

Financial Statements of

The Senate of Canada

For The Year Ended March 31, 2011



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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, 2011, 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 generally accepted accounting principles, 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 public sector accounting 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, 2011, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Accountants, Licensed Public Accountants

September 18, 2011

Ottawa, Canada

The Senate of Canada

MANAGEMENT RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

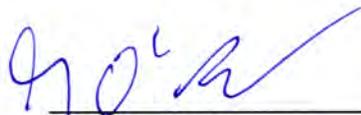
Responsibility for the integrity and objectivity of the accompanying financial statements for the year ended March 31, 2011, and all the information contained in these statements rests with The Senate of Canada (the "Senate") management. These financial statements have been prepared in accordance with Canadian generally accepted accounting principles for the public sector.

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 Senate financial transactions.

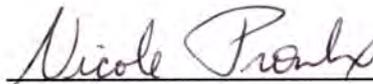
Management is also responsible for maintaining an effective system of internal control over financial reporting designed to provide reasonable assurance that financial information is reliable, that assets are safeguarded, and that transactions are properly authorized and recorded in accordance with the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



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, 2011, with comparative figures for 2010

(In dollars)	2011	2010
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Assets

Financial assets:

Deposits on hand at year end	\$ 6,160	\$ 7,327
Due from the Consolidated Revenue Fund	3,048,347	4,051,274
Accounts receivable and advances (note 4)	347,589	387,800
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	3,402,096	4,446,401

Non-financial assets:

Tangible capital assets (note 5)	5,123,359	5,679,869
Prepaid expenses	73,888	-
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	5,197,247	5,679,869

Total assets	\$ 8,599,343	\$ 10,126,270
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Liabilities and Deficit

Financial liabilities:

Accounts payable and accrued liabilities	\$ 3,227,674	\$ 4,347,422
Vacation pay and compensatory leave	1,644,855	2,037,614
Employee severance benefits (note 6 (b))	8,859,888	8,203,081
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	13,732,417	14,588,117

Deficit of the Senate of Canada	(5,133,074)	(4,461,847)
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Total liabilities and deficit	\$ 8,599,343	\$ 10,126,270
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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, 2011, with comparative figures for 2010

(In dollars)	Budget (note 11) unaudited	2011	2010
Expenses:			
Expenses subject to budgetary spending authorities:			
Salaries and benefits	\$ 66,716,304	\$ 67,816,972	\$ 66,697,994
Transportation and communications	13,500,235	11,985,257	12,883,669
Professional services, hospitality and meals	7,026,570	3,674,563	4,541,731
Machinery and equipment	1,795,130	834,512	1,059,919
Repairs and maintenance	1,660,802	1,266,501	1,387,191
Materials and supplies	1,036,659	912,763	986,366
Information and publications	523,700	724,720	792,371
Rentals	64,700	221,881	215,436
Miscellaneous	-	(13,498)	17,876
Contribution to external organizations	547,000	373,411	414,431
	<u>\$ 92,871,100</u>	<u>87,797,082</u>	<u>88,996,984</u>
Other expenses:			
Services provided without charge (note 8(a)):			
Accommodation		12,172,745	11,801,286
Employer's contribution to the health and dental insurance plans		4,782,714	4,797,435
Workers' compensation services		190,369	189,716
Amortization of tangible capital assets		1,223,476	1,704,184
		<u>18,369,304</u>	<u>18,492,621</u>
Total expenses		106,166,386	107,489,605
Revenues:			
Refund of previous year expenditures		(107,272)	605,091
Proceeds on disposal of public goods		7,390	11,405
Miscellaneous revenues		2,157	3,014
Total revenues		(97,725)	619,510
Net cost of operations		106,264,111	106,870,095
Funded by:			
Net cash provided from the Consolidated Revenue Fund		89,449,983	90,262,907
Change in due from the Consolidated Revenue Fund		(1,002,927)	(619,562)
Services provided without charge (note 8(a))		17,145,828	16,788,437
Total funds provided		105,592,884	106,431,782
Increase in the deficit of the Senate of Canada	\$	(671,227)	\$ (438,313)

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

THE SENATE OF CANADA

Statement of Deficit

Year Ended March 31, 2011, with comparative figures for 2010

(In dollars)	2011	2010
Deficit of the Senate of Canada, beginning of year	\$ (4,461,847)	\$ (4,023,534)
Increase in the deficit of the Senate of Canada	(671,227)	(438,313)
Deficit of the Senate of Canada, end of year	\$ (5,133,074)	\$ (4,461,847)

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

THE SENATE OF CANADA

Statement of Cash Flow

Year Ended March 31, 2011, with comparative figures for 2010

(In dollars)	2011	2010
Cash provided by (used in):		
Operations:		
Net cost of operations	\$ 106,264,111	\$ 106,870,095
Non-cash items:		
Amortization of tangible capital assets (note 5)	(1,223,476)	(1,704,184)
Services provided without charge	(17,145,828)	(16,788,437)
Write-off of capital assets	(496)	(11,447)
Gain/(loss) on disposal of capital assets	16,269	(3,096)
Proceeds on disposal of capital assets	(22,500)	(22,500)
Variations in Statement of Financial Position:		
Deposit on hand at year-end	(1,167)	7,327
Accounts receivable and advances	(40,211)	(835,559)
Prepaid expenses	73,888	-
Account payable and accrued liabilities	1,119,748	1,422,667
Vacation pay and compensatory leave	392,759	(613,230)
Employee severance benefits	(656,807)	765,479
	88,776,290	89,087,115
Capital investment activities:		
Acquisitions of tangible capital assets (note 5)	673,693	1,175,792
Net cash provided from the Consolidated Revenue Fund	\$ 89,449,983	\$ 90,262,907

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

THE SENATE OF CANADA

Notes to Financial Statements

Year Ended March 31, 2011

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 generally accepted accounting principles for the public sector, utilizing the financial statement presentation recommended in the Treasury Board accounting policy TBAS 1.2: Departmental and Agency Financial Statements.

(b) Parliamentary appropriations:

The Senate of Canada is funded from the Consolidated Revenue Fund of Canada through Parliamentary appropriations. Appropriations provided to the Senate do not parallel financial reporting according to Canadian generally accepted accounting principles 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 high-level reconciliation between the bases of reporting.

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

The Senate of Canada operates within the Consolidated Revenue Fund ("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 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.

THE SENATE OF CANADA

Notes to Financial Statements

Year Ended March 31, 2011

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 are entitled to severance benefits under labour contracts or conditions of employment. These benefits are accrued as employees render the services necessary to earn them. The obligation relating to the benefits earned by employees is calculated using information derived from the results of the actuarially determined liability for severance benefits for the Government as a whole.

(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.

THE SENATE OF CANADA

Notes to Financial Statements

Year Ended March 31, 2011

2. Summary of significant accounting policies (continued):

(i) Accounts receivables and advances:

Accounts receivables 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. The Senate does not capitalize intangible assets.

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

(l) Measurement uncertainty:

The preparation of these financial statements in accordance with Canadian generally accepted accounting principles for the public sector, 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.

THE SENATE OF CANADA

Notes to Financial Statements

Year Ended March 31, 2011

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:

	2011	2010
Net cost of operations	\$106,264,111	\$ 106,870,095
Adjustments for items affecting net cost of operations but not affecting appropriations:		
Services provided without charge	(17,145,828)	(16,788,437)
Amortization of tangible capital assets	(1,223,476)	(1,704,184)
Refund of previous year expenditures	(107,272)	605,091
Loss on write-off of capital assets	(496)	(11,447)
Gain/(loss) on disposal of capital assets	16,269	(3,096)
Decrease/(increase) in vacation pay and compensatory leave liability	392,759	(613,230)
Decrease/(increase) in employee severance benefits	(656,807)	765,479
Other	112,299	(72,367)
	(18,612,552)	(17,822,191)
Adjustments for items not affecting net cost of operations but affecting appropriations:		
Acquisitions of tangible capital assets	673,693	1,175,792
Proceeds on disposal of capital assets	(22,500)	(22,500)
Increase in prepaid expenses	73,888	-
Current year appropriations used	\$ 88,376,640	\$ 90,201,196

(b) Appropriations used:

	2011	2010
Vote 1 - Operating expenditures	\$ 59,490,350	\$ 58,659,050
Statutory Senators' salaries, allowances and retirement contributions	28,047,542	27,422,721
Statutory contributions to benefits plan	6,864,569	7,377,746
Less: lapsed appropriations - operating	(6,025,821)	(3,258,321)
Current year appropriations used	\$ 88,376,640	\$ 90,201,196

THE SENATE OF CANADA

Notes to Financial Statements

Year Ended March 31, 2011

3. Parliamentary Appropriations (continued):

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

	2011	2010
Net cash provided from the Consolidated Revenue Fund	\$ 89,449,983	\$ 90,262,907
Refund of previous year expenditures	(107,272)	605,091
Decrease/(increase) in GST/HST refundable	(75,443)	25,127
Other	112,299	(72,367)
Change in net position in the Consolidated Revenue Fund:		
Decrease/(increase) in deposits on hand	1,167	(7,327)
Decrease in accounts receivable and advances (excluding GST/HST refundable)	115,654	810,432
Decrease in account payable and accrued liabilities	(1,119,748)	(1,422,667)
	(1,002,927)	(619,562)
Current year appropriations used	\$ 88,376,640	\$ 90,201,196

4. Accounts receivable and advances:

	2011	2010
Receivables from federal government departments and agencies	\$ 229,864	\$ 282,294
Receivables from external parties	111,475	99,206
Petty cash and advances	6,250	6,300
	\$ 347,589	\$ 387,800

THE SENATE OF CANADA

Notes to Financial Statements

Year Ended March 31, 2011

5. Tangible capital assets:

	Cost			Closing balance
	Opening balance	Acquisitions	Disposals	
Machinery and equipment	\$ 4,841,411	\$ 412,395	\$ (65,380)	\$ 5,188,426
Informatics hardware	2,049,850	92,355	(353,270)	1,788,935
Informatics software	2,222,216	14,257	-	2,236,473
Furniture and furnishings	4,153,194	131,085	(25,103)	4,259,176
Motor vehicles	418,718	-	-	418,718
Leasehold improvements	526,471	23,601	-	550,072
	\$14,211,860	\$ 673,693	(443,753)	\$14,441,800

	Accumulated amortization			Closing balance
	Opening balance	Amortization	Disposals	
Machinery and equipment	\$ 2,979,806	\$ 345,327	\$ (58,723)	\$ 3,266,410
Informatics hardware	1,596,611	236,799	(353,270)	1,480,140
Informatics software	1,461,017	264,776	-	1,725,793
Furniture and furnishings	2,166,459	274,596	(25,033)	2,416,022
Motor vehicles	214,177	66,486	-	280,663
Leasehold improvements	113,921	35,492	-	149,413
	\$ 8,531,991	\$ 1,223,476	(437,026)	\$ 9,318,441

Net book value	2011	2010
Machinery and equipment	\$ 1,922,016	\$ 1,861,605
Informatics hardware	308,795	453,239
Informatics software	510,680	761,199
Furniture and furnishings	1,843,154	1,986,735
Motor vehicles	138,055	204,541
Leasehold improvements	400,659	412,550
	\$ 5,123,359	\$ 5,679,869

Amortization expense for the year ended March 31, 2011 is \$1,223,476 (2010 - \$1,704,184).

THE SENATE OF CANADA

Notes to Financial Statements

Year Ended March 31, 2011

5. Tangible capital assets (continued):

Parliamentary appropriations budgeted for machinery and equipment in the year ended March 31, 2011 as shown on the Statement of Operations is \$1,795,130. This budget is used to fund the acquisition of tangible capital assets included on the Statement of Financial Position (2011 - \$673,693) as well as the cost of machinery and equipment expense included on the Statement of Operations (2011 - \$834,512). Total Parliamentary appropriations used for the acquisition of capital and non-capital machinery and equipment in the year ended March 31, 2011 is \$1,508,205.

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 2010-11 expense amounts to \$4,818,927 (\$5,326,733 in 2009-10), which represents approximately 2.1 times (2.2 times in 2009-10) the contributions made by employees.

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:

The Senate of Canada provides severance benefits to 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. Information about the severance benefits, measured as at March 31, is as follows:

	2011	2010
Employee severance benefit liability, beginning of year	\$ 8,203,081	\$ 8,968,560
Increase in liability for the year	1,529,139	199,631
Benefits paid during the year	(872,332)	(965,110)
Employee severance benefit liability, end of year	\$ 8,859,888	\$ 8,203,081

THE SENATE OF CANADA

Notes to Financial Statements

Year Ended March 31, 2011

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 \$3,862,796 in 2010-2011 (\$3,601,740 in 2009-2010) 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 part (a).

(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:

	2011	2010
Accommodation	\$ 12,172,745	\$ 11,801,286
Employer's contribution to the health and dental insurance plans	4,782,714	4,797,435
Workers' compensation services	190,369	189,716
Total	\$ 17,145,828	\$ 16,788,437

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.

THE SENATE OF CANADA

Notes to Financial Statements

Year Ended March 31, 2011

8. Related party transactions (continued):

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

	2011	2010
Accounts receivable with government departments and agencies	\$ 229,864	\$ 282,294
Accounts payable to government departments and agencies	478,395	967,700

9. Commitments:

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

2012	\$ 575,393
2013	134,509
2014	4,500
Total	\$ 714,402

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 figures:

Budget figures have been provided for comparison purposes and are not audited. The budget figures are the amounts included in the Senate's Main Estimates.

12. Comparative figures:

Certain 2010 comparative figures have been reclassified to conform with the financial statement presentation adopted for 2011.