

**Financial Statements of
The Senate of Canada
For The Year Ended March 31, 2012**



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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, 2012, 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, 2012, 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 Accountants, Licensed Public Accountants

October 16, 2012

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, 2012, and all the information contained in these statements rests with the Senate of Canada 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.

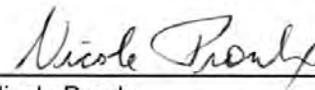
Management is also responsible for maintaining an effective system of internal control over financial reporting designed to provide reasonable assurance that financial information is reliable, that assets are safeguarded, and that transactions are properly authorized and recorded in accordance with the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

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, 2012, with comparative figures for 2011

(In dollars)	2012	2011
Assets		
Financial assets:		
Deposits on hand at year end	\$ -	\$ 6,160
Due from the Consolidated Revenue Fund	7,138,616	3,048,347
Accounts receivable and advances (note 4)	1,425,206	347,589
	8,563,822	3,402,096
Non-financial assets:		
Tangible capital assets (note 5)	5,225,314	5,123,359
Prepaid expenses	75,814	73,888
	5,301,128	5,197,247
Total assets	\$ 13,864,950	\$ 8,599,343

Liabilities and Deficit

Financial liabilities:		
Accounts payable and accrued liabilities	\$ 8,282,568	\$ 3,227,674
Vacation pay and compensatory leave	1,675,891	1,644,855
Employee severance benefits (note 6(b))	6,793,827	8,859,888
	16,752,286	13,732,417
Accumulated deficit	(2,887,336)	(5,133,074)
Total liabilities and deficit	\$ 13,864,950	\$ 8,599,343

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, 2012, with comparative figures for 2011

(In dollars)	Budget (note 11) unaudited	2012	2011
Expenses:			
Expenses subject to budgetary spending authorities:			
Salaries and benefits	\$ 68,749,223	\$ 68,962,740	\$ 67,816,972
Transportation and communications	13,470,787	10,614,992	11,952,603
Professional services, hospitality and meals	5,909,863	3,136,538	3,610,346
Machinery and equipment (note 5)	2,036,042	690,126	834,512
Repairs and maintenance	1,559,850	1,106,711	1,266,501
Materials and supplies	1,001,017	739,886	912,763
Information and publications	563,700	664,726	821,591
Rentals	118,700	267,049	221,881
Miscellaneous	–	31,785	(13,498)
Contributions to external organizations	547,000	377,015	373,411
	93,956,182	86,591,568	87,797,082
Other expenses:			
Services provided without charge (note 8(a)):			
Accommodation		13,158,452	12,172,745
Employer's contribution to the health and dental insurance plans		5,120,794	4,782,714
Workers' compensation services		167,023	190,369
Amortization of tangible capital assets		1,216,891	1,223,476
		19,663,160	18,369,304
Total expenses		106,254,728	106,166,386
Revenues:			
Refund of previous year expenditures		80,707	(107,272)
Proceeds on disposal of public goods		5,483	7,390
Miscellaneous		899	2,157
Total revenues		87,089	(97,725)
Net cost of operations		106,167,639	106,264,111
Funded by:			
Net cash provided from the Consolidated Revenue Fund		85,876,839	89,449,983
Change in due from the Consolidated Revenue Fund		4,090,269	(1,002,927)
Services provided without charge (note 8(a))		18,446,269	17,145,828
Total funds provided		108,413,377	105,592,884
Annual surplus (deficit)	\$	2,245,738	\$ (671,227)

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

THE SENATE OF CANADA

Statement of Deficit

Year ended March 31, 2012, with comparative figures for 2011

(in dollars)	2012	2011
Accumulated deficit, beginning of year	\$ (5,133,074)	\$ (4,461,847)
Annual surplus (deficit)	2,245,738	(671,227)
Accumulated deficit, end of year	\$ (2,887,336)	\$ (5,133,074)

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

THE SENATE OF CANADA

Statement of Cash Flow

Year ended March 31, 2012, with comparative figures for 2011

(in dollars)	2012	2011
Cash provided by (used in):		
Operations:		
Net cost of operations	\$ 106,167,639	\$ 106,264,111
Non-cash items:		
Amortization of tangible capital assets (note 5)	(1,216,891)	(1,223,476)
Services provided without charge	(18,446,269)	(17,145,828)
Write-off of tangible capital assets	(30,918)	(496)
Gain (loss) on disposal of tangible capital assets	(1,112)	16,269
Variations in Statement of Financial Position balances:		
Deposits on hand at year-end	(6,160)	(1,167)
Accounts receivable and advances	1,077,617	(40,211)
Prepaid expenses	1,926	73,888
Account payable and accrued liabilities	(5,054,894)	1,119,748
Vacation pay and compensatory leave	(31,036)	392,759
Employee severance benefits	2,066,061	(656,807)
	84,525,963	88,798,790
Capital activities:		
Acquisitions of tangible capital assets (note 5)	1,365,971	673,693
Proceeds on disposal of capital assets	(15,095)	(22,500)
	1,350,876	651,193
Net cash provided from the Consolidated Revenue Fund	\$ 85,876,839	\$ 89,449,983

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

THE SENATE OF CANADA

Notes to Financial Statements

Year ended March 31, 2012

(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 of Canada 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. 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 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 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 of Canada is deposited to the CRF and all cash disbursements made by the Senate of Canada 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 of Canada is entitled to draw from the CRF without further appropriations to discharge its liabilities.

THE SENATE OF CANADA

Notes to Financial Statements (continued)

Year ended March 31, 2012

(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 of Canada's contributions to the Plan are charged to expenses in the year incurred and represent the Senate of Canada's total obligation to the Plan. Current legislation does not require the Senate of Canada 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 of Canada's statement of financial position as these accounts are the responsibility of the Government of Canada. The Senate of Canada's contribution to these accounts is charged to salaries and benefits expense in the year incurred.

THE SENATE OF CANADA

Notes to Financial Statements (continued)

Year ended March 31, 2012

(in dollars)

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 of Canada 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 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 is 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 (continued)

Year ended March 31, 2012

(in dollars)

3. Parliamentary Appropriations:

The Senate of Canada receives 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 of Canada 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:

	2012	2011
Net cost of operations	\$ 106,167,639	\$ 106,264,111
Adjustments for items affecting net cost of operations but not affecting appropriations:		
Services provided without charge	(18,446,269)	(17,145,828)
Amortization of tangible capital assets	(1,216,891)	(1,223,476)
Refund of previous year expenditures	80,707	(107,272)
Loss on write-off of capital assets	(30,918)	(496)
Gain (loss) on disposal of capital assets	(1,112)	16,269
Decrease (increase) in vacation pay and compensatory leave	(31,036)	392,759
Decrease (increase) in employee severance benefits	2,066,061	(656,807)
Other	38,697	112,299
	(17,540,761)	(18,612,552)
Adjustments for items not affecting net cost of operations but affecting appropriations:		
Acquisitions of tangible capital assets	1,365,971	673,693
Proceeds on disposal of capital assets	(15,095)	(22,500)
Increase in prepaid expenses	1,926	73,888
Current year appropriations used	\$ 89,979,680	\$ 88,376,640

(b) Appropriations used:

	2012	2011
Vote 1 - Operating expenditures	\$ 59,490,350	\$ 59,490,350
Statutory Senators' salaries, allowances and retirement contributions	26,544,931	28,047,542
Statutory contributions to benefits plan	6,641,354	6,864,569
Less: lapsed appropriations - operating	(2,696,955)	(6,025,821)
Current year appropriations used	\$ 89,979,680	\$ 88,376,640

THE SENATE OF CANADA

Notes to Financial Statements (continued)

Year ended March 31, 2012

(in dollars)

3. Parliamentary Appropriations (continued):

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

	2012	2011
Net cash provided from the Consolidated Revenue Fund	\$ 85,876,839	\$ 89,449,983
Refund of previous year expenditures	80,707	(107,272)
Increase in GST/HST refundable	(106,832)	(75,443)
Other	38,697	112,299
Change in net position in the Consolidated Revenue Fund:		
Decrease in deposits on hand	6,160	1,167
Decrease (increase) in accounts receivable and advances (excluding GST/HST refundable)	(970,785)	115,654
Increase (decrease) in account payable and accrued liabilities	5,054,894	(1,119,748)
	4,090,269	(1,002,927)
Current year appropriations used	\$ 89,979,680	\$ 88,376,640

4. Accounts receivable and advances:

	2012	2011
Receivables from federal government departments and agencies	\$ 1,315,671	\$ 229,864
Receivables from external parties	103,785	111,475
Petty cash and advances	5,750	6,250
	\$ 1,425,206	\$ 347,589

THE SENATE OF CANADA

Notes to Financial Statements (continued)

Year ended March 31, 2012

(in dollars)

5. Tangible capital assets:

	Cost			Closing balance
	Opening balance	Acquisitions	Disposals	
Machinery and equipment	\$ 5,188,426	\$ 305,417	\$ (610,707)	\$ 4,883,136
Informatics hardware	1,788,935	737,901	(476,686)	2,050,150
Informatics software	2,236,473	76,222	–	2,312,695
Furniture and furnishings	4,259,176	243,431	(150,876)	4,351,731
Motor vehicles	418,718	3,000	–	421,718
Leasehold improvements	550,072	–	–	550,072
	\$14,441,800	\$ 1,365,971	\$(1,238,269)	\$14,569,502

	Accumulated amortization			Closing balance
	Opening balance	Amortization	Disposals	
Machinery and equipment	\$ 3,266,410	\$ 448,879	\$ (578,510)	\$ 3,136,779
Informatics hardware	1,480,140	191,244	(476,686)	1,194,698
Informatics software	1,725,793	204,870	–	1,930,663
Furniture and furnishings	2,416,022	272,862	(135,948)	2,552,936
Motor vehicles	280,663	62,364	–	343,027
Leasehold improvements	149,413	36,672	–	186,085
	\$ 9,318,441	\$ 1,216,891	\$(1,191,144)	\$ 9,344,188

Amortization expense for the year ended March 31, 2011 was \$1,223,476.

Net book value	2012	2011
Machinery and equipment	\$ 1,746,357	\$ 1,922,016
Informatics hardware	855,452	308,795
Informatics software	382,032	510,680
Furniture and furnishings	1,798,795	1,843,154
Motor vehicles	78,691	138,055
Leasehold improvements	363,987	400,659
	\$ 5,225,314	\$ 5,123,359

THE SENATE OF CANADA

Notes to Financial Statements (continued)

Year ended March 31, 2012

(in dollars)

5. Tangible capital assets (continued):

Parliamentary appropriations budgeted for machinery and equipment for the year ended March 31, 2012 as shown on the Statement of Operations is \$2,036,042. This budget is used to fund the acquisition of tangible capital assets on the Statement of Financial Position (2012 - \$1,365,971) as well as the cost of machinery and equipment expense included on the Statement of Operations (2012 - \$690,126). Total Parliamentary appropriations used for the acquisition of capitalized and non-capitalized machinery and equipment expenditures in the year ended March 31, 2012 is \$2,056,097.

During 2011-2012, Public Works and Government Services Canada transferred to the Senate Canada, the custody care and maintenance of the moveable Art and Artifacts that are the contents of what are commonly referred to as the "Museum Rooms" in the East Block on Parliament Hill. These non-operational heritage assets include objects of historical value or interest and according to The Senate of Canada's Capital Assets Accounting Policy are not considered capital assets for accounting purposes. The assets have therefore not been reported in the Statement of Financial Position.

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 of Canada contribute to the cost of the Plan. The 2011-2012 expense amounts to \$4,775,133 (\$4,818,927 in 2010-2011), which represents approximately 2.0 times (2.1 times in 2010-2011) the contributions made by the employees.

The Senate of Canada'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.

THE SENATE OF CANADA

Notes to Financial Statements (continued)

Year ended March 31, 2012

(in dollars)

6. Employee benefits (continued):

(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 funded through future appropriations. Information about the severance benefits, measured as at March 31, is as follows:

	2012	2011
Employee severance benefit liability, beginning of year	\$ 8,859,888	\$ 8,203,081
Increase in liability estimate	2,523,329	1,529,139
Benefits paid during the year	(799,687)	(872,332)
	10,583,530	8,859,888
Amount recorded in accounts payable and accrued liabilities	(3,789,703)	–
Total employee severance benefit liability, end of year	\$ 6,793,827	\$ 8,859,888

As part of the changes to conditions of employment, the accumulation of severance benefits under the employee severance pay program ceased for unrepresented employees of the Senate of Canada as of 2011-12. Employees subject to these changes have been 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. These changes have been reflected in the calculation of the outstanding severance benefit obligation.

7. Members' pension accounts:

The members' pension accounts consist 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 of Canada to these plans totalled \$3,929,178 in 2011-2012 (\$3,862,796 in 2010-2011) 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.

THE SENATE OF CANADA

Notes to Financial Statements (continued)

Year ended March 31, 2012

(in dollars)

8. Related party transactions:

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

(a) Services provided without charge:

The Senate of Canada 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 reported in the Statement of Operations as follows:

	2012	2011
Accommodation	\$ 13,158,452	\$ 12,172,745
Employer's contribution to the health and dental insurance plans	5,120,794	4,782,714
Workers' compensation services	167,023	190,369
Total	\$ 18,446,269	\$ 17,145,828

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 entities without charge. The costs of these services, which include payroll for Senate of Canada employees and cheque issuance services provided by Public Works and Government Services Canada, are not included as an expense in the Senate of Canada's Statement of Operations.

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

	2012	2011
Accounts receivable with government departments and agencies	\$ 1,315,671	\$ 229,864
Accounts payable to government departments and agencies	502,127	478,395

THE SENATE OF CANADA

Notes to Financial Statements (continued)

Year ended March 31, 2012

(in dollars)

9. Commitments:

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

2013	\$	465,368
2014		353,578
2015		353,578
<hr/>		
Total	\$	1,172,524

10. Contingencies:

Claims are made against the Senate of Canada in the normal course of operations. The Senate of Canada 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 Main Estimates of the Senate of Canada.

12. Comparative figures:

Certain 2011 comparative figures have been reclassified to conform with the financial statement presentation adopted for 2012.