

# SACE Board of South Australia

Financial report  
for the year ended  
31 December 2019



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## To the Chief Executive SACE Board of South Australia

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 19A of the *SACE Board of South Australia Act 1983*, I have audited the financial report of the SACE Board of South Australia (the SACE Board) for the financial year ended 31 December 2019.

### Opinion

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the SACE Board of South Australia as at 31 December 2019, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

The financial report comprises:

- a Statement of Comprehensive Income for the year ended 31 December 2019
- a Statement of Financial Position as at 31 December 2019
- a Statement of Changes in Equity for the year ended 31 December 2019
- a Statement of Cash Flows for the year ended 31 December 2019
- notes, comprising significant accounting policies and other explanatory information
- a Certificate from the Presiding Member, Chief Executive and Team Leader, Finance, Risk and Audit.

### Basis for opinion

I conducted the audit in accordance with the *Public Finance and Audit Act 1987* and Australian Auditing Standards. My responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial report' section of my report. I am independent of the SACE Board. The *Public Finance and Audit Act 1987* establishes the independence of the Auditor-General. In conducting the audit, the relevant ethical requirements of APES 110 Code of Ethics for Professional Accountants have been met.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my opinion.

## **Responsibilities of the Chief Executive and the SACE Board for the financial report**

The Chief Executive is responsible for the preparation of the financial report that gives a true and fair view in accordance with the Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and the Australian Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

The SACE Board is responsible for overseeing the entity's financial reporting process.

## **Auditor's responsibilities for the audit of the financial report**

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit 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 SACE Board's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Executive
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

My report refers only to the financial report described above and does not provide assurance over the integrity of electronic publication by the entity on any website nor does it provide an opinion on other information which may have been hyperlinked to/from the report.

I communicate with the Chief Executive about, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during the audit.

A handwritten signature in black ink, appearing to read 'Andrew Richardson', with a long horizontal line extending to the right.

Andrew Richardson

**Auditor-General**

19 March 2020

Certification of the Financial Statements

We certify that the attached general purpose financial statements for the SACE Board of South Australia:

- comply with relevant Treasurer's Instructions issued under section 41 of the *Public Finance and Audit Act 1987* and relevant Australian Accounting Standards;
- are in accordance with the accounts and records of the SACE Board of South Australia; and
- present a true and fair view of the financial position of the SACE Board of South Australia as at 31 December 2019 and the results of its operations and cash flows for the calendar year.

We certify that the internal controls employed by the SACE Board of South Australia for the calendar year over its financial reporting and its preparation of the general purpose financial statements have been effective throughout the reporting period.



Jane Danvers  
Presiding Member

18 March 2020

Date:



Martin Westwell  
Chief Executive

17 March 2020

Date:



Alan Herman  
Team Leader, Finance, Risk and Audit

Date:

17 March 2020

**SACE Board of South Australia**  
**Annual Financial Statements for the year ended 31 December 2019**

**SACE Board of South Australia**  
**Statement of Comprehensive Income**  
for the year ended 31 December 2019

	Note	2019 \$'000	2018 \$'000
<b>Expenses</b>			
Employee benefits expenses	2.3	14 487	14 614
Supplies and services	3.1	7 098	6 895
Depreciation and amortisation	3.2	757	1 126
Replacement teachers' expense	3.3	832	1 088
<b>Total expenses</b>		<b>23 174</b>	<b>23 723</b>
<b>Income</b>			
Sales of goods and services	4.2	4 095	3 745
Interest	4.3	192	210
Resources received free of charge	4.4	91	105
Replacement teachers' write-back	4.5	347	354
Other income	4.6	293	299
<b>Total income</b>		<b>5 018</b>	<b>4 713</b>
<b>Net cost of providing services</b>		<b>18 156</b>	<b>19 010</b>
<b>Revenues from/Payments to SA Government</b>			
Revenues from SA Government	4.1	21 081	20 480
<b>Net result</b>		<b>2 925</b>	<b>1 470</b>
Other comprehensive income		-	-
<b>Total comprehensive result</b>		<b>2 925</b>	<b>1 470</b>

The accompanying notes form part of these financial statements.  
The net result and total comprehensive result are attributable to the SA Government as owner.

SACE Board of South Australia  
Annual Financial Statements for the year ended 31 December 2019

SACE Board of South Australia  
Statement of Financial Position  
as at 31 December 2019

	Note	2019 \$'000	2018 \$'000
<b>Current Assets</b>			
Cash and cash equivalents	6.1	14 779	12 605
Receivables	6.2	674	396
Right-of-use assets	5.2	4	-
<b>Total current assets</b>		<b>15 457</b>	<b>13 001</b>
<b>Non-current Assets</b>			
Receivables	6.2	28	20
Plant and equipment	5.1	75	114
Intangible assets	5.3	5 128	4 304
<b>Total non-current assets</b>		<b>5 231</b>	<b>4 438</b>
<b>Total assets</b>		<b>20 688</b>	<b>17 439</b>
<b>Current Liabilities</b>			
Payables	7.1	1 329	1 024
Contract liabilities	4.2	368	-
Employee benefits liability	2.4	1 232	1 273
Replacement teachers	7.2	463	642
Other liabilities	7.3	-	140
Lease liabilities	7.4	4	-
<b>Total current liabilities</b>		<b>3 396</b>	<b>3 079</b>
<b>Non-current Liabilities</b>			
Payables	7.1	274	243
Employee benefits liability	2.4	2 991	2 652
<b>Total non-current liabilities</b>		<b>3 265</b>	<b>2 895</b>
<b>Total liabilities</b>		<b>6 661</b>	<b>5 974</b>
<b>Net assets</b>		<b>14 027</b>	<b>11 465</b>
<b>Equity</b>			
Retained earnings		14 027	11 465
<b>Total equity</b>		<b>14 027</b>	<b>11 465</b>

The accompanying notes form part of these financial statements.  
The total equity is attributable to the SA Government as owner.

**SACE Board of South Australia**  
**Annual Financial Statements for the year ended 31 December 2019**

**SACE Board of South Australia**  
**Statement of Changes in Equity**  
for the year ended 31 December 2019

	Note	Staff Entitlements Reserve \$'000	Retained Earnings \$'000	Total Equity \$'000
Balance at 1 January 2018		2 625	7 370	9 995
<b>Net result for 2018</b>		-	1 470	1 470
<b>Total comprehensive result for 2018</b>		-	1 470	1 470
<b>Balance at 1 January 2019</b>		<b>2 625</b>	<b>8 840</b>	<b>11 465</b>
Changes in accounting policy on adoption of AASB 15 and 1058		-	( 363)	( 363)
<b>Adjusted balance as at 2019</b>		<b>2 625</b>	<b>8 477</b>	<b>11 102</b>
<b>Net result for 2019</b>		-	2 925	2 925
<b>Total comprehensive result for 2019</b>		-	2 925	2 925
Transfer between equity components	8.1	(2 625)	2 625	-
<b>Balance at 31 December 2019</b>		<b>-</b>	<b>14 027</b>	<b>14 027</b>

The accompanying notes form part of these financial statements.  
All changes in equity are attributable to the SA Government as owner.

SACE Board of South Australia  
**Annual Financial Statements for the year ended 31 December 2019**

SACE Board of South Australia  
**Statement of Cash Flows**  
for the year ended 31 December 2019

	Note	2019 \$'000	2018 \$'000
<b>Cash Flows from Operating Activities</b>			
<i>Cash Outflows</i>			
Employee benefit payments		(14 226)	(14 260)
Payments for supplies and services		(7 480)	(7 445)
Replacement teachers		( 665)	( 717)
<b>Cash used in operations</b>		<b>(22 371)</b>	<b>(22 422)</b>
<i>Cash Inflows</i>			
Sales of goods and services		3 987	3 968
Interest received		199	211
GST recovered from the ATO		502	567
Other receipts		319	741
<b>Cash generated from operations</b>		<b>5 007</b>	<b>5 487</b>
<b>Cash flows from SA Government</b>			
Receipts from SA Government	4.1	21 081	20 480
<b>Cash generated from SA Government</b>		<b>21 081</b>	<b>20 480</b>
<b>Net cash provided by (used in) operating activities</b>		<b>3 717</b>	<b>3 545</b>
<b>Cash Flows from Investing Activities</b>			
<i>Cash Outflows</i>			
Purchases of intangible assets		(1 530)	(1 713)
<b>Net cash provided by (used in) investing activities</b>		<b>(1 530)</b>	<b>(1 713)</b>
<b>Cash Flows from Financing Activities</b>			
<i>Cash Outflows</i>			
Repayment of leases		( 13)	-
<b>Net cash provided by (used in) financing activities</b>		<b>( 13)</b>	<b>-</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>2 174</b>	<b>1 832</b>
Cash and cash equivalents at the beginning of the calendar year		12 605	10 773
<b>Cash and cash equivalents at the end of the calendar year</b>	6.1	<b>14 779</b>	<b>12 605</b>

The accompanying notes form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS**

<b>1. About the SACE Board of South Australia</b> .....	<b>6</b>
1.1 Basis of preparation .....	6
1.2 Objectives and programs .....	6
<b>2. Board, committees and employees</b> .....	<b>7</b>
2.1 Key management personnel .....	7
2.2 Board and committee members .....	7
2.3 Employee benefits expenses .....	7
2.4 Employee benefits liability .....	8
<b>3. Expenses</b> .....	<b>9</b>
3.1 Supplies and services .....	9
3.2 Depreciation and amortisation .....	9
3.3 Replacement teachers' expense .....	10
<b>4. Income</b> .....	<b>10</b>
4.1 Revenues from SA Government .....	10
4.2 Sales of goods and services .....	10
4.3 Interest .....	11
4.4 Resources received free of charge .....	11
4.5 Replacement teachers' write-back .....	11
4.6 Other income .....	11
<b>5. Non-financial assets</b> .....	<b>12</b>
5.1 Plant and equipment .....	12
5.2 Right-of-use assets .....	12
5.3 Intangible assets .....	13
<b>6. Financial assets</b> .....	<b>13</b>
6.1 Cash and cash equivalents .....	13
6.2 Receivables .....	13
<b>7. Liabilities</b> .....	<b>14</b>
7.1 Payables .....	14
7.2 Replacement teachers .....	14
7.3 Other liabilities .....	14
7.4 Lease liabilities .....	14
<b>8. Other disclosures</b> .....	<b>15</b>
8.1 Equity .....	15
8.2 Cash flow .....	15
<b>9. Changes in accounting policy</b> .....	<b>15</b>
9.1 Treasurer's Instructions (Accounting Policy Statements) .....	15
9.2 AASB 16 Leases .....	15
9.3 AASB 15 Revenue from Contracts with Customers .....	16
9.4 AASB 1058 Income of Not-for-Profit Entities .....	16
9.5 Effects on financial statements from AASB 15 and AASB 1058 .....	17
<b>10. Outlook</b> .....	<b>17</b>
10.1 Unrecognised contractual commitments .....	17
10.2 Expected realisation of contract liabilities as revenue .....	17
10.3 Contingent assets and liabilities .....	18
<b>11. Measurement and risk</b> .....	<b>18</b>
11.1 Long service leave liability - measurement .....	18
11.2 Fair value .....	18
11.3 Financial instruments .....	18

**1. About the SACE Board of South Australia**

The SACE Board of South Australia is a statutory authority established under the *SACE Board of South Australia Act 1983* (the Act). The SACE Board does not control any other entity and has no interests in unconsolidated structured entities. The SACE Board has not entered into any contractual arrangements that involve the sharing of control or significant influence over another entity. The financial statements and accompanying notes include all the controlled activities of the authority.

**1.1 Basis of preparation**

These financial statements are general purpose financial statements prepared in compliance with:

- section 23 of the *Public Finance and Audit Act 1987*;
- Treasurer's Instructions and Accounting Policy Statements issued by the Treasurer under the *Public Finance and Audit Act 1987*; and
- relevant Australian Accounting Standards with reduced disclosure requirements.

For the 2019 financial statements, the SACE Board is required to comply with new Treasurer's Instructions (Accounting Policy Statements) issued on 22 March 2019. The SACE Board has also adopted *AASB 15 - Revenue from Contracts with Customers*, *AASB 16 - Leases*, and *AASB 1058 - Income of Not-for-Profit Entities*. Further information is provided in note 9.

The financial statements are prepared based on a 12 month reporting period and presented in Australian currency. The historical cost convention is used unless a different measurement basis is specifically disclosed in the note associated with the item measured.

Income, expenses, and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods or services is not recoverable from the Australian Taxation Office, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item applicable
- receivables and payables, which are stated with the amount of GST included.

Where asset and liability line items combine amounts expected to be realised within 12 months and more than 12 months' the SACE Board has separately disclosed the amounts expected to be recovered or settled after more than 12 months.

**1.2 Objectives and programs**

The SACE Board of South Australia aims to achieve student success through the South Australian Certificate of Education (the SACE), by providing a locally and internationally respected qualification that gives all students the capabilities to move successfully into further learning and work as confident and responsible citizens.

The SACE Board is actively pursuing three key strategic objectives:

1. Increase the number of students completing the SACE
2. Support quality curriculum, teaching, learning, and assessment
3. Secure financial sustainability for the SACE Board, and economic benefit for the state.

The main programs of the SACE Board of South Australia, prescribed by the *SACE Board Act of South Australia Act 1983*, are to:

- establish a qualification to be called the South Australian Certificate of Education (SACE)
- determine the requirements for the achievement of the SACE
- accredit subjects and courses that will be recognised by the SACE Board as being suitable for the purposes of the SACE
- assess achievements in or satisfactory completion of subjects or courses
- assure the quality and suitability of processes and standards used to assess the achievements of students for the purposes of the SACE, and
- prepare and publish information and guidelines in relation to the requirements of the SACE.

The SACE Board is predominantly funded from grants provided by the State Government.

**SACE Board of South Australia**  
**Annual Financial Statements for the year ended 31 December 2019**

**2. Board, committees and employees**

**2.1 Key management personnel**

Key management personnel of the SACE Board include the Minister, the Chief Executive Officer, Board members and the Deputy Chief Executive Officer. In the previous period, the authority was governed by the Minister, the Chief Executive Officer, Board members and its three executive managers.

Total compensation for the SACE Board's key management personnel was \$683 000 (2018: \$1 028 million). Salaries and other benefits the Minister for Education receives are excluded from this total. The Minister's remuneration and allowances are set by the *Parliamentary Remuneration Act 1990* and the Remuneration Tribunal of SA respectively and are payable from the Consolidated Account (via the Department of Treasury and Finance) under section 6 the *Parliamentary Remuneration Act 1990*.

The SACE Board has not identified any material transactions with key management personnel and other related parties during 2019.

**2.2 Board and committee members**

Members during the 2019 calendar year were:

**SACE Board of South Australia**

**Presiding Member**

Ms Jane Danvers

**Deputy Presiding Member**

Ms Ann Doolette

**Members**

Mr Andrew Balkwill (commenced 1 July)

Mr Alistair Brown (commenced 1 July)\*

Ms Kerrie Campbell

Ms Anne Dunstan (resigned 28 Nov)

Mr Kim Hebenstreit

Mr Andy Keough

Mr Peter McKay (term ended 30 June)\*

Ms Helen O'Brien (term ended 30 June)

Mr Peter Prest

Mr Trevor Read\*

Ms Pamela Ronan

Ms Shannon Warren (commenced 29 Nov)

**The number of Board and committee members whose remuneration received or receivable falls within the following bands:**

	2019	2018
	No.	No.
\$0 to \$19 999	10	13
\$20 000 to \$39 999	1	1
<b>Total number of Board and committee members</b>	<b>11</b>	<b>14</b>

\* In accordance with the Premier and Cabinet Circular No.016, government employees did not receive any remuneration for board/committee duties during the financial year.

The total remuneration received or receivable by members was \$129 000 (2018: \$118 000). Remuneration of members includes sitting fees, superannuation contributions, salary sacrifice benefits, fringe benefits and any related fringe benefits tax.

**2.3 Employee benefits expenses**

	2019	2018
	\$'000	\$'000
Salaries and wages	9 072	9 096
Casual salaries external assessment	1 807	1 908
Casual salaries moderation	241	281
Casual salaries other	159	130
Long service leave (LSL)	408	407
Annual leave	775	683
SERL	52	51
Employment on-costs - superannuation*	1 191	1 278
Employment on-costs - other	658	657
Fringe benefits tax	7	18
Board and committee fees	117	105
<b>Total employee benefits expenses</b>	<b>14 487</b>	<b>14 614</b>

\*Employment on-costs - superannuation

The superannuation employment on-cost charge represents the authority's contributions to superannuation plans in respect of current services of current employees.

SACE Board of South Australia  
Annual Financial Statements for the year ended 31 December 2019

Executive remuneration

	2019 No.	2018 No.
The number of employees whose remuneration received or receivable falls within the following bands:		
\$151 001 to \$171 000	3	1
\$171 001 to \$191 000	1	1
\$191 001 to \$211 000	-	1
\$211 001 to \$231 000	1	1
\$241 001 to \$261 000	1	-
\$311 001 to \$331 000	1	1
<b>Total</b>	<b>7</b>	<b>5</b>

The total remuneration received by those employees for the year was \$1.447 million (2018: \$1.079 million)

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of employees reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, salary sacrifice benefits, and fringe benefits and any fringe benefits tax paid or payable in respect of those benefits.

2.4 Employee benefits liability

	2019 \$'000	2018 \$'000
<b>Current</b>		
Accrued salaries and wages	306	201
Annual leave	710	762
Long service leave	154	242
Skills and experience retention leave	62	68
<b>Total current employee benefits</b>	<b>1 232</b>	<b>1 273</b>
<b>Non-current</b>		
Long service leave	2 991	2 652
<b>Total non-current employee benefits</b>	<b>2 991</b>	<b>2 652</b>
<b>Total employee benefits</b>	<b>4 223</b>	<b>3 925</b>

Employee benefits accrue as a result of services provided up to the reporting date that remain unpaid. Long-term employee benefits are measured at present value and short-term employee benefits are measured at nominal amounts.

Salaries and wages, annual leave, skills and experience retention leave (SERL) and sick leave

The liability for salary and wages is measured as the amount unpaid at the reporting date at remuneration rates current at the reporting date.

The annual leave liability and the SERL liability in full is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid.

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 is estimated to be less than the annual entitlement for sick leave.

Long service leave

The liability for long service leave is measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Details about the measurement of long service leave liability is provided at note 7.1 and 11.1.

**SACE Board of South Australia**  
**Annual Financial Statements for the year ended 31 December 2019**

**3. Expenses**

Employee benefits expenses are disclosed in note 2.3.

The SACE Board incurs a range of other expenses associated with its ongoing and strategic programs. The present modernisation of the SACE Board's major functions, including electronic exams, has required a large spend on external contractors. These contractors are mainly temporary staff working on those initiatives, and organisations procured to provide expertise, supplies and services to assist in the transition.

**3.1 Supplies and services**

	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
Office accommodation	1 285	1 233
Computing and communication	997	1 076
Fleet management costs	8	31
Shared Services SA charges	106	105
Consultants	51	62
Contractors	1 536	1 695
Printing	129	167
Travel and accommodation	277	282
Postage, courier, and freight	313	404
Motor vehicle transport	67	96
Software	885	801
Venue hire	111	67
Hospitality	69	96
Stationery and office supplies	57	65
Equipment hire	69	63
Repairs and maintenance	182	46
Security	20	14
Staff development	256	144
Impairment loss on receivables	20	14
Other	660	434
<b>Total supplies and services</b>	<b>7 098</b>	<b>6 895</b>

**Consultants**

The number and dollar amount of consultancies paid/payable (included in supplies and services expense) that fell within the following bands:

	<b>2019</b>	<b>2018</b>		
	<b>No.</b>	<b>\$'000</b>	<b>No.</b>	<b>\$'000</b>
Below \$10 000	1	2	-	-
\$10 000 or above	2	49	2	62
<b>Total</b>	<b>3</b>	<b>51</b>	<b>2</b>	<b>62</b>

**3.2 Depreciation and amortisation**

	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
Leasehold improvements	-	14
Motor Vehicles - Leased	11	-
Equipment	27	27
Computer equipment	12	15
Intangible assets	707	1 070
<b>Total depreciation and amortisation</b>	<b>757</b>	<b>1 126</b>

Under the adoption of the new standard AASB16 Leases, depreciation on the right of use assets for motor vehicles have been included. The new standard has been applied using the modified retrospective approach, comparatives have not been re-stated for 2018. All non-current assets, with a limited useful life, are systematically depreciated or amortised over their useful lives in a manner that reflects the consumption of their service potential.

**Review of accounting estimates**

Assets' residual values, useful lives and amortisation methods are reviewed and adjusted if appropriate, on an annual basis. Changes in the expected life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the time period or method, as appropriate.

In 2019, the SACE Board reviewed the useful life of internally developed computer software and adjusted it from 5 years to 10 years. This has resulted in a decrease in the amortisation for the intangible assets in 2019.

#### Useful life

Depreciation and amortisation are calculated on a straight-line basis.

Leased property, plant and equipment, are depreciated over the lease term. Owned property, plant and equipment and intangible assets are depreciated and amortised over the estimated useful life as follows:

Class of asset	Useful Life (Years)
Equipment	3 - 10 years
Right of Use Assets - Motor Vehicles	Life of the Lease, or unexpired period of the lease, whichever is shorter
Computer Equipment	3 - 8 years
Off the Shelf Software	Life of the contract, or the unexpired period of the contract, whichever is shorter.
Internally Developed Software	5 - 10 years
Leasehold improvements	Lease term

The useful lives of intangible assets are assessed to be either finite or indefinite. The SACE Board only has intangible assets with finite lives. The amortisation period and the amortisation method for intangible assets is reviewed on an annual basis.

#### 3.3 Replacement teachers' expense

	2019 \$'000	2018 \$'000
Temporary replacement teachers	832	1 088
<b>Total replacement teachers' expense</b>	<b>832</b>	<b>1 088</b>

This expense relates to costs incurred by schools for the release of teachers to undertake duties for the SACE Board. The SACE Board issues schools with vouchers entitling them to make a claim for reimbursement of their costs. The expense comprises a total of the amount of claims paid by the SACE Board plus an estimate of the cost of outstanding claims not yet received. The estimate of the cost of claims not yet received is equal to the number of unclaimed vouchers issued to schools at a value per voucher of the average cost per claim in 2019, plus indexation.

See also Note 7.2 for details of the unclaimed funds as at 31 December 2019.

#### 4. Income

##### 4.1 Revenues from SA Government

	2019 \$'000	2018 \$'000
Operating grant	21 081	20 480
<b>Total revenues from SA Government</b>	<b>21 081</b>	<b>20 480</b>

##### Operating grant

The operating grant is recognised as revenue when the SACE Board obtains control over the funding. Control over the operating grant is normally obtained upon receipt.

Total revenues consist of \$18 446 000 (2018: \$18 035 000) for operational funding and \$2 635 000 (2018: \$2 445 000) for capital projects.

##### 4.2 Sales of goods and services

All revenue from the sales of goods and services is revenue recognised from contracts with customers and therefore AASB 15 has been applied.

	2019 \$'000	2018 \$'000
Northern Territory Government	2 154	2 048
SACE International Program	1 113	843
Overseas students studying in South Australia	641	562
Institute of Educational Assessors (IEA)	152	252
Other	35	40
<b>Total sales of goods and services</b>	<b>4 095</b>	<b>3 745</b>

##### Northern Territory arrangement

The SACE Board has an exclusive agreement with the Northern Territory Government to have the SACE delivered through all Northern Territory government schools.

This contract includes a number of performance obligations with related transaction prices allocated against each obligation. The majority of the performance obligations are recognised over the academic year as services are provided. The provision of results, being one of the performance obligations, is recognised at a point in time at the end of the academic year.

##### SACE International program

SACE International program provides services to schools in China, Vietnam, Vanuatu and Malaysia to support the provision of the SACE to students who select to undertake it.

Contracts with each school include performance obligations. In such cases, the transaction price is allocated to each obligation to determine when revenue is recognised based on expected work effort. Two components of the transaction price are outlined below:

- a cycle fee annually charged to the school represents the provision of services to enable the school to offer the courses of study in accredited subjects. This is recognised over the academic year.
- student fee charged per student recognised at a point in time at completion of the academic year when results are released.

##### Overseas students studying in SA

The SACE Board charges fees to international students who hold a sub-class visa 500 under the SACE Board Regulations.

The SACE Board has assessed that there is an implied contract between the SACE Board and each student with the performance obligation being the release of results and certificate. The revenue is recognised when the performance obligation is met at the end of the academic year.

##### Institute of Educational Assessors

**SACE Board of South Australia**  
**Annual Financial Statements for the year ended 31 December 2019**

IEA provides professional learning for teachers who are seeking to strengthen their expertise in the quality assessment of student achievement in accordance with the SACE Board's standards.

The learning program consists of the delivery of 5 modules which are separately identifiable and can be sold separately. Therefore revenue is recognised at a point in time on completion of the delivery of each individual module being considered the satisfaction of the performance obligation.

**Contract balances**

	31 December 2019	1 January 2019
	\$'000	\$'000
Receivables from contracts with customers included in 'Receivables'	365	144
Contract assets	-	-
Contract liabilities	368	363
<b>Total revenue from contracts with customers</b>	<b>733</b>	<b>507</b>

The new revenue standard AASB15 *Revenue from Contracts with Customers*, has been applied using the modified retrospective approach, comparatives have not been re-stated for 2018. Under the adoption of the new standard, contract liabilities relate to cash received from SACE International schools and customers of the Institute of Educational Assessors who have prepaid their fees. These revenues will be earned within the next 12 months. Refer to Note 7.3.

**4.3 Interest**

	2019	2018
	\$'000	\$'000
Interest on cash and cash equivalents	192	210
<b>Total interest revenues</b>	<b>192</b>	<b>210</b>

**4.4 Resources received free of charge**

	2019	2018
	\$'000	\$'000
Services received free of charge - Shared Services SA	91	105
<b>Total resources received free of charge</b>	<b>91</b>	<b>105</b>

**4.5 Replacement teachers' write-back**

	2019	2018
	\$'000	\$'000
Replacement teachers' write-back income	347	354
<b>Total Replacement teacher's write-back income</b>	<b>347</b>	<b>354</b>

The write-back relates to outstanding amounts, recorded as expenses, raised up to semester 2 of the previous year, for which schools have not sought reimbursement within the allowable claim time. This write-back is recorded as revenue in the statement of comprehensive income in accordance with accounting standards. Refer to Note 3.3 for additional explanation of the liability for replacement teachers.

**4.6 Other income**

	2019	2018
	\$'000	\$'000
Scaling grant	190	115
Miscellaneous income	103	184
<b>Total other income</b>	<b>293</b>	<b>299</b>

The Scaling grant is provided by the South Australian Tertiary Admissions Centre (SATAC), for the SACE Board to provide services on their behalf. This revenue has been recognised under AASB15 over the academic year. This fee is charged annually.

**SACE Board of South Australia**  
**Annual Financial Statements for the year ended 31 December 2019**

**5. Non-financial assets**

The SACE Board is required to manage a large range of information, including students' results over many years. Bespoke IT systems deliver the required functionality to manage the information, as well as maintain the integrity of the authority. Software is under constant development and enhancement to support the SACE Board's functions, with much of this effort capitalised in accordance with Australian Accounting Standards. The SACE Board does not require significant physical assets to perform its functions.

**5.1 Plant and equipment**

Equipment comprises owned and leased tangible assets.

	2019 \$'000	2018 \$'000
Leasehold improvements at fair value	196	196
Accumulated depreciation at the end of the period	( 196)	( 196)
<b>Total leasehold improvements</b>	<b>-</b>	<b>-</b>
Equipment at cost (deemed fair value)	147	147
Accumulated depreciation at the end of the period	( 100)	( 73)
<b>Total equipment</b>	<b>47</b>	<b>74</b>
Computer equipment at cost (deemed fair value)	984	984
Accumulated depreciation at the end of the period	( 956)	( 944)
<b>Total computer equipment</b>	<b>28</b>	<b>40</b>
<b>Total plant and equipment</b>	<b>75</b>	<b>114</b>

Further information about right-of-use assets (leases) is provided in section 5.2.

Owned equipment with a value equal to or in excess of \$10 000 is capitalised, otherwise it is expensed.

Owned equipment is recorded at fair value. Detail about the SACE Board's approach to fair value is set out in note 11.2.

The SACE Board has restated the cost and accumulated depreciation for plant and equipment in 2018. The net balances remain correct. A review of the asset listing in 2019 identified assets that had been disposed of in prior years but the records had not been updated. There was no impact to the net balances in 2018 or 2019 as all assets disposed of had been fully depreciated in earlier years.

**Impairment**

There were no indications of impairment of equipment assets as at 31 December 2019.

**Reconciliation 2019**

	Leasehold improve- ments \$'000	Equipment \$'000	Computer equipment \$'000	Total \$'000
Carrying amount at 1 January 2019	-	74	40	114
Depreciation	-	( 27)	( 12)	( 39)
<b>Carrying amount at 31 December 2019</b>	<b>-</b>	<b>47</b>	<b>28</b>	<b>75</b>

**5.2 Right-of-use assets**

	2019 \$'000
Vehicles	4
<b>Total right-of-use assets</b>	<b>4</b>

The SACE Board has only one type of lease with the South Australian Financing Authority (SAFA) for the authority's vehicles.

There were nil additions to the right-of-use assets during 2019.

**Related expenses and cash flows**

Expenses related to right-of-use assets recognised, including depreciation and interest expenses, are disclosed in note 3. Cash outflows related to leases are disclosed in note 8.2.

**Lease liabilities**

The lease liabilities related to the right-of-use assets are disclosed in note 7.4.

**SACE Board of South Australia**  
**Annual Financial Statements for the year ended 31 December 2019**

**Short-term and low value leases**

Short-term leases of 12 months or less and low value leases where the underlying asset value is less than \$15 000 are not recognised as right-of-use assets. The associated lease payments are recognised as an expense and are disclosed in note 3.1.

**5.3 Intangible assets**

	2019 \$'000	2018 \$'000
<b>Computer software</b>		
Internally developed computer software	9 808	8 319
Accumulated amortisation	(4 890)	(4 219)
Purchased computer software	279	237
Accumulated amortisation	( 69)	( 33)
<b>Total computer software</b>	<b>5 128</b>	<b>4 304</b>

Intangible assets are initially measured at cost and are tested for indications of impairment at each reporting date. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses.

The acquisition of or internal development of software is capitalised only when the expenditure meets the definition and recognition criteria and when the amount of expenditure is greater than or equal to \$10 000.

The internally developed computer software relates to the SACE Board's *Schools Online* and *Students Online* systems, and includes enhancements relating to the Modernisation project. These systems are recorded in the SACE Board's asset register as a consolidated asset with a remaining useful life of 10 years and carrying amount of \$5 128 000.

**Reconciliation 2019**

	Internally developed computer software \$'000	Other computer software \$'000	Total \$'000
<b>Carrying amount at 1 January 2019</b>	4 100	204	4 304
Additions	1 489	42	1 531
Amortisation	( 671)	( 36)	( 707)
<b>Carrying amount at 31 December 2019</b>	<b>4 918</b>	<b>210</b>	<b>5 128</b>

**6. Financial assets**

**6.1 Cash and cash equivalents**

	2019 \$'000	2018 \$'000
Cash and cash equivalents	14 779	12 605
<b>Total cash and cash equivalents</b>	<b>14 779</b>	<b>12 605</b>

**6.2 Receivables**

	2019 \$'000	2018 \$'000
<b>Current</b>		
<b>Trade receivables</b>		
From government entities	-	32
From non-government entities	376	146
Less impairment loss on receivables	( 15)	( 10)
<b>Total trade receivables</b>	<b>361</b>	<b>168</b>
Overpayment recoveries	7	8
Prepayments	204	131
Accrued revenues	14	21
GST receivable	88	68
<b>Total current receivables</b>	<b>674</b>	<b>396</b>
<b>Non-current</b>		
Overpayment recoveries	12	20
Prepayments	16	-
<b>Total non-current receivables</b>	<b>28</b>	<b>20</b>
<b>Total receivables</b>	<b>702</b>	<b>416</b>

Trade receivables arise in the normal course of selling goods and services to other government agencies and to the public. Receivables are normally settled within 30 days after the issue of an invoice or the goods/services have been provided under a contractual arrangement. Receivables, prepayments and accrued revenues are non-interest bearing. Trade receivables are held with the objective of collecting the contractual cash flows and they are measured at amortised cost.

The GST included as part of the receivables, is the net amount recoverable from the ATO.

**Allowance for impairment loss on receivables**

	2019 \$'000	2018 \$'000
<b>Carrying amount at 1 January 2019</b>	10	10
Amounts written off	( 15)	( 14)
Increase/(decrease) in the allowance	20	14
<b>Carrying amount at 31 December 2019</b>	<b>15</b>	<b>10</b>

Refer to note 11.3 for details regarding credit risk and the methodology for determining impairment.

**SACE Board of South Australia**  
**Annual Financial Statements for the year ended 31 December 2019**

**7. Liabilities**

Employee benefits liabilities are disclosed in note 2.4.

**7.1 Payables**

	2019 \$'000	2018 \$'000
<b>Current</b>		
Trade payables	426	117
Accrued expenses	602	538
Employment on-costs	296	369
Paid Parental Leave Scheme payable	5	-
<b>Total current payables</b>	<u>1 329</u>	<u>1 024</u>
<b>Non-current</b>		
Employment on-costs	274	243
<b>Total non-current payables</b>	<u>274</u>	<u>243</u>
<b>Total payables</b>	<u>1 603</u>	<u>1 267</u>

Payables and accruals are raised for all amounts owing but unpaid. Sundry payables are normally settled within 30 days from the date the invoice is first received. All payables are non-interest bearing. The carrying amount of payables represents fair value due to their short term nature.

**Employment on-costs**

Employment on-costs include payroll tax, Return to Work SA levies and superannuation contributions, and are settled when the respective employee benefits that they relate to is discharged.

The SACE Board makes contributions to several South Australian Government and externally managed superannuation schemes. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries, as they have been assumed by the respective superannuation schemes. The only liability outstanding at reporting date relates to any contributions due but not yet paid to either the South Australian Superannuation Board, or non-SA Government funds.

As a result of an actuarial assessment performed by the Department of Treasury and Finance, the proportion of long service leave taken as leave has remained the same as the 2018 rate (41%), and the average factor for the calculation of employer superannuation on-cost has changed from the 2018 rate (9.9%) to 9.8%. These rates are used in the employment on-cost calculation. The net financial effect of the changes in the current year is not material. The impact on future periods is impracticable to estimate as the long service leave liability is calculated using a number of assumptions. A key assumption is the proportion of Long Service Leave taken as leave instead of a lump sum, a result determined by the actuary based on current period data.

**7.2 Replacement teachers**

	2019 \$'000	2018 \$'000
<b>Current</b>		
Temporary replacement teachers	463	642
<b>Total replacement teachers' liability</b>	<u>463</u>	<u>642</u>

The liability for replacement teachers represents the estimated cost of amounts owing to schools but not yet claimed as at 31 December 2019.

**7.3 Other liabilities**

	2019 \$'000	2018 \$'000
<b>Current</b>		
Unearned revenue	-	140
<b>Total other liabilities</b>	<u>-</u>	<u>140</u>

Unearned revenue for 2019 has been transferred to contract liabilities (AASB15). Please refer to Contract balances Note 4.2.

**7.4 Lease liabilities**

	2019 \$'000
Vehicles	4
<b>Total lease liabilities</b>	<u>4</u>

The SACE Board has only one lease with the South Australian Financing Authority (SAFA) for the authority's vehicles.

The right-of-use assets related to the lease liabilities are disclosed in note 5.2.

**SACE Board of South Australia**  
**Annual Financial Statements for the year ended 31 December 2019**

**8. Other disclosures**

**8.1 Equity**

The SACE Board previously maintained a separate staff entitlements reserve to represent funds retained by the SACE Board to meet liabilities for long service leave, annual leave, and SERL accrued by employees. This reserve was closed during the reporting period with the balance transferred to general equity.

**8.2 Cash flow**

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the ATO is classified as part of operating cash flows.

Leases	2019 \$'000
Vehicles	21
<b>Total cash outflow for leases</b>	<b>21</b>

Cash flows for leases include interest expense (on the lease liability) and operating lease expenses.

**9. Changes in accounting policy**

**9.1 Treasurer's Instructions (Accounting Policy Statements)**

On 22 March 2019 the *Treasurer's Instructions (Accounting Policy Statements) 2019* were issued by the Treasurer under the *Public Finance and Audit Act 1987*. The Accounting Policy Statements replaced the following Accounting Policy Frameworks:

- Purpose and Scope
- General Purpose Financial Statements Framework
- Asset Accounting Framework
- Financial Asset and Liability Framework
- Income Framework
- Definitions.

The new Accounting Policy Statements have largely been prepared on a no-policy change basis. Changes that impact on these financial statements are:

- removal of the additional requirement to report transactions with the SA Government.
- increasing the bands from \$10,000 to \$20,000 for employee and board member reporting.

These changes, however, do not impact on the amounts reported in the financial statements.

**9.2 AASB 16 Leases**

AASB 16 sets out a comprehensive model for lease accounting that addresses recognition, measurement, presentation and disclosure of leases. AASB 16 Leases replaces AASB 117 Leases and related interpretations.

The adoption of AASB 16 Leases from 1 January 2019 resulted in adjustments to the amounts recognised in the financial statements:

- AASB 117 Leases only required the recognition of an asset and liability in relation to finance leases. AASB 16 Leases applies a comprehensive model to all leases. Applying AASB 16 will result in leases previously classified as operating leases having right-of-use assets and related lease liabilities being recognised in the Statement of Financial Position
- AASB 117 Leases resulted in operating lease payments being recognised as an expense under Supplies and Services. AASB 16 Leases replaces this with a depreciation expense that represents the use of the right-of-use asset and borrowing costs associated with financing the right-of-use asset.

As part of the adoption of AASB 16, the SACE Board adopted consequential amendments to other Accounting Standards.

**Impact on retained earnings**

The SACE Board recognised a lease liability and a right-of-use asset at 1 January 2019 of near equal value. There was no impact on retained earnings.

In 2018 the SACE Board's assessment of the impact of applying AASB 16 included their office accommodation arrangements. On further review in 2019 the arrangements have been found to not be enforceable and therefore do not fall within the scope of AASB 16. Therefore, there has been no change to the accounting treatment for payments for office accommodation in 2019. Expenditure incurred in 2019 has been recognised in supplies and services (note 3.1) and the commitments for the remainder of the arrangements have been recognised as an expenditure commitment refer note 10.1.

#### Accounting policies on transition

AASB 16 sets out accounting policies on transition in its transitional provisions. The *Treasurer's Instructions (Accounting Policy Statements)* requires certain choices in those transitional provisions to be taken. The SACE Board has adopted the following accounting policies:

- to apply AASB 16 retrospectively. The cumulative effect of initially applying the Standard was recognised at 1 January 2019. Comparatives have not been restated.
- at 1 January 2019 AASB 16 was applied only to contracts that were previously identified as containing a lease under AASB 117 and related interpretations.
- the initial measurement of lease liability was the present value of the remaining lease payments discounted using the relevant incremental borrowing rate as at 1 January 2019. The average weighted incremental borrowing rate for this purpose was 3.11%.
- the initial measurement of right-of-use assets has been calculated as an amount equal to the lease liability on transition adjusted for prepaid or accrued lease payments.

#### Ongoing accounting policies

The *Treasurer's Instructions (Accounting Policy Statements)* specify requirements for public authorities in applying AASB 16. These requirements are reflected in the SACE Board's accounting policies as follows:

- AASB 16 is not applied to leases of intangible assets.
- right-of-use assets and lease liabilities are not recognised for leases of low value assets, being assets which have a value of \$15 000 or less, nor short-term leases, being those with a lease term of 12 months or less.
- the SACE Board, in the capacity of a lessee, does not include non-lease components in lease amounts.
- right-of-use assets are not measured at fair value on initial recognition for leases that have significantly below-market terms and conditions principally to enable the public authority to further its objectives.

Significant accounting policies relate to the application of AASB 16 are disclosed under relevant notes and are referenced at note 5.2.

#### 9.3 AASB 15 Revenue from Contracts with Customers

AASB 15 *Revenue from Contracts with Customers* establishes a revenue recognition model for revenue arising from contracts with customers. It requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

AASB 15 supersedes AASB 111 *Construction contracts*, AASB 118 *Revenue* and related Interpretations and applies to all revenue arising from contracts with customers.

The SACE Board has adopted AASB 15 on 1 January 2019 using the transitional provisions specified in the standard. The SACE Board has:

- recognised the cumulative effect of initially applying AASB 15 as an adjustment to the opening balance of retained earnings as 1 January 2019. Therefore, the comparative information has not been restated.
- not adopted the completed contract expedient, and therefore has not excluded revenue which was fully recognised in previous years in accordance with the former revenue and income accounting standards.
- elected to not retrospectively restate contracts for modifications that occurred before 1 January 2019. Such contract modifications were minor so this is expected to have little impact on the financial statements.

Impacts on the financial statements are explained below together with impacts from adoption of AASB 1058 *Income of Not-for-Profit Entities*.

#### 9.4 AASB 1058 Income of Not-for-Profit Entities

AASB 1058 *Income of Not-for-Profit Entities* establishes new income recognition requirements for not-for-profit entities. Its requirements apply where the consideration to acquire an asset, including cash, is significantly less than fair value principally to further its objectives. AASB 1058 supersedes income recognition requirements in AASB 1004 *Contributions*, AASB 118 *Revenue* and AASB 111 *Construction Contracts*. However, elements of AASB 1004 remain in place, primarily in relation to restructures of administrative arrangements and other contributions and distributions by owners.

The SACE Board has adopted AASB 1058 on 1 January 2019 by using the transitional provisions specified in the standard. The SACE Board has:

- recognised the cumulative effect of initially applying AASB 1058 as an adjustment to the opening balance of retained earnings as 1 January 2019. As a result, comparative information has not been restated.
- applied a practical expedient so that those assets measured at cost on initial recognition prior to 1 January 2019, which under AASB 1058 are required to be measured at fair value on initial recognition, have not been remeasured to fair value. Applying this practical expedient means less depreciation expense will arise for those assets than would have been the case if they were remeasured to fair value.

**SACE Board of South Australia**  
**Annual Financial Statements for the year ended 31 December 2019**

9.5 Effects on financial statements from AASB 15 and AASB 1058

The SACE Board has assessed the impact of the new AASB15 and AASB 1058 standards on all revenue.

As at 1 January 2019 the SACE Board recognised the cumulative effect of applying AASB 15 and 1058 and adjusted its retained earnings by \$363,000. It also recognised a contract liability of \$363,000 expected to be realised within 12 months. As a result comparative information has not been restated.

As at 31 December 2019 the SACE Board has recognised a contract liability of \$368,000 which is expected to be realised within the next 12 months.

The impact on the Statement of Comprehensive Income for 2019 when comparing the application of the old standards and new standards has been \$5,000 and is shown below:

New standards (AASB 15) – Sales of goods and services	\$4 095 000
Old standards (AASB 118) – Sales of goods and services	\$4 090 000

10. Outlook

10.1 Unrecognised contractual commitments

Commitments include operating, capital and outsourcing arrangements arising from contractual or statutory sources and are disclosed at their nominal value.

Capital commitments

	2019 \$'000	2018 \$'000
Within one year	90	131
Later than one year but not longer than five years	-	-
<b>Total other commitments</b>	<b>90</b>	<b>131</b>

The SACE Board's capital commitments are for the development of software to be used for conducting online examinations, and the marking of examinations online.

Expenditure commitments

	2019 \$'000	2018 \$'000
Within one year	2 766	1 202
Later than one year but not longer than five years	1 278	1 251
<b>Total other commitments</b>	<b>4 044</b>	<b>2 453</b>

The SACE Board's expenditure commitments are for a range of outsourcing services and contracts including printing and distribution of SACE results, ICT services, and facility maintenance.

Office accommodation is provided via an arrangement with the Minister for Transport and Infrastructure. This arrangement was previously recognised as an operating lease commitment under AASB 117. Review of the arrangements under AASB 16 has resulted in this arrangement now being recognised as an expenditure commitment. Refer note 9.2.

Operating lease commitments

	2019 \$'000	2018 \$'000
Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities are payable as follows:		
Within one year	-	1 184
Later than one year but not longer than five years	-	1 701
<b>Total operating lease commitments</b>	<b>-</b>	<b>2 885</b>

The SACE Board's operating leases in 2018 are for office accommodation and leased vehicles. There are no purchase options available to the SACE Board for leased vehicles.

10.2 Expected realisation of contract liabilities as revenue

All contract liabilities are expected to be realised within 12 months.

### 10.3 Contingent assets and liabilities

Contingent assets and contingent liabilities are not recognised in the Statement of Financial Position, but are disclosed by way of a note and, if quantifiable, are measured at nominal value.

The SACE Board is not aware of any contingent assets and liabilities.

### 11. Measurement and risk

#### 11.1 Long service leave liability - measurement

AASB 119 *Employee Benefits* contains the calculation methodology for long service leave liability.

The actuarial assessment performed by the Department of Treasury and Finance has provided a basis for the measurement of long service leave and is based on actuarial assumptions on expected future salary and wage levels, experience of employee departures and periods of service. These assumptions are based on employee data over SA Government entities.

AASB 119 *Employee Benefits* requires the use of the yield on long-term Commonwealth Government bonds as the discount rate in the measurement of the long service leave liability. The yield on long-term Commonwealth Government bonds has decreased from 2018 (2.25%) to 2019 (1.25%).

This decrease in the bond yield, which is used as the rate to discount future long service leave cash flows, results in an increase in the reported long service leave liability.

The net financial effect of the changes to actuarial assumptions in the current financial year is an increase in the long service leave liability of \$231 000 and employee benefits expense of \$265 000. The impact on future periods is impracticable to estimate as the long service leave liability is calculated using a number of demographical and financial assumptions – including the long-term discount rate.

The actuarial assessment performed by the Department of Treasury and Finance left the salary inflation rate at 4% for long service leave liability. As a result, there is no net financial effect resulting from changes in the salary inflation rate.

The unconditional portion of the long service leave provision is classified as current as the SACE Board does not have an unconditional right to defer settlement of the liability for at least 12 months after reporting date. The unconditional portion of long service leave relates to an unconditional legal entitlement to payment arising after 10 years of service.

#### 11.2 Fair value

AASB 13 *Fair Value Measurement* defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, in the principal or most advantageous market, at the measurement date.

##### Initial recognition

Non-current tangible assets are initially recorded at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition.

Where assets are acquired at no value, or minimal value, they are recorded at fair value in the Statement of Financial Position. However, if the assets are acquired at no or nominal value as part of a restructure of administrative arrangements, then the assets are recognised at book value (i.e. the amount recorded by the transferor public authority immediately prior to the restructure).

##### Revaluation

Plant and equipment are subsequently measured at fair value after allowing for accumulated depreciation.

The SACE Board does not hold any non-current tangible assets, either individually or as a group, where the fair value at the time of acquisition is greater than \$1.5 million or estimated useful life is greater than three years. As a result, there are no present needs for undertaking revaluation processes.

##### Plant and equipment

All items of plant and equipment had a fair value at the time of acquisition less than \$1.5 million or had an estimated useful life that was less than three years. Plant and equipment has not been revalued in accordance with APS 116.D. The carrying value of these items are deemed to approximate fair value.

#### 11.3 Financial instruments

##### Financial risk management

Risk management is managed by the SACE Board's Corporate Services group. The authority's risk management policies are in accordance with the *Risk Management Policy Statement* issued by the Premier and Treasurer and the principles established in the Australian Standard *Risk Management Principles and Guidelines*.

The SACE Board's exposure to financial risk (liquidity risk, credit risk, and market risk) is low due to the nature of the financial instruments held.

##### Liquidity risk

The SACE Board is funded principally from an operating grant provided by the SA Government. The SACE Board works with the Department of Treasury and Finance to determine the cash flows associated with its Government approved program of work and to ensure funding is provided through SA Government budgetary processes to meet the expected cash flows.

**SACE Board of South Australia**  
**Annual Financial Statements for the year ended 31 December 2019**

**Impairment of financial assets**

Loss allowances for receivables are measured at an amount equal to lifetime expected credit loss using the simplified approach in AASB 9. The SACE Board uses an allowance matrix to measure the expected credit loss of receivables from non-government debtors which comprise a large number of small balances.

To measure the expected credit losses, receivables are grouped based on shared risks characteristics and the days past due. When estimating expected credit loss, the SACE Board considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the authority's historical experience and informed credit assessment, including forward-looking information.

The maximum period considered when estimating expected credit losses is the maximum contractual period over which the SACE Board is exposed to credit risk.

The expected credit loss of government debtors is considered to be nil based on the external credit ratings and nature of the counterparties.

Loss rates are calculated based on the probability of a receivable progressing through stages to write off based on the common risk characteristics of the transaction and debtor.

Loss rates are based on actual history of credit loss, these rates have been adjusted to reflect differences between previous economic conditions, current conditions and the SACE Board's view of the forecast economic conditions over the expected life of the receivables.

Impairment losses are presented as net impairment losses within net result, subsequent recoveries of amounts previously written off are credited against the same line item.

Receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include the failure of a debtor to enter into a payment plan with the SACE Board and a failure to make contractual payments for a period of greater than 90 days past due.

All of the SACE Board receivables with a contractual amount that were written off during the year, were not subject to enforcement activity.

The SACE Board considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties and therefore the expected credit loss is nil.

Impairment losses on the SACE Board's receivables and contract assets arising from the authority's contracts with customers were \$15 000 in 2019 (2018: \$14 000)

**Categorisation of financial instruments**

Details of the significant accounting policies and methods adopted including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised with respect to each class of financial asset and financial liability are disclosed in the respective financial asset / financial liability note.

**Classification of Financial Instruments**

The SACE Board measures all financial instruments at amortised cost.

**SACE Board of South Australia**  
**Annual Financial Statements for the year ended 31 December 2019**

Category of financial asset and financial liability	Notes	2019	2018
		\$'000	\$'000
		Carrying amount	Carrying amount
<b>Financial assets</b>			
Cash and equivalents			
- Cash and cash equivalents	6.1	14 779	12 605
Financial assets at amortised cost			
- Receivables	6.2	375	189
<b>Total financial assets</b>		<b>15 154</b>	<b>12 794</b>
<b>Financial liabilities</b>			
Financial liabilities at amortised cost			
- Payables	7.1	973	597
- Lease liabilities	7.4	4	-
- Other financial liabilities (Replacement Teachers)	7.2	463	642
<b>Total financial liabilities</b>		<b>1 440</b>	<b>1 239</b>

**Receivables and payables**

The receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables (eg Commonwealth, State and Local government taxes, fees and charges; Auditor-General's Department audit fees). In government, certain rights to receive or pay cash may not be contractual and therefore in these situations, the requirements will not apply. Where rights or obligations have their source in legislation such as levies, tax and equivalents etc they would be excluded from the disclosure. The standard defines contract as enforceable by law. All amounts recorded are carried at cost.

The receivables amount disclosed here excludes prepayments as they are not financial assets. Prepayments are presented in note 6.2.