



MINUTES OF PROCEEDINGS

OTTAWA, Thursday, October 22, 2020

(03)

[English]

The Standing Committee on Internal Economy, Budgets and Administration met by videoconference this day at 11:00 a.m., the Chair, the Honourable Sabi Marwah presiding.

Members of the committee present by videoconference: The Honourable Senators Carignan, P.C., Dean, Downe, Dupuis, Forest, Forest-Niesing, Gagné, Jaffer, Marshall, Martin, Marwah, Moncion, Munson, Plett, Saint-Germain, Seidman and Tannas (17).

Other senators present by videoconference: The Honourable Senator McPhedran and Pate (2).

In attendance by videoconference: Pascale Legault, Chief Corporate Services Officer and Clerk of the Standing Committee on Internal Economy, Budgets and Administration; Richard Denis, Interim Clerk of the Senate and Clerk of the Parliaments and Chief Legislative Services Officer; Philippe Hallée, Law Clerk and Parliamentary Counsel; senior Senate officials and other support staff.

Also present: The official reporters of the Senate.

WITNESSES:

Senate of Canada:

Shaila Anwar, Deputy Principal Clerk, Committees Directorate;

Nathalie Charpentier, Comptroller and Deputy Chief Financial Officer, Finance and Procurement Directorate;

Pierre Lanctôt, Chief Financial Officer, Finance and Procurement Directorate.

Ernst & Young LLP:

Suzie Gignac, Engagement Quality Review Partner;

Niguel Givogue, Manager, Assurance Services.

Pursuant to rule 12-7. (1) of the *Rules of the Senate*, the committee continued its consideration of financial and administrative matters concerning the Senate's internal administration.

The Chair made a statement.

The Chair introduced all senators that were present.

CIBA/2020-10-22/028(P) – Adoption of *Minutes of Proceedings* from October 8, 2020

The Honourable Senator Marshall moved:

That the *Minutes of Proceedings* of Thursday, October 8, 2020, be adopted.

The question being put on the motion, it was adopted on the following vote:

YEAS

The Honourable Senators

Carignan, Dean, Downe, Dupuis, Forest, Forest-Niesing, Gagné, Jaffer, Marshall, Martin, Marwah,
Moncion, Munson, Plett, Saint-Germain, Seidman, Tannas – [17]

NAYS

NIL

ABSTENTIONS

NIL

CIBA/2020-10-22/029(P) – Reports from the Audit Subcommittee

a) Financial Statements

The Chair of the Audit Subcommittee, the Honourable Senator Downe, presented the fourth report of the subcommittee as follows:

Thursday, October 22, 2020

The Audit Subcommittee of the Standing Committee on Internal Economy, Budgets and Administration has the honour to present its

FOURTH REPORT

(Intersessional Authority)

Your subcommittee has approved the Financial Statements of the Senate of Canada for the year ended March 31, 2020. The audit was conducted in accordance with Canadian generally accepted auditing standards by the professional services firm of Ernst & Young LLP.

The audit resulted in an unqualified auditor's report indicating that the financial statements present fairly, in all material respects, the financial position of the Senate of Canada as at March

31, 2020 and the results of its operations and cash flows in accordance with Canadian public sector accounting standards.

Your subcommittee recommends that these financial statements be tabled in the Senate.

Respectfully submitted,

PERCY E. DOWNE

Chair

The Honourable Senator Downe, Pierre Lanctôt and Suzie Gignac each made a statement.

Pierre Lanctôt and Suzie Gignac answered questions.

After debate, it was agreed that further debate on this item be deferred to the next meeting.

b) Recording of Capital Assets

The Chair of the Audit Subcommittee, the Honourable Senator Downe, presented the third report of the subcommittee as follows:

Thursday, October 22, 2020

The Audit Subcommittee of the Standing Committee on Internal Economy, Budgets and Administration has the honour to present its

THIRD REPORT

(Intersessional Authority)

Your subcommittee examined proposed modifications to the accounting treatment for the recording of capital assets, which will have an impact on the financial statements as presented below.

The Capital Assets Accounting Policy was first adopted by the Standing Committee on Internal Economy, Budgets and Administration on March 26, 2009 and was not updated hereafter.

The purpose of this policy is to provide direction on the appropriate and consistent accounting treatment for capital assets.

This policy provides the principles and directives to be applied in order to appropriately account for and report on capital assets in the Senate's financial statements.

Based on the work completed on the capital asset accounting policy, Finance has identified two key changes to the existing practices that will better align expenses with revenue, simplify financial accounting and improve efficiency:

- i. increase the threshold applied for the recognition of capital assets; and

- ii. discontinue the use of pooling of assets methodology for single or low volume purchases below the capitalization threshold.

The proposed modifications to the policy are aligned with current practices for public and private sector organizations with similar size as the Senate.

It should be noted that these accounting changes will have no impact on the controls surrounding tracking, accessing and monitoring of these assets. The controls over these assets will remain rigorous, only the accounting will change to be more efficient and increase relevancy of information.

Acquisition Cost Threshold

The Senate currently recognizes any acquired asset as capital asset if it has a useful life of more than one year and has an acquisition cost of \$3,000 or more.

It is recommended to increase the acquisition cost threshold to be more in line with other parliamentary entities and industry standards and to better reflect the value of capital assets by only including acquisitions of significant value.

It is proposed to increase the acquisition cost threshold to \$8,000. The proposed threshold would better reflect the operational size of the Senate and improve efficiency while accurately presenting the value of capital assets. The proposed amount of \$8,000 is lower than the current acquisition cost threshold used by the House of Commons of \$10,000, but considering the smaller value of Senate's acquisitions, a threshold of \$8,000 is deemed adequate.

If the capitalization threshold is increased to the proposed \$8,000, the assets that were capitalized in the past will continue to be amortized until the end of their life cycle. Therefore, the increased Annual deficit on the statement of operations presented in the Financial Statements would gradually reduce over time until the net value of these assets reaches zero.

This change in accounting policy will be implemented prospectively (prior year amounts will not be restated), effective April 1, 2020, but will require explanation in a note to the financial statements.

Pooling of Assets

Certain assets that have a useful life greater than one year are currently capitalized, regardless of their unit cost, and placed in a pool for the application of the group amortization. Although the current Policy has a capitalization threshold of \$3,000, in reality the Senate has been capitalizing assets over \$350 based on the pooling approach.

It is recommended to modify the pooling of assets for accounting purposes when buying individual assets in order to be more in line with other parliamentary entities and industry standards, better portray the value of capital assets by only including acquisitions of significant value and to set the monitoring of capital assets at a level of effort appropriate to the requirements of financial statements' users. Pooling of assets would be used only for large purchase of similar assets (greater than the capitalization threshold), for example when purchasing a large quantity of laptops.

If the pooling of assets is modified, the assets that were pooled in the past would continue to be amortized until the end of their life cycle. Therefore, the increased Annual deficit on the statement of operations would gradually lessen over time until the net value of these pooled assets reaches zero.

This change in accounting policy will be implemented prospectively (prior year amounts will not be restated), effective April 1, 2020, but will require explanation in a note to the financial statements.

Financial impact

The first year overall impact of the proposed changes would result in a reduction in Tangible capital assets and Accumulated surplus of \$285,567; An increase in the Annual deficit of \$285,567 (additional expenses of \$317,297 and reduction in Amortization of tangible capital assets of \$31,730); and a decrease of Acquisition of tangible capital assets of \$317,297.

The increased Annual deficit on the statement of operations would gradually lessen over time until the net value of the assets capitalized under the previous capital assets policy reaches zero.

The impact of these changes would be considered non-material in the context of the preparation of the financial statements since it is below our planning materiality of \$2 million.

Consultation with the Auditor

Senate's auditors (Ernst & Young) have been consulted and they are in agreement with the recommended changes to increase the acquisition cost threshold to \$8,000 and modify the pooling of assets.

Conclusion

Based on the consultations and analysis completed, Finance believes the Senate should make two key changes to its asset capitalization policy:

- i. increase the threshold applied for the recognition of capital assets from \$3,000 to \$8,000; and
- ii. discontinue the use of pooling of assets methodology for single or low volume purchases below the capitalization threshold.

These changes are supported by the approach used by other parliamentary entities and other government organizations of similar size, and are aligned with the practice of outside organizations.

Recommendation

After reviewing this information, your Audit Subcommittee recommends that CIBA:

- approve changes to the capitalization threshold for assets to increase from \$3,000 to \$8,000;
- approve the elimination of the pooling of assets for single or low volume purchases below the capitalization threshold; and
- approve that the policy changes take into effect on April 1, 2020.

Respectfully submitted,

PERCY E. DOWNE

Chair

The Honourable Senator Downe made a statement.

Pierre Lanctôt answered questions.

After debate, the Honourable Senator Downe moved:

That the changes to the capitalization threshold for assets to increase from \$3,000 to \$8,000 be approved;

That the elimination of the pooling of assets for single or low volume purchases below the capitalization threshold be approved; and

That the policy changes take into effect on April 1, 2020.

The question being put on the motion, it was adopted on the following vote:

YEAS

The Honourable Senators

Carignan, Dean, Downe, Dupuis, Forest, Forest-Niesing, Gagné, Jaffer, Marshall, Martin, Marwah, Moncion, Munson, Plett, Saint-Germain, Seidman, Tannas – [17]

NAYS

NIL

ABSTENTIONS

NIL

c) Quarterly Financial Report

It was agreed that this item be deferred to the next meeting.

It was agreed that this item be deferred to the next meeting.

CIBA/2020-10-22/031(P) – CIBA and Subcommittee Information on the Senate Website

Shaila Anwar made a statement and answered questions on the integration of CIBA subcommittees information on the Senate website.

The Honourable Senator Munson moved:

That all CIBA subcommittees remain on the public website in the new session and publish information in a similar manner as CIBA;

That CIBA and its subcommittees use the “Briefs and Other Documents” page to post public documents that are received from witnesses or other third parties; and

That CIBA continue to publish reports of subcommittees that are tabled or presented during public portions of their meetings in their Minutes of Proceedings and send an electronic copy to those requesting it before the Minutes are posted publicly.

The question being put on the motion, it was adopted on the following vote:

YEAS

The Honourable Senators

Carignan, Dean, Downe, Dupuis, Forest, Forest-Niesing, Gagné, Jaffer, Marshall, Martin, Marwah, Moncion, Munson, Plett, Saint-Germain, Seidman, Tannas – [17]

NAYS

NIL

ABSTENTIONS

NIL

CIBA/2020-10-22/032(P) – Motion from the Subcommittee on Senate Estimates – Funding Formula for Senate Leadership, Caucus and Groups

The Honourable Senator Moncion made a statement on a request from the Subcommittee on Senate Estimates to extend its reporting date for the review of the formula for allocations of caucus/groups and House Officer Budgets.

The Honourable Senator Moncion moved:

That, notwithstanding the order of the Standing Committee on Internal Economy, Budgets and Administration adopted on August 27, 2020, the date for the final report of the Subcommittee on the Senate Estimates in relation to its study on the review of the formula for determining the allocations of caucus/groups and House Officers Budgets, be extended from October 30th to November 19th, 2020.

The question being put on the motion, it was adopted on the following vote:

YEAS

The Honourable Senators

Carignan, Dean, Downe, Dupuis, Forest, Forest-Niesing, Gagné, Jaffer, Marshall, Martin, Marwah,
Moncion, Munson, Plett, Saint-Germain, Seidman, Tannas – [17]

NAYS

NIL

ABSTENTIONS

NIL

CIBA/2020-10-22/033(P) – LTVP: Jury for Block 2 Architectural Design Competition

The Chair informed the committee that the Honourable Senator Plett will represent the Senate on the jury for Block 2 Architectural Design Competition.

CIBA/2020-10-22/034(P) – Audit on Information Technology Cybersecurity Infrastructure

The Chair informed the committee that the Subcommittee on Agenda and Procedure has approached the Board of Internal Economy of the House of Commons, on the advice of the Audit Subcommittee, to conduct a joint audit of the IT cybersecurity infrastructure.

At 11:45 a.m., the committee suspended.

At 11:46 a.m., the committee resumed in camera, pursuant to rule 12-16. (1).

At 1:09 p.m., the committee adjourned to the call of the chair.

ATTEST:

Pascale Legault
*Chief Corporate Services Officer and Clerk of the Standing Committee on
Internal Economy, Budgets and Administration*

Gérald Lafrenière
Recording Secretary