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**ANNUAL
REPORT
2022/23**



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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PARTA

GENERAL INFORMATION



1. PUBLIC ENTITY'S GENERAL INFORMATION

REGISTERED NAME: Performing Arts Centre of the Free State

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Westdene,
Bloemfontein

POSTAL ADDRESS: P.O. Box 1292
Bloemfontein,
9301

TELEPHONE NUMBER/S: 051 447 7771

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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 of Council
B-BBEE	Broad Based Black Economic Empowerment
CBC	Core Business Committee of Council
CCMA	The Commission for Conciliation, Mediation and Arbitration
CEO	Chief Executive Officer
CFO	Chief Financial Officer
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 of Council
SAMRO	South African Music Rights Organisation
SBD	Standard Bidding Document
SCM	Supply Chain Management
SPC	Special Projects Committee of Council
TR	Treasury Regulations
UIF	Unemployment Insurance Fund

3. FOREWORD BY THE CHAIRPERSON

Introduction

On behalf of the Council of the Performing Arts Centre of the Free State (PACOFs), I am honoured to present the entity's Annual Report for the financial year 2022/23. The report reflects the entity's performance against the 2022/23 Annual Performance Plan that was approved by Parliament.

A 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. The outcome of the Auditor General of South Africa (AGSA) on the entity's financial and non-financial performance is premised on the following outcomes:

1. Strong governance and sound financial controls.
2. Optimal utilisation of facilities.
3. Well-maintained infrastructure.
4. Financial sustainability.
5. Curatorial artistic programme.
6. 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 worth noting that the entity has continued in its resilience on its institutional performance financially by ensuring that unqualified audit outcome conferred by the AGSA is sustained for three consecutive years. This is a monumental achievement given the historical institutional instabilities and uncertainties.

In November 2022, Council confirmed the appointment of a Chief Executive Officer, Mr Themba Dlamini, and the organisation is gradually stabilising. 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.

A sincere gratitude to my fellow Council members for staying committed and providing independent oversight to the institution. Furthermore, congratulatory words to management and staff for their dedication and diligence.

Strategic Thrust

The Governing Body (Council) and management supported by staff continue to build a healthy organisation that is caring and learning in the process. Also, building relationships with the media, civil society, business, community, and institutes of learning has turned PACOFS into Performing Arts Hub for people in Free State Province, across the Country, the SADC region, the rest of Africa and the World at large.

Acknowledgements and Appreciation

My appreciation and gratitude goes to the Council, the Department of Sport, Arts and Culture (DSAC), management and staff of PACOFS in ensuring that PACOFS functions the way it has been established to.



Adv. TG Moeeng
Council Chairperson

Date: 31/08/2023



4. CHIEF EXECUTIVE OFFICER'S OVERVIEW

Introduction

It is with delight to present the 2022/23 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 targets that are referenced herein are in the 2022/23 annual performance plan of the entity. These targets are 18 in total.

The entity managed to achieve, fully and partially, 16 of its targets. This constitutes 89% performance rate. This achievement includes the third consecutive unqualified audit outcome, which is evidence of the entity's improving administration and sound governance.

Of the above-mentioned performance rate, 39% is partially achieved. The reasons for the partial achievement and the 11% (2 targets) non-achievement are covered as part of the "strategy to overcome areas of underperformance" in each of the 3 programmes on pages 19 to 27 of this report.

On the overview of financial performance, total revenue generated internally increased by 54% from R1.9 million to R3 million. This is mainly due to efficient cash management, where cash that was not immediately needed was invested prudently. Also, there has been increased theatre activity as the industry is recovering from the impact of Covid-19 restrictions. However, this revenue only constitutes 5.5% of the total budget of the entity. The other 94.5% (R51.7 million) is the operating grant from government.

Operating expenses, less non-cash items, decreased by 2.6% from R49.7 million in the prior year to R48.4 million. This is mainly due to lower spending on personnel related expenditure, including overtime payment.

The entity will be seeking permission from the National Treasury to retain a surplus of R15 million. This will, among other things, be used to complete the renovation of PACOFS' flats as part of the implementation of the revenue generation strategy of the organisation.

The entity is two emphases of matters away from obtaining a clean audit outcome.

The first matter relates to material misstatements on the financial statements and the annual performance report submitted for audit. As reported by the Auditor General elsewhere in this report, the financials were not adequately reviewed before submission for audit. The financials were finalised late resulting in lack of review by those tasked with the review, because a key resource responsible for compilation resigned unexpectedly. However, this has already been remedied as a replacement has been appointed and at least two resources are now responsible for compiling the financial statements.

The other emphasis of matter relates to the material underspending of the infrastructure grant. The entity lacked capacity to handle infrastructure projects. However, a resource with requisite skills and experience has been appointed to ensure that the planned projects are rolled out.

Towards the end of the financial year 2022/23, PACOFS achieved a major milestone of appointing a Chief Executive Officer.

Acknowledgments

For the year under review, the Chief Financial Officer, Mr. S Sanyane, who held the fort before my appointment, remained resilient during the uncertainties and assisted in managing the transition.

One would like to take this opportunity on behalf of management and the rest of PACOFS staff to convey appreciation to him for the commitment and effort he 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. TTC Dlamini
Chief Executive Officer

Date: 31/08/2023



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

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

All information and amounts disclosed in the annual report is consistent with the annual financial statements audited by the Auditor-General of South Africa.

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

Council 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 external auditors are engaged to express an independent opinion on the annual financial statements.

In our opinion, the annual report fairly reflects the operations, the performance information, and the human resource information of PACOFS for the financial year ended 31 March 2023.



Adv. Thato Moeeng
Chairperson of Council
Date: 31 August 2023



Mr. Themba TC Dlamini
Chief Executive Officer
Date: 31 August 2023



6. STRATEGIC OVERVIEW

6.1 Vision

To be the icon of performing arts in South Africa.

6.2 Mission

To contribute to the creative and cultural industries through developing and promoting the performing arts in the Free State.

PACOFS will drive this mission through:

- Architectural preservation – To re-establish and position itself as premier cultural institution by maintaining 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 creating a conducive and creative working environment.
- Place-making and meaning-making – To re-design the venues in positioning itself as cultural hub in the Free State Province.
- Galvanise Community and Partnerships – To persuade stakeholders and communities to view PACOFS as a 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.
- **Commitment** – PACOFS is committed to ensuring that it promotes arts and culture in the province.
- **Objectivity** – Practice objectivity.
- **Flexibility** – Be flexible in our approach to both internal and external stakeholders.
- **Service excellence** – Everything we do is done to the highest performance standards to ensure customer satisfaction.

7. LEGISLATIVE AND OTHER MANDATES

PACOFSA 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.

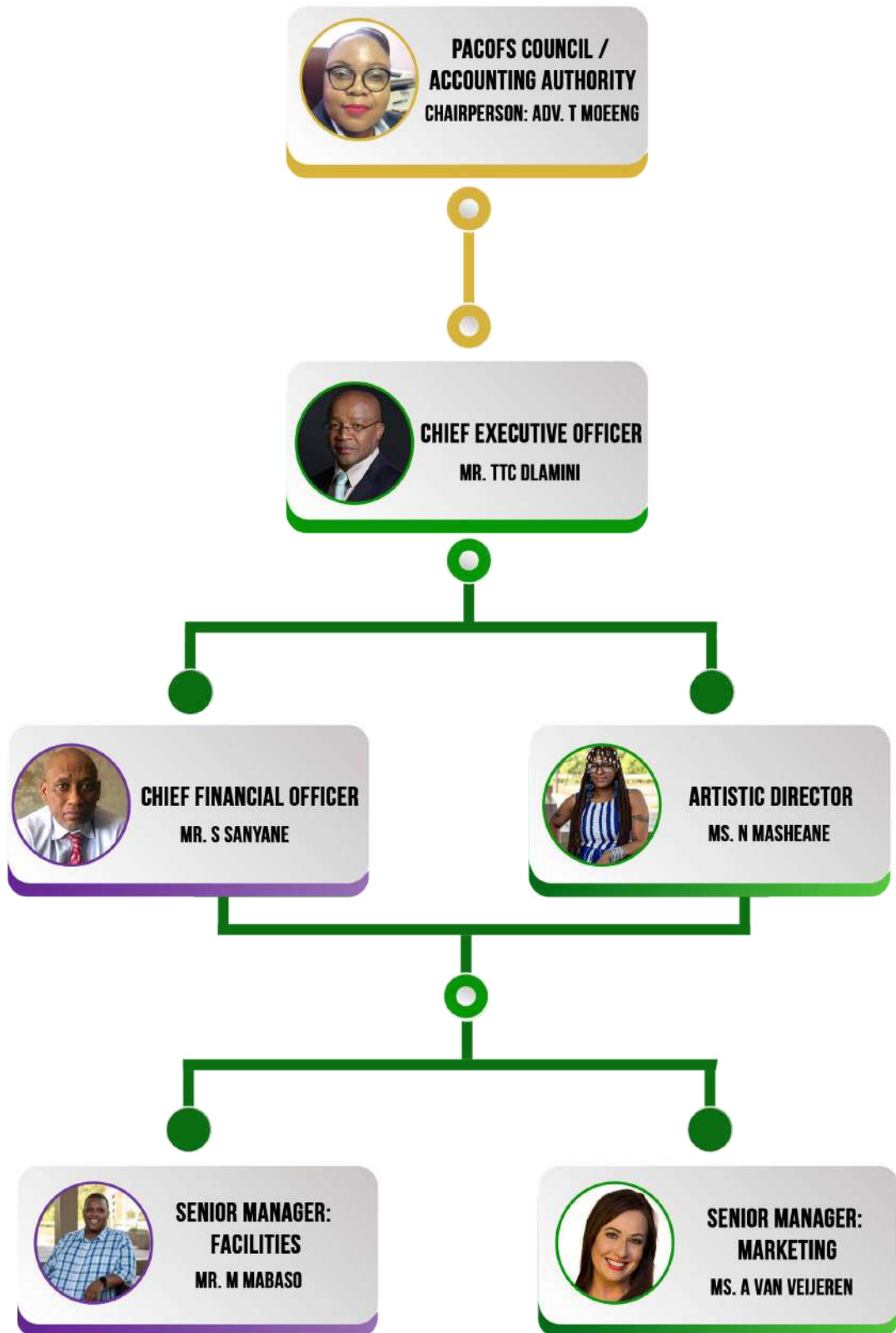
Section 30 states that everyone has the right to use language and to participate in the cultural life of their choice, but no one exercising these rights may do so in a manner inconsistent with any of the provisions of the Bill of Rights.

7.2 Legislative Mandates

The list mentioned below is not complete by any means but provides 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 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. AUDITORS REPORT: PREDETERMINED OBJECTIVES

The AGSA performs the necessary audit procedures on 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 51 of this annual report.

10. OVERVIEW OF PERFORMANCE

10.1 Service delivery environment

The entity had planned 18 targets for the year under review as outlined in the annual performance plan. 50% (9) of the targets were achieved, 39% (7) of the targets were partially achieved and 11% (2) of the targets were not achieved. Programme 1 achieved 57% of the targets, Programme 2 achieved 66.7% of the targets and Programme 3 achieved 20% of the targets. Further details are outlined in Section 11, performance information by programme, below.

With the appointment of the Artistic Director and the Senior Marketing Manager, the entity managed to increase own revenue generated by 40% from R0.96 million (2022) to R1.6 million in 2023.

10.2 Organisational environment

During the year under review the following management positions were filled by the entity:

- Chief Executive Officer
- Artistic Director
- Senior Marketing Manager
- Senior Facilities Manager

The Sand du Plessis theatre complex is situated in the central business district of Bloemfontein, where incidents of crime are regularly reported. A big part of the paid theatre market currently perceives visiting the theatre as a safety risk. Internal steps have been taken to resolve this matter by erecting a fence around the PACOFS building to be completed in 2024.

10.3 Key policy developments and legislative changes

National Treasury issued Preferential Procurement Regulations, 2022, that became effective from 16 January 2023. In terms of these regulations, 80/20 preference point system is to be applied for all acquisitions of goods or services with Rand value equal to or below R50 million. Previously, the application of this point system was from R30 000. Furthermore, the 20 points would be awarded for defined specific goals rather than strictly B-BBEE levels.

The entity, therefore, updated the SCM policy in this regard to indicate specific goals to be considered during procurement of goods and services.

10.4 Progress towards achievement of institutional impacts 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 3 years into the 5 years covered by the Strategic Plan.

5 Year Target 1: Unqualified audit outcome

PACOFS has retained the third consecutive unqualified audit outcome beginning 2020/21 financial year.

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

Investigations into irregular expenditure incurred during the prior years were completed during the year under review and an application for condonation was made to the National Treasury. No irregular expenditure was incurred by the entity during the year under review due to operating controls that were put in place in supply chain management.

Investigations into fruitless and wasteful expenditure were still in progress at the end of the financial year. The fruitless and wasteful expenditure decreased from R3 241 in 2021/22 to R 2 198 in 2022/23 as disclosed in Part E of this report.

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

Approximately 74% of employees had signed performance agreements for 2022/23 with a few outstanding agreements from employees that had outstanding matters. Performance assessments to gauge the extent to which employees met the set performance targets had not been finalised at year-end.

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

The 5 year target was exceeded during this financial year, with a total of 41 productions staged by the Artistic department and the Theatre department scheduling 22 rental productions.

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

This target was achieved based on the current maintenance plan. A more comprehensive maintenance plan was supposed to have been developed following completion of PACOFS building condition assessment. However, the Facilities Management Contract that was awarded ran into problems and the contract had to be terminated.

5 Year Target 6: 6 capital works projects completed

None of the planned projects was completed. The heating, ventilation and air-conditioning (HVAC) system and closed-circuit television (CCTV) projects were advertised and they will be awarded in May 2023.

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

Only 5% of the operating budget was raised in the form of own generated revenue for the year under review.

5 Year Target 8: 45 artistic events hosted per year

For the current year 2022/23, a total of 41 artistic productions were staged.

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:

- Office of the Chief Executive Officer
- Corporate Services (Finance, Supply Chain Management, Human Resource and Information, Communication and Technology)
- Facilities Management



Strategic objectives, performance indicators planned targets and actual achievements

Programme: Administration								
Outcome	Output	Output indicator	Audited Actual Performance 2020/2021	Audited Actual Performance 2021/2022	Planned Target 2022/2023	Actual Achievement 2022/2023	Deviation from planned target to Actual Achievement 2022/2023	Reasons for deviations
Improved governance and control environment	1	Percentage of 2021/22 audit findings addressed	90%	95%	100%	97%	(3%)	1 remaining finding involving unfavourable balances coming from prior years and supporting documents cannot be found.
	2	Number of reports on risks mitigation	4	4	4	4	None	None
Improved facilities	3	Percentage of approved maintenance plan targets achieved	77%	100%	100%	100%	None	None
	4	Number of capital projects completed	New Indicator	0	2	0	(2)	Council did not approve bids because of certain concerns raised.
Improved organisational and staff performance	5	% of HR implementation plan targets achieved	45%	77%	100%	100%	None	None
Improved generation of own revenue	6	Amount of own revenue generated	New Indicator	R1.4 million	R5.2m	R3.0m	(R2.2m)	Revenue enhancement strategy not implemented due to delayed appointment of marketing personnel as the implementing agents.
Improved ICT governance systems	7	% of ICT plan targets achieved	N/A	New indicator added to provide for ICT reporting	100%	100%	None	None

Strategy to overcome areas of underperformance

Percentage of 2021/22 audit findings addressed

The variance is due to differences identified during the audit of the financial statements, which emanate from prior years. The supporting documents are untraceable to allow for the balances to be cleared. A further investigation will be conducted to enable a write-off of the balances in the next financial year.

Number of capital projects implemented

Two recommendations for appointment of contractors were submitted to Council through the Special Projects Committee for consideration using a Round Robin approval method. They were not approved by Council and as a result the projects had to be rolled over to the next financial year with the Department of Sport, Arts and Culture concurrence. The bids will be readvertised by 30 June 2023 and the validity period will be monitored closely.

Amount of own revenue generated

Marketing Department is capacitated to roll out the revenue enhancement strategy and implementation progress will be reported to the Special Projects Committee on a quarterly basis.

Linking performance with budgets

Programme	2022/2023			2021/2022		
	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	49 509	37 752	11 757	49 172	40 694	8 478
Total	49 509	37 752	11 757	49 172	40 694	8 478

Variance

The under spending is due to vacant posts following resignations and retirements. The retained surplus 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 Province 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								
Outcome	Output	Output indicator	Audited Actual Performance 2020/2021	Audited Actual Performance 2021/2022	Planned Target 2022/2023	Actual Achievement 2022/2023	Deviation from planned target to Actual Achievement 2022/2023	Reasons for deviations
Sustained showcasing of performing Arts practitioners through staging of productions and festivals	8	Number of productions staged or streamed	45	31	35	41	6	The approved surplus allocated to the artistic programme was used for additional productions
	9	Number of festivals staged	N/A	New Indicator added to comply with DSAC baseline indicators	1	2	1	Additional festival relates to incubator programme conditional grant.
	10	Number of audience attending artistic productions	N/A	New Indicator added to comply with DSAC baseline indicators	25 000	8 793	(16 207)	Audience Development is affected by several external factors such as PACOFS' public image, which is in the process of being addressed.
Performing arts practitioners developed	11	Number of skills development programmes / training conducted	3	3	4	4	None	None
Artistic collaborations	12	Number of artistic works co-produced with other entities and/or independent producers	N/A	New indicator added to provide for collaborations	2	0	(2)	Delayed appointment of the Artistic Director.
	13	Number of artistic partnerships concluded	N/A	New Indicator added to provide for partnerships	2	4	2	Opportunity presented itself to conclude more partnerships.

Strategy to overcome areas of underperformance

Number of audience attending artistic productions

Audience development and marketing plans have been developed per production and detailed strategies to be implemented in order to attract audience to productions.

Number of artistic works co-produced with other entities and/or independent producers

With the completion of the appointment of the Artistic Director, the number of co-produced works will going forward only include collaborations that are already secured.

Linking performance with budgets

Programme	2022/2023			2021/2022		
	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	9 183	8 152	1 031	11 231	7 229	4 002
Total	9 183	8 152	1 031	11 231	7 229	4 002

Variance

There was an under spending in the compensation of employees' budget as there were still funded vacant positions.

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 Province 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								
Outcome	Output	Output indicator	Audited Actual Performance 2020/2021	Audited Actual Performance 2021/2022	Planned Target 2022/2023	Actual Achievement 2022/2023	Deviation from planned target to Actual Achievement 2022/2023	Reasons for deviations
Establish media partnerships to promote productions	14	Number of media partnerships established	N/A	New Indicator added to plan for greater media coverage	4	5	1	Additional partnership established to increase media coverage of the entity.
	15	Number of sponsorships and Commercial partnerships proposals submitted to the private sector	N/A	New Indicator added for a focused effort in revenue generation	16	11	(5)	Sponsorships and Commercials are reliant on the Revenue Enhancement Strategy, Funding Policy and PACOFS' Improved Public Image.
Increase attendance to artistic productions	16	Percentage achievement of the approved marketing plan for each production of the artistic programme	N/A	New Indicator added for targeted marketing of individual productions	100%	72%	(28%)	The implementation of Marketing Plan and Strategy will take effect in the next financial year.
	17	Percentage achievement of the approved audience development plan for each production of the artistic programme	N/A	New Indicator added for targeted audience development of individual productions	100%	40%	(60%)	Audience development plans will be implemented on time and monitored regularly
	18	Percentage achievement of the public awareness (media campaigns) activities planned	N/A	New indicator added to elevate the importance of public awareness	100%	75%	(25%)	Better media campaign planning will be done and monitored regularly.

Strategy to overcome areas of under performance

With the appointment of the Senior Manager: Marketing, initiatives have been put in place to ensure that the planned targets are achieved. Monthly monitoring is also in place. Furthermore, the targets are part of the in-year performance assessments of the Senior Manager: Marketing.

Linking performance with budgets

Programme	2022/2023			2021/2022		
	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	9 765	6 214	3 551	8 279	5 861	2 418
Total	9 765	6 214	3 551	8 279	5 861	2 418

Variance

There was an under spending in the compensation of employees' budget as there were still funded vacant positions at the beginning of the year.

Revenue collection

Sources of revenue	2022/2023			2021/2022		
	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	50 024	50 024	0	48 823	48 823	0
Revenue in Kind	1 340	1 400	-60	941	941	0
Rentals	1 545	780	765	1 774	555	1 219
Sale of goods	411	680	-269	334	56	278
Commission and other income	278	250	28	14 942	4 935	10 007
Interest	1 626	1 309	317	1 868	810	1 058
Total	55 224	54 443	781	68 682	56 120	12 562

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.

Capital investment

At year end, the evaluation and adjudication of the following bids were completed.

- Heating, Ventilation and Air Conditioning (HVAC)
- Installation of CCTV cameras

The validity period of the following tenders expired before appointment and the tender process had to be cancelled. The tenders are expected to be advertised in July 2023.

- Supply and installation of perimeter fencing
- Construction of the main entrance



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 COMMITTEES

No meetings were held with the portfolio committee during the year under review.

14. EXECUTIVE AUTHORITY

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

Report	Submission date
4th quarter performance and expenditure report (2021/22)	30 April 2022
Annual Financial Statements 2021/22	31 May 2022
1st quarter performance and expenditure report	30 July 2022
2021/22 Annual Report	31 August 2022
2nd quarter performance and expenditure report	30 October 2022
2022/23 Estimates of National Expenditure Chapter	08 December 2022
2022/23 Estimates of National Expenditure Database	13 December 2022
3rd quarter performance and expenditure report	30 January 2023
2022/23 Shareholder's Compact and Annual Performance Plan	15 March 2023
2022/23 Procurement Plan	15 February 2023



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:

- 15.1 Formulate policy.
- 15.2 Hold, preserve and safeguard all movable and immovable property of whatever kind placed in the care of or loaned or belonging to the declared institution concerned.
- 15.3 Receive, hold, preserve and safeguard all specimens, collections or other movable property placed under its care and management under section 10 (1).
- 15.4 Raise funds for the institution.
- 15.5 Manage and control the moneys received by the declared institution and to utilize those moneys for defraying expenses in connection with the performance of its functions.
- 15.6 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.
- 15.7 Determine, subject to this Act and with the approval of the Minister, the objects of the entity.
- 15.8 Carry out the objects of the entity.



Composition of Council

Name	Designation	Date appointed – Termination date	Qualifications	Area of Expertise	Board Directorships	Other Committees	No. of Meetings attended
Adv. Thato Moeeng	Chairperson	9/12/2020 – 8/12/2023	B-Juris Cum Laude, Executive Development, LLB, MBL	Law and Corporate Governance	- WHAG - FETC	- IPID Audit Committee member - DALRD Risk Management Committee (contract ended in July 2023) - WRSETA Audit & Risk Committee (contract ended in March 2023)	10 out of 10
Dr. Kabi Thulo (PhD)	Deputy Chairperson	9/12/2020 – 8/12/2023	MA (Dramatic Arts) and Doctor of Philosophy (Theatre), Bachelor of Arts, Drama and Theatre Arts, Bachelor of Arts (Honours), Drama and Theatre	Drama and Theatre Arts	None	None	10 out of 10
Ms. Mpelegeng Kganedi (BAP)SA	Member	15/01/2020– 8/12/2023	B.Com in Accounting and Business Management and Tax Law	Accounting	South African Library for the Blind (SALB)	SALB HR & REMCO	09 out of 10
Mr. Ashley Latchu	Member	15/01/2020- 8/12/2023	MSc, HSc, BSc, Dip, MCSE, MCSD, MCDBA, MCSA	ICT	- National Arts Council - Tertiary Education & Research Network of South Africa - William Humphreys Art Gallery - Ekurhuleni East TVET - Gauteng Industrial Development Zone - South African Trust - Edenvale Hospital	- South African State Theatre (SAST) ITSC - Sol Plaatje University (SPU) ITSC - Bankseta ITSC	10 out of 10
Mr. Kingdom Moshounyane	Member	9/12/2020 – 8/12/2023	MA in Human Rights (Cultural Rights and the Right to development), MA Degree in Drama, BA in Drama, and theatre Arts degree	Drama and Theatre Arts	None	None	10 out of 10

Name	Designation	Date appointed – Termination date	Qualifications	Area of Expertise	Board Directorships	Other Committees	No. of Meetings attended
Ms. Nkosazana Tebogo Mosala	Member	9/12/2020 – 8/12/2023	MBA, B Phil Honours in Marketing Management, BA Applied Public Relations	Marketing and Communication	The Market Theatre	UNISA Brand and Communication Committee	09 out of 10
Ms. Phumzile Maseko	Member	9/12/20 – 8/12/24	BCom Hons, MBL	Financial Markets	None	None	10 out of 10

Committees

Committee	No. of meetings held	No. of members	Name of members
REMSEC	7 (4 ordinary & 3 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 (4 ordinary & 2 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 22 of the AFS – Remuneration of Council members.

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 appointed internal auditors. The following internal audit assignments were conducted during the year and reports presented to the audit and risk committee:

- Review of quarterly performance information;
- Review of supply chain management processes and compliance;
- Irregular and fruitless and wasteful expenditure and Contract Management Review;
- Financial Statements review;
- Enterprise Risk Management review;
- Review of Policies and Procedures
- Assets and inventory Management review;
- Governance and Compliance reviews;
- Review of annual financial statements;
- Revenue Management and Debtors Management;
- Payroll and HR Management.

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 committee members.

Name	Qualifications	Internal or external	Date appointed	Date Resigned	No. of Meetings attended
Mr. Khotso Nkoe (Chairperson)	BCom; Advanced Diploma in Accounting; ACCA	External	01/03/16 (Reappointed - 01/07/19)	30/06/22	7 out of 7
Mr. Mbuyiselo Mothapo	B.Compt.	External	01/05/2017 (Reappointed - 01/05/2020 Chairperson from 1/07/22 – 30/04/23)	N/A	11 out of 11
Ms. Mpelegeng Kganedi (BAP) SA	B.Com in Accounting and Business Management and Tax Law	External	15/01/2020	N/A	9 out of 11
Mr. Ashley Latchu	MSc, HSc, BSc, Dip, MCSE, MCSD, MCDBA, MCSA	External	15/01/2020	N/A	9 out of 11
Ms. Veronica Monyobo	Municipal Executive Financial Management Certificate, Masters of Science in Information Technology for Software Engineering, Bachelor of Science	External	01/09/2020	N/A	11 out of 11
Abel Thito	B. Accounting, B. Accounting (Hons) CTA, CA(SA)	External	01/09/2020	N/A	11 out of 11

19. COMPLIANCE WITH LAWS AND REGULATIONS

PACOFs reports on compliance with laws and regulations on a quarterly basis to the shareholders and these include the National Treasury's PFMA 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). Staff is reminded about the fraud prevention plan and the whistle blowing policy during staff meetings.

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.

Management is also required to complete a financial declaration form on an annual basis that details among others shares, financial interests, directorships and partnerships.

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.

It is responsibility of the newly appointed Human Resources Manager to oversee the compliance of the code of conduct and code of ethics by all employees and implement disciplinary action in cases of noncompliance.

23. HEALTH SAFETY AND ENVIRONMENTAL ISSUES

The entity is continuously striving to improve in complying with the Occupational Health and Safety Regulations. A qualified and experienced Occupational Health, Safety and Security Manager ensure compliance with Occupational Health and Safety regulations. This is an example of the premium the entity places on workplace and theatre safety. For the year under review, there were no injuries reported.

Standard operating procedures are developed to detail processes regarding Health and Safety at the workplace and minimising environmental issues.

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. AUDIT AND RISK COMMITTEE REPORT

The ARC is pleased to present its report for the financial year ended 31 March 2023.

Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet at least 4 times per annum as per the provisions of the Public Finance Management Act (PFMA).

During the current financial year 11 meetings were held.

Name of member	Number of meetings attended
Mr K Nkoe (Chairperson - term expired 30/06/22)	7
Ms M Kganedi	9
Mr A Latchu	9
Mr M Mothapo (Chairperson from 01/07/2022)	11
Mr A Thito	11
Ms M Monyobo	11

Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 51(1)(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 are 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 committee has:

- reviewed and discussed the unaudited financial statements to be submitted to the Auditor- General;
- reviewed changes in accounting policies;
- reviewed the entity's compliance with legal and regulatory provisions.

Internal audit

The audit and risk committee are satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the entity and its audits.

Auditor-General of South Africa

The audit and risk committee has met with the Auditor-General of South Africa to ensure that there are no material unresolved issues.



Mr. Lesetja Monama

Chairperson

Audit and Risk Committee

Date: 31/08/2023



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

28.1 Overview of Human Resource matters

PACOFs faces enormous challenges, both in terms of its own transformation, and in terms of the transformation of the services which it provides to the people of the Free State Province. These challenges are being tackled through a comprehensive programme of policy initiatives supported by progressive legislative changes.

28.2 Achievements

The Human Resources team has successfully implemented a solid induction programme, which was a challenge in the past. With significant input from all departments, PACOFs will continue to use this induction as well as improve the content so as to keep up with the ever-changing pace of the entity.

An external service provider has been appointed to provide job evaluation services in order to minimize disputes encountered regarding job descriptions and the related remuneration. This has ensured fair remuneration for daily activities performed.

28.3 Challenges

Managing people within PACOFs has traditionally been seen as the task of personnel administration components whose main task has been to ensure compliance with centrally determined regulations and prescripts. These activities have sometimes, perhaps unfairly, been perceived as controlling and inhibiting the effective management of human resources. Managing people in future will require the transformation of personnel administration components into fully-fledged human resource management units whose role will be to provide professional support and guidance to management.

28.4 Future HR plans

28.4.1 Recruitment and Selection: Staffing includes the development of a strategic plan to determine how many available vacancies are within PACOFs. The recruitment and selection process will ensure that PACOFs will hire top talent which will enhance the entity.

28.4.2 Basic workplace policies. Development of policies to help reach PACOFs strategic plan. After the policies have been developed, communication of these policies will be distributed among the staff. Of course, the HR will work closely with the Leadership within PACOFs to develop these policies.

28.4.3 **Retention.** Assessment of employees and strategizing on how to retain the best employees is a task that HR holds closely. With the assistance of Management within PACOFS, HR will also provide different types of retention strategies, from training to assessment.

29. HUMAN 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	35 800	17 447	49%	40	436
Business Development	8 277	2 117	26%	3	706
Public Engagement	6 444	5 424	84%	19	285
Total	50 521	24 988	49%	62	403

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	3 973	15.0%	3	1 324
Senior Management	6 263	23.6%	9	696
Professional	1 666	6.3%	1	1 666
Skilled	4 140	15.6%	18	230
Semi-skilled	9 548	35.9%	26	367
Unskilled	980	3.7%	5	196
Total	26 569	100%	62	4 479

Senior Management represents 7 management positions and 2 senior management positions within the entity.

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 total Personnel Cost	No. of employees trained	Avg training cost per employee
Administration	19 949	40	0.2%	17	2.4
Business Development	1 788	18	1.0%	1	18
Public Engagement	4 832	0	0%	0	0
Total	26 569	58	0.2%	18	20.4

Table 4: Employment and vacancies per programme

Programme	2021/2022 No. of Employees	2022/2023 Approved Posts	2022/2023 No. of Employees	2022/2023 Vacancies	2022/2023 % Vacancies
Administration	40	40	40	5	12.5%
Business Development	3	3	3	1	33.3%
Public Engagement	19	19	19	1	5.3%
Total	62	62	62	7	31%

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

Table 5: Employment and vacancies

Level	2021/2022 No. of Employees	2022/2023 Approved Posts	2022/2023 No. of Employees	2022/2023 Vacancies	2022/2023 % Vacancies
Top Management	3	3	3	0	0%
Senior Management	9	11	9	1	14%
Professional	3	3	1	2	29%
Skilled	13	12	18	0	0%
Semi-skilled	29	28	26	0	0%
Unskilled	5	5	5	4	57%
Total	62	62	62	7	100%

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

Table 6: Employment changes

Salary Band	Employment at beginning of period	Appointments	Terminations	Employment at end of the period
Top Management	1	2	0	3
Senior Management	7	5	3	9
Professional qualified	3	0	2	1
Skilled	10	9	1	18
Semi-skilled	27	1	2	26
Unskilled	3	3	1	5
Total	51	20	9	62

Table 7: Reasons for staff leaving

Reason	Number	% of total no. of staff leaving
Death	0	0%
Resignation	2	22.2%
Dismissal	4	44.4%
Retirement	3	33.3%
Ill health	0	0%
Expiry of contract	0	0%
Other	0	0%
Total	9	100%

Table 8: Labour Relations: Misconduct and disciplinary action

Nature of disciplinary Action	Number
Verbal Warning	7
Written Warning	0
Final Written warning	0
Dismissal	4
Total	11

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

Levels	Male			
	African	Coloured	Indian	White
Top Management	2	0	0	0
Senior Management	4	0	0	1
Professional qualified	1	0	0	0
Skilled	10	2	0	0
Semi-skilled	15	0	0	0
Unskilled	2	0	0	0
Total	34	2	0	1

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

Levels	Female			
	African	Coloured	Indian	White
Top Management	1	0	0	0
Senior Management	1	1	0	2
Professional qualified	0	0	0	0
Skilled	2	1	0	3
Semi-skilled	11	0	0	0
Unskilled	3	0	0	0
Total	18	2	0	5

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	0	0
Total	2	0

PARTE

PFMA COMPLIANCE REPORT



30. INTRODUCTION

The National Treasury issued a new Compliance Reporting Framework – National Treasury Instruction Note No.4 of 2022/23 in March 2023. Chapter 8 of the Framework requires entities to report irregular expenditure and fruitless and wasteful expenditure in Part E of the annual report from 2022/23 financial year.

30.1 IRREGULAR EXPENDITURE AND FRUITLESS AND WASTEFUL EXPENDITURE

a) Reconciliation of irregular expenditure	2022/23	2021/22
Opening balance	73,936,215	72,449,026
Irregular expenditure confirmed	-	2,154,740
Less: Irregular expenditure condoned	-	-
Less: Irregular expenditure not condoned and removed	-	-
Less: Irregular expenditure recoverable	-	-
Less: Irregular expenditure not recovered and written off	-	-
Less: Prior period error	-	(667,551)
Closing balance	73,936,215	73,936,215

Prior period error

In the prior year, R 787 048 relating to excess amount charged by the appointed Facilities Management Contract service provider was disclosed as irregular expenditure as work was done and completed. Following the involvement of lawyers as the entity was refusing to pay the excess amount, the parties subsequently agreed that the entity should only pay the remaining contract balance. Therefore, the irregular expenditure fell away as the excess amount was no longer due and payable. An additional amount of R119,497 was disclosed as irregular expenditure that was not included in the prior year.

Reconciliation of fruitless and wasteful expenditure	2022/23	2021/22
Opening balance	3,362,201	3,358,960
Fruitless and wasteful expenditure confirmed	2,198	3,241
Less: fruitless and wasteful expenditure recoverable	-	-
Less: fruitless and wasteful expenditure not recovered and written off	-	-
Closing balance	3,364,399	3,362,201

Reconciling notes to the annual financial statement disclosure		
Irregular expenditure	2022/23	2021/22
Irregular expenditure that was under assessment 2021/22	-	-
Irregular expenditure that relates to 2021/22 and identified in 2022/23	-	-
Irregular expenditure for the current year	-	2,154,740
Less: Prior period error		(667,551)
Total	-	1,487,189

Application for condonation, together with supporting documentation, was sent to National Treasury and the entity is awaiting a response.

Fruitless and wasteful expenditure		
	2022/23	2021/22
Fruitless and wasteful expenditure that was under assessment 2021/22	-	-
Fruitless and wasteful expenditure that relate to 2021/22 and identified in 2022/23	-	-
Fruitless and wasteful expenditure for the current year	2,198	3,241
Total	2,198	3,241

b) Details of current and previous year irregular expenditure (under assessment, under determination or investigation)		
	2022/23	2021/22
Irregular expenditure under assessment	-	-
Irregular expenditure under determination	-	-
Irregular expenditure under investigation	-	-
Total	-	-



Details of current and previous year fruitless and wasteful expenditure under assessment, determination, or investigation		
	2022/23	2021/22
Fruitless and wasteful expenditure under assessment	-	-
Fruitless and wasteful expenditure under determination	-	-
Fruitless and wasteful expenditure under investigation	-	-
Total	-	-

c) Details of current and previous year irregular expenditure condoned		
	2022/23	2021/22
Irregular expenditure condoned	-	-
Total	-	-

Application for condonation together with supporting documentation was sent to National Treasury during the current year and the entity is awaiting approval.

d) Details of current and previous year irregular expenditure removed (not condoned)		
	2022/23	2021/22
Irregular expenditure not condoned and removed	-	-
Total	-	-

e) Details of current and previous year irregular, fruitless and wasteful expenditure recovered		
	2022/23	2021/22
Irregular expenditure recovered	-	-
Fruitless and Wasteful expenditure recovered	-	-
Total	-	-



f) Details of current and previous year irregular, fruitless and wasteful expenditure written off (irrecoverable)		
	2022/23	2021/22
Irregular expenditure written off	-	-
Fruitless and wasteful expenditure written off	-	-
Total	-	-

g) Details of current and previous year disciplinary or criminal steps taken as a result of irregular, fruitless and wasteful expenditure		
	2022/23	2021/22
Irregular expenditure	-	-
Fruitless and Wasteful expenditure	-	-
Total	-	-

30.2 INFORMATION ON SUPPLY CHAIN MANAGEMENT

a. Procurement by other means

Project description	Name of supplier	Type of procurement by other means	Contract number	Value of contract R'000
None				

b. Contract variations and expansions

Project description	Name of supplier	Contract modification type (Expansion or Variation)	Contract number	Original contract value R'000	Value of previous contract expansion/s or variation/s (if applicable) R'000	Value of current Contract expansion or variation R'000
None						

PART 1

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 61 to 114, which comprise the statement of financial position as at 31 March 2023, statement of financial performance, statement of changes in net assets, and cash flow statement 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 2023, and its 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 responsibilities of the auditor-general 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 matters

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

Material unspent conditional grants

7. As disclosed in note 10 to the financial statements, the public entity has material unspent conditional grants of R102 574 927 (2022: R98 062 886). This was due to the entity having limited technical capacity to implement capital projects.

Restatement of corresponding figures

8. As disclosed in note 23 to the financial statements, the corresponding figures for 31 March 2022 were restated as a result of errors in the financial statements of the public entity at, and for the year ended, 31 March 2023.

Other matters

9. I draw attention to the matter below. My opinion is not modified in respect of this matter.

National Treasury Instruction Note 4 of 2022-2023: PFMA Compliance and Reporting Framework

10. On 23 December 2022, the National Treasury issued Instruction Note 4 of 2022-23, which came into effect on 3 January 2023, in terms of section 76(1)(b), (e) and (f), 2(e) and (4)(a) and (c) of the PFMA. The instruction note deals with the PFMA compliance and reporting framework and addresses, amongst others, the disclosure of unauthorised expenditure, irregular expenditure and fruitless and wasteful expenditure. Irregular expenditure and fruitless and wasteful expenditure incurred in prior financial years and not yet addressed no longer need to be disclosed in either the annual report or the disclosure notes to the annual financial statements. Only the current year and prior year figures are disclosed in note 26 to the financial statements of the public entity. Movements in respect of irregular expenditure and fruitless and wasteful expenditure also no longer need to be disclosed in the notes to the annual financial statements. The disclosure of these movements (e.g. condoned, recoverable, removed, written off, under assessment, under determination and under investigation) is now included as part of the other information in the annual report of the public entity. I do not express an opinion on the disclosure of irregular expenditure and fruitless and wasteful expenditure in the annual report.

Responsibilities of the accounting authority for the financial statements

11. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with the Standards of GRAP and the requirements of the 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.
12. 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.

Responsibilities of the auditor-general for the audit of the financial statements

13. 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.
14. 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

15. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance against predetermined objectives for selected material performance indicators presented in the annual performance report. The accounting authority is responsible for the preparation of the annual performance report.
16. I selected the following material performance indicators related to business development presented in the annual performance report for the year ended 31 March 2023. I selected those indicators that measure the public entity's performance on its primary mandated functions and that are of significant national, community or public interest.
 - Number of productions staged or streamed
 - Number of festivals staged
 - Number of audience attending artistic productions
 - Number of skills development programmes/training conducted
 - Number of artistic works co-produced with other entities and/or independent producers
 - Number of artistic partnerships concluded
17. I evaluated the reported performance information for the selected material performance indicator against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the public entity's planning and delivery on its mandate and objectives.

18. I performed procedures to test whether:

- the indicators used for planning and reporting on performance can be linked directly to the public entity's mandate and the achievement of its planned objectives
- the indicators are well defined and verifiable to ensure that they are easy to understand and apply consistently and that I can confirm the methods and processes to be used for measuring achievements
- the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated
- the indicators and targets reported on in the annual performance report are the same as what was committed to in the approved initial or revised planning documents
- the reported performance information is presented in the annual performance report in the prescribed manner
- there are adequate supporting evidence for the achievements reported and for the reasons provided for any over- or underachievement of targets.

19. I performed the procedures for the purpose of reporting material findings only.

20. I did not identify any material findings on the reported performance information of business development.

Other matters

21. I draw attention to the matters below.

Achievement of planned targets

22. The annual performance report includes information on reported achievements against planned targets and provides explanations for over- and under achievements.

Material misstatements

23. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information for business development. Management subsequently corrected all the misstatements and I did not include any material findings in this report.

Report on compliance with legislation

24. In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The accounting authority is responsible for the public entity's compliance with legislation.
25. I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.
26. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the public entity, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.
27. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

Annual financial statements

28. 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 non-current assets, liabilities and disclosure items identified by the auditors in the submitted financial statements were corrected, resulting in the financial statements receiving an unqualified audit opinion.

Consequence management

29. 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.

Other information in the annual report

30. The accounting authority is responsible for the other information included in the annual report. The other information referred to does not include the financial statements, the auditor's report and the selected material indicators in the scoped-in programmes presented in the annual performance report that has been specifically reported on in this auditor's report.
31. My opinion on the financial statements, the report on the audit of the annual performance report and the report on compliance with legislation, do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.

32. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the financial statements and the selected material indicators in the scoped-in programmes presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
33. The other information I obtained prior to the date of this auditor's report is the disclosures included in the annual report for irregular, fruitless and wasteful expenditure, and the other information outstanding in the annual report is expected to be made available to us after 31 July 2023.
34. If, based on the work I have performed on the other information that I obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact.
35. When I do receive and read the annual report of outstanding 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

36. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.
37. The matters reported below are limited to the significant internal control deficiencies that resulted in the material findings on compliance with legislation included in this report.
38. There was no consequence management at the public entity pertaining to prior years' fruitless and wasteful expenditure and no officials were held accountable for the expenditure incurred.
39. Slow corrective measures by management to address the drivers of non-compliance with laws and regulations. As a result, material instances of non-compliance were repeated that could have been prevented.
40. Inadequate review processes by management over financial reporting resulted in material misstatements in the financial statements not timeously identified before submission for audit purposes.

Other reports

41. I draw attention to the following engagements conducted by various parties. 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.
42. A phase two criminal investigation was performed by an independent investigator for the alleged improper procurement processes followed for certain capital projects which

commenced after the completion of phase one of the investigation on 24 March 2017. This investigation was not finalised at the date of this auditor's report.

Auditor-General

Bloemfontein

31 July 2023



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure to the auditor's report

1. The annexure includes the following:
 - the auditor-general's responsibility for the audit
 - the selected legislative requirements for compliance testing.

Auditor-general's responsibility for the audit

Professional judgement and professional scepticism

2. 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 the selected material indicators and on the public entity's compliance with selected requirements in key legislation.

Financial statements

3. 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
 - conclude on the appropriateness of the 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 public entity 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

4. 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.
5. 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.

Compliance with legislation – selected legislative requirements

6. The selected legislative requirements are as follows:

Legislation and regulations	Sections or regulations
Public Finance Management Act 1 of 1999	Sections 51(1)(a)(iv); 51(1)(b)(ii); 51(1)(e)(iii); 53(4); 55(1)(a); Sections 55(1)(b); 55(1)(c)(i); 56(1); 56(2); 57(b)
Treasury Regulations	Regulations 8.2.1; 8.2.2; 16A 6.1; 16A6.2(a) & (b); 16A6.2(e); Regulations 16A 6.3(a); 16A 6.3(b); 16A 6.3(c); 16A 6.3(d); Regulations 16A 6.3(e); 16A 6.4; 16A 6.5; 16A 6.6; 16A 8.2(1); Regulations 16A 8.2(2); 16A 8.3; 16A 8.3(d); 16A 8.4; 16A9.1 16A9; Regulations 16A9.1(b)(ii); 16A9.1(c); 16A 9.1(d); 16A 9.1(e); Regulations 16A9.1(f); 16A 9.2; 16A 9.2(a)(ii); TR 16A 9.2(a)(iii) Regulations 30.1.1; 30.1.3(a); 30.1.3(b); 30.1.3(d); 30.2.1 Regulations 31.1.2(c), Regulations 33.1.1; 33.1.3
Prevention and Combating of Corrupt Activities Act 12 of 2004	Section 34(1)
Public Service Regulations	Regulations 18; 18(1); 18(2)
Construction Industry Development Board Act 38 of 2000	Section 18(1)
Construction Industry Development Board Regulations	Regulations 17; 25(7A)
Preferential Procurement Policy Framework Act 5 of 2000	Sections 2.1(a); 2.1(b); 2.1(f)
Preferential Procurement Regulations of 2017	Regulations 4.1; 4.2; 5.1; 5.3; 5.6; 5.7; 6.1; 6.2; 6.3; 6.5; 6.6; 7.1; Regulations 7.2; 7.3; 7.5; 7.6; 8.2; 8.5; 9.1; 9.2; 11.2; 12.1; 12.2
Preferential Procurement Regulations of 2022	Regulations 4.1; 4.2; 4.3; 4.4; 5.1; 5.2; 5.3; 5.4
National Treasury Instruction Note 1 of 2015-16	Paragraphs 3.1; 4.1; 4.2
National Treasury Instruction Note 4 of 2015-16	Paragraph 3.4
National Treasury Instruction Note 1 of 2021-22	Paragraph 4.1
Second amendment to National Treasury Instruction Note 5 of 2020-21	Paragraph 4.8; 4.9 ; 5.1 ; 5.3
Erratum to National Treasury Instruction Note 5 of 2020-21	Paragraphs 1; 2
National Treasury SCM Instruction Note 3 of 2021-22	Paragraphs 4.3; 4.4; 4.4(a); 4.4(c) & (d)
National Treasury SCM Instruction Note 11 of 2020-21	Paragraphs 3.1; 3.4(b); 3.9
National Treasury SCM Instruction Note 2 of 2021-22	Paragraphs 3.2.1; 3.2.4(a); 3.3.1
National Treasury Practice Note 7 of 2009-10	Paragraph 4.1.2

Performing Arts Centre of the Free State

Financial Statements for the year ended 31 March 2023

Statement of Financial Position as at 31 March 2023

	Note(s)	2023 R	2022 Restated* R
Assets			
Current Assets			
Cash and cash equivalents	9	121,755,000	114,999,788
Inventories	6	1,214,194	857,827
Receivables from exchange transactions	8	1,763,932	1,062,099
		124,733,126	116,919,714
Non-Current Assets			
Heritage assets	5	5,425,483	5,425,483
Intangible assets	4	402,924	144,588
Property, plant and equipment	2	5,835,538	4,162,366
		11,663,945	9,732,437
Total Assets		136,397,071	126,652,151
Liabilities			
Current Liabilities			
Employee benefits obligation	7	629,000	671,000
Provisions	11	1,070,162	927,372
Payables from exchange transactions	12	3,771,624	2,461,292
Unspent conditional grants and receipts	10	102,574,927	98,062,886
		108,045,713	102,122,550
Non-Current Liabilities			
Employee benefits obligation	7	4,400,000	6,182,507
Total Liabilities		112,445,713	108,305,057
Net Assets		23,951,358	18,347,094
Reserves			
Revaluation reserve	32	2,503,549	2,503,549
Accumulated surplus		21,447,809	15,843,545
Total Net Assets		23,951,358	18,347,094

Performing Arts Centre of the Free State

Financial Statements for the year ended 31 March 2023

Statement of Financial Performance

	Note(s)	2023 R	2022 Restated* R
Revenue			
Revenue from exchange transactions			
Commission income	29	249,910	81,517
Interest received		1,308,580	810,094
Bad debt recovered	30	20,000	55,928
Sales	15	260,344	56,205
Rendering of services	14	399,446	243,173
Rental income	13	780,357	588,702
Proceeds from sale of assets	31	-	124,831
Total revenue from exchange transactions		3,018,637	1,960,450
Revenue from non-exchange transactions			
Transfer revenue			
Government grants	16	51,707,159	50,003,798
Revenue in kind		1,399,547	1,283,988
Total revenue from non-exchange transactions		53,106,706	51,287,786
Total revenue	28	56,125,343	53,248,236
Expenditure			
Debts impairment	8	(2,646)	(18,056)
Depreciation and amortisation	2&3&4	(1,356,171)	(1,392,124)
Employee related costs	17	(24,988,376)	(26,353,685)
Interest expense		-	(4,857)
General expenses	18	(24,026,934)	(24,548,961)
Assets impairment	4	(9,025)	(244,391)
Loss on assets written off		(14,087)	-
Total expenditure		(50,397,239)	(52,562,074)
Surplus (deficit) before gains/losses		5,728,104	686,162
Inventory write (down)/up		(123,840)	(77,259)
(Loss)/Gain on disposal	2&3	-	(34,792,738)
(Deficit)/surplus for the year		5,604,264	(34,183,835)

Performing Arts Centre of the Free State

Financial Statements for the year ended 31 March 2023

Statement of Changes in Net Assets

	Revaluation reserve R	Accumulated surplus R	Total net assets R
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 changes recognised directly in net assets	103,952	-	103,952
Loss for the year	-	(34,183,835)	(34,183,835)
Total recognised income and expenses for the 12 months	103,952	(34,183,835)	(34,079,883)
Total changes	103,952	(34,183,835)	(34,079,883)
Opening balance as previously reported	2,503,549	14,618,240	17,121,789
Adjustments			
Prior period error	-	1,225,305	1,225,305
Restated* Balance at 01 April 2022 as restated*	2,503,549	15,843,545	18,347,094
Changes in net assets			
Loss for the year	-	5,604,264	5,604,264
Total changes	-	5,604,264	5,604,264
Balance at 31 March 2023	2,503,549	21,447,809	23,951,358
Note(s)	23&32		

Performing Arts Centre of the Free State

Financial Statements for the year ended 31 March 2023

Cash Flow Statement

	Note(s)	2023 R	2022 Restated* R
Cash flows from operating activities			
Receipts			
Sale of goods and services		1,040,447	182,387
Grants and other receipts		56,219,200	60,620,793
Interest income		1,273,711	810,094
		58,533,358	61,613,274
Payments			
Employee related costs		(26,670,093)	(27,557,135)
Suppliers		(21,797,260)	(22,181,511)
Interest expense		-	(4,857)
		(48,467,353)	(49,743,503)
Net cash flows from operating activities	20	10,066,005	11,869,771
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(2,984,284)	(409,612)
Purchase of other intangible assets	4	(326,509)	-
Purchase of capital work in progress		-	(9,308)
Net cash flows from investing activities		(3,310,793)	(418,920)
Net increase/(decrease) in cash and cash equivalents		6,755,212	11,450,851
Cash and cash equivalents at the beginning of the year		114,999,788	103,548,937
Cash and cash equivalents at the end of the year	9	121,755,000	114,999,788

Performing Arts Centre of the Free State

Financial Statements for the year ended 31 March 2023

Statement of Comparison of Budget and Actual Amounts (Unaudited)

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	% variance
	R	R	R	R	R	

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Sale of goods	368,111	-	368,111	260,344	(107,767)	29%
Rendering of services	42,731	-	42,731	399,446	356,715	835%
Commission income	2,544	-	2,544	249,910	247,366	9724%
Rental income	1,544,983	-	1,544,983	780,357	(764,626)	49%
Bad debt recovered	248,608	-	248,608	20,000	(228,608)	92%
Other income	26,479	-	26,479	-	(26,479)	100%
Interest received	1,626,392	-	1,626,392	1,308,580	(317,812)	20%
Total revenue from exchange transactions	3,859,848	-	3,859,848	3,018,637	(841,211)	

Revenue from non-exchange transactions

Other revenue

Revenue realised from conditional grants	-	-	-	1,683,159	1,683,159	100%
Retained surplus approved	-	13,233,181	13,233,181	-	(13,233,181)	100%

Transfer revenue

Government grants & subsidies	50,024,000	-	50,024,000	50,024,000	-	0%
Revenue in kind	1,340,152	-	1,340,152	1,399,547	59,395	4%

Total revenue from non-exchange transactions	51,364,152	13,233,181	64,597,333	53,106,706	(11,490,627)	
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Total revenue	55,224,000	13,233,181	68,457,181	56,125,343	(12,331,838)	
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Expenditure

Employee related costs	(30,786,539)	(150,000)	(30,936,539)	(24,988,376)	5,948,163	20%
Depreciation and amortisation	(1,177,151)	(880,000)	(2,057,151)	(1,356,171)	700,980	34%
Impairment losses	-	-	-	(9,025)	(9,025)	100%
Debt impairment	-	-	-	(2,646)	(2,646)	100%
General expenses	(23,260,310)	(12,203,181)	(35,463,491)	(24,026,934)	11,436,557	32%

Total expenditure	(55,224,000)	(13,233,181)	(68,457,181)	(50,383,152)	18,074,029	
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Operating surplus

Loss on assets written off	-	-	-	(14,087)	(14,087)	100%
Inventory write-down	-	-	-	(123,840)	(123,840)	100%

	-	-	-	(137,927)	(137,927)	
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Surplus before taxation	-	-	-	5,604,264	5,604,264	
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Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	-	-	-	5,604,264	5,604,264	
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Budgetary and classification basis

The disclosed budget covers the period from 1 April 2022 to 31 March 2023. The budget is prepared on an accrual basis and by economic nature. Please refer to note 28 for reasons for variances.

Performing Arts Centre of the Free State

Financial Statements for the year ended 31 March 2023

Accounting Policies

1. Presentation of Financial Statements

The 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 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.

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

1.1 Presentation currency

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

1.2 Going concern assumption

These 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 & 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.

Initial measurement

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

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

Performing Arts Centre of the Free State

Financial Statements for the year ended 31 March 2023

Accounting Policies

1.4 Assets held for transfer (continued)

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 assets 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 part of an asset is 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.

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
Communication equipment	Straight line	5-10 Years
Lighting equipment	Straight line	5 - 25 Years

Performing Arts Centre of the Free State

Financial Statements for the year ended 31 March 2023

Accounting Policies

1.5 Property, plant and equipment (continued)

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). In the current year there were changes to the remaining estimated useful life on the fully depreciated assets.. The change in estimate was not material and therefore the note for change in estimate was not disclosed..

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.

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 2 years. These items are only tested for impairment when there is an indicator of impairment.

- Box office ticketing system
- Acctech Systems

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

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. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired.

Intangible assets are measured at cost upon initial recognition.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Performing Arts Centre of the Free State

Financial Statements for the year ended 31 March 2023

Accounting Policies

1.6 Intangible assets (continued)

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

There are no internally generated intangible assets that are held by the entity.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Computer software	Amortisation method	Number of years
Licenses	Straight line	12 months
Computer software, other	Straight line	Indefinite
Helpdesk	Straight line	Indefinite
Cloudhosting	Straight line	Indefinite

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

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.

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

Recognition

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.

Performing Arts Centre of the Free State

Financial Statements for the year ended 31 March 2023

Accounting Policies

1.8 Financial instruments

Financial instrument is any contract that give 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 instruments 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 consists 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 the discount or premium on acquisition and fees or costs that are integral part of the effective interest rate. A provision for doubtful debts is established when there is an objective evidence that the entity will not be able to collect all amounts due. Changes in the carrying amount of the provision is recognised in the statement of financial performance. Trade and other receivable are written off when they are considered irrecoverable.

Cash and cash equivalents

Cash and cash equivalents are 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.

Trade and other payables

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

Prior period error

Prior period error are omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

- (a) was available when financial statements for those periods were authorised for issue; and
- (b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

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.

Performing Arts Centre of the Free State

Financial Statements for the year ended 31 March 2023

Accounting Policies

1.9 Leases (continued)

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.

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.

Performing Arts Centre of the Free State

Financial Statements for the year ended 31 March 2023

Accounting Policies

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.

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 recognises 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 recognises 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 recognises that excess cash as an asset (prepaid expense) to the extent that the prepayment 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.

Performing Arts Centre of the Free State

Financial Statements for the year ended 31 March 2023

Accounting Policies

1.12 Employee benefits (continued)

Other long-term employee benefits

The entity provides other long-term employee benefits to qualifying employees in the form of long service award.

The amount is recognised as a liability for long-term employee benefits subject to the following conditions:

- The employee does not have any record of disciplinary hearing
- Retiring due to a suspension, ongoing disciplinary hearing, or a pending disciplinary case

The qualifying employees for a long service award are employees who have a continuous broken period of service for the following years that are above 10, 20,30 and 40 years of service:

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.

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 21.

Where a fee is charged and the entity considers that an outflow of economic resources is probable, an entity recognises 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.

Performing Arts Centre of the Free State

Financial Statements for the year ended 31 March 2023

Accounting Policies

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.

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.

Interest

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.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue 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.

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.

Performing Arts Centre of the Free State

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Accounting Policies

1.17 Accounting by principals and agents

Identification

An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

Identifying whether an entity is a principal or an agent

When the entity is party to a principal-agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement.

The assessment of whether an entity is a principal or an agent requires the entity to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

Binding arrangement

The entity assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement.

Where the terms of a binding arrangement are modified, the parties to the arrangement re-assess whether they act as a principal or an agent.

Assessing which entity benefits from the transactions with third parties

When the entity in a principal-agent arrangement concludes that it undertakes transactions with third parties for the benefit of another entity, then it is the agent. If the entity concludes that it is not the agent, then it is the principal in the transactions.

The entity is an agent when, in relation to transactions with third parties, all three of the following criteria are present:

- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

Where the entity has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that it is an agent. The entity applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the entity is an agent.

Recognition

The entity, as a principal, recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirements of the relevant Standards of GRAP.

The entity, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The entity recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

1.18 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

Financial Statements for the year ended 31 March 2023

Accounting Policies

1.19 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.

1.20 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

1.21 Segment information

A segment is an activity of an entity:

- that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);
- whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and
- for which separate financial information is available.

Reportable segments are the actual segments which are reported on in the segment report. They are the segments identified above or alternatively an aggregation of two or more of those segments where the aggregation criteria are met.

Measurement

The amount of each segment item reported is the measure reported to management for the purposes of making decisions about allocating resources to the segment and assessing its performance. Adjustments and eliminations made in preparing the entity's financial statements and allocations of revenues and expenses are included in determining reported segment surplus or deficit only if they are included in the measure of the segment's surplus or deficit that is used by management. Similarly, only those assets and liabilities that are included in the measures of the segment's assets and segment's liabilities that are used by management are reported for that segment. If amounts are allocated to reported segment surplus or deficit, assets or liabilities, those amounts are allocated on a reasonable basis.

If management uses only one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities in assessing segment performance and deciding how to allocate resources, segment surplus or deficit, assets and liabilities are reported in terms of that measure. If management uses more than one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities, the reported measures are those that management believes are determined in accordance with the measurement principles most consistent with those used in measuring the corresponding amounts in the entity's financial statements.

1.22 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.

Performing Arts Centre of the Free State

Financial Statements for the year ended 31 March 2023

Accounting Policies

1.22 Related parties (continued)

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 financial statements.

1.23 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The entity will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The entity will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.24 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.

1.25 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

Financial Statements for the year ended 31 March 2023

Notes to the Financial Statements

Figures in Rand

2. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 31 March 2023

	Opening balance	Additions	Disposals	Depreciation	Total
Buildings -Capital work in progress	1,350,405	-	-	-	1,350,405
Communication equipment	-	476,706	-	(11,332)	465,374
Workshop equipment	22,649	91,726	-	(11,331)	103,044
Furniture and fixtures	497,325	649,963	(2,354)	(153,909)	991,025
Computer equipment	512,273	1,037,406	(11,288)	(296,249)	1,242,142
Sound equipment	733,301	-	-	(354,084)	379,217
Permanent advertising structures	5,525	-	(447)	(4,408)	670
Lighting equipment	628,680	425,566	-	(275,679)	778,567
Musical instruments	403,917	302,917	-	(184,490)	522,344
Wardrobe equipment	8,291	-	-	(5,541)	2,750
	4,162,366	2,984,284	(14,089)	(1,297,023)	5,835,538

Reconciliation of property, plant and equipment - 31 March 2022

	Opening balance	Additions	Disposals	Prior period errors	Depreciation	Total
Buildings -Capital work in progress	1,496,166	-	-	(145,761)	-	1,350,405
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
	5,121,601	409,612	(14,388)	(145,761)	(1,208,698)	4,162,366

Performing Arts Centre of the Free State

Financial Statements for the year ended 31 March 2023

Notes to the Financial Statements

Figures in Rand

2. Property, plant and equipment (continued)

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.

Capital work in progress represents incomplete capital works projects. The amount of R 1,350,405 represents the cost incurred on a partially completed project - the fire and smoke detection system. The legal advice obtained indicates that the contract the entity had with the service provider has lapsed and therefore the entity is now able to readvertise the project. A consulting engineer will be appointed in the next financial year to assist management in assessing impairment.

Pledged as security

There were no property, plant and equipment that were pledged as security as at 31 March 2023.

Expenditure incurred to repair and maintain property, plant and equipment

Buildings	41,260	181,904
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Performing Arts Centre of the Free State

Financial Statements for the year ended 31 March 2023

Notes to the Financial Statements

Figures in Rand

3. Assets held for transfer

Reconciliation of assets held for transfer - 31 March 2022

Assets held for transfer	Opening balance	Transfers	Depreciation	Total
	34,956,939	(34,778,349)	(178,590)	-

On 27 October 2021, all assets held for transfer were successfully transferred to the Department of Public Works and Infrastructure. There were no assets that needed to be transferred in the current financial year.

Pledged as security

There are no assets held for transfer pledged as security as 31 March 2023.

Investment property in the process of being constructed or developed

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

Financial Statements for the year ended 31 March 2023

Notes to the Financial Statements

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4. Intangible assets

	2023		2022	
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Cost / Valuation	Accumulated amortisation and accumulated impairment
Computer software	921,535	(518,611)	402,924	(450,438)
				144,588

Reconciliation of intangible assets - 31 March 2023

Opening balance	144,588	Impairment loss	(9,025)	Total
Additions	326,509	Amortisation	(59,148)	402,924

Reconciliation of intangible assets - 31 March 2022

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

Pledged as security

There are no intangible assets that were pledged as security as at 31 March 2023.

Reassessment of useful lives of intangible assets

Intangible assets were assessed for impairment during the current financial period. Recording software was identified as no longer being in the market therefore the remaining useful life was revised to 2 years because management intends to revamp the studio by 31 March 2024.

The booking office system has been assessed for impairment as the entity will be using the booking office system significantly lower in the future as a new ticket system has been introduced to allow the entity to sell more tickets and more conveniently to patrons and therefore the system is estimated to be used 5% of the time for the selling of tickets.

Performing Arts Centre of the Free State

Financial Statements for the year ended 31 March 2023

Notes to the Financial Statements

Figures in Rand

5. Heritage assets

	2023			2022		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Paintings	2,292,997	-	2,292,997	2,292,997	-	2,292,997
Tapestry	629,000	-	629,000	629,000	-	629,000
Sculptures	2,503,486	-	2,503,486	2,503,486	-	2,503,486
Total	5,425,483	-	5,425,483	5,425,483	-	5,425,483

Reconciliation of heritage assets - 31 March 2023

Paintings	Opening balance	Total
Tapestry	2,292,997	2,292,997
Sculptures	629,000	629,000
	2,503,486	2,503,486
	5,425,483	5,425,483

Reconciliation of heritage assets - 31 March 2022

Paintings	Opening balance	Revaluation increase/(decre ase)	Total
Tapestry	2,302,045	(9,048)	2,292,997
Sculptures	514,000	115,000	629,000
	2,505,486	(2,000)	2,503,486
	5,321,531	103,952	5,425,483

Performing Arts Centre of the Free State

Financial Statements for the year ended 31 March 2023

Notes to the Financial Statements

	2023 R	2022 R
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5. Heritage assets (continued)

Valuation of heritage assets

The fixed assets 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 prior financial year.

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 standardizing 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 determining 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 2023. There will not be any valuation of heritage assets in the current financial year as there were valued in the prior year and the asset management policy stipulates valuation should be completed biennially.

The heritage assets being held by the entity are still in a good condition and no heritage assets were identified to be impaired as at 31 March 2023.

In the prior year heritage assets were not disclosed correctly in line with GRAP 103. Heritage assets were categorised into 3 class of heritage assets (painting, sculptures and tapestry) based on their nature to achieve a fair presentation on the comparative. There was no movement on the carrying amount of the comparatives.

Restrictions on heritage assets

There are no heritage assets with restrictions for the period ended 31 March 2023. The entity holds 3 types of heritage assets which can be classified into the following: Tapestry, Paintings and Sculptures

Pledged as security

There were no heritage assets that were pledged as security at 31 March 2023.

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:

Opening balance	5,425,483	5,321,531
Change/movement	-	103,952
Closing balance	5,425,483	5,425,483

Performing Arts Centre of the Free State

Financial Statements for the year ended 31 March 2023

Notes to the Financial Statements

	2023 R	2022 R
6. Inventories		
Consumable stores	1,183,509	827,142
Wardrobe stock	30,685	30,685
	1,214,194	857,827

Inventories recognised as an expense during the year	109,781	360,755
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Inventory pledged as security

There was no inventory pledged as security for the period ended 31 March 2023.

Inventory written-off

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

7. Employee benefit obligations

Present value of post-employment medical aid liability	(4,926,000)	(6,853,507)
Present value of long service award liability	(103,000)	-
	(5,029,000)	(6,853,507)

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

Changes in the present value of post-employment medical aid obligation

Present value of the defined benefit obligation-wholly unfunded	(6,853,507)	(7,492,000)
Current service cost	(1,000)	(79,000)
Interest cost	(732,000)	(680,380)
Benefits paid	671,000	582,719
Actuarial (gain)/loss	1,989,000	815,154
	4,926,507	(6,853,507)
Non-current liabilities	(4,400,000)	(6,182,507)
Current liabilities	(629,000)	(671,000)
	(5,029,000)	(6,853,507)

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.

Net expense recognised in the statement of financial performance

Performing Arts Centre of the Free State

Financial Statements for the year ended 31 March 2023

Notes to the Financial Statements

	2023 R	2022 R
7. Employee benefit obligations (continued)		
Calculation of actuarial (gains) and losses		
Change in financial assumptions	19,000	-
Actual vs healthcare expected healthcare cost inflation	(44,000)	-
Actual vs expected membership profile	2,014,000	-
	1,989,000	-

1. The financial assumptions have been adjusted to reflect recent market conditions. This has caused an increase in the real discount rate from 2.76% to 2.84%, and a resulting decrease in the accrued liability of **R19,000**.

2. The actual increase in medical scheme contributions for 2023 is 9.20%. This is higher than the 8.24% healthcare cost inflation assumption incorporated in the previous valuation. This resulted in a **R44,000** increase in the accrued liability.

3. The actual membership profile relative to that expected in the previous valuation has resulted in an increase in the accrued liability of **R2,014,000**. This includes changes in modelling approach, as well as the exit of two active employees and a continuation member from the valuation.

Performing Arts Centre of the Free State

Financial Statements for the year ended 31 March 2023

Notes to the Financial Statements

2023	2022
R	R

7. Employee benefit obligations (continued)

Key assumptions used

Key assumptions used at the reporting date as at 31 March 2023:

Consumer price inflation (CPI)	5.88 %	6.74 %
Healthcare cost inflation (CPI + 1.5%)	7.38 %	8.24 %
Discount rate	10.43 %	11.22 %

The next contribution rate increase is assumed to occur at 1 January 2024.

The following are the demographic assumptions used:

Assumptions	Value
Fully accrued age	65 years
Normal retirement age	65 years
Spouse age difference for active employees	3 years
Proportion married at retirement for active employees	95%
Continuation at retirement	95%

Sensitivity testing

Assumption	Variation	Change in accrued liability	Change in annual expense
Discount rate	+1%	-5.4%	+3.2%
	-1%	+6.0%	-3.8%
Mortality assumptions	PA (90)	-4.8%	-5.2%
	PA (90)-2	+5.0%	+5.3%
Healthcare cost inflation	+1%	+5.9%	+6.4%
	-1%	-5.4%	-5.8%

Performing Arts Centre of the Free State

Financial Statements for the year ended 31 March 2023

Notes to the Financial Statements

	2023 R	2022 R
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7. Employee benefit obligations (continued)

Demographic assumptions

We have used the PA (90)-1 mortality tables for post-retirement mortality, with a 1% annual mortality improvement from 2010.

We have assumed that members, or their surviving spouses, will remain on their current medical scheme option into the future and that all surviving spouses will continue to receive a subsidy after the death of the main members.

The demographic assumptions proposed for this valuation, as detailed above, are the same as those used in the previous valuation (with the exception of the normal retirement age which had no impact as there are no active employees included in the valuation).

Subsidy policy

PACOFs subsidises 50%, 60% or 70% of the medical scheme contributions of the current and future CAWMs and their spouse dependants, if applicable. We have not included any subsidies in respect of child dependants. This is in line with the previous valuations.

Long service awards liabilities

The entity has a reward system in place for long-serving employees. Employees who have served the entity for 10, 20, 30, or 40 years are eligible for long service awards. However, to qualify for the award, the employee must not have a disciplinary record and should not be resigning or retiring due to a suspension, ongoing disciplinary hearing, or pending disciplinary case.

These awards are only paid out when the employee either resigns or retires and not upon reaching the specific service year. It is also our understanding from management that these award amounts will not increase with inflation.

Performing Arts Centre of the Free State

Financial Statements for the year ended 31 March 2023

Notes to the Financial Statements

	2023 R	2022 R
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7. Employee benefit obligations (continued)

	Total long service benefit (Rands)	Total long service benefit (Rands)
10-20 years	5,000	-
20-30 years	10,000	-
30-40 years	20,000	-
40+ years	25,000	-

Valuation assumptions

In estimating the liability for long service leave benefits a number of assumptions are required. GRAP 25 places the responsibility on management to set these assumptions, as guided by the principles set out in GRAP 25 and in discussion with the actuary.

The assumptions should be realistic and mutually compatible. The difference between the assumptions drives the valuation and it is very important to monitor how this difference changes from one valuation to the next. The most relevant actuarial assumptions used in this valuation are discussed below.

The most important financial variable used in our valuation is the discount rate. We have assumed the following values for this variable:

Discount rate

GRAP 25 defines the determination of the Discount rate assumption to be used as follows:

"The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve."

We use the nominal and real zero curves as at 31 March 2023 supplied by the JSE to determine our discount rate assumption at each relevant time period. For example, a liability which pays out in 1 year will be discounted at a different rate than a liability which pays out in 30 years.

Average Retirement Age

The average retirement age for all active employees was assumed to be 65 years.

Mortality Rates

Mortality before retirement has been based on the SA 85-90 mortality tables. These are the most commonly used tables in the industry.

Withdrawal decrements

A table setting out the assumed rates of withdrawal from service is set out below:

Age band	Withdrawal rate males	Withdrawal rate females
20-24	16%	24%
25-29	12%	18%
30-34	10%	15%
35-39	8%	10%
40-44	6%	6%
45-49	4%	4%

Performing Arts Centre of the Free State

Financial Statements for the year ended 31 March 2023

Notes to the Financial Statements

		2023 R	2022 R
7. Employee benefit obligations (continued)			
	50-54	2%	2%
	55-59	0%	0%
	60+	0%	0%

The table sets out the calculation of the Actuarial Loss/(Gain)

Actuarial Loss/(Gain)		
Past service costs	113,000	-
Benefits paid	(10,000)	-
	103,000	-

8. Receivables from exchange transactions

Other debtors	600,683	577,400
Prepaid expenses	531,200	514,087
Production receivables	185,000	-
Sundry debtors	-	210
Third party	200	200
Trade receivables	500,306	21,013
Less: Provision for doubtful debts	(53,457)	(50,811)
	1,763,932	1,062,099

8.1 Debt impairment

Debt impairment	2,646	18,056
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Ageing of receivables from exchange transactions -31 March 2023	0-30 days	31-60 days	61-90 days	91-120 days	120+ days	Total
Other debtors	44,871	30,903	-	-	524,909	600,683
Prepaid expenses	531,200	-	-	-	-	531,200
Production receivables	185,000	-	-	-	-	185,000
Third party	-	-	-	-	200	200
Trade receivables	478,756	338	-	157	21,055	500,306
Subtotal	1,239,827	31,241	-	157	546,164	1,817,389
Less: Provision for doubtful debts	-	-	-	-	(53,457)	(53,457)
	1,239,827	31,241	-	157	492,707	1,763,932

Performing Arts Centre of the Free State

Financial Statements for the year ended 31 March 2023

Notes to the Financial Statements

			2023	2022		
			R	R		
8. Receivables from exchange transactions (continued)						
Ageing of receivables from exchange transactions -31 March 2022	0-30 days	31-60 days	61-90 days	91-120 days	120+ days	Total
Other debtors	52,706	-	423,380	33,448	67,867	577,401
Prepaid expenses	514,087	-	-	-	-	514,087
Sundry debtors	210	-	-	-	-	210
Third party	-	-	-	-	200	200
Trade receivables	5,208	117	229	-	15,459	21,013
Subtotal	572,211	117	423,609	33,448	83,526	1,112,911
Less: Provision for doubtful debts	-	-	-	(16,428)	(34,383)	(50,811)
	572,211	117	423,609	17,020	49,143	1,062,100

Receivables from exchange transactions past due but not impaired

Receivables from exchange transactions which are less than 3 months past due are not considered to be impaired. At 31 March 2023, R1,271,068 (2022: R995,937) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month due (0-30 days)	1,239,827	572,211
2 months past due (31-60 days)	31,241	117
3 months past due (61-90 days)	-	423,609
	1,271,068	995,937

Receivables from exchange transactions is not pledged as collateral for liabilities or contingent liabilities.

No reconciliation on the allowance for impairment as required per GRAP 104.111 is disclosed as the movement from the prior year to the current year is an insignificant amount of R2,576 (2022: R18,056).

9. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	8,421	7,049
Bank balances	4,181,503	2,523,262
Call investments	102,424,927	98,062,886
Call deposits	15,140,149	14,406,591
	121,755,000	114,999,788

Call investments- investments held with the South African Reserve Bank	15,140,149	14,406,591
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The total amount of undrawn facilities available for future operating activities and commitments	121,755,000	114,999,788
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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

Financial Statements for the year ended 31 March 2023

Notes to the Financial Statements

	2023 R	2022 R
10. Unspent conditional grants and receipts		
Total unspent conditional grants and receipts		
CCTV conditional grant	4,222,754	-
HVAC conditional grant	71,182,982	52,322,633
Capital Grant - Revamp Andre Huguenet	413,466	413,466
Sand Du Plessis video income	116,141	116,141
Main entrance conditional grant	2,245,847	447,564
Capital Grant - Upgrade Sand Video Monitor	116,265	116,265
GRAP 103 conditional grant	3,980,941	4,000,000
Branding theatre conditional grant	175,613	175,613
Incubator equipment conditional grant	4,268,678	4,268,678
Capital Grant - Sand Plumbing	80,000	80,000
Interest on unspent conditional grant -capital projects	2,869,178	-
Fencing conditional grant	4,619,521	-
Interest on unspent conditional grant -other grants	7,888,499	18,948,258
Incubator conditional grant	395,042	1,557,073
Facilities management conditional grant	-	15,617,195
	102,574,927	98,062,886

Movement during the year

Balance at the beginning of the year	98,062,886	87,445,891
Additions during the year	1,105,080	11,797,793
Income recognition during the year	3,406,961	(1,180,798)
	102,574,927	98,062,886

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 2023

	Opening Balance	Additions provision	Total
Leave pay accrual	927,372	142,790	1,070,162

Reconciliation of leave accrual - 31 March 2022

	Opening Balance	Utilised during the year	Reversed during the year	Total
Leave pay accrual	1,755,302	(441,345)	(386,585)	927,372

Performing Arts Centre of the Free State

Financial Statements for the year ended 31 March 2023

Notes to the Financial Statements

	2023 R	2022 R
12. Payables from exchange transactions		
13th cheque	411,657	361,899
Income received in advance	329,776	96,642
Other payables	75,281	74,663
Salary payables	(16)	-
Trade payables	2,954,926	1,928,088
	3,771,624	2,461,292
13. Rental income		
Rental income	216,477	255,522
Theatre rental income	518,880	333,180
Management Fees	45,000	-
	780,357	588,702
14. Rendering of service		
Printing of production tickets	3,529	3,416
Production proceeds	395,917	239,757
	399,446	243,173
Principal-Agent Arrangement		
Webtickets	56,718	-
<p>The entity concluded an agreement with Webtickets during 2022/23 financial year in terms of which Webtickets to was appointed as a ticketing agent for all allocated events. In terms of this arrangement, the entity is the principal and Webtickets is the agent.</p> <p>In terms of the agreement, Webtickets provides equipment and ticketing software system, while the entity provides the physical office for the box office staff employed by the entity. The use of the entity's box office system is very limited.</p> <p>The purpose for the principal-agent relationship is for Webtickets, who have the ticketing system, to sell the entity's event tickets at all its outlets nationwide. The entity entered into this arrangement due to the benefits that Webtickets can provide, allowing a nationwide outlet for tickets sales. The cost-savings obtained for not having to update and maintain its own ticket software system, outweighs the costs paid through commissions from using the agent to sell the tickets.</p> <p>Commission paid to the agent for the entity's productions is R56,718.</p> <p>The commission paid to the ticketing agent was charged to Production fees and reflected under production proceeds.</p>		
15. Sales		
Catering sales	29,307	454
Liquor sales	231,037	55,751
	260,344	56,205

Performing Arts Centre of the Free State

Financial Statements for the year ended 31 March 2023

Notes to the Financial Statements

	2023 R	2022 R
16. Government grants		
Conditional grants		
Revenue realised from conditional grants	1,683,159	1,180,798
Operational grants		
Department of Sport, Arts and Culture	50,024,000	48,823,000
	51,707,159	50,003,798
<p>The operational 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.</p>		
17. Employee related costs		
Basic salary	20,154,718	19,863,741
Housing allowances	416,296	409,718
Leave pay provision charge	447,640	(292,597)
Long-service awards	113,000	-
Medical aid - company contributions	748,678	616,501
Night allowances	38,320	12,780
Separation agreement	4,763	1,456,646
Overtime payments	487,416	386,802
Post-employment medical benefits	(1,927,507)	(638,493)
Provident fund contributions	2,977,796	2,935,278
Service bonus (13th cheque)	1,394,810	1,474,442
UIF	132,446	128,867
	24,988,376	26,353,685
Remuneration of Chief Executive Officer		
Basic salary	482,508	948,082
Service Bonus	40,209	108,626
Other allowances	3,000	4,800
Contributions to UIF, pension fund and medical aid	80,449	157,782
Separation agreement payment	-	1,338,000
	606,166	2,557,290
Remuneration of Chief Financial Officer		
Basic salary	1,154,932	1,122,071
Service bonus	96,800	93,506
Other allowances	7,200	7,200
Contributions to UIF, pension fund and medical aid	192,689	187,210
Acting allowances	169,232	-
	1,620,853	1,409,987
Remuneration of Artistic Director		
Basic salary	445,335	717,281
Service bonus	37,111	78,623
Other allowances	4,009	47,667
Contributions to UIF, pension fund and medical aid	75,080	122,431
Acting allowance as CEO -1/11/2021 to 12/04/2022	-	19,956
	561,535	985,958

Performing Arts Centre of the Free State

Financial Statements for the year ended 31 March 2023

Notes to the Financial Statements

	2023 R	2022 R
18. General expenses		
Advertising	296,673	156,537
Assets expensed	589,547	52,074
Auditors remuneration	1,731,993	2,272,522
Bank charges	126,159	83,288
Board and committee fees	1,080,167	1,649,087
External show fees	122,414	-
Consumables	689,496	361,632
OHS expenses - Disinfection	-	89,688
Education and training	58,280	146,022
Electricity	4,007,278	3,997,111
Entertainment	80,071	23,777
Expenses in kind	1,399,547	1,283,988
IT and software expenses	577,153	615,986
Insurance	303,408	24,719
Membership and subscriptions	41,164	45,847
Other expenses	117,061	18,512
Other licence fees	8,329	11,683
Printing and stationery	391,984	314,482
Production fees	5,474,887	4,873,520
Professional fees	3,159,220	5,599,297
Protective clothing	-	63,133
Rentals	570,721	281,352
Repairs and maintenance	41,260	181,904
Security costs	1,810,803	1,628,505
Telephone and fax	522,959	603,114
Travel and accommodation	614,015	108,528
Venue hire	33,600	-
Workmen's compensation expenses	178,745	62,653
	24,026,934	24,548,961

19. Lease rentals on operating lease

At reporting date, the entity had the following outstanding commitments under operating 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 you use basis which is changed on the kilometre travelled for the use of the motor vehicles and fixed rental amount for vehicle hire.

Lessee

Up to 1 year	555,721	372,602
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Performing Arts Centre of the Free State

Financial Statements for the year ended 31 March 2023

Notes to the Financial Statements

	2023 R	2022 R
20. Cash generated from operations		
(Deficit)/surplus	5,604,264	(34,183,835)
Adjustments for:		
Depreciation and amortisation	1,356,171	1,392,124
Gain (loss) on discontinued operations	14,087	(124,831)
Impairment losses	9,025	244,391
Movements in retirement benefit assets and liabilities	(1,824,507)	(638,493)
Leave pay provision	142,790	(827,930)
Movement in tax receivable and payable	-	279,901
Loss on sale of asset	-	34,792,737
Changes in working capital:		
Inventories	(356,367)	106,750
Receivables from exchange transactions	(701,833)	(843,138)
Payables from exchange transactions	1,310,334	1,055,100
Unspent conditional grants and receipts	4,512,041	10,616,995
	10,066,005	11,869,771

21. Contingent asset and liability

Contingent asset

DSAC incubator programme	-	1,936,000
DSAC incubator programme reversal	-	(1,936,000)
	-	-

The contingent asset raised in the prior year was for funds that was expected to be received on condition that the entity submit all the supporting documentation for the expenditure incurred on the incubator programme. After consultation with the Department of Sport, Arts and Culture, the Department has no intention to reimburse the expenditure as the supporting documents submitted is not sufficient and therefore the contingent asset will no longer be raised.

Contingent liability

Possible financial implication of the cases

Case 1	251,498	-
Case 2	525,851	-
	777,349	-

The following are cases that are still pending an outcome and may have a financial impact:

Case 1

There is a pending CCMA arbitration case for a dismissed employee who if the award is in his favour, the entity will be liable for his 5 months salary.

Case 2

The CCMA has awarded in favour of a former employee in relation to a claim for additional work performed however, the entity is taking the matter on review at the Labour Court.

Performing Arts Centre of the Free State

Financial Statements for the year ended 31 March 2023

Notes to the Financial Statements

	2023 R	2022 R
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22. Related parties

Relationships	
The Minister	All public entities reporting to the Minister and all Schedule 3A entities
Ultimate controlling entity	Department of Sport, Arts and Culture
Associate	National Museum Bloemfontein
Member of Council	Adv, T Moeeng (Chairperson)
Member of Council	Mr. K Thulo (Deputy Chairperson)
Member of Council	Ms. M Kganedi
Member of Council	Mr. A Latchu
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	50,024,000	48,823,000
Department of Sport, Arts and Culture - Capital grant	1,683,159	1,180,798
National Museum Bloemfontein	28,337	222,086
Department of Sport, Arts and Culture -Incubator programme grant	150,000	1,350,000

Key management information

Class	Description	Number
Executive management	Mr TTC Dlamini (Chief Executive Officer)	1
Executive management	Mr S Sanyane (Chief Financial Officer)	1
Executive management	Ms N Masheane (Artistic Director)	1

Performing Arts Centre of the Free State

Financial Statements for the year ended 31 March 2023

Notes to the Financial Statements

Figures in Rand

22. Related parties (continued)

Remuneration of Council members

31 March 2023

Name	Sitting fees	Other allowances	Travel costs	Total
Adv T Moeeng (Chairperson)	122,305	12,000	-	134,305
Ms M Kganedi	111,109	12,000	1,728	124,837
Mr A Latchu	57,710	10,500	-	68,210
Mr K Thulo	130,465	14,165	1,000	145,630
Mr K Moshounyane	128,908	11,000	2,715	142,623
Ms T Mosala	84,934	10,000	-	94,934
Ms P Maseko	84,828	9,500	-	94,328
	720,259	79,165	5,443	804,867

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 Kganedi	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

Management class: Executive management

31 March 2023

Performing Arts Centre of the Free State

Financial Statements for the year ended 31 March 2023

Notes to the Financial Statements

Figures in Rand

22. Related parties (continued)

Name	Basic salary	Service bonus (13th cheque)	Other allowances	Contribution to UIF, medical and provident funds	Acting allowance	Total
Chief Executive Officer	482,508	40,209	3,000	80,449	-	606,166
Chief Financial Officer	1,154,932	96,800	7,200	192,689	-	1,451,621
Artistic Director	445,335	37,111	4,009	75,080	-	561,535
Acting Chief Executive Officer -Mr S Sanyane	-	-	-	-	169,232	169,232
Acting Chief Financial Officer -Mr T Lengau	-	-	-	-	331,537	331,537
	2,082,775	174,120	14,209	348,218	500,769	3,120,091

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 -Ms S Snell	-	-	-	-	222,087	-	222,087
	2,787,434	280,755	59,667	467,423	242,043	1,338,000	5,175,322

The balance of a separation agreement in the prior year disclosure relates to a mutual separation agreement was reached between the entity and the Chief Executive Officer in the prior financial year as facilitated by the CCMA.

Performing Arts Centre of the Free State

Financial Statements for the year ended 31 March 2023

Notes to the Financial Statements

		2023 R	2022 R	
23. Prior-year adjustments				
Statement of financial position				
Opening balances				
	Note	As previously reported	Correction of error	
			Restated	
23.1 Receivables from exchange transactions	8	981,741	80,358	1,062,099
23.2 Inventories	6	854,608	3,219	857,827
23.3 Payables from exchange transactions	12	3,554,215	(1,092,922)	2,461,293
23.4 Property, plant and equipment	2	2,811,961	1,350,375	4,162,336
23.4 Capital work in progress		1,505,474	(1,505,474)	-
23.5 Provisions	11	1,131,247	(203,875)	927,372
Accumulated surplus		-	1,368,319	-
		10,839,246	-	9,470,927
Statement of financial performance				
Opening balances				
	Note	As previously reported	Correction of error	Restated
23.3 General expenses	18	25,486,357	(937,396)	24,548,961
23.5 Employee related costs	17	26,626,517	(272,631)	26,353,685
Surplus for the year		-	1,225,116	-
23.2 Inventory write down		80,994	(3,686)	77,259
23.1 Debt impairment	8	29,459	(11,403)	18,056
23.9 Rendering of service	14	271,053	(27,880)	243,173
23.9 Rental income	13	560,822	27,880	588,702
Surplus for the year		53,055,202	-	51,829,836
Disclosures				
	Note	As previously reported	Correction of error	Restated
Irregular expenditure	26	2,154,740	(667,551)	1,487,189
Contingent asset	21	1,938,000	(1,938,000)	-
Related parties		60,620,793	(9,266,995)	51,353,798
Surplus for the year		64,713,533	(11,872,546)	52,840,987

Performing Arts Centre of the Free State

Financial Statements for the year ended 31 March 2023

Notes to the Financial Statements

	2023 R	2022 R
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23. Prior-year adjustments (continued)

The prior period error on disclosures relates to the following matters as:

Irregular expenditure

In the prior year, irregular expenditure was recognised as a result of one of the service provider invoicing the entity for an amount exceeding the contract value. Subsequently mediation was sought and resulted in the invoice being reversed and an agreement to pay up to the contract value was reached and therefore resulting in the reversal of the irregular expenditure of a balance of R787,048. An additional amount of R119,497 was disclosed as irregular expenditure that was not included in the prior year.

Contingent asset

Department of Sports, Arts and Culture indicated in the 2021 financial year that it will be in no position to settle the amount incurred in relation to the incubator programme due to the lack of supporting documentation not provided. Therefore it was no longer virtually certain that the amount will be paid.

Related parties

The prior period error is as a result of related parties balance overstated by R9,266,995 due to the grant received from DSAC understated by R1,350,000 and the balance of capital and operational grants was overstated by R10,616,995.

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.

23.1 Receivables from exchange transactions

Increase in prepaid expenses	-	68,755
Decrease in employees costs	-	(68,755)
Decrease in debt impairment	-	11,403
Decrease in receivables from exchange transactions	-	(11,403)
	-	-

23.1 Description of the adjustment

The prior period error is as a result of medical aid funds paid to the fund administrators in advance. The prepaid expense was erroneously not recorded in the prior year..

The prior period error is as a result of the reversal of debt impairment due to one of the receivables that was impaired paid part of the receivables that was written off.

23.2 Inventories

Decrease in inventory write-down	-	(3,686)
Increase in general expenses	-	3,686
Increase in inventory	-	3,219
Decrease in general expenses	-	(3,219)
	-	-

23.2 Description of adjustment

The prior period error is as a result of inventory that was erroneously understated in the prior year and items of stock that were written off but the stock items not deducted and reduced from the inventory balance.

Performing Arts Centre of the Free State

Financial Statements for the year ended 31 March 2023

Notes to the Financial Statements

	2023 R	2022 R
23. Prior-year adjustments (continued)		
23.5 Provision		
Decrease in employee costs	-	(203,875)
Decrease in leave pay provision	-	203,875
	-	-

23.5 Description of the adjustment

The prior period error is as a result of employees leave on a negative balance and also employees leave not accounted according to their employment contracts.

23.4 Property, plant and equipment

Increase in general expenses	-	155,069
Decrease in capital work in progress	-	(1,505,474)
Increase in property, plant and equipment	-	1,350,405
	-	-

23.4 Description of the adjustment

This prior year relates to material that was procured for the maintenance and repairs of the entities cabling but was incorrectly capitalised under CWIP. Therefore this resulted in the understatement of expenses and overstatement of CWIP in the prior financial year. CWIP was incorrectly disclosed as a separate line item and is now disclosed as property, plant and equipment.

23.3 Payables from exchange transactions

Decrease in general expenses	-	(937,396)
Decrease in payables from exchange transactions	-	1,092,922
Decrease in accumulated surplus	-	(155,526)
	-	-

23.3 Description of the adjustment

The decrease in payables is as a result of payables that were reversed in the prior year due to a settlement agreement between the entity and a contractor and also as a result of a result of other creditors that were erroneously recorded in the prior year.

Change in accounting policy

No change in accounting policies occurred during the year under review.

Performing Arts Centre of the Free State

Financial Statements for the year ended 31 March 2023

Notes to the Financial Statements

	2023 R	2022 R
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24. Risk management

Short term investments

The entity limits its exposure to credit risk by investing only in cash and only with approved banks.

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 deposits, cash equivalents, and trade debtors. The entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

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	1,763,932	1,062,099
Cash and cash equivalents	121,755,000	114,999,788
Payables from exchange transactions	3,359,966	2,099,394

The financial instruments for payables from exchange transactions excludes the amount of the 13th cheque.

Market risk

Interest rate risk

Interest rate risk arises from variable interest on the call investment and deposit. Interest rate fluctuation will directly impact the interest amount received in the Statement of Financial Performance, cash and cash equivalents to the value of R121 910 688 (2022: R114 999 788) are exposed to variable interest rates. The entity's revenue and operating cash flow are substantially independent of changes in the market interest rates.

As the entity has no significant interest-bearing assets, the entity's income and operating cash flows are substantially independent of changes in market interest rates.

The entity's revenue and operating cash flow are substantially independent of changes in market interest rates. The entity is affected by the interest rate risk as a result of the existence of interest bearing accounts, the entity interest rate risk is not in their control as it is determined by the changes in the market and the SARB, however to mitigate this risk the entity invests funds in accounts that are stable and not affected significantly by market changes.

Foreign exchange risk

There is a new risk that has been identified by the entity after year which is a subsequent event where the approval of the HVAC project will expose the entity to foreign exchange risk as a result of some of the material required to build the HVAC system will need to be procured in foreign countries.

The plan to mitigate this is for the entity to enter into forward exchange contracts by hedging against foreign currencies to protect the entity against foreign exchange losses which are inherent as a result of the daily fluctuation of the Rand against foreign currencies which the American Dollar being the most utilised currency across the world for trade.

The entity reviews its foreign currency exposure, including commitments on an ongoing basis. The entity expects its foreign exchange contracts to hedge foreign exchange exposure.

Performing Arts Centre of the Free State

Financial Statements for the year ended 31 March 2023

Notes to the Financial Statements

	2023 R	2022 R
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25. Going concern

As at 31 March 2023, the entity had an accumulated surplus of R 5,604,264 and the entity's total assets exceed its liabilities by R 23,951,358.

The 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.

26. Irregular, fruitless and wasteful expenditure

Irregular expenditure	-	1,487,189
Fruitless and wasteful expenditure	2,198	3,241
	2,198	1,490,430

Performing Arts Centre of the Free State

Financial Statements for the year ended 31 March 2023

Notes to the Financial Statements

	2023	2022
	R	R

26. Irregular, fruitless and wasteful expenditure (continued)

Details of irregular expenditure

Fruitless and wasteful expenditure
Penalty payment on a licence that lapsed. Disciplinary steps not yet commenced at year end.

Irregular expenditure

In the prior year, irregular expenditure was recognised as a result of one of the service provider invoicing the entity for an amount exceeding the contract value. Subsequently mediation was sought and resulted in the invoice being reversed and an agreement to pay up to the contract value was reached and therefore resulting in the reversal of the irregular expenditure of a balance of R787,048. An additional amount of R119,497 was disclosed as irregular expenditure that was not included in the prior year.

Refer to note 23 for the prior period error disclosure note.

27. Explanation of significant movements and differences (Unaudited)

Explanation of significant variances between actual and budgeted figures (Unaudited):

Explanations are included for all variances above 10%.

27.1 Sale of goods

The entity sells refreshments during productions at a profit. Due to lower productions staged during the year, bar sales are lower than anticipated.

27.2 Rendering of services

The increase is as a result of more tickets being sold for the productions staged during the year..

27.3 Commission income

Commission received increased due to third party payments such as garnishees and maintenance orders, the entity retains admin fee on payments made to third parties.

Performing Arts Centre of the Free State

Financial Statements for the year ended 31 March 2023

Notes to the Financial Statements

	2023 R	2022 R
27. Explanation of significant movements and differences (Unaudited) (continued)		
27.4 Rental income		
Rental income includes income generated from theatre hire, rental of flats and rental of costumes. Due to venue rentals being lower than projected, the income generated was lower than anticipated.		
27.5 Bad debt recovered		
Bad debts recovered were lower than anticipated. Attempts were made to contact and follow up on outstanding debts resulted in less than anticipated recovery of debts. A service provider was also appointed to assist the entity with the recovery of debts.		
27.6 Other income		
No assets were disposed during the current year as anticipated and therefore no proceeds recognised from sale of assets.		
27.7 Interest received		
Less than expected interest generated on investments.		
27.8 Retained surplus approved		
The application to retain surplus was approved late in the third quarter and not all the approved funds to be could be utilised.		
27.9 Employee related costs		
The underspending is as a result of funded vacant posts filled late during the year and there were also resignations and retirements.		
27.10 Depreciation and amortisation		
Assets planned for procurement and subsequent depreciation received at year-end was less than anticipated.		
27.11 General expenses		
The retention of the surplus was approved in November 2022 and the projected expenditure had to be adjusted for Q4. At the end of the financial year, the approved surplus was not all utilised.		
27.12 Revenue realised from conditional grants		
This relates to expenditure incurred relating to the HVAC project paid to the service provider managing the project. The balance also includes payment for the funded incubator programme. The two projects are funded through capital grants.		
27.13 Retained surplus approved		
The entity obtained approval to retain funds unspent from prior year operational grant. At the end of the financial year 49% had been spent from the retained funds.		
27.14 Inventory write-down		
Inventory write-down is not budgeted for.		
27.15 Loss on assets written-off		
Loss on assets written off is not budgeted for.		
28. Revenue		
Sale of goods	260,344	56,205
Rendering of services	399,446	243,173
Commission income	249,910	81,517
Rental income	780,357	588,702
Other income	20,000	55,928
Interest received - investment	1,308,580	810,094
Government grants & subsidies	51,707,159	50,003,798
Revenue in kind	1,399,547	1,283,988
	56,125,343	53,123,405

Performing Arts Centre of the Free State

Financial Statements for the year ended 31 March 2023

Notes to the Financial Statements

	2023 R	2022 R
28. Revenue (continued)		
The amount included in revenue arising from exchanges of goods or services are as follows:		
Sale of goods	260,344	56,205
Rendering of services	399,446	243,173
Commission income	249,910	81,517
Rental income	780,357	588,702
Other income	20,000	55,928
Interest received - investment	1,308,580	810,094
	3,018,637	1,835,619
The amount included in revenue arising from non-exchange transactions is as follows:		
Transfer revenue		
Government grants	51,707,159	50,003,798
Revenue in kind	1,399,547	1,283,988
	53,106,706	51,287,786
29. Commission income		
Commission income	249,910	81,517
Commission income is the amount received from theatre rental clients for utilising PACOFS box office ticketing service.		
30. Bad debts recovered		
Bad debts recovered	20,000	55,928
31. Proceeds from sale of assets		
Sale of assets	-	124,831
These proceeds have been derived from the sale of assets to staff at an auction where all the impaired, damaged and scrapped assets were disposed off.		
32. Revaluation reserve		
Opening balance	2,503,549	2,399,597
Change during the year	-	103,952
	2,503,549	2,503,549

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

Performing Arts Centre of the Free State

Financial Statements for the year ended 31 March 2023

Notes to the Financial Statements

	2023 R	2022 R
33. Commitments		
Authorised capital expenditure		
Balance remaining on contractual obligations		
• Capital project - HVAC	280,416	387,665
• Capital project -Facilities Management	-	354,254
• Capital project - Main Entrance	-	116,587
	280,416	858,506
Total capital commitments		
Balance remaining on contractual obligations	280,416	858,506

Narration for commitments

1. Capital project -HVAC

The balance of the commitment indicated above will be spent during the implementation of the project.

34. Events after year end

The following issues are events after the year end:

1. There is a CCMA cases awarded in favour of the former employee referred to in note 21 (case 1). There was a labour related dispute that was referred to the CCMA on the 12th of January 2023 and the outcome of the dispute was finalised by the CCMA after year end.
2. An amount of R354 053 was paid after the reporting date in settlement of a dispute with the contractor. Please refer to note 23 for the details of the disclosure. There was a labour related dispute that was referred to the CCMA on the 12th of January 2023 and the outcome of the dispute was finalised by the CCMA after year end.

Performing Arts Centre of the Free State

Financial Statements for the year ended 31 March 2023

Notes to the Financial Statements

2023	2022
R	R

35. Segment information

Identification of segments

The entity is organised and reports on the basis of three major functional areas: Administration, Business Development and Public engagement. The segments were organised around different departments. Management uses these segments for determining strategic objectives. Segments were aggregated for reporting purposes.

Information reported about these segments is used by management as a basis for evaluating the segments performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

Segment 1: Administration

To render administrative, governance and technical support to the core business.

Objectives

- Preparation of GRAP compliant financial statements
- Procurement of goods and services per legislative requirements
- Staffing with competent employees
- Maintenance of facilities
- Compliance with OHS requirements

Subprogramme

- Office of the CEO
- Finance
- Supply Chain Management
- Human Resource Management
- ICT
- Maintenance services
- Stage services
- OHS and Security

Segment 2: Business Development

To co-produce and host productions through the artistic programme, capacity building of arts practitioners.

Objectives

- Fulfill the mandate and the objectives of the entity as a whole
- Ensure development of upcoming artists
- Provide a learning and development platform for artists

Subprogrammes

- Office of the Artistic Director
- Artistic Department

Segment 3: Public Engagement

To engage the public about PACOFS offerings

Objectives

- Ensure timely marketing of shows per the approved artistic programme
- To attract audiences to the shows and generate revenue
- To ensure optimal use of PACOFS facilities

Subprogrammes

- Office of the Senior Marketing Manager
- Marketing Department
- Theatre Services

Performing Arts Centre of the Free State

Financial Statements for the year ended 31 March 2023

Notes to the Financial Statements

2023 R	2022 R
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35. Segment information (continued)

Aggregated segments

The entity operates throughout the Motheo district. Segments were aggregated on the basis of service delivered.

Types of goods and/or services by segment

These reportable segments as well as the goods and/or services for each segment are set out below:

Reportable segment

Performing Arts Centre of the Free State

Goods and/or services

Please refer to the Statement of Financial Position and Statement of Financial Performance

Performing Arts Centre of the Free State

Financial Statements for the year ended 31 March 2023

Notes to the Financial Statements

Figures in Rand

35. Segment information (continued)

Segment surplus or deficit, assets and liabilities

Disclosures

	Administration	Business development	Public engagement	Total
Revenue				
Bad debts recovered	20,000	-	-	20,000
Commission income	128,327	37,110	84,474	249,911
Government grants	51,707,159	-	-	51,707,159
Interest received	1,308,580	-	-	1,308,580
Renting of service	3,529	395,917	-	399,446
Rental income	19,090	76,000	685,267	780,357
Revenue in kind	1,399,547	-	-	1,399,547
Sales	-	-	260,344	260,344
Total segment revenue	54,586,232	509,027	1,030,085	56,125,344
Entity's revenue				56,125,344
Expenditure				
Asset impairment	9,025	-	-	9,025
Debt impairment	2,646	-	-	2,646
Depreciation and amortisation	1,356,171	-	-	1,356,171
Employee related costs	17,447,098	2,116,692	5,424,585	24,988,375
General expenses	16,971,381	6,160,128	895,424	24,026,933
Inventory write (down)/up	-	-	123,840	123,840
Loss on assets written off	14,087	-	-	14,087
Total segmental expenditure	35,800,408	8,276,820	6,443,849	50,521,077
Total segmental surplus/(deficit)				5,604,267

Performing Arts Centre of the Free State

Financial Statements for the year ended 31 March 2023

Notes to the Financial Statements

Figures in Rand

35. Segment information (continued)

	Administration	Business development	Public engagement	Total
Assets				
Current assets				
Cash and cash equivalents	121,755,000	-	-	121,755,000
Inventories	1,214,194	-	-	1,214,194
Receivables from exchange transactions	1,763,932	-	-	1,763,932
Non-current assets				
Heritage assets	5,425,483	-	-	5,425,483
Intangible assets	402,924	-	-	402,924
Property, plant and equipment	5,835,538	-	-	5,835,538
Total segment assets	136,397,071	-	-	136,397,071
Total assets as per Statement of financial Position				136,397,071
Equity and liabilities				
Current liabilities				
Provisions	1,070,162	-	-	1,070,162
Payables from exchange transactions	3,771,624	-	-	3,771,624
Unspent conditional grants and receipts	102,574,927	-	-	102,574,927
Non-current liabilities				
Employee benefit obligations	5,029,000	-	-	5,029,000
Reserves	-	-	-	-
Revaluation reserves	2,503,549	-	-	2,503,549
Accumulated surplus	21,447,809	-	-	21,447,809
Total segment equity and liabilities	136,397,071	-	-	136,397,071
Total liabilities as per Statement of financial Position				136,397,071

Following a change in the composition of its reportable segments, the corresponding items of segment information for earlier periods has been restated.

Performing Arts Centre of the Free State

Financial Statements for the year ended 31 March 2023

Notes to the Financial Statements

Figures in Rand

35. Segment information (continued)

Revenue -Prior year 31 March 2022

	Administration	Business development	Public engagement	Total
Bad debts recovered	55,928	-	-	55,928
Commission	20,973	-	60,544	81,517
Government grants	50,003,798	-	-	50,003,798
Interest received	810,094	-	-	810,094
Proceeds from sale of asset	124,831	-	-	124,831
Rendering of service	3,416	232,282	7,475	243,173
Rental income	20,840	-	567,862	588,702
Revenue in kind	1,283,988	-	-	1,283,988
Sales	-	-	56,205	56,205
	52,323,868	232,282	692,086	53,248,236

Expenditure -Prior year 31 March 2022

	Administration	Business development	Public engagement	Total
Asset impairment	244,391	-	-	244,391
Debt impairment	18,056	-	-	18,056
Depreciation and amortisation	1,392,124	-	-	1,392,124
Employee related costs	22,907,543	1,097,532	2,348,613	26,353,688
Finance costs	4,857	-	-	4,857
General expenses	19,096,511	4,977,534	474,915	24,548,960
Inventory write-down	77,259	-	-	77,259
(Loss)/Gain on disposal	34,792,738	-	-	34,792,738
	78,533,479	6,075,066	2,823,528	87,432,073

Performing Arts Centre of the Free State

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Notes to the Financial Statements

Figures in Rand

35. Segment information (continued)

Assets -Prior year 31 March 2022

	Administration	Business development	Public engagement	Total
Cash and cash equivalents	114,999,788	-	-	114,999,788
Inventories	857,827	-	-	857,827
Receivables from exchange transactions	1,062,099	-	-	1,062,099
Heritage assets	5,425,483	-	-	5,425,483
Intangible assets	144,588	-	-	144,588
Property, plant and equipment	4,162,366	-	-	4,162,366
	126,652,151	-	-	126,652,151

Equity and liabilities

	Administration	Business development	Public engagement	Total
Provisions	927,372	-	-	927,372
Payables from exchange transaction	2,461,292	-	-	2,461,292
Unspent conditional grants and receipts	98,062,886	-	-	98,062,886
Employee benefit obligations	6,853,507	-	-	6,853,507
Reserves	2,503,549	-	-	2,503,549
Revaluation reserves	15,843,545	-	-	15,843,545
	126,652,151	-	-	126,652,151

Measurement of segment surplus or deficit, assets and liabilities

Basis of accounting for transactions between reportable segments

The accounting policies of the segments are the same as those described in the summary of significant accounting policies, except that pension expense for each segment is recognised and measured on the basis of cash payments to the pension plan.

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**PERFORMING ARTS CENTRE
OF THE FREE STATE**

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