

SACE Board of South Australia

Financial report
for the year ended
31 December 2018



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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 2018.

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 2018, 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 2018
- a Statement of Financial Position as at 31 December 2018
- a Statement of Changes in Equity for the year ended 31 December 2018
- a Statement of Cash Flows for the year ended 31 December 2018
- 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

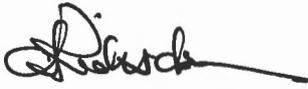
My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an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

Andrew Richardson

Auditor-General

15 March 2019

SACE Board of South Australia
Annual Financial Statements for the year ended 31 December 2018

Statement of Comprehensive Income
for the year ended 31 December 2018

	Note	2018 \$'000	2017 \$'000
Expenses			
Employee Benefits	3	14 614	14 591
Supplies and Services	5	6 881	6 509
Replacement Teachers' Expense	6	1 088	1 218
Depreciation and Amortisation Expense	7	1 126	690
Other Expenses	8	14	11
Total expenses		23 723	23 019
Income			
Revenues from Fees and Charges	9	3 463	2 952
Interest Revenues	10	210	201
Resources Received Free Of Charge	11	105	-
Replacement Teachers' Write-Back	12	354	458
Other income	13	581	453
Total income		4 713	4 064
Net cost of providing services		19 010	18 955
Revenues from/Payments to SA Government			
Revenues from SA Government	14	20 480	20 281
Net result		1 470	1 326
Other comprehensive income		-	-
Total comprehensive result		1 470	1 326

The net result and total comprehensive result are attributable to the SA Government as owner.

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

SACE Board of South Australia
Annual Financial Statements for the year ended 31 December 2018

Statement of Financial Position
as at 31 December 2018

	Note	2018 \$'000	2017 \$'000
Current Assets			
Cash and Cash Equivalents	15	12 605	10 773
Receivables	16	396	728
Total current assets		13 001	11 501
Non-current Assets			
Receivables	16	20	54
Plant and Equipment	17	114	170
Intangible Assets	18	4 304	3 190
Total non-current assets		4 438	3 414
Total assets		17 439	14 915
Current Liabilities			
Payables	19	1 024	880
Replacement Teachers' Liability	20	642	626
Employee Benefits - Liability	21	1 273	1 281
Other current liabilities	22	140	18
Total current liabilities		3 079	2 805
Non-current Liabilities			
Payables	19	243	218
Employee Benefits - Liability	21	2 652	2 368
Total non-current liabilities		2 895	2 586
Total liabilities		5 974	5 391
Net assets		11 465	9 524
Equity			
Retained Earnings	23	8 840	6 899
Staff Entitlements Reserve	23	2 625	2 625
Total equity		11 465	9 524
The total equity is attributable to the SA Government as owner.			
Unrecognised contractual commitments	24		
Contingent assets and liabilities	25		

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

SACE Board of South Australia
Annual Financial Statements for the year ended 31 December 2018

Statement of Changes in Equity
for the year ended 31 December 2018

	Note	Staff Entitlements Reserve \$'000	Retained Earnings \$'000	Total Equity \$'000
Balance at 31 December 2016		2 625	5 573	8 198
Net result for 2017		-	1 326	1 326
Balance at 31 December 2017		2 625	6 899	9 524
Adjustment to opening balance of retained earnings - prior period error	29	-	471	471
Restated balance as at 1 January 2018		2 625	7 370	9 995
Net result for 2018		-	1 470	1 470
Balance at 31 December 2018	23	2 625	8 840	11 465

All changes in equity are attributable to the SA Government as owner.

* Prior period adjustment relates to software, salary and contractor costs that were expensed in 2017 that should have been capitalised.
The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

SACE Board of South Australia
Annual Financial Statements for the year ended 31 December 2018

Statement of Cash Flows
for the year ended 31 December 2018

	Note	2018 \$'000	2017 \$'000
Cash Flows from Operating Activities			
Cash Outflows			
Employee benefit payments		(14 260)	(14 221)
Payments for supplies and services		(7 445)	(7 771)
Replacement teachers		(717)	(968)
Cash used in operations		(22 422)	(22 960)
Cash Inflows			
Fees and charges		3 968	2 789
Interest received		211	198
GST recovered from the ATO		567	639
Other receipts		741	502
Cash generated from operations		5 487	4 128
Cash flows from SA Government			
Receipts from SA Government	14	20 480	20 281
Cash generated from SA Government		20 480	20 281
Net cash provided by (used in) operating activities		3 545	1 449
Cash Flows from Investing Activities			
Cash Outflows			
Purchases of plant and equipment		-	(67)
Purchases of intangible assets		(1 713)	(1 672)
Net cash provided by (used in) investing activities		(1 713)	(1 739)
Net increase (decrease) in cash and cash equivalents		1 832	(290)
Cash and cash equivalents at the beginning of the calendar year		10 773	11 063
Cash and cash equivalents at the end of the calendar year	15	12 605	10 773

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

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SACE Board of South Australia
Annual Financial Statements for the year ended 31 December 2018

1. BASIS OF FINANCIAL STATEMENTS

1.1. REPORTING ENTITY

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.

1.2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in compliance with section 23 of the *Public Finance and Audit Act 1987*. The financial statements are general purpose financial statements. The accounts have been prepared in accordance with relevant Australian Accounting Standards (Reduced Disclosure Requirements) and comply with Treasurer's Instructions and Accounting Policy Statements promulgated under the provisions of the *Public Finance and Audit Act 1987* (PFA Act). The SACE Board has applied Australian Accounting Standards that are applicable to not-for-profit entities, as the SACE Board is a not-for-profit entity. Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the SACE Board for the period ending 31 December 2018.

1.3. BASIS OF PREPARATION

The financial statements have been prepared based on a 12 month 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 on a different basis.

All amounts in the financial statements and accompanying notes have been rounded to the nearest thousand dollars (\$ '000).

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 or liabilities are classified as non-current.

Significant accounting policies are set out in the notes.

1.4. TAXATION

The SACE Board is not subject to income tax. The SACE Board is liable for payroll tax, fringe benefits tax, goods and services tax (GST), emergency services levy, land tax equivalents, and local government rate equivalents.

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.

The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included as part of receivables or payables in the Statement of Financial Position.

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 Australian Taxation Office, is classified as part of operating cash flows.

2. OBJECTIVES AND ACTIVITIES

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 functions 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.

3. EMPLOYEE BENEFITS

3.1 EMPLOYEE BENEFITS EXPENSES

	2018 \$'000	2017 \$'000
Salaries and wages	9 096	8 876
Casual salaries external assessment	1 908	2 051
Casual salaries moderation	281	323
Casual salaries other	130	340
Long service leave (LSL)	407	354
Annual leave	683	698
SERL	51	67
Employment on-costs - superannuation	1 278	1 135
Employment on-costs - other	657	632
Fringe benefits tax	18	16
Board and committee fees	105	99
Total employee benefits expenses	14 614	14 591

3.2 KEY MANAGEMENT PERSONNEL

Key management personnel of the SACE Board include the Minister, the Chief Executive Officer, Board members and the three members of the Executive Team who have responsibility for the strategic direction and management of the SACE Board.

Total compensation for the SACE Board's key management personnel was \$1.028 million (2017: \$0.949 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 2017.

3.3. REMUNERATION OF EMPLOYEES

	2018 No.	2017 No.
The number of employees whose remuneration received or receivable falls within the following bands:		
\$147 001 to \$149 000	n/a	-
\$149 001 to \$159 000	1	-
\$169 001 to \$179 000	1	1
\$199 001 to \$209 000	1	-
\$209 001 to \$219 000	-	1
\$219 001 to \$229 000	1	2
\$309 001 to \$319 000	1	-
Total	5	4

* This band has been included for the purposes of reporting comparative figures based on the executive base level remuneration rate for 2017.

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. The total remuneration received or receivable by these employees for the year was \$1.079 million (2017: \$0.828 million).

4. REMUNERATION OF BOARD AND COMMITTEE MEMBERS

The members during the 2018 calendar year were:

SACE Board of South Australia

Presiding Member

Ms JE Danvers

Deputy Presiding Member

Mr RJ Debelle (resigned 23 August)

Members

Mrs CS Bauer (resigned 10 April)

Ms HF O'Brien

Ms PM Ronan

Mr P Vaughan (term ended 30 June)

Mr KF Hebenstreit

Mrs MI Guppy (term ended 30 June)

Mr TL Read (commenced 1 July)

Ms K Campbell (commenced 1 July)

Ms AE Doolette (commenced 6 February)

Ms AL Dunstan (commenced 1 July)

Mr AS Keough (commenced 20 September)

Mr PR Prest (commenced 1 July)

Mr T Lunnis*

Mr P McKay*

	2018 No.	2017 No.
The number of Board and committee members whose remuneration received or receivable falls within the following bands:		
\$0 to \$9 999	9	2
\$10 000 to \$19 999	4	6
\$20 000 to \$29 999	1	1
Total number of Board and committee members	14	9

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* 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.

Remuneration of members reflects all costs of performing Board/committee member duties, including sitting fees, superannuation contributions, salary sacrifice benefits and fringe benefits, and any fringe benefits tax paid or payable in respect of those benefits. The total remuneration received or receivable by members was \$118 000 (2017: \$108 000).

In accordance with the Department of Premier and Cabinet Circular No. 016, government employees did not receive any remuneration for Board duties during the calendar year.

5. SUPPLIES AND SERVICES

	2018	2017
	\$'000	\$'000
Supplies and services provided by entities within the SA Government		
Office accommodation	1 233	1 241
Computing charges	272	243
Fleet management costs	31	37
Shared Services SA charges	105	41
Other	127	110
Total supplies and services - SA Government entities	1 768	1 672
Supplies and services provided by entities external to the SA Government		
Consultants	62	25
Contractors	1 695	1 693
Printing	167	135
Travel and accommodation	282	262
Postage, courier, and freight	404	434
Motor vehicle transport	96	120
Computing and communication	804	716
Software (expensed)	801	616
Venue hire	67	95
Hospitality	96	83
Stationery and office supplies	65	97
Equipment hire	63	83
Repairs and maintenance	46	51
Security	14	10
Staff development	144	119
Other	307	298
Total supplies and services - Non-SA Government entities	5 113	4 837
Total supplies and services	6 881	6 509

The total supplies and services amount disclosed includes GST amounts not recoverable from the ATO due to the SACE Board not holding a tax invoice or payments relating to third-party arrangements.

5.1 OPERATING LEASES

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, as it is representative of the pattern of benefits derived from the leased assets.

5.2 CONSULTANTS

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

	No.	2018	No.	2017
		\$'000		\$'000
Above \$10 000	2	62	1	25
Total paid/payable to consultants engaged	2	62	1	25

6. REPLACEMENT TEACHERS' EXPENSE

	2018	2017
	\$'000	\$'000
Replacement teachers provided by entities within the SA Government		
Temporary replacement teachers	558	584
Total replacement teachers' expense - SA Government entities	558	584
Replacement teachers provided by entities external to the SA Government		
Temporary replacement teachers	530	634
Total replacement teachers' expense - Non-SA Government entities	530	634
Total replacement teachers' expense	1 088	1 218

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 2018, plus indexation.

See also Note 20 for details of the unclaimed funds as at 31 December 2018.

7. DEPRECIATION AND AMORTISATION EXPENSE

	2018 \$'000	2017 \$'000
Depreciation and amortisation		
Leasehold improvements	14	33
Equipment	27	33
Computer equipment	15	29
Intangible assets	1 070	595
Total depreciation and amortisation	<u>1 126</u>	<u>690</u>

All non-current assets, having a limited useful life, are systematically depreciated or amortised over their useful lives in a manner that reflects the consumption of their service potential.

7.1 USEFUL LIFE

Depreciation or amortisation is calculated on a straight-line basis over the estimated useful life of the following classes of assets as follows:

Class of asset	Useful Life (Years)
Furniture and Fittings	3 - 10 years
Plant and Equipment	3 - 10 years
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	Life of the Lease, or unexpired period of the lease, whichever is shorter
Items on Loan/ Gifts/ Library	Indefinite

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.

7.2 REVISION 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 useful 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, which is a change in accounting estimate.

8. OTHER EXPENSES

	2018 \$'000	2017 \$'000
Other Expenses		
Bad and doubtful debts (refer to Note 16)	14	11
Total other expenses	<u>14</u>	<u>11</u>

9. REVENUES FROM FEES AND CHARGES

	2018 \$'000	2017 \$'000
Fees and charges received/receivable from entities external to the SA Government		
Overseas students studying in South Australia	562	477
SACE International Program	843	736
Northern Territory Government	2 048	1 730
SACE Providers (Conditional)	10	9
Total fees and charges — Non-SA Government entities	<u>3 463</u>	<u>2 952</u>
Total fees and charges	<u>3 463</u>	<u>2 952</u>

The SACE Board receives revenue from delivering the SACE to students who are not South Australian residents. This includes students from overseas who are studying in local schools on a temporary student visa, students in schools in China, Vietnam, Vanuatu, and Malaysia who have chosen to undertake the SACE under the SACE International program, and students in Northern Territory schools.

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

The SACE Board also has agreements with non-school organisations who deliver SACE-accredited subjects such as dance. These are known as SACE Providers (Conditional).

10. INTEREST REVENUES

	2018 \$'000	2017 \$'000
INTEREST REVENUES		
Interest from non-SA Government entities	41	35
Interest from entities within the SA Government (SAFA)	169	166
Total interest revenues	<u>210</u>	<u>201</u>

11. RESOURCES RECEIVED FREE OF CHARGE

	2018	2017
	\$'000	\$'000
RESOURCES RECEIVED FREE OF CHARGE		
Services received free of charge - Shared Services SA	105	-
Total resources received free of charge	105	-

The SACE Board has its Accounts Payable and Payroll functions outsourced to Shared Services SA. Until 30 June 2017, Shared Services SA invoiced the SACE Board monthly for its costs. From 1 July 2017, Shared Services SA has received direct funding from the SACE Board's budget for providing these services.

12. REPLACEMENT TEACHERS' WRITE-BACK

	2018	2017
	\$'000	\$'000
Replacement teachers' write-back income from SA Government entities		
Replacement teachers' write-back income	181	220
Total Replacement teachers' write-back income - SA Government entities	181	220
Replacement teachers' write-back income from entities external to the SA Government		
Replacement teachers' write-back income	173	238
Total Replacement teachers' write-back income - Non-SA Government entities	173	238
Total Replacement teacher's write-back income	354	458

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 20 for additional explanation of the liability for replacement teachers.

13. OTHER INCOME

	2018	2017
	\$'000	\$'000
Other income from SA Government entities		
Department for Education	72	12
Institute of Educational Assessors (IEA) revenue from SA Government schools	111	52
Other government agencies	4	2
Total other income from SA Government entities	187	66
Other income from entities external to the SA Government		
Assessment fees	3	1
Miscellaneous income	108	172
Replacement certificates	27	30
Scaling grant	115	113
Institute of Educational Assessors (IEA)	141	71
Total other income from entities external to the SA Government	394	387
Total other income	581	453

Other income includes fees received from the SACE Board's Institute of Educational Assessors (IEA) which commenced in 2015. The 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. Professional learning is delivered to teachers for a fee set by the *SACE Board of South Australia Regulations 2008*.

14. REVENUES FROM SA GOVERNMENT

	2018	2017
	\$'000	\$'000
Revenues from SA Government		
Operating grant	20 480	20 281
Total revenues from SA Government	20 480	20 281

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 from Government consist of \$18 035 000 (2017: \$18 213 000) for operational funding and \$2 445 000 (2017: \$2 068 000) for capital projects. For details on the expenditure associated with the operational funding received, refer to notes 3 to 8. There were no material variations between the amount received and the expenditure associated with this grant.

15. CASH AND CASH EQUIVALENTS

	2018	2017
	\$'000	\$'000
Cash and Cash Equivalents		
Cash at bank	3 632	1 969
Short-term deposits with SAFA	8 973	8 804
Total cash and cash equivalents	12 605	10 773

Cash is measured at nominal amounts.

Short-term deposits

Short-term deposits are made for varying periods of between 1 day and 3 months. The deposits are lodged with SAFA and earn interest at the respective short-term deposit rates.

16. RECEIVABLES

	2018 \$'000	2017 \$'000
Current		
Receivables	178	437
Less allowance for doubtful debts	(10)	(10)
Overpayment recoveries	8	8
Prepayments	131	169
Accrued revenues	21	22
GST input tax recoverable	68	102
Total current receivables	396	728
Non-current		
Overpayment recoveries	20	27
Prepayments	-	27
Total non-current receivables	20	54
Total receivables	416	782
Receivables from SA Government entities		
Receivables	32	-
Prepayments	2	19
Accrued revenues	-	17
Total receivables from SA Government entities	34	36
Receivables from Non-SA Government entities		
Receivables	146	437
Less allowance for doubtful debts	(10)	(10)
Overpayment recoveries	21	35
Prepayments	28	177
Accrued revenues	68	5
Other	129	102
Total receivables from Non-SA Government entities	382	746
Total receivables	416	782

16.1. MOVEMENT IN THE ALLOWANCE FOR DOUBTFUL DEBTS

The allowance for doubtful debts (allowance for impairment loss) is recognised when there is objective evidence (i.e. calculated on past experience and current and expected changes in client credit rating) that a receivable is impaired.

An allowance for impairment loss has been recognised in other expenses in the Statement of Comprehensive Income for specific debtors and debtors assessed on a collective basis for which such evidence exists.

Movements in the allowance for doubtful debts (impairment loss)	2018 \$'000	2017 \$'000
Carrying amount at the beginning of the period	10	8
Amounts written off (bad debts)	(14)	(9)
Amounts recovered during the year	-	-
Increase/(decrease) in the allowance	14	11
Carrying amount at the end of the period	10	10

16.2. INTEREST RATE AND CREDIT RISK

Receivables arise in the normal course of sellings 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.

Collectability of receivables is reviewed on an ongoing basis. An allowance for doubtful debts is raised when there is objective evidence that the SACE Board will not be able to collect the debt.

17. PLANT AND EQUIPMENT

	2018 \$'000	2017 \$'000
Leasehold improvements at cost	664	664
Accumulated depreciation at the end of the calendar year	(664)	(650)
Total leasehold improvements	-	14
Equipment at cost	610	610
Accumulated depreciation at the end of the calendar year	(536)	(509)
Total equipment	74	101
Computer equipment at cost	1 568	1 568
Accumulated depreciation at the end of the calendar year	(1 528)	(1 513)
Total computer equipment	40	55
Total plant and equipment	114	170

17.1. CARRYING AMOUNT OF PLANT AND EQUIPMENT

All items of plant and equipment had a fair value at the time of acquisition that was less than \$1 million or had an estimated useful life that was less than 3 years, and have not been revalued in accordance with APF III. The carrying value of these items are deemed to approximate fair value.

17.2. IMPAIRMENT

There were no indications of impairment of plant and equipment assets at 31 December 2018.

17.3. RECONCILIATION OF PLANT AND EQUIPMENT DURING 2018

	Leasehold improve- ments \$'000	Equipment \$'000	Computer equipment \$'000	Total \$'000
Carrying amount at 1 January 2018	14	101	55	170
Additions	-	-	-	-
Assets derecognised (including disposals)	-	-	-	-
Transfers	-	-	-	-
Depreciation	(14)	(27)	(15)	(56)
Carrying amount at 31 December 2018	-	74	40	114

17.4. RECONCILIATION OF PLANT AND EQUIPMENT DURING 2017

	Leasehold improve- ments \$'000	Equipment \$'000	Computer equipment \$'000	Total \$'000
Carrying amount at 1 January 2017	47	67	84	198
Additions	-	67	-	67
Assets derecognised (including disposals)	-	-	-	-
Transfers	-	-	-	-
Depreciation	(33)	(33)	(29)	(95)
Carrying amount at 31 December 2017	14	101	55	170

18. INTANGIBLE ASSETS

	2018 \$'000	2017 \$'000
Computer software		
Internally developed computer software at cost	7 941	6 372
Accumulated amortisation	(4 220)	(3 182)
Other computer software at cost	616	-
Accumulated amortisation	(33)	-
Total computer software	4 304	3 190

An intangible asset is an identifiable non-monetary asset without physical substance. Intangible assets are measured at cost and are tested for indications of impairment at each reporting date. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

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.

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 5 years and carrying amount of \$4 304 000. A review of all prior year's off the shelf software costs has resulted in \$471 000 for all set-up and enhancement costs to be recorded as capital. Refer to note 29.

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18.1. IMPAIRMENT

There were no indications of impairment of intangible assets at 31 December 2018.

18.2. RECONCILIATION OF INTANGIBLE ASSETS DURING 2018

	Internally developed computer software	Other computer software	Total
	\$'000	\$'000	\$'000
Carrying amount at 1 January 2018	3 190		3 190
Prior period error	379	92	471
Restated carrying amount at 1 January 2018	3 569	92	3 661
Additions	1 568	145	1 713
Amortisation	(1 037)	(33)	(1 070)
Carrying amount at 31 December 2018	4 100	204	4 304

18.3. RECONCILIATION OF INTANGIBLE ASSETS DURING 2017

	Internally developed computer software	Other computer software	Total
	\$'000	\$'000	\$'000
Carrying amount at 1 January 2017	2 113	-	2 113
Additions	1 672	-	1 672
Amortisation	(595)	-	(595)
Carrying amount at 31 December 2017	3 190	-	3 190

19. PAYABLES

	2018	2017
	\$'000	\$'000
Current		
Creditors	117	1
Accrued expenses	538	563
Employment on-costs	369	316
Total current payables	1 024	880
Non-current		
Employment on-costs	243	218
Total non-current payables	243	218
Total payables	1 267	1 098
SA Government/Non-SA Government payables		
Payables to SA Government entities		
Creditors	-	1
Accrued expenses	120	110
Employment on-costs	612	534
Total payables to SA Government entities	732	645
Payables to Non-SA Government entities		
Creditors	117	-
Accrued expenses	418	453
Total payables to Non-SA Government entities	535	453
Total payables	1 267	1 098

Employment on-costs include payroll tax, WorkCover levies and superannuation contributions. 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 to 41% from the 2017 rate (40%), and the average factor for the calculation of employer superannuation on-cost has changed from the 2017 rate (10.1%) to 9.9%. 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.

19.1. INTEREST RATE AND CREDIT RISK

Payables are measured at nominal amounts. Creditors and accruals are raised for all amounts owing but unpaid. Sundry creditors are normally settled within 30 days from the date the invoice is first received.

20. REPLACEMENT TEACHERS' LIABILITY

	2018 \$'000	2017 \$'000
Current		
Temporary replacement teachers	642	626
Total replacement teachers' liability	642	626
SA Government/Non-SA Government replacement teachers' liability		
SA Government entities		
Temporary replacement teachers	329	300
Total replacement teachers' liability - SA Government entities	329	300
Non-SA Government entities		
Temporary replacement teachers	313	326
Total replacement teachers' liability - Non-SA Government entities	313	326
Total replacement teachers' liability	642	626

The liability for replacement teachers represents the estimated cost of amounts owing to schools but not yet claimed as at 31 December 2018.

21. EMPLOYEE BENEFITS - LIABILITY

	2018 \$'000	2017 \$'000
Current		
Accrued salaries and wages	201	223
Annual leave	762	734
Long service leave	242	257
Skills and experience retention leave (SERL)	68	67
Total current employee benefits	1 273	1 281
Non-current		
Long service leave	2 652	2 368
Total non-current employee benefits	2 652	2 368
Total employee benefits	3 925	3 649

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.

21.1. 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 Skills and Experience Retention Leave 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.

21.2. 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.

AASB 119 *Employee Benefits* describes 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. AASB 119 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 to 2.25% (2017: 2.5%).

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

The net financial effect of these 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 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 4.00% for long service leave liability and 3.00% for annual leave and skills, experience and retention leave liabilities. As a result, there is no net financial effect resulting from changes in the salary inflation rate.

22. OTHER LIABILITIES

	2018 \$'000	2017 \$'000
Current		
Unearned revenue	140	18
Total current other liabilities	140	18
Non-current		
Lease incentive	-	-
Total non-current other liabilities	-	-
Total other liabilities	140	18

Unearned revenue relates 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.

23. EQUITY

	2018 \$'000	2017 \$'000
EQUITY		
Retained earnings	8 840	6 899
Staff entitlements reserve	2 625	2 625
Total equity	11 465	9 524

The staff entitlements reserve represents funds retained by the SACE Board to meet liabilities for long service leave, annual leave, and SERL accrued by employees.

24. UNRECOGNISED CONTRACTUAL COMMITMENTS

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

Unrecognised contractual commitments are disclosed net of the amount of GST recoverable from, or payable to, the Australian Taxation Office (ATO). If GST is not payable to, or recoverable from, the ATO the commitments and contingencies are disclosed on a gross basis.

24.1. CAPITAL COMMITMENTS

	2018 \$'000	2017 \$'000
Capital expenditure contracted for at the reporting date but are not recognised as liabilities in the financial report, are payable as follows:		
Within 1 year	131	-
Later than 1 year but not longer than 5 years	-	-
Total other commitments	131	-

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.

24.2. EXPENDITURE COMMITMENTS

	2018 \$'000	2017 \$'000
Within 1 year	1 202	1 606
Later than 1 year but not longer than 5 years	1 251	1 842
Total other commitments	2 453	3 448

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.

24.3. OPERATING LEASE COMMITMENTS

	2018 \$'000	2017 \$'000
Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities are payable as follows:		
Within 1 year	1 184	1 149
Later than 1 year but not longer than 5 years	1 701	2 862
Total operating lease commitments	2 885	4 011

The SACE Board's operating leases are for office accommodation and vehicles. Office accommodation is leased through the Department of Planning, Transport and Infrastructure (DPTI) with the present lease expiring in May 2021. Rent is payable in advance.

The SACE Board also leases vehicles from LeasePlan. These leases are cancellable on 6 months' notice.

The operating lease expenses incurred by the SACE Board were \$1 159 281 (2017: \$1 193 009).

25. 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.

Unrecognised contingencies are disclosed net of the amount of GST recoverable from, or payable to, the Australian Taxation Office (ATO). If GST is not payable to, or recoverable from, the ATO, then the commitments and contingencies are disclosed on a gross basis.

The SACE Board is not aware of any contingent assets.

26. RELATED PARTY TRANSACTIONS

The SACE Board of South Australia is an independent statutory authority of the South Australian Government established by the *SACE Board of South Australia Act 1983*.

Related parties of the SACE Board include all key management personnel and their close family members; all Cabinet Ministers and their close family members; and all public authorities that are controlled and consolidated into the whole of government financial statements and other interests in the Government. Compensation of Key Management Personnel is disclosed in note 3.2.

27. FINANCIAL RISK MANAGEMENT / FINANCIAL INSTRUMENTS

27.1. FINANCIAL RISK MANAGEMENT

Risk management is managed by the SACE Board's Corporate Services group, and agency 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, credit, and market) is insignificant based on past experience and current assessment of risk.

There have been no changes in risk exposure since the last reporting period.

27.2. LIQUIDITY RISK

The SACE Board is funded principally from appropriation by the SA Government. The 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.

27.3. 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 Note 1.

The carrying amounts of each of the following categories of financial of financial assets and financial liabilities are detailed below. Financial liabilities are measured at cost.

		2018 \$'000	2017 \$'000
	Notes	Carrying amount	Carrying amount
Financial assets			
Cash and equivalents			
- Cash and cash equivalents	15	12 605	10 773
Loans and Receivables			
- Receivables (1) (2)	16	189	484
Total financial assets		12 794	11 257
Financial liabilities			
Financial liabilities at cost			
- Payables (1)	19	597	497
- Other financial liabilities (Replacement Teachers)	20	642	626
Total financial liabilities		1 239	1 123

(1) 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 (not materially different from amortised cost).

(2) Receivables amount disclosed here excludes prepayments. Prepayments are presented in note 16 as trade and other receivables in accordance with paragraph 78(b) of AASB 101. However, prepayments are not financial assets as defined in AASB 132 as the future economic benefit of these assets is the receipt of goods and services rather than the right to receive cash or another financial asset.

28. IMPACT OF STANDARDS AND STATEMENTS NOT YET IMPLEMENTED

The SACE Board of South Australia has assessed the impact of:

- new and changed Australian Accounting Standards Board Standards and Interpretations not yet implemented; and
- changes to Accounting Policy Statements issued by the Treasurer.

In accordance with requirements issued by the Department of Treasury and Finance, The SACE Board has adopted a modified retrospective approach to the application of the impacts. The impacts for the SACE Board are outlined below.

28.1. AASB 9 - FINANCIAL INSTRUMENTS

This standard establishes the principles that the SACE Board shall apply for the financial reporting of financial assets and financial liabilities that will represent relevant and useful information to users of the financial statements for their assessment of the amounts, timing and uncertainty of the SACE Board's future cash flows.

AASB 9 applies to reporting periods beginning on or after 1 January 2018. The application date for the SACE Board is 1 January 2018.

The SACE Board has assessed the impact of AASB 9 on an instrument-by-instrument basis, and will not affect any changes to fair values.

28.2. AASB 15 - REVENUE FROM CONTRACTS WITH CUSTOMERS

This standard establishes the principles that the SACE Board shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer.

AASB 15 applies to reporting periods beginning on or after 1 January 2019 for South Australian not-for-profit public authorities. The application date for the SACE Board is 1 January 2019.

The SACE Board has assessed the impact of AASB 15, there will not be any material impact to the financial statements of the SACE Board.

28.3. AASB 1058 - INCOME FOR NOT-FOR-PROFIT ENTITIES

This standard introduces a concept of "fair value" to more closely recognise income transactions that are not contracts with customers (covered by AASB 15) in accordance with their economic reality. In the case of the SACE Board, this standard will apply to its Revenues from SA Government (see Note 14), which involve funds being provided to the SACE Board in the form of an operating subsidy. The application of this new standard will not result in any material impact to the SACE Board's financial statements.

28.4. AASB 16 - LEASES

This standard introduces a single accounting model for lessees. The standard requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. The SACE Board has determined that it has four leases that fall within the scope of AASB 16. This includes the lease that the SACE Board has for its accommodation, as well as three separate motor vehicle leases. The figures shown below represent the total amount for all four leases.

AASB 16 applies to reporting periods beginning on or after 1 January 2019 for South Australian not-for-profit public authorities. The application date for the SACE Board is 1 January 2019.

The main changes introduced by the new standard are as follows:

- recognition of right-of-use asset and lease liability for all leases (excluding short-term leases with a lease term of 12 months or less of tenure and leases relating to low-value assets);
- depreciation of right-of-use in line with AASB 116 - Property, Plant and Equipment in profit or loss and unwinding of the liability in principal and interest components; this will result in higher expenses earlier on in the lease and lower at the end.
- inclusion of variable lease payments that depend on an index of a rate in the initial measurement of the lease liability using the index of rate at the commencement date;
- inclusion of additional disclosure requirements.

The SACE Board has performed a preliminary assessment over each lease type, and the effect of AASB 16 is estimated to have the following impact on its initial application from 1 January 2019:

The expected impact on opening balances at 1 January 2019 is:

Statement of Financial Position	\$'000
Right of Use Assets (Accommodation and Vehicles)	2 676
Lease Liability (Accommodation and Vehicles)	(2 770)
Retained earnings	(94)

The expected impact on the statement of comprehensive income for the period ending 31 December 2019 is:

Statement of Comprehensive Income	
Borrowing Costs	45
Depreciation and amortisation expense	1 115
Operating Lease Expense (Accommodation)	(1 146)
Operating Lease Expense (Vehicles)	(18)
Retained earnings	(4)

The expected impact on closing balances at 31 December 2019 is:

Statement of Financial Position	
Right of Use Assets (Accommodation and Vehicles)	1 561
Lease Liability (Accommodation and Vehicles)	(1 651)
Retained earnings	(90)

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29. PRIOR PERIOD ERROR

Item	Error Amount	Explanation for Adjustment
	\$'000	
Supplies and services	(371)	<p>A review of intangible assets was undertaken during 2018 which identified an overstatement in operating expenses in 2017. Contractor costs, associated with facilitating online examinations and online professional development software were overstated by \$279 000, recording a corresponding overstatement in supplies and services.</p> <p>The review of intangible assets identified that purchased 'off the shelf software' where the SACE Board has some control of the asset, the set-up and enhancement costs should have been capitalised. In 2017 'off the shelf' software from a third-party vendor for professional learning was recorded as an operating expense, resulting in an overstatement of software expenses by \$92 000.</p>
Employee benefits expenses	(100)	The review of intangible assets, salary and oncost expenses associated with online examinations and online professional development were incorrectly recorded as an operating expense in 2017. This resulted in an overstatement of employee benefit expenses by \$100 000.
Retained earnings	471	Net impact on 2018 retained earnings as a result of the above adjustments.

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 2018 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: 12/3/19.



12/3/19.

Martin Westwell
Chief Executive

Date:



12/3/19

Alan Herman
Team Leader, Finance, Risk and Audit

Date: