recorded in salaries and benefits expense.

The Senate's responsibility with regard to the Plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the financial statements of the Government of Canada, as the Plan's sponsor.

(b) Severance benefits:

As described in note 2 (g), the Senate of Canada provides severance benefits to certain of its employees based on eligibility, years of service and final salary. These severance benefits are not pre-funded. Benefits will be paid from future appropriations in the year of departure of the employee. Information about the severance benefits, measured as at March 31, is as follows:

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Notes to Financial Statements (continued)

Year Ended March 31, 2014

(in dollars)

6. Employee benefits (continued):

(b) Severance benefits (continued):

	2014	2013
Employee severance benefit liability, beginning of year	\$ 4,142,472	\$ 6,793,827
Change in liability for the year	214,009	(233,051)
Benefits paid during the year	(1,509,210)	(1,942,145)
	2,847,271	4,618,631
Amounts recorded in accounts payable and accrued liabilities	—	(476,159)
Employee severance benefit liability, end of year	\$ 2,847,271	\$ 4,142,472

7. Members' pension accounts:

The members' pension accounts consists of two separate accounts: the Members of Parliament Retiring Allowances Accounts (MPRA) and the Members of Parliament Retirement Compensation Arrangements Account (RCA), which are the responsibility of the Government of Canada. Contributions made by the Senate to these plans totalled \$3,613,261 in 2013-2014 (\$3,946,225 in 2012-2013) and are recorded in salaries and benefits expense. Details of these plans can be found in the Consolidated Public Accounts of the Government of Canada.

8. Related party transactions:

The Senate of Canada is related to all Government of Canada departments, agencies, and Crown corporations. The Senate enters into transactions with these entities in the normal course of business and on normal trade terms. Also, during the year, The Senate received services which were obtained without charge from federal government departments as presented in note 8(a).

THE SENATE OF CANADA

Notes to Financial Statements (continued)

Year Ended March 31, 2014

(in dollars)

8. Related party transactions (continued):

(a) Services provided without charge:

The Senate received without charge from federal government departments, accommodation, the employer's contribution to the health and dental insurance plans, and workers' compensation services. These services have been recognized in the Senate's Statement of Operations as follows:

	2014	2013
Accommodation	\$ 14,881,287	\$ 13,497,708
Employer's contribution to the health and dental insurance plans	4,866,777	5,295,672
Workers' compensation services	172,478	154,608
Total	\$ 19,920,542	\$ 18,947,988

The Government of Canada has structured some of its administrative activities for efficiency and cost-effectiveness purposes so that one department performs these on behalf of other federal employers without charge. The costs of these services, which include payroll for Senate employees and cheque issuance services provided by Public Works and Government Services Canada, are not included as an expense in the Senate's Statement of Operations.

(b) Payables and receivables outstanding at year-end with related parties:

	2014	2013
Accounts receivable with government departments and agencies	\$ 699,575	\$ 964,678
Accounts payable to government departments and agencies	190,713	468,876

9. Commitments:

The Senate of Canada has entered into contractual obligations. Commitments for contractual obligations are as follows:

2015	\$ 1,075,996
2016	492,350
2017	118,606
Total	\$ 1,686,952

THE SENATE OF CANADA

Notes to Financial Statements (continued)

Year Ended March 31, 2014

(in dollars)

10. Contingencies:

Claims are made against the Senate in the normal course of operations. To the extent that a future event causing a liability is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded in the financial statements. The Senate believes that any potential settlement would be insignificant to the financial statements.

11. Budget information:

Budget information has been provided for comparison purposes. The budget information are the amounts included in the Senate's Main Estimates.