

Annual Report 2018/19



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P.A.C.O.F.S
PERFORMING ARTS CENTRE
OF THE FREE STATE
an agency of the
Department of Arts and Culture





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**Annual Report
2018/19**



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GENERAL
INFORMATION**



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P • A • C • O • F • S
**PERFORMING ARTS CENTRE
 OF THE FREE STATE**
 an agency of the
 Department of Arts and Culture

1. ENTITY INFORMATION

Registered name:	Performing Arts Centre of the Free State
Physical address:	12 First Avenue, Westdene, Bloemfontein
Postal address:	PO Box 1292 Bloemfontein, 9301
Telephone numbers:	(051) 447 7771
Fax number:	(051) 430 5523
Email address:	ceo@pacofs.co.za
Website address:	www.pacofs.co.za
External auditors:	Auditor-General of South Africa
Bankers :	ABSA
Company secretary:	None

2. LIST OF ABBREVIATION AND ACRONYMS

AGSA:	Auditor-General of South Africa
APP:	Annual Performance Plan
CEO:	Chief Executive Officer
CFO:	Chief Financial Officer
DAC:	Department of Arts and Culture
GRAP:	Generally Recognised Accounting Practice
MACUFE:	Mangaung African Cultural Festival
PACOFs:	Performing Arts Centre of the Free State
PFMA:	Public Finance Management Act





3. FOREWORD BY THE CHAIRPERSON

It is an honour for me to present the 2018-2019 Annual Report for the Performing Arts Centre of the Free State. Following our appointment as Council by the Honourable Minister, Mr Nathi Mthethwa, in December 2017, the year under review therefore marks our first full financial year in office as the Accounting Authority in charge of the institution. It was a difficult year, but it was also a very exciting year because of some of the milestones that we achieved in terms of turning around the organisation.

As one of the leading Performing Arts Institutions in the country, PACOFS has for a number of years had numerous challenges that hampered the full execution of its mandate. A number of factors that include a lack of skilled and qualified labour force, poor performance, endless labour disputes, ill-discipline and insufficient funding for programming are all issues that contributed to the poor performance of the institution.

In line with our strategic plan, one of our priority strategic interventions was to first ensure that the long awaited organisational restructuring process is implemented. To this end, we approved a new organisational structure as part of the restructuring process, and it will be fully implemented in the next financial year. The restructuring will address, among others, grading of jobs, salary disparities, ensuring relevant skills as well as the implementation of performance management. We are optimistic that this will yield positive results for the Institution.

For almost five years, PACOFS has been without a permanent Chief Executive Officer. The absence of this key incumbent has also had a negative impact in the institution's ability to deliver on its mandate. I am pleased to announce that we have finally appointed a seasoned Chief Executive Officer who has been tasked to turn around the institution to achieve clean audit outcomes and also deliver on its core mandate.

Other key positions such as the Senior Managers for Marketing and Facilities will also be prioritised for filling early in the new financial year. As Council, we believe that filling all this critical positions will contribute to turning around the institution and eventually enhance the institution's performance towards achieving the desired results.

One of the observations that we made as Council is the culture of ill-discipline, poor labour relations and lack of corporate governance, which had a significant contribution to the poor performance of the institution. In a bid to mitigate this situation, certain key policies were prioritised for review. Parallel to this, Council encouraged Management to instil discipline in line with the institution's Code of conduct. To this end, I am pleased to indicate that compared to the past few years, there is currently a satisfactory level of stability in the institution.

The regression of the audit outcome was precipitated mainly by the findings of the forensic investigation on the infrastructure projects done between 2012 and 2014. External expertise is required to assist the institution to deal with the identified issues. The Department of Sports, Arts and Culture has already been engaged to ensure that we are able to execute the plan to address the forensic investigation findings before the next audit.

We continue to experience a challenge in our desire to implement a vibrant Artistic Programme due to budgetary constraints. As a result, the institution has only been able to afford small, low budget productions mainly from the Free State and has augmented the programme with partnership productions. We have urged the Management team to continue to identify and forge strategic partnerships in the Free State Province for dual purposes; firstly, to ensure that there are enough productions to keep the lights on in our theatres and secondly, to ensure that the institution generates enough revenue through rental of its venues and facilities. With the new Chief Executive Officer appointed and the new organisational structure in place, we are optimistic that the institution is heading for new and exciting times ahead.

In conclusion and on behalf of Council, I would like to thank the Minister and the Department for the continued support during the difficult times experienced by the institution. I would also like to thank Management and staff for their hard work and commitment in ensuring that Council's vision and plans to turn the institution around are implemented. I thank you.

Mr Nkosana Sifumba
Chairperson of Council

4. CHIEF EXECUTIVE OFFICER'S OVERVIEW

On behalf of the management of the Performing Arts Centre of the Free State (PACOFs), it is once more a great pleasure for me to present this annual report for the 2018/2019 Financial Year. In the previous annual report, we outlined some strategies that we had planned to implement in order for the Institution to further improve on its external audit outcome.

In an attempt to work towards the improvement of the audit outcome for the year under review, much attention was placed on addressing all qualification matters from the previous external audit report.

Unfortunately, even though much effort was placed on addressing the issues above, the Institution regressed to obtaining a disclaimer of opinion, mainly due to issues emanating from the forensic investigation that was conducted for capital works projects that were implemented between 2012 and 2014. The Auditor-General was concerned about the accuracy of the assets valuation, given the potential overbilling of professional services flagged in the forensic report. Given the pervasiveness and the materiality of the amounts involved, including other internal weaknesses identified, the Auditor-General issued a disclaimer on the financial statements.

However, the phase two of the forensic investigation, which will include the National Prosecuting Authority and the Hawks, will soon commence to determine and prosecute any criminality.

In the meantime, the Institution is already hard at work to attend to the assets valuation issue that is the main culprit for the disclaimer. External expertise will be brought in to assist with the fair valuation of the capital work done, this to make it possible for the Auditor-General, at the next audit, to rely on the asset balances that would be reflected on the financial statements. Failure by the Institution to deal with this matter will result in rolling annual disclaimers. Management has set itself a tight timeframe of clearing the other audit matters by the end of November 2019.

As indicated in the previous annual report, during the year under review, the institution embarked on an organisation-wide restructuring process. This was an implementation of the resolution that was taken by Council in 2016 as a mechanism to bring about much needed change. The restructuring project focused on the following components:

- Development of job profiles and grading
- Development of the organisational structure
- Development of new pay scales

Following the restructuring process, Council approved the new organisational structure and this was followed by consultations with all relevant stakeholders. As part of

the implementation of the new organogram, management signed performance agreements, staff members who do not possess the relevant educational qualifications entered into study agreements with the Institution, all staff members signed new employment contracts and new appointment letters which are informed by placement on the structure, have been issued. This new structure will be fully implemented in the 2019/20 financial year.

As far as the Core Business is concerned, minimal financial resources continued to pose a challenge in as far as mounting a vibrant Artistic Programme of Excellence is concerned. Once again, due to budgetary constraints and in an attempt to meet the set targets, only small local productions were mounted with a view to providing platform and access to Free State artists. Like in the previous financial year, the programme was sustained through partnership productions where the Institution only provided venues and other resources except for money.

The Institution has just finalised the recruitment of the Chief Executive Officer who is expected to assume his position at the beginning of the new financial year. Other key positions that are planned to be filled in the new financial year include:

- Senior Manager: Marketing
- Senior Manager: Facilities
- Manager: Human Resources

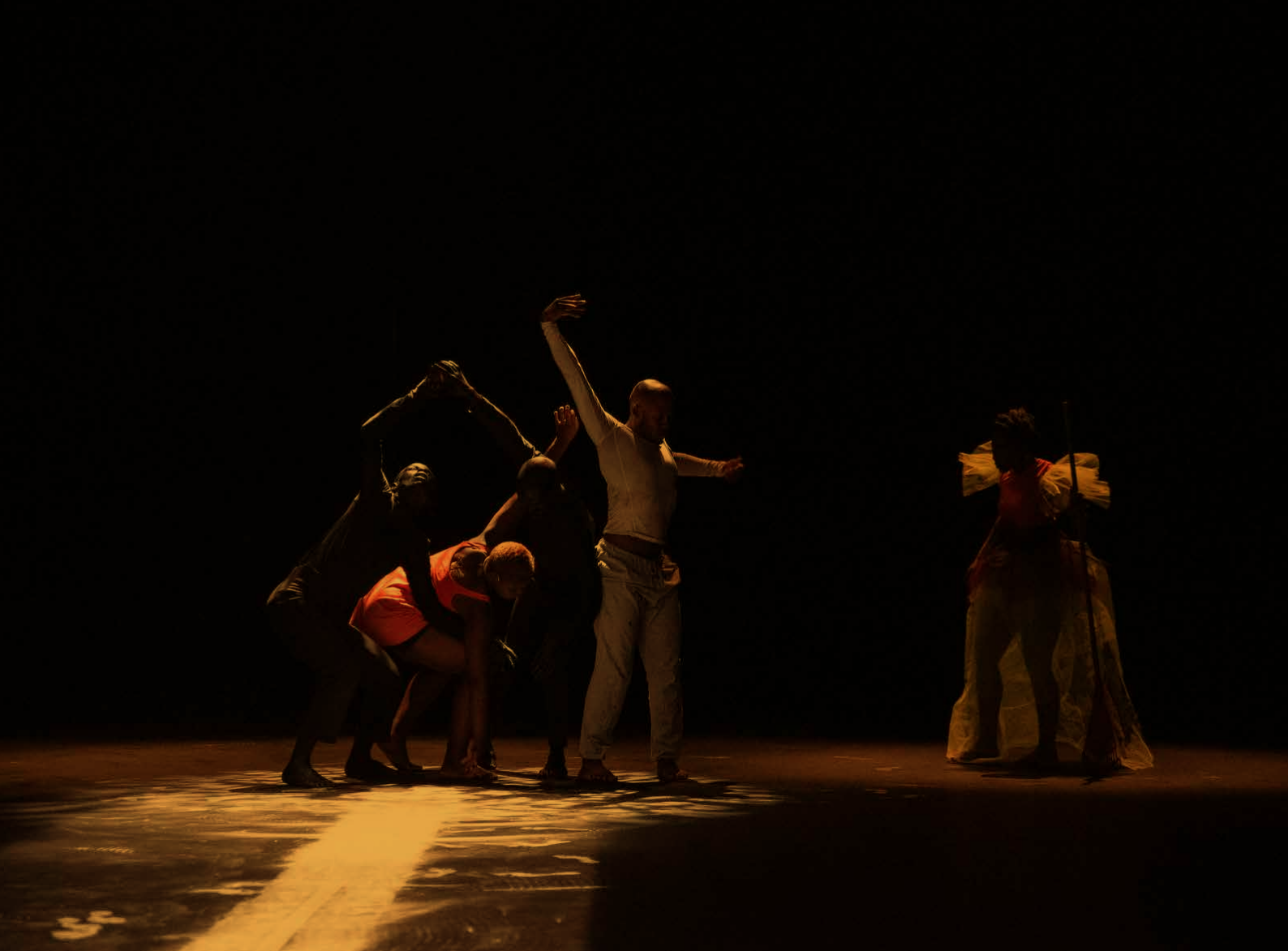
It is anticipated that the filling of the above-mentioned senior positions will bring the much needed stability, strengthen corporate governance and enhance the overall performance of the Institution. We shall once more continue to capacitate and strengthen our internal control systems through our Human Resources, Finance and Supply Chain departments. We will continue to ensure that the Core Business department presents a vibrant artistic programme with the limited financial resources, and that this is done within the confines of the required procurement processes. We will enter into more partnerships this is the most cost-effective way to enhance and boost our programme.

In conclusion, Management would like to thank the Council of PACOFs for their continued guidance and support. Management would also like to thank the entire staff and our stakeholders in their commitment as we all attempt to restructure and turn the institution around.

I thank you.



Meshack Xaba
Acting Chief Executive Officer



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

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

All information and amounts disclosed in the annual report is consistent with the annual financial statements audited by the Auditor-General of South Africa. The annual report is complete, accurate and is free from any omissions.

The annual report has been prepared in accordance with the guidelines on the annual report as issued by the National Treasury. The Annual Financial Statements in Part E have been prepared in accordance with the GRAP standards applicable to PACOFS.

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, the human resource information and the financial affairs of PACOFS for the financial year ended 31 March 2019.

Mr Nkosana Sifumba
Council Chairperson
Date: 30 August 2019

Mr Meshack Xaba
Acting CEO
Date: 30 August 2019

6. STRATEGIC THRUST

6.1 Vision

The icon of arts in South Africa

6.2 Mission

Develop, promote and preserve the arts and African heritage

6.3 Values

- Artistic freedom
- State-of-the-art quality
- Impartial but in good taste
- Africa first

7. LEGISLATIVE AND OTHER MANDATES

PACOFs stages performances, community arts activities, training programmes, as well as audience development initiatives to sustain all forms of the performing arts.

Key mandate

PACOFs is a declared Cultural Institution in terms of section 3 of the Cultural Institutions Act, 1998 (Act No. 119 of 1998) and it is listed as a Schedule 3A (national entity) under the Public Finance Management Act, 1999 (Act No. 1 of 1999).

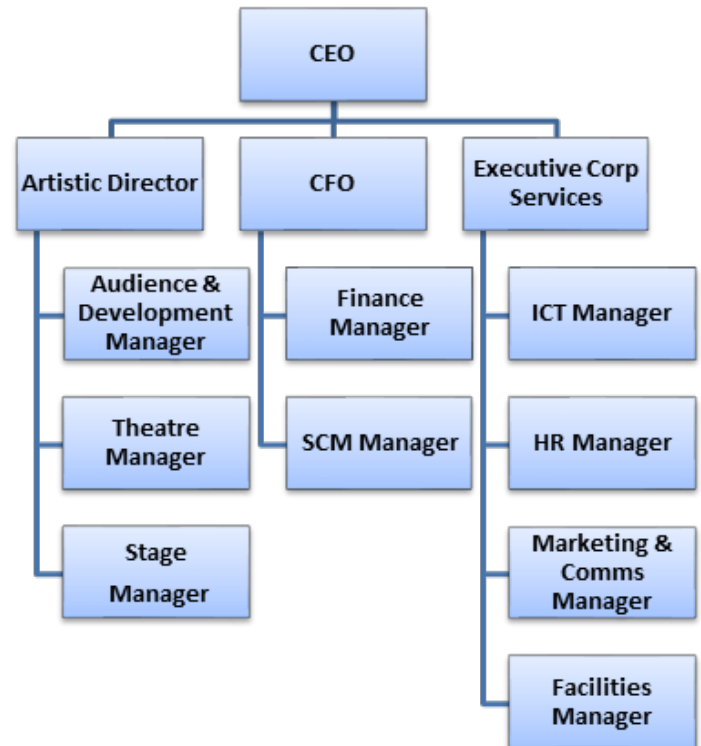
PACOFs operates in terms of various legal mandates, including among others:

- The Constitution of the Republic of South Africa
- The Treasury Regulations

- The Basic Conditions of Employment Act, 1997 (Act No. 75 of 1997)
- The Labour Relations Act, 1995 (Act No. 66 of 1995)
- The Occupational Health and Safety Act, 1993 (Act No. 59 of 1993)

8. ORGANISATIONAL STRUCTURE

Below is the organisational structure that Council approved in October 2016.



**PART B:
PERFORMANCE
INFORMATION**



1. AUDITOR'S REPORT: PREDETERMINED OBJECTIVES

The AGSA currently performs the necessary audit procedures on the performance information to provide reasonable assurance in the form of an audit conclusion. The audit conclusion on the performance against predetermined objectives is included in the report to management, with material findings being reported under the Predetermined Objectives heading in the Report on other legal and regulatory requirements section of the auditor's report. Refer to page 28 for the Report of the Auditors, published as Part E: Financial Information.

2. SITUATIONAL ANALYSIS

2.1 Service delivery environment

The 12 programmes of excellence as presented during the 2018/19 financial year were mainly based on the promotion of local content/stories, coupled with Edu-entertainment programmes. The programme was divided into four quarters of the year, equalling to three activities per quarter. The plan was to present works through alignment of the months and days of national significance as they appear on the national days of significance calendar. Various stakeholders, ranging from government departments, NGOs, institutions of higher learning, media houses, etc., formed part of the programme, wherein presentations, craft works display and performances as well as public lectures were conducted.

Achievements: During the Mandela and Women's Month celebrations and commemoration, local craft flea market, performance of drama and poetry were held within the theatre complex as such, new audiences attended and enjoyed the integrated artistic programme. Organisations like the Museums, Libraries, South African Blood Transfusion Services and Standard Bank, Human Settlement Department, Central University of Technology and Motheo FET College participated.

Challenges: the main challenge has always been the funding or the budget allocated for the programme. The theatre could not sustain the programmes and could not attract national audiences because of the limited publicity budget. However, it was good enough to have attracted over 10 000 people to witness 12 programmes and largely local audience dominated.

2.2 Organisational environment

The Institution has been experiencing a lot of retirements in critical departments like technical and stage services. As such a lot of experience has left the theatre and the succession plan has been slow to acquire the similar skills, however, in some areas such as technical, the institution had to outsource expertise to fill up the gap. The current production costs for shows have gone up tremendously, such that good quality works can no longer be contracted for long seasons. However, with the little budget allocated, the theatre has managed to negotiate short seasons and patched up through partnerships and collaborations. Skills shortage is the worst enemy of the theatre at the moment because private companies are paying far better than the entity. The outsourcing of specialised technical skills have saved the theatre during the year under review.

2.3 Key policy developments and legislative changes

There has been no key policy development and legislative changes for the period under review.

2.4 Strategic Outcome Oriented Goals

The following are the strategic goals of the institution:

- 2.4.1 Organisation transformation to high performance
- 2.4.2 Artistic programming
- 2.4.3 Talent development and promotion of the arts
- 2.4.4 Partnering, funding and sponsorship
- 2.4.5 Optimising PACOFS' facilities
- 2.4.6 Marketing of PACOFS



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.

Strategic outcome	Organisation transformation to high performance						
Strategic objective	No.	Key performance indicator	Actual achievement 2017/18	Planned target 2018/19	Actual achievement 2018/19	Deviation from planned target	Comment on deviations
Ensure good corporate governance	1	Approved new organisational structure	New Indicator	Approved new organisational structure	New organisational structure was approved	No	N/A
	2	Unqualified audit outcome achieved and audit action plan implemented	Adverse opinion	Unqualified audit outcome achieved and audit action plan implemented	Disclaimer of opinion obtained	Yes	Staff and skills shortage
Change staff perceptions and commitment to PACOFS	3	Number of staff engagement surveys developed and implemented	New Indicator	1 staff engagement survey and intervention plan developed and implemented	1 staff engagement survey was conducted	Yes	Lack of capacity within the HR Department
		Intervention plan developed and implemented					
Develop relevant skills and competencies within PACOFS	4	Approved skills audit and training report	New Indicator	Approved skills audit and training report	Skills audit and training not done	Yes	Skills audit was scheduled to be done once the organisational restructuring project is finalised, but it took longer than anticipated
Map and implement a business improvement programme	5	Approved departmental business process manuals implemented	New Indicator	Approved departmental business process manuals implemented	Departmental business process manuals were approved and implemented	No	N/A
Align information technology infrastructure and applications to support operations and business process	6	Approved ICT governance framework implemented	New Indicator	ICT governance framework approved and implemented	ICT governance framework was not approved and implemented	Yes	Lack of internal capacity to review and approve the framework
	7	Approved ICT strategy implemented	New Indicator	Approved ICT strategy implemented	ICT governance framework not Approved and implemented	Yes	Lack of internal capacity to review and approve the strategy

Strategy to overcome areas of under performance

Areas of under performance	Strategy to overcome areas of under performance
Unqualified audit outcome achieved and audit action plan implemented	Fill critical vacant positions
Number of staff engagement surveys developed and implemented	Recruit competent HR Manager
Intervention plan developed and implemented	
Skills audit and training plan	Set aside funds and outsource the service due to lack of internal capacity
Approved ICT governance framework implemented	
Approved ICT strategy implemented	

Changes to planned targets

There were no changes to the planned targets.

Linking performance to the budget

Programme	2018/19			2017/18		
	Budget R'000	Actual R'000	(Over)/ Under R'000	Budget R'000	Actual R'000	(Over)/ Under R'000
Administration	26 814	31 615	(4 801)	30 162	32 677	(2 515)

Programme 2: Business Development

Strategic outcome	Artistic programming						
Strategic objective	No.	Key performance indicator	Actual achievement 2017/18	Planned target 2018/19	Actual achievement 2018/19	Deviation from planned target	Comment on deviations
Produce artistic programmes	8	Number of artistic programmes of excellence staged	New Indicator	12 artistic programmes of excellence staged	12 artistic programmes of excellence were staged	No	N/A
	9	Number of flagship programmes staged	New Indicator	1 flagship programme staged	1 flagship programme was staged	No	N/A
Significantly raise the standard and extent of the whole system of delivery	10	Number of training workshops conducted for arts practitioners	New Indicator	4 training workshops conducted for arts practitioners	6 training workshops were conducted for arts practitioners	No	Refer to the reason for over achievement below

Strategic outcome	Artistic programming						
Strategic objective	No.	Key performance indicator	Actual achievement 2017/18	Planned target 2018/19	Actual achievement 2018/19	Deviation from planned target	Comment on deviations
Identify talent in the Free State across all disciplines through auditioning, mentoring, training, placement programme and talent pool identification	11	Number of mentorship and placement programmes for local artists developed and implemented	New Indicator	1 mentorship and placement programmes for local artists developed and implemented	1 mentorship and placement programme for local artists was developed and implemented	No	N/A
Conduct development showcases	12	Number of developmental productions showcased	New Indicator	26 developmental productions showcased	24 developmental productions showcased	Yes	2 productions not reported as they did not meet set criteria
Create a value adding proposition to potential business partners and sponsors	13	Number of business partners / sponsors engaged	New Indicator	2 business partners / sponsors engaged	2 business partners/ sponsors were engaged	No	N/A
Maintain technical and operational excellence of our facilities	14	Number of scheduled maintenances implemented	New Indicator	4 scheduled maintenances implemented	4 scheduled maintenances were implemented	No	N/A
	15	Number of skills transfer programmes implemented to build a professionally qualified production team	New Indicator	4 skills transfer programmes implemented	4 skills transfer programmes were implemented	No	N/A

Strategy to overcome areas of under performance

All targets were achieved.

Reasons for over performance

Areas of over performance	Reason
Number of training workshops conducted for arts practitioners	<p>There were two additional requests for workshops:</p> <p>A technical workshop for artists from artists in Welkom as a follow-up to the Music workshop that had already taken place in the first quarter.</p> <p>A need for a workshop was identified while engaging with People with Disability during the preparations for the partnership festival that took place in the third quarter.</p>

Changes to planned targets

There were no changes to planned targets.

Linking performance to the budget

Programme	2018/19			2017/18		
	Budget R'000	Actual R'000	(Over)/Under R'000	Budget R'000	Actual Expenditure R'000	(Over)/Under Expenditure R'000
Business Development	10 618	14 464	(3 846)	11 130	12 207	(1 077)

Programme 3: Public Engagement

Strategic outcome	Marketing of PACOFS						
Strategic objective	No.	Key performance indicator	Actual achievement 2017/18	Planned target 2018/19	Actual achievement 2018/19	Deviation from planned target	Comment on deviations
Conduct market research to understand what audiences want	16	Number of market research conducted	New Indicator	1 market research conducted	1 market research was not conducted	Yes	Non response from relevant companies
	17	Number of stakeholder surveys conducted	New Indicator	4 surveys conducted	4 surveys were conducted	No	N/A
Innovatively and significantly raise PACOFS visibility and use its facilities to retain customers	18	Number of programmes of events in all potential venues marketed	New Indicator	4 programmes of events in all potential venues marketed	4 programmes of events in all potential venues were marketed	No	N/A
Explore and develop partnering opportunities	19	Number of schools visited	New Indicator	16 schools visited	20 schools were visited	4 extra schools were visited	Refer to the reason for over performance below
	20	Number of businesses/ media engaged	New Indicator	4 businesses/ media engaged	4 businesses/ media were engaged	No	N/A

Strategy to overcome areas of under performance

Areas of under performance	Strategy to overcome areas of under performance
Conducting market research	A combination of advertising platforms will be considered in the future for better reach and therefore an improved response rate from relevant companies.

Reasons for over performance

Areas of over performance	Reason
Number of schools visited	There were few occasions where PACOFS had scheduled a school visit at a particular school and the neighbouring schools were alerted of PACOFS' presence. They also developed interest to interact with the institution and this resulted into those schools inviting PACOFS. It is in such instances that PACOFS ended up doing unscheduled visits in the same area just to honour the invitation, and to build relationships with the schools.

Changes to planned targets

There were no changes to planned targets.

Linking performance to the budget

Programme	2018/19			2017/18		
	Budget R'000	Actual Budget R'000	(Over)/Under R'000	Budget R'000	Actual Expenditure R'000	(Over)/Under Expenditure R'000
Public Engagement	10 624	11 005	(381)	8 797	9 183	(386)

4. PROGRAMME EXPENDITURE

Programme	2018/19			2017/18		
	Estimate R'000	Actual R'000	(Over) Under R'000	Estimate R'000	Actual Expenditure R'000	(Over)/Under Expenditure R'000
Administration	26 814	31 615	(4 801)	30 162	32 677	(2 515)
Business Development	10 618	14 464	(3 846)	11 130	12 207	(1 077)
Public Engagement	10 624	11 005	(381)	8 797	9 183	(386)
Total	48 056	57 084	(9 028)	50 089	54 067	(3 978)

PART C: GOVERNANCE



1. INTRODUCTION

Corporate governance embodies processes and systems by which PACOFS is directed, controlled and held to account. In addition to legislative requirements based on PACOFS' enabling legislation, corporate governance with regard to public entities is applied through the precepts of the PFMA and run in tandem with the principles contained in the King's Report on Corporate Governance.

The National Parliament, the Minister of Arts and Culture, and the Council of PACOFS are responsible for corporate governance.

2. PORTFOLIO COMMITTEE

PACOFS appeared before the Portfolio Committee on Arts and Culture on the 17th April 2018 to present the 2018/2019 Annual Performance Plan.

3. EXECUTIVE AUTHORITY

The Minister of Arts and Culture is the Executive Authority. During the period under review, the following reports were submitted to the Department of Arts and Culture:

Report description	Submission date
Procurement plan	15 April 2018
1st quarter report	31 July 2018
2nd quarter report	31 October 2018
3rd quarter report	31 January 2019
4th quarter report	30 April 2019
2017/18 Annual Report	31 July 2018
2019/20 Annual Performance Plan	30 January 2019

4. ACCOUNTING AUTHORITY

The Council, appointed by the Minister of Arts and Culture, is the accounting authority in terms of the

PFMA and it recognises that transparency, disclosure, financial controls and accountability remain the pillars of a good system of corporate governance. Council ensures that Management is responsible for implementing controls as required by the PFMA.

4.1 Functions of the Council

The functions of the Council are to:

- formulate policy;
- hold, preserve and safeguard all movable and immovable property of whatever kind placed in their care or loaned or belonging to PACOFS;
- receive, hold, preserve and safeguard all movable property placed under its care and management under Section 10 of the Cultural Institutions Act 10(1);
- raise funds for PACOFS;
- manage and control the monies received by PACOFS and to utilise those monies for defraying expenses in connection with the performance of its functions;
- keep a proper record of the property of PACOFS, and 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;
- determine, subject to the Cultural Institutions Act and with the approval of the Minister, the objects of PACOFS; and
- generally carry out the objects of PACOFS.

4.2 Council charter

The council had adopted a council charter which guided its operations during the year under review. The charter was complied with fully.

4.3 Composition of the council

The current Council was appointed with effect from the 1st December 2017. The Council members bring to the Council a wide range of experience and skills. Council held seven (7) meetings.

Name	Qualifications	Area of expertise	Number of meetings attended	Remuneration* R'000
Mr Nkosana Sifumba (Chairperson) From 08 May 2018	MBL, CISA, CGEIT, CRISC	ICT	6	42
Mr Abia Litheko	BA in Dramatic Arts	Performing arts	3	56
Ms Thoko Nogabe	Choreography	Performing arts	6	81
Adv. Khayelihle Thango	LLB (postgraduate)	Law	5	61
Mr Hubert Matlou	BA Communication MA International Communication	Broadcasting and Communication	7	109

Name	Qualifications	Area of expertise	Number of meetings attended	Remuneration* R'000
Ms Tinah Mnumzana	Diploma in Speech & Drama	Performing arts	4	57
Mr Dharamraj Brijlal	BA; BA (Hons.)(Ind. Psy) [Unisa]; PGDip(BusMgt) (Natal); MBA (UKZN); Certificate in Advanced Labour Law (Unisa); MHRP (SABPP); Member (IPM).	Human Resources & Law	7	45
Ms Mareshini Naidoo	BComAcc; BComAcc(Hons)	Accounting	5	26
Ms Afrika Msimang (Chairperson) Until 07 May 2018	BA in Political Science; Masters in Public Administration	Governance	1	5

*includes travel costs claimed

Council committees

Committee	Number of meetings held	Number of members	Name of members
Finance	4	4	Ms M. Naidoo Mr J. Matlou Ms T. Mnumzana Mr A. Litheko
Remuneration	5	3	Mr B. Brijlal Adv. K. Thango Ms T. Nogabe
Core Business	4	4	Mr K. Thango Ms T. Nogabe Ms T. Mnumzana Mr H. Matlou
Audit and Risk	8	5	Mr K. Nkoe Ms M. Naidoo Ms L. Ralikonyana Ms Z. Chonco Mr M. Mothapo

5. RISK MANAGEMENT

PACOFs has adopted a risk management framework. It was developed to give effect to section 51(1)(a)(i) of the PFMA, which requires the institution to maintain effective, efficient and transparent risk management system. PACOFs recognises that risks are present in all its business activities and that successful management of such risks is a critical factor in maximising business value. As such, PACOFs will continuously develop, implement and sustain an Enterprise Risk Management (ERM) programme to identify, evaluate, mitigate and report on and monitor key risks in a manner that will strengthen management practices and support corporate governance needs.

Therefore, a risk management policy is in place to guide in the identification, mitigation and management of risks facing the institution. Risk assessments are conducted annually to review the risk profile and the risk register for management to determine the effectiveness of the adopted risk mitigation plans.

The audit and risk committee monitors the effectiveness of the system of risk management within PACOFs and mainly focuses on the extent to which management mitigates unacceptable levels of risks. The committee reports regularly to council on risk matters.

5.1 BENEFITS OF UPDATED RISK REGISTER

The risk register, which in practical terms contains risks, identified within the workplace environment, once compiled and confirmed:

5.1.1 Provide an effective check that the activities of the organisation help it meet objectives, which means that:

- Measurable outcomes are achieved by ensuring that every objective links directly to the activities; and
- A strategic plan is grounded in the real world of the business' day-to-day activities.

5.1.2 Improve the quality of strategic planning by ensuring that:

- the planned objectives entirely respond to the organisation's mandate; and
- the planned objectives are sensible and achievable.

5.1.3 Facilitate the design of an effective internal control systems such as:

- organisational structure;
- organisational mandate and delegated authorities;
- strategic decision-making and review processes;
- policies and procedures and their implementation and review;
- human-resources policies;
- financial planning, budgeting and reporting
- performance monitoring system; and
- Information technology issues.

6. INTERNAL AUDIT AND AUDIT COMMITTEE

Morar Inc. was appointed as PACOFS internal auditors in November 2017.

PACOFS has in place an Internal Audit Charter that is reviewed regularly. It defines the status, objectives and the responsibility of the outsourced internal audit function. The internal audit function underpins governance within the institution. Its primary objective is to provide independent assurance and advice on the internal control systems, risk management, as well as operations and performance against set targets.

The following engagements were concluded in line with the approved internal audit plan:

- SCM review
- Prior year audit findings review
- Performance Information reviews

The Audit and Risk Committee is established by Council to provide oversight for sound and effective risk management and internal control systems. For the year under review, the committee held eight (8) meetings.

Composition of the audit and risk committee

Name	Qualifications	Date appointed	Internal/ External	No. of Meetings attended
Mr K. Nkoe	BCom; Advanced Diploma in Accounting	01/03/2016	External (Chairperson)	8
Ms Z. Chonco	BCom Accounting (Hons); CA(SA)	01/03/2016	External	5
Ms L. Ralikonyana	BCom; Diploma in Internal Auditing	01/03/2016	External	6
Mr M. Mothapo	B.Compt	01/05/2017	External	8
Ms M. Naidoo	BComAcc; BComAcc (Hons).	19/01/2018	Council member	5

7. COMPLIANCE WITH LAWS AND REGULATIONS

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

8. 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).

It is the policy of the PACOFS that fraud, corruption, maladministration or any other dishonest activities of a similar nature will not be tolerated. Such activities will be investigated and actions instituted against those found responsible. Such actions may include the laying of criminal charges, civil administrative actions and recoveries where applicable.

Prevention, detection, response and investigative strategies will be designed and implemented. These will include any existing controls (system controls and manual internal controls) and those currently prescribed in existing policies, procedures and other relevant prescripts to the activities of PACOFS.

It is the responsibility of all employees to report all incidents of fraud and corruption that may come to his / her attention to his / her supervisor. Alternatively, such reports can be made by way of submitting a report through the prescribed whistle blowing mechanism.

All reports received will be treated with the requisite confidentiality and will not be disclosed or discussed with parties other than those charged with investigation into such reports.

All Managers are responsible for the detection, prevention and investigation of fraud and corruption, within their areas of responsibility.

9. MINIMISING CONFLICT OF INTEREST

To minimise conflict of interest in supply chain management, bid committee members 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.

10. CODE OF CONDUCT

PACOFs 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 PACOFs employee constitutes misconduct and can result in disciplinary action being taken. In serious cases, such disciplinary action may result in dismissal.

11. HEALTH SAFETY AND ENVIRONMENTAL ISSUES

PACOFs is continuously striving to improve in complying with the Occupational Health and Safety Regulations. The aim is to ensure that there are no incidents of harm in the workplace. For the year under review, there were no serious injuries reported.

12. COUNCIL SECRETARY

A Council Secretary was appointed in January 2018 and resigned during the year.

13. AUDIT AND RISK COMMITTEE REPORT

Legislative prescripts

The audit and risk committee herewith presents its report for the financial year ended 31 March 2019, as required by section 51(1)(a)(ii) of the Public Finance Management Act (PFMA) and the Treasury Regulation 27.1.10(c).

Audit Committee's responsibilities

The audit and risk committee has complied with its responsibilities as required by the section 51(1)(a)(ii) of the PFMA read with Treasury Regulation 27.1.10(c) and its audit and risk committee charter.

Effectiveness of internal control

The audit and risk committee acknowledges management's effort to work on improving the organisational internal controls. Management has provided assurance that effective corrective action will be implemented in respect of all internal control weaknesses and the audit and risk

committee will monitor these controls going forward.

Internal audit function

According to the PFMA, the Accounting Authority is obliged to ensure that the organisation has a system of internal audit under the control and direction of the audit committee. The internal audit has discharged its functional responsibilities during the year under review.

The audit and risk committee notes with satisfaction the independence and objectivity of the internal audit function.

Risk management function

The audit and risk committee is responsible for oversight of the risk management function. The committee reviewed the organisational risk register and quarterly risk management reports. The committee is of the view that management needs to improve on risk management to ensure that all risks that may deter the organisation from achieving its strategic objective are mitigated.

Financial statements

The audit and risk committee has reviewed the annual financial statements of the organisation for the year ended 31 March 2019 to ensure that the financial statements are in accordance with the General Recognised Accounting Practice. The audit and risk committee has performed a limited review on the annual financial statements.

External auditors report

The audit and risk committee concurs with and accepts the conclusion and audit opinion of external auditors on the annual financial statements. The committee is of the view that the audited financial statements be accepted and read together with the report of external auditors. The committee confirms that it has been actively involved throughout the audit process and has been thoroughly appraised of the issues giving rise to the audit opinion. The external audit function performed by the Auditor-General South Africa (AGSA), is independent of the organisation. The committee has met with the external auditors to ensure that there are no unresolved issues and acknowledges the diligence and cooperation of the external audit team.

On behalf of the audit committee



Mr Khotso Nkoe
Audit and Risk Committee Chairperson

**PART D: HUMAN
RESOURCE
MANAGEMENT**



HUMAN RESOURCE OVERSIGHT STATISTICS

Personnel cost by programme

Programme	Total Expenditure (R'000)	Personnel Expenditure (R'000)	Personnel exp. as a % of total exp.	No. of employees	Average personnel cost per employee (R'000)
Administration	31 615	12 555	39.7	31	405
Business Development	14 464	10 383	71.8	16	581
Public Engagement	11 005	6 876	62.5	19	362
Total	57 084	29 814	52.2	66	452

Personnel expenditure excludes post employment medical benefit of R -62 000 in Note 20 of AFS

Personnel cost by salary band

Level	Personnel Expenditure (R'000)	% of personnel exp. to total personnel cost	No. of employees	Average personnel cost per employee (R'000)
Top Management	2 905	9.7	2	1 453
Middle Management	7 701	25.8	9	856
Professional qualified	1 017	3.4	2	509
Skilled	8 360	28.0	19	440
Semi-skilled	7 981	26.8	36	222
Unskilled	1 850	6.2	8	231
Total	29 814	100.0	76	352.3

Personnel expenditure excludes post employment medical benefit of R -62 000 in Note 20 of AFS

Training Cost

Programme	Personnel Expenditure (R'000)	Training Expenditure (R'000)	Training Expenditure as a % of Personnel Cost	No of employees trained	Average training cost per employee
Administration	12 555	237	1.9	14	16.9
Business Development	10 383	11	0.1	1	11
Public Engagement	6 876	16	0.2	2	8
Total	29 814	264	0.9	17	15.5

Personnel expenditure excludes post employment medical benefit of R -62 000 in Note 20 of AFS

Employment and vacancies

Programme	No. of Employees	Approved Posts	Vacancies	% of vacancies
Administration	24	32	8	25
Business Development	12	13	1	7.7
Public Engagement	40	44	4	9.1
Total	76	89	13	14.6

*Excludes contract personnel and ad hoc staff.

Employment and vacancies

Programme	No. of Employees	Approved Posts	Vacancies	% of vacancies
Top Management	2	4	2	50
Middle Management	9	9	0	0
Professional qualified	2	4	2	50
Skilled	19	20	1	5
Semi-skilled	36	42	6	14.3
Unskilled	8	10	2	20
Total	76	89	13	14.6

*Excludes contract personnel and ad hoc staff.

Employment changes

Salary Band	Employment at beginning of period	Appointments	Terminations	Employment at end of the period
Top Management	2	0	0	2
Middle Management	9	0	1	8
Professional qualified	2	0	1	1
Skilled	18	1	2	17
Semi-skilled	36	0	2	34
Unskilled	9	0	5	4
Total	76	1	11	66

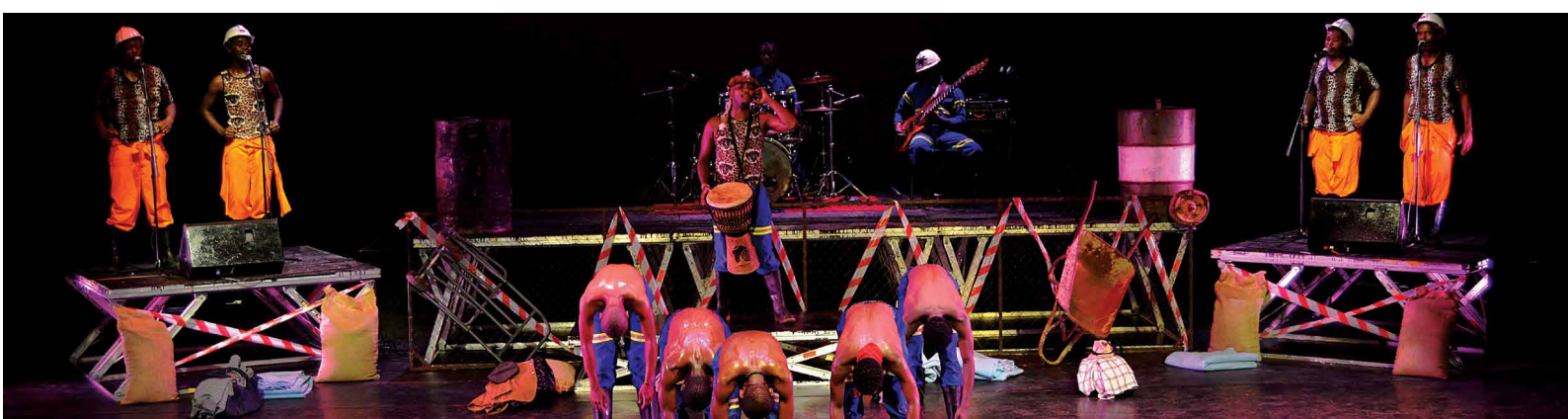
*Excludes contract personnel and ad hoc staff.

Reasons for staff leaving

Retirement	Number	% of total no. of staff leaving
Death	1	6.7
Resignation	5	33.3
Dismissal	3	20.0
Retirement	6	40.0
Ill health	0	0
Expiry of contract	0	0
Other	0	0
Total	15	100

Labour Relations: Misconduct and disciplinary action

Nature of disciplinary Action	Number
Verbal Warning	0
Written Warning	0
Final Written warning	8
Dismissal	3



Equity Target and Employment Equity Status

EE/AA Male

Levels	Male			
	African	Coloured	Indian	White
Top Management	2	0	0	0
Middle Management	5	0	0	1
Professional qualified	1	0	0	0
Skilled	4	2	0	0
Semi-skilled	21	0	0	0
Unskilled	2	0	0	0
Total	35	2	0	1

EE/AA Female

Levels	Female			
	African	Coloured	Indian	White
Top Management	0	0	0	0
Middle Management	1	1	0	0
Professional qualified	0	0	0	0
Skilled	4	0	0	3
Semi-skilled	8	0	0	1
Unskilled	6	0	0	0
Total	19	1	0	4



PART E: FINANCIAL INFORMATION



REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Disclaimer of opinion

1. I was engaged to audit the financial statements of Performing Arts Centre of the Free State set out on pages 30 to 58 which comprise the statement of financial position as at 31 March 2019, statement of financial performance, statement of changes in net assets and cash flow statement and statement of comparison of budget with actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

2. I do not express an opinion on the financial statements of the entity. Because of the significance of the matters described in the basis for disclaimer of opinion section of this auditor's report, I was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for disclaimer of opinion

Property, plant and equipment

3. I was unable to obtain sufficient appropriate audit evidence for property, plant and equipment as the entity did not have adequate systems and records to account for assets. The entity could not provide reliable invoices and other supporting schedules used to cost the assets held for transfer during the construction. Some assets could also not be physically verified. I was unable to confirm property, plant and equipment by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to property, plant and equipment stated at R31 853 000 (2018: R36 936 000) in note 7 to the financial statements. Additionally, there was a resultant impact on deferred revenue.

Capital work in progress

4. I was unable to obtain sufficient appropriate audit evidence for capital work in progress as the entity did not maintain sufficient records to account for capital work in progress. The entity could not provide reliable invoices and other supporting schedules used to cost the assets during the construction. I was unable to confirm the capital work in progress by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to capital work in progress stated at R7 834 000 (2018: R7 834 000) as disclosed in note 6 to the financial statements. In addition, the entity did not disclose capital work in progress as part of property, plant and equipment in accordance with GRAP 17, *Property, plant and equipment*. There was a resultant impact on deferred revenue.

Trade and other payables from exchange transactions

5. I was unable to obtain sufficient appropriate audit evidence for trade and other payables from exchange transactions as there were unreconciled control accounts which could not be explained. I could not confirm these control accounts by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to trade and other payables from exchange transactions at R7 372 000 in note 10 to the financial statements.

Other receivables from non-exchange transactions

6. The entity did not account for the impairment of other receivables from non-exchange transactions as required by Generally Recognised Accounting Practice (GRAP) 14, *Financial instruments*, as there was objective evidence that the amount receivable may be impaired. The receivable from the parent entity related to a project that has been discontinued, resulting in other receivables from non-exchange transactions being overstated by R1 936 000 and the bad debt impairment in the statement of financial performance being understated by R1 936 000 as disclosed in note 4 to the financial statements. Additionally, there was a resultant impact on the deficit for the year and on the accumulated surplus.

Leave accrual

7. I was unable to obtain sufficient appropriate audit evidence for the leave accrual as the entity did not provide accurate leave records due to an unreliable leave system. I was unable to confirm the leave accrual by alternative means. Consequently, I was unable to determine whether any adjustments relating to leave accrual stated at R1 431 000 (2018: R1 470 000) in note 12 to the financial statements.

Statement of changes in net assets

8. The entity did not present the statement of changes in net assets in accordance with GRAP 1, *Presentation of financial statements*. I identified an unexplained movement of R1 093 000. The statement of changes in net assets also included an unreconciled amount. I was unable to determine the full extent of the misstatements relating to the statement of changes in net assets due to the unexplained difference, as it was impracticable to do so. There was a resultant impact on the accumulated surplus.

General expenditure

9. The entity did not recognise expenditure in accordance with GRAP 1, *Presentation of financial statements*, as the entity recorded expenditure transactions in the incorrect accounting period. This resulted in general expenditure and trade and other payables being overstated by R1 394 487 (2018: R2 705 909) as disclosed in note 21 to the financial statements. Additionally, there was a resultant impact on inventory, deficit for the period and on the accumulated surplus.

Intangible assets

10. The entity did not recognise *intangible assets* in accordance with GRAP 31, Intangible assets. The entity reassessed the useful lives of intangible assets from definite to indefinite without applying the requirements of GRAP 31. As the entity did not determine the useful lives of the intangible assets, I was unable to determine the impact on the net carrying amount of intangible assets and the related depreciation expense as it was impracticable to do so. Additionally, there was a resultant impact on the deficit for the period and on the accumulated surplus.

Statement of cash flows

11. The entity did not present the statement of cash flows in accordance with GRAP 2, *Cash flow statements*. I identified various differences between the cash flow from operating activities as presented and the actual amounts according to the accounting records. The cash flow also included an unreconciled amount. I was unable to determine the full extent of the misstatements relating to the cash flow due to the various unexplained differences for the current and prior year, as it was impracticable to do so.

Emphasis of matters

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

Restatement of corresponding figures

13. As disclosed in note 32 to the financial statements, the corresponding figures for 31 March 2018 have been restated as a result of errors in the financial statements of the entity at, and for the year ended, 31 March 2019.

Irregular expenditure

14. As disclosed in note 25 to the financial statements, irregular expenditure of R2 917 000 (2018: R9 592 000) was incurred due to non-compliance with supply chain management (SCM) requirements. In addition, the full extent of irregular expenditure is still in the process of being determined.

Responsibilities of the party for the financial statements

15. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with the South African Standards of GRAP and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA), and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

16. In preparing the financial statements, the accounting authority is responsible for assessing the Performing Arts Centre of the Free State'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 entity or to cease operations, or has no realistic alternative but to do so.

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

17. My responsibility is to conduct an audit of the financial statements in accordance with the International Standards on Auditing and to issue an auditor's report. However, because of the matters described on the basis for disclaimer of opinion section of this auditor's report, I was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

18. I am independent of the entity in accordance with sections 290 and 291 of the International Ethics Standards Board for Accountants' Code of ethics for professional accountants (IESBA code), parts 1 and 3 of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) and the ethical requirements that are relevant to my audit of the financial statements in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA codes.

REPORT ON THE AUDIT OF THE ANNUAL PERFORMANCE REPORT

Introduction and scope

19. In accordance with the Public Audit Act of South Africa 2004 (Act No.25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.

20. My procedures address the reported performance information, which must be based on the approved performance planning documents of the entity. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

21. I evaluated the usefulness and reliability of the reported performance information in accordance with criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programmes presented in the annual performance report of the entity for the year ended 31 March 2019:

Programmes	Pages in the annual performance report
Programme 2 - business development	14 - 15
Programme 3 - public engagement	16 - 17

22. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

23. The material findings in respect of the usefulness and reliability of the selected programmes are as follows :

Programme 2 – business development

Number of artistic programmes of excellence staged

24. The source information and evidence for achieving the planned indicator were not clearly defined.

Programme 3 – public engagement

25. I did not raise any material findings on the usefulness and reliability of the reported performance information for this programme.

Other Matters

26. I draw attention to the matters below:

Achievement of planned targets

27. Refer to the annual performance report on pages 7 to 14 for information on the achievement of planned targets for the year and explanations provided for the under achievement of a number of targets. This information should be considered in the context of material findings on the usefulness of the reported performance information in paragraph 24 of this report.

Adjustment of material misstatements

28. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of programme 2 - business development and programme 3 – public engagement. As management subsequently corrected only some of the misstatements, I raised material findings on the usefulness of the reported performance information. Those that were not corrected are reported above.

REPORT ON THE AUDIT OF COMPLIANCE WITH LEGISLATION INTRODUCTION AND SCOPE

29. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the entity with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

30. The material findings on compliance with specific matters in key legislation are as follows :

Annual financial statements

31. Financial statements were not submitted for auditing within two months after the end of the financial year, as required by section 55(1)(c)(i) of the PFMA.

32. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework and supported by full and proper records, as required by section 55(1)(a) and (b) of the PFMA . Material misstatements identified of current assets and disclosure items identified by the auditors in the submitted financial statements were corrected and the supporting records were provided subsequently, but the uncorrected material misstatements and supporting records that could not be provided resulted in the financial statements receiving a disclaimer of opinion.

Expenditure Management

33. Effective and appropriate steps were not taken to prevent irregular expenditure, as required by section 51(1)(b)(ii) of the PFMA. The value as disclosed in note 25, is not complete as management was still in the process of quantifying the full extent of the irregular expenditure.

34. Effective steps were not taken to prevent fruitless and wasteful expenditure amounting to R192 000, as disclosed in note 24 to the annual financial statements , as required by section 51(1)(b)(ii) of the PFMA. The majority of the fruitless and wasteful expenditure disclosed in the financial statements was caused by payments where no services were received.

35. Expenditure was incurred in excess of the approved budget, in contravention of section 53(4) of the PFMA.

Revenue Management

36. Effective and appropriate steps were not taken to collect all revenue due, as required by section 51(1)(b)(i) of the PFMA.

Consequence management

37. I was unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred irregular expenditure as required by section 51(1)(e)(iii) of the PFMA. This was due to proper and complete records that were not maintained

as evidence to support the investigations into irregular expenditure.

38. 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 due to proper and complete records that were not maintained as evidence to support the investigations into fruitless and wasteful expenditure.

Strategic planning and performance management

39. Procedures for the facilitation of effective performance monitoring, evaluation and corrective action through quarterly reports were not established, as required by treasury regulation 30.2.1.

Procurement and contract management

40. Some of the goods and services with a transaction value below R500 000 were procured without obtaining the required price quotations, as required by treasury regulation 16A6.1.

41. Some of the quotations were awarded to suppliers whose tax matters had not been declared by the South African Revenue Service to be in order as required by treasury regulation 16A9.1 (d).

42. Some of the goods and services of a transaction value above R500 000 were procured without inviting competitive bids as required by treasury regulation 16A6.1.

43. Some of the contracts were extended or modified without the approval of a properly delegated official as required by section 44 of the PFMA and treasury regulations 8.1 and 8.2.

INTERNAL CONTROL DEFICIENCIES

44. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the disclaimer of opinion, the findings on the annual performance report and the findings on compliance with legislation included in this report.

45. The council did not establish and communicate policies and procedures to enable and support understanding and execution of internal control objectives, processes and responsibilities as the entity did not have an approved asset management policy to guide the asset and debtor management processes.

46. The council did not ensure that there is stability in key management positions as there was instability in the chief executive officer (CEO) during the past number of years. This had a negative impact on the quality of financial and performance reporting.

47. Leadership did not provide adequate IT governance as adequate policies and procedures were not designed and implemented which resulted in weaknesses in the information systems. Furthermore, segregation of duties was not enforced on critical SCM processes.

48. Management did not ensure that there is accurate and complete recording of financial information and adequate recordkeeping to support financial reporting.

49. There was a slow response in addressing findings from reports done by external and internal audit, which resulted in material findings being raised during the audit on compliance and the financial statements, most of which remained uncorrected. Furthermore, the entity did not promptly address findings from an investigation report performed by the Department of Arts and Culture.

Auditor General.

Bloemfontein
02 August 2019



AUDITOR - GENERAL
SOUTH AFRICA



GENERAL INFORMATION

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Playhouse
Members	Mr N. Sifumba Adv. K. Thango Ms T. Mnumzana Ms M. Naidoo Mr D. Brijlal Mr H. Matlou Ms T. Nogabe Ms A. Msimang (Resigned 07 May 2018) Mr J. A. Litheko
Auditors	Auditor-General of South Africa



COUNCIL'S REPORT

Performing Arts Centre of the Free State
Annual Financial Statements for the year ended 31 March 2019

The council members submit their report for the year ended 31 March 2019.

1. Review of activities

Main business and operations

The entity's main operations are the running of a playhouse facility in the Free State to promote, develop and encourage the performing arts and to present it to the public for the development, appreciation and enjoyment of this form of art; to contribute to the enhancement of artists, thus giving them the opportunity to perform on a public platform.

PACOFs is a Cultural Institution in terms of section 3 of the Cultural Institutions Act, 1998. The legislation governing the entity's operations are the PFMA, Treasury Regulations and any other related prescripts as published from time to time by the Minister of Finance.

There has been no major change in the nature of the business during the year under review.

2. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The entity is fully funded and dependent on the National Department of Sports, Arts and Culture (DAC)

3. Events after the reporting date

A court order was received by PACOFs on 8 April 2019 for the settlement of the dispute between Babereki, Dihlase and PACOFs. An amount of R2 784 497 is payable from the capital projects account. The payments to Dihlase and Babereki were made on the 04th & 19th July 2019 respectively.

Adjusting events

The write off / de-recognition of assets was approved by council on the 11 May 2019.

4. Council

The following members of council were appointed on 01 December 2017:

Mr N. Sifumba
Adv. K. Thango
Ms T. Mnumzana
Ms M. Naidoo
Mr D. Brijlal
Mr H. Matlou
Ms T. Nogabe
Ms A. Msimang (Resigned on 07 May 2018)
Mr J. A. Litheko (Resigned 24 January 2019)

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2019

	Note	2019 R'000	2018 R'000 Restated
ASSETS			
Current assets		76 395	64 083
Cash and cash equivalents	2	71 195	59 727
Trade and other receivables from exchange transactions	3	1 635	440
Other receivables from non-exchange transactions	4	1 936	1 936
Inventories	5	1 629	1 980
Non-current assets		44 587	49 671
Capital Work in Progress	6	7 834	7 834
Property plant and equipment	7	31 853	36 936
Heritage assets	8	4 100	4 100
Intangible assets	9	800	800
TOTAL ASSETS		120 982	113 754
LIABILITIES			
Current liabilities		67 230	56 544
Trade and other payables from exchange transactions	10	7 372	6 245
Current portion of unspent conditional grants and receipts	11	58 427	48 830
Leave Accrual	12	1 431	1 470
Non-current liabilities		38 633	37 820
Other non-current financial liabilities	13	875	-
Defined benefit plan obligations	14	6 732	6 794
Deferred Revenue		31 026	31 026
TOTAL LIABILITIES		105 863	94 364
Net assets		15 119	19 389
Revaluation Reserve		1 181	1 181
Accumulated Surplus/ (Deficit)		13 938	18 208
TOTAL NET ASSETS AND LIABILITIES		120 982	113 754

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 MARCH 2019

	Note	2019 R'000	2018 R'000 Restated
REVENUE			
Revenue from non-exchange transactions		47 861	50 401
Government grants and subsidies	15	46 822	43 589
Revenue realised on conditional grants	16	-	5 854
Interest received	17	48	49
Revenue in kind	18	991	910
Revenue from exchange transactions		3 798	3 305
Rendering of Services	19	2 491	2 144
Interest received	17	868	830
Sale of Goods		211	252
Other income		228	78
TOTAL REVENUE		51 659	53 706
EXPENSES			
Employee related costs	20	-29 752	-26 585
Repairs and maintenance	21	-277	-739
Depreciation expense		-4 990	-6 388
General expenses	22	-21 160	-19 520
Bad debts		-173	-1 024
TOTAL EXPENSES		-56 353	-54 256
OTHER GAINS / (LOSSES)		-670	-53
Loss on Disposal of Assets		-325	3
Inventories: Write-down to net realisable value		-345	-56
SURPLUS / (DEFICIT) FOR THE YEAR		-5 363	-602

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 31 MARCH 2019

	Revaluation Reserve R '000	Accumulated Surplus/ (Deficit) R '000 Restated	Total Net Assets R '000
FOR THE YEAR ENDED 31 MARCH 2017	954	18 161	19 115
FOR THE YEAR ENDED 1 APRIL 2017	954	18 161	19 115
Surplus / (Deficit) for the period as per Statement of		-602	-602
Revaluation Surplus	227		227
Correction of prior year error		379	379
Other Movements		270	270
FOR THE YEAR ENDED 31 MARCH 2018 RESTATED	1 181	18 208	18 740
BALANCE AT 1 APRIL 2018	1 181	18 208	19 389
Surplus / (Deficit) for the period as per Statement of		-5 363	-5 363
Other Movements		1 093	1 093
FOR THE YEAR ENDED 31 MARCH 2019	1 181	13 938	15 119

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2019

	Note	2019 R '000	2018 R '000 Restated
Cash flows from operating activities		61 089	53 394
Receipts			
Sale of goods and rendering of services		3 754	1 749
Transfers and Subsidies			
Interest income		46 822	43 589
Grants		916	879
		9 598	7 177
Payments		- 49 102	- 48 961
Compensation of Employees		- 28 978	- 25 790
Goods and Services		- 20 124	- 23 170
Net cash flows from operating activities	23	11 987	4 434
Cash flows from investing activities		- 231	- 178
Purchase of Property Plant and Equipment			
Net cash flows from investing activities.		- 231	- 178
Net increase/(decrease) in cash and cash equivalents		11 756	4 256
Unreconciling Amounts		- 288	2 107
Cash and cash equivalents at the beginning of the year		59 727	53 364
Cash and cash equivalents at the end of the year	2	71 195	59 727

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 31 MARCH 2019

Budget on Accrual Basis	Approved budget	Adjustments	Final Budget Actual amounts	Actual amounts on comparable basis	Difference between final budget and actual
Statement of Financial Performance Revenue	R'000	R'000	R'000	R'000	R'000
Sale of Goods & Rendering of Services	1 247	-	1 247	2 702	1 455
Interest received	390	-	390	868	478
Other income	1 098	-	1 098	228	-870
Total revenue from exchange transactions	2 735	-	2 735	3 798	1 063
Revenue from non-exchange transactions					-
Interest received			-	48	48
Government grants & subsidies	45 322	1 500	46 822	46 822	-
Revenue in kind	991	-	991	991	-
Total revenue from non-exchange transactions	46 313	1 500	47 813	47 861	48
Expenditure					
Personnel	-24 319	-2 410	-26 729	-29 752	-3 023
Depreciation	-2 000	1 950	-50	-4 990	-4 940
Debt Impairment	-18	-	-18	-173	-155
Repairs and Maintenance	-1 030	469	-561	-277	284
General Expenses	-20 687	-1 509	-22 196	-21 160	1 036
Loss on Disposal of Assets	-	-	-	-325	-325
Inventories: Write-down to net realisable value	-	-	-	-345	-345
Total expenditure	-48 054	-1 500	-49 554	-57 022	-7 468
Actual Amount on Comparable - Basis as Presented in the Budget and Actual Comparative Statement			Deficit	-5 363	

ACCOUNTING POLICIES



1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board in accordance with Section 91(1) of the Public Finance Management Act (Act 1 of 1999). These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement unless specified otherwise. They are presented in South African Rand.

All figures have been rounded to the nearest Rand. Assets revenues and expenses were not offset except where offsetting is either required or permitted by a Standard of GRAP. The summary of the significant accounting policies which have been consistently applied in the preparation of these annual financial statements are set out below.

These accounting policies are consistent with the previous period.

1.1 Going concern assumption

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

1.2 Significant judgments and sources of estimation uncertainty

In preparing the annual financial statements management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgment are inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial

statements. Significant judgments include:

Trade receivables

The entity assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit the entity makes judgments as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

Provisions and contingent liabilities

Judgment is required when measuring provisions and contingent liabilities.

1.3 Property, plant and equipment

PACOFs building is registered in the name of the Free State Provincial Government (FSPG) and it is made available to PACOFs on a permanent basis. The building, therefore, does not belong to PACOFs and it is not recognized as property, plant and equipment. – see Service in kind, below.

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment losses. The useful life of assets has been arrived at after careful consideration of the relevant factors affecting PACOFs. The useful life and depreciation method of assets are reassessed on an annual basis and any change in estimate is taken into account in the determination of the remaining depreciation charge. The residual value of property, plant and equipment is zero as the assets are used for their entire economic life.

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

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Computer equipment	Straight line	3 - 5 years
Musical Instruments	Straight line	5 - 15 years
Permanent Advertising Structures	Straight line	5 - 15 years
Furniture and fixtures	Straight line	8 - 15 years
Motor vehicles	Straight line	5 - 15 years
Sound Equipment	Straight line	5 - 25 years
Theatre Equipment	Straight line	5 - 25 years
Wardrobe Equipment	Straight line	5 - 12 years
Workshop Machinery	Straight line	5 - 25 years

Stage props and costumes are written off on acquisition. Work in progress is not depreciated.

1.4 Intangible assets

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

Intangible assets consist of the following software:

- ACCPAC
- VIP-payroll and
- Box office ticket system.

The entity has no plans to replace the software in the foreseeable future; therefore the useful life of the software has been assessed as having an indefinite useful life.

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 embodies 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.

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.

Item	Amortisation method	Average useful life
Computer systems/software	Not applicable	Indefinite

1.5 Heritage assets

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.

The entity recognises a heritage asset as an asset if it is probable that future economic benefits or 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 initially 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 to recognition as heritage assets a class of heritage assets is carried at its cost less any accumulated impairment losses.

Subsequent to recognition as heritage assets a class of heritage assets whose fair value can be measured reliably is carried at a revalued amount being its fair value at the date of the revaluation less any subsequent impairment losses.

PACOFs revalues heritage assets biennially.

Heritage assets are initially 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.

1.6 Financial instruments

Financial instruments are initially measured at cost which includes transaction costs. Subsequent to initial recognition these instruments are measured as set out below:

Trade and other receivables

Trade and other receivables are stated at cost less provision for doubtful debts. Receivables are written off when considered irrecoverable. Trade and other receivables and provision for doubtful debts are discounted using the effective interest rate where considered applicable.

Cash and cash equivalents

Cash and cash equivalents are measured at fair value. Interest is accrued on a monthly basis and it is disclosed as interest received in the statement of financial performance.

Trade and other payables

Trade and other payables are stated at cost. Trade and other payables are discounted using the effective interest rate where considered applicable.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired or through the amortisation process.

Impairment and uncollectibility of financial assets

The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

1.7 Leases

Operating leases

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.8 Inventories

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

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

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

1.9 Employment benefits

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 and annual leave represent the amount which the entity has a present obligation to pay as a result of employees' services provided for 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 additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated 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. If the contribution already paid exceeds the contribution due for service before the reporting date, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to for example 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.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the

reporting period, in which the employees render the related service they are discounted. The rate used to discount reflects the time value of money.

1.10 Provisions and contingencies

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. Contingent assets and contingent liabilities are not recognised.

1.11 Commitments

The entity discloses the aggregate of capital expenditure contracted for the reporting date to the extent that the amount has not been recorded in the financial statements; and if a commitment is for a period longer than a year it should be stated in the note.

1.12 Revenue from exchange transactions

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

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame,

unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts the recognition of revenue is postponed until the significant act is executed. When the outcome of the transaction involving the rendering of services cannot be estimated reliably revenue is recognised only to the extent of the expenses recognised that are recoverable.

Ticket Sales income on own productions and commission income on ticket sales of third party productions are recognised when the events to which the sales relate have been successfully staged

1.13 Revenue from non-exchange transactions

Revenue from non-exchange transactions arises when the entity receives value from another entity without directly giving approximately equal 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 increase in net assets recognised by the entity.

The entity freely utilises the building belonging to the Free State Provincial Government.

Services in-kind

The entity recognise services in kind that are significant to its operations and/or service delivery objectives as assets and recognise the related 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.

Where services in kind are not significant to the entity's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition the entity discloses the nature and type of services in kind received during the reporting period.

Deferred revenue

Liabilities are raised for money received from conditional grants. The revenue from these grants are deferred until such time that the conditions of the grant have been met. The grant liability decreases as the grant deferred revenue is realised. The balance at year end comprise qualifying capital expenditure on projects that have not been completed at the end of the financial year

1.14 Cost of sales

When inventories are sold the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all surpluses (deficit) 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 is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The related cost of providing services recognised as revenue in the current period is included in cost of sales.

Contract costs comprise:

- costs that relate directly to the specific contract;
- costs that are attributable to contract activity in general and can be allocated to the contract on a systematic and rational basis; and
- such other costs as are specifically chargeable to the customer under the terms of the contract.

1.15 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.16 Comparative figures

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

1.17 Fruitless and wasteful expenditure

Fruitless 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.

1.18 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure incurred in contravention of or that is not in accordance with a requirement of any applicable legislation including -

- (a) this Act; or
- (b) the State Tender Board Act 1968 (Act No. 86 of 1968) or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalization of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements. Where irregular expenditure was incurred in the previous

financial year and is only condoned in the following financial year the register and the disclosure note to the financial statements must be updated with the amount condoned.

1.19 Budget information

The approved budget is prepared on a cash basis and presented by economic classification linked to performance outcome objectives where possible. The approved budget covers the fiscal period from 01 April to 31 March.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

Comparative information is not required.

1.20 Related parties

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

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

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

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

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

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

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.21 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.

1.22 Change in accounting policy

An entity changes its accounting policy only if the change:

- (a) is required by a Standard of GRAP; or
- (b) results in the financial statements providing reliable and more relevant information about the effects of transactions other events or conditions on the entity's financial position financial performance or cash flows.

The change in accounting policy will be accounted for retrospectively to the earliest period applicable.

2. New standards and interpretations

2.1 Standards and interpretations issued but not yet effective

The entity has not applied the following standards and interpretations which have been published and are mandatory for the entity's accounting periods beginning on or after 01 April 2019 or later periods:

GRAP 18 (as amended 2016): Segment Reporting

Amendments to the Standard of GRAP on Segment Reporting resulted from editorial and other changes to the original text have been made to ensure consistency with other Standards of GRAP.

The most significant changes to the Standard are:
General improvements: An appendix with illustrative segment disclosures have been deleted from the Standard as the National Treasury, has issued complete examples as part of its implementation guidance.

The effective date of the amendment is for years beginning on or after 01 April 2019.

The entity expects to adopt the amendment for the first time when the Minister sets the effective date for the amendment. It is unlikely that the amendment will have a material impact on the entity's annual financial statements.

GRAP 20: Related parties

The objective of this standard is to ensure that a reporting entity's annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in identifying:

- related party relationships and transactions;
- outstanding balances including commitments between an entity and its related parties;
- the circumstances in which disclosure of the items in (a) and (b) is required;
- and determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships transactions and outstanding balances including commitments in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual annual financial statements.

Disclosure of related party transactions outstanding balances including commitments and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that 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. As a minimum the following are regarded as related parties of the reporting entity:

- A person or a close member of that person's family is related to the reporting entity if that person:
 - has control or joint control over the reporting entity;
 - has significant influence over the reporting entity;
 - is a member of the management of the entity or its controlling entity.
- An entity is related to the reporting entity if any of the following conditions apply:
 - the entity is a member of the same economic entity (which means that each controlling entity controlled entity and fellow controlled entity is related to the others);
 - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
 - both entities are joint ventures of the same third party;
 - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan the sponsoring employers are related to the entity;
 - the entity is controlled or jointly controlled by a person identified in (a); and
 - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that 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.

The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements inter alia for the disclosure of:

- Control;
- Related party transactions; and
- Remuneration of management

The effective date of the standard is not yet set by the Minister of Finance.

The entity expects to adopt the standard for the first time when the Minister sets the effective date for the standard. It is unlikely that the standard will have a material impact on the entity's annual financial statements.

GRAP 106 (as amended 2016): Transfers of functions between entities not under common control

Amendments to the Standard of GRAP on Transfer of Functions between Entities Not under Common Control resulted from changes made to IFRS 3 on Business Combinations (IFRS 3) as a result of the IASB's amendments on Annual Improvements to IFRSs 2010 – 2012 Cycle issued in December 2013.

The most significant changes to the Standard are:

- IASB amendments: To require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting period.

The effective date of the amendment is for years beginning on or after 01 April 2019.

The entity expects to adopt the amendment for the first time in the 2019 annual financial statements.

It is unlikely that the amendment will have a material impact on the entity's annual financial statements.

GRAP 108: Statutory Receivables

The objective of this Standard is: to prescribe accounting requirements for the recognition measurement presentation and disclosure of statutory receivables.

The effective date of the standard is 01 April 2019. It is unlikely that the standard will have a material impact on the entity's annual financial statements.

GRAP 109: Accounting by Principals and Agents

The objective of this Standard is to outline principles to

be used by an entity to assess whether it is party to a principal- agent arrangement and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. The Standard does not introduce new recognition or measurement requirements for revenue expenses assets and/or liabilities that result from principal-agent arrangements. The Standard does however provide guidance on whether revenue expenses assets and/or liabilities should be recognised by an agent or a principal as well as prescribe what information should be disclosed when an entity is a principal or an agent.

The effective date of the standard is 01 April 2019. It is unlikely that the standard will have a material impact on the entity's annual financial statements.

GRAP 12 (as amended 2016): Inventories

Amendments to the Standard of GRAP on Inventories resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 12 on Inventories (IPSAS 12) as a result of the IPSASB's Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12)
- IPSASB amendments: To align terminology in GRAP 12 with that in IPSAS 12. The term "ammunition" in IPSAS 12 was replaced with the term "military inventories" and provides a description of what it comprises in accordance with Government Finance

Statistics terminology

The effective date of the amendment is for years beginning on or after 01 April 2019.

The entity expects to adopt the amendment for the first time in the 2019 annual financial statements. It is unlikely that the amendment will have a material impact on the entity's annual financial statements.

Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities

Historically public entities have prepared financial statements in accordance with generally recognised accounting practice unless the Accounting Standards Board (the Board) approved the application of generally accepted accounting practice for that entity. "Generally accepted accounting practice" has been taken to mean Statements of Generally Accepted Accounting Practice (Statements of GAAP) or for certain entities International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board. Since Statements of GAAP have been withdrawn from 01 December 2012 public entities will be required to apply another reporting framework in the future.

The purpose of this Directive is to prescribe the criteria to be applied by public entities in selecting and applying an appropriate reporting framework.

The effective date of the directive is for years beginning on or after 01 April 2019.

It is unlikely that the directive will have a material impact on the entity's annual financial statements.



NOTES TO THE FINANCIAL STATEMENTS

2. Cash and Cash Equivalents

	2019 R'000	2018 R'000
Cash and cash equivalents consist of the following:		
Cash on hand	8	16
Cash at bank	12 102	5 575
Call deposits	10 505	8 917
Call investments	48 581	45 218
Total Cash and cash Equivalents	71 195	59 727

The call deposits comprise of investments held with ABSA Bank
32 day notice - ABSA

10 505 8 918

Call investments include trusts funds and investments held with South African Reserve Bank.
The trust funds are invested and held to be used in support of the arts in the Free State.
The funds have been approved for use at Community Arts Festival during 2019/20 financial year.

Investments - SARB	48 441	45 080
Trusts held by the entity	140	138

The investment in SARB earns an average interest of 7.33% per annum and is ring fenced only to the completion of the capital projects.

Should there be amounts remaining when the projects are done these will be surrendered to DAC.

3. Trade and Other Receivables from Exchange Transactions

	BALANCE AS AT 31 MARCH 2019		
	Gross Balances R'000	Provision for Doubtful Debts R'000	Net Balance R'000
Trade receivables	429	-4	425
Other receivables	91		91
Medical Pension debtors	29	-1	28
Prepaid expenses	86		86
Sundry debtors	1 004		1 004
Total	1 639	-5	1 635

	BALANCE AS AT 31 MARCH 2019		
	Gross Balances R'000	Provision for Doubtful Debts R'000	Net Balance R'000
Trade receivables	1 416	-1 290	132
Other receivables	736	-701	736
Medical Pension debtors	85	-21	85
Prepaid expenses	160		160
Sundry debtors	21	-12	21
Third party receivables	116		116
Total	2 463	-2 024	440

**Summary of Debtors
by Classification**

	BALANCE AS AT 31 MARCH 2019 Trade Receivables R'000	BALANCE AS AT 31 MARCH 2018 Trade Receivables R'000
Current (0 – 30 days)	411	3
31 - 60 Days	34	524
61 - 90 Days	3	724
91 - 120 Days	3	234
121 - 365 Days	1 189	978
Total Debtors before Provision For Doubtful Debts	1 640	2 463
Less: Provision for doubtful debts	-5	-2 024
Total Debtors by Classification As At 31 March 2019	1 635	440

**Reconciliation of the
doubtful debt provision**

	2019 R'000	2018 R'000
Balance at beginning of the year	-2 024	-999
Provision	-173	-1 025
Reversal of provision	2 192	
Balance at end of year	-5	-2 024



Trade and other receivables pledged as security

The debtors have not been pledged as security or as collateral for any liabilities or contingent liabilities.

4. Other Receivables from Non-Exchange Transactions

Outstanding incubator programme grant (DAC)	1 936	1 936
Total other receivable	1 936	1 936

5. Inventories

	2019 R'000	2018 R'000
Stock	860	1 049
Maintenance and consumable stores	934	931
Inventories (write-downs)	-165	-
Total Inventories	1 629	1 980

Inventory pledged as security

Inventory has not been pledged as security or as collateral for any liabilities or contingent liabilities

6. Capital work in progress

Capital work in progress is part of the assets held for transfer projects referred to in Note 7 narrative below which are not yet completed due to a moratorium that was imposed by DAC.

These projects were funded from unspent conditional grants (note 11) and the corresponding events have been recorded in deferred revenue

	2019 R'000	2018 R'000
Closing balance	7 834	7 834



7. Property plant and equipment

Reconciliation of property plant and equipment - 2019						
	Opening Balance	Addition	Correction	Disposals	Depreciation 2019	Closing Balance
Vehicles	176	-	-	-176	-	-
Furniture & Fittings	2 824	-	-	-618	-95	2 112
Computer Equipment	1 023	231	-	-319	-151	784
Assets held for transfer	18 909	-	2 209	-	-	21 219
Permanent advertising structures	243	-	-189	-	-9	36
Wardrobe equipment	129	-	-79	-	-13	33
Workshop equipment	459	-	-219	-24	-38	169
Music instruments	2 021	-	428	-18	-487	1 963
Sound equipment	5 919	-	-2 703	-321	-291	2 481
Lighting equipment	5 233	-	-1 355	-401	-444	2 970
Total	36 936	231	-1 909	-1 877	-1 528	31 853

Reconciliation of Carrying Value - 2019						
	Cost	Purchase	Disposals	Updated Cost	Accumulated Depreciation & Impairment	Carrying Value
	R'000	R'000	R'000	R'000	R'000	R'000
Vehicles	653	-	-653	-	-	-
Furniture & Fittings	7 363	-	-618	6 745	-4 634	2 111
Computer Equipment	2 778	231	-319	2 690	-1 906	784
Assets held for transfer	36 831	-	-	36 831	-15 713	21 118
Permanent advertising structures	472	-	-	472	-427	45
Wardrobe equipment	252	-	-1	251	-214	37
Workshop equipment	894	-	-24	870	-692	178
Music instruments	3 934	-	-18	3 916	-1 972	1 944
Sound equipment	11 528	-	-321	11 207	-8 603	2 604
Lighting equipment	10 190	-	-401	9 789	-6 756	3 033
Total	74 895	231	-2 355	72 771	-40 918	31 853

Reconciliation of Carrying Value 2018					
	Initial Cost	Purchase	Updated Cost	Accumulated Depreciation & Impairment	Carrying Value
	R'000	R'000	R'000	R'000	R'000
Vehicles	653	-	653	-477	176
Furniture & Fittings	7 224	139	7 363	-4 539	2 824
Computer Equipment	2 745	33	2 778	-1 755	1 023
Assets held for transfer	36 831	-	36 831	-17 922	18 909
Permanent advertising structures	472	-	472	-229	243
Wardrobe equipment	252	-	252	-123	129
Workshop equipment	894	-	894	-435	459
Music instruments	3 934	-	3 934	-1 913	2 021
Sound equipment	11 528	-	11 528	-5 609	5 919
Lighting equipment	10 190	-	10 190	-4 957	5 233
Total	74 723	172	74 895	-37 959	36 936

Physical disposal of assets has not taken place as approval to dispose of the assets was only obtained after the reporting date. Potential disposal proceeds are therefore expected which will reduce the disposal loss recognised.

Pledged as security

No assets were pledged as security during the current year.

Service in kind

The Performing Arts Centre of the Free State is housed in a building that is the property of the Department of Public Works.

The building includes the Sand du Plessis Theatre as well as all the office space. The use of the building (theatre and office space) is provided at no rental charge.

Assets held for transfer

Assets held for transfer are improvements made to the building occupied by PACOFS which is owned by the Free State Provincial Government. The cost of these improvements will be transferred to the Department of Public Works. The reason for the delay in transferring the assets was the forensic investigation around the projects associated with these assets. The assets and the corresponding deferred revenue are reflected in the books of PACOFS whilst waiting for the transfer to the department to be done. These assets are disclosed as Assets held for transfer of R21 219 (2018: R18 909) and Work in progress R7 834 (2018: R7 834)

Other information

Impairment

PACOFS has implemented the Standards of GRAP 21 and GRAP 26 on impairment of assets. Based on the position paper all assets tested during this financial year were treated according to GRAP 21: Impairment of non-cash generating assets. GRAP 21.10 states that cash-generating assets are assets held with the primary objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-orientated entity where the entity intends to generate positive cash inflows from the asset (or from the cash generating unit of which the asset is a part) and earn a return that reflects the risk involved in holding the asset.

Impairment indicators:

Assets were impaired according to specific indicators including: vandalism physical damage discontinued use due to poor condition and assets that became idle.

Useful lives

GRAP 17 requires that all useful lives of property plant and equipment are reviewed annually on an indicator basis. Since reviewing the useful life of an asset on an annual basis does not require amending the previous estimate unless expectations differ from the previous estimate the useful life of assets have only been amended in the case where expectations differed from previous estimates. The useful lives of assets were reviewed according to the requirements of GRAP 17.



8. Heritage Assets

	2019			2018		
	Cost R'000	Accumulated Impairment R'000	Carrying Value R'000	Cost R'000	Accumulated Impairment R'000	Carrying Value R'000
Art Collections	4 100	-	4 100	4 100	-	4 100
Total	4 100	-	4 100	4 100	-	4 100

Reconciliation of Heritage	Carrying Value Opening Balance R'000	Revaluation R'000	Carrying Value Closing Balance R'000
Art Collections	4 100		4 100
Total	4 100	-	4 100

Reconciliation of Heritage Assets - 2018	Carrying Value Opening Balance R'000	Revaluation R'000	Carrying Value Closing Balance R'000
Art Collections	3 873	228	4 100
Total	3 873	228	4 100

Restrictions on heritage assets

There were no restrictions on the heritage assets during the current year

Pledged as security

There were no heritage assets pledged as security during the current year

Revaluations

The entity revalues heritage assets every second year informed by the guidance in GRAP 103 par.49. The last revaluation was performed in 2018. Revaluations were performed by an independent valuer Synergy Valuations. The method used to determine fair value is the current replacement cost. Therefore no revaluations were performed in the 2019 financial year

9. Intangible Assets

	2019			2018		
	Cost R'000	Accumulated Amortization & Impairment R'000	Carrying Value R'000	Cost R'000	Accumulated Amortization & Impairment R'000	Carrying Value R'000
Computer Software	800		800	800		800
Total	800		800	800		800

Reconciliation of Intangible Assets - 2018

	Carrying Value Opening Balance R'000	Reversal of accumulated amortisation R'000	Carrying Value Closing Balance R'000
Computer Software	85	715	800
Total	85	715	800

Pledged as security

The intangible assets have not been pledged as security or as collateral for any liabilities or contingent liabilities.

Reassessment of useful life of intangible assets

Management reassessed the useful life of intangible assets from finite to indefinite. The assessment was informed by among others the following factors:

- The use of the intangible assets does not expire and the entity can continue to use the software for as long as it wants to;
- The maintenance expenditure is minimal considering the limited budget of the entity;

- Management has no plans to replace the intangible assets as they support the operations of the entity to its satisfaction;
- Technological obsolescence is mitigated by regular version upgrades which guarantees future service potential and level of performance that management expects;
- Given the period of time the entity has been using and subsequently reviewing their useful lives management is certain that the indefinite useful life estimate is not imprudent.

The impact of this change in Accounting policy is the reversal of R 715 000 accumulated amortisation.

10. Trade and Other Payables from Exchange Transactions

	2019 R'000	2018 R'000
Trade creditors	1 660	754
Payments received in advance	120	
Other creditors	5 711	5 372
Total creditors	7 372	6 245

Ageing of Trade and other payables

	2019 R'000	2018 R'000
Current (0 – 30 days)	1 346	94
31 - 60 Days	397	744
61 - 90 Days	-	117
91 - 120 Days	1	3
121 - 365 Days	5 628	5 287
Total	7 372	6 245

11. Unspent Conditional Grants and Receipts

	2019 R'000	2018 R'000
Capital Grant - Sand du Plessis - Air conditioning	39 126	32 889
Capital Grant - Revamp Andre Huguenet	413	413
Capital Grant - Motorised Lighting Batten	116	116
Capital Grant - PACOFS Main Entrance	558	558
Capital Grant - Sand Plumbing	80	80
Capital Grant - Upgrade Sand Video Monitor	116	116
Revaluation Grant	4 000	4 000
Capital Grant - Branding Theatre	176	176
Capital Grant - Incubator Project	4 269	4 269
Unspent interest on conditional grants	9 573	6 213
Total	58 427	48 830

	2019 R'000	2018 R'000
Movement during the year		
Balance at the beginning of the year	48 830	41 887
Additions during the year	9 598	7 176
Income recognition during the year	-	-234
Total	58 427	48 830

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised. These amounts are invested in a ring-fenced investment until utilised.

12. Leave Accrual

Reconciliation of Movement in Leave Provisions - 2019

	Current Provisions	R'000	R'000
Opening Balance		1 470	1 231
Movement during the year		-39	239
Closing Balance		1 431	1 470

2019	2018
R'000	R'000

13. Other Non-Current Financial Liabilities

Other non-current financial liabilities	875	-
(These constitute future payments to an employee as per labour court ruling for R 875 000)		

14. Defined Benefit Plans

	2019 R'000	2018 R'000
Statement of Financial Position		
Present value of Defined benefit obligation	6 732	6 794
Fair value of plan assets	-	-
Total Defined benefit plan Liability/(Asset)	6 732	6 794

The plan is a post-employment medical benefit plan.

Medical benefits

Changes in the present value of the medical benefit obligation are as follows:

Opening balance	6 794	6 238
Net gain recognised in the statement of financial performance	-62	556
Total present value of obligations	6 732	6 794

Net gain recognised in the statement of financial performance

Current service cost	92	83
Interest cost	575	584
Actuarial (gains) losses	-282	298
Settlement	-447	-409
	-62	556

Key assumptions used	9.81%	8.77%
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Assumptions used at the reporting date:

Discount Rate		
Healthcare Cost Inflation	7.50%	7.47%
Net Discount Rate 2.15%	2.15%	1.21%
Pre-retirement Mortality	SA85-90 (Light)	SA85-90 (Light)
Post-retirement Mortality	PA (90) rated down 2 years	PA (90) rated down 2 years
Expected Retirement Age (Actives)	60 years	60 years Percentage Married
Husband and Wife Age Difference	80%	80%
Continuance Assumption	3 years	3 years
	100%	100%

The post-employment medical benefit is actuarially valued every year by an independent valuator. The most recent valuation was performed by QDI Consult (Pty) Ltd on 31 March 2019 and reflects a liability of R 6 732 000 (2018: R 6 794 000). The valuation as at 31 March 2019 reflects the reasonable value of the post-employment medical aid liability as at 31 March 2019.

In accordance with IAS19 the actuarial adjustment was recognised in full during the year under review..

There are currently no long-term assets set aside in respect of PACOFS' post-employment health care liabilities. Therefore no assumptions specifically relating to assets have been made.

15. Government Grants and Subsidies

Reconciliation of Movement in Grant - 2019	Balance unspent at beginning of year R'000	Current year receipts R'000	Conditions met - transferred to revenue R'000	Conditions still to be met - remain liabilities R'000
Other Government Grants and Subsidies	-	46 822	46 822	-
Total Government Grant and Subsidies	-	46 822	46 822	-

Reconciliation of Movement in Grant - 2018	Balance unspent at beginning of year R'000	Current year receipts R'000	Conditions met - transferred to revenue R'000	Conditions still to be met - remain liabilities R'000
Other Government Grants and Subsidies	-	43 589	43 589	-
Total Government Grant and Subsidies	-	43 589	43 589	-

16. Revenue realised on conditional grants

	2019 R'000	2018 R'000
Incubator grant	-	5 854
Total	-	5 854

17. Interest received

	2019 R'000	2018 R'000
Interest from Banks & Debtors	868	830
Interest on Non exchange*	48	49
Total	916	879

Interest on Non exchange*

Interest at treasury rate 10.25% (2019) and 10 % (2018) was charged to Free State News on un- refunded amount of R 475 422 that was erroneously paid to its accounts in December 2016. Repayment agreement has been signed and monthly payments are made to PACOFS' Bank Account

18. Revenue in Kind/ Expenditure in Kind

PACOFS occupies premises owned by the Free State Provincial Government free of charge. The value of the use of the premises has been calculated at R991 000 (2018: R910 000) using an annual rate of 9%. These amounts have been recognized as revenue and expenditure in the Statement of Financial Performance

19. Rendering of services

	2019 R'000	2018 R'000
Commission received	305	323
Production proceeds	380	589
Theatre parking	38	222
Theatre rental Income	1 768	1 010
Total	2 491	2 144

20. Employee related Cost

	2019	2018
Allowances	33	43
Basic salaries	21 636	18 005
Bonuses	1 379	1 273
Contract personnel	1 367	960
Housing benefits and allowances	524	577
Leave pay-out	132	461
Medical Aid Contribution	242	234
Overtime payments	658	581
Pensioner's Medical Aid contribution	459	426
Pensions Contributions	2 721	2 708
Post-employment medical benefit	-62	556
Production cost - casuals	521	430
Travel and Accommodation	-	188
UIF Contribution	142	144
Total	29 752	26 585

*There was a court agreement to pay an employee of PACOFS R2.9Million for unfair dismissal

	2019 R'000	2018 R'000
Computer Equipment	19	59
Office Equipment	38	4
Plant Machinery & Equipment	187	596
Vehicles	33	81
Grand Total	277	739

	2019 R'000	2018 R'000
Advertising	487	321
Audit committee	63	41
Audit fees	2 859	1 452
Board fees	353	490
Cleaning	23	296
Compensation commissioner	101	186
Computer expenses	-	50
Consumables	509	72
Cost of Sales	170	228
Electricity	3 809	3 452
Entertainment	188	186
Expenses In Kind	991	910
Fleet operating lease	435	637
Insurance	288	295
Internal Audit fees	595	265
Levies	-	85
Licence fees	52	62
Other expenses	279	329
Other operating expenses	-	41
Pest control	-	20
Printing and stationery	483	518
Production fees	1 689	2 706
Production stipend	227	1 099
Professional fees	3 449	2 301
Rental of buildings	21	80
Rental of office equipment	99	79
Security costs	1 563	1 276
Telephone cost	534	515
Training	264	135
Travel and Accommodation	1 629	1 391
Total	21 160	19 520

23. Cash flows from operating activities

Surplus/(deficit) for the year from:	-5 364	-604
Adjustment for:		
Depreciation	4 990	6 388
Increase in provision for post-retirement benefit obligation	-	-
Movement in provisions	774	795
(Gain) / loss on sale of assets	325	-3
Fair value adjustments	345	56
Impairment loss / (reversal of impairment loss)	173	1 024
Services in kind - expenditure	-	-
Services in kind - revenue	-991	-910
Operating surplus before working capital changes:	253	6 747
Inventories - (Increase)/decrease	186	-200
Trade and other receivables - (Increase)/decrease	824	-785
Non exchange receivables - (Increase)/decrease	-	-1 936
Conditional grants and receipts - Increase/(decrease)	9 598	8 593
Trade and other payables - Increase/(decrease)	1 127	-2 711
Deferred income - Increase/(Decrease)	-	-5 333
Other working capital movements		
Net cash flows from operating activities	11 987	4 374

24. Fruitless and Wasteful Expenditure

	2019 R'000	2018 R'000
Reconciliation of fruitless and wasteful expenditure		
Opening balance -	2 563	2 550
Add: Fruitless and wasteful expenditure - current year	192	13
Add: bad debts write off during the year	1 471	
Fruitless and wasteful expenditure closing balance	4 226	2 563

25. Irregular Expenditure

	2019 R'000	2018 R'000
Reconciliation of irregular expenditure		
Opening balance -	70 615	60 965
Add: Irregular expenditure - current year	2 866	9 650
Irregular expenditure closing balance	73 481	70 615

The full extent of the irregular expenditure has not been determined and is to be investigated.

26. Operating leases

At the reporting date the entity had outstanding commitments under operating leases which fall due as follows;

Operating lease arrangements

Lessee	2019 R'000	2018 R'000
At the reporting date the entity had outstanding commitments under non-cancellable operating leases which fall due as follows:		
Up to 1 year	226	527
1 to 5 years	178	152
Total	404	679

Operating lease payments represent rentals payable by the entity for the use of digital Copiers/printers motor vehicles and oil mops.

1) Copier/ printer leases are negotiated for a term of three years. The monthly instalments remain fixed over the contract term with 0% escalation. The leases are not cancellable

2) A memorandum of agreement is in place for the use of motor vehicles until the 2020 period for the following vehicles:

GG	Number	Model ID
GBG855FS	60058400	Toyota Quantum Bus 14 Seater
GBG856FS	10032100	Chevrolet Optra
GBK570FS	47032026	Nissan NP300
GBJ491FS	28515420	Iveco Daily Panel Van
GBJ614FS	54047360	Renault Fluence.

3) Oil mops leases are negotiated for a term of three years. The monthly instalments increase annually by 7% per annum. The leases are not cancellable.

27. Contingent liabilities

There are currently four labour related cases. Two cases are before the CCMA, one is awaiting set down at the Labour Court and the other is awaiting set down at the High Court. In all four cases, the institution's legal representative has assessed the prospects of success as high.

28. Events After the Reporting Date

A court order was received by PACOFS on 8 April 2019 for the settlement of the dispute between Babereki, Dihlase, DAC and PACOFS. An amount of R2 784 497 is therefore payable from PACOFS' capital projects account in settlement of the dispute.

Adjusting events

Approval to dispose of certain assets was given after the reporting date.

29. Related parties

Relationships

Members

Refer to members' report note

Ultimate controlling entity

Department of Arts & Culture

Members of key management

Ms A Msimang (Chairperson) Resigned on 7 May 2018

Mr J A Litheko (Deputy Chairperson) Resigned 24 January 2019

Ms T Mnumzana

Adv. K Thango

Ms M Naidoo

Mr B Brijlal

Mr H Matlou

Ms T Nogabe

Mr N Sifumba, Chairperson from 8 May 2018

Mr M Xaba (Artistic Director)

Mr S Sanyane (CFO)

The Performing Arts Centre of the Free State is housed in a building that is the property of the Department of Public Works. The building includes the Sand du Plessis Theatre as well as all the office space. The use of the building (theatre and office space) is provided free of charge.

The DAC can have a significant influence on the control of PACOFS due to the material nature of the grants paid by the Department to PACOFS.

Related party balances

Government grants

	2019 R'000	2018 R'000
DAC Operational Grant	46 822	43 589
DAC Sponsorships	-	4 000
DAC Capital Works	6 237	-
Total	53 059	47 589

30. Council Members' emoluments

Council Members' emoluments				
2019	Sitting fees R'000	Other allowances R'000	Travel costs R'000	Total R'000
Ms. A Msimang	13	4	33	50
Mr. J A Litheko	26	20	10	56
Ms. T Mnumzana	14	11	31	57
Adv. K Thango	26	18	18	61
Ms. M Naidoo	13	9	4	26
Mr. B Brijlal	23	15	7	45
Mr. H Matlou	29	22	58	109
Ms. T Nogabe	26	16	39	81
Mr. N Sifumba	19	12	10	42
Total	189	127	210	527

2018	Sitting fees R'000	Other allowances R'000	Travel costs R'000	Total R'000
Ms. A Msimang	22	72	26	120
Mr. J A Litheko	7	59	4	70
Ms. T Mnumzana	1	24	8	33
Adv. K Thango	10	25	0	35
Ms. M Naidoo	1	1	1	3
Mr. B Brijlal	7	7	0	14
Mr. H Matlou	5	9	15	30
Ms. T Nogabe	1	2	0	3
Mr. N Sifumba	2	12	1	15
Mr. Z Mkiva	3	2	1	7
Mr. F. Wetes	-	-	20	20
Ms. M. Malapane	7	5	-	12
Mr. T Segopolo	2	4	-	6
Total	68	222	76	368

31. Key management remuneration

Name	Designation	Salary	Bonus	Allowances	Social contributions	2019	2018
Xaba M	CEO (Acting)	767	58	609	128	1 562	1 084
Sanyane S	CFO	999	71	21	167	1 258	272
Total						2 820	1 356

32. Prior year adjustments

Presented below are those items contained in the statement of financial position statement of financial performance and cash flow statement that have been affected by prior year adjustments:

Statement of financial position 2018

	Balance as previously reported	Correction of error	Balance restated
Inventories	1 822	158	1 980
Receivables from exchange transactions	1 233	-793	440
Property plant and equipment	36 638	298	36 936
Intangible assets	14	786	800
Payables from exchange transactions	-6 331	86	-6 245
Accumulated surplus	33 376	534	33 911

Statement of financial position 2018

	Balance as previously reported	Correction of error	Balance restated
Rendering of services	2 114	30	2 144
Other income	74	4	78
Interest received from ex- change transactions	880	-50	830
Interest received from non-exchange transactions	-	50	50
Employee related costs	-26 598	13	-26 585
Depreciation	-6 459	71	-6 388
Bad debts	-284	-740	-1 024
General expenses	-20 265	745	-19 520
Repairs and maintenance	-460	-279	-739
Surplus / Deficit for the year	-50 999	-155	-51 154

Disclosure

	Balance as previously reported	Correction of error	Balance restated
Irregular expenditure	70 557	58	70 615

The following prior period error adjustments occurred:

Inventories

The error occurred as a result of purchases of stock not recorded as stock but expensed. The stock items have been identified and assigned to stock.

Receivables from exchange transactions

The error occurred as a result of prepayments and salary debtors that were recorded as expenditure. These prepayments are now recorded correctly as debtors.

Property plant and equipment

The error occurred when computer equipment, sound equipment and furniture & fittings were incorrectly expensed. The items have been capitalised.

Intangible assets

There was a change of accounting policy from finite to infinite useful life. An adjustment to restate the useful lives of the assets has been passed.

Payables from exchange transactions

The error occurred as a result of the decrease in payables not recognised during the year.

A correction has been done to reflect a decrease in the payables.

Rendering of services

The error was as a result of expenditure items applied against rendering of services thereby reducing income. The expenses have been correctly recognised under expenditure.

Other income

The error was as a result of income items omitted from income disclosed. The error has been corrected.

Interest received from exchange transactions

The error was as a result of interest income from an overpaid debtor recorded as Interest from exchange transactions in the prior year. The error has been corrected.

Interest received from non-exchange transactions

The error was as a result of interest income from non-exchange transactions from an overpaid debtor not recorded in the prior year. The error has been corrected.

Employee related costs

The error is as a result of employee allowances and remuneration being incorrectly recognised under general expenditure. The employee costs have been correctly disclosed.

Depreciation

The error occurred as a result of an overstatement in depreciation in the prior year. The error has been corrected.

Bad debts

The error occurred as a result of an overstatement in the provision for bad debts in the prior year. The error has been corrected.

General expenses

The error is as a result of employee allowances and remuneration being incorrectly recognised under general expenditure. The employee costs have been correctly disclosed.

Reclassification of general expenditure items has been done.

Repairs and maintenance

The error occurred as a result of general expenditure items recorded as repairs and maintenance.

Irregular expenditure

The error occurred as a result of irregular expenditure incurred in the prior year not recorded.

Intangible assets useful life reassessment

Management is of the opinion that the current intangible assets will be used perpetually as there is no intention to change its computer systems/software. Management has therefore assessed the intangibles to have an indefinite useful life. There are no legal, economic or political factors affecting the period of use of the intangible assets currently and into the foreseeable future.

33. Risk Management

Short term Investments

The entity limits its exposure to credit risk by investing only in liquid securities and only with approved bank.

Liquidity risk

Liquidity risk is the risk that the entity will not be able to meet its financial obligations as they fall due. The entity's approach to managing liquidity is to ensure as far as possible that it will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions without incurring unacceptable losses or risking damage to the entity's reputation.

An assessment is made of the payments due in advance. Money is transferred to the current bank account to meet the payment obligations.

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

34. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities contingent obligations and commitments will occur in the ordinary course of business. The entity receives a guaranteed rolling 3 year cycle funding from the National Department of Sports Arts and Culture.

Appendix-A					
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 31 MARCH 2019					
Budget on Accrual Basis	Final Budget Actual amounts	Actual amounts on comparable basis	Difference between final budget and actual	Variance	Explanation of significant variance
Statement of Financial Performance Revenue	R'000	R'000	R'000	%	Greater than 10% vs Budget
Sale of Goods & Rendering of Services	1 247	2 702	1 455	117	The increase in sales of goods & services emanates from a marginal increase in the demand of services as compared to previous year.
Interest received	390	868	478	122	Incremental budgeting that did not reflect the economic realities.
Other income	1 098	228	-870	-79	Incremental budgeting that did not reflect the economic realities.
Total revenue from exchange transactions	2 735	3 798	1 063	39	The increase in total revenue emanates from combination of sales of goods and services, interest received and other income explained above.
Revenue from non-exchange transactions		-	-	0	
Interest received	-	48	48	0	
Government grants & subsidies	46 822	46 822	-	0	
Revenue in Kind	991	991	0	0	
Total revenue from non-exchange transactions	47 813	47 861	48	0	
Expenditure	-	-	-		

Appendix-A					
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 31 MARCH 2019					
Personnel	-26 729	-29 752	-3 023	11	Under budgeted for Personnel
Depreciation and amortization	-50	-4 990	-4 940	9880	Under budgeted for depreciation.
Debt Impairment -	-18	-173	-155	862	Under budgeted for debt impairment.
Repairs and Maintenance -	-561	-277	284	-51	The decrease in Repairs and Maintenance emanates from durable and high quality repairs in the previous financial year
General Expenses	-22 196	-21 160	1 036	-5	
Loss on Disposal of Assets	-	-325	-325	0	Losses were not budgeted for
Inventories: Write-down to net realisable value	-	-345	-345	0	Inventory write-off was not budgeted for
Total expenditure	-49 554	-57 022	-7 468	15	



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