

## **Notes to and forming part of the financial statements**

for the year ended 30 June 2016

---

- Note 1: Summary of significant accounting policies
- Note 2: Expenses
- Note 3: Fair value measurements
- Note 4: Financial assets
- Note 5: Non-financial assets
- Note 6: Cash flow reconciliation
- Note 7: Senior management personnel remuneration
- Note 8: Financial instruments
- Note 9: Appropriations
- Note 10: Budget variances

## Notes to and forming part of the financial statements

for the year ended 30 June 2016

---

### Note 1: Summary of significant accounting policies

The Department of the Senate is a not-for-profit entity. Its activities are classified as departmental. Departmental activities involve the use of assets, liabilities, revenues and expenses controlled or incurred by the department in its own right within its one outcome. Further details are contained in the Statement of Comprehensive Income and the Statement of Financial Position, and in the resource statement on page 101.

#### 1.1 Basis of preparation of the financial report

The financial statements are general purpose financial statements and are required by section 42 of the *Public Governance Performance and Accountability Act 2013*.

The financial statements and notes have been prepared in accordance with:

- the *Public Governance Performance and Accountability (Financial Reporting Rule) 2015* (FRR) for reporting periods ending on or after 1 July 2015, and
- Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

The financial statements have been prepared on an accrual basis and are in accordance with historical cost convention, except for certain assets at fair value. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position.

The financial statements are presented in Australian dollars and values are rounded to the nearest thousand dollars unless otherwise specified.

#### 1.2 Significant accounting judgements and estimates

In the process of applying the accounting policies listed in this note, the department has made the following judgements that have the most significant impact on the amounts recorded in the financial statements:

- Leave provisions involve assumptions based on the expected tenure of existing staff, patterns of leave claims and payouts, future salary movements and future discount rates.

No accounting assumptions or estimates have been identified that have a significant risk of causing a material adjustment to carrying amounts of assets and liabilities within the next accounting period.

#### 1.3 New Australian accounting standards

##### Adoption of new Australian Accounting Standard requirements

All new or revised standards and interpretations issued prior to the signing of the Statement by the Clerk and Chief Finance Officer that were applicable to the current reporting period had no material financial impact on the department, and are not expected to have a future financial impact.

## Notes to and forming part of the financial statements

for the year ended 30 June 2016

---

### Early adoption of Australian Accounting Standards

The department has adopted the AASB 2015-7 *Amendments to the Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities*. This amending standard applies to annual reporting periods beginning on or after 1 July 2016. Early adoption impacts on disclosure in Note 3.

### Future Australian Accounting Standard requirements

No new or revised pronouncements were issued by the Australian Accounting Standards Board prior to the finalisation of the financial statements which are expected to have a material financial impact on the department in future reporting periods.

As a not-for-profit public sector entity, the department is currently exempt from the requirements of AASB 124 *Related Party Disclosures*. For reporting periods commencing on or after 1 July 2016, AASB 124 will be extended to apply to all not-for-profit public sector entities and the department will be required to disclose any related party transactions in accordance with the revised standard. Disclosure of comparative information is not required in the first year of application.

## 1.4 Revenue

The department receives revenue from appropriations and the rendering of services. Revenue from rendering of services is recognised by reference to the stage of completion of contracts at the reporting date. The revenue is recognised when:

- (a) the amount of revenue, stage of completion and transaction costs incurred can be reliably measured; and
- (b) the probable economic benefits associated with the transaction will flow to the entity.

The stage of completion of contracts at the reporting date is determined by reference to the proportion that costs incurred to date bear to the estimated total costs of the transaction.

### Revenue from government

Amounts appropriated for departmental appropriation for the financial year (adjusted for any formal additions and reductions) are recognised as revenue from government when the department gains control of the appropriation. Appropriations receivable are recognised at their nominal amounts.

### Resources received free of charge

Resources received free of charge are recognised in the statement of comprehensive income as revenue where the amounts can be reliably measured and the services would have been purchased if they had not been provided free of charge. Use of those resources is recognised as an expense.

## Notes to and forming part of the financial statements

for the year ended 30 June 2016

---

The department's resources received free of charge relate to audit services from the Australian National Audit Office and accommodation at Parliament House from the Department of Parliamentary Services.

### 1.5 Transactions with the government as owner

#### Equity injections

Amounts appropriated which are designated as equity injections for a year (less any formal reductions) and Departmental Capital Budgets (DCB) are recognised directly in contributed equity in that year.

### 1.6 Employee benefits

Liabilities for 'short-term employee benefits' (as defined in AASB 119 *Employee Benefits*) and termination benefits due within twelve months of end of reporting period are measured at their nominal amounts.

#### Leave

The liability for employee benefits includes provision for annual leave and long service leave. No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees of the department is estimated to be less than the annual entitlement for sick leave.

The leave liabilities are calculated on the basis of employees' remuneration at the estimated salary rates that will apply at the time the leave is taken, plus the department's employer superannuation contribution rates, and applicable on-costs, to the extent that the leave is likely to be taken during service rather than paid out on termination.

The liability for long service leave has been determined by reference to FRR 24.1(a) using the shorthand method. The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation.

#### Superannuation

Employees of the department are members of the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS), PSS accumulation plan (PSSap) or other elected defined contribution schemes.

The CSS and PSS are defined benefit schemes for the Commonwealth. The PSSap is a defined contribution scheme.

The liability for defined benefits is recognised in the financial statements of the Australian Government and is settled by the Australian Government in due course. This liability is reported by the Department of Finance as an administered item.

## **Notes to and forming part of the financial statements**

for the year ended 30 June 2016

---

The department makes employer contributions to the relevant employee superannuation scheme at rates determined by an actuary to be sufficient to meet the current cost to the government and accounts for the contributions as if they were contributions to defined contribution plans.

The liability for superannuation recognised as at 30 June 2016 represents outstanding contributions for the final pay fortnight of the year.

### **1.7 Leases**

Operating lease payments are expensed on a straight-line basis which is representative of the pattern of benefits derived from the leased assets.

The department has one operating lease; a non-cancellable three year motor vehicle lease of \$22,000 (2015: \$36,000). There is no renewal or purchase option available.

### **1.8 Financial assets**

Cash is recognised at its nominal amount. Cash and cash equivalents include:

- cash on hand, and
- demand deposits in bank accounts.

### **Receivables**

Trade receivables are classified as 'loans and receivables' and recorded at face value less any impairment. Trade receivables are recognised where the department becomes party to a contract and has a legal right to receive cash. Loans and receivables are assessed for impairment at the end of each reporting period. Allowances are made when collectability of the debt is no longer probable. Trade receivables are derecognised on payment.

### **1.9 Financial liabilities**

Supplier and other payables are recognised at amortised cost. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced). Supplier and other payables are derecognised on payment. Supplier payables are settled within 30 days.

### **1.10 Contingent liabilities and contingent assets**

The department had no quantifiable or unquantifiable contingent assets or liabilities as at 30 June 2016 (2015: nil).

### **1.11 Acquisition of assets**

Purchases of non-financial assets are initially recognised at cost in the statement of financial position, except for purchases costing less than \$2,000, which are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total). The asset threshold was last revised on 1 July 2015. The new

## Notes to and forming part of the financial statements

for the year ended 30 June 2016

threshold has been set at a consistent level across all asset classes so that resources continue to be devoted to managing the department's strategic assets. Assets below the increased asset threshold currently recorded on the asset register will be written off at the expiration of their useful lives or when fully depreciated to nil.

The cost of acquisition includes the fair value of assets transferred in exchange and liabilities undertaken. Financial assets are initially measured at their fair value.

### 1.12 Property, plant and equipment

#### Revaluations

Following initial recognition at cost, plant and equipment are carried at fair value. Carrying amounts are reviewed every year to determine if an independent valuation is required. The regularity of independent valuations depends upon the volatility of movements in market values for the relevant assets.

Revaluation adjustments are made on a class basis. Any revaluation increment is credited to equity under the heading of asset revaluation reserve except to the extent that it reverses a previous revaluation decrement of the same asset class that was previously recognised through operating result. Revaluation decrements for a class of assets are recognised directly in the surplus/deficit except to the extent that they reverse a previous revaluation increment for that class. Upon revaluation, any accumulated depreciation is eliminated against the gross carrying amount of the asset. A revaluation of the department's assets was last undertaken as at 30 June 2015.

#### Depreciation

Depreciable plant and equipment assets are written-off to their estimated residual values over their estimated useful lives to the department, using in all cases the straight-line method of depreciation. Heritage and cultural assets are not depreciated.

Depreciation rates (useful lives), residual values and methods are reviewed at each reporting date.

Depreciation and amortisation rates applying to each category of depreciable asset are based on the following useful lives:

<b>Asset class</b>	<b>2016</b>	<b>2015</b>
Plant and equipment	<b>5 to 15 years</b>	5 to 15 years
Furniture and fittings	<b>5 to 100 years</b>	5 to 100 years

## Notes to and forming part of the financial statements

for the year ended 30 June 2016

---

### Impairment

All assets, including software, were assessed for indications of impairment at 30 June 2016. Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment loss recognised if the asset's recoverable amount is less than its carrying amount.

### Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Gains or losses from disposal of plant and equipment are recognised when control of the asset has passed to the buyer.

### 1.13 Intangibles

The department's intangibles comprise of internally developed software and purchased software for internal use. These assets are carried at cost less accumulated amortisation and accumulated impairment losses.

Software is amortised on a straight-line basis over its anticipated useful life. The useful life of the department's software is 3 to 7 years (2015: 3 to 7 years).

### 1.14 Taxation

The department is exempt from all forms of taxation except fringe benefits tax (FBT) and the goods and services tax (GST).

Revenues, expenses and assets are recognised net of GST except:

- (a) where the amount of GST incurred is not recoverable from the Australian Taxation Office, and
- (b) for receivables and payables.

### 1.15 Events occurring after the reporting period

No events have occurred after balance date that should be brought to account or noted in the 2015–16 financial statements.

## Notes to and forming part of the financial statements

for the year ended 30 June 2016

	2016	2015
	\$'000	\$'000

### Note 2: Expenses

#### Note 2A: Employee benefits

Wages and salaries	14,388	13,313
Superannuation		
Defined benefit plans	1,482	1,481
Defined contribution plans	1,152	1,012
Leave and other entitlements	3,347	2,480
<b>Total employee benefits</b>	<b>20,369</b>	<b>18,286</b>

#### Note 2B: Suppliers

##### Goods and services

Professional and financial fees	481	532
Facilities and infrastructure	285	371
Recruitment and staff development	71	72
Hire charges and hospitality	184	168
Travel	848	699
Media and communications	231	271
General office	425	438
Printing	236	311
Resources received free of charge	2,016	1,974
<b>Total goods and services</b>	<b>4,777</b>	<b>4,836</b>

##### Other supplier expenses

Workers compensation	186	270
<b>Total other supplier expenses</b>	<b>186</b>	<b>270</b>
<b>Total supplier expenses</b>	<b>4,963</b>	<b>5,106</b>

## Notes to and forming part of the financial statements

for the year ended 30 June 2016

	2016 \$'000	2015 \$'000	Level <sup>1 2 3</sup>
<b>Note 3: Fair value measurements</b>			
<b>Non-financial assets</b>			
Property, plant and equipment	430	470	2
Property, plant and equipment	<u>1,189</u>	<u>1,225</u>	3
<b>Total non-financial assets</b>	<u>1,619</u>	<u>1,695</u>	
<b>Total fair value measurements of assets in the statement of financial position</b>	<b>1,619</b>	<b>1,695</b>	

- 1 Level 3 measurements use inputs to estimate fair value where there are no observable market prices for the assets being valued.
- 2 Level 2 measurements use inputs other than market value that are observable for the asset, either directly or indirectly.
- 3 No transfers have occurred between levels.

The future economic benefits of the department's property, plant and equipment are not primarily dependent on their ability to generate cash flows. The department has not disclosed quantitative information about the significant unobservable inputs for the Level 3 measurements in these classes.

All property, plant and equipment is measured at fair value in the statement of financial position. When estimating fair value, market prices (with adjustments) were used where available. Where market prices were not available, depreciated replacement cost was used.

A reconciliation of movements in property, plant and equipment has been included in Note 5.

There has been no change in valuation technique during the period.

	2016 \$'000	2015 \$'000
<b>Note 4: Financial assets</b>		
Appropriation receivable	9,923	10,853
Trade and other receivables	48	47
GST receivable (from ATO)	<u>14</u>	<u>63</u>
<b>Total trade and other receivables</b>	<b>9,985</b>	<b>10,963</b>

Receivables have terms of 30 days (2015: 30 days) and are not overdue.

## Notes to and forming part of the financial statements

for the year ended 30 June 2016

### Note 5: Non-financial assets

Reconciliation of opening and closing balances of property, plant and equipment and intangibles

	2016		
	\$'000 PP&E	\$'000 Intangibles	\$'000 Total
<b>As at 1 July 2015</b>			
Gross book value	1,695	4,227	5,922
Accumulated depreciation/amortisation	-	(1,197)	(1,197)
<b>Net book value at 1 July 2015</b>	<b>1,695</b>	<b>3,030</b>	<b>4,725</b>
Additions by purchase	14	270	284
Depreciation/amortisation expense	(69)	(513)	(582)
Disposals	(21)	-	(21)
<b>Net book value at 30 June 2016</b>	<b>1,619</b>	<b>2,787</b>	<b>4,406</b>
<b>Net book value at 30 June 2016 represented by:</b>			
Gross book value	1,688	4,497	6,185
Accumulated depreciation/amortisation	(69)	(1,710)	(1,779)
<b>Net book value at 30 June 2016 represented by:</b>	<b>1,619</b>	<b>2,787</b>	<b>4,406</b>
<b>2015</b>			
	\$'000 PP&E	\$'000 Intangibles	\$'000 Total
<b>As at 1 July 2014</b>			
Gross book value	1,665	3,533	5,198
Accumulated depreciation/amortisation	(414)	(767)	(1,181)
<b>Net book value at 1 July 2014</b>	<b>1,251</b>	<b>2,766</b>	<b>4,017</b>
Additions by purchase	181	694	875
Revaluation and impairments through equity	350	-	350
Depreciation/amortisation expense	(87)	(430)	(517)
<b>Net book value at 30 June 2015</b>	<b>1,695</b>	<b>3,030</b>	<b>4,725</b>
<b>Net book value at 30 June 2015 represented by:</b>			
Gross book value	1,695	4,227	5,922
Accumulated depreciation/amortisation	-	(1,197)	(1,197)
<b>Net book value at 30 June 2015 represented by:</b>	<b>1,695</b>	<b>3,030</b>	<b>4,725</b>

## Notes to and forming part of the financial statements

for the year ended 30 June 2016

---

	2016	2015
	\$'000	\$'000

---

### Note 6: Cash flow reconciliation

#### Reconciliation of net cost of services to net cash from operating activities

Net cost of services	(23,414)	(21,467)
Add revenue from government	21,136	20,257

#### Adjustments for non-cash items

Depreciation/amortisation	582	517
Loss/(gain) on disposal of non-current assets	3	-

#### Movements in assets and liabilities

##### Assets

(Increase) / decrease in net receivables	1,053	1,228
(Increase) / decrease in inventories	(9)	-
(Increase) / decrease in other non financial assets	9	38

##### Liabilities

Increase / (decrease) in supplier payables	96	(214)
Increase / (decrease) in other payables	(604)	68
Increase / (decrease) in employee provisions	867	217

---

<b>Net cash from operating activities</b>	<b>(281)</b>	<b>644</b>
---	--------------	------------

---

## Notes to and forming part of the financial statements

for the year ended 30 June 2016

	2016	2015
<b>Note 7: Senior management personnel remuneration</b>		
<b>Short-term employee benefits</b>		
Salary	<b>1,475,548</b>	1,444,488
<b>Total short-term employee benefits</b>	<b>1,475,548</b>	1,444,488
<b>Post-employment benefits</b>		
Superannuation	<b>215,431</b>	214,443
<b>Total post-employment benefits</b>	<b>215,431</b>	214,443
<b>Other long-term employee benefits</b>		
Annual leave	<b>103,431</b>	99,034
Long-service leave	<b>33,615</b>	32,186
<b>Total other long-term benefits</b>	<b>137,046</b>	131,220
<b>Total senior executive remuneration expenses</b>	<b>1,828,025</b>	1,790,151

The total number of senior management personnel, included in the above table, relate to six employees (2015: six).

## Notes to and forming part of the financial statements

for the year ended 30 June 2016

	2016	2015
	\$'000	\$'000

### Note 8: Financial instruments

#### Note 8A: Categories of financial instruments

##### Financial assets

Loans and receivables

Cash and cash equivalents	160	438
Other receivables	48	47

##### Total financial assets

	208	485
--	-----	-----

##### Financial liabilities

Financial liabilities measured at amortised cost

Trade creditors and accruals	258	185
------------------------------	-----	-----

##### Total financial liabilities

	258	185
--	-----	-----

The net fair value of each class of assets and liabilities are at their carrying amounts.

The department derived no interest income from financial assets in either the current or prior year.

#### Note 8B: Credit risk

The department has no significant exposure to credit risk. At the reporting date, the department's maximum credit risk exposure is in relation to the carrying amount of each class of financial assets as indicated in the statement of financial position \$10.145m (2015: \$11.401m).

#### Note 8C: Liquidity risk

The department has sufficient available financial assets to meet all financial liabilities at 30 June 2016.

## Notes to and forming part of the financial statements

for the year ended 30 June 2016

	2016	2015
	\$'000	\$'000

### Note 9: Appropriations

#### Note 9A: Annual appropriations (recoverable GST exclusive)

Annual appropriation	21,136	20,627
PGPA Act – section 74 receipts	820	1,070
Departmental capital budget (DCB) <sup>1</sup>	367	370
<b>Total appropriation</b>	<b>22,323</b>	<b>22,067</b>
Appropriation applied (current and prior years)	23,252	23,280
<b>Variance</b>	<b>(928)</b>	<b>(1,213)</b>

1 The DCB is appropriated through the *Appropriation (Parliamentary Departments) Act (No. 1)*. It is not separately identified in the Appropriation Act.

#### Note 9B: Unspent annual appropriations (recoverable GST exclusive)

##### Departmental

<i>Appropriation (Parliamentary Departments) Act (No. 1) 2014–15</i>	-	11,290
<i>Appropriation (Parliamentary Departments) Act (No. 1) 2015–16</i>	10,083	-
<b>Total</b>	<b>10,083</b>	<b>11,290</b>

#### Note 9C: Special appropriations (recoverable GST exclusive)

##### Authority <sup>2</sup>

Department of Finance – <i>Parliamentary Entitlements Act 1990</i> (s. 11)	155	172
Department of Finance – <i>Parliamentary Superannuation Act 2004</i> (s. 18)	2,122	1,997
Department of Finance – Commonwealth of Australia Constitution (s. 66)	1,668	1,495
Australian Public Service Commission – <i>Remuneration Tribunal Act 1973</i> (s. 7)	18,998	19,485
<b>Total</b>	<b>22,943</b>	<b>23,149</b>

2 The legislation establishing these special appropriations is administered by the Department of Finance and the Australian Public Service Commission. Arrangements have been entered into with these entities to allow the department to draw upon these appropriations.

## **Notes to and forming part of the financial statements**

for the year ended 30 June 2016

---

### **Note 10: Budget variances**

The comparison of the unaudited original budget as presented in the 2015–16 PBS to the 2015–16 final outcome as presented in accordance with Australian Accounting Standards is included in the statement of comprehensive income, the statement of financial position, the statement of changes in equity and the cash flow statement. Explanations of major variances are those within the control of the department.

#### **Major variances**

The variances for employees and suppliers relate to the higher support required for the sustained levels of committees and Senate activity, with additional employees engaged throughout 2015–16.

The lower balance for property, plant and equipment reflects forecast asset purchases which were deferred.

The department's loss in 2015–16 is reflected in the reduction in equity on the balance sheet.

Other non-cash adjustments, including the reduction in the government 10-year bond rate from 3.01% to 1.98%, increased the department's employee provisions for 2015–16 above that which was originally budgeted.