

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

for the year ended 30 June 2018

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## Notes to and forming part of the financial statements

for the year ended 30 June 2018

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### 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 95.

#### 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 – Reduced Disclosure Requirements 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.

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### 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.

#### 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.

### 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:

- the amount of revenue, stage of completion and transaction costs incurred can be reliably measured, and
- 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.

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.

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### 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), Public Sector Superannuation 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.

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 2018 represents outstanding contributions for the final pay fortnight of the year.

## Notes to and forming part of the financial statements

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### 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 two operating leases; non-cancellable three year motor vehicle leases of \$31,023 (2017: \$38,749). 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 2018 (2017: 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 cost of acquisition includes the fair value of assets transferred in exchange and liabilities undertaken. Financial assets are initially measured at their fair value.

## Notes to and forming part of the financial statements

for the year ended 30 June 2018

### 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 undertaken as at 30 June 2018.

#### 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>2018</b>	<b>2017</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

#### Impairment

All assets, including software, were assessed for indications of impairment at 30 June 2018. 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.

## Notes to and forming part of the financial statements

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### 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.

As a result of the transfer of furniture to the Department of Parliamentary Services the department's assets have been reduced by \$616,178 through an equity transfer.

### 1.13 Fair value measurement

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 4.

### 1.14 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 (2017: 3 to 7 years).

As a result of the transfer of software to the Department of Parliamentary Services the department's intangibles have been reduced by \$1.638m through an equity transfer.

### 1.15 Taxation

The department is exempt from all forms of taxation except Fringe Benefits Tax (FBT) and the Goods and Services Tax (GST).

### 1.16 Events occurring after the reporting period

No events have occurred after balance date that should be brought to account or noted in the 2017–18 financial statements.

## Notes to and forming part of the financial statements

for the year ended 30 June 2018

	2018	2017
	\$'000	\$'000

### Note 2: Expenses

#### Note 2A: Employee benefits

Wages and salaries	14,664	13,799
Superannuation		
Defined benefit plans	1,354	1,472
Defined contribution plans	1,413	1,278
Leave and other entitlements	3,261	3,516
<b>Total employee benefits</b>	<b>20,692</b>	<b>20,065</b>

#### Note 2B: Suppliers

##### Goods and services

Professional and financial fees	318	391
Facilities and infrastructure	990	666
Recruitment and staff development	103	89
Hire charges and hospitality	223	191
Travel	805	667
Media and communications	157	166
General office	442	446
Printing	146	260
Resources received free of charge	2,069	2,043
<b>Total goods and services</b>	<b>5,253</b>	<b>4,919</b>
<b>Other supplier expenses</b>		
Workers compensation	95	183
<b>Total other supplier expenses</b>	<b>95</b>	<b>183</b>
<b>Total supplier expenses</b>	<b>5,348</b>	<b>5,102</b>



## Notes to and forming part of the financial statements

for the year ended 30 June 2018

	2018 \$'000	2017 \$'000
<b>Note 3: Financial assets</b>		
Appropriation receivable	11,105	10,062
Trade and other receivables	1	16
GST receivable (from ATO)	12	53
<b>Total trade and other receivables</b>	<b>11,118</b>	<b>10,131</b>

Receivables have terms of 30 days (2017: 30 days) and are not overdue.

	2018 \$'000	2018 \$'000	2018 \$'000
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## Note 4: Non-financial assets

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

	PP&E	Intangibles	Total
<b>As at 1 July 2017</b>			
Gross book value	2,224	4,495	6,719
Accumulated depreciation, amortisation and impairment	(160)	(2,305)	(2,465)
<b>Total as at 1 July 2017</b>	<b>2,064</b>	<b>2,190</b>	<b>4,254</b>
Additions by purchase	610	-	610
Depreciation/amortisation expense	(132)	(492)	(624)
Revaluations and impairments through equity	(29)	-	(29)
Other movements – non reciprocal transfers	(616)	(1,638)	(2,254)
Disposals	(20)	(1)	(21)
<b>Total as at 30 June 2018</b>	<b>1,877</b>	<b>59</b>	<b>1,936</b>
<b>Total as at 30 June 2018 represented by:</b>			
Gross book value	1,877	841	2,718
Accumulated depreciation, amortisation and impairment	-	(782)	(782)
<b>Total as at 30 June 2018</b>	<b>1,877</b>	<b>59</b>	<b>1,936</b>

## Notes to and forming part of the financial statements

for the year ended 30 June 2018

### Note 5: Key management personnel compensation and related parties

#### Note 5A: Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the department, directly or indirectly, including any director (whether executive or otherwise) of the department.

The department has determined the key management personnel to be the Clerk, Deputy Clerk, Clerk Assistants and the Usher of the Black Rod. Key management personnel compensation is reported in the table below.

	<b>2018</b>	2017
	<b>\$'000</b>	\$'000
<b>Key management personnel compensation</b>		
Short-term employee benefits	<b>1,479</b>	1,420
Post-employment benefits	<b>214</b>	688
Other long-term employee benefits	<b>138</b>	88
<b>Total key management personnel compensation</b>	<b>1,831</b>	2,196

#### Note 5B: Related party transactions

Related parties to this department are defined as key management personnel and close family members of key management personnel. A related party transaction is a transfer of resources, services or obligations between the department and a related party, regardless of whether a price is charged.

During 2017–18, there were no related party transactions.

## Notes to and forming part of the financial statements

for the year ended 30 June 2018

	2018 \$'000	2017 \$'000
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### Note 6: Appropriations

#### Note 6A: Annual appropriations (recoverable GST exclusive)

Annual appropriation	23,387	22,864
PGPA Act – section 74 receipts	663	708
Departmental capital budget (DCB) <sup>1</sup>	914	894
<b>Total appropriation</b>	<b>24,964</b>	<b>24,466</b>
Appropriation applied (current and prior years)	23,921	25,265
<b>Variance</b>	<b>1,043</b>	<b>(799)</b>

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

#### Note 6B: Unspent annual appropriations (recoverable GST exclusive)

##### Departmental

<i>Appropriation (Parliamentary Departments) Act (No. 1) 2015–16</i>	-	276
<i>Appropriation (Parliamentary Departments) Act (No. 1) 2016–17</i>	110	9,944
<i>Appropriation (Parliamentary Departments) Act (No. 1) 2017–18</i>	11,206	-
<b>Total</b>	<b>11,316</b>	<b>10,220</b>

#### Note 6C: Special appropriations managed through third party arrangements (recoverable GST exclusive)

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

Department of Finance – <i>Parliamentary Entitlements Act 1990</i> (s. 11)	72	112
Department of Finance – <i>Parliamentary Superannuation Act 2004</i> (s. 18)	2,398	2,371
Department of Finance – Commonwealth of Australia Constitution (s. 66)	1,604	1,858
Australian Public Service Commission – <i>Remuneration Tribunal Act 1973</i> (s. 7) <sup>3</sup>	9,605	19,672
Department of Finance – <i>Parliamentary Business Resources Act 2017</i> (s. 59)	9,829	-
<b>Total</b>	<b>23,508</b>	<b>24,013</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.

3 From 1 January 2018, following the commencement of the *Parliamentary Business Resources Act 2017*, the department ceased making payments on behalf of the Australian Public Service Commission.

## Notes to and forming part of the financial statements

for the year ended 30 June 2018

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### Note 7: Budget variances

The comparison of the unaudited original budget as presented in the 2017–18 Portfolio Budget Statements to the 2017–18 final outcome as presented in accordance with Australian Accounting Standards and Interpretations – Reduced Disclosure Requirements 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

During 2017–18, the Clerk of the Senate agreed to the transfer of ownership of:

- (a) intangible software assets, and
- (b) a portion of the department’s heritage furniture to the Department of Parliamentary Services, by way of equity transfer.

This transfer is reflected in the lower balances of intangibles and property, plant and equipment, and equity.