



ANNUAL
REPORT
2021 / 22



P·A·C·O·F·S

PERFORMING ARTS CENTRE
OF THE FREE STATE

an agency of the
Department of Sport, Arts and Culture



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PART A



GENERAL INFORMATION

1. PUBLIC ENTITY'S GENERAL INFORMATION

REGISTERED NAME:	Performing Arts Centre of the Free State
PHYSICAL ADDRESS:	12 First Avenue, Westdene, Bloemfontein
POSTAL ADDRESS:	PO Box 1292 Bloemfontein, 9301
TELEPHONE NUMBER/S:	051 447 7771
FAX NUMBER:	051 430 5523
EMAIL ADDRESS:	ceo@pacofs.co.za
WEBSITE ADDRESS:	www.pacofs.co.za
EXTERNAL AUDITORS:	Auditor-General of South Africa
BANKERS:	ABSA

2. LIST OF ABBREVIATIONS/ACRONYMS

AFS	Annual Financial Statements
AGSA	Auditor General of South Africa
ARC	Audit and Risk Committee
BBBEE	Broad Based Black Economic Empowerment
CBC	Core Business Committee
CCMA	The Commission for Conciliation, Mediation and Arbitration
CEO	Chief Executive Officer
CFO	Chief Financial Officer
DSAC	National Department of Sport, Arts and Culture
GRAP	Generally Recognised Accounting Practice
HR	Human Resources
MTEF	Medium Term Expenditure Framework
PACOFS	Performing Arts Centre of the Free State
PFMA	Public Finance Management Act
REMSEC	Remuneration, Social and Ethics Committee
SAMRO	South African Music Rights Organisation
SBD	Standard Bidding Document
SCM	Supply Chain Management
SPC	Special Projects Committee
TR	Treasury Regulations
UIF	Unemployment Insurance Fund

3. FOREWORD BY THE CHAIRPERSON

Introduction

I am pleased to present PACOFS' 2021/22 Annual Report on behalf of Council. The report outlines the entity's performance against the 2021/22 Annual Performance Plan that was approved by Parliament.

The performance of the entity should be understood against the backdrop of the Covid-19 restrictions, which were in place for the whole duration of the year under review.

High level overview of the entity's strategy and performance

The entity has 6 strategic outcomes that it set itself to achieve during the 6th administration of government, which ends in the 2024/25 financial year. However, due to the practical challenges posed by Covid-19, the entity took a conscious decision to focus on the following 3 strategic outcomes during the year under review.

- Strong governance and sound financial controls
- Vibrant artistic programme
- Creating opportunities for performing artists from target groups

The targets being reported against in this annual report are therefore informed by these strategic outcomes.

It is refreshing to report that the entity has obtained an unqualified audit outcome, now two years on the trot. This is a massive achievement in the context of the challenges the entity has been experiencing over the years, which in the process it received adverse audit outcomes.

I wish to applaud Council, management and staff for this achievement. This comes on the back of their dedication and diligence, against all odds.

Despite the entity operating without an Artistic Director, whose contract expired at the end of January 2022, the artistic programme was successfully executed and opportunities for artists from target groups were created in the process.

Challenges faced by PACOFS

The building of trust requires time, effort, transparency, access and continuous engagement, and Council continues to building trust within the organisation. The internal challenges that periodically beset the entity, rightfully attracted the attention of the Portfolio Committee on Sport, Arts and Culture (PC), and Council had to meet and report continually to the PC, together with our oversight Department of Sport, Arts and Culture. This has resulted in an extraordinary high number of Council meetings as well as Council Committee meetings. It is clear that the entity is turning a corner towards positivity and where Council's involvement will remain at a strategic level.

The year ahead

Council will be prioritising to fill the vacant positions of the Chief Executive Officer and the Artistic Director, including two senior management positions, to ensure full staff complement at the leadership level of the organisation. This will go a long way in improving the organisational performance.

Council will continue to provide support to the leadership of PACOFS to ensure that the strategic outcomes as stated in the current Strategic Plan are realised.

Acknowledgements and Appreciation

I would like to express my profound appreciation to the Council of the National Museum for entering into a secondment arrangement with PACOFS, where their Chief Executive Officer, Ms Sharon Snell, assisted us for the whole financial year under review.

My gratitude goes to Ms Snell, as the then acting CEO, for steering the PACOFS ship under very trying circumstances.

I am also appreciative to management and staff of PACOFS for cooperating with Council in ensuring that PACOFS functions the way it has been established to.



Adv. TG Moeeng
Council Chairperson
 Date: 31 August 2022



4. CHIEF EXECUTIVE OFFICER'S OVERVIEW

Introduction

It is with delight to present the 2021/22 annual report of the institution.

This overview briefly outlines the organisational performance review and performance capacity constraints, including plans to address them.

Organisational performance review

The performance of the entity as reported in this document should be viewed against the backdrop of the Covid-19 restrictions.

The performance targets that are referenced herein are in the 2021/22 annual performance plan of the entity. These targets are 11 in total.

The entity managed to fully and partially achieve 10 of its targets. This constitutes 90.9% performance rate. This achievement includes the second consecutive unqualified audit outcome, which is evidence of the entity's improving administration and sound governance.

Of the above-mentioned performance rate, 45% is partially achieved. The reasons for the partial achievement and the 9% non-achievement (1 target) include the following:

- Covid-19 restrictions and vacancies in marketing and audience development, precipitated by natural attrition; played a part in not fully meeting targets 6 and 9, as reported in section 11 below.
- Vacant positions of senior manager for facilities and the human resources manager contributed to the non-achievement and partial achievement of targets 4 and 5, respectively.
- Partial achievement of target 8 is attributable to a failure to attract suitable artistic workshop facilitator through supply chain management processes.

To ensure non-recurrence, the following processes will unfold in the coming financial year:

- The positions of senior manager for marketing and audience development will be filled
- The position of senior manager for facilities will be filled with a person with a background in engineering and project management. The position of human resource manager will also be filled.
- A team of performing arts facilitators will be appointed for at least a period of 12 months.

On financial administration, there was a decrease in the entity's asset base from R52.4 million in 2020/21 to R17.1 million. The reason for the huge drop is a result of the PFMA section 42 immovable assets transfer that was made to the Department of Public Works and Infrastructure during the year.

However, the entity saw a slight increase in revenue from exchange transactions signalling the impact of the relaxation of Covid-19 restrictions towards the end of the reporting period. It increased from R1.2 million in 2020/21 to R1.9 million in the reporting period. The operational expenditure against the operational budget, excluding the retained surplus, is 98.2% for the review year.

The entity is two emphases of matters away from obtaining a clean audit outcome. The first matter requires addressing and avoiding irregular, fruitless and wasteful expenditure. A policy is already in place to deal with these, going forward. In addition, a project team of managers will be appointed to attend to the irregular, fruitless and wasteful expenditure legacy.

The second emphasis of matter relates to the material underspending of the infrastructure grant. The moratorium on the infrastructure projects that was imposed by the oversight national Department has been lifted and as indicated above, the senior manager for facilities with engineering and project management will be appointed to roll out these projects, which are responsible for the reported material underspending.

Performance capacity constraints

The key challenge facing the entity is the continuing history of the organisation's struggle to retain chief executive officers. The previous chief executive officer was at the institution for only 16 months having replaced a chief executive officer who had lasted for only 5 months. However, it is hoped that the tide will turn with the imminent appointment of a new chief executive officer, now that the root causes of the negative organisational culture and climate are being dealt with.

Furthermore, other critical vacant positions have contributed to a subdued institution-wide performance that is being presented in this annual report. The organisation lost 2 critical resources, namely, the Artistic Director and the Senior Manager for Marketing – who was also responsible for theatre management - through contract expiry and resignation, respectively, at the beginning of the last quarter of the financial year. These positions will be filled in the coming year.

Acknowledgements

For the year under review, until 14 May 2022, Ms Sharon Snell was at the helm of the entity as Acting Chief Executive Officer. During this time, she laid a solid foundation for the incoming chief executive officer who is expected to take the organisation to a higher level of good performance.

One would like to take this opportunity on behalf of management and the rest of PACOFS staff to convey appreciation to her for the commitment and effort she expended to stabilise the organisation.

Those colleagues who exerted themselves beyond the call of duty to ensure that PACOFS function as it should, despite the known challenges facing it, are acknowledged and dearly appreciated.

Last but not least, gratitude is expressed on behalf of staff to Council for its support and guidance.



Mr. SS Sanyane
Acting Chief Executive Officer
Date: 31 August 2022



5. STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY FOR THE ANNUAL PERFORMANCE REPORT

To the best of my knowledge and belief, I confirm the following:

All information and amounts disclosed in the annual report are consistent with the annual financial statements audited by the Auditor-General.

The annual report is complete, accurate and is free from any omissions.

The annual report has been prepared in accordance with the guidelines on the annual report as issued by National Treasury.

The Annual Financial Statements (Part E) have been prepared in accordance with the Generally Recognised Accounting Practice.

The accounting authority is responsible for the preparation of the annual financial statements and for the judgements made in the statements.

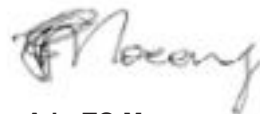
The accounting authority is responsible for establishing, and implementing a system of internal control which has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resource information and the annual financial statements.

The Auditor General is engaged to express an independent opinion on the annual financial statements.

In our opinion, the annual report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the entity for the financial year ended 31 March 2022.



Mr. SS Sanyane
Acting Chief Executive Officer
Date: 31 August 2022



Adv. TG Moeeng
Chairperson of the Council
Date: 31 August 2022

6. STRATEGIC OVERVIEW

6.1 Vision

To be the icon of performing arts in South Africa.

6.2 Mission

PACOFS will drive this mission through:

- Architectural preservation – To re-establish and position itself as premier cultural institution by maintain and improving its existing world class facilities.
- Innovative curatorial practices – To inspire a new generation of performing artists who are dynamic, imaginative and thought-provoking by creative a conducive and creative working environment.
- Place-making and meaning-making – To cultivate and re-design the venues in positioning itself as cultural hub in the Free State.
- Galvanize Community and Partnerships – To persuade stakeholder and communities to view PACOFS as cultural meeting place rooted in community values.

6.3 Values

PACOFS aligns itself with the following values:

- Professionalism – PACOFS at all levels will exercise competence, skill, diligence, ethics and integrity expected of professionals
- Artistic Expression – Encourage creative expression of artists
- Objectivity – Practice objectivity
- Flexibility – Be flexible in our approach to both internal and external stakeholders.

7 LEGISLATIVE AND OTHER MANDATES

PACOFS is a PFMA schedule 3A entity that was established by the Ministry of Sport, Arts and Culture in terms of the Cultural Institutions Act 1998 (Act No. 119 of 1998).

7.1. Constitutional Mandates

The primary legislative mandates of the Department of Sport, Arts and Culture come from the Constitution of the Republic of South Africa, which states that:

Section 16(1): - "Everyone has the right to freedom of expression which includes –

- 7.1.1 freedom of the press and other media;
- 7.1.2 freedom to receive or impart information or ideas;
- 7.1.3 freedom of artistic creativity; and
- 7.1.4 academic freedom and freedom of scientific research."

Section 30 – "Everyone has the right to use language and to participate in the cultural life of their choice, but no one exercising these rights may do so in a manner inconsistent with any of the provisions of the Bill of Rights."

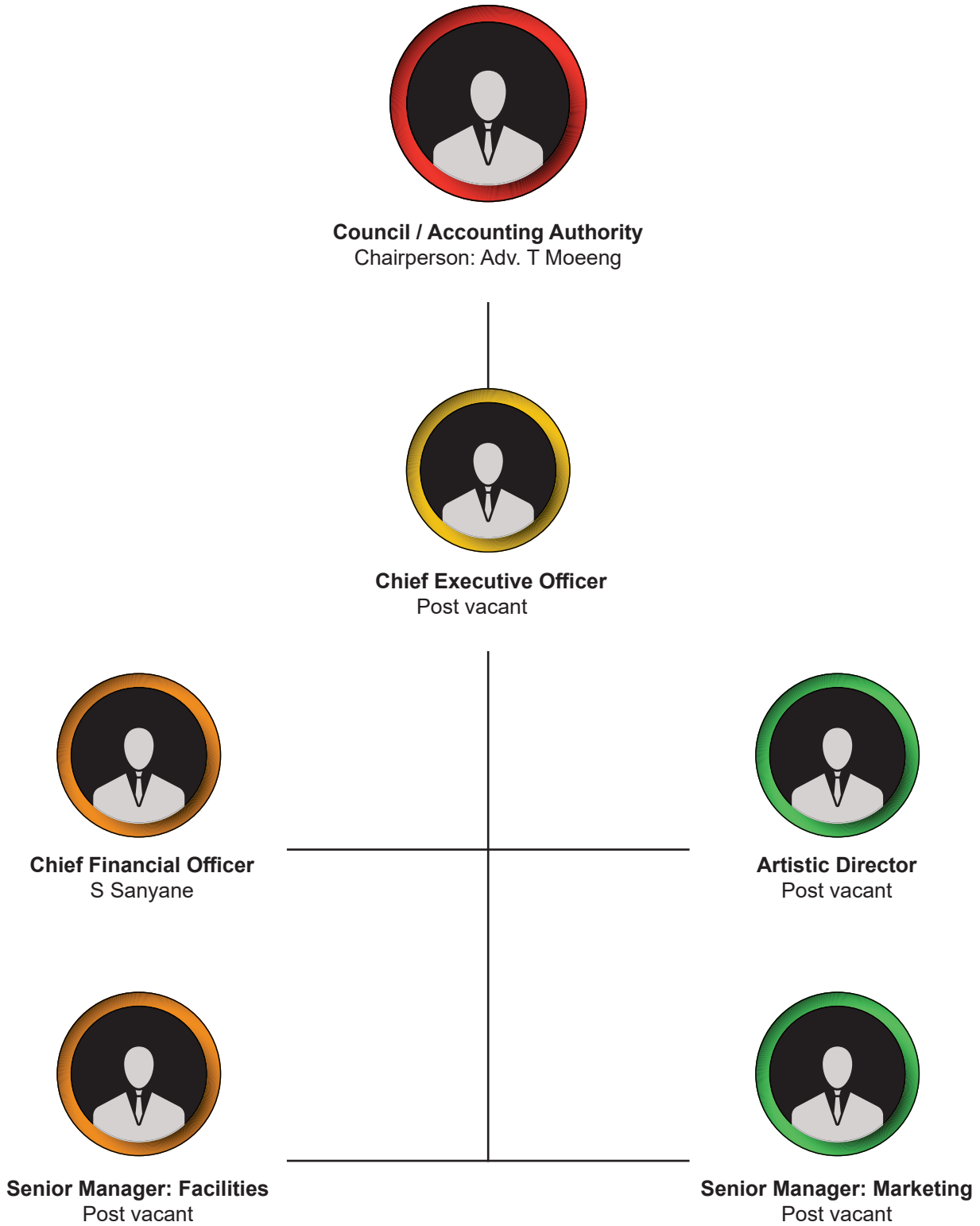
Emanating from the White Paper of Arts, Culture and Heritage the following Acts have been promulgated by Parliament and institutions created in furtherance of the constitutional mandate of the Department of Sport, Arts and Culture:

7.2. Legislative Mandates

PACOFS as a Public Entity furthermore will not only be guided by legislative mandates but also other legislation directly or indirectly impacting on the entity. The list mentioned below is not complete by any means but provide a working framework of legislative mandates governing our daily operations and responsibilities.

- 7.2.1 The Constitution of the Republic of South Africa, 1996
- 7.2.2 Public Finance Management Act, 1999 (PFMA), Act of 1999 as amended by Act 29 of 1999
- 7.2.3 White Paper of Arts, Culture and Heritage
- 7.2.4 Cultural Institutions Act 1998 (Act No. 119 of 1998)
- 7.2.5 Culture Promotion Act, 1983 (Act No. 35 of 1983)
- 7.2.6 Labour Relations Act, 1995 (Act No. 66 of 1995 updated 2002)
- 7.2.7 Occupational Health and Safety Act, 1993 (Act No. 85 of 1993)
- 7.2.8 Employment Equity Act, 1998 (Act No. 55 of 1998)
- 7.2.9 Basic Conditions of Employment Act, 1998 (Act No. 97 of 1998)
- 7.2.10 Skills Development Act, 1998 (Act No. 97 of 1998)
- 7.2.11 Skills Development Levy Act, 1999 (Act No. 9 of 1999)
- 7.2.12 Promotion of Access to Information Act, 2000 (Act No. 2 of 2000)
- 7.2.13 Pension Fund Amendment Act, 2001 (Act No. 65 of 2001)
- 7.2.14 Broad Based Black Economic Empowerment Act, 2003 (Act No.53 of 2003)
- 7.2.15 Promotion of Administrative Justice Act, 2000 (Act No. 3 of 2000)
- 7.2.16 Preferential Procurement Policy Framework Act No. 5 of 2000 ("PPPFA")
- 7.2.17 Treasury Regulations, 2005

8. ORGANISATIONAL STRUCTURE



PART B



PERFORMANCE
INFORMATION

9. AUDITOR'S REPORT: PREDETERMINED OBJECTIVES

The AGSA currently performs the necessary audit procedures on the performance information to provide reasonable assurance in the form of an audit conclusion. The audit conclusion on the performance against predetermined objectives is included under the heading, *Report on the audit of the annual performance report*, on page 41 of this report.

10. SITUATIONAL ANALYSIS

10.1 Service delivery environment

The entity had planned 11 targets for the year under review as outlined in the annual performance plan. 45% (5) of the targets were achieved and 55% (6) were either partially achieved or not achieved. Details are outlined in section 11, *performance information by programme*, below.

This is the last time to report that the entity continued to operate under the Covid-19 pandemic and the concomitant lockdown regulations, which limited normal functioning. It is a relief for theatres and similar establishments that the restrictions have been lifted.

Furthermore, the technical skills base of the entity has been a challenge. This is a historical problem emanating from the absorption of unqualified and unskilled casual staff into critical skills positions from the time the entity was established up to 2014. This affects the quality of theatre services that the entity renders to clients. However, these issues are being attended to.

10.2 Organisational environment

The entity continues to struggle to deliver 'bums on seats'. This is largely because of the inability to attract popular producers and productions. The inability is a result of limited artistic programming budget. The following are some of the initiatives that the entity is pursuing to address this key challenge that has bedevilled the organisation for time immemorial:

- upgrading the position of a marketing manager and recruiting the right resource to work on the brand of the organisation and aggressively market the artistic programme
- implementing various audience development initiatives
- addressing the organisational culture
- running a clean administration in order to attract commercial partners and sponsorships

As indicated in the *Chief Executive Officer's Overview*, above, the entity ended the year with the following key vacancies as a result resignations, expiry of fixed term contract and natural attrition. These positions will be filled in the coming financial year.

- Chief Executive Officer
- Artistic Director
- Senior Manager for Marketing
- Audience Development Specialist

As mentioned in *service delivery environment* section, above, about the history of absorption of casual staff that worked as stage hands, ushers, bar tenders, cleaners, etc., these employees were given very low salaries owing to their lack of skills and qualifications. With their permanent employee status, the attention is on earning better salaries despite not having enhanced their skills and qualifications over time despite access to funded studies. This has resulted in perennially low staff morale, which, coupled with limited skills sets, impacts the entity's ability to deliver effectively and efficiently on its annual performance plan targets. The entity's hopes are pinned on the arrival of the new Human Resources Manager to assist in the development and implementation of an appropriate workplace skills plan.

10.3 Key policy developments and legislative changes

There were no key policy developments and legislative changes that significantly affected the operations of the entity, except for the procurement embargo imposed in the last quarter of the financial year by the National Treasury following a court ruling on the Preferential Procurement Regulations, 2017.

10.4 Progress towards achievement of institutional impact and outcomes

The current Strategic Plan of PACOFS has 9 targets that are linked to 6 strategic outcomes to be achieved over 5 years. The 6 strategic outcomes are as follows:

- (a) Strong governance and sound financial internal controls
- (b) Optimal utilisation of facilities
- (c) Well maintained facilities
- (d) Financial sustainability
- (e) Vibrant artistic programme
- (f) Creating opportunities for performing artists from target groups

The following is an update on the progress made after 2 years into the 5 years covered by the Strategic Plan.

5 Year Target 1: Unqualified audit outcome

PACOFS has already in the 2nd year of the Strategic Plan achieved two successive unqualified audit outcomes starting from 2020/21 financial year.

5 Year Target 2: R0 in irregular, fruitless and wasteful expenditure

Irregular expenditure increased from the baseline figure of R0.9 million (2020/21) to R2.1 million. The amount relates to legal fees incurred outside the procurement processes for a disciplinary matter that oscillated between the labour court and the CCMA, and excess expenditure incurred above contract amount.

Fruitless and wasteful expenditure drastically decreased from the baseline figure of R109 052 in 2020/21 to R3 241

5 Year Target 3: 80% of employees meeting set performance targets

Approximately 77.4% of employees had signed performance agreements for 2021/22. Performance assessments to gauge the extent to which employees met the set performance targets had not been finalised at year-end. The performance assessments for 2019/20 and 2020/21 were only done by a few departments, the impact of which on the 5 year target would, therefore, be immaterial.

5 Year Target 4: 44 weeks of events scheduled in the theatres

For the current year 2021/22, a total of 35 weeks of artistic productions, including rental shows, were held in the theatre venues. This is a 75% increase from the baseline.

5 Year Target 5: 100% of the facilities maintenance plan targets achieved per annum

This target has been achieved based on the current maintenance plan. However, a more comprehensive maintenance plan is still to be developed based on the facilities condition assessment. This would have an impact of reducing the percentage achieved once progress is measured against it as it will be much more extensive.

5 Year Target 6: 6 capital works projects completed

None of the 6 projects has been completed. They are still work in progress.

- Heating, ventilation and air conditioning project design has been completed
- Main entrance upgrade project. Bills of quantity are being developed
- Facilities management contract. Condition assessment has been completed. The project has stalled due to a contractual dispute.
- Complex fencing. The appointed contractor has resubmitted the quote due a massive increase in steel prices. Variation order application will be submitted to the National Treasury for approval. Failing which, the tender will be re-advertised.
- Installation of closed circuit television. Installation is in progress.
- Fire and smoke detection system. There is currently a dispute with the service provider and expert advice is being sought.

5 Year Target 7: 18% of operating budget funded from own generated revenue

There has been an increase to 3.9% from the baseline of 2.5%. It is expected that the increase will be higher in the coming years due to the relaxation of Covid-19 restrictions, which affected the number of patrons allowed in the theatre venues.

5 Year Target 8: 45 artistic events hosted per year

The number of artistic events hosted in the current year dropped below the 2020/21 baseline from 45 to 31. The baseline artistic events of 45 were achieved because the large majority of the shows were live streamed due to Covid-19 restrictions.

5 Year Target 9: 60% of the artistic budget spent on performing artists from target groups

100% of the artistic budget was spent on performing artists from the target groups, namely, youth, women, people with disabilities, and people from rural areas and townships.



11. PERFORMANCE INFORMATION BY PROGRAMME

11.1 Programme 1: Administration

The programme aims to provide strategic leadership, direction and support through good governance to PACOFS. Its role is to ensure that the necessary support services are provided for the effective management of the organisation

The programme consists of the following sub-programmes:

11.1.1 Office of the Chief Executive Officer

11.1.2 Corporate Services

11.1.3 Facilities Management



Strategic objectives, performance indicators planned targets and actual achievements

Programme: Administration							
Performance Indicator			Actual Achievement 2020/2021	Planned Target 2021/2022	Actual Achievement 2021/2022	Deviation from planned target to Actual Achievement	Comment on deviations
Improved governance and control environment	1	Percentage of 2020/21 audit findings addressed	90%	100%	95%	-5%	Lack of HR capacity to implement consequences management on fruitless and wasteful expenditure
	2	Number of risk register updates	4	4	4	None	None
Improved facilities	3	Percentage of scheduled maintenance plan targets achieved	77%	100%	100%	100%	None
	4	Number of capital projects implemented	New Indicator	4	0	-4	Lack of internal technical and project management capacity affected the roll out of the projects
Improved organisational and staff performance	5	Percentage of HR plan targets achieved	45%	100%	77%	-23%	Lack of internal HR capacity to resolve grievances resulted in certain employees refusing to enter into performance agreements
Improved generation of own revenue	6	Amount of own revenue generated	New Indicator	R4.6 million	R1.4 million	-R3.2 million	Projected revenue not realised as fewer than planned productions were hosted due to Covid-19 restrictions.

Strategy to overcome areas of under performance

Percentage of 2020/21 audit findings addressed

The appointment of an HR Manager in June 2022 would assist in fast tracking the implementation of consequences management, which is the reason for the 5% of the audit findings that have not been fully addressed.

Number of capital projects implemented

Appointment of a senior official for facilities is underway and the process of filling the position is at selection stage.

Percentage of HR operational plan implemented

An HR Manager will be appointed in June 2022 to drive HR plans and activities.

Amount of own revenue generated

The revenue target is not achieved due to Covid-19 restrictions that continue to affect revenue generation. Revenue targets will be reduced to reflect the impact of the pandemic on institutional activities.

Linking performance with budget

Programme	2021/2022			2020/2021		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Administration	49 172	40 694	8 478	42 209	37 447	4 761
Total	49 172	40 694	8 478	42 209	37 447	4 761

Variance

The underspending is due to unfilled funded vacant posts and the retained surplus that was approved late in the year and was not fully spent by the end of the financial year.

11.2 Programme 2: Business Development

The programme aims to implement the core business of the entity by producing artistic programmes and identifying talent in the Free State across all disciplines of performing arts.

Purpose of the programme:

To implement the core business of the entity.

Sub-programmes

- Arts Coordination
- Arts Development

Strategic objectives relating to the programme

- Conduct development showcases
- Produce artistic programmes
- Identify talent in the Free State across all disciplines through auditioning, mentoring, training, placement programme and talent pool identification

Strategic objectives, performance indicators planned targets and actual achievements

Programme: Business Development							
Performance Indicator			Actual Achievement 2020/2021	Planned Target 2021/2022	Actual Achievement 2021/2022	Deviation from planned target to Actual Achievement for 2021/2022	Comment on deviations
Sustained showcasing of performing arts practitioners through staging of shows	7	Number of shows staged or streamed	45	30	31	+1	Due to the Covid-19 restrictions on theatres, additional livestream shows were presented
Performing arts practitioners developed	8	Number of skills workshops conducted	3	4	3	-1	A suitable service provider could not be found after sourcing quotations

Commentary

The programme achieved one target and partially achieved the other with one skills workshop not conducted. As indicated elsewhere in the report, a suitable service provider could not be found through supply chain processes. The entity is embarking on establishing a database of artistic facilitators.

Linking performance with budget

Programme	2021/2022			2020/2021		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Business Development	11 231	7 229	4 002	10 130	5 644	4 487
Total	11 231	7 229	4 002	10 130	5 644	4 487

Variance

There was an underspending in the compensation of employees' budget as there are still funded vacant positions. There were also fewer productions staged because of the restrictions posed by the Covid-19 regulations on theatres and the retained surplus was approved late, which would only be spent in the next financial year.

11.3 Programme 3: Public Engagement

The purpose of this programme is to position PACOFS as an iconic performing arts institution committed to developing the Free State creative industry. Public engagements are geared towards ensuring that PACOFS maintains relevance within the sector and becomes an impactful contributor to facilitating socio-cultural and economic growth.

Priorities include ongoing engagements with existing and potential stakeholders, marketing of theatre offerings, venues and facilities as well as broadening access to institutional arts and culture events and activities.

- List of sub-programmes
 - Marketing and Communications
 - Theatre Services
 - Audience Development

Strategic objectives, performance indicators planned targets and actual achievements

Programme: Public Engagement							
Performance Indicator			Actual Achievement 2020/2021	Planned Target 2021/2022	Actual Achievement 2021/2022	Deviation from planned target to Actual Achievement for 2021/2022	Comment on deviations
Increase the use of theatre facilities	9	Number of engagements with potential clients	7	10	6	-4	Marketing Manager resignation and the Marketing Officer on maternity leave
	10	Number of items of creative content developed or distributed	21	16	23	+7	Increased content due to unforeseen and unplanned announcements regarding Governance-related issues
Increase theatre patronage	11	Number of engagements focused on performing arts industry	4	4	7	+3	New stakeholder relationships were created to bolster the arts in the province

Commentary

The programme achieved all its targets but one as the senior manager resigned in the last quarter and the only other official responsible was on maternity leave in the same period.

Linking performance with budget

Programme	2021/2022			2020/2021		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Public Engagement	8 279	5 861	2 418	8 727	6 204	2 524
Total	8 279	5 861	2 418	8 727	6 204	2 524

Variance

There was an underspending in the compensation of employees' budget as there are still funded vacant positions. There were fewer productions to be marketed because of the restrictions posed by the Covid-19 regulations on theatres.

11.4 Response to the Covid-19 Pandemic

There were no community or external interventions that the institution implemented in response to the Covid-19 pandemic, except for internal interventions where all employees were provided with masks and sanitisation stations were placed at all the doors. Also, where a case of Covid-19 was confirmed, the whole building was decontaminated. The total amount spent on these efforts was R42 406 (R239 610: 2020/21).

11.5 Revenue collection

Sources of revenue	2021/2022			2020/2021		
	Estimate	Actual Amount Collected	(Over)/Under Collection	Estimate	Actual Amount Collected	(Over)/Under Collection
	R'000	R'000	R'000	R'000	R'000	R'000
Core Funding	48 823	48 823	0	46 883	46 883	
Income accrued from capital funds	941	941	0	2 111	2 111	0
Rentals	1 774	555	1 219	251	197	(54)
Sale of goods	334	56	278	311	3	308
Commission and other income	14 942	4 935	10 007	1 358	1 268	90
Interest	1 868	810	1 058	937	917	20
Total	68 682	56 120	12 562	51 851	51 379	472

The intention of the institution has been to explore alternative revenue streams and develop diverse recurring income generating products in an effort to decrease dependence on government grants. However, due to Covid-19 restrictions, there were minimal theatre rentals.

Additionally, due to Covid-19 restrictions, productions have been few and minimal liquor sales were made.

11.6 Capital investment

Details of the capital projects are covered in section 10.3, *Progress towards achievement of institutional impact and outcomes*, above. Also, the underspending on these projects is highlighted by way of an emphasis of matter in the auditor's report, below, and the challenges around these projects are discussed in the *Chief Executive Officer's Overview*, above.

PART C



GOVERNANCE

12 INTRODUCTION

Corporate governance embodies processes and systems by which an entity is directed, controlled and held to account. In addition to legislative requirements based on the entity's enabling legislation, corporate governance is applied through the precepts of the Public Finance Management Act (PFMA) and run in tandem with the principles contained in the King's Report on Corporate Governance.

Parliament, the Executive and the Accounting Authority of the entity are responsible for corporate governance.

13 PORTFOLIO COMMITTEE

The Council had meetings on 8 April 2021 and 15 February 2022 with the portfolio committee during the year under review. The meetings dealt with the occupation of the Artistic Director's office by disgruntled artists. Also, the issue of the implementation of investigation reports and the appointment of the Chief Executive Officer were discussed.

14 EXECUTIVE AUTHORITY

The following reports were submitted to the Executive Authority during the year under review:

Report	Submission date
4 th quarter performance and expenditure report (2020/21)	30 April 2021
Annual Financial Statements 2020/21	31 May 2021
1 st quarter performance and expenditure report	30 July 2021
2020/21 Annual Report	31 August 2021
2 nd quarter performance and expenditure report	30 October 2021
2022/23 Estimates of National Expenditure Chapter	08 December 2021
2022/23 Estimates of National Expenditure Database	13 December 2021
3 rd quarter performance and expenditure report	30 January 2022
2022/23 Procurement Plan	15 February 2022
2022/23 Shareholder's Compact and Annual Performance Plan	15 March 2022

15 THE ACCOUNTING AUTHORITY / COUNCIL

Introduction

The Council of PACOFS was appointed in terms of the Cultural Institutions Act and it is responsible and accountable for the entity's performance and strategic direction.

The role of Council

The functions of Council are to:

- 4.1 Formulate policy;
- 4.2 Hold, preserve and safeguard all movable and immovable property of whatever kind placed in the care of or loaned or belonging to the institution;
- 4.3 Receive, hold, preserve and safeguard all movable property placed under its care and management;
- 4.4 Raise funds for the institution;
- 4.5 Manage and control the moneys received by the declared institution and to utilise those moneys for defraying expenses in connection with the performance of its functions;
- 4.6 Keep a proper record of the property of the declared institution, to submit to the Director-General any returns required by him or her in regard thereto and to cause proper books of account to be kept;
- 4.7 Determine, with the approval of the Minister, the objects of the entity; and
- 4.8 Carry out the objects of the entity.

Council has adopted charter which, among other things, addresses:

- Council's responsibility for the strategic plan of the entity
- Monitoring of operational performance and management
- Determination of policies

Council has fully complied with its charter for the year under review.

Composition of Council

Name	Designation	Date appointed – Termination date	Qualifications	Area of Expertise	Other Committees	No. of Meetings attended
Adv. Thato Moeeng	Chairperson	9/12/20 – 8/12/24	Post-Graduate Executive Development, LLB, MBL	Law and Corporate Governance	REMSEC	21 out of 21
Mr. Kabi Thulo	Deputy Chairperson	9/12/20 – 8/12/24	Bachelor of Arts, Drama and Theatre Arts, Bachelor of Arts (Honours), Drama and Theatre	Drama and Theatre Arts	REMSEC and CBC	21 out of 21
Ms. Mpelegeng Kganedi	Member	15/01/2020 – 8/12/2020 9/12/20 – 8/12/24	B.Com in Accounting and Business Management	Accounting	REMSEC and ARC	21 out of 21
Mr. Ashley Latchu	Member	15/01/2020 – 8/12/2020 9/12/20 – 8/12/24	MSc, HSc, BSc, Dip, MCSE, MCSD, MCDDBA, MCSA	ICT	CBC, ARC and SPC	21 out of 21
Mr. Kingdom Moshounyane	Member	9/12/20 – 8/12/24	MA Degree in Drama, BA in Drama and Theatre Arts degree	Drama and Theatre Arts	CBC and SPC	21 out of 21
Ms. Nkosazana Tebogo Mosala	Member	9/12/20 – 8/12/24	B Phil Honours in Marketing Management, BA Applied Public Relations	Marketing and Communication	CBC and SPC	20 out of 21
Ms. Phumzile Maseko	Member	9/12/20 – 8/12/24	BCom Hons, MBL	Finance Markets	CBC and SPC	21 out of 21

Committees

Committee	No. of meetings held	No. of members	Name of members
REMSEC	14 (4 ordinary & 10 special)	3	Ms. Mpelegeng Kganedi (Committee Chair), Adv. Thato Moeeng & Mr. Kabi Thulo
Special Projects	4 (ordinary)	4	Ms. Phumzile Maseko (Committee Chair), Ms. Nkosazana Tebogo Mosala, Mr. Kingdom Moshounyane & Mr. Ashley Latchu
Core Business	6 (3 ordinary & 3 special)	3	Mr. Kingdom Moshounyane (Committee Chair), Ms. Nkosazana Tebogo Mosala & Mr. Kabi Thulo

Remuneration of Council members

Council members are remunerated per sitting based on the National Treasury category D1 rates. For details of the remuneration of Council members, refer to Note 24 of the AFS – Remuneration of Council members.

Note should be taken that the high number of meetings held by Council and the REMSEC was due to, among other critical things, a litany of investigations and reports that needed to be processed for submission to the Portfolio Committee on Sport, Arts and Culture.

16 RISK MANAGEMENT

The entity maintains a risk register based on a formal annual risk assessment and the strategic plan. The risk register, including mitigation strategies and progress with regards to implementation, is updated quarterly and presented to the audit and risk committee (ARC) and Council.

17 INTERNAL CONTROL UNIT

An Internal Control Officer position reporting to the Management Accountant ensures that the systems of financial risk management and internal control are in place.

18 INTERNAL AUDIT AND AUDIT COMMITTEE

The entity has an outsourced internal audit function that reports to the Audit and Risk Committee. The following internal audit assignments were conducted during the year:

- Review of quarterly performance information;
- Review of supply chain management processes and compliance;
- Financial Statements review;
- Risk Management review;
- Review of Policies and Procedures
- Assets Management review;
- Governance and Compliance reviews.

The entity has an Audit and Risk Committee led by an independent external chairperson. Other members are also external, except for 2 council members. The committee is fully functional, operating in terms of a charter approved by Council. The table below discloses relevant information on the audit and risk committee members.

Name	Qualifications	Internal or external	Date appointed	No. of Meetings attended
Mr. Khotso Nkoe (Chairperson)	BCom; Advanced Diploma in Accounting; ACCA	External	01/03/16 (Reappointed - 01/07/19)	15 out of 15
Ms. Mpelegeng Kganedi	B.Com in Accounting and Business Management	External	15/01/2020	15 out of 15
Mr. Ashley Latchu	MSc, HSc, BSc, Dip, MCSE, MCSD, MCDBA, MCSA	External	15/01/2020	15 out of 15
Ms. Veronica Monyobo	Municipal Executive Financial Management Certificate, Masters of Science in Information Technology for Software Engineering, Bachelor of Science	External	01/09/2020	15 out of 15
Mr. Abel Thito	B. Accounting, B. Accounting (Hons) CTA, CA(SA)	External	01/09/2020	15 out of 15
Mr. Mbuyiselo Mothapo	B.Compt.	External	01/05/2017 (Reappointed - 01/05/2020)	15 out of 15

Note should be taken that the high number of meetings of the ARC were a result of the investigations that needed to be conducted and the reports thereof processed for tabling at Council. Further note that Mr. Mbuyiselo Mothapo subsequently took over the chairpersonship of the Audit and Risk Committee from Mr. Khotso Nkoe from 1 July 2022, following the latter's contract ending on 30 June 2022.

19 COMPLIANCE WITH LAWS AND REGULATIONS

PACOFs reports on compliance with laws and regulations on a quarterly basis to the shareholder and these reports include reporting on the National Treasury's PFMA and Treasury Regulations checklist.

20 FRAUD AND CORRUPTION

PACOFs has an approved fraud prevention plan. The mechanism in place to report fraud and corruption includes using the Free State Province fraud and corruption reporting hotline (0800 21 21 78) and the national anti-fraud and corruption hotline (0800 701 701).

21 MINIMISING CONFLICT OF INTEREST

To minimise conflict of interest in supply chain management, bid committee members are drawn from various departments of the entity and they are required to complete a declaration of interest form. Where a member has interest in a service provider or a bid under consideration, that member must declare it and recuse himself or herself from the process.

22 CODE OF CONDUCT

The entity has adopted both a code of conduct and a code of ethics to regulate various unbecoming and unacceptable behaviours. Failure to adhere to the codes by any employee constitutes misconduct and can result in disciplinary action being taken. In serious cases, such disciplinary action may result in dismissal.

Also, for the year under review Council and management completed the Ethics in the Public Sector course as one of the mechanisms to embed ethical culture in the institution.

23 HEALTH SAFETY AND ENVIRONMENTAL ISSUES

The entity is continuously striving to improve in complying with the Occupational Health and Safety Regulations. The Occupational Health, Safety and Security Manager ensures compliance with Occupational Health and Safety regulations. For the year under review, there were no injuries and health concerns reported.

24 COMPANY /COUNCIL SECRETARY

The company secretary function is outsourced and provides services to Council and its Committees, which are functioning optimally, effectively and efficiently.

25 SOCIAL RESPONSIBILITY

The entity offers rehearsal space for free to qualifying performing art practitioners and groups.

26 REPORT OF THE AUDIT AND RISK COMMITTEE

We are pleased to present our report for the financial year ended 31 March 2022.

Audit Committee Responsibility

The audit committee reports that it has complied with its responsibilities arising from Section 51(1)(a)(ii) of the PFMA and Treasury Regulation 27.1.

The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The effectiveness of internal control

The system of internal controls applied by the entity over financial and risk management is partially effective, efficient and transparent.

In line with the PFMA and the Treasury Regulations, Internal Audit provides the audit committee and management with assurance that the internal controls are partially appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes.

From the various reports of the Internal Auditors and quarterly management reports, it was noted that certain matters were reported, however none that indicate any material deficiencies in the system of internal control or any deviations therefrom. Accordingly, we can report that the system of internal control over financial reporting for the period under review was partially efficient and effective.

The quality of in year management and quarterly reports submitted in terms of the PFMA.

The audit and risk committee is satisfied with the content and quality of quarterly reports prepared and issued by the management of the entity during the year under review.

Evaluation of Financial Statements

The audit and risk committee has:

- Reviewed the quarterly reports including financial statements to ensure consistency and accuracy of information;
- Considered the appropriateness, adoption and consistent application of the South African Statement of Generally Recognised Accounting Practice adopted by the Accounting Authority;
- Considered the quality and timeliness of the financial information available to the audit and risk committee for oversight purposes during the year;
- Reviewed the financial statements of the entity for the year ended 31 March 2022 and is satisfied that they comply with relevant provisions of the Public Finance Management Act and the South African Statement of Generally Recognised Accounting Practice;
- Reviewed the Auditors-General's Management Report and Management's responses; and
- Reviewed the Auditor-General's Audit Report and noted that there were no findings in the financial statements and performance information.

Auditor-General's Report

The audit and risk committee is pleased to report that the entity has received an unqualified audit report.

The audit and risk committee concurs and accepts the conclusion of the Auditor-General on the annual financial statements and the audit committee is of the opinion that the audited annual financial statements be accepted and read together with the report of the Auditor-General.

The audit and risk committee takes this opportunity to congratulate the Council and Management on their efforts and commitments in obtaining an unqualified audit report from the Auditor-General for two consecutive years.



Mr. M Mothapo
Chairperson of the Audit and Risk Committee

Date: 31 August 2022



27 B-BBEE COMPLIANCE PERFORMANCE INFORMATION

The following table has been completed in accordance with the compliance to the BBBEE requirements of the BBBEE Act of 2013 and as determined by the Department of Trade and Industry.

Has the entity applied any relevant Code of Good Practice (B-BBEE Certificate Levels 1 – 8) with regards to the following:		
Criteria	Response Yes / No	Discussion
Determining qualification criteria for the issuing of licences, concessions or other authorisations in respect of economic activity in terms of any law?	No	Criteria not applicable to the entity.
Developing and implementing a preferential procurement policy?	No	The entity's Supply Chain Management Policy addresses the preferential procurement requirements.
Determining qualification criteria for the sale of state-owned enterprises?	No	Criteria not applicable to the entity.
Developing criteria for entering into partnerships with the private sector?	No	Council has established a Special Projects Committee to lead in this area.
Determining criteria for the awarding of incentives, grants and investment schemes in support of Broad Based Black Economic Empowerment?	No	Criteria not applicable to the entity.



PART D



HUMAN RESOURCE
MANAGEMENT

28 INTRODUCTION

The entity continues to experience human resources challenges in the form of grievances and referrals to the CCMA. A large majority of these cases are related to financial benefits. As reported elsewhere in this report, the entity is characterised by low technical skills base and low staff morale induced by low salaries for those casual staff members who were made permanent prior 2015. These are challenges that the entity continues to grapple with.

The Human Resources team has successfully implemented a solid induction programme, which was a challenge in the past.

29 RESOURCE OVERSIGHT STATISTICS

Table 1: Personnel Cost by programme

Programme	Total Expenditure for the entity (R'000)	Personnel Expenditure (R'000)	Personnel exp. as a % of total exp. (R'000)	No. of employees	Average personnel cost per employee (R'000)
Administration	40 694	18 937	46.5%	40	473.4
Business Development	7 229	2 216	30.7%	3	738.7
Public Engagement	5 861	5 474	93.4%	19	288.1
Total	53 784	26 627	49.5%	62	440.1

Personnel expenditure excludes post-employment medical benefit in Note 7 of AFS.

Table 2: Personnel cost by salary band

Level	Personnel Expenditure (R'000)	% of personnel exp. to total personnel cost (R'000)	No. of employees	Average personnel cost per employee (R'000)
Top Management	3 982	15.0%	3	1 327.3
Senior Management	6 276	23.6%	9	697.3
Professional	1 669	6.3%	3	556.3
Skilled	4 149	15.6%	12	345.8
Semi-skilled	9 569	35.9%	30	319.0
Unskilled	982	3.7%	5	196.4
Total	26 627	100%	62	429.5

Performance Rewards

No performance rewards were paid during the year under review.

Table 3: Training Costs

Programme	Personnel Expenditure (R'000)	Training Expenditure (R'000)	Training Expenditure as a % of Personnel Cost	No. of employees trained	Avg training cost per employee (R'000)
Administration	18 937	81.1	0.43%	40	2
Business Development	2 216	1	0.01%	3	0.3
Public Engagement	5 474	6.1	0.11%	19	0.3
Total	26 627	88.2	0.33%	62	1.4

Table 4: Employment and vacancies per programme

Programme	2021/2022 No. of Employees	2021/2022 Approved Posts	2021/2022 Vacancies	2021/2022 % Vacancies
Administration	40	40	0	0%
Business Development	3	3	0	0%
Public Engagement	19	19	0	0%
Total	62	62	0	0%

*The number of employees includes positions that have been phased out in the most recent approved organisational structure.

Table 5: Employment and vacancies per level

Level	2021/2022 No. of Employees	2021/2022 Approved Posts	2021/2022 Vacancies	2021/2022 % Vacancies
Top Management	3	3	0	0%
Senior Management	9	11	2	18.2%
Professional	3	3	0	0%
Skilled	13	12	-1	-8.3%
Semi-skilled	29	28	-1	-3.6%
Unskilled	5	5	0	0%
Total	62	62	0	0%

*The number of employees includes positions that have been phased out in the most recent approved organisational structure, hence the negative vacancies.

Table 6: Employment changes

Salary Band	Employment at beginning of period	Appointments	Terminations	Employment at end of the period
Top Management	3	0	2	1
Senior Management	9	0	2	7
Professional qualified	3	0	0	3
Skilled	13	1	4	10
Semi-skilled	29	0	2	27
Unskilled	5	0	2	3
Total	62	1	12	51

Table 7: Reasons for staff leaving

Reason	Number	% of total no. of staff leaving
Death	3	25%
Resignation	3	25%
Dismissal	0	0%
Retirement	3	25%
Ill health	0	0%
Expiry of contract	1	8.3%
Other	2	16.7%
Total	12	100%

Table 8: Labour Relations: Misconduct and disciplinary action

Nature of disciplinary Action	Number
Verbal Warning	0
Written Warning	0
Final Written warning	0
Dismissal	0
Total	0

Table 9 (a): Equity Target and Employment Equity Status

Levels	Male			
	African	Coloured	Indian	White
Top Management	2	1	0	0
Senior Management	5	0	0	1
Professional qualified	1	0	0	0
Skilled	5	2	0	0
Semi-skilled	19	0	0	0
Unskilled	2	0	0	0
Total	34	3	0	1

Table 9 (b): Equity Target and Employment Equity Status

Levels	Female			
	African	Coloured	Indian	White
Top Management	0	0	0	0
Senior Management	2	1	0	0
Professional qualified	1	0	0	1
Skilled	2	1	0	3
Semi-skilled	10	0	0	0
Unskilled	3	0	0	0
Total	18	2	0	4

Table 10: Disability

Levels	Staff with disability	
	Male	Female
Top Management	0	0
Senior Management	2	0
Professional qualified	0	0
Skilled	0	0
Semi-skilled	0	0
Unskilled	1	0
Total	3	0

PART E



FINANCIAL
INFORMATION

Report of the auditor-general to Parliament on the Performing Arts Centre of the Free State

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Performing Arts Centre of the Free State, set out on pages 45 to 89, which comprise the statement of financial position as at 31 March 2022, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget information with actual information for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Performing Arts Centre of the Free State as at 31 March 2022, and their financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA)

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of my report.
4. I am independent of the public entity in accordance with the International Ethics Standards Board for Accountants' *International code of ethics for professional accountants (including International Independence Standards)* (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matter

6. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Irregular expenditure

7. As disclosed in note 29 to the financial statements, irregular expenditure of R2 154 740 (2021: R1 711 584) was incurred due to non-compliance with supply chain management (SCM) requirements. In addition, alleged irregular expenditure under determination as disclosed in note 29 is being referred to National Treasury for adjudication.

Material underspending on unspent conditional grant

8. As disclosed in note 10 to the annual financial statements, the public entity has material underspent on conditional grants by R98 062 886 (2021: R87 445 891). This is due to the entity having limited technical capacity to implement infrastructure projects, which is still being attended to.

Restatement of corresponding figures

9. As disclosed in note 25 to the annual financial statements, the corresponding figures for 31 March 2022 have been restated as a result of errors in the annual financial statements of the entity for the year ended 31 March 2021.

Responsibilities of the accounting authority for the financial statements

10. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with the Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA) and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
11. In preparing the financial statements, the accounting authority is responsible for assessing the public entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the public entity or to cease operations, or has no realistic alternative but to do so.

Auditor-general's responsibilities for the audit of the financial statements

12. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
13. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

Introduction and scope

14. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.
15. My procedures address the usefulness and reliability of the reported performance information, which must be based on the public entity's approved performance planning documents. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the public entity enabled service delivery. My procedures do not extend to any disclosures or assertions relating to the extent of achievements in the current year or planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
16. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programmes presented in the public entity's annual performance report for the year ended 31 March 2022:

Programmes	Pages in the annual report
Programme 2 – Business Development	21 – 22

17. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
18. I did not identify material findings on the usefulness and reliability of the reported performance information for the following programme:
 - Programme 2 – Business Development

Other matters

19. I draw attention to the matters below.

Achievement of planned targets

20. Refer to the annual performance report on pages 18 to 23, for information on the achievement of planned targets for the year and management's explanations provided for the under and over achievement of targets.

Report on the audit of compliance with legislation

Introduction and scope

21. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the public entity's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
22. The material findings on compliance with specific matters in key legislation are as follows:

Annual financial statements

23. The financial statements submitted for auditing were not fully prepared in accordance with the prescribed financial reporting framework, as required by section 55(1) (b) of the PFMA. Material misstatements of expenditure and disclosure items identified by the auditors in the submitted financial statement were corrected, resulting in the financial statements receiving an unqualified audit opinion.

Expenditure management

24. Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R2 154 740 as disclosed in note 29 to the financial statements, as required by section 51(1) (b) (ii) of the PFMA.

Consequence management

25. I was unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred fruitless and wasteful expenditure as required by section 51(1)(e)(iii) of the PFMA. This was because investigations into fruitless and wasteful expenditure were not performed.
26. I was unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred irregular expenditure as required by section 51(1)(e)(iii) of the PFMA. This was because investigations into irregular expenditure were not performed.

Other information

27. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report, the audit committee's report and the chief executive officer's report. The other information does not include the financial statements, the auditor's report and those selected programmes presented in the annual performance report that have been specifically reported in this auditor's report.
28. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion on it.
29. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programmes presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
30. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

31. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on compliance with legislation included in this report.
32. Management did not adequately review and monitor compliance with applicable laws and regulations, as instances of material non-compliance with laws and regulations were identified.
33. Management did not adequately prepare regular, accurate and complete financial reports that are supported and evidenced by reliable information as material adjustments were made to the submitted financial statements.

Other reports

34. I draw attention to the following engagements conducted by various parties which had, or could have, an impact on the matters reported in the public entity's financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.
35. A Phase 2 investigation is currently ongoing on capital assets and we did not receive any final or progress report relating to this investigation as at the date of the audit report.

Auditor - General

Bloemfontein
31 July 2022



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure – Auditor-general's responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for selected programmes and on the public entity's compliance with respect to the selected subject matters.

Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:
 - 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
 - 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 public entity's internal control
 - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting authority.
 - conclude on the appropriateness of the accounting authority use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the Performing Arts Centre of the Free State to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a public entity to cease operating as a going concern
 - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Communication with those charged with governance

3. I communicate with the accounting authority 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.
4. I also provide the accounting authority with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

Performing Arts Centre of the Free State

Annual Financial Statements for the year ended 31 March 2022

Statement of Financial Position as at 31 March 2022

	Note(s)	2022 R	2021 Restated* R
Assets			
Current Assets			
Cash and cash equivalents	9	114,999,788	103,548,937
Inventories	6	854,608	964,577
Receivables from exchange transactions	8	981,741	218,961
		116,836,137	104,732,475
Non-Current Assets			
Assets held for transfer	3	-	34,956,939
Capital work in progress	30	1,505,474	1,496,166
Heritage assets	5	5,425,483	5,321,531
Intangible assets	4	144,588	393,816
Property, plant and equipment	2	2,811,961	3,625,435
		9,887,506	45,793,887
Total Assets		126,723,643	150,526,362
Liabilities			
Current Liabilities			
Provisions	11	1,131,247	1,755,302
Payables from exchange transactions	12	3,554,215	1,406,196
Unspent conditional grants and receipts	10	98,062,886	87,445,891
		102,748,348	90,607,389
Non-Current Liabilities			
Employee benefit obligation	7	6,853,507	7,492,000
Total Liabilities		109,601,855	98,099,389
Net Assets		17,121,788	52,426,973
Reserves			
Revaluation reserve	33	2,503,549	2,399,597
Accumulated surplus		14,618,239	50,027,376
Total Net Assets		17,121,788	52,426,973

Performing Arts Centre of the Free State

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Statement of Financial Performance

	Note(s)	2022 R	2021 Restated* R
Revenue			
Revenue from exchange transactions			
Commission income		81,527	26,671
Interest received	18	810,094	916,970
Other income	2&6	124,831	-
Bad debt recovered		55,928	-
Sales	16	56,205	2,925
Rendering of services	15	271,053	41,561
Rental income	14	560,822	218,389
Total revenue from exchange transactions		1,960,460	1,206,516
Revenue from non-exchange transactions			
Transfer revenue			
Government grants	17	50,003,798	48,993,500
Revenue in kind	13	1,283,988	1,177,970
Total revenue from non-exchange transactions		51,287,786	50,171,470
Total revenue	32	53,248,246	51,377,986
Expenditure			
Debts impairment	8	(29,459)	(607,266)
Depreciation and amortisation	2&3&4	(1,392,124)	(1,807,408)
Employee related costs	19	(26,626,517)	(29,410,455)
Interest expense		(4,857)	(5,115)
General expenses	20	(25,486,357)	(18,647,212)
Assets impairment	4	(244,391)	(129,568)
Total expenditure		(53,783,705)	(50,607,024)
Surplus (deficit) before gains/losses		(535,459)	770,962
Inventory write (down)/up		(80,944)	(344,839)
(Loss)/Gain on disposal	2&3	(34,792,738)	(84,987)
(Deficit)/surplus for the year		(35,409,141)	341,136

Performing Arts Centre of the Free State

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Statement of Changes in Net Assets

	Revaluation reserve R	Accumulated surplus R	Total net assets R
Balance at 01 April 2020	2,399,597	49,686,240	52,085,837
Changes in net assets			
Revised surplus for the year	-	341,136	341,136
Total changes	-	341,136	341,136
Restated* Balance at 01 April 2021	2,399,597	50,027,380	52,426,977
Changes in net assets			
Revaluation of heritage assets	103,952	-	103,952
Net income (losses) recognised directly in net assets	103,952	-	103,952
Loss for the year	-	(35,409,141)	(35,409,141)
Total recognised income and expenses for the year	103,952	(35,409,141)	(35,305,189)
Total changes	103,952	(35,409,141)	(35,305,189)
Balance at 31 March 2022	2,503,549	14,618,239	17,121,788
Note(s)	33		



Performing Arts Centre of the Free State

Annual Financial Statements for the year ended 31 March 2022

Cash Flow Statement

		2022	2021
	Note(s)	R	Restated* R
Cash flows from operating activities			
Receipts			
Sale of goods and services		1,587,053	1,492,222
Grants		60,620,793	52,670,220
Interest income		810,094	916,970
		63,017,940	55,079,412
Payments			
Employee related costs		(28,012,675)	(28,411,225)
Suppliers		(23,255,470)	(21,524,030)
Interest expense		(4,857)	(5,115)
		(51,273,002)	(49,940,370)
Net cash flows from operating activities	22	11,744,938	5,139,042
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(409,612)	(33,042)
Proceeds from sale of property, plant and equipment and inventory	6&2	124,831	-
Purchase of capital work in progress	30	(9,308)	(145,761)
Net cash flows from investing activities		(294,089)	(178,803)
Net increase/(decrease) in cash and cash equivalents		11,450,849	4,960,239
Cash and cash equivalents at the beginning of the year		103,548,937	98,588,694
Cash and cash equivalents at the end of the year	9	114,999,786	103,548,933

Performing Arts Centre of the Free State

Annual Financial Statements for the year ended 31 March 2022

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Sale of goods	333,654	-	333,654	56,205	(277,449)	(83%)
Rendering of services	401,804	-	401,804	271,053	(130,751)	(33%)
Commission income	24,024	-	24,024	81,527	57,503	239%
Rental income	1,774,164	-	1,774,164	560,822	(1,213,342)	(68%)
Bad debt recovered	285,487	-	285,487	55,928	(229,559)	(80%)
Other income	592	-	592	124,831	124,239	100%
Interest received	1,867,648	-	1,867,648	810,094	(1,057,554)	(57%)
Total revenue from exchange transactions	4,687,373	-	4,687,373	1,960,460	(2,726,913)	
Revenue from non-exchange transactions						
Other revenue						
Revenue realised from conditional grants	-	941,388	941,388	1,180,798	239,410	25%
Retained surplus approved	-	12,946,365	12,946,365	3,256,000	(9,690,365)	(75%)
Transfer revenue						
Government grants & subsidies	48,823,000	-	48,823,000	48,823,000	-	0%
Revenue in kind	1,283,988	-	1,283,988	1,283,988	-	0%
Total revenue from non-exchange transactions	50,106,988	13,887,753	63,994,741	54,543,786	(9,450,955)	
Total revenue	54,794,361	13,887,753	68,682,114	56,504,246	(12,177,868)	
Expenditure						
Employee related costs	(30,863,455)	(3,256,000)	(34,119,455)	(26,626,517)	7,492,938	22%
Depreciation and amortisation	(1,658,910)	-	(1,658,910)	(1,392,124)	266,786	16%
Impairment losses	-	-	-	(244,391)	(244,391)	(100%)
Interest expense	-	-	-	(4,857)	(4,857)	(100%)
Bad debts written-off	-	-	-	(29,459)	(29,459)	(100%)
General expenses	(22,271,996)	(10,631,753)	(32,903,749)	(25,486,357)	7,417,392	23%
Total expenditure	(54,794,361)	(13,887,753)	(68,682,114)	(53,783,705)	14,898,409	
Operating surplus	-	-	-	2,720,541	2,720,541	
Inventory write down	-	-	-	(80,944)	(80,944)	(100%)
Surplus before taxation	-	-	-	2,639,597	2,639,597	
Loss on disposal	-	-	-	(34,792,738)	(34,792,738)	(100%)
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	-	-	-	37,432,335	37,432,335	

Performing Arts Centre of the Free State

Annual Financial Statements for the year ended 31 March 2022

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 91(1) of the Public Finance Management Act (Act 1 of 1999).

These annual financial statements have been prepared on an accrual basis of accounting, unless specified otherwise.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP. Expenses are classified based on the nature of the expense.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the entity.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the entity will continue to operate as a going concern for at least the next 12 months.

1.3 Use of estimates and judgement

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

The estimates and the underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and the future period if the revision affects both current and future periods.

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are mainly in the following areas as reflected in their respective notes:

- Non-current assets (Property, plant and equipment, intangible assets and heritage assets)
- Provisions
- Employee benefit obligation

1.4 Assets held for transfer

Assets held for transfer are newly constructed buildings or improvements made to an existing building carried out by the user, owner or accounted for by another entity in accordance with its mandate.

The accumulated costs of construction or improvements are carried in capital work in progress by the entity after incurring the costs until the project is completed.

On final completion of the project, when all the contractual liabilities have been fulfilled, all costs associated with the project are moved to assets held for transfer.

The user entity should then transfer the asset to the entity which is mandated to manage the asset. Projects that have reached final completion stage and ready for use are depreciated until they are transferred at carry value.

Performing Arts Centre of the Free State

Annual Financial Statements for the year ended 31 March 2022

Accounting Policies

1.4 Assets held for transfer (continued)

Initial measurement

Assets held for transfer are initially recognised at cost. Transaction costs are included in the initial measurement.

Where an asset held for transfer, is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, a property. If a replacement part is recognised in the carrying amount of the asset held for transfer, the carrying amount of the replaced part is derecognised.

Subsequent measurement

Assets held for transfer is carried at cost less accumulated depreciation and any impairment losses.

Depreciation is calculated based on the useful life of the assets. The useful life of assets held for transfer has been assessed as 120 years.

Assets forming part of capital work in progress are not depreciated due to the fact that these assets have not been completed.

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

Initial measurement

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost. Costs incurred subsequently to add or replace parts of an asset are also recognised. If a replacement cost is recognised in the carrying amount of an item of property plant and equipment, the carrying amount of the replaced part is derecognised.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

The custodianship of the building is held by the Free State Provincial Department of Public Works and it is made available to PACOFS free of charge on a permanent basis. The building, therefore, does not belong to PACOFS and it is therefore not recognised as property, plant and equipment.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Subsequent measurement

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Performing Arts Centre of the Free State

Annual Financial Statements for the year ended 31 March 2022

Accounting Policies

1.5 Property, plant and equipment (continued)

Depreciation is calculated based on the useful life of an asset. The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Musical instruments	Straight line	5 - 15 Years
Permanent advertising structures	Straight line	5 - 15 Years
Furniture and fixtures	Straight line	8 - 15 Years
Sound equipment	Straight line	5 - 25 Years
Wardrobe equipment	Straight line	5 - 12 Years
Computer equipment	Straight line	3 - 5 Years
Workshop equipment	Straight line	5 - 25 Years
Lighting equipment	Straight line	5 - 25 Years

The useful lives of assets are assessed annually to determine whether there is an indication that the entity's expectation about the useful life has changed since the preceding reporting date. If any such indication exists, the useful life is adjusted accordingly. The change is accounted for as a change in an accounting estimate in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors (GRAP 3).

The entity derecognises property, plant and equipment items when no future service potential is expected from its use.

Gains or losses on the disposal of assets are determined by comparing the proceeds received to the carry value of the asset and is recognised in profit or loss in the period.

1.6 Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance. An intangible asset is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

The entity's intangible assets consist only of computer software.

Initial measurement

Intangible assets are measured at cost upon initial recognition.

Subsequent measurement

Subsequently, intangible assets are carried at cost less accumulated amortisation and impairment losses.

Amortisation is calculated based on an asset's useful life and recognised together with depreciation in profit or loss. Intangible assets with indefinite useful lives are not amortised but are subject to annual reviews for impairment.

For the majority of the entity's computer software, management has no intention to replace the software in the foreseeable future. Therefore, the useful lives of the software has been assessed to be indefinite.

Performing Arts Centre of the Free State

Annual Financial Statements for the year ended 31 March 2022

Accounting Policies

1.6 Intangible assets (continued)

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential.

The useful lives of assets are assessed annually to determine whether there is an indication that the entity's expectation about the useful life has changed since the preceding reporting date. If any such indication exists, the useful life is adjusted accordingly.

The useful life of intangible assets with finite lives has been assessed as 3 years. These items are only tested for impairment when there is an indicator of impairment.

1.7 Heritage assets

Heritage assets are assets that have a cultural, environment, historical, natural scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

The entity recognises a heritage asset as an asset if it is probable that future service potential associated with the asset will flow to the entity, and the cost or fair value of the asset can be measured reliably.

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Subsequent measurement

Heritage assets are revalued biennially.

The entity assesses at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the entity estimates the recoverable amount or the recoverable service amount of the heritage asset.

1.8 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity. Financial instruments are initially measured at fair value. In the case of a financial instrument not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial instrument are added or deducted from the fair value, as appropriate on initial recognition. Subsequent to initial recognition, these instruments are measured as set out below.

Financial assets

Financial assets consist of trade and other receivables as well as cash and cash equivalents.

Trade and other receivables

Trade and other receivables are subsequently measured at amortised cost using the effective interest rate method, less provision for doubtful debts. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. A provision for doubtful debt is established when there is objective evidence that the entity will not be able to collect all amounts due. A change in the carrying amount of the provision is recognised in the statement of financial performance. Trade and other receivables are written off when they are considered irrecoverable.

Performing Arts Centre of the Free State

Annual Financial Statements for the year ended 31 March 2022

Accounting Policies

1.8 Financial instruments (continued)

Cash and cash equivalents

Cash and cash equivalents are subsequently measured at amortised cost. Interest income recognised is calculated using the effective interest rate method and it is disclosed as interest received in the statement of financial performance.

Financial liabilities

Financial liabilities consist of trade and other payables.

Trade and other payables

Trade and other payables are subsequently measured at amortised cost, using the effective interest rate method, where considered applicable. Finance costs are expensed in the statement of financial performance in the period it is incurred.

Statutory receivables

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount (for purposes of this Standard) for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

1.9 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis. The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis. Income for leases is disclosed under revenue in the statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Performing Arts Centre of the Free State

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Accounting Policies

1.10 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then the costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution through a non-exchange transaction; or
- Consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the entity incurs to acquire the asset at the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Obsolete, redundant and slow moving inventories are identified on an annual basis and are written down to their estimated net realisable values.

1.11 Impairment of non-cash-generating assets

The carrying amount of assets, other than inventories is reviewed at each reporting date to determine whether there is any indication of impairment.

If any such indication exists, the asset's recoverable service amount is estimated and compared with the asset's carrying amount. The recoverable service amount of an asset is the higher of its value in use and its fair value less cost to sell. For the purpose of impairment testing the condition of the asset is evaluated to ascertain its value in use. Where the asset is damaged beyond repair, the fair value of the asset is its scrap value.

An impairment loss is recognised if the carrying amount of the asset exceeds its recoverable service amount. Impairment losses are recognised in profit or loss. Reversal of an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable service amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined net of depreciation or amortisation, if no impairment loss has been recognised.

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Accounting Policies

1.12 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

Short-term employee benefits

The cost of all short-term employee benefits is recognised during the period in which the employee renders the related service. The provisions for employee entitlement to salaries, service bonus (13th cheque) and annual leave represent the amount which the entity has a present obligation to pay as a result of employees' services provided at the reporting date. The provisions are calculated at undiscounted amounts based on current salary rates. The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or in the case of non-accumulating absences when the absence occurs.

The entity measures the expected cost of accumulating compensated absences as the unused entitlement that has accumulated up to 40 days, or as per stipulations of the employment contracts of employees, at the reporting date. The entity recognizes the expected cost of service bonus payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period the entity recognizes the contribution payable to a defined contribution plan in exchange for that service:

- As a liability (accrued expense) after deducting any contribution already paid exceeds the contribution due for service before the reporting date, the entity recognizes that excess cash as an asset (prepaid expense) to the extent that the pre-payment will lead to a reduction in future payments or a cash refund; and
- As an expense unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Post-retirement medical benefits

Provision is made for post-retirement benefits in the form of medical aid benefits for certain employees who were pensioned prior to 1997. The total cost is assessed annually in accordance with the advice of independent actuaries. The amount accrued for post-retirement medical benefits are included in the provisions.

The cost of providing benefits under this plan is determined using the projected unit credit actuarial valuation method. The current service in respect of the defined benefit plan is recognised as an expense in the current period. Past service costs and actuarial gains and losses relating to the above-mentioned retired employees are charged to the statement of financial performance in full in the current period.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Performing Arts Centre of the Free State

Annual Financial Statements for the year ended 31 March 2022

Accounting Policies

1.12 Employee benefits (continued)

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future medical inflation;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
 - those changes were enacted before the reporting date; or
 - Past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

1.13 Provisions and contingencies

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

A provision is used only for expenditures for which the provision was originally recognised. Provisions are not recognised for future operating surplus. Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 23.

Where a fee is charged and the entity considers that an outflow of economic resources is probable, an entity recognizes the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- The amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.14 Commitments

Commitments represent capital goods or services that have been approved and/or contracted, but where no delivery has taken place at the reporting date. Commitments are thus not recognised in the statement of financial position as a liability or expenditure in the statement of financial performance but the value of the capital goods or services that have been approved and/or contracted and the balance outstanding at year end are included in the disclosure notes.

Performing Arts Centre of the Free State

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Accounting Policies

1.15 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the entity, and
- The amount of the revenue can be measured reliably.

1.16 Revenue from non-exchange transactions

Revenue from non-exchange transactions arises when an entity receives value from another entity without directly giving approximately value in exchange. An asset acquired through a non-exchange transaction shall initially be measured at its fair value as at the date of acquisition.

This revenue will be measured at the amount of the increase in net assets recognised by the entity. An inflow of resources from a non-exchange transaction recognised as an asset shall be recognised as revenue, except to the extent that a liability is recognised for the same inflow. As an entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset it will reduce the carrying amount of the liability recognised as an amount equal to that reduction. The major classes of revenue from non-exchange transactions for the entity are:

Government grants

Government grants are recognised as revenue when it is probable that the transfer payment will be received and the amount can be estimated reliably, unless an obligation exists to use the transferred resources in a certain way or return the resources to the transferor. Where it is a requirement to only use the resources in a certain way with no corresponding requirement to return those resources, then no obligation exists and the revenue is recognised. Where an obligation exists the resource is recognised as unspent conditional grant until the obligations are met and then recognised as revenue.

Revenue in-kind

Revenue in kind is recognised at its fair value when they are significant to the operations and/or service delivery objectives and when it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets can be measured reliably. If the revenue in kind is not significant to the operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, only the nature and type of services in kind received during the reporting period is disclosed.

1.17 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

Performing Arts Centre of the Free State

Annual Financial Statements for the year ended 31 March 2022

Accounting Policies

1.18 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.19 Irregular expenditure

For a transaction to constitute irregular expenditure, it must meet the following conditions:

- (a) it must be incurred in contravention of, or not in accordance with legislation and
- (b) it must be incurred upon recognition of a financial transaction as a liability in accordance with the Accounting Framework applicable to the public entity

Irregular expenditure is recorded in the notes to the financial statements when confirmed. The amount recorded is equal to the value of the irregular expenditure incurred, unless it is impractical to determine, in which case reasons therefore must be provided in the notes.

Irregular expenditure receivables are measured at the amount that is expected to be recovered and are de-recognised when settled or written-off as irrecoverable.

Irregular expenditure must be removed from the balance of the irregular expenditure notes when it is either:

- (a) condoned by the relevant authority if no official was found to be liable in law;
- (b) recovered from an official liable in law;
- (c) written-off if it is irrecoverable from an official liable in law; or
- (d) written-off if it is not condoned and not recoverable

1.20 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the entity.

The entity is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the entity to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the entity is exempt from the disclosures in accordance with the above, the entity discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

Performing Arts Centre of the Free State

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Accounting Policies

1.21 Accumulated surplus

The surplus or deficit for the year is accounted for in the accumulated surplus in the statement of changes in net assets.

The accumulated surplus/deficit represents the net difference between total assets and total liabilities of the entity. Any surpluses and deficits realised during a specific financial year are credited/debited against accumulated surplus/deficit. Prior year adjustments relating to income and expenditure are debited/credited against accumulated surplus when retrospective adjustments are made.

1.22 Revaluation reserve

The surplus arising from the revaluation of heritage assets is credited to a non-distributable reserve. Heritage assets are revalued every 2 years. On disposal, the net revaluation surplus is transferred to the accumulated surplus/(deficit) while gains or losses on disposal, based on current values, are credited or charged to the statement of financial performance.



Performing Arts Centre of the Free State

Annual Financial Statements for the year ended 31 March 2022

Notes to the Annual Financial Statements

	2022		2021	
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation
2. Property, plant and equipment	2022		2021	
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Accumulated depreciation and accumulated impairment
Workshop equipment	297,253	(274,604)	22,649	(264,584)
Furniture and fixtures	3,387,518	(2,890,193)	497,325	(2,766,877)
Computer equipment	2,223,181	(1,710,908)	512,273	(1,495,044)
Sound equipment	8,395,432	(7,662,131)	733,301	(7,307,591)
Permanent advertising structures	84,243	(78,718)	5,525	(149,306)
Lighting equipment	7,705,189	(7,076,509)	628,680	(6,802,237)
Musical instruments	3,523,616	(3,119,699)	403,917	(2,935,709)
Wardrobe equipment	99,388	(91,097)	8,291	(85,556)
Total	25,715,820	(22,903,859)	2,811,961	(21,826,904)
				3,625,435

2022 R

2021 R

Performing Arts Centre of the Free State

Annual Financial Statements for the year ended 31 March 2022

Notes to the Annual Financial Statements

2. Property, plant and equipment (Continued)

Reconciliation of property, plant and equipment - 31 March 2022

	Opening balance	Additions	Disposals	Depreciation	Total
Workshop equipment	32,669	-	-	(10,020)	22,649
Furniture and fixtures	555,236	93,762	(8,671)	(143,002)	497,325
Computer equipment	425,818	315,850	(461)	(228,934)	512,273
Sound equipment	1,087,841	-	-	(354,540)	733,301
Permanent advertising structures	19,180	-	(5,256)	(8,399)	5,525
Lighting equipment	902,952	-	-	(274,272)	628,680
Musical instruments	587,907	-	-	(183,990)	403,917
Wardrobe equipment	13,832	-	-	(5,541)	8,291
	3,625,435	409,612	(14,388)	(1,208,698)	2,811,961

Reconciliation of property, plant and equipment - 31 March 2021

Workshop equipment	48,511	-	-	(15,842)	32,669
Furniture and fixtures	729,785	7,935	(13,169)	(169,315)	555,236
Computer equipment	606,996	25,107	(2,689)	(203,596)	425,818
Sound equipment	1,695,429	-	(25,270)	(582,318)	1,087,841
Permanent advertising structures	50,782	-	(15,892)	(15,710)	19,180
Lighting equipment	1,224,240	-	(13,547)	(307,741)	902,952
Musical instruments	793,948	-	(14,420)	(191,621)	587,907
Wardrobe equipment	19,854	-	-	(6,022)	13,832
	5,169,545	33,042	(84,987)	(1,492,165)	3,625,435

Performing Arts Centre of the Free State

Annual Financial Statements for the year ended 31 March 2022

Notes to the Annual Financial Statements

2. Property, plant and equipment (Continued)

The remaining useful lives of 226 assets were adjusted during the current financial year and were treated as a change in accounting estimate. All changes in accounting estimates are applied prospectively, accordingly no prior year adjustments were made.

Property, plant and equipment were tested for impairment and there were no assets that were identified as impaired.

Items of property, plant and equipment with a cost below R 5 000 are expensed in the year of acquisition in accordance with the entity's asset management policy.

Property, plant and equipment items written-off and approved for disposal in prior years were sold by means of staff auction during the current financial year. Proceeds of R119 165 are included in the statement of financial performance under other income.

Pledged as security

There were no property, plant and equipment that were pledged as security as at 31 March 2022.

	2022 R	2021 R
2. Property, plant and equipment (continued)		
Expenditure incurred to repair and maintain property, plant and equipment		
Expenditure incurred to repair and maintain property, plant and equipment included in statement of financial performance		
Sound equipment	-	9,231
Computer equipment	169,207	26,565
Buildings	24,899	294,689
	194,106	330,485

Performing Arts Centre of the Free State

Annual Financial Statements for the year ended 31 March 2022

Notes to the Annual Financial Statements

Figures in Rand

3. Assets held for transfer

	2022		2021			
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Assets held for transfer	-	-	-	37,248,694	(2,291,755)	34,956,939

Reconciliation of assets held for transfer - 31 March 2022						
	Opening balance	Transfers	Depreciation	Total		
Assets held for transfer	34,956,939	(34,778,349)	(178,590)	-		

Reconciliation of assets held for transfer - 31 March 2021

Assets held for transfer	Opening balance	Depreciation	Total
	35,267,344	(310,405)	34,956,939

Following the valuation issues of the assets held for transfer in 2019, the entity appointed Nanza Amamiya, a professional service firm, to undertake a fair value assessment of the capital improvements and additions made by the entity during the period 2010 to 2014. The above fair value amounts reflect the outcome of the exercise, which was adjusted following findings in the financial year 2020/21 audit. On 27 October 2021, all assets held for transfer were successfully transferred to the Department of Public Works and Infrastructure.

Pledged as security

There are no assets held for transfer pledged as security as 31 March 2022.

Details of property

A register containing the information required by the Public Finance Management Act is available for inspection at the registered office of the entity.

Performing Arts Centre of the Free State

Annual Financial Statements for the year ended 31 March 2022

Notes to the Annual Financial Statements

Figures in Rand

4. Intangible assets

	2022		2021			
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	595,026	(450,438)	144,588	595,026	(201,210)	393,816

Reconciliation of intangible assets - 31 March 2022

	Opening balance	Amortisation	Impairment loss	Total
Computer software	393,816	(4,837)	(244,391)	144,588

Reconciliation of intangible assets - 31 March 2021

	Opening balance	Amortisation	Impairment loss	Total
Computer software	528,221	(4,837)	(129,568)	393,816

Pledged as security

There are no intangible assets that were pledged as security as at 31 March 2022.

Performing Arts Centre of the Free State

Annual Financial Statements for the year ended 31 March 2022

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Figures in Rand

5. Heritage assets

	2022		2021	
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation
Art collections	5,425,483	-	5,425,483	5,321,531
				Accumulated Carrying value impairment losses
				-
				5,321,531
Reconciliation of heritage assets - 31 March 2022				
Art collections			Opening balance	Total
			5,321,531	5,425,483
			Revaluation increase / (decrease)	
			103,952	
Reconciliation of heritage assets - 31 March 2021				
Art collections			Opening balance	Total
			5,321,531	5,321,531

Performing Arts Centre of the Free State

Annual Financial Statements for the year ended 31 March 2022

Notes to the Annual Financial Statements

	2022 R	2021 R
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5. Heritage assets (continued)

Valuation of heritage assets

The asset management policy provides that heritage assets be revalued biennially. The fair value of a heritage asset can be determined from market-based evidence determined by appraisal. An appraisal of the value of the asset is normally undertaken by a member of the valuation profession, who holds a recognised relevant professional qualification. Heritage assets were revalued at the end of the financial year, as the assets were last revalued during financial year 2019/20.

The valuation was performed by GT Advisory (Pty) Ltd. The following valuation/methodology was applied to value the heritage assets as at 31 March 2022. The following is an explanation of the summary of the valuation performed:

- Valuation is undertaken based on the demand for the exact item or;
- Valuation is undertaken using the comparative methodology. The basic premise of the comparable approach is that an item's value should bear some resemblance to other equities in a similar class, or;
- Where comparative methodology is not obtainable, Valuation using Multiple would be used. Identifying comparable assets (the peer group) and obtaining market values for these assets. Converting these market values into standardised values relative to a key static since the absolute prices cannot be compared. This process of standardising creates valuation multiples. Applying the valuation multiple to the key statistic of the asset being valued, controlling for any differences between the asset and the peer group that might affect the multiple.
- In terms of GRAP 103.89 (e) the extent to which the heritage assets fair values were determined directly by reference to observable prices in an active market or recent market transaction arm's length terms or were estimated using other valuation techniques.

The entity had a total of 76 heritage assets as at 31 March 2022.

Pledged as security

There were no heritage assets that were pledged as security at 31 March 2022.

Revaluations

Art collections

The effective date of the last revaluation was 2022/03/31.

The revaluation surplus relating to the heritage asset is as follows:

Balance	5,321,531	5,321,5
Revaluation	103,952	
Closing balance	5,425,483	5,321,5

6. Inventories

Consumable stores	823,923	933,8
Wardrobe stock	30,685	30,6
	854,608	964,5

Performing Arts Centre of the Free State

Annual Financial Statements for the year ended 31 March 2022

Notes to the Annual Financial Statements

Inventories recognised as an expense during the year	360,755	281,751
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Inventory pledged as security

There was no inventory pledged as security for the period ended 31 March 2022.

Inventory written-off

Inventory items written-off and approved for disposal in the prior year, were sold by means of staff auction during the current financial year. Proceeds of R 5 666 are included in the statement of financial performance under other income.

	2022 R	2021 R
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7. Employee benefit obligations

The amounts recognised in the statement of financial position are as follows:

Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(7,492,000)	(6,770,000)
Current service cost	(79,000)	(90,000)
Interest cost	(680,380)	(697,000)
Expected subsidy	582,719	545,000
Actuarial (gain)/loss	815,154	(480,000)
	(6,853,507)	(7,492,000)

Projections assume that PACOFS' health care arrangements and subsidy policy will remain as outlined and that all actuarial assumptions made are borne out in practice. In addition, it is assumed that no contributions are made by PACOFS towards prefunding its liability via an off-balance sheet vehicle.

Contributions or benefits paid refer to medical scheme contributions made by PACOFS with respect to its subsidy of current continuation members.

There are no past service costs, curtailments or settlements to reflect.

Performing Arts Centre of the Free State

Annual Financial Statements for the year ended 31 March 2022

Notes to the Annual Financial Statements

	2022 R	2021 R
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7. Employee benefit obligations (continued)

Key assumptions used

Key assumptions used at the reporting date as at 31 March 2022:

Discount rates used	11.22 %	9.39 %
General inflation rate used	6.74 %	5.04 %
Medical inflation rate used	8.24 %	6.54 %
Real rate	2.76 %	2.68 %

The next contribution rate increase is assumed to occur at 1 January 2023.

Key Demographic assumptions used:

As all members will be over 59 years during the coming year, an implicit assumption is that employees will retire at their next birthday.

Assumptions	Value
Average retirement age	60
Continuation of membership at retirement	95%
Proportion with a spouse dependant at retirement age	Actual spouse dependant
Mortality during employment	SA 85-90 light
Mortality post-employment	PA (90)-1 with a 1% mortality improvement p.a. from 2010
Withdrawal from service (sample annual rates)	Not applicable

Sensitivity results

The liability at the valuation date was recalculated to show the effect of:

- (i) A one percentage point increase and decrease in the assumed rate of health care cost inflation;
- (ii) A one percentage point increase and decrease in the assumed discount rate;
- (iii) A one-year age increase and decrease in the assumed rates of post-employment mortality;
- (iv) A one-year increase in the average retirement age.

The below table summarises the results of sensitivity analysis.

Assumption	Change	In-service members	Continuation members	Total	Change %
Central assumption		1879	4974	6854	
Health care inflation rate	+1%	2125	5289	7414	8.2%
	-1%	1674	4687	6361	-7.2%
Discount rate	+1%	1680	4697	6377	-7.0%
	-1%	2120	5283	7403	8.0%
Post-employment mortality	+1yr	1928	5218	7146	4.3%

Performing Arts Centre of the Free State

Annual Financial Statements for the year ended 31 March 2022

Notes to the Annual Financial Statements

2022 R	2021 R
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Assumption	Change	In-service members	Continuation members	Total	Change %
	-1yr	1832	4735	6567	-4.2%
Average retirement age	+1yr	1725	4974	6699	-2.3%

The post-employment mortality adjustment "-1yr" for example, assumes that someone aged 70 will experience the mortality of someone aged 69. The liability is expected to increase under this scenario because members are expected to live longer.

This table also indicates, for example, that if medical inflation is one percentage point greater than the long-term assumption made, the liability will be 8.2% higher than that shown.

7. Employee benefit obligations (continued)

Reasons for the movement in the liability

The total has decreased by 8.5% (or R 638,493) since the last valuation. The main reasons for the actual movement in the liability are listed next.

- The total in service member liability has decreased due to a change in the number of in-service members; and
- In-service members retiring later than the assumed age.

This impact was partially offset by:

- An increase in the net interest rate; and
- An increase in the medical inflation rate.

Conclusion

Accrued unfunded liability at 31 March 2022 is estimated at R 6 853 507.

This amount is based on accrued contributions based liability and takes no account of any potential contingent cross subsidy liability.

Impact of Covid-19

It is difficult to estimate what impact the pandemic is likely to have on PACOFS' liability at this stage. There is still much uncertainty as to how it will affect mortality in the medium to long term, and what effect treatments and/or vaccines will have.

The sensitivities in the above table maybe used to understand the potential impacts on the liability (and expenses) of, for example, an increase in the expected health care cost inflation rate, or an increase in the discount rate, or a reduction in expected longevity (" +1 yr" in the tables).

Once any long-term impact of Covid-19 on the various valuation parameters becomes more evident, appropriate adjustments to the parameters will be feasible. In the meanwhile, any short-term impacts of actual experience being different to the current long-term assumptions will contribute to actuarial gains/loss items.

Performing Arts Centre of the Free State

Annual Financial Statements for the year ended 31 March 2022

Notes to the Annual Financial Statements

	2022 R	2021 R
8. Receivables from exchange transactions		
Other debtors	577,400	4,680
Prepaid expenses	445,332	40,650
Sundry debtors	210	124,537
Trade receivables	21,013	81,848
Less: Provision for doubtful debts	(62,214)	(32,754)
	981,741	218,961
Debt impairment		
Other impairments	29,459	7,344
Bad debt	-	599,922
	29,459	607,266

Ageing of receivables from exchange transactions - 31 March 2022	0 - 30 days	31 - 60 days	61 - 90 days	91 - 120 days	121+ days	Total
Other debtors	86,313	-	423,380	15,925	51,782	577,400
Prepaid expenses	271,913	-	43,476	-	129,943	445,332
Sundry debtors	210	-	-	-	-	210
Trade receivables	5,208	117	229	-	15,459	21,013
Subtotal	363,644	117	467,085	15,925	197,184	1,043,955
Less: Provision for doubtful debts	(6,838)	(1,465)	-	(8,125)	(45,786)	(62,214)
	356,806	(1,348)	467,085	7,800	151,398	981,741

Ageing of receivables from exchange transactions - 31 March 2021	0 - 30 days	31 - 60 days	61 - 90 days	91 - 120 days	121+ days	Total
Other debtors	4,680	-	-	-	-	4,680
Prepaid expenses	40,650	-	-	-	-	40,650
Sundry debtors	88,545	-	-	-	35,992	124,537
Trade receivables	39	79	6,730	-	75,000	81,848
Subtotal	133,914	79	6,730	-	110,992	251,715
Less: Provision for doubtful debts	-	-	-	-	(32,754)	(32,754)
	133,914	79	6,730	-	78,238	218,961

9. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	7,049	6,815
Bank balances	2,523,262	1,751,282
Call investments	98,062,886	85,963,141
Call deposits	14,406,591	15,827,699
	114,999,788	103,548,937

Call deposits - 32 day notice	14,406,591	15,827,699
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Call investments - investments held with South African Reserve Bank:

The total amount of undrawn facilities available for future operating activities and commitments	98,062,886	85,963,141
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The investment in SARB earns an average interest of 7.36% per annum and is ring fenced only to the completion of the capital projects.

Performing Arts Centre of the Free State

Annual Financial Statements for the year ended 31 March 2022

Notes to the Annual Financial Statements

	2022 R	2021 R
10. Unspent conditional grants and receipts		
Unspent conditional grants and receipts		
Unspent conditional grants and receipts		
Incubator Project Grant	1,557,073	215,333
Capital Grant - Sand du Plessis - Air conditioning	52,322,633	52,601,071
Capital Grant - Revamp Andre Huguenot	413,466	413,466
Capital Grant - Motorised Lighting Batten	116,141	116,141
Capital Grant - PACOFS Main entrance	447,564	557,849
Capital Grant - Upgrade Sand Video Monitor	116,265	116,265
Revaluation Grant	4,000,000	4,000,000
Capital Grant - Branding Theatre	175,613	175,613
Capital Grant - Incubator Project	4,268,678	4,268,678
Capital Grant - Sand Plumbing	80,000	80,000
Interest on unspent conditional grants	18,948,258	15,734,475
Facilities Management	15,617,195	9,167,000
	98,062,886	87,445,891

Movement during the year

Balance at the beginning of the year	87,445,891	83,769,171
Additions during the year	11,797,793	5,787,220
Income recognition during the year	(1,180,798)	(2,110,500)
	98,062,886	87,445,891

The grants received and disclosed as unspent conditional grants are grants that have conditions and will be recognised as revenue when conditions are met.

These amounts are invested in a ring-fenced investment until utilised.

11. Provisions

Reconciliation of provisions - 31 March 2022

	Opening Balance	Utilised during the year	Reversed during the year	Total
Leave pay accrual	1,755,302	(428,129)	(195,926)	1,131,247

Reconciliation of leave accrual - 31 March 2021

	Opening Balance	Additions	Prior period error	Total
Leave pay accrual	1,498,002	418,268	(160,968)	1,755,302

12. Payables from exchange transactions

13th cheque	361,900	485,509
Income received in advance	97,144	27,378
Other payables	79,947	68,022
Sundry creditors	(502)	191,697
Trade payables	3,015,726	633,590
	3,554,215	1,406,196

Performing Arts Centre of the Free State

Annual Financial Statements for the year ended 31 March 2022

Notes to the Annual Financial Statements

	2022 R	2021 R
13. Revenue in kind		
Revenue in kind	1,283,988	1,177,970
Revenue in kind represents the free rental benefits obtained from the use of the buildings owned by the Department of Public Works and Infrastructure.		
The benefit is adjusted annually by 9% based on the expected rental payments that a lessee could have paid for the use of the buildings.		
14. Rental income		
Rental income	255,522	218,389
Theatre rental income	305,300	-
	560,822	218,389
15. Rendering of service		
Printing of production tickets	3,416	4,250
Production proceeds	239,757	34,141
Wardrobe fee	13,015	380
Theatre revenue	14,865	2,790
	271,053	41,561
16. Sales		
Catering sales	454	1,406
Liquor sales	55,751	1,519
	56,205	2,925
17. Government grants		
Capital grants		
Revenue realised from conditional grants	1,180,798	2,110,500
Operating grants		
Department of Sport, Arts and Culture	48,823,000	46,883,000
	50,003,798	48,993,500
The grant received is the annual MTEF allocations received from the DSAC for the operations and the conditional grants were for grants that have conditions attached to them.		
18. Interest received		
Interest from ABSA fixed deposit	732,127	834,409
Interest from other ABSA accounts	73,339	40,974
Interest from other debtors	4,628	41,588
	810,094	916,971

Performing Arts Centre of the Free State

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Notes to the Annual Financial Statements

	2022 R	2021 R
19. Employee related costs		
Basic salary	16,989,938	18,376,220
Housing allowances	398,918	428,182
Leave pay provision charge	(88,722)	307,139
Medical aid - company contributions	685,257	814,036
Night allowances	12,780	1,620
Separation agreement	118,646	-
Overtime payments	386,802	270,537
Post-employment medical benefits	(638,493)	722,000
Provident fund contributions	2,473,176	2,549,953
Service bonus (13th cheque)	1,211,433	1,275,569
UIF	123,547	118,614
	21,673,282	24,863,870

Remuneration of the Chief Executive Officer

Basic salary	948,082	1,422,226
Service bonus (13th cheque)	108,626	111,858
Other allowances	4,800	7,200
Contributions to UIF, Medical and Provident Fund	157,782	234,667
Separation agreement payment	1,338,000	-
	2,557,290	1,775,951

A mutual separation agreement was reached between the entity and the Chief Executive Officer as facilitated by the CCMA.

Remuneration of Chief Financial Officer

Basic salary	1,122,071	1,091,578
Service bonus (13th cheque)	93,506	90,965
Other allowances	7,200	7,200
Contributions to UIF, Medical and Provident Fund	187,210	181,895
	1,409,987	1,371,638

Remuneration of Artistic Director

Basic salary	717,281	834,509
Service bonus (13th cheque)	78,623	83,725
Other allowances	47,667	57,200
Contributions to UIF, Medical and Provident Fund	122,431	142,323
Acting allowance	19,956	281,239
	985,958	1,398,996

Performing Arts Centre of the Free State

Annual Financial Statements for the year ended 31 March 2022

Notes to the Annual Financial Statements

	2022 R	2021 R
20. General expenses		
Advertising	156,537	8,140
Assets expensed	52,074	-
Auditors remuneration	2,272,522	1,495,254
Bank charges	83,288	76,675
Board and committee fees	1,668,090	1,471,641
Consumables	360,755	281,751
OHS expenses - Disinfection	89,688	147,690
Education and training	146,022	73,347
Electricity	3,997,111	3,716,247
Entertainment	24,537	33,100
Expenses in kind	1,283,988	1,177,970
First aid expenses	-	21,439
IT and software expenses	615,986	323,203
Insurance	24,719	-
Membership and subscriptions	41,529	33,858
Other expenses	18,512	3,239
Other licence fees	11,683	10,871
Printing and stationery	314,482	172,591
Production fees	4,873,520	2,800,606
Professional fees	6,487,534	3,448,431
Protective clothing	63,133	9,764
Rentals	442,113	444,231
Repairs and maintenance	51,734	333,697
Security costs	1,628,505	1,546,800
Telephone and fax	607,114	566,031
Travel and accommodation	108,528	300,511
Workmen's compensation expenses	62,653	150,125
	25,486,357	18,647,212

21. Lease rentals on operating lease

Operating lease payments represents rentals payable by the entity for the use of digital copiers, printers, vehicles and oil mops.

Copier/printer leases are negotiated for a term of three years. The monthly instalments remain fixed over the contract term with 0% escalation. The lease contract for photocopying machinery ended 30 June 2021.

At the reporting date, the entity had the following outstanding commitments under non-cancellable lease which falls due as follows:

A memorandum of agreement is in place for the use of motor vehicles of which the contract stipulates that the entity is eligible to terminate the contract with 30 days' notice and the payment for the motor vehicles is on a pay as use basis which is charged on the kilometre travelled for the use of the motor vehicles.

Lessee

Up to 1 year	372,602	277,136
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Performing Arts Centre of the Free State

Annual Financial Statements for the year ended 31 March 2022

Notes to the Annual Financial Statements

	2022 R	2021 R
22. Cash generated from operations		
(Deficit)/surplus	(35,409,141)	341,136
Adjustments for:		
Depreciation and amortisation	1,392,124	1,807,408
Impairment losses	244,391	129,568
Movements in retirement benefit assets and liabilities	(638,493)	722,000
Leave pay provision	(624,055)	257,300
Loss on disposal	34,792,737	84,987
Sale of PPE and inventory items	(124,831)	-
Changes in working capital:		
Inventories	109,969	334,241
Receivables from exchange transactions	(762,780)	604,591
Payables from exchange transactions	2,148,022	(2,818,909)
Unspent conditional grants and receipts	10,616,995	3,676,720
	11,744,938	5,139,042

23. Contingent asset and liability

Contingent asset

The contingent asset relates to the 2017 incubator programme conditional grant with a budget commitment of R1 936 000. To date, the DSAC has not released the funds pending the submission of the requested documents to substantiate expenditure incurred by PACOFS on the programme.

Contingent asset

DSAC debt	1,936,000	1,936,000
	(1,936,000)	(1,936,000)
	-	-

Contingent liability

There are three cases pending at the CCMA. The outcomes of which are uncertain.

In the first case the employee is claiming that the entity has underpaid her acting allowance and has referred the matter to the CCMA. If any amount is payable it will be determined by the CCMA award.

In the second case the employee is claiming additional allowance for duties performed in the past and has referred the matter to the CCMA. If the arbitration award is in her favour, PACOFS will have to pay approximately R 100 000.

In the third case the employee is claiming that the entity has underpaid her acting allowance and has referred the matter to the CCMA. If the arbitration award is in her favour, PACOFS will have to pay approximately R 165 000.

Performing Arts Centre of the Free State

Annual Financial Statements for the year ended 31 March 2022

Notes to the Annual Financial Statements

	2022 R	2021 R
24. Related parties		
Relationships		
The Minister		All public entities reporting to the Minister and all schedule 3a entities are related parties of the entity.
Ultimate controlling entity		Department of Sport, Arts and Culture
Associate		National Museum Bloemfontein
Member of Council		Adv. T Moeeng (Chairperson)
Member of Council		Ms. M Kganedi
Member of Council		Mr. A Latchu
Member of Council		Mr. K Thulo
Member of Council		Mr. K Moshounyane
Member of Council		Ms. T Mosala
Member of Council		Ms. P Maseko
Related party balances		
Details		
Department of Sport, Arts and Culture - Operational grant	50,003,798	48,993,500
Department of Sport, Arts and Culture - Capital works	10,616,995	3,676,720
National Museum Bloemfontein	222,086	-



Performing Arts Centre of the Free State

Annual Financial Statements for the year ended 31 March 2022

Notes to the Annual Financial Statements

Figures in Rand

24. Related parties (continued)

Remuneration of Council members

31 March 2022

Name	Sitting fees	Other allowances	Travel costs	Total
Adv T Moeeng (Chairperson)	198,246	14,705	9,126	222,077
Ms M Kganeedi	160,264	14,205	9,422	183,891
Mr A Latchu	97,552	14,205	7,830	119,587
Mr K Thulo	187,866	14,165	7,093	209,124
Mr K Moshounyane	128,908	13,705	5,383	147,996
Ms T Mosala	125,424	12,265	4,613	142,302
Ms P Maseko	104,520	11,265	4,613	120,398
	1,002,780	94,515	48,080	1,145,375

31 March 2021

Name	Sitting fees	Other allowances	Travel costs	Total
Adv T Moeeng (Chairperson)	33,744	-	-	33,744
Ms M Kganeedi	104,524	1,469	-	105,993
Mr A Latchu	64,454	-	-	64,454
Mr K Thulo	24,388	-	-	24,388
Mr K Moshounyane	17,420	1,162	-	18,582
Ms T Mosala	17,420	-	-	17,420
Ms P Maseko	13,936	-	-	13,936
Mr N Sifumba (Chairperson)	84,360	1,440	7,996	93,796
Ms M Naidoo	87,106	-	-	87,106
Mr D Brijjal	80,481	4,079	-	84,560
Ms T Nogabe	108,004	229	-	108,233
Mr H Matlou	57,486	-	-	57,486
Adv K Thango	101,036	349	-	101,385
Ms T Mnumzana	24,388	-	-	24,388

Performing Arts Centre of the Free State

Annual Financial Statements for the year ended 31 March 2022

Notes to the Annual Financial Statements

Figures in Rand

24. Related parties (continued)	818,747	8,728	7,996	835,471
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Management class: Executive management

31 March 2022

Name	Basic salary	Service bonus (13th cheque)	Other allowances	Contribution to UIF, medical and provident fund	Acting allowance	Separation agreement	Total
Chief Executive Officer	948,082	108,626	4,800	157,782	-	1,338,000	2,557,290
Chief Financial Officer	1,122,071	93,506	7,200	187,210	-	-	1,409,987
Artistic Director	717,281	78,623	47,667	122,431	19,956	-	985,958
Acting Chief Executive Officer - S Snell	-	-	-	-	222,087	-	222,087
	2,787,434	280,755	59,667	467,423	242,043	1,338,000	5,175,322

31 March 2021

Name	Basic salary	Service bonus (13th cheque)	Other allowances	Contribution to UIF, medical and provident fund	Acting allowance	Total
Chief Executive Officer	1,422,226	111,858	7,200	234,667	-	1,775,951
Chief Financial Officer	1,091,578	90,965	7,200	181,895	-	1,371,638
Artistic Director	834,509	83,725	57,200	142,323	281,239	1,398,996
	3,348,313	286,548	71,600	558,885	281,239	4,546,585

A mutual separation agreement was reached between the entity and the Chief Executive Officer as facilitated by the CCMA.

Performing Arts Centre of the Free State

Annual Financial Statements for the year ended 31 March 2022

Notes to the Annual Financial Statements

	2022 R	2021 R	
25. Prior-year adjustments			
Statement of financial position			
Opening balances			
	As previously reported	Correction of error	Restated
25.1 Receivables from exchange transactions	119,101	99,860	218,961
25.2 Payables from exchange transactions	(1,359,512)	(46,683)	(1,406,195)
Accumulated surplus	(49,813,232)	(214,144)	(50,027,376)
25.4 Provisions	(1,916,270)	160,967	(1,755,303)
	(52,969,913)	-	(53,317,148)

Statement of financial performance

Opening balances

	As previously reported	Correction of error	Restated
25.2 Interest expense	-	5,115	5,115
25.1 & 2 General expenses	18,678,934	(31,723)	18,647,211
Surplus for the year	71,376	269,760	341,136
25.3 Rendering of services	62,996	(21,435)	41,561
25.3 Rental income	196,954	21,435	218,389
25.1 Debt impairment	689,451	(82,185)	607,266
25.4 Employee related costs	29,571,423	(160,967)	29,410,456
Surplus for the year	49,271,134	-	47,974,395

Prior period errors

The following notes provide detail of which accounts were affected by the prior period errors and gives detail on what caused the error and what were the changes on the financial statements.

25.1 Receivables from exchange transactions

Increase in receivables	-	99,860
Decrease in general expenses	-	(12,995)
Decrease in debt impairment	-	(82,185)
Increase in accumulated surplus	-	(4,680)
	-	-

Description of the adjustment

Prepaid expense for software licenses was recognised twice in the financial year ending 31 March 2021 resulting in an overstatement of IT and software expenses (general expenses) of R 12 995 and a corresponding understatement of receivables of the same amount.

Debt provided for in the prior financial year recovered

Education and training expenses (general expenses) recognised in FY20 was reversed due to the employee failing the course and therefore owing PACOFS an amount of R 4 680.

Performing Arts Centre of the Free State

Annual Financial Statements for the year ended 31 March 2022

Notes to the Annual Financial Statements

	2022 R	2021 R
25. Prior-year adjustments (continued)		
25.2 Payables from exchange transactions		
Increase in payables	-	(46,683)
Decrease in general expenses	-	(18,729)
Decrease in accumulated surplus	-	60,297
Increase in interest expense	-	5,115
	-	-

Description of the adjustment

Telephone expense, under general expenses, amounting to R 9 500 was initially recognised in the current financial year even though the expenditure was incurred during March 2021.

Professional fee, under general expenses, amounting to R 28 780 was erroneously recognised in the prior year, even though the expense related to the current financial year.

Professional fee, relating to a legal expense, of R 551 was not recognised for the prior year as well as a total of R 49 899. The amount of R 551 increased general expenses during the prior year whereas the amount of R 49 899 was taken directly to accumulated surplus as it was for legal expenditure incurred before FY21. The outstanding legal costs also accrued interest of R 15 512 of which R 5 115 relates to FY21 and the was rest taken to accumulated surplus.

25.3 Revenue from exchange transactions

Decrease in rendering of services	-	(21,435)
Increase in rental income	-	21,435
	-	-

Description of the adjustment

Income received from the rental of the rooftop antenna was moved from rendering of services to rental income.

25.4 Provisions

Decrease in provisions	-	160,967
Decrease in employee related expenses	-	(160,967)
	-	-

Description of adjustment

The prior period error is as a result of employees who, per their employment contract, can only accumulate a certain number of leave days. As the cap was not applied correctly in the prior year, it resulted in a decrease in the leave pay provision of R 160 967 and a corresponding increase in leave liability write-down.

Performing Arts Centre of the Free State

Annual Financial Statements for the year ended 31 March 2022

Notes to the Annual Financial Statements

	2022 R	2021 R
26. Financial instruments		
Financial assets and liabilities at amortised cost		
Receivables from exchange transactions	981,741	218,961
Cash and cash equivalents	114,999,788	103,548,937
Subtotal	115,981,529	103,767,898
Payables from exchange transactions (excl. 13th cheque)	3,192,315	920,687
	119,173,844	104,688,585

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments.

The entity does not borrow money. There are thus no credit facilities available.

Credit risk

Credit risk consists mainly of cash and cash equivalents and trade debtors. The entity limits its exposure to credit risk by investing only in cash and only with approved major banks with high quality credit standing.

Trade receivables consist of revenue from ticket sales and deposits paid to artists before a show is performed.

Financial assets exposed to credit risk at period end were as follows:

Receivables from exchange transactions	981,741	218,961
Cash and cash equivalents	114,999,788	103,548,937

Market risk

Interest rate risk

Interest rate risk arises from variable interest on the call investments and deposits. Interest rate fluctuations will directly impact the interest received amount as reported in the statement of financial performance. Cash and cash equivalents to the value of R 112 469 947 (2021: R 100 179 084) are exposed to variable interest rates. The entity's revenue and operating cash flow are substantially independent of changes in market interest rates.

The following sensitivity analysis shows the impact on the interest received had the average interest rate been 1% higher or lower, respectively:

Sensitivity analysis	Increase 2022	Increase 2021	Decrease 2022	Decrease 2021
Cash and cash equivalents	109,438	119,425	(109,438)	(119,425)

Performing Arts Centre of the Free State

Annual Financial Statements for the year ended 31 March 2022

Notes to the Annual Financial Statements

	2022 R	2021 R
27. Going concern		
As at 31 March 2022, the entity had an accumulated surplus of R 14 618 239 and the entity's total assets exceed its liabilities by R 17 121 788.		
The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.		
28. Fruitless and wasteful expenditure		
Opening balance as previously reported	3,414,888	2,842,110
Movement	3,414,888	2,842,110
Add: Fruitless and wasteful expenditure - current	3,241	109,052
Add: Fruitless and wasteful expenditure - incurred in prior period, identified in current period	-	7,629
Less: Amounts recovered - current	(55,928)	-
Less: Amounts recovered - prior period	-	(19,325)
Add: Amounts written-off in the financial statements	-	475,422
Closing balance	3,362,201	3,414,888
Investigations		
Investigations completed	-	584,474
Debts written off from the financial statements		
A payment meant for the Free State Department of Public Works erroneously made to Free State News. Write-off as a provision in the financial statements was approved by Council in the prior year.	-	475,422
29. Irregular expenditure		
Opening balance as previously reported	72,449,026	69,877,107
Correction of prior period error	-	860,335
Opening balance as restated	72,449,026	70,737,442
Add: Irregular expenditure - current	2,154,740	1,711,584
Closing balance	74,603,766	72,449,026

Performing Arts Centre of the Free State

Annual Financial Statements for the year ended 31 March 2022

Notes to the Annual Financial Statements

	2022 R	2021 R
29. Irregular expenditure (continued)		
Incidents/cases identified in the current year include those listed below:		
Disciplinary processes completed	29,509,490	29,509,490
Responsible individual dismissed	40,366,618	40,366,618
Under investigation	4,726,658	2,571,918
	74,602,766	72,448,026

Performing Arts Centre of the Free State
 Annual Financial Statements for the year ended 31 March 2022
Notes to the Annual Financial Statements

	2022 R	2021 R
29. Irregular expenditure (continued)		
Details of irregular expenditure		
No competitive bidding process	37,786,842	37,786,842
Artistic fee	6,840,809	6,840,809
No 3 quotations and no deviation	10,660,831	10,660,831
Services provided without contract	9,023,938	6,869,198
No valid tax clearance certificate or supplier non tax compliant	200,203	200,203
Preferential procurement processes not followed	4,456,793	4,456,793
Incomplete SBD documents	421,672	421,672
Budget overspending	3,211,678	3,211,678
Funds used for unapproved purposes	2,000,000	2,000,000
	74,602,766	72,448,026

Alleged irregular expenditure under determination

The entity and AGSA are in disagreement regarding non-compliance with Treasury Regulation 16A6.2 on the composition of the Bid Evaluation Committee. The matter is being referred to the National Treasury for adjudication.

For bid number PAC/DEBTC/2021 compensation is commission based depending on the amount of debt recovered, therefore no contract amount can be disclosed. No debt had been recovered yet.

BID NUMBER / SERVICE	1	-
PAC/DEBTC/2021	296,632	-
PAC/2021/02	157,279	-
PAC/CIT/2021	5,625,443	-
PAC/SECURITY/2021	6,079,355	-

Performing Arts Centre of the Free State

Annual Financial Statements for the year ended 31 March 2022

Notes to the Annual Financial Statements

	2022 R	2021 R
30. Capital work in progress		
<p>Capital work in progress represents incomplete capital works projects. The amount of R 1 350 405 represents the fair value of a partially completed project - fire and smoke detection system. The amount recognised emanates from the fair value assessment conducted by an independent consultant.</p> <p>The additions on capital work in progress are for the procurement of materials to install CCTV cameras in the building.</p>		
Capital work in progress movement		
Opening balance	1,496,166	1,350,405
Additions	9,308	145,761
	1,505,474	1,496,166

31. Explanation of significant movements and differences

Explanation of significant variances between actual and budgeted figures

1. Sale of goods and Rendering of services

There was a reduced activity due to Covid-19 lockdown regulations. Restrictions also resulted in less than expected capacity at the shows and therefore there were less liquor sales, costume rentals, parking income, etc.

2. Commission income

More than budgeted revenue was received from 3rd party transactions.

3. Rental income

Fewer than planned productions were staged as well as fewer rentals of facilities by external parties due to Covid-19 restrictions.

4. Interest received

The decrease is as a result of a reduction in interest rates as well as material under expenditure on capital projects.

5. Bad debt recovered and debt impairment

The appointment of the debt collector was not finalised during the year and therefore the anticipated revenue was not realised.

6. Employee related costs

Expenditure below budget expenditure is due to a number of vacant positions which have not been filled.

7. Depreciation and amortisation

Lower depreciation is due to the immovable assets that which were transferred to the Department of Public Works and Infrastructure during the year.

Performing Arts Centre of the Free State

Annual Financial Statements for the year ended 31 March 2022

Notes to the Annual Financial Statements

8. Impairment

Impairment of the ACCPAC accounting software which is now subscription based.

9. General expenses

Fewer productions were staged as a result of the Covid-19 restrictions on theatres resulting in an underspending.

10. Loss on disposal

This relates to the transfer of immovable assets to the Department of Public Works and Infrastructure.

11. Interest expense

Interest was incurred due to payments not being made within the legislated 30 days.



Performing Arts Centre of the Free State

Annual Financial Statements for the year ended 31 March 2022

Notes to the Annual Financial Statements

	2022 R	2021 R
32. Revenue		
Sale of goods	56,205	2,925
Rendering of services	271,053	41,561
Commission income	81,527	26,671
Rental income	560,822	218,389
Other income	55,928	-
Liquor sales	124,831	-
Interest received - investment	810,094	916,970
Government grants & subsidies	50,003,798	48,993,500
Revenue in kind	1,283,988	1,177,970
	53,248,246	51,377,986

The amount included in revenue arising from exchanges of goods or services are as follows:

Sale of goods	56,205	2,925
Rendering of services	271,053	41,561
Commission income	81,527	26,671
Rental income	560,822	218,389
Other income	55,928	-
Liquor sales	124,831	-
Interest received - investment	810,094	916,970
	1,960,460	1,206,516

The amount included in revenue arising from non-exchange transactions is as follows:

Transfer revenue		
Government grants	50,003,798	48,993,500
Revenue in kind	1,283,988	1,177,970
	51,287,786	50,171,470

33. Revaluation reserve

Opening balance	2,399,597	2,399,597
Change during the year	103,952	-
	2,503,549	2,399,597

Heritage assets are revalued every 2 years. They were revalued at 31 March 2022 and a fair value adjustment made.

34. Commitments

Authorised capital expenditure

Already contracted for but not provided for

• Capital projects - HVAC	387,665	865,168
• Capital projects - Facilities management	-	836,503
• Capital projects - Main entrance	116,587	226,872
	504,252	1,928,543

Total capital commitments

Already contracted for but not provided for	504,252	1,928,543
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2022 R	2021 R
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35. Change in estimate - Property, plant and equipment

The useful lives of 226 assets were adjusted during the current financial period to more accurately reflect the period of economic benefits or service potential derived from these assets. The effect of this revision has decreased the depreciation charge for the current period by R 311 348. The impact on depreciation in future periods is an increase of R 308 000.

Intangible asset

The useful life of PC recording software was estimated to be indefinite. In the prior period management revised their estimate to 3 years. The effect of this revision has increased the amortisation by R4 837 annually for the prior, current and future periods.

36. Events after the reporting date

There were no events after the reporting date





P·A·C·O·F·S

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OF THE FREE STATE

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PR201/2022

ISBN: 978-0-621-50483-5

Title of Publications: PACOFS (Performing Arts Centre of The Free State) Annual Report for 2021/22