



State Examinations Commission
Financial Statements
for the financial year ended 31 December 2017

State Examinations Commission

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State Examinations Commission

General Information

Chief Executive Officer	Mr. Aidan Farrell
Bankers	Bank of Ireland Athlone Co. Westmeath
Internal Auditors	Mazars Harcourt Road Dublin 2
Auditors	Comptroller and Auditor General 3A Mayor Street Upper Dublin 1

State Examinations Commission

Governance Statement and Board Members' Report Financial year ended 31 December 2017

Governance

The State Examinations Commission (SEC) was established in 2003 by the Minister for Education and Science under Section 54 of the Education Act 1998. The functions of the SEC are set out in the State Examinations Commission (Establishment) Order 2003 and can be broadly summarised as the holding, assessment and certification of the second level state examinations and of certain trade and professional examinations. The SEC is led by a Board of five non-executive Commissioners (the 'Commission') appointed by the Minister for Education and Skills and a full time Chief Executive Officer under the State Examinations Commission (Establishment) Order 2003. The Board is accountable to the Minister for Education and Skills and is responsible for ensuring good governance and performs this task by setting strategic objectives and targets and taking strategic decisions on all key business issues. The regular day-to-day management, control and direction of SEC are the responsibility of the Chief Executive Officer (CEO) and the senior management team. The CEO and the senior management team must follow the broad strategic direction set by the Board, and must ensure that all Board members have a clear understanding of the key activities and decisions related to the entity, and of any significant risks likely to arise. The CEO acts as a direct liaison between the Board and Management of SEC.

Board Responsibilities

The work and responsibilities of the Commission are set out in the Terms of Reference of the Commission, which also contain the matters specifically reserved for Board decision. Standing items considered by the Commission included:

- Planning and Preparation for the Examinations
- Issues of Strategic Importance
- Human Resources (HR)
- Corporate Affairs (including Risk Management)
- Audit & Risk Committee
- Finance
- Information Technology (IT)
- Procurement
- Any Other Business

Under the terms of the State Examinations Commission (Establishment) Order, 2003, the Commission is required to keep proper accounts of all income and expenditure, and of the sources of such income and the subject matter of such expenditure, and of the property, credits and liabilities of the Commission. In preparing these financial statements, the Commission is required to:

- select suitable accounting policies and apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that it will continue in operation, and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The Commission is responsible for keeping adequate accounting records which disclose, with reasonable accuracy at any time, its financial position and enables it to ensure that the financial statements comply with State Examinations Commission (Establishment) Order 2003. The maintenance and integrity of the corporate and financial information on the SEC's website is the responsibility of the Commission.

State Examinations Commission

Governance Statement and Board Members' Report Financial year ended 31 December 2017

The Commission is responsible for approving the annual plan and budget. An evaluation of the performance of SEC by reference to the annual plan and budget was carried out on 9th February 2018.

The Commission is also responsible for safeguarding its assets and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Board considers that the financial statements of Commission give a true and fair view of the financial performance and the financial position of the SEC at 31 December 2017.

Commission Structure

The Commission consists of a Chairperson, Deputy Chairperson and three ordinary members appointed by the Minister for Education and Skills. One new member of the Commission (Mr. Martin Sisk) was appointed in 2017 to replace a Commissioner who resigned at the end of 2016 (Ms. Nuala Crimmins).

The details of the appointment period for current members of the Commission are set out below:

Board Members

Mr. Patrick Burke (Chairperson)	(Appointed 15 May 2015)
Ms. Mary Ryan (Deputy Chairperson)	(Appointed 15 May 2015)
Dr. Richard Thorn	(Appointed 15 May 2015)
Prof. Teresa O'Doherty	(Appointed 15 May 2015)
Mr. Martin Sisk	(Appointed 12 October 2017)
Ms. Nuala Crimmins	(Resigned 31 December 2016)

The Commission has established an Audit and Risk Committee which comprises one Commissioner and two independent members. The role of the Audit and Risk Committee (ARC) is to support the Board in relation to its responsibilities for issues of risk, control and governance and associated assurance. The ARC is independent from the financial management of the organisation. In particular the Committee ensures that the internal control systems including audit activities are monitored actively and independently. The ARC reports to the Commission after each meeting, and formally in writing annually. The members of the Audit and Risk Committee are: Mary Ryan (Chairperson), Joe Harrison and Matt Ryan. There were four meetings of the ARC in 2017.

Schedule of Attendance, Fees and Expenses

The schedule of attendance at the Commission and ARC meetings for 2017, including the fees and expenses received by each member is set out in Note 19 on page 25.

State Examinations Commission

**Governance Statement and Board Members' Report
Financial year ended 31 December 2017**

Disclosures Required by Code of Practice for the Governance of State Bodies (2016)

The Board is responsible for ensuring that the SEC has complied with the requirements of the Code of Practice for the Governance of State Bodies ("the Code"), as published by the Department of Public Expenditure and Reform in August 2016. The following disclosures are set out in the notes to these financial statements:

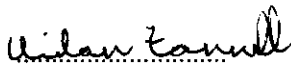
- **Key Management Personnel Benefits Breakdown (See Note 20)**
- **Short Term Employee Benefits (See Note 5)**
- **Consultancy Costs (See Note 8)**
- **Legal Costs and Settlements (See Notes 8 & 9)**
- **Travel and Subsistence Expenditure (See Note 5)**
- **Hospitality Expenditure (See Note 7)**

Statement of Compliance

The SEC has complied with the requirements of the Code of Practice for the Governance of State Bodies, as published by the Department of Public Expenditure and Reform in August 2016, with the following exceptions:

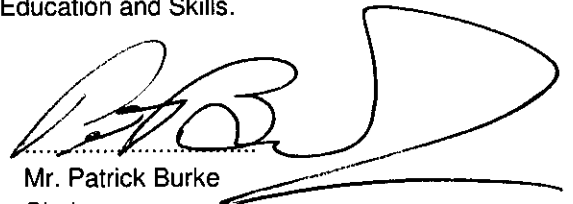
- Section 7.12 of the Code requires the ARC to contain at least three independent non-executive Board members. The SEC has established an ARC containing three members including two independent members and one non-executive Board member as this composition is more appropriate to the size of the Commission (potential maximum of 5 members) and the organisation whilst still respecting the underlying intent of the specific requirement of the Code.

This departure from the Code has been agreed with Department of Education and Skills.



Mr. Aidan Farrell
Chief Executive Officer

Date: 29/11/18



Mr. Patrick Burke
Chairman

Date: 29/11/18

State Examinations Commission

Statement on Internal Control Financial year ended 31 December 2017

Scope of Responsibility

On behalf of the State Examinations Commission (SEC) I acknowledge the Board's responsibility for ensuring that an effective system of internal control is maintained and operated. This responsibility takes account of the requirements of the Code of Practice for the Governance of State Bodies (2016).

Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a tolerable level rather than to eliminate it. The system can therefore only provide reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded and that material errors or irregularities are either prevented or detected in a timely way.

The system of internal control, which accords with guidance issued by the Department of Public Expenditure and Reform has been in place in the SEC for the year ended 31 December 2017 and up to the date of approval of the financial statements.

Capacity to Handle Risk

The SEC has an Audit and Risk Committee (ARC) comprising one Board members and two external members, with financial and audit expertise, one of whom is the Chair. The ARC met four times in 2017.

The SEC has also established an internal audit function which is adequately resourced and conducts a programme of work agreed with the ARC. The SEC has developed a risk management policy which sets out its risk appetite, the risk management processes in place and details the roles and responsibilities of staff in relation to risk. The policy has been issued to all staff who are expected to work within the SEC's risk management policies, to alert management on emerging risks and control weaknesses and assume responsibility for risks and controls within their own area of work.

Risk and Control Framework

The SEC has implemented a risk management system which identifies and reports key risks and the management actions being taken to address and, to the extent possible, to mitigate those risks.

A risk register is in place which identifies the key risks facing the SEC and these have been identified, evaluated and graded according to their significance. The register is reviewed and updated by the SEC Management Board, and reported to the ARC and Board at each meeting. The outcome of these assessments is used to plan and allocate resources to ensure risks are managed to an acceptable level.

The risk register details the controls and actions needed to mitigate risks and responsibility for operation of controls assigned to specific staff. I confirm that a control environment containing the following elements is in place:

- procedures for all key business processes have been documented,
- financial responsibilities have been assigned at management level with corresponding accountability,
- there is an appropriate budgeting system with an annual budget which is kept under review by senior management,

State Examinations Commission

Statement on Internal Control Financial year ended 31 December 2017

- there are systems aimed at ensuring the security of the information and communication technology systems,
- there are systems in place to safeguard the assets.

Ongoing Monitoring and Review

Formal procedures have been established for monitoring control processes and control deficiencies are communicated to those responsible for taking corrective action and to management and the Board, where relevant, in a timely way. I confirm that the following ongoing monitoring systems are in place:

- key risks and related controls have been identified and processes have been put in place to monitor the operation of those key controls and report any identified deficiencies.
- reporting arrangements have been established at all levels where responsibility for financial management has been assigned, and
- there are regular reviews by senior management of periodic and annual performance and financial reports which indicate performance against budgets/forecasts.

Procurement

I confirm that the SEC has procedures in place to ensure compliance with current rules and during 2017 the SEC complied with those procedures with the exception of 13 contracts, relating to five suppliers, with a value of €148k (from a total spend on procurement of €8.474m) of which €44k was purchased from one supplier without a formal sole supplier justification, while the remainder were associated with the pressing need to ensure examinations delivery. In addition for 3 of the 5 suppliers there were a further 25 procurements with a total value of €130k (ranging in value from €172.20 to €16,961.70) for which quotes from at least three suppliers were sought.

The SEC is absolutely committed, as set out in its Corporate Procurement Plan 2017 - 2020, to ensuring that purchasing and procurement in the organisation operates in accordance with public sector procurement policy in compliance with national and EU procurement regulations and supports effective value for money purchasing while ensuring transparency and accountability. Competitive tendering is the standard procedure in the procurement processes of the SEC. Since the 2017 Financial Year the SEC has implemented a number of procurement control improvements which include:

- Centralised oversight of all procurement activities through the deployment of a contracts register.
- Staff training for personnel engaged in Procurement activities.

The SEC is resolved to address issues of non-compliant procurement and to ensure that measures are put in place to monitor purchases from suppliers that exceed or are likely to exceed €25,000 and ensure that appropriate procurement takes place.

State Examinations Commission

**Statement on Internal Control
Financial year ended 31 December 2017**

Review of Effectiveness

I confirm that the SEC has procedures to monitor the effectiveness of its risk management and control procedures. The SEC monitoring and review of the effectiveness of the system of internal financial control is informed by the work of the internal and external auditors, the ARC which oversees their work, and the senior management within the SEC responsible for the development and maintenance of the internal financial control framework.

I confirm that the Board conducted an annual review of the effectiveness of the internal controls for 2017.

Internal Control Issues

No weaknesses in internal control were identified in relation to 2017 that require disclosure in the financial statements.

Signed on behalf of the Commission



Mr. Patrick Burke
Chairman

Date: 29/11/18



Ard Reachtaire Cuntas agus Ciste Comptroller and Auditor General

Report for presentation to the Houses of the Oireachtas

State Examinations Commission

Opinion on financial statements

I have audited the financial statements of the State Examinations Commission for the year ending 31 December 2017 as required under the provisions of the State Examinations Commission (Establishment) Order 2003. The financial statements comprise

- the statement of income and expenditure and retained revenue reserves
- the statement of financial position
- the statement of cash flows and
- the related notes, including a summary of significant accounting policies.

In my opinion, the financial statements give a true and fair view of the assets, liabilities and financial position of the State Examinations Commission at 31 December 2017 and of its income and expenditure for 2017 in accordance with Financial Reporting Standard (FRS) 102 — *The Financial Reporting Standard applicable in the UK and the Republic of Ireland*.

Basis of opinion

I conducted my audit of the financial statements in accordance with the International Standards on Auditing (ISAs) as promulgated by the International Organisation of Supreme Audit Institutions. My responsibilities under those standards are described in the appendix to this report. I am independent of the State Examinations Commission and have fulfilled my other ethical responsibilities in accordance with the standards.

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

Report on information other than the financial statements, and on other matters

The State Examinations Commission has presented certain other information together with the financial statements. This comprises the governance statement and Board members' report, and the statement on internal control. My responsibilities to report in relation to such information, and on certain other matters upon which I report by exception, are described in the appendix to this report.

I have nothing to report in that regard.

Seamus McCarthy
Comptroller and Auditor General

30 November 2018

Appendix to the report

Responsibilities of Board members

The governance statement and Board members' report sets out the Board members' responsibilities. The Board members are responsible for

- the preparation of financial statements in the form prescribed under article 28 of the State Examinations Commission (Establishment) Order 2003
- ensuring that the financial statements give a true and fair view in accordance with FRS102
- ensuring the regularity of transactions
- assessing whether the use of the going concern basis of accounting is appropriate, and
- such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Responsibilities of the Comptroller and Auditor General

I am required under article 30 of the State Examinations Commission (Establishment) Order 2003 to audit the financial statements of the State Examinations Commission and to report thereon to the Houses of the Oireachtas.

My objective in carrying out the audit is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement due to fraud or error. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs 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 these financial statements.

As part of an audit in accordance with the ISAs, I exercise professional judgment and maintain professional scepticism throughout the audit. In doing so,

- I identify and assess the risks of material misstatement of the financial statements 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.
- I 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 internal controls.
- I evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures.
- I conclude on the appropriateness of the use of the going concern basis of accounting and, based on the audit evidence obtained, on whether a material uncertainty

exists related to events or conditions that may cast significant doubt on the State Examinations Commission's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my report. However, future events or conditions may cause the State Examinations Commission to cease to continue as a going concern.

- I evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, 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 my audit.

Information other than the financial statements

My opinion on the financial statements does not cover the other information presented with those statements, and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, I am required under the ISAs to read the other information presented and, in doing so, consider whether the other information is materially inconsistent with the financial statements or with knowledge obtained during the audit, or if it otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

Reporting on other matters

My audit is conducted by reference to the special considerations which attach to State bodies in relation to their management and operation. I report if there are material matters relating to the manner in which public business has been conducted.

I seek to obtain evidence about the regularity of financial transactions in the course of audit. I report if there is any material instance where public money has not been applied for the purposes intended or where transactions did not conform to the authorities governing them.

I also report by exception if, in my opinion,

- I have not received all the information and explanations I required for my audit, or
- the accounting records were not sufficient to permit the financial statements to be readily and properly audited, or
- the financial statements are not in agreement with the accounting records.

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**Statement of Income and Expenditure and Retained Revenue Reserves
Financial year ended 31 December 2017**

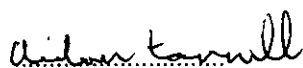
	Note	2017 €	2016 €
Income			
Oireachtas grants	2	58,022,967	55,030,789
Examination and other fees	3	9,380,402	9,182,993
		<u>67,403,369</u>	<u>64,213,782</u>
Other interest receivable and similar income	4	-	746
Transfer from capital reserve	15	98,927	215,908
Total Income		<u>67,502,296</u>	<u>64,430,436</u>
Expenditure			
Staff costs	5	57,400,708	58,002,260
Depreciation	11	209,389	434,710
Administrative expenses	7	8,474,716	8,200,108
Total Expenditure		<u>66,084,813</u>	<u>66,637,078</u>
Surplus/(deficit) for the financial year and total comprehensive income		<u>1,417,483</u>	<u>(2,206,642)</u>
Balance brought forward at 1 January 2017		<u>(3,611,775)</u>	<u>(1,405,133)</u>
Balance carried forward at 31 December 2017		<u>(2,194,292)</u>	<u>(3,611,775)</u>

All income and expenditure for the year relates to continuing activities at the reporting date.

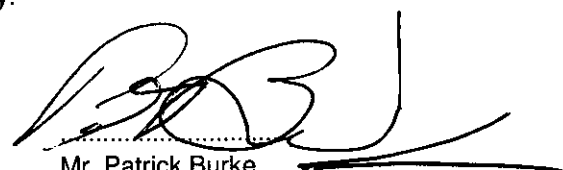
The Statement of Income and Expenditure and Retained Revenue Reserves includes all gains and losses recognised in the year.

The Statement of Cash Flows and notes on pages 12 to 26 form part of these financial statements.

These financial statements were signed on behalf of the Commission by:


Mr. Aidan Farrell
Chief Executive Officer

Date: 29/11/18


Mr. Patrick Burke
Chairman
Date: 29/11/18

State Examinations Commission

Statement of Financial Position
As at 31 December 2017

	Note	2017		2016	
		€	€	€	€
Fixed assets					
Property, plant and equipment	11	<u>229,946</u>		<u>328,873</u>	
			229,946		328,873
Current assets					
Inventory	12	947,845		744,118	
Receivables	13	288,747		238,705	
Cash and cash equivalents		<u>5,120</u>		<u>6,522</u>	
		1,241,712		989,345	
Payables: amounts falling due within one year	14	<u>(3,436,004)</u>		<u>(4,601,120)</u>	
Net current liabilities			(2,194,292)		(3,611,775)
Total net liabilities			(1,964,346)		(3,282,902)
Financed by					
Capital account	15		229,946		328,873
Accumulated deficit			(2,194,292)		(3,611,775)
			(1,964,346)		(3,282,902)

The Statement of Cash Flows and notes on pages 12 to 26 form part of these financial statements.

These financial statements were signed on behalf of the Commission by:

Aidan Farrell
Mr. Aidan Farrell
Chief Executive Officer

Date: 29/1/18

Patrick Burke
Mr. Patrick Burke
Chairman

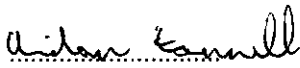
Date: 29/1/18

State Examinations Commission

**Statement of Cash Flows
Financial year ended 31 December 2017**

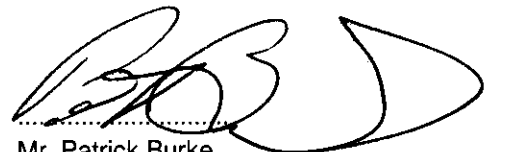
	2017	2016
	€	€
Net cash flows from operating activities		
Surplus/(deficit) for the financial year	1,417,483	(2,206,642)
<i>Adjustments for:</i>		
Depreciation of property, plant and equipment	209,389	434,710
Capital reserve transfers on property, plant and equipment movements	(98,927)	(215,908)
Bank interest receivable and similar income accrued	-	(746)
<i>Changes:</i>		
(Increase)/decrease in inventory	(203,727)	56,423
(Increase)/decrease in receivables	(50,042)	18,731
(Decrease)/increase in payables	(1,165,116)	2,118,069
Net cash inflow from operating activities	<u>109,060</u>	<u>204,637</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(110,462)	(218,802)
Net cash used in investing activities	<u>(110,462)</u>	<u>(218,802)</u>
Cash flows from financing activities		
Bank interest received	-	746
Net cash from financing activities	<u>-</u>	<u>746</u>
Net decrease in cash and cash equivalents	(1,402)	(13,419)
Cash and cash equivalents at beginning of financial year	<u>6,522</u>	<u>19,941</u>
Cash and cash equivalents at end of financial year	<u>5,120</u>	<u>6,522</u>

These financial statements were signed on behalf of the Commission by:



Mr. Aidan Farrell
Chief Executive Officer

Date: 29/11/18



Mr. Patrick Burke
Chairman

Date: 29/11/18.

State Examinations Commission

Notes to the financial statements Financial year ended 31 December 2017

1. Accounting policies

Statement of compliance

These financial statements have been prepared in compliance with the financial reporting standards of the Financial Reporting Council.

Basis of preparation

The financial statements have been prepared on the historical cost basis, as modified by the revaluation of certain financial assets and liabilities and investment properties measured at fair value through profit or loss.

The financial statements are prepared in Euro, which is the functional currency of the Commission.

Accounting Estimates and Judgements

In the preparation of the financial statements various estimates, judgements and assumptions have been made that impact on amounts reported as assets, liabilities, income and expenditure. Estimates and assumptions used are reviewed on an ongoing basis.

The principal estimates, judgements and assumptions used in the financial statements for the year ended 31 December 2017 are as follows:

(i) Property, Plant and Equipment

Depreciation is calculated based on estimates and assumptions on the useful economic life and expected residual value of the asset.

(ii) Recoverability of Bad Debts

The provision for bad debt is calculated based on management's expectation on the recoverability of debt. The provision for bad debt is an estimate of the amount not recoverable from candidates. The estimate is based on the trends of recent years.

(iii) Employee Benefits

The accrual for holidays earned but not taken is based on estimates of total holiday leave less leave taken.

(iv) Examination Staff Creditor

The calculation of the examination staff creditor is based on an average value as opposed to actual claims.

Comparative Figures

Comparative figures have been regrouped, where necessary, on the same basis as those for the current year. The changes are noted per Note 7 to the financial statements.

Oireachtas Grants Income

Oireachtas grants consist of amounts paid by the Department of Education and Skills on behalf of the Commission and receipts from the Department in the year to meet other costs. Grant income received towards capital expenditure on property, plant and equipment is deferred to the capital account and is released to the Statement of Income and Expenditure and Retained Revenue Reserves over the expected useful economic life of the related assets, in line with depreciation charged on the assets.

State Examinations Commission

Notes to the financial statements (continued) Financial year ended 31 December 2017

Examination Fees

Examination fee income is disclosed separately from the cost of exemptions for medical card holders. These costs are disclosed in the accounts as an expense. Examination fees due as at 31 December 2017 are provided for in full as a bad debt at the year end. Examination fee debtors remaining uncollected after the year end are written off in full.

Employee Benefits

(i) Short Term Benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

(ii) Compensatory Leave

Compensatory leave consisting of time off in lieu is recognised as a staff cost expense.

Property, plant and equipment

Property, plant and equipment are initially recorded at cost, and are subsequently stated at cost less any accumulated depreciation and impairment losses.

Any property, plant and equipment carried at revalued amounts are recorded at the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation, is recognised in other comprehensive income and accumulated in capital and reserves, except to the extent it reverses a revaluation decrease of the same asset previously recognised in the Statement of Income and Expenditure and Retained Revenue Reserves. A decrease in the carrying amount of an asset as a result of revaluation is recognised in other comprehensive income to the extent of any previously recognised revaluation increase accumulated in capital and reserves in respect of that asset. Where a revaluation decrease exceeds the accumulated revaluation gains accumulated in capital and reserves in respect of that asset, the excess shall be recognised in the Statement of Income and Expenditure and Retained Revenue Reserves.

Depreciation

Property, plant and equipment are stated at their historical cost or valuation, less accumulated depreciation. Depreciation is charged to the Statement of Income and Expenditure and Retained Revenue Reserves on a straight line basis, at the rates set out below, calculated to write off the assets adjusted for residual value over their expected useful lives. A full year's depreciation is charged on additional property, plant and equipment in the year of acquisition. No depreciation is charged in the year of disposal:

Fixtures and fittings	- 10%	straight line
Computer equipment	- 33.33%	straight line
Equipment	- 20%	straight line

If there is an indication that there has been a significant change in depreciation rate, useful life or residual value of property, plant and equipment, the depreciation is revised prospectively to reflect the new estimates.

Inventory

Inventory, which includes examination stationery, is valued at the lower of cost and net realisable value. Net realisable value is calculated as the estimated disposal proceeds less costs of disposal incurred.

State Examinations Commission

Notes to the financial statements (continued) Financial year ended 31 December 2017

Financial instruments

A financial asset or a financial liability is recognised only when the Commission becomes a party to the contractual provisions of the instrument.

Basic financial instruments are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where it is recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Other financial instruments, including derivatives, are initially recognised at fair value, unless payment for an asset is deferred beyond normal business terms or financed at a rate of interest that is not a market rate, in which case the asset is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Other financial instruments are subsequently measured at fair value, with any changes recognised in profit or loss, with the exception of hedging instruments in a designated hedging relationship.

Retirement benefits

The employees of the Commission are civil servants and are members of a defined benefit scheme which is unfunded and administered by the Department of Public Expenditure and Reform.

Employees who commenced on or after 1 January 2013 are members of a defined benefit pension scheme in accordance with the Public Service Pensions (Single Scheme and Other Provisions) Act 2012. Deductions made from employees under the Single Scheme are remitted by the Commission to the Department of Public Expenditure and Reform.

There is no charge in these financial statements for any liabilities which may arise in respect of the retirement benefits of the Commission.

Capital Account

The capital account represents the unamortised portion of income applied for capital purposes. Property, plant and equipment assets are funded from current revenue. This funding is transferred to the capital account, which is amortised in line with depreciation of property, plant and equipment. The net funding transferred to the capital account and related amortisation is recorded in the Statement of Income and Expenditure and Retained Revenue Reserves.

State Examinations Commission

**Notes to the financial statements (continued)
Financial year ended 31 December 2017**

2. Oireachtas Grants

	2017	2016
	€	€
Department of Education and Skills contributions (Subhead A11.4)	58,022,967	55,030,789

(a) The Funding Authority	Department of Education and Skills - Second Level Education	
(b) Title of Grant	Examinations Pay	Examinations Non-Pay
(c) Purposes of Grant	SEC Admin Pay and Programme Pay	SEC Exams Admin Non-Pay and Exams Programme Non-Pay including Travelling and Subsistence, Attendants and Incidentals
(d) Accounting for Grant		
(i) Amount	€47,285,057	€10,737,910
(ii) Term of total Grant	One year	One year
(iii) Amount taken to Income	€47,285,057	€10,737,910
(a) Grant taken to Income	€47,285,057	€10,737,910
(b) Cash received in period	€36,752,126	€16,413,874
(c) Expenditure paid directly by Department (see below)	€10,532,931	€424,036
(d) Cash reimbursed in period	-	€6,100,000
(e) Amounts deferred or due at year end	-	-

Expenditure paid directly by Department

Expenditure paid directly by the Department of Education and Skills on behalf of State Examinations Commission consisted of administration staff payroll costs of €10,532,931 (pay) and administration staff travel and subsistence costs of €424,036 (non-pay).

State Examinations Commission

**Notes to the financial statements (continued)
Financial year ended 31 December 2017**

3. Examination and other fees	2017	2016
	€	€
<u>Examination fees</u>	13,860,644	14,071,634
Examination fees	(5,099,761)	(5,462,065)
Less: Medical card exemptions	8,760,883	8,609,569
Examination fees net of medical card exemptions		
	445,430	408,886
Appeals	125,055	118,048
Statement of results	9,331,368	9,136,503
Examination costs recovered	49,034	46,490
	9,380,402	9,182,993

Examination costs recovered

Examination costs recovered relate to recovery of additional costs incurred by the SEC to administer the Leaving Certificate examinations to candidates from one school in Libya. Since 1997 the DES, and subsequently the SEC, have offered the Leaving Certificate to students in the International School of the Martyrs, Tripoli. The agreement with the school authorities provides that the school meet in full the additional costs arising for the SEC. Given the highly unstable political and security situation in Libya the SEC decided that it was again not possible to arrange examinations there in 2017. As an alternative, the SEC arranged that candidates could take their examinations in either Ireland or Malta.

4. Other interest receivable and similar income	2017	2016
	€	€
Bank deposits	-	746

State Examinations Commission

**Notes to the financial statements (continued)
Financial year ended 31 December 2017**

5. Staff costs

	2017	2016
	€	€
State Examinations Commission Staff		
Salaries and wages	10,471,445	10,122,943
Travel and subsistence	482,568	418,699
External Examinations Staff		
Remuneration - Examinations staff	35,921,354	37,143,522
Remuneration - Attendants	1,622,871	1,583,006
Travel and subsistence	8,674,718	8,499,298
Postage and telephone costs	227,752	234,792
	<u>57,400,708</u>	<u>58,002,260</u>

Travel and Subsistence Costs

Travel and subsistence costs are broken down into national and international travel costs as follows:

State Examinations Commission Staff

National travel and subsistence	463,963	403,998
International travel and subsistence	18,605	14,701
	<u>482,568</u>	<u>418,699</u>

External Examinations Staff

National travel and subsistence	8,648,965	8,465,386
International travel and subsistence	25,753	33,912
	<u>8,674,718</u>	<u>8,499,298</u>

Total - All Staff

National travel and subsistence	9,112,928	8,869,384
International travel and subsistence	44,358	48,613
	<u>9,157,286</u>	<u>8,917,997</u>

State Examinations Commission

Notes to the financial statements (continued) Financial year ended 31 December 2017

5. Staff costs (continued)

Salary of CEO

The salary of the CEO is based on the salary scale of an Assistant Secretary post in the Civil Service (Salary Scale:135X). The salary of the CEO in the year ended 31 December 2017 was €138,432 (€136,496 in the year ended 31 December 2016). As at 31 December 2017, the CEO was at point 4 of the scale. The CEO also had expenses of €6,971.

The CEO is entitled to superannuation benefits under the scheme operated by the Department of Education and Skills.

Number of State Examination Commission Staff whose total employee benefits fall within the following salary bands:

Salary Band	2017	2016
	<u>Number</u>	<u>Number</u>
€60,001 - €70,000	10	9
€70,001 - €80,000	10	11
€80,001 - €90,000	11	14
€90,001 - €100,000	4	2
€100,001 - €110,000	-	1
€110,001 - €120,000	-	-
€120,001 - €130,000	-	-
€130,001 - €140,000	1	1
€140,001 -	-	-

Number of Employees

The average number of persons employed by the Commission during the financial year was as follows:

	2017	2016
	<u>Number</u>	<u>Number</u>
State Examinations Commission Staff	152	149
	<u>152</u>	<u>149</u>

6. Staff costs - termination / severance payments

There were no termination/severance payments and agreements made in excess of €10,000 in the year ended 31 December 2017.

State Examinations Commission

**Notes to the financial statements (continued)
Financial year ended 31 December 2017**

7. Administration expenses

	2017	2016
	€	€
Training	49,920	33,360
Recruitment costs	38,131	52,803
People Point shared service annual charge	29,220	28,264
Warehousing	307,903	299,463
Accommodation and hire of halls	302,216	351,376
Transport of examination materials	1,612,510	1,885,145
Light and heat	60,006	78,007
Repairs and maintenance	169,768	252,038
Printing	1,767,466	1,578,614
Stationery	1,132,519	797,899
Advertising	11,499	20,161
Postage	1,166,802	1,043,362
Telephone	159,576	179,057
IT, software and maintenance	936,986	998,044
Legal and professional	187,871	181,971
Consultancy	33,674	22,621
Accountancy	62,757	33,257
Audit fees	54,000	33,000
Bank charges	82,884	13,875
Provision for doubtful debts - examination fees	278,503	288,545
Staff welfare	27,425	27,503
General expenses	3,080	1,743
	8,474,716	8,200,108

Hospitality expenditure

The Income and Expenditure Account includes the following hospitality expenditure:

Staff hospitality	2,229	3,003
Client hospitality	-	-
	2,229	3,003

State Examinations Commission

Notes to the financial statements (continued) Financial year ended 31 December 2017

8. Administration expenses - external consultants/advisors fees

Administration expenses for the year ended 31 December 2017 as per Note 7 includes the following expenditure on external consultants/advisors fees:

	2017	2016
	€	€
Legal	77,571	140,477
Tax and financial advisory	84,585	43,214
Other	17,997	4,960
	<u>180,153</u>	<u>188,651</u>

9. Administration expenses - legal expenses

Legal expenses for the year ended 31 December 2017 totalling €187,871 as per Note 7 is broken down as follows:

	2017	2016
	€	€
Legal fees	83,721	171,971
Compensation paid	104,150	10,000
	<u>187,871</u>	<u>181,971</u>

10. Operating deficit

Surplus/(Deficit) is stated after charging:

	2017	2016
	€	€
Depreciation of property, plant and equipment	209,389	434,710
Cost of inventory recognised as an expense	1,132,519	797,899
Impairment of examination fees due	278,503	288,545
Fees payable for the audit of the financial statements	54,000	33,000
	<u></u>	<u></u>

State Examinations Commission

**Notes to the financial statements (continued)
Financial year ended 31 December 2017**

11. Property, plant and equipment

	Fixtures and fittings	Computer equipment	Equipment	Total
	€	€	€	€
Cost				
At 1 January 2017	719,095	2,343,607	94,751	3,157,453
Additions	32,721	71,997	5,744	110,462
Disposals	-	(30,651)	-	(30,651)
At 31 December 2017	<u>751,816</u>	<u>2,384,953</u>	<u>100,495</u>	<u>3,237,264</u>
Depreciation				
At 1 January 2017	628,639	2,130,376	69,565	2,828,580
Charge for the financial year	28,522	169,057	11,810	209,389
Disposals	-	(30,651)	-	(30,651)
At 31 December 2017	<u>657,161</u>	<u>2,268,782</u>	<u>81,375</u>	<u>3,007,318</u>
Carrying amount				
At 31 December 2017	<u>94,655</u>	<u>116,171</u>	<u>19,120</u>	<u>229,946</u>
In respect of prior year:	Fixtures and fittings	Computer equipment	Equipment	Total
	€	€	€	€
Cost				
At 1 January 2016	710,408	2,153,356	89,155	2,952,919
Additions	8,687	204,519	5,596	218,802
Disposals	-	(14,268)	-	(14,268)
At 31 December 2016	<u>719,095</u>	<u>2,343,607</u>	<u>94,751</u>	<u>3,157,453</u>
Depreciation				
At 1 January 2016	598,625	1,751,364	58,149	2,408,138
Charge for the financial year	30,014	393,280	11,416	434,710
Disposals	-	(14,268)	-	(14,268)
At 31 December 2016	<u>628,639</u>	<u>2,130,376</u>	<u>69,565</u>	<u>2,828,580</u>
Carrying amount				
At 31 December 2016	<u>90,456</u>	<u>213,231</u>	<u>25,186</u>	<u>328,873</u>

State Examinations Commission

**Notes to the financial statements (continued)
Financial year ended 31 December 2017**

12. Inventory	2017	2016
	€	€
Inventory of stationery	<u>947,845</u>	<u>744,118</u>
13. Receivables	2017	2016
	€	€
Examination fees due	278,579	288,585
Bad debt provision	(278,463)	(288,545)
Examination staff: Outstanding advances	62,050	63,168
Other receivables	-	854
Prepayments and accrued income	<u>226,581</u>	<u>174,643</u>
	<u>288,747</u>	<u>238,705</u>

The bad debt provision is an estimate of the amount not recoverable from candidates and has been based on the trends of recent years. Examination fees due of €288,585 which had been fully provided for were written off in 2017.

State Examinations Commission

**Notes to the financial statements (continued)
Financial year ended 31 December 2017**

14. Payables: amounts falling due within one year

	2017	2016
	€	€
Examination staff	1,042,429	1,983,806
Due to suppliers	387,970	123,105
Other payables	1,427	1,713
Tax and social insurance:		
P.A.Y.E. / P.R.S.I. / U.S.C. payable	937,741	758,681
V.A.T. payable	188	84,157
P.S.W.T. payable	253	280
Accruals and deferred income	1,065,996	1,649,378
	<u>3,436,004</u>	<u>4,601,120</u>

Included in accruals and deferred income is the following:

(i) Holiday Pay

Accumulated holiday pay not taken by Commission staff at the year end is recognised as an outstanding liability. As a result the financial statements account for a provision for holiday pay amounting to €300,312 as at 31 December 2017 (€275,729 as at 31 December 2016).

(ii) Compensatory Leave

Accumulated compensatory leave not taken by Commission staff at the year end is recognised as an outstanding liability. As a result the financial statements account for an decrease in the provision for compensatory leave amounting to €64,778 in the year ended 31 December 2017 (€132,634 increase in the year ended 31 December 2016). The SEC used actual hourly rates of pay for each individual member of staff based on newly available reports from the PSSC in calculating the compensatory leave accounting estimate.

Compensatory leave is factored into the Commission's Workforce Planning report for 2015-2017 and is taken as leave from within existing resources. The accumulated compensatory leave totalling €565,712 as at 31 December 2017 (€630,490 per the financial statements as at 31 December 2016) will be reduced in the coming years following agreement with staff interests on a measured workdown. Notwithstanding that compensatory leave only falls to be met by means of a financial payment in rare and exceptional circumstances, it is the understanding of the Commission that the Department of Education and Skills has committed to meet any additional costs arising from claims in respect of accumulated compensatory leave, to ensure that Commission funding will not be adversely affected.

State Examinations Commission

**Notes to the financial statements (continued)
Financial year ended 31 December 2017**

15. Capital Reserve	2017	2016
	€	€
At 1 January	328,873	544,781
Transfer from / (to) Statement of Income and Expenditure and Retained Revenue Reserves:		
Income allocated for capital purposes	110,462	218,802
Amortisation in line with depreciation	(209,389)	(434,710)
At 31 December	<u>229,946</u>	<u>328,873</u>
Total to Statement of Income and Expenditure and Retained Revenue Reserves	<u>(98,927)</u>	<u>(215,908)</u>

16. Corporation Tax

The State Examinations Commission is exempt from Corporation Tax.

17. Other financial commitments

(i) Finance leases

There was no recourse to finance leasing at 31 December 2017.

(ii) Rental obligations

Premises located at Cornamaddy, Athlone occupied by the State Examinations Commission are provided free of charge by the Office of Public Works. Therefore there are no rent charge commitments at 31 December 2017.

A warehouse premises located in Athlone town, occupied by the State Examinations Commission, is provided by An Post. The Commission pays a charge of €60,000 per annum for the rental of this warehouse.

18. Commission Members' Interests

The Commission members adopted procedures in accordance with guidelines issued under the Code of Practice for the Governance of State Bodies in relation to the disclosure of interests by Commission members and these procedures have been adhered to in the year. There were no transactions in the year in relation to the Commission's activities in which the Commission members had any beneficial interest.

State Examinations Commission

Notes to the financial statements (continued) Financial year ended 31 December 2017

19. Commissioner's Fees and Expenses

A schedule of attendance at the Board and Audit Committee meetings for 2017 is set out below including the fees and expenses received by each member:

	Board	Audit & Risk Committee	Fees 2017 €	Expenses 2017 €
Number of meetings	9	4		
Mr. Patrick Burke	9	-	11,970	Nil
Ms. Mary Ryan	9	4	7,694	3,058
Dr. Richard Thorn	8	-	7,694	1,118
Prof. Teresa O'Doherty	7	-	Nil	1,120
Mr. Martin Sisk	1	-	Nil	Nil
Ms. Nuala Crimmins	0	-	Nil	891
Mr. Joseph Harrison	-	3	1,282	674
Mr. Matt Ryan	-	4	1,282	Nil

One Commissioner (Teresa O'Doherty) did not receive a Board fee under the One Person One Salary (OPOS) principle.

20. Key management personnel

Key management personnel includes the CEO, Board members and senior management reporting to the CEO. The compensation paid or payable to key management for employee services is shown below:

	2017 €	2016 €
Salaries	606,206	686,367
Allowances	28,355	59,616
	<u>634,561</u>	<u>745,983</u>
Total key management personnel compensation (All employee benefits)	<u>634,561</u>	<u>745,983</u>
	Number	Number
Number of key management employees	<u>6</u>	<u>8</u>

State Examinations Commission

Notes to the financial statements (continued) Financial year ended 31 December 2017

21. Going concern

The SEC's two sources of income are (i) Oireachtas grants and (ii) Examination and other fees.

The SEC incurred a deficit for the financial year 2016, and in each of the previous two years (2015 and 2014). In 2017, the SEC undertook a review of the factors underlying the deficit over the period 2014 - 2016. The review found that the accumulated deficit was primarily caused by the cumulative effect of insufficient provision being made within the SEC budget for (i) the increase in candidature over the period and (ii) the increase in the number and scale of accommodations sought by candidates with special educational needs since 2013.

The recommendations on foot of the above review were:

- (i) Enhance the SEC budget estimate process;
- (ii) Decrease the deficit over time; and
- (iii) Continue improvements in the SEC financial reporting arrangements.

The Commission accepted the findings and recommendations of the above review, and is committed to their full implementation to ensure that the financial management arrangements within the SEC are strengthened. As set out in these Financial Statements, the SEC's accumulated deficit was significantly reduced by the end of 2017 as a result of the surplus of €1.4 million for the year.

The going concern basis has been adopted in preparing these financial statements, as the Commission is satisfied that the measures adopted above will address the accumulated deficit over time.

22. Approval of financial statements

The Commission approved these financial statements on 28th November 2018.