

SACE Board of South Australia

Financial report
for the year ended
31 December 2020



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**To the Chief Executive
SACE Board of South Australia**

Opinion

I have audited the financial report of SACE Board of South Australia (the SACE Board) for the financial year ended 31 December 2020.

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 2020, its financial performance and its cash flows for the year then ended in accordance with relevant 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 2020
- a Statement of Financial Position as at 31 December 2020
- a Statement of Changes in Equity for the year ended 31 December 2020
- a Statement of Cash Flows for the year ended 31 December 2020
- notes, comprising significant accounting policies and other explanatory information
- a Certificate from the Presiding Member, Chief Executive and the Chief Financial Officer.

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* (including Independence Standards) have been met.

I believe that the audit evidence I have 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 relevant 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

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 SACE Board of South Australia for the financial year ended 31 December 2020.

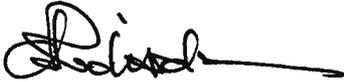
My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an 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 and the SACE Board 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 'A. Richardson', with a long horizontal flourish extending to the right.

Andrew Richardson

Auditor-General

23 March 2021

SACE Board of South Australia
Annual Financial Statements for the year ended 31 December 2020

SACE Board of South Australia
Statement of Comprehensive Income
for the year ended 31 December 2020

	Note	2020 \$'000	2019 \$'000
Income			
SA Government grants, subsidies and transfers	4.1	21 653	21 081
Sales of goods and services	4.2	4 175	4 095
Interest	4.3	74	192
Resources received free of charge	4.4	126	91
Replacement teachers' write-back	4.5	300	347
Other income	4.6	282	293
Total income		26 610	26 099
Expenses			
Employee benefits expenses	2.3	14 908	14 487
Supplies and services	3.1	7 499	7 098
Depreciation and amortisation	3.2	903	757
Replacement teachers' expense	3.3	169	832
Total expenses		23 479	23 174
Net result		3 131	2 925
Other comprehensive income		-	-
Total comprehensive result		3 131	2 925

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 2020

SACE Board of South Australia
Statement of Financial Position
as at 31 December 2020

	Note	2020 \$'000	2019 \$'000
<u>Current Assets</u>			
Cash and cash equivalents	6.1	15 903	14 779
Receivables	6.2	871	674
Right-of-use assets	5.2	-	4
Total current assets		16 774	15 457
<u>Non-current Assets</u>			
Receivables	6.2	21	28
Plant and equipment	5.1	45	75
Intangible assets	5.3	6 147	5 128
Total non-current assets		6 213	5 231
Total assets		22 987	20 688
<u>Current Liabilities</u>			
Payables	7.1	780	1 329
Contract liabilities	4.2	363	368
Employee benefits liability	2.4	1 175	1 232
Replacement teachers	7.2	105	463
Lease liabilities	7.3	-	4
Provisions	7.4	325	-
Total current liabilities		2 748	3 396
<u>Non-current Liabilities</u>			
Payables	7.1	259	274
Employee benefits liability	2.4	2 786	2 991
Provisions	7.4	36	-
Total non-current liabilities		3 081	3 265
Total liabilities		5 829	6 661
Net assets		17 158	14 027
<u>Equity</u>			
Retained earnings		17 158	14 027
Total equity		17 158	14 027

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 2020

SACE Board of South Australia
Statement of Changes in Equity
for the year ended 31 December 2020

	Note	Staff Entitlements Reserve \$'000	Retained Earnings \$'000	Total Equity \$'000
Balance at 1 January 2019		2 625	8 477	11 102
Net result for 2019		-	2 925	2 925
Total comprehensive result for 2019		-	2 925	2 925
Transfer between equity components	8.1	(2 625)	2 625	-
Balance at 1 January 2020		-	14 027	14 027
Net result for 2020		-	3 131	3 131
Total comprehensive result for 2020		-	3 131	3 131
Balance at 31 December 2020		-	17 158	17 158

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 2020

SACE Board of South Australia
Statement of Cash Flows
for the year ended 31 December 2020

	Note	2020 \$'000	2019 \$'000
<u>Cash Flows from Operating Activities</u>			
<i>Cash Inflows</i>			
SA Government grants, subsidies and transfers		21 653	21 081
Sales of goods and services		4 587	3 987
Interest received		85	199
GST recovered from the ATO		533	502
Other receipts		310	319
Cash generated from operations		27 168	26 088
<i>Cash Outflows</i>			
Employee benefit payments		(14 756)	(14 226)
Payments for supplies and services		(9 169)	(7 480)
Replacement teachers		(227)	(665)
Cash used in operations		(24 152)	(22 371)
Net cash provided by (used in) operating activities		3 016	3 717
<u>Cash Flows from Investing Activities</u>			
<i>Cash Outflows</i>			
Purchases of intangible assets		(1 888)	(1 530)
Net cash provided by (used in) investing activities		(1 888)	(1 530)
<u>Cash Flows from Financing Activities</u>			
<i>Cash Outflows</i>			
Repayment of principal portion of lease liabilities		(4)	(13)
Net cash provided by (used in) financing activities		(4)	(13)
Net increase (decrease) in cash and cash equivalents		1 124	2 174
Cash and cash equivalents at the beginning of the calendar year		14 779	12 605
Cash and cash equivalents at the end of the calendar year	6.1	15 903	14 779

The accompanying notes form part of these financial statements.

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SACE Board of South Australia
Annual Financial Statements for the year ended 31 December 2020

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.

For the purposes of preparing the financial statements, the SACE Board is a not-for-profit entity.

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 GST is recognised as part of the cost of acquisition of the asset or as part of the expense item applicable; and
- receivables and payables, which are stated with the amount of GST included.

Assets and liabilities that are to be sold, consumed or realised as part of the normal operating cycle have been classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

1.2 Objectives and programs

The SACE Board 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, 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.

1.3 Impact of COVID-19 pandemic on the SACE Board of South Australia

The COVID-19 pandemic has impacted on the operations of the SACE Board and the impacts are included under the relevant disclosure notes. The key impacts in 2020 were:

- SACE Board staff transitioning to a remote working model to continue operational service delivery, whilst minimising the risk of COVID-19 in the workplace.
- Scenario planning and operational changes to ensure the delivery of SACE Board objectives and annual programs (note 1.2) in a changing environment.
- Suspension of overseas travel to SACEi regions with a transition to electronic engagement to service international customers.

SACE Board of South Australia
Annual Financial Statements for the year ended 31 December 2020

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, the Deputy Chief Executive Officer and Chief Financial Officer.

Total compensation for the SACE Board's key management personnel was \$790 000 (2019: \$683 000). 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 2020.

2.2 Board and committee members

Members during the 2020 calendar year were:

SACE Board of South Australia

Presiding Member

Ms Jane Danvers

Deputy Presiding Member

Ms Ann Doolette

Members

Mr Andrew Balkwill

Mr Alistair Brown*

Ms Kerrie Campbell

Mr Kim Hebenstreit

Mr Andy Keough

Mr Peter Prest

Mr Trevor Read*

Ms Pamela Ronan

Ms Shannon Warren

* 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.

Board and committee remuneration

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

	2020	2019
	No.	No.
\$0 to \$19 999	8	10
\$20 000 to \$39 999	1	1
Total number of Board and committee members	9	11

The total remuneration received or receivable by members was \$130 000 (2019: \$129 000). Remuneration of members includes sitting fees, superannuation contributions, salary sacrifice benefits, fringe benefits and any related fringe benefits tax.

2.3 Employee benefits expenses

	2020	2019
	\$'000	\$'000
Salaries and wages	9 373	9 072
Casual salaries external assessment	1 840	1 807
Casual salaries moderation	584	241
Casual salaries other	106	159
Long service leave (LSL)	(95)	408
Annual leave	861	775
SERL	56	52
Employment on-costs - superannuation*	1 392	1 191
Employment on-costs - other	674	658
Fringe benefits tax	(2)	7
Board and committee fees	119	117
Total employee benefits expenses	14 908	14 487

*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 2020

Executive remuneration

	2020	2019
	No.	No.
The number of employees whose remuneration received or receivable falls within the following bands:		
\$151 001 to \$154 000*	-	1
\$154 001 to \$174 000	1	2
\$174 001 to \$194 000	2	1
\$194 001 to \$214 000	1	-
\$214 001 to \$234 000	-	1
\$234 001 to \$254 000	-	1
\$264 001 to \$284 000	1	-
\$314 001 to \$334 000	-	1
\$384 001 to \$404 000	1	-
Total	6	7

* This band has been included for the purposes of reporting comparative figures based on the executive base level remuneration rate for 2020.

The total remuneration received by those employees for the year was \$1.349 million (2019: \$1.447 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

	2020	2019
	\$'000	\$'000
Current		
Accrued salaries and wages	9	306
Annual leave	953	710
Long service leave	149	154
Skills and experience retention leave	64	62
Total current employee benefits	1 175	1 232
Non-current		
Long service leave	2 786	2 991
Total non-current employee benefits	2 786	2 991
Total employee benefits	3 961	4 223

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 10.1.

SACE Board of South Australia
Annual Financial Statements for the year ended 31 December 2020

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

	2020	2019
	\$'000	\$'000
Office accommodation	1 311	1 285
Computing and communication	884	997
Fleet management costs	9	8
Shared Services SA charges	138	106
Consultants	146	51
Contractors	2 350	1 536
Printing	139	129
Travel and accommodation	40	277
Postage, courier, and freight	264	313
Motor vehicle transport	16	67
Software	950	885
Venue hire	1	111
Hospitality	27	69
Stationery and office supplies	41	57
Equipment hire	72	69
Repairs and maintenance	348	182
Security	2	20
Staff development	117	256
Impairment loss on receivables	18	20
Other	626	660
Total supplies and services	7 499	7 098

Accommodation

The SACE Board's accommodation is provided by the Department for Infrastructure and Transport under Memoranda of Administrative Arrangement (MoAAs) issued in accordance with Government-wide accommodation policies. MoAAs do not meet the definition of a lease set out in AASB 16.

Consultants

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

	No.	2020	No.	2019
		\$'000		\$'000
Below \$10 000	1	7	1	2
\$10 000 or above	1	139	2	49
Total	2	146	3	51

3.2 Depreciation and amortisation

	2020	2019
	\$'000	\$'000
Motor Vehicles - Leased	4	11
Equipment	21	27
Computer equipment	9	12
Intangible assets	869	707
Total depreciation and amortisation	903	757

All non-current assets not held for sale with a limited useful life are systematically depreciated/amortised over their useful lives in a manner that reflects the consumption of their service potential.

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:

SACE Board of South Australia
Annual Financial Statements for the year ended 31 December 2020

Class of asset	Useful Life (Years)
Equipment	3 - 10 years
Computer Equipment	3 - 8 years
Off the Shelf Software	5 - 10 years
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.

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 2020, the SACE Board reviewed the useful life of internally developed computer software and did not make any adjustments.

3.3 Replacement teachers' expense

	2020	2019
	\$'000	\$'000
Temporary replacement teachers	169	832
Total replacement teachers' expense	169	832

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 2020, plus indexation.

See also Note 7.2 for details of the unclaimed funds as at 31 December 2020.

4. Income

4.1 SA Government grants, subsidies and transfers

	2020	2019
	\$'000	\$'000
Transfers from the Department for Education	21 653	21 081
Total SA Government grants, subsidies and transfers	21 653	21 081

The transfer of funds is recognised as revenue when the SACE Board obtains control over the funding. Control over the funds is normally obtained upon receipt.

Total revenues consist of \$19 179 000 (2019: \$18 446 000) for operational funding and \$2 474 000 (2019: \$2 635 000) 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.

	2020	2019
	\$'000	\$'000
Northern Territory Government	2 278	2 154
SACE International Program	1 198	1 113
Overseas students studying in South Australia	617	641
Prescient	63	152
Other	19	35
Total sales of goods and services	4 175	4 095

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 Board of South Australia
Annual Financial Statements for the year ended 31 December 2020

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.

Prescient

Prescient (formerly Institute of Educational Assessors) 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

	2020 \$'000	2019 \$'000
Receivables from contracts with customers included in 'Receivables'	53	365
Contract assets	-	-
Contract liabilities	363	368
Total revenue from contracts with customers	416	733

Under revenue standard AASB15 *Revenue from Contracts with Customers*, receivables relate to the sales of goods and services from contracts with customers and contract liabilities relate to cash received from SACE International schools and customers of Prescient who have prepaid their fees. These revenues will be earned within the next 12 months.

4.3 Interest

	2020 \$'000	2019 \$'000
Interest on cash and cash equivalents	74	192
Total interest revenues	74	192

4.4 Resources received free of charge

	2020 \$'000	2019 \$'000
Services received free of charge - Shared Services SA	126	91
Total resources received free of charge	126	91

4.5 Replacement teachers' write-back

	2020 \$'000	2019 \$'000
Replacement teachers' write-back income	300	347
Total Replacement teacher's write-back income	300	347

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

	2020 \$'000	2019 \$'000
Scaling grant	190	190
Miscellaneous income	92	103
Total other income	282	293

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 2020

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.

	2020 \$'000	2019 \$'000
Leasehold improvements		
Leasehold improvements at fair value	196	196
Accumulated depreciation at the end of the period	(196)	(196)
Total leasehold improvements	-	-
Equipment		
Equipment at cost (deemed fair value)	127	147
Accumulated depreciation at the end of the period	(101)	(100)
Total equipment	26	47
Computer equipment		
Computer equipment at cost (deemed fair value)	490	984
Accumulated depreciation at the end of the period	(471)	(956)
Total computer equipment	19	28
Total plant and equipment	45	75

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 10.2.

Impairment

There were no indications of impairment of equipment assets as at 31 December 2020.

Reconciliation 2020

	Leasehold improve- ments \$'000	Equipment \$'000	Computer equipment \$'000	Total \$'000
Carrying amount at 1 January 2020	-	47	28	75
Additions	-	-	-	-
Assets derecognised (including disposals)	-	-	-	-
Transfers	-	-	-	-
Depreciation	-	(21)	(9)	(30)
Carrying amount at 31 December 2020	-	26	19	45

5.2 Right-of-use assets

	2020 \$'000	2019 \$'000
Vehicles	-	4
Total right-of-use assets	-	4

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

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.

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5.3 Intangible assets

	2020 \$'000	2019 \$'000
Internally developed computer software		
Internally developed computer software	11 506	9 460
Accumulated amortisation	(5 692)	(4 890)
Total Internally developed computer software	5 814	4 570
Purchased computer software		
Purchased computer software	323	238
Accumulated amortisation	(114)	(69)
Total Purchased computer software	209	169
Work in progress		
Internally developed computer software	124	348
Purchased computer software	-	41
Total Work in progress	124	389
Total intangible assets	6 147	5 128

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. 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 \$5 814 000.

Reconciliation 2020

	Internally developed computer software \$'000	Other computer software \$'000	WIP	Total \$'000
Carrying amount at 1 January 2020	4 570	169	389	5 128
Additions	-	-	1888	1 888
Transfers (Work in progress)	2 042	85	(2 127)	-
Amortisation	(824)	(45)	-	(869)
Adjustments	26	-	(26)	-
Carrying amount at 31 December 2020	5 814	209	124	6 147

6. Financial assets

6.1 Cash and cash equivalents

	2020 \$'000	2019 \$'000
Operating account	5 720	4 652
Deposit with SAFA	10 183	10 127
Total cash and cash equivalents	15 903	14 779

6.2 Receivables

	2020 \$'000	2019 \$'000
Current		
Trade receivables		
From government entities	152	-
From non-government entities	54	376
Less impairment loss on receivables	(16)	(15)
Total trade receivables	190	361
Overpayment recoveries	7	7
Prepayments	564	204
Accrued revenues	3	14
GST receivable	107	88
Total current receivables	871	674
Non-current		
Overpayment recoveries	6	12
Prepayments	15	16
Total non-current receivables	21	28
Total receivables	892	702

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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.

Statutory receivables do not arise from contracts with customers. They are recognised and measured similarly to contractual receivables (except impairment) but are not classified as financial instruments for disclosure purposes.

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

Allowance for impairment loss on receivables

	2020 \$'000	2019 \$'000
Carrying amount at 1 January 2020	15	10
Amounts written off	(16)	(15)
Increase/(decrease) in the allowance	18	20
Carrying amount at 31 December 2020	17	15

Refer to note 10.3 for details regarding credit risk and the methodology for determining impairment.

7. Liabilities

Employee benefits liabilities are disclosed in note 2.4.

7.1 Payables

	2020 \$'000	2019 \$'000
Current		
Trade payables	59	426
Accrued expenses	293	542
Statutory payables	60	60
Employment on-costs	368	296
Paid Parental Leave Scheme payable	-	5
Other	-	-
Total current payables	780	1 329
Non-current		
Employment on-costs	259	274
Total non-current payables	259	274
Total payables	1 039	1 603

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.

Statutory payables do not arise from contracts with customers. They are recognised and measured similarly to contractual/trade payables but are not classified as financial instruments for disclosure purposes.

The net amount of GST recoverable from the ATO is included as part of receivables. However, if a net GST payable arises then this amount would be disclosed in this Payables note.

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 are 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 changed from 2019 rate (41%) to 42% and the average factor for the calculation of employer superannuation on-cost has remained the same as 2019 (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

	2020 \$'000	2019 \$'000
Current		
Temporary replacement teachers	105	463
Total replacement teachers' liability	105	463

The liability for replacement teachers represents the estimated cost of amounts owing to schools but not yet claimed as at 31 December 2020.

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7.3 Lease liabilities

	2020	2019
	\$'000	\$'000
Vehicles	-	4
Total lease liabilities	-	4

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

7.4 Provisions

	2020	2019
	\$'000	\$'000
Current		
Provision for workers' compensation	25	-
Make Good Provision	300	-
Total current provisions	325	-
Non-current		
Provision for workers' compensation	36	-
Make Good Provision	-	-
Total non-current provisions	36	-
Total provisions	361	-

Movement in provisions

	2020
	\$'000
Carrying amount at the beginning of the period	-
Additional provisions recognised	361
Carrying amount at the end of the period	361

A provision has been reported to reflect unsettled workers' compensation claims. The workers' compensation provision is based on an actuarial assessment of the outstanding liability as at 30 June 2020 provided by a consulting actuary engaged through the Office of the Commissioner for Public Sector Employment. The provision is for the estimated cost of ongoing payments to employees as required under current legislation.

The SACE Board is responsible for the payment of workers' compensation claims.

During the reporting year a provision has been created for the decommissioning costs required to make good our Greenhill Road tenancy premises. An estimate of the make good cost has been provided by the Department for Infrastructure and Transport (DIT) in accordance with our Memoranda of Administrative Arrangement (MoAA).

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 in 2019 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.

Total cash outflows for leases, including short-term and low-value leases, was \$9 000 (2020: \$21 000).

9. Outlook

9.1 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

	2020	2019
	\$'000	\$'000
Within one year	90	90
Later than one year but not longer than five years	-	-
Total other commitments	90	90

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.

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Expenditure commitments

	2020	2019
	\$'000	\$'000
Within one year	1 738	2 766
Later than one year but not longer than five years	270	1 278
Total other commitments	2 008	4 044

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 for via an agreement for memoranda of administrative arrangements (MoAA) with the Department of Infrastructure and Transport.

9.2 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.

10. Measurement and risk

10.1 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 2019 (1.25%) to 2020 (0.75%).

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

The net financial effect of the changes to actuarial assumptions in the current financial year is a decrease in the long service leave liability of \$115 000 and employee benefits expense of \$115 000. 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 has decreased the salary inflation rate from 4% (2019) to 2.50% (2020) for long service leave liability. As a result, there is a small decrease in the net financial effect resulting from changes in the salary inflation rate.

The estimate of expected future payments for the current portion of long service leave is based on an average over a three year period on long service leave taken.

10.2 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 owned by the SACE Board 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 have not been revalued. This is in accordance with APS 116.D. The carrying value of these items is deemed to approximate fair value.

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10.3 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 transfers from the Department of Education, 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.

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.

Receivables with a contractual amount of \$16 000 written off during the year are still subject to enforcement activity.

The allowance was recognised when there was objective evidence that a receivable was impaired. The allowance for impairment was recognised in other expenses for specific debtors and debtors assessed on a collective basis for which such evidence existed.

Impairment losses on the SACE Board receivables arising from contracts with customers were as follows. No impairment losses were recognised in relation to contract assets during the year.

	2020 \$'000	2019 \$'000
Impairment loss on receivables and contract assets arising from contracts with customers	16	15

Cash and debt investments

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.

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.

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Maturity analysis of Financial Instruments

Category of financial asset and financial liability	Notes	2020 Carrying amount \$'000	Contractual maturities		
			Within 1 year \$'000	1-5 years \$'000	More than 5 years \$'000
Financial assets					
Cash and equivalents					
- Cash and cash equivalents	6.1	15 903	15 903	-	-
Financial assets at amortised cost					
- Receivables**	6.2	193	193	-	-
Total financial assets		16 096	16 096	-	-
Financial liabilities					
Financial liabilities at amortised cost					
- Payables**	7.1	352	352	-	-
- Other financial liabilities (Replacement Teachers)	7.2	105	105	-	-
Total financial liabilities		457	457	-	-

Category of financial asset and financial liability	Notes	2019 Carrying amount \$'000
Financial assets		
Cash and equivalents		
- Cash and cash equivalents	6.1	14 779
Financial assets at amortised cost		
- Receivables**	6.2	375
Total financial assets		15 154
Financial liabilities		
Financial liabilities at amortised cost		
- Payables**	7.1	973
- Lease liabilities	7.3	4
- Other financial liabilities (Replacement Teachers)	7.2	463
Total financial liabilities		1 440

*Maturities analysis is presented using the undiscounted cash flows and therefore may not total to the carrying amount/fair value of the financial instrument.

** Total amounts disclosed here exclude statutory amounts. Receivables do not include prepayments as these are not financial instruments. Prepayments are presented in note 6.3.

Statutory receivables and payables

The receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables. This includes Commonwealth, State and Local Government taxes, fees and charges; Auditor-General's Department audit fees. This is in addition to employee related receivables and payables, such as payroll tax, Fringe Benefits Tax, Pay As You Go Withholding and Return to Work SA levies. In government, certain rights to receive or pay cash may not be contractual and therefore, in these situations, the disclosure requirements of AASB 7 will not apply. Where rights or obligations have their source in legislation such as levies, tax and equivalents, they would be excluded from the disclosure. The standard defines contract as enforceable by law. All amounts recorded are carried at cost.

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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 2020 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

Date:

17/3/2021



Prof. Martin Westwell
Chief Executive

Date:

17/3/2021



Michelle Cox (FCPA)
Chief Financial Officer

Date:

17/3/2021