



SACE Board of South Australia

2019 Annual Report



**Government
of South Australia**

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To:

The Hon John Gardner MP
Minister for Education

This annual report will be presented to Parliament to meet the statutory reporting requirements of the *SACE Board of South Australia Act 1983*, *Public Sector Act 2009*, and the *Public Sector Regulations 2010* and the requirements of Premier and Cabinet Circular *PC013 Annual Reporting*.

This report is verified to be accurate for the purposes of annual reporting to the Parliament of South Australia.

Submitted on behalf of the SACE Board of South Australia by:

Professor Martin Westwell

Chief Executive

Date 20th March 2020 Signature Meh Westwell

Contents

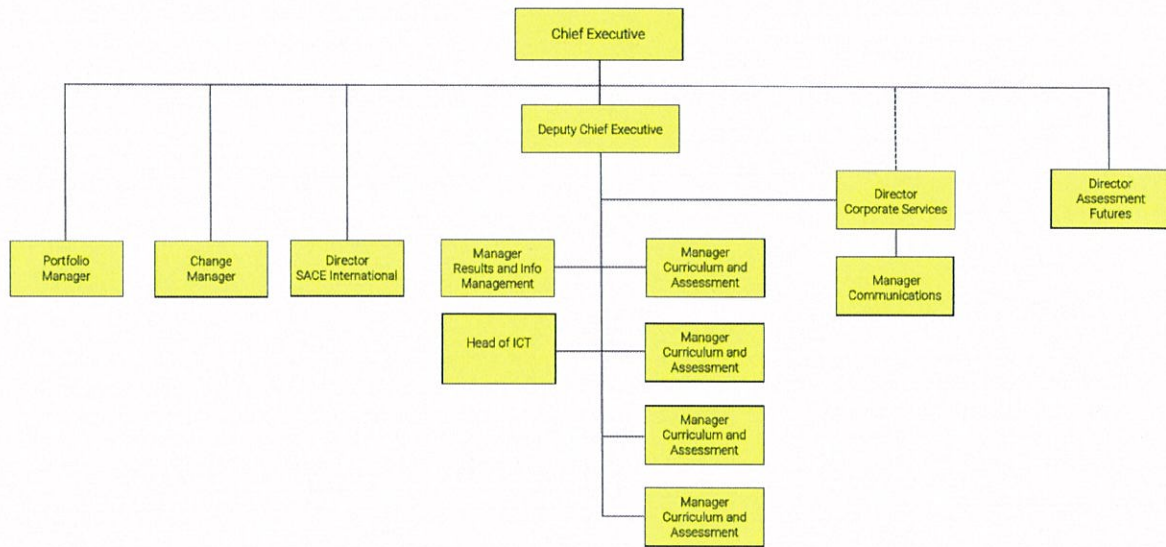
Contents	3
Overview: about the agency	4
Our strategic focus	4
Our organisational structure	5
Changes to the agency.....	5
Our Minister.....	5
The Executive and Leadership Team.....	6
Legislation administered by the agency.....	6
Other related agencies (within the Minister's area/s of responsibility)	6
The agency's performance	6
Performance at a glance	6
Agency contribution to whole of Government objectives	8
Agency specific objectives and performance.....	9
Corporate performance summary.....	11
Employment opportunity programs.....	11
Agency performance management and development systems	12
Work health, safety and return to work programs.....	12
Executive employment in the agency	13
Financial performance.....	14
Financial performance at a glance.....	14
Consultants disclosure	15
Contractors disclosure.....	15
Risk Management	17
Risk and audit at a glance	17
Strategies implemented to control and prevent fraud	17
Whistle-blowers disclosure	18
Reporting required under any other act or regulation	18
Public complaints.....	18
Appendix: Audited financial statements 2019.....	20

Overview: about the agency

Our strategic focus

Our Purpose	<p>The SACE Board of South Australia is an independent statutory authority that reports to the Parliament of South Australia through the Minister for Education. It provides services to all schools in South Australia that offer Stage 1 and Stage 2 studies for the South Australian Certificate of Education (SACE).</p> <p>The SACE Board services schools that are part of the South Australian Department for Education as well as non-government schools, including those linked with Catholic Education South Australia and the Association of Independent Schools of South Australia.</p> <p>Through negotiated arrangements, the Board offers its subjects and assessment services to schools in the Northern Territory that deliver the Northern Territory Certificate of Education and Training and to a number of centres in Malaysia, China, Vietnam, and Vanuatu that deliver the SACE International program.</p>
Our Vision	Student Success through the SACE.
Our Mission	Provide a locally and internationally respected SACE that gives all students the capabilities to move successfully into further learning and work as confident and responsible citizens.
Our Values	<p>The SACE Board of South Australia upholds the public sector values through its decisions, actions and interactions. In addition, we are committed to our agency values:</p> <ul style="list-style-type: none"> • integrity • equity • quality.
Our Objectives	<ol style="list-style-type: none"> 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.

Our organisational structure (as at 31 December 2019)



Changes to the agency

During 2019 there were no changes to the agency's structure or objectives as a result of internal reviews or machinery of government changes.

Our Minister



Hon. John Gardner MP is the Minister for Education.

He has represented the seat of Morialta, in Adelaide's north-eastern suburbs and near-hills townships, since 2010.

Hon. John Gardner MP
Minister for Education
Member for Morialta

The Executive and Leadership Team



Front Row: (from left) Snezana Maio (Director, Corporate Services), Adele Broster (Manager, Curriculum and Assessment), Hassan Mekawy (Manager, Curriculum and Assessment), Alan Herman (Team Leader, Finance, Risk and Audit), Michaela Bensley (Deputy Chief Executive), Meridie Howley (Manager, Curriculum and Assessment).
Back Row: (from left) Cathy Schultz (Director, SACE International), Jamie Dunnill (Change Manager), Simon Thompson (Head of ICT), Luke Nash (Manager, Curriculum and Assessment), Professor Martin Westwell (Chief Executive), Ines Sodano (Manager, Results and Information), Deb Cooper (Manager, Communications). Absent: Claire Tola, Portfolio Manager.

The SACE Board of South of Australia is led by Professor Martin Westwell, Chief Executive, who is responsible for the leadership and management of the SACE Board of South Australia's policies and for the provision of its curriculum, assessment, certification, reporting and data/information services.

Michaela Bensley, Deputy Chief Executive works in close partnership with the Chief Executive, and provides cultural, strategic and operational leadership across the SACE Board to ensure the achievement of operational and strategic goals.

Supporting the Chief Executive and the Deputy Chief Executive is the Leadership Team who have responsibility for the day-to-day management of SACE Board business units.

Legislation administered by the agency

- *SACE Board of South Australia Act 1983*
- *SACE Board of South Australia Regulations 2008*

Other related agencies (within the Minister's area/s of responsibility)

- Department for Education
- Higher Education and Skills – TAFE functions

The agency's performance

Performance at a glance

During 2019, the SACE Board of South Australia led a range of programs, initiatives, policies and activities to achieve its strategic priorities. The agency:

- Continued to transition assessment from paper based methods to electronic assessment by delivering three examination subjects online, compared to one electronic examination in 2018.

- Provided clarifying forums for teachers online as well as targeted face-to-face support.
- Research Project A and B are now submitted, marked and moderated online.
- All submission and marking of student investigations are online with the exception of Visual Arts and Creative Arts.
- Submission and moderation of 41 subjects are online, with 13 of these using a dispersed or remote model.
- Results were delivered to students in South Australia, Northern Territory, Malaysia, China, Vanuatu and Vietnam accurately and on time on 17 December 2019.
- The SACE Board of South Australia delivered SACEi to an additional five overseas schools compared to 2018.
- The Institute of Educational Assessors expanded and improved its services by delivering subject masterclasses, consultative sessions and tailored workshops to educators.
- Ten renewed Subjects were delivered for the first time to students in 2019, as well as an additional ten Subjects were renewed and accredited during 2019 to ensure they represent world's best practice.
- Increased recognition among South Australians of the SACE as an international certificate by communicating SACE relevance and value through public events, media and marketing.

A snapshot of achievements for South Australia's class of 2019 includes:

- 15,276 students completed their SACE (the highest number of SACE completers in nine years).
- A record number of 2,815 students completed a VET Certificate III as part of their SACE – compared with 2,488 in 2018.
- 393 Aboriginal students completed senior secondary education (an increase on the 364 Aboriginal students who completed their SACE in 2018).
- A total of 143 Aboriginal students also included a VET Certificate III qualification in their studies, compared to 132 in 2018.
- A total of 1,151 merit certificates will be awarded to 892 students for outstanding achievement in Stage 2 subjects.
- A record number of 296 students completed a modified SACE, offered to students with intellectual disabilities (239 students in 2018, 235 students in 2017, 226 students in 2016).

Agency contribution to whole of Government objectives

Key objective	Agency's contribution
Economic Benefit	<p>110 graduates of the SACE International program, mainly students from Malaysia and China, came to SA for their tertiary studies. These students contribute to the local economy through payment of tuition fees, as well as living expenses, tourism, and hospitality and entertainment. A study by Deloitte Access Economics (2018) has valued this contribution at \$51,500 per student. The total value of the economic benefit in 2019 has been estimated as \$5,665,000. As the SACE International program is increasing, this value to the South Australian economy will also continue to grow over time.</p>
Better Services	<p>Electronic assessment is a key priority of the SACE Board's Strategic Plan 2016-2020. It represents the shift from traditional paper-based methods to enable year 12 students to sit electronic exams that match the way that they learn in the classroom, and will enable teachers to mark and moderate student work online, eliminating the need for the physical transfer of thousands of papers. The e-exam program delivered three subjects online in 2019, with a total of nine subjects being delivered online in 2020.</p>

Agency specific objectives and performance

Agency objectives	Indicators	Performance
Assessment and quality assurance	<p>Progress electronic assessment for marking, moderation, and examination.</p> <p>Subjects have a stronger focus on new technology and 21st-century learning.</p> <p>Students have the flexibility to present assignments in various modes and file types.</p> <p>Increased use of online tools to facilitate better collaboration with schools outside metropolitan Adelaide; teachers can undertake learning at times that suit them.</p> <p>Teachers interpret and apply performance standards consistently to students' work.</p>	<p>In 2019 the SACE Board of South Australia:</p> <ul style="list-style-type: none"> • successfully delivered three electronic examinations to students; • successfully coordinated the management of students' work for the purposes of external marking, moderation, and quality assurance; • ensured all SACE Board appointed assessors and SACE teachers assessed with reference to the performance standards, so that students in all classes across all schools received comparable grades.
Results delivery	Continue to ensure the accurate and timely delivery of end-of-year results.	The SACE Board ensured the timely and accurate delivery of SACE results to students in South Australia, Northern Territory, Malaysia, China, Vanuatu and Vietnam on 17 December 2019.
SACE International	Strengthen the international profile of the SACE, to enhance its reputation and contribute to the state's economy.	<p>In 2019 the SACE Board of South Australia:</p> <ul style="list-style-type: none"> • delivered the SACE International program to offshore students as part of the northern hemisphere assessment cycle; • increased the number of schools delivering SACE International from fourteen in 2018 to nineteen in 2019.

<p>Professional development and support for teachers</p>	<ul style="list-style-type: none"> • Contribute to a high-quality teaching workforce through the Institute of Educational Assessors. • Strengthen and further develop educators' expertise in assessment knowledge and practice. • Improve student outcomes by providing learning that contributes to postgraduate qualifications for educators. 	<p>In 2019 the SACE Board of South Australia:</p> <ul style="list-style-type: none"> • provided strategic and operational SACE curriculum and assessment by offering over 180 online professional learning courses supporting teachers in the judgment and calibration of standards; • built professional networks relating to SACE curriculum and assessment by offering over fifty face-to-face workshops supporting teachers to share experiences and professional practice; • expanded the Institute of Educational Assessors' services to include online course elements, new courses, and consultative services via the new website which went live; • successfully hosted the Institute of Educational Assessors conference; • offered scholarships for teachers and supported post-graduate research students.
<p>Curriculum development and support</p>	<ul style="list-style-type: none"> • Renew SACE subjects to ensure that they suitably prepare young people for work, life, and further learning. • Increase recognition among South Australians of the SACE as a high quality international secondary school qualification. 	<p>In 2019 the SACE Board of South Australia:</p> <ul style="list-style-type: none"> • provided quality accreditation, certification, and recognition of SACE subjects; • developed and reviewed ten SACE subjects; • as part of the renewal process, accredited ten subjects with quality online materials for students and teachers in Australia and internationally.

<p>Community and stakeholder engagement</p>	<ul style="list-style-type: none"> • Build capacity to listen and respond to stakeholders through research, and new systems and processes; • Increase recognition among South Australians of the SACE as a high quality international qualification; • Improved engagement through online platforms, including forums, video, and interactive content. 	<p>In 2019 the SACE Board of South Australia:</p> <ul style="list-style-type: none"> • established and coordinated a number of formal consultative groups; • communicated SACE relevance and value through public events, media, and marketing, including the SACE Merit Ceremony, SACE Art Show, SACE Aboriginal Student Pathways Conference, SACE Leaders Forum, and SACE management conferences; • 1,151 merit certificates will be awarded to 892 students at the 2020 SACE Merit Ceremony for outstanding achievement in Stage 2 subjects.
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Corporate performance summary

During 2019, the SACE Board of South Australia led a range of corporate and operating initiatives and activities, highlights for 2019 include:

- established matrix ways of working to enable employees to work across projects that aim to realise benefits for the future efficient and effective operations of the SACE Board and its services to students and other stakeholders;
- established a skills register to provide opportunities for employees and to deliver on matrix projects;
- reviewed our business processes to modernise and streamline internal procedures;
- implemented a Wellbeing Program for employees.

Employment opportunity programs

Program name	Performance
Disability Employment	During 2019, two staff were recruited from the Disability Employment Register.

Agency performance management and development systems

Performance management and development system	Performance
All employees are required to take part in a formal performance management and development discussion with their manager at least once every 6 months.	At 31 December 2019, 37% of SACE Board employees participated in a documented performance management and development review within the previous six months. A revised Performance Management and Development Policy was released in May 2019 to outline a consistent approach and minimum requirements.

Work health, safety and return to work programs

Program name	Performance
Work Health and Safety Management	<p>The SACE Board of South Australia implemented the following initiatives to meet our legislative requirements and to improve employee health and well-being:</p> <ul style="list-style-type: none"> • implemented a new Injury Reporting and Investigation Procedure; • offered Resilience Skills Training (45 employees attended / 41% of employees); • offered Mental Health First Aid Training (48 employees attended / 43% of employees); • facilitated on-site flu vaccinations for employees; • conducted work station assessments for employees.
Injury management	The SACE Board of South Australia renewed its service level agreement with the Department for Education to provide injury management services for a further year, until 30 June 2020.
Employee Assistance Program	An employee assistance program is in place to provide support for employees. During 2019, the number of consultations fell from 35 to 20. This fall is not unusual given that a new provider was engaged in 2018, which corresponded with an increase in usage during that year.

Workplace injury claims	2019	2018	% Change (+ / -)
Total new workplace injury claims	1	1	Nil
Fatalities	0	0	Nil
Seriously injured workers*	0	0	Nil
Significant injuries (where lost time exceeds a working week, expressed as frequency rate per 1000 FTE)	0	0	Nil

*number of claimants assessed during the reporting period as having a whole person impairment of 30% or more under the Return to Work Act 2014 (Part 2 Division 5)

Work health and safety regulations	2019	2018	% Change (+ / -)
Number of notifiable incidents (<i>Work Health and Safety Act 2012, Part 3</i>)	0	0	Nil
Number of provisional improvement, improvement and prohibition notices (<i>Work Health and Safety Act 2012 Sections 90, 191 and 195</i>)	0	0	Nil

Return to work costs**	2019	2018	% Change (+ / -)
Total gross workers compensation expenditure (\$)	\$ 1,945	\$ 3,340	-42%
Income support payments – gross (\$)	\$ 0	\$ 2,073	-100%

**before third party recovery

Data for previous years is available at: <https://data.sa.gov.au/data/organization/sace>

Executive employment in the agency

Executive classification	Number of executives
Executive Level C (not SAES)	1
Executive Level A (not SAES)	3

Data for previous years is available at: <https://data.sa.gov.au/data/organization/sace>

The [Office of the Commissioner for Public Sector Employment](#) has a [workforce information](#) page that provides further information on the breakdown of executive gender, salary and tenure by agency.

Financial Performance

Financial performance at a glance

The following is a brief summary of the overall financial position of the agency. The information is unaudited. Full audited financial statements for 2019 are attached to this report.

Statement of Comprehensive Income	2019 Actual \$000s	2018 Actual \$000s
Expenses	\$ 23,174	\$ 23,723
Revenues	\$ 5,018	\$ 4,713
Net cost of providing services	\$ 18,156	\$ 19,010
Net Revenue from SA Government	\$ 21,081	\$ 20,480
Net result	\$ 2,925	\$ 1,470
Total Comprehensive Result	\$ 2,925	\$ 1,470

Statement of Financial Position	2019 Actual \$000s	2018 Actual \$000s
Current assets	\$ 15,457	\$ 13,001
Non-current assets	\$ 5,231	\$ 4,438
Total assets	\$ 20,688	\$ 17,439
Current liabilities	\$ 3,396	\$ 3,079
Non-current liabilities	\$ 3,265	\$ 2,895
Total liabilities	\$ 6,661	\$ 5,974
Net assets	\$ 14,027	\$ 11,465
Equity	\$ 14,027	\$ 11,465

Consultants disclosure

The following is a summary of external consultants that have been engaged by the agency, the nature of work undertaken, and the actual payments made for the work undertaken.

Consultancies with a contract value below \$10,000 each

Consultancies	Purpose	\$ Actual payment
Human Dynamics Consulting	Strategic Organisational Design	\$ 1,500

Consultancies with a contract value above \$10,000 each

Consultancies	Purpose	\$ Actual payment
Nuago Pty Ltd	Cloud Transition Planning Advisory Services	\$ 17,000

Data for previous years is available at: <https://data.sa.gov.au/data/organization/sace>

See also the [Consolidated Financial Report of the Department of Treasury and Finance](#) for total value of consultancy contracts across the South Australian Public Sector.

Contractors disclosure

The following is a summary of external contractors that have been engaged by the agency, the nature of work undertaken, and the actual payments made for work undertaken.

Contractors with a contract value below \$10,000

Contractors	Purpose	\$ Actual payment
All contractors below \$10,000 each - combined	Various	\$ 50,373

Contractors with a contract value above \$10,000 each

Contractors	Purpose	\$ Actual payment
12Media	Video production services	\$ 25,000
Adept Technology Assignments	Software Development Lifecycle Process Review	\$ 29,982

Contractors	Purpose	\$ Actual payment
Asia Australis	Business case development	\$ 23,000
CQR Consulting Australia Pty Ltd	Penetration testing	\$ 18,185
Creativation Pty Ltd	Marketing services	\$ 12,017
Davies Stewart Recruitment & HR	Temporary staff services	\$ 61,273
Dbusiness Pty Ltd	Event management services	\$ 26,545
Excel - RNTT Pty Ltd	Temporary staff services	\$ 66,442
Experience Matters Pty Ltd	Information and records management services	\$ 40,131
Flock Creative	Graphic design	\$ 35,515
Gartner Australasia Pty Ltd	IT leaders service	\$ 33,100
Hays Specialist Recruitment	Temporary staff services	\$ 201,166
Insync Solutions	Penetration testing	\$ 13,600
Michael Vnuk	Editing	\$ 36,837
Modis	Temporary staff services	\$ 121,567
Paxus Australia Pty Ltd	Temporary staff services	\$ 328,467
Randstad Pty Ltd	Temporary staff services	\$ 14,188
Reward Design	Graphic design	\$ 13,010
	Total	\$ 1,398,878

Data for previous years is available at: <https://data.sa.gov.au/data/organization/sace>

The details of South Australian Government-awarded contracts for goods, services, and works are displayed on the SA Tenders and Contracts website. [View the agency list of contracts.](#)

The website also provides details of [across government contracts.](#)

Risk Management

Risk and audit at a glance

Risk and audit is managed and reported through the Planning, Finance, and Performance Committee (PFPC). PFPC focuses on the SACE Board's budget, the financial performance of the SACE Board, the organisation's internal and external risk management, and oversight of the audit strategies for the SACE Board. PFPC has five committee members that is external to the SACE Board and three committee observers that are employees of the SACE Board.

Fraud detected in the agency

Category/nature of fraud	Number of instances
Payments made to a supplier of the SACE Board were made to an incorrect bank account.	1

NB: Fraud reported includes actual and reasonably suspected incidents of fraud.

Strategies implemented to control and prevent fraud

The SACE Board has in place strategies to prevent fraud, including:

- appropriate segregation of duties — the SACE Board implements controls that ensure individual employees are unable to complete transactions involving procurements, purchase requisitions, and payments to suppliers without separate approval from a second authorised employee;
- awareness and training for employees — all managers ensure their employees are aware of their obligations under relevant legislation, policies, and procedures, and that they complete the Code of Ethics and Independent Commission Against Corruption training as part of the SACE Board's induction program;
- policies and procedures — the SACE Board adheres to all relevant SA Public Sector legislation and has internal policies and procedures in place, including the Fraud and Corruption Prevention Policy and the Gifts and Benefits Policy;
- post-transaction review — regular reconciliations of financial accounts and cash transactions are undertaken; the Chief Executive approves all purchase card statements;
- monitoring and reporting — processes are in place for recording, monitoring, and reporting data, which is checked and approved by the appropriate delegate(s);
- a comprehensive audit program — regular and random internal and external audits are undertaken within the SACE Board;
- a financial management compliance program — this is an ongoing process that requires the Chief Executive to document the internal controls and their effectiveness relating to critical functions and processes, including the management and control of fraud, corruption, and maladministration risks within the SACE Board.

Data for previous years is available at: <https://data.sa.gov.au/data/organization/sace>

Whistle-blowers disclosure

Number of occasions on which public interest information has been disclosed to a responsible officer of the agency under the *Whistleblowers Protection Act 1993*:

0

Data for previous years is available at: <https://data.sa.gov.au/data/organization/sace>

Reporting required under any other act or regulation

Act or Regulation	Requirement
<i>SACE Board of South Australia Act 1983</i>	<p>20—Report</p> <p>(1) The Board must, on or before 31 March in each year, deliver to the Minister a report of its operations during the period of 12 months that ended on the preceding 31 December.</p> <p>(1a) The report must—</p> <ul style="list-style-type: none"> (a) incorporate the audited accounts of the Board for the relevant year; and (b) include a specific report on the consultation processes that the Board has established or used for the purposes of this Act during the relevant year, including an assessment of the extent to which those processes have assisted the Board in the performance of its functions; and (c) contain any other information required by this Act. <p>(2) The Minister must, within 14 sitting days after receiving a report under this section, cause a copy of the report to be laid before each House of Parliament.</p>

Public complaints

Number of public complaints reported (as required by the Ombudsman)

Complaint categories	Sub-categories	Example	Number of Complaints 2019
NIL to report.			0

Data for previous years is available at: <https://data.sa.gov.au/data/organization/sace>

Service Improvements resulting from complaints or consumer suggestions over 2019

NIL to report.

Appendix: Audited financial statements 2019

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

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

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

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

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

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

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

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

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

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

	Note	Staff Entitlements Reserve S'000	Retained Earnings S'000	Total Equity S'000
Balance at 1 January 2018		2 625	7 370	9 995
Net result for 2018		-	1 470	1 470
Total comprehensive result for 2018		-	1 470	1 470
Balance at 1 January 2019		2 625	8 840	11 465
Changes in accounting policy on adoption of AASB 15 and 1058		-	(363)	(363)
Adjusted balance as at 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 31 December 2019		-	14 027	14 027

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

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

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

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

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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

1. About the SACE Board of South Australia

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

1.1 Basis of preparation

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

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

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

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

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

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

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

1.2 Objectives and programs

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

The SACE Board is actively pursuing three key strategic objectives:

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

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

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

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

2. Board, committees and employees

2.1 Key management personnel

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

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

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

2.2 Board and committee members

Members during the 2019 calendar year were:

SACE Board of South Australia

Presiding Member

Ms Jane Danvers

Deputy Presiding Member

Ms Ann Doolette

Members

Mr Andrew Balkwill (commenced 1 July)

Mr Alistair Brown (commenced 1 July)*

Ms Kerrie Campbell

Ms Anne Dunstan (resigned 28 Nov)

Mr Kim Hebenstreit

Mr Andy Keough

Mr Peter Mckay (term ended 30 June)*

Ms Helen O'Brien (term ended 30 June)

Mr Peter Prest

Mr Trevor Read*

Ms Pamela Ronan

Ms Shannon Warren (commenced 29 Nov)

The number of Board and committee members whose remuneration received or receivable falls within the following bands:	2019	2018
	No.	No.
\$0 to \$19 999	10	13
\$20 000 to \$39 999	1	1
Total number of Board and committee members	11	14

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

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

2.3 Employee benefits expenses

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

***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.

Executive remuneration

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

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

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

2.4 Employee benefits liability

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

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

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

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

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

No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees is estimated to be less than the annual entitlement for sick leave.

Long service leave

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

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

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

Consultants

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

	2019	2018
	No.	No.
Below \$10 000	1	-
\$10 000 or above	2	2
Total	3	2

3.2 Depreciation and amortisation

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

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

Review of accounting estimates

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

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

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

Useful life

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

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

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

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

3.3 Replacement teachers' expense

	2019	2018
	\$'000	\$'000
Temporary replacement teachers	832	1 088
Total replacement teachers' expense	832	1 088

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

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

4. Income

4.1 Revenues from SA Government

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

Operating grant

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

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

4.2 Sales of goods and services

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

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

Northern Territory arrangement

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

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

SACE International program

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

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

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

Overseas students studying in SA

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

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

Institute of Educational Assessors

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

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

Contract balances

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

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

4.3 Interest

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

4.4 Resources received free of charge

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

4.5 Replacement teachers' write-back

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

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

4.6 Other income

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

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.

5. Non-financial assets

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

5.1 Plant and equipment

Equipment comprises owned and leased tangible assets.

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

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

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

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

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

Impairment

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

Reconciliation 2019

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

5.2 Right-of-use assets

	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.

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

Related expenses and cash flows

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

Lease liabilities

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

Short-term and low value leases

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

5.3 Intangible assets

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

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

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

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

Reconciliation 2019

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

6. Financial assets

6.1 Cash and cash equivalents

	2019 \$'000	2018 \$'000
Cash and cash equivalents	14 779	12 605
Total cash and cash equivalents	14 779	12 605

6.2 Receivables

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

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

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

Allowance for impairment loss on receivables

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

Refer to note 11.3 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

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

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

Employment on-costs

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

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

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

7.2 Replacement teachers

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

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

7.3 Other liabilities

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

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

7.4 Lease liabilities

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

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

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

8. Other disclosures

8.1 Equity

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

8.2 Cash flow

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

Leases	2019
	\$'000
Vehicles	21
Total cash outflow for leases	21

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

9. Changes in accounting policy

9.1 Treasurer's Instructions (Accounting Policy Statements)

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

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

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

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

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

9.2 AASB 16 Leases

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

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

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

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

Impact on retained earnings

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

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

Accounting policies on transition

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

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

Ongoing accounting policies

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

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

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

9.3 AASB 15 Revenue from Contracts with Customers

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

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

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

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

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

9.4 AASB 1058 Income of Not-for-Profit Entities

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

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

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

9.5 Effects on financial statements from AASB 15 and AASB 1058

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

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

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

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

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

10. Outlook

10.1 Unrecognised contractual commitments

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

Capital commitments

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

Expenditure commitments

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

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

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

Operating lease commitments

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

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

10.2 Expected realisation of contract liabilities as revenue

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

10.3 Contingent assets and liabilities

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

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

11. Measurement and risk

11.1 Long service leave liability - measurement

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

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

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

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

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

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

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

11.2 Fair value

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

Initial recognition

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

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

Revaluation

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

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

Plant and equipment

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

11.3 Financial instruments

Financial risk management

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

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

Liquidity risk

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

Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

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

Categorisation of financial instruments

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

Classification of Financial Instruments

The SACE Board measures all financial instruments at amortised cost.

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

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

Receivables and payables:

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

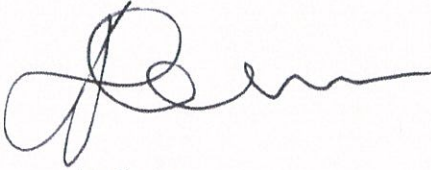
The receivables amount disclosed here excludes prepayments as they are not financial assets. Prepayments are presented in note 6.2.

Certification of the Financial Statements

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

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

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



Jane Danvers
Presiding Member

18 March 2020

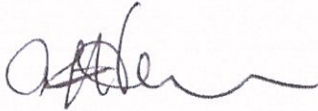
Date:



Martin Westwell
Chief Executive

17 March 2020

Date:



Alan Herman
Team Leader, Finance, Risk and Audit

Date: 17 March 2020



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To the Chief Executive SACE Board of South Australia

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

Opinion

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

The financial report comprises:

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

Basis for opinion

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

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

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

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

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

Auditor's responsibilities for the audit of the financial report

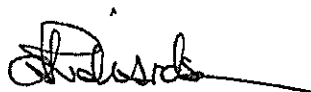
My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an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

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

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

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

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

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

Andrew Richardson

Auditor-General

19 March 2020