

**State Examinations Commission**  
**Financial Statements**  
**for the financial year ended 31 December 2019**

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**State Examinations Commission**

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**State Examinations Commission**

**General Information**

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

## State Examinations Commission

### Governance Statement and Board Members' Report Financial year ended 31 December 2019

#### 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 includes:

- 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 2019**

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 21st February 2020.

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 the Commission give a true and fair view of the financial performance and the financial position of the SEC at 31 December 2019.

**Commission Structure**

The Commission consists of a Chairperson, Deputy Chairperson and three ordinary members appointed by the Minister for Education and Skills. 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)

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), Matt Ryan and Ciaran Flynn. There were six meetings of the ARC in 2019.

**Schedule of Attendance, Fees and Expenses**

The schedule of attendance at the Commission and ARC meetings for 2019, including the fees and expenses received by each member is set out in Note 18 on page 25.

State Examinations Commission

Governance Statement and Board Members' Report  
Financial year ended 31 December 2019

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 4)
- Consultancy Costs (See Note 7)
- Legal Costs and Settlements (See Notes 7 & 8)
- Travel and Subsistence Expenditure (See Notes 4 and 18)
- Hospitality Expenditure (See Note 6)

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: 27/08/2020

  
Mr. Patrick Burke  
Chairman

Date: 27/08/2020

## State Examinations Commission

### Statement on Internal Control Financial year ended 31 December 2019

#### ***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 2019 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 member and two external members, with financial and audit expertise, one of whom is the Chair. The ARC met six times in 2019.

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 2019

- 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 2019 the SEC complied with those procedures. As set out in its Corporate Procurement Plan 2017 - 2020, the SEC is absolutely committed, 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 will continue 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.

#### *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 2019.



**State Examinations Commission**  
**Statement on Internal Control**  
**Financial year ended 31 December 2019**

***Internal Control Issues***

No weaknesses in internal control were identified in relation to 2019 that require disclosure in the financial statements.

**Signed on behalf of the Commission**



Mr. Patrick Burke  
Chairman

Date: 27/08/2020

**State Examinations Commission**  
**Report of the Comptroller & Auditor General**



# 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 2019 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 2019 and of its income and expenditure for 2019 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.

Patricia Sheehan  
For and on behalf of the  
Comptroller and Auditor General

31 August 2020

## 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.

**State Examinations Commission**

**Statement of Income and Expenditure and Retained Revenue Reserves  
Financial year ended 31 December 2019**

	Note	2019 €	2018 €
<b>Income</b>			
Oireachtas grants	2	64,621,796	59,866,424
Examination and other fees	3	10,218,955	9,549,549
		<u>74,840,751</u>	<u>69,415,973</u>
Transfer (to)/from capital reserve	14	(2,144,053)	(845,816)
<b>Total Income</b>		<u><u>72,696,698</u></u>	<u><u>68,570,157</u></u>
<b>Expenditure</b>			
Staff costs	4	62,729,445	58,497,393
Depreciation	10	728,805	232,769
Administrative expenses	6	8,523,705	8,969,671
<b>Total Expenditure</b>		<u><u>71,981,955</u></u>	<u><u>67,699,833</u></u>
<b>Surplus for the financial year and total comprehensive income</b>		<u><u>714,743</u></u>	<u><u>870,324</u></u>
<b>Balance brought forward at 1 January 2019</b>		<u><u>(1,323,968)</u></u>	<u><u>(2,194,292)</u></u>
<b>Balance carried forward at 31 December 2019</b>		<u><u>(609,225)</u></u>	<u><u>(1,323,968)</u></u>

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

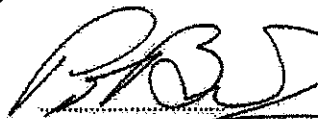
The Statement of Income and Expenditure and Retained Revenue Reserves includes all gains and losses recognised in the year.

The Statement of Cash Flows and notes on pages 12 to 27 form part of these financial statements.

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

  
Mr. Aidan Farrell  
Chief Executive Officer

Date: 27/08/2020

  
Mr. Patrick Burke  
Chairman

Date: 27/08/2020

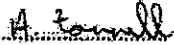
State Examinations Commission

Statement of Financial Position  
As at 31 December 2019

	Note	2019 €	€	2018 €	€
<b>Fixed assets</b>					
Property, plant and equipment	10	<u>3,219,813</u>		<u>1,075,761</u>	
		3,219,813		1,075,761	
<b>Current assets</b>					
Inventory	11	1,073,870		1,054,107	
Receivables	12	2,760,216		405,368	
Cash and cash equivalents		<u>299,532</u>		<u>5,806</u>	
		4,133,618		1,465,301	
<b>Payables: amounts falling due within one year</b>	13	<u>(4,742,843)</u>		<u>(2,789,269)</u>	
<b>Net current liabilities</b>		<u>(609,225)</u>		<u>(1,323,968)</u>	
<b>Total net assets / (liabilities)</b>		<u>2,610,588</u>		<u>(248,207)</u>	
<b>Financed by</b>					
Capital account	14	3,219,813		1,075,761	
Accumulated deficit		<u>(609,225)</u>		<u>(1,323,968)</u>	
		<u>2,610,588</u>		<u>(248,207)</u>	

The Statement of Cash Flows and notes on pages 12 to 27 form part of these financial statements.

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

  
Mr. Aidan Farrell  
Chief Executive Officer

Date: 29/08/2020

  
Mr. Patrick Burke  
Chairman


Date: 27/08/2020

State Examinations Commission


Statement of Cash Flows  
Financial year ended 31 December 2019

	Note	2019 €	2018 €
<b>Net cash flows from operating activities</b>			
Surplus for the financial year		714,743	870,324
<i>Adjustments for:</i>			
Depreciation of property, plant and equipment	10	728,805	232,769
Capital reserve transfers on property, plant and equipment movements	14	2,144,053	845,815
<i>Changes:</i>			
Increase in inventory		(19,763)	(106,262)
Increase in receivables		(2,354,829)	(116,642)
Increase / (decrease) in payables		1,953,574	(648,735)
<b>Net cash inflow from operating activities</b>		<u>3,166,583</u>	<u>1,079,270</u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	10	(2,872,857)	(1,078,584)
<b>Net cash used in investing activities</b>		<u>(2,872,857)</u>	<u>(1,078,584)</u>
<b>Net increase in cash and cash equivalents</b>		293,726	686
<b>Cash and cash equivalents at beginning of financial year</b>		5,806	5,120
<b>Cash and cash equivalents at end of financial year</b>		<u>299,532</u>	<u>5,806</u>

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

  
Mr. Aidan Farrell  
Chief Executive Officer

Date: 28/08/2020

  
Mr. Patrick Burke  
Chairman

Date: 28/08/2020

**State Examinations Commission**  
**Notes to the financial statements**  
**Financial year ended 31 December 2019**

**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, except for certain assets and liabilities that are measured at fair value as explained in the accounting policies below.

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 2019 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 Notes 12 and 13 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 and is recognised as current grant income except for the grant specifically received for advances to schools which is accounted for as expended (Note 2).

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 2019

#### Examination Fees

The Commission charges and collects examination fees and recognises the income on an accruals basis. Examination fees are due from all candidates presenting for Leaving Certificate and Junior Certificate examinations. Candidates who hold a valid medical card or who are dependent on a parent or guardian who holds a valid medical card are exempt from paying examination fees.

Examination fee income is shown net of the cost of exemptions for medical card holders in the Statement of Income and Expenditure and Retained Revenue Reserves. The breakdown of gross examination fee income less the cost of exemptions for medical card holders is disclosed in Note 3 to the financial statements.

Examination fees due as at 31 December 2019 are provided for in full as a bad debt at the year end and are written off as the expectation of collection is Nil.

#### Deferred Income

All income, other than Oireachtas Grant, is accounted for in the period in which it has been earned. Advances paid to some schools to cover exam preparatory works are treated as deferred income and are reported as a current liability which will be deducted from future claims. This income is released to the Statement of Income and Expenditure and Retained Revenue Reserves on delivery of the service.

#### 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.

#### 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:

Property	- 6.67% straight line
Fixtures and fittings	- 10% straight line
Computer equipment	- 33.33% straight line
Equipment	- 20% straight line
Software systems	- 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.

**State Examinations Commission**

**Notes to the financial statements (continued)  
Financial year ended 31 December 2019**

**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. Full impairment provision is made for obsolete examination stationery.

**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 2019**

**2. Outreach Grants**

	2019	2018
	€	€
Department of Education and Skills contributions (Subhead A11.4)	<b>64,621,796</b>	<b>59,866,424</b>

(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	€53,167,767	€13,496,178
(ii) Term of total Grant	One year	One year
(iii) Amount taken to Income	€51,125,618	€13,496,178
(a) Grant taken to Income	€51,125,618	€13,496,178
(b) Cash received in period	€40,944,363	€15,919,737
(c) Expenditure paid directly by Department (see below)	€12,223,404	€576,441
(d) Cash reimbursed in period		€3,000,000
(e) Amounts deferred (Note 13)	€2,042,149	

**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 €12,223,404 (pay) and administration staff travel and subsistence costs of €576,441 (non-pay).

**State Examinations Commission**

**Notes to the financial statements (continued)  
Financial year ended 31 December 2019**

3. Examination and other fees	2019	2018
	€	€
<u>Examination fees</u>		
Examination fees	13,975,581	13,734,971
Less: Medical card exemptions	(4,623,300)	(4,733,544)
Examination fees net of medical card exemptions	<u>9,350,281</u>	<u>9,001,427</u>
Appeals	657,032	361,987
Statement of results	<u>127,295</u>	<u>131,475</u>
	<u>10,144,608</u>	<u>9,494,889</u>
Examination costs recovered	<u>74,347</u>	<u>54,660</u>
	<u><u>10,218,955</u></u>	<u><u>9,549,549</u></u>

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 2019. As an alternative, the SEC arranged that candidates could take their examinations in either Ireland or Malta.

**State Examinations Commission**

**Notes to the financial statements (continued)  
Financial year ended 31 December 2019**

**4. Staff costs**

	2019	2018
	€	€
<b>State Examinations Commission Staff</b>		
Salaries and wages	12,311,344	11,173,384
Travel and subsistence	585,922	474,053
<b>External Examinations Staff</b>		
Remuneration - Examinations staff	38,559,608	35,727,168
Remuneration - Attendants	1,694,405	1,708,369
Travel and subsistence	9,341,237	9,144,873
Postage and telephone costs	236,929	269,546
	<u>62,729,445</u>	<u>58,497,393</u>

**Travel and Subsistence Costs**

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

<u>State Examinations Commission Staff</u>		
National travel and subsistence	569,266	465,058
International travel and subsistence	16,656	8,995
	<u>585,922</u>	<u>474,053</u>
<u>External Examinations Staff</u>		
National travel and subsistence	9,315,344	9,107,328
International travel and subsistence	25,893	37,545
	<u>9,341,237</u>	<u>9,144,873</u>
<u>Total - All Staff</u>		
National travel and subsistence	9,884,630	9,572,386
International travel and subsistence	42,529	46,540
	<u>9,927,159</u>	<u>9,618,926</u>

**State Examinations Commission**

**Notes to the financial statements (continued)  
Financial year ended 31 December 2019**

**4. 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:1320). The salary of the CEO in the year ended 31 December 2019 was €151,740 (€145,899 in the year ended 31 December 2018). As at 31 December 2019, the CEO was at point 4 of the scale. The CEO also had expenses of €6,260.

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:**

<u>Salary Band</u>	<u>2019 Number</u>	<u>2018 Number</u>
€60,001 - €70,000	9	3
€70,001 - €80,000	10	8
€80,001 - €90,000	13	19
€90,001 - €100,000	10	4
€100,001 - €110,000	2	2
€110,001 - €120,000	1	1
€120,001 - €130,000	-	-
€130,001 - €140,000	-	-
€140,001 -	1	1

**Number of Employees**

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

	<u>2019 Number</u>	<u>2018 Number</u>
State Examinations Commission Staff	167	155
	<u>167</u>	<u>155</u>

**5. 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 2019.

**State Examinations Commission**

**Notes to the financial statements (continued)**  
**Financial year ended 31 December 2019**

**6. Administration expenses**

	2019	2018
	€	€
Training	84,192	85,736
Recruitment costs	33,799	33,035
People Point shared service annual charge	27,749	20,315
Warehousing	325,060	267,357
Accommodation and hire of halls	397,675	361,924
Transport of examination materials	1,549,146	2,015,674
Light and heat	85,704	53,800
Repairs and maintenance	239,729	277,291
Printing	1,732,375	1,819,542
Stationery	537,630	525,163
Advertising	19,257	17,774
Postage	1,134,344	1,477,415
Telephone	116,091	169,719
IT, software and maintenance	1,091,302	906,522
Legal and professional	252,389	246,219
Consultancy	81,704	60,763
Accountancy	70,096	77,086
Audit fees	42,900	31,500
Bank charges	55,510	45,563
Provision for doubtful debts - examination fees	299,890	404,900
Staff welfare	43,485	43,929
General expenses	3,658	8,455
	<u>8,523,705</u>	<u>8,969,671</u>

**Hospitality expenditure**

The Income and Expenditure Account includes the following hospitality expenditure:

	2019	2018
	€	€
Staff hospitality	2,154	796
Client hospitality	-	-
	<u>2,154</u>	<u>796</u>

**State Examinations Commission**

**Notes to the financial statements (continued)  
Financial year ended 31 December 2019**

**7. Administration expenses - external consultants/advisors fees**

Administration expenses for the year ended 31 December 2019 as per Note 6 includes the following expenditure on external consultants/advisors fees:

	2019	2018
	€	€
Legal advice	4,736	10,090
Accountancy and financial advisory	96,745	120,227
Human resources consultancy	1,415	16,769
Information technology consultancy	40,436	16,605
Other	14,212	21,259
<b>Total consultancy costs</b>	<b><u>157,544</u></b>	<b><u>194,950</u></b>

**8. Administration expenses - legal costs and settlements**

The table below provides a breakdown of amounts recognised as expenditure in the reporting period in relation to legal costs, settlements, conciliation and arbitration proceedings with third parties. This does not include expenditure incurred in relation to general advice received by State Examinations Commission which is disclosed in Note 7 above.

	2019	2018
	€	€
Legal fees - legal proceedings and compensation	<b><u>246,647</u></b>	<b><u>199,117</u></b>

**9. Operating surplus**

Surplus is stated after charging:

	2019	2018
	€	€
Depreciation of property, plant and equipment	728,805	232,769
Cost of inventory recognised as an expense	537,630	525,163
Impairment of examination fees due	299,890	404,900
Fees payable for the audit of the financial statements	<b><u>42,900</u></b>	<b><u>31,500</u></b>



**State Examinations Commission**

**Notes to the financial statements (continued)  
Financial year ended 31 December 2019**

<b>10. Property, plant and equipment</b>						
	Property	Fixtures and fittings.	Computer equipment	Equipment	Software systems	Total
	€	€	€	€	€	€
<b>Cost</b>						
At 1 January 2019	605,000	1,100,505	2,401,034	209,309	-	4,315,848
Additions	-	52,990	94,674	17,550	2,707,643	2,872,857
Disposals	-	-	(10,520)	-	-	(10,520)
<b>At 31 December 2019</b>	<u>605,000</u>	<u>1,153,495</u>	<u>2,485,188</u>	<u>226,859</u>	<u>2,707,643</u>	<u>7,178,185</u>
<b>Depreciation</b>						
At 1 January 2019	40,354	718,475	2,366,314	114,944	-	3,240,087
Charge for the financial year	40,354	53,178	60,913	32,831	541,529	728,805
Disposals	-	-	(10,520)	-	-	(10,520)
<b>At 31 December 2019</b>	<u>80,708</u>	<u>771,653</u>	<u>2,416,707</u>	<u>147,775</u>	<u>541,529</u>	<u>3,958,372</u>
<b>Carrying amount</b>						
At 31 December 2019	<u>524,292</u>	<u>381,842</u>	<u>68,481</u>	<u>79,084</u>	<u>2,166,114</u>	<u>3,219,813</u>
At 31 December 2018	<u>564,846</u>	<u>382,030</u>	<u>34,720</u>	<u>94,365</u>	-	<u>1,075,761</u>
<b>11. Inventory</b>						
					2019	2018
					€	€
Inventory of stationery					<u>1,073,870</u>	<u>1,054,107</u>

**State Examinations Commission**

**Notes to the financial statements (continued)**  
**Financial year ended 31 December 2019.**

**12. Receivables**

	2019	2018
	€	€
Examination fees due	299,698	405,092
Bad debt provision	(299,698)	(404,900)
Examination staff: Outstanding advances	110,330	84,600
Schools: Advances	2,042,149	117,384
Other receivables	427,872	18,742
Prepayments and accrued income	179,865	184,570
	<b>2,760,216</b>	<b>405,388</b>

The bad debt provision is the full amount of uncollected examination fees as at year end; this balance is deemed unrecoverable. Prior years' experience supports this supposition. Examination fees of €405,092, which had been predominantly provided for, were written off in 2019.

In 2019, SEC received funding from the Department in order to make advance payments to some schools in connection with expenses incurred relating to the 2020 examinations. The advance payment was based on a percentage of the eligible school's previous year's expenditure. Advances will be deducted from future claims associated with administering the state examinations. In 2019, the Commission accounted for the advances as deferred income.

**State Examinations Commission**

**Notes to the financial statements (continued)  
Financial year ended 31 December 2019**

**13. Payables: amounts falling due within one year**

	2019	2018
	€	€
Examination staff	790,667	877,689
Schools	21,836	151,781
Due to suppliers	137,952	26,617
Other payables	2,975	2,741
Tax and social insurance:		
P.A.Y.E. / P.R.S.I. / U.S.C. payable	442,773	172,906
V.A.T. payable	127,106	73
P.S.W.T. payable	-	1,440
Accruals	1,177,385	1,456,022
Deferred income (Note 2)	2,042,149	-
	<u>4,742,843</u>	<u>2,789,269</u>

**Included in accruals 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 €396,627 as at 31 December 2019 (€308,619 as at 31 December 2018).

**(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 increase in the provision for compensatory leave amounting to €12,309 in the year ended 31 December 2019 (€33,512 increase in the year ended 31 December 2018). 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 €611,534 as at 31 December 2019 (€599,224 per the financial statements as at 31 December 2018) will be reduced in the coming years following agreement with staff interests on a measured workdown. Notwithstanding that compensatory leave only fails 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 2019**

<b>14. Capital Reserve</b>	<b>2019</b>	<b>2018</b>
	€	€
At 1 January	1,075,761	229,946
<b>Transfer from / (to) Statement of Income and Expenditure and Retained Revenue Reserves:</b>		
Income allocated for capital purposes	2,862,337	1,078,584
Amortisation in line with depreciation	<u>(718,285)</u>	<u>(232,769)</u>
At 31 December	<u>3,219,813</u>	<u>1,075,761</u>
<b>Total from/(to) Statement of Income and Expenditure and Retained Revenue Reserves</b>	<u>2,144,053</u>	<u>845,816</u>

**15. Corporation Tax**

The State Examinations Commission is exempt from Corporation Tax.

**16. Other financial commitments**

(i) Finance leases

There was no recourse to finance leasing at 31 December 2019.

(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 2019.

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.

The SEC is in consultation with OPW on the finalisation of the lease. Currently the rental agreement is being reviewed on a quarterly basis.

As at 31 December 2019, SEC had entered into total financial commitments of €9,298,351.

**17. 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 2019**

**18. Commissioner's Fees and Expenses**

A schedule of attendance at the Board and Audit Committee meetings for 2019 is set out below including the fees and expenses received by each member:

	Board	Audit & Risk Committee	Fees 2019 €	Expenses 2019 €
<b>Number of meetings</b>	<b>11</b>	<b>6</b>		
Mr. Patrick Burke	10	-	11,970	Nil
Ms. Mary Ryan	11	6	7,695	3,287
Dr. Richard Thorn	10	-	7,695	1,133
Prof. Teresa O'Doherty	10	-	Nil	1,219
Mr. Martin Sisk	10	-	7,695	1,423
Mr. Matt Ryan	-	6	1,283	Nil
Mr. Claran Flynn	-	6	1,283	477

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

Expenses received by Commissioners includes national and international travel and subsistence costs as follows:

	2019 €	2018 €
National travel and subsistence	7,539	8,134
International travel and subsistence	-	-
	<u>7,539</u>	<u>8,134</u>

**State Examinations Commission**

**Notes to the financial statements (continued)  
Financial year ended 31 December 2019**

**19. Events after the end of the reporting period**

Since the end of the reporting period, the economy and educational operations have been significantly impacted by the effects of the COVID-19 pandemic.

There was a Government decision to cancel the 2020 Junior Cycle Examinations and to postpone the Leaving Certificate and Leaving Certificate Applied examinations, and to deliver the option to Leaving Certificate candidates to receive a calculated grade provided by the Minister for Education and Skills under an executive power. The legislative basis underpinning the establishment and functions of the SEC does not allow it to operate a system of calculated grades, and therefore an Executive Office under the aegis of the Department of Education and Skills, named as the Calculated Grades Executive Office (CGEO) has been set up for this purpose, with a number of staff seconded for varying periods of time to deliver this model for 2020.

The SEC is continuing to advance plans to allow adult learners to take their Junior Cycle examinations in Autumn 2020 and to provide an opportunity for Leaving Certificate students to sit their examinations later in the year or early 2021 when it is safe to do so, should they so wish.

However, there is no impact on the Financial Statements 2019. In 2019, the overall costs of running the examinations was €71.95 million and €10.2 million was collected in fees.

The effects of the pandemic will have financial implications for the SEC in 2020 and beyond. While, it is not possible to determine all the likely impacts financially or otherwise, there will be savings in 2020, due to the fact that the SEC will be delivering the state examinations on a much smaller scale than normal. However, some of these savings will be offset against the non-collection of examination fees for 2020. SEC is continuing to monitor the situation and plan accordingly.

The SEC's Risk Register will be updated to take account of the specific risks arising from the COVID-19 pandemic and will document appropriate countermeasures to address these.

**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:

	2019	2018
	€	€
Salaries	664,051	841,736
Allowances	14,847	14,898
	<u>678,898</u>	<u>856,634</u>
 Total key management personnel compensation (All employee benefits)	 <u>678,898</u>	 <u>856,634</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 2019**

**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. The SEC's accumulated deficit was reduced by the end of 2017 as a result of a surplus of €1.4 million for the year and by a surplus of €0.87 million by the end of 2018 for the year.

The deficit was further reduced by the end of 2019 as a result of a surplus of €0.71 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 remaining accumulated deficit over time.

**22. Contingent liabilities**

In the normal course of business, State Examinations Commission is involved in legal cases. After careful assessment, the SEC is confident that there are no cases, including legacy cases, when settled which is likely to have a material impact on the financial statements.

**23. Approval of financial statements**

The Commission approved these financial statements on 27 August 2020.

