



ANNUAL REPORT

2022-2023



Moulding Entrepreneurs





ANNUAL REPORT

2022-2023

TABLE OF CONTENTS

PART A: GENERAL INFORMATION

1.	GEP's General Information	7
2.	GEP Regional and Satellite Offices	8
3.	List of Abbreviations / Acronyms	9
4.	Foreword by the Chairperson	12
5.	Chief Executive Officer's Overview	16
6.	Statement of Responsibility and Confirmation of Accuracy for the Annual Report	20
7.	Strategic Overview	21
8.	Legislative and Other Mandates	22
9.	Organisational Structure	23
10.	GEP Board of Directors	24
11.	GEP Executive Management	25

PART B: PERFORMANCE INFORMATION

1.	Auditor's Report: Predetermined Objectives	27
2.	Overview of Performance	27
3.	Report from the Acting Chief Financial Officer	29
4.	Report by Chief Operations Officer	31
5.	Overview Stakeholder Management & Revenue Generation	32
6.	GEP Success Stories	35
7.	Institutional Programme Performance Information	50
8.	Outcomes, Outputs, Output Indicators, Targets and Actual Achievement	51
9.	Revenue Collection	57
10.	Capital Investment	57

PART C: GOVERNANCE

1.	Introduction	59
2.	Executive Authority	59
3.	The Board As The Accounting Authority	60
4.	Risk Management	69
5.	Internal Control Unit	73
6.	Internal Audit And Audit Committees	74
7.	Compliance With Laws And Regulations	75
8.	Fraud And Corruption	76

9.	Code Of Conduct	76
10.	Health Safety and Environmental Issues	77
11.	Company /Board Secretary	77
12.	Social Responsibility	77
13.	Audit Committee Report	78
14.	B-BBEE Compliance Performance Information	81

PART D: HUMAN RESOURCE MANAGEMENT

1.	Corporate Support and Administration Report	83
2.	Human Resource Oversight Statistics	88

PART E: PFMA COMPLIANCE REPORT

1.	Irregular, Fruitless and Wasteful Expenditure and Material Losses	93
2.	Late and/or Non-Payment of Suppliers	100
3.	Supply Chain Management	101

PART F: FINANCIAL INFORMATION

General Information	103
Report of the Auditor General	105
Annexure to the Auditor's Report	112
Compliance with Legislation – Selected Legislative Requirements	114
Statement of Financial Position	117
Statement of Financial Performance	118
Statement of Changes in Net Assets	119
Cash Flow Statement	120
Statement of Comparison of Budget and Actual Amounts	121
Accounting Policies	122
Notes to the Annual Financial Statements	143
Detailed Statement of Financial Performance	163



PART A

GENERAL INFORMATION

1.	GEP's General Information	7
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1. GEP'S GENERAL INFORMATION

Registered Name	Gauteng Enterprise Propeller
Registered Number	Not applicable
Chairperson of the Board	Ms. Lebogang Leshika
Chief Executive Officer	Mr. Saki Zamxaka
Registered Address	6 th Floor 124 Main Street Marshalltown Johannesburg 2001
Postal Address	P.O Box 61464 Marshalltown 2107
GEP Telephone Numbers	011 085 2001
Fax numbers	011 834 6702
GEP Contact Centre	087 057 2000 enquiries@gep.co.za
Website Address	www.gep.co.za
Bankers	First National Bank
Auditors	Auditor-General of South Africa
Company Secretary	Huruma Bantfu



2. GEP REGIONAL AND SATELLITE OFFICES

REGIONAL OFFICES

JOHANNESBURG REGIONAL OFFICE

7th Floor,
124 Main St,
Johannesburg

Tel: 011 085 2002

EKURHULENI REGIONAL OFFICE

Ground Floor,
188 Victoria Street,
Corner Victoria & Spilsbury,
Germiston

Tel: 011 821 2870

TSHWANE REGIONAL OFFICE

Block G,
333 Grosvenor Street,
Hatfield Gardens,
Hatfield

Tel: 012 430 2359

WEST RAND REGIONAL OFFICE

23 Eloff Street,
Krugersdorp

Tel: 011 950 9870

SEDIBENG REGIONAL OFFICE

36 Merriman Avenue,
Vereeniging

Tel: 016 910 1200

SATELLITE OFFICES

BRONKHORSTSPRUIT SATELLITE OFFICE

Lazarus building,
43 Lanham Street,
Bronkhorstspruit

Tel: 013 932 3828

HEIDELBERG SATELLITE OFFICE

52 Voortrekker Road,
PG Glass,
Unit 34,
Heidelberg

Tel: 016 349 2658

SOWETO SATELLITE OFFICE

Maponya Mall,
Thusong Centre,
2127 Chris Hani Road,
Soweto

Tel: 011 938 4257

MOHLAKENG SATELLITE OFFICE

3521 Ralerata Street,
Mohlakeng

Tel: 011 414 1753



3. LIST OF ABBREVIATIONS / ACRONYMS

4IR	Fourth Industrial Revolution
AFS	Annual Financial Statement
AGSA	Auditor – General South Africa
AIDC	Automotive Industry Development Centre
APP	Annual Performance Plan
B-BBEE	Broad-Based Black Economic Empowerment
BCM	Business Continuity Management
BDS	Business Development Support
CAP	Cooperative Assistance Programme
CFO	Chief Financial Officer
CIPC	Companies and Intellectual Property Commission
CEO	Chief Executive Officer
COO	Chief Operations Officer
CRMP	Compliance Risk Management Plan
CSD	Central Supplier Database
Co-Ops	Cooperatives
DDM	District Development Model
DFI	Development Finance Institutions
EDC	External Debt Collectors
ERP	Enterprise resource planning
ESD	Enterprise Supplier Development
EWSETA	Energy and Water Sector Education and Training Authority
FY	Financial Year
FSS	Financial Support Services
GEM	Gauteng Entrepreneurship Model
GCR	Gauteng City Region
GIBUS	Gauteng Informal Business Upliftment Strategy
GIIMP	GCR Integrated Infrastructure Master Plan
GDED	Gauteng Department of Economic Development
GDP	Gross Domestic Product
GEM	Gauteng Entrepreneurship Model
GEP	Gauteng Enterprise Propeller

GGDA	Gauteng Growth Development Agency
GGT2030	Growing Gauteng Together
GIBUS	Gauteng Informal Business Upliftment Strategy
GM	General Manager
GPG	Gauteng Provincial Government
GPT	Gauteng Provincial Treasury
GRAP	Generally Recognised Accounting Practice
GSDF	Gauteng Spatial Development Framework
HPCSA	Health Professions Council of South Africa
ICSME	International Conference on Small and Medium Enterprises
ICT	Information Communication and Technology
ICASA	Independent Communications Authority of South Africa
IDC	Industrial Development Corporation
IFAC	International Federation of Accountants
iGRC	Integrated Governance, Risk and Compliance
IM	Investment Management
IoDSA	Institute of Directors in South Africa
IPM	Institute of People Management
IRBA	Independent Regulatory Board for Auditors
IRMSA	Institute of Risk Management South Africa
IT	Information Technology
JRA	Johannesburg Road Agency
MEC	Member of Executive Council
MICTSETA	Media, Information and Communication Technologies Sector Education and Training Authority
MV	Military Veterans
MTEF	Medium Term Expenditure Framework
MTSF	Medium Term Strategic Framework
NAV	Net Asset Value
NDP	National Development Plan
NHBRC	National Home Builders Registration Council (NHBRC)
RO	Regional Operations
SABPP	South African Board for People Practices
SAIPA	South African Institute of Professional Accountants

SEDA	Small Enterprise Development Agency
SEFA	Small Enterprise Finance Agency
SEEZA	see Southern Africa
SEZ	Special Economic Zones
SIOPSA	Society for Industrial and Organisational Psychology Of South Africa
PAYE	Pay As You Earn
PFMA	Public Finance Management Act
PMS	Performance Management System
PPE	Personal Protective Equipment
PRECCA	Prevention and Combating of Corrupt Activities
PWD	Person with Disabilities
SMME	Small, Medium and Micro Enterprises
SABPP	South African Board for People Practices
SAFCEC	South African Forum of Civil Engineering Contractors
SAIPA	South African Institute of Professional Accountants
SASME	SA SME Fund
SARB	South African Reserve Bank
SARS	South African Revenue Service
SCM	Supply Chain Management
SDL	Skills Development Levy
SIOPSA	Society for Industrial and Organisational Psychology of South Africa
SIP	Strategic Implementing Partners
SIU	Special Investigative Unit
TBR	Township Business Renewal
TEDA	Township Economic Development Act
TER	Township Economic Revitalisation
TISH	Townships Informal Settlements and Hostels
TEPF	Township Economy Partnership Fund
TMR	Transformation, Modernisation and Re-industrialisation
UIF	Unemployment Insurance Fund
VAT	Value-Added Tax
VUT	Vaal University of Technology
WASME	World Association for Small and Medium Enterprises

4. FOREWORD BY THE CHAIRPERSON



Ms Lebogang Leshika
Board Chairperson

“Our top priority for the foreseeable future is to establish strategic partnerships that will greatly benefit the sector, particularly in townships. We will give precedence to the high-growth sectors listed in GGT2030 when forging these partnerships, as they are in line with the Premier’s agenda for TISH.”

INTRODUCTION

I am honoured to present the Gauteng Enterprise Propeller (GEP) annual report outlining the performance outcomes against pre-determined objectives for the FY (Financial Year) 2022/2023. GEP is an Agency of the Gauteng Provincial Government (GPG) that is entrusted with the responsibility of providing business development and financial support interventions to small enterprises in the Gauteng province.

Despite a strong focus on economic recovery, the Reserve Bank reported that the economic activity in South Africa decreased in the fourth quarter of 2022 mainly due to the increased intensity of electricity load-shedding. Real Gross Domestic Product (GDP) reverted from a revised expansion of 1.8% in the third quarter of 2022 to a contraction of 1.3% in the fourth quarter as output declined in the primary, secondary, and tertiary sectors. South Africa's unemployment rate was 32.7% in the fourth quarter of 2022. Statistics indicate that 169 000 jobs were gained between the third quarter of 2022 and the fourth quarter of 2022. The total number of persons employed was 15.9 million in the fourth quarter of 2022. The industries that recorded the largest job gains are Finance, Private Households, Trade and Transport. While job losses were recorded in the Community and Social Services, Agriculture and Construction. The formal sector recorded an increase in employment of 143 000 and the informal sector recorded a loss of 15 000 between the third and fourth quarters of 2022. According to the latest report from the Small Enterprise Development Agency (SEDA), Gauteng boasts the highest number of Small, Medium and Micro Enterprises (SMMEs) in South Africa, making up 37.5% of the total. During the third quarter of 2022, SMMEs in Gauteng were predominantly involved in trade and accommodation, finance and business services, community, and construction sectors. Looking ahead to SEDA's 2023 report, it is noted that 34.3% of SMMEs in Gauteng operate in the formal sector, while 63.7% operate in the informal sector.

Given this context, South Africa continues to experience tough economic conditions post the pandemic with the rising cost of living, elevated interest rates, and the ongoing energy crises that have become one of the defining factors of the country's slow growth. This required the entity to elevate support and respond to decreased economic activity and unemployment challenges by developing small businesses and providing financial support where needed.

HIGH-LEVEL OVERVIEW OF GEP'S STRATEGY AND PERFORMANCE

The GPG developed the Growing Gauteng Together (GGT2030) economic strategy aligned to the National Development Plan (NDP) with ambitious targets for job creation by the year 2030. One critical expectation is that these jobs must be generated from small and micro enterprises, placing GEP and other development finance institutions at the centre of the province's job creation agenda. Our financial and non-financial programs were guided by the high-growth sectors of the provincial economy, with a strong emphasis on effective implementation and tangible results. Furthermore, we drew inspiration from the priorities of the Premier, which encompassed Townships, Informal Settlements, and Hostels (TISH), to inform our intervention.

The key consideration in the year under review has been centred on leveraging further funding using the R200 million received from the province that initially formed a basis for the 50/50 basis partnership with the Industrial Development Corporation (IDC), resulting in an overall budget of R400 million. The R400 million concretised the Township Economy Partnership Fund (TEPF) formation, a fund rooted in scaling financial support to the township and township-linked SMMEs through partnering with other Strategic Implementing Partners (SIPs).

STRATEGIC RELATIONSHIPS

Through strategic partnerships, the TEPF budget of R400 million contributed on a 50/50 basis or R200 million from each party (GEP and IDC) was leveraged to close the year with total TEPF funds established at R700 million.

This funding was leveraged for deployment to beneficiaries through the following partners:

- R300 million - SMME crisis fund in partnership with SASME Fund contributing R100m, GEP and IDC an additional R100m respectively.
- R100 million - Kasi Mnotho Fund in partnership with Family Tree. Parties contributing were: IDC at R25 million, GEP at R25 million, Family Tree at R50 million; and
- R100 million Township Growth fund in partnership with Emerge Group, with parties contributing: IDC at R25 million, GEP at R25 million and Emerge Group at R50 million.
- R200 million - Township Property Fund with Indlu Living with GEP contributing R50m, IDC R50 million and Indlu Living contributing R100 million.

CHALLENGES FACED BY GEP

The Fourth Industrial Revolution (4IR) is already in the midst across the globe and is impacting how organisations do their businesses, interact with customers and determine productive capacity. The revolution gives GEP the impetus to increase its pace towards automation for a much-improved client experience and a more modern working environment for employees, thereby increasing productivity exponentially. During this FY, we have faced some stumbling blocks such as a lack of adequate financial resources to fully transform our IT environment. Nonetheless, extensive work has unfolded on the Business Analysis front and the outcomes will affirm how best our delivery can evolve. In addition, completing the structure review process in the upcoming year should enable the organisation to deliver on its mandate effectively.

THE STRATEGIC FOCUS OVER THE MEDIUM TO LONG-TERM PERIOD

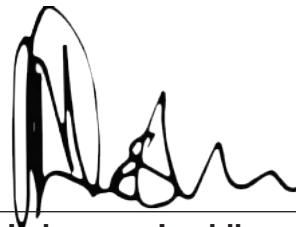
Our top priority for the foreseeable future is to establish strategic partnerships that will greatly benefit the sector, particularly in townships. We will give precedence to the high-growth sectors listed in GGT2030 when forging these partnerships, as they are in line with the Premier's agenda for TISH.

ACKNOWLEDGMENTS

On behalf of the Board, I would like to express our sincere gratitude to former fellow Board members, member Nomusa Mafumadi and member Desmond Golding who resigned during the FY 2022/2023 in pursuit of new career prospects. We appreciate your contribution to our work and wish you all the best in your future endeavours as you continue to serve the citizens of South Africa. I also would like to express my gratitude to the current members. We appreciate your efforts throughout the year.

I wish to thank the Members of the Executive Committee (MEC) of Economic Development and the Head of the Department for their continued support of the Agency over the past financial year.

To the management and employees of GEP, your efforts are critical in fulfilling the organisation's mandate and providing hope to small enterprises in Gauteng as they navigate a challenging economic terrain.



Ms. Lebogang Leshika

Board Chairperson: Gauteng Enterprise Propeller





5. CHIEF EXECUTIVE OFFICER'S OVERVIEW



Mr. Saki Zamxaka
Chief Executive Officer (CEO)

"GEP is fully committed to taking technology to the next level in the coming fiscal year. We are determined to enhance our digital tools, including online application processes, to provide a superior experience. We will continue building high-performing teams and focusing on SMME partnership programs to complete any pending partnerships while offering business development support."

The pandemic has brought about significant changes and difficulties for both businesses and society over the past two fiscal years. However, despite these challenges, GEP managed to prosper during the year under review. Recovering and bouncing back from the impact of the COVID-19 pandemic, GEP managed to implement and discharge its mandate contributing to the economic growth of the Gauteng Province. We had to adapt at pace to help our clients navigate the disruptions brought on by the pandemic. Our continued support of the SMMEs in Gauteng Province remained our focus. During this year, GEP demonstrated outstanding performance and made significant efforts to support its stakeholders and customers, particularly SMMEs. Our programmes were tailored to address the pressing issues of inclusive growth, youth and women participation.

This year saw GEP embarking on an exercise to develop a turnaround strategy. This strategy was part of an effort to reconfigure GEP while ensuring that it remains relevant to contribute to the Gauteng Provincial economy and its strategic goals. I am delighted to announce that the turnaround strategy allowed the entity to rethink the financial model which is the blueprint of the entity's sustainability. The integration processes are well-underway, and we are already seeing many wins and seizing numerous opportunities to further develop and support SMMEs across the province.

As we worked to achieve our purpose of nurturing, supporting and playing a developmental role to the SMMEs in the province, we managed to complete several strategic objectives. We delivered our financial targets including recording organic growth in our debt recovery endeavours. Notable achievements are evident in our strategic partnership endeavours. This FY saw GEP partnering with the IDC to expand and attract more funds to support the growing needs of SMMEs in the province. GEP continued to partner with other strategic partners, which will assist the entity in reaching its objectives.

The economic landscape in the context of SMMEs is currently fragile. While we are recovering from COVID-19, crises such as load-shedding continue to be a challenge and a threat to the survival and sustainability of the SMMEs. Load-shedding is highly disruptive for SMMEs, and small business owners incur costs to mitigate the impact.

The current year had challenges and as GEP, we proved that these were surmountable. Our collective effort to implement our mandate allowed us to proudly serve our clients. This collective effort was possible through our roots in responsible decision making, our clear purpose and values and our ability to adapt at pace.

GENERAL FINANCIAL REVIEW OF GEP

GEP's funding requirement is mainly from a grant received from the GDED, its sole shareholder. This funding is mainly to assist the operational activities of the GEP, including issuing loans to SMMEs and Co-operatives and providing financial and non-financial support to SMMEs.

During the period under review, GEP managed to collect over R30 Million on its Debt Collection. This collection has been the most significant achievement that will enable the entity to support more SMMEs responding to their growing demands and needs. Thanks to our collective efforts in the year under review, we delivered strong results that exceeded our expectations, including our highest organic growth in debt recoveries in the last decade and a strong backlog level with substantial order intake. Based on our FY 2022/2023 financial metrics, GEP managed to survive financially despite numerous challenges.

SPENDING TRENDS OF GEP

During the FY 2022/2023, GEP received a budget allocation of R223 million from GDED. There was a reduction of R7 million in the allocation and a once-off adjustment of R86 million for contract finance received in FY 2021/2022.

GEP reported a revenue of R50 million compared to R18 million in the previous year. This significant improvement in the revenue is due to interest earned on bank account due to monies banked with the South African Reserve Bank (SARB). Ring-fenced expenditure is R42 million compared to R27 million in the previous year. There is a significant improvement in spending on Business Development programmes and projects in the current financial year.

Spending on the Financial Support Services (FSS) loan was R88 million at the end of March 2023 compared to R37 million the previous year. The increase in FSS loans is due to processing more contract finance applications worth R60 million, while the remaining balance is from regular loans. The funds allocated for contract finance emanates from a rollover of R77 million, which translates to nearly 70% of the funds being used in advance for contract finance.

It is commendable that the business has significantly improved its overall performance compared to the previous year.

CAPACITY CONSTRAINTS AND CHALLENGES FACING GEP

GEP has been doing more with less by continuously forming relationships with Institutions of Higher Learning and Training providers. These relationships helped in providing the skills development solutions to the agency while allowing learners to gain portable workplace experience in line with their studies and career aspirations. Altron People Solutions in partnership with GEP offered placements to eleven Graduates from Altron Peoples Solution. This allowed the Graduates exercise the key feature of their qualification which required supervised practical placements within an organisational setting. This exercise allowed them to apply the knowledge learnt in class within a "real work" environment'.

There is also a plan to conduct the skills audit to help the GEP staff to stay current due to the fast-paced changes in the work environment. Due to changes in the organisational structure; the agency could not recruit staff on a permanent basis, and only critical positions were advertised on a contract basis. Some of the qualified staff members performed duties in an acting capacity to ensure continuity. There are plans to recruit and place personnel once the organisational structure has been finalized and signed off.

SCM OVERVIEW

SCM processes are underpinned by the provision in the Public Finance Management Act (PFMA) including the compliance concerning the framework for the supply chain management. This is also aligned with the Supply Chain Management (SCM) provisions that are timeously gazetted and issued by Parliament, National Treasury and Gauteng Province Treasury (GPT). During the FY 2022/2023, the Board drafted and approved a new SCM policy in line with the new regulations and National Treasury prescripts. SCM's role is to support GEP in sourcing goods and services in line with SCM legislation ensuring procurement that is efficient, cost-effective and uniform. This SCM process is upheld by the provision of Section 217 of the Constitution. GEP is proud to report that the 15 days invoice payment period was adhered to in supporting our SMMEs concerning disbursements and payments of goods and services. We faced SCM challenges but overcame them and achieved success.

KEY EXTERNAL AUDIT MATTERS AND ACTION PLANS

GEP received an Unqualified audit opinion for this year, with findings on irregular expenditure. The entity has progressed from prior years with no material misstatements. The entity will continuously monitor controls and comply with legislation to prevent irregular expenditures during external audits. The entity is investigating irregular expenditures and will take corrective measures. All employees are undergoing training to prevent unnecessary expenses in the future.

OUTLOOK FOR THE FUTURE

We look forward to fully implementing our turnaround strategy as part of our strategic direction. This strategy will be a blueprint for the next financial year. Through partnership endeavours, GEP will be positioned to identify new opportunities to support our growing needs of SMMEs. GEP should invest in additional dimensions to boost business development support and funding offerings beyond our turnaround strategy. GEP is fully committed to taking technology to the next level in the coming fiscal year. We are determined to enhance our digital tools, including online application processes, to provide a superior experience. We will continue building high-performing teams and focusing on SMME partnership programs to complete any pending partnerships while offering business development support.

We aim to support SMMEs in their transition to formal businesses and to ensure their sustainability and success. This assistance is in line with the Premier of Gauteng Province's mission of Township Economic Development Act (TEDA).

The Agency will continue to carefully manage the debt book and collect or recover debt in order to avail funds to support other SMMEs.

EVENTS AFTER THE REPORTING DATE

GEP had eight Fraud and Corruption cases in the investigation register that were referred to external independent legal experts.

All cases were investigated by the time the Annual Report was published. Seven of these were successfully concluded by 31 March 2023 and the remaining investigation, as initiated by a presidential proclamation, involves the Special Investigative Unit (SIU) and is partially concluded. The entity has also applied corrective measures / consequence management to those employees and service providers implicated other than irregular expenditure, which is ongoing.

The entity also implemented 74% of the recommendations from the investigation reports. It will continue to implement all recommendations to prevent the re-occurrence of alleged and confirmed fraud and corruption practices. The entity further conducted the Irregular Expenditure Assessment and Determination exercise to condone the irregular expenditure. The entity intends to condone all unwanted expenditures in line with due process. Consequence Management is also currently being undertaken for those implicated in irregular expenditure transactions for condonation purposes.

ECONOMIC VIABILITY

During the FY 2022/2023, GEP earned an exchange of R24 million, consisting mainly of interest from loans. GEP is in a net asset position of R72 million, and the Shareholder remains committed to continue to support GEP through transfers over the Medium-Term Expenditure Framework (MTEF) period. There has been a significant improvement in the collection of debt in the current year, which has assisted with the financial sustainability of the business.

ACKNOWLEDGEMENTS

I wish to express my gratitude on multiple levels before ending this. First, a heartfelt thank you to our Shareholder and the Board of Directors for their leadership, oversight role and guidance in the execution of our mandate.

Your valuable contributions have enabled GEP to remain relevant and actively support the SMME sector in the Gauteng Province.

Special thanks to my fellow members of the Executive, the Management, including the entire GEP staff members who enabled us to achieve a notable outstanding performance. Your immense contribution in implementing the GEP strategy and annual performance plan is recognised and appreciated.

I am looking forward to another successful year ahead of us.


Mr. Saki Zamxaka
Chief Executive Officer

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

To the best of our knowledge and belief, we confirm the following:

All information and amounts disclosed in this annual report are consistent with the 2022/23 GEP annual financial statements audited by the Auditor General.

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

This annual report has been prepared in accordance with the Annual Report Guidelines for Schedule 3A and 3C Public Entities as issued by National Treasury.

The Annual Financial Statements (Part F) have been prepared in accordance with the Generally Recognised Accounting Practice (GRAP) standards applicable to the Agency.

The GEP Board, as the Accounting Authority, is responsible for ensuring that the Agency prepares Annual Financial Statements and for the judgements made on this information.

The Accounting Authority is further responsible for ensuring that the Agency establishes and implements a system of internal control designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the Annual Financial Statements.

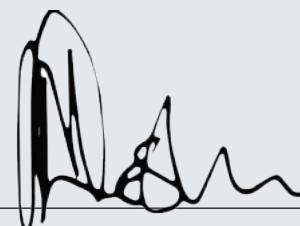
The external auditors (Auditor – General of South Africa) were engaged to express an independent opinion on the 2022/23 annual financial statements of GEP.

In our opinion, the GEP Annual Report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the Agency for the financial year ended 31 March 2023.

Yours faithfully,



Mr. Saki Zamxaka
Chief Executive Officer



Ms. Lebogang Leshika
Board Chairperson



7. STRATEGIC OVERVIEW

7.1 VISION

A responsive and impactful propeller for sustainable business enterprises in the Gauteng Province

7.2 MISSION

In achieving its vision, the Gauteng Enterprise Propeller defines its mission as:

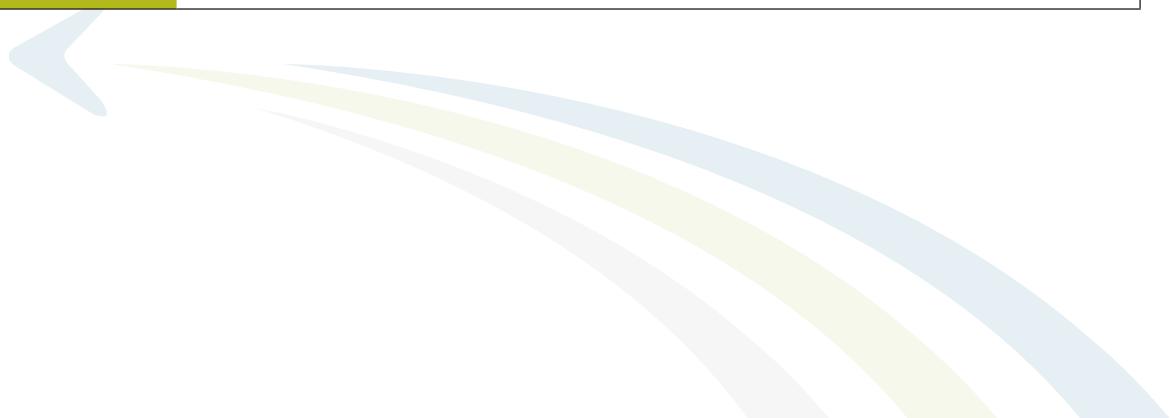
- Establishing a high performing professional, ethical and capable institution;
- Promoting entrepreneurship and facilitating an integrated approach to entrepreneurial development and support within the Province;
- Creating Strategic Partnerships with a range of institutions for sustainable small enterprises and Cooperative development and support;

- Developing innovative financial solutions, tools and channels to speed up increased market participation in the provision of affordable finance; and
- Facilitating investment in high-impact business enterprises that transform the structure and competitiveness of industrial sectors.

7.3 VALUES

In working towards the achievement of its vision and mission, the GEP subscribes to the following internal values which are in line with the *Batho-Pele* principles:

Value	Description - What it means in practice
Motivation	Passion for excellence in delivering quality services to Gauteng entrepreneurs.
Ownership	Accountability, honesty and integrity displayed by management and employees in all stakeholder interactions.
Ubuntu	Compassion, respect and dignity to be central in collaborations with other institutions to make a meaningful impact in small businesses.
Diversity	Recognising that it takes people from different backgrounds to make an organisation succeed.
Ethical Leadership	Demonstrating ethical leadership consistently to ensure the organisation is managed according to the code of ethics and led effectively.
Dependable	Customer centricity, responsiveness and striving to provide excellent client experiences.



8. LEGISLATIVE AND OTHER MANDATES

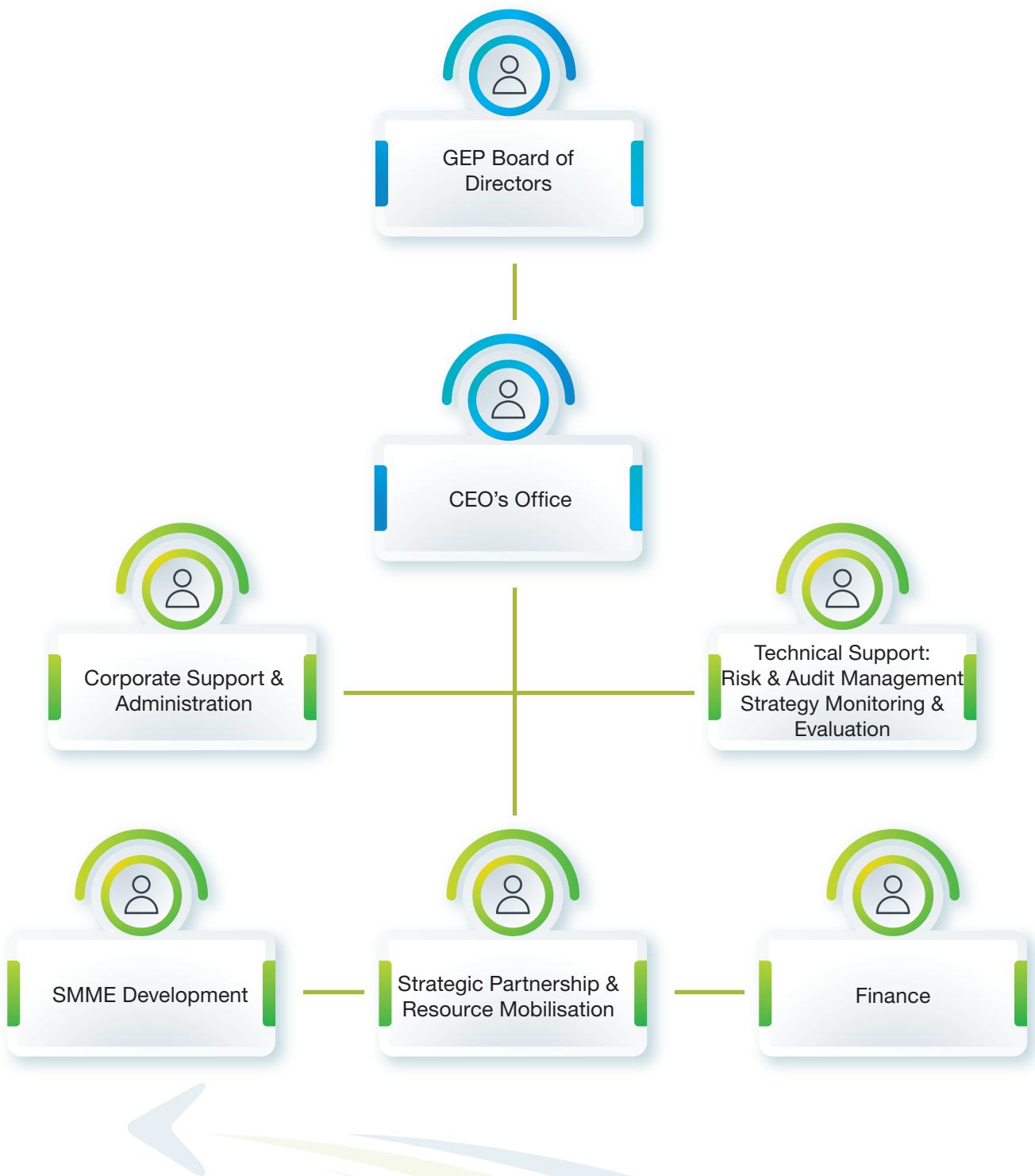
The GEP responded to the following Legislative and Policy mandates outlined in the 2020-2025 Strategic Plan:

- Constitution of South Africa Act (No. 108 of 1996)
- Gauteng Propeller Act (No. 5 of 2005) (GEP Act)
- Companies Act, 2008 (No. 71 of 2008)
- Public Finance Management Act (No. 1 of 1998), as amended (PFMA)
- Full suite of governance legislation, including, amongst others:
 - King IV Code on Corporate Governance in SA (2016)
 - Intergovernmental Relations Framework Act (No. 13 of 2005)
 - Consumer Protection Act, 2008 (No. 68 of 2008)
 - National Credit Act, 2005 (No. 34 of 2005)
 - Preferential Procurement Policy Framework Act, 2000 (No. 5 of 2000)
 - Broad-Based Black Economic Empowerment Act, 2003 (No. 53 of 2003)
 - National Development Plan, Vision 2030 - Chapter 8
 - Sustainable Development Goals - Goals 5, 8 and 9
 - African Union 2063 - Aspirations 1, 6 and 7
 - Medium-term Strategic Framework (MTSF 2019-2024) - Outcomes 1 and 2
- Ten Pillars of Transformation, Modernisation and Reindustrialisation (TMR)
- Growing Gauteng Together 2030 (GGT2030) - Priority 1 and 5
- Other key Gauteng policies and strategies supporting GGT2030:
 - Township Economy Revitalisation Strategy
 - Tshepo 1 Million
 - Gauteng Entrepreneurship Model
 - Gauteng Spatial Development Framework (GSDF) 2030
 - The GCR Integrated Infrastructure Master Plan (GIIMP)
 - Gauteng City Region Economic Development Plan
 - Gauteng Informal Business Upliftment Strategy (GIBUS)
 - GCR Governance and Planning Roadmap



9. ORGANISATIONAL STRUCTURE

The GEP organisational structure below informed by programme implementation for 2022-2023:



10. GEP BOARD OF DIRECTORS



Ms. Lebogang Leshika
Board Chairperson



Ms. Phumeza Mangcu
Deputy Chairperson



Ms. Bukeka Mahlutshana
Board Member



Mr. Leon Marincowitz
Board Member



Mr. Kgosi Mogotsi
Board Member



Ms. Dineo Maithufi
Board Member



Mr. Sipho Mkhize
Board Member



Mr. Thabo Rasenyallo
Board Member



Ms. Dineo Mapanzela
Board Member



Mr. Desmond Golding*
Board Member



Ms. Nomusa Mufamadi**
Board Member

* Note: Members D. Golding resigned from the Board on 09 May 2022

** Note: Member N. Mufamadi resigned from the Board on 06 June 2022

11. GEP EXECUTIVE MANAGEMENT



Mr. Saki Zamxaka
Chief Executive Officer



Ms. Xolelwa Matyila
Acting Chief Financial Officer



Mr. Imraan Khan
Chief Operations Officer



Ms. Khanyisile Cele
GM: Strategy, Monitoring
and Evaluation



Ms. Nosipho Khonkwane
GM: Stakeholder
Management and Revenue
Generation



Ms. Sibusisiwe Ntuli
GM: Risk and Audit
Management



Ms. Thenjiwe Msomi
Acting GM: Corporate
Support and
Administration





PART B

PERFORMANCE INFORMATION



1.	Auditor's Report: Predetermined Objectives	27
2.	Overview of Performance	27
3.	Report from the Acting Chief Financial Officer	29
4.	Report by Chief Operations Officer	31
5.	Overview Stakeholder Management & Revenue Generation	32
6.	GEP Success Stories	35
7.	Institutional Programme Performance Information	50
8.	Outcomes, Outputs, Output Indicators, Targets and Actual Achievement	51
9.	Revenue Collection	57
10.	Capital Investment	57

1. AUDITOR'S REPORT: PREDETERMINED OBJECTIVES

The Auditor-General South Africa (AGSA) performs the necessary audit procedures on the Agency's 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 management report, 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 106 of the Auditor's Report, published as Part F: Financial Information.

2. OVERVIEW OF PERFORMANCE



Ms. Khanyisile Cele
GM: Strategy, Monitoring & Evaluation

2.1 SERVICE DELIVERY ENVIRONMENT

Performance has been a fundamental aspect for GEP in the year. The internal reviews process undertaken in the prior year is arguably an important aspect that has contributed to the performance picture of the 2022/23 financial year. GEP's 85% overall performance is against a struggling economy negated by the impact of loadshedding. The 2022/23 financial year has experienced one of the worst load shedding in our history.

According to the SARB, South Africa's electricity crisis continues to cost the economy as much as R899 million daily. Based on central bank estimates, rolling blackouts of about 6 to 12 hours a day, or so-called stage 3 and stage 6 outages, detract between R204 million and R899 million from the economy daily. The Reserve Bank lowered its annual economic growth forecast to 0.3% from 1.1%, with Governor Lesetja Kganyago saying power disruptions will shave 2 percentage points off output growth. It predicts that electricity will be rationed for 250 days in 2023, which will be a record if realised. The bearing on small businesses due to load shedding has meant higher input or overhead costs to decrease the impact of load shedding on operations such as back-up power supply (ie generators, diesel and other supplies). These overhead costs have meant that other businesses needed to cut down on other operational costs like cutting down on personnel resulting in job losses to stay afloat. It, therefore, became a crucial aspect that through financial and non-financial support, qualifying businesses that approached the entity for support were duly assisted.

2.2 ORGANISATIONAL ENVIRONMENT

GEP has undertaken a path of turning around, unfolding through GEP's turnaround strategy. A total of 16 strategy recommendations were identified as key given the operating environment, GEP's mandate and the need for the entity to impact the SMME sector. 57% of these recommendations were fully implemented in the year under review.

The fundamental of these recommendations pertained to how the organisation is structured and how the human capital is geared to effectively deliver on the mandate within an ever-changing environment. Therefore, GEP undertook the organisational structure review process backed by a consultative process with key stakeholders including labour. This structure review process and other changes within the organisation have and continue to be supported by change management to ensure that the change is sustained. The implementation of the turnaround strategy recommendations is envisaged to be complete by the end of FY 2023/2024.

2.3 KEY POLICY DEVELOPMENTS AND LEGISLATIVE CHANGES

After the official enactment of the Township Economic Development Act in April 2022, the TEPF through programme 4 has been a core contribution towards the TEDA implementation. Furthermore, the TEPF has been a key programme for GEP towards the Premiers elevated priorities focusing on townships, hostels and informal settlements.

2.4 PROGRESS TOWARDS ACHIEVEMENT OF INSTITUTIONAL IMPACTS AND OUTCOMES

GEP's mandate and objective is to promote, foster and develop small enterprises in the province, mainly providing financial and non-financial support to small enterprises. Since the commencement of the 6th administration, GEP has assisted more than 6 900 SMMEs through our financial and non-financial support. The good stories captured in this report are examples of the GEP footprint in terms of our contribution to the economy and job creation.



3. REPORT FROM THE ACTING CHIEF FINANCIAL OFFICER

OVERVIEW OF THE 2022/2023 ANNUAL FINANCIAL STATEMENTS

During the FY 2022/2023, GEP continues to implement economic recovery programmes to assist SMMEs in response to the challenging socioeconomic conditions. The Youth hybrid finance was introduced in the current year to address youth unemployment. The increase in approvals and disbursements of loans highlights an increase in economic activity in comparison to the previous years.

GEP noted an increase in economic activity when compared to the previous year. This is underscored by increased approvals and disbursements of loans. GEP advanced loans of R89.9 million in the current year, and disbursed R42.7 million in grants as compared to R37.5 million and R27 million in the previous year.

The analysis of the financial performance for the year ended 31 March 2023 focuses on key line items in the financial statements. Therefore, the review should be read together with the annual financial statements, the summary of the financial performance statement, the statement of financial position and the cash flow statement.

ASSETS

Total assets as of 31 March 2023 were R529 million, an increase when compared to our total assets for the previous financial year of R468 million. The increase is attributable to the recognition of interest in SMME Partnership funds of R175 million and loan advanced in the current year. R87.9 million of loans were advanced in the current year compared to R37.5 million in the previous year.

LIABILITIES

GEP's total liabilities as of 31 March 2023 were R262.3 million, compared with R419 million in the previous financial year.



Ms Xolelwa Matyila
Acting Chief Financial Officer

Accruals for goods and services have reduced due to improved payment processes and therefore reducing the effective payment cycle from 15 days to less than 5 days.

We also noticed a drastic reduction in the provision for surrender of surplus funds in 2023 as compared to the previous year. The provision for the surrender of the surplus is calculated in accordance with National Treasury instruction no.12 of FY 2020/2021.

NET ASSETS VALUE STATEMENT

The Net Asset Value (NAV) increased in FY 2022/2023 from R48.9 million to R266.5 million. This is due to a surplus of R217 million for the current year.

REVENUE: NON-EXCHANGE TRANSACTIONS

The provincial grant for the year was R223 million, a decrease of R86 million as compared to the previous year's R309 million. The reduction in grants is due to budget cuts that were applied, by the National Treasury, across the board.

REVENUE: EXCHANGE TRANSACTIONS

During the financial year under review, GEP earned revenue from the exchange of R27 million compared to R18 million in the prior year, which is mainly made up of interest accrued on loans to the value of R18 million.

LOAN BOOK PERFORMANCE AND CREDIT RISK

Financial support loans are currently valued at R87 million with a gross value of R275 million. Provision for impairment of R246 million was recorded in the current financial year. The current year's increase in the provision for doubtful debts is reflective of a broader difficult macro environment that SMMEs in the province operate in and the challenges they are faced with. GEP was able to collect R31 million from debtors as compared to R13 million in the previous year.

IRREGULAR EXPENDITURE

The irregular expenditure relates to services that were consumed on expired contracts. No irregular expenditure was condoned in the current year.

FRUITLESS AND WASTEFUL EXPENDITURE

No fruitless and wasteful expenditure was incurred in the current year.

APPRECIATION

I would like to extend words of gratitude to the Senior Management and the GEP employees who contributed to the achievement of these annual outcomes. It was a difficult year with several challenges but through determination and hard work, GEP implemented the Auditor General's recommendations to ensure that the entity achieves an improved audit outcome.



4. REPORT BY CHIEF OPERATIONS OFFICER



Mr. Imraan Khan
Chief Operations Officer

OVERVIEW OF 2022/2023

The 2022/2023 Financial Year saw the Operations unit surpassing all set targets for the year. The year was marked with many approved loans and projects requiring additional funding from Gauteng Provincial Treasury.

The total annual budget allocated for loans was R30 million including R20 million for Business Development Support and Grant Funding. The Investment Management unit has delivered fully on the Annual Performance Plan (APP) and exceeded all targets set for the 2022/2023 Financial Year.

The Investment Management unit supported businesses to the value of R94 million. This amount includes both the general funding programme and the ring-fenced youth fund. The Regional Operations approved projects totalling R37 million against the R20 million annual budget.

Regarding Business Development Support (“BDS”) interventions a total of 883 projects worth R15 million were approved. Furthermore, there was an increase in grant applications during the year under review, with 600 projects approved totalling R21 million. This figure is inclusive of our informal trader grant programme. GEP, via its Youth Placement Programme, successfully contributed towards job skills development through the placement of 94 youth.

FOCUS FOR THE COMING YEAR

Our focus for the upcoming financial year is to offer and launch new products designed to address challenges experienced by SMME's within the province.

5. OVERVIEW STAKEHOLDER MANAGEMENT & REVENUE GENERATION



Ms. Nosipho Khonkwane
 GM: Stakeholder Management and Revenue Generation

OVERVIEW OF 2022/2023

The objective of this function is to ensure resource mobilisation through building value-adding partnerships with funders (Development Finance Institutions & Private sector) and other entrepreneurship support organisations to scale the level of financial and non-financial support provided to Gauteng SMMEs.

Our strategic approach for the year under review was leveraging funds through the Township Economy Partnership fund and GEP internal programme funding for financial and business development support.

TOWNSHIP ECONOMY PARTNERSHIP FUND

The 2023 Financial Year saw great progress with implementing the TEPF. The TEPF was established to fulfil the following strategic outcomes:

- Driving Spatial and economic transformation, particularly in respect to townships; and
- Creating employment and facilitating an employment pathway for all Previously Disadvantaged Citizens in Gauteng.

This fund intended to leverage the funding provided by GDED to GEP towards its strategy of scaling financial support to township and township linked SMMEs through partnering with other SIPs. Through strategic partnerships, the TEPF budget of R400 million (i.e., R200 million each GEP and IDC) was leveraged to close the year with total TEPF funds established at R700 million.

This funding was leveraged for deployment to beneficiaries through the following partners:

- R300 million SMME crisis fund was established in partnership with SASME Fund contributing R100 million, GEP and IDC each contributing R100 million per entity.
- R100 million Kasi Mnotho Fund in partnership with Family Tree contributing R50 million and GEP and IDC at R25 million per entity.

- R100 million Township Growth Fund in partnership with Emerge Group contributing R50 million and GEP and IDC each contributed R25 million
- R200 million Township Property Fund with Indlu Living with GEP contributing R50 million, IDC R50 million and Indlu Living contributing R100 million.

TEPF PERFORMANCE OVERVIEW

- Total Committed to Strategic Implementing partners is R400 million
- Funds leveraged from Strategic Implementing partners (Private sector) is R300 million
- Total Capital deployed to SMMEs is R246 million
- The funding has supported 263 black owned SMMEs.
- The funding has supported 100 women-owned businesses.
- The funding has supported 60 youth owned businesses.
- Created 996 jobs.

It is important to note that the bulk of performance comes from the SASME fund, and Emerge group started committing in the last month of the year. The rest of the performance from other two Strategic implementing partners will be recorded during Q1 of the new Financial Year.



FUNDS LEVERAGED THROUGH GEP PROGRAMMES: FINANCIAL SUPPORT FUNDING

GEP/NEF CO-FUNDING PARTNERSHIP

GEP established a R60 million co-funding partnership with the National Empowerment Fund (NEF). This partnership is a 50/50 funding contribution from each party.

GEP/ KGODISO TRUST CO-FUNDING PARTNERSHIP

GEP and Kgodiso Trust established a R60 million co-funding partnership. This co-funding is a 50/50 contribution by each party. The focus of the fund is the agriculture sector.

GEP/SMALL ENTERPRISE FINANCE AGENCY (sefa) CO-FUNDING PARTNERSHIP

Co-funding with sefa on transaction above GEP threshold of R10 million or sefa threshold of R15 million. The fund has wide sector focus and is inclusive of cooperative enterprises.

NON-FINANCIAL/BUSINESS DEVELOPMENT SUPPORT LEVERAGED THROUGH PARTNERSHIPS

- Gauteng Growth Development Agency (GGDA) for export development and market facilitation.
- Vaal University of Technology (VUT) for SMME Capacity building support.
- Ariobex for enterprise supplier development for SMMEs in West Rand to participate in the Dan Tlomme mega project.
- Gauteng Tourism Authority for Tourism SMME development and market access facilitation.
- Automotive Development Agency for the GEP Youth Placement programme and access to finance for SMMEs in the automotive sector.
- Afrika Tikkun for the implementation of the last mile delivery programme.
- City of Johannesburg for co-location and joint market access facilitation for the metro SMMEs.
- Media, Information and Communication Technologies Sector Education and Training Authority (MICTSETA) for building capacity of SMMEs with digital skills and building 4IR incubators.
- Energy and Water Sector Education and Training Authority (EWSETA) for supporting SMMEs in the energy and water sector.

INTERNATIONAL RELATIONS PARTNERSHIP PROGRAMME

GEP supported the hosting of the 26th International Conference on Small and Medium Enterprises (ICSME), collaborating with the World Association for Small and Medium Enterprises (WASME) and local coordinator see Southern Africa (SEEZA) Tourism growth network.

The conference was successfully held from the 1 to 2 December 2022 at Sandton Hotel, where 10 SMMEs were given a platform to exhibit their products. Out of the conference, a legacy project was initiated, resulting in GEP and WASME discussing a research collaboration project on SMME capacity building in the Gauteng Province.

CHALLENGES

Some of the partnerships could not be implemented during the year as they could not be concluded timely, owing to either GEP's policy requirements or the partner's processes.

FOCUS FOR THE COMING YEAR

The focus for the 2023/2024 Financial Year will be ensuring that:

- All partnerships that were concluded in the 2022/2023 Financial Year are implemented effectively and GEP deriving value from each partnership.
- TEPF performance monitoring and evaluation.
- Improving GEP's Broad-Based Black Economic Empowerment (B-BBEE) compliance status to level 4.
- Improved collaborations with the private sector (Banking and non-bank lenders)
- Collaborative partnerships that support the development of SMMEs in Townships, Informal settlements and Hostels (TISH).





GEP SUCCESS STORIES

Smartlink Wireless (Pty) Ltd
TCM Squired (Pty) Ltd
Maodi Gumede (Pty) Ltd
Dikgaitsedi Tourism and Catering Primary
Imma Cleaning and Catering Services cc
Joselyne Davids and Associates (Pty) Ltd

NAME OF SMME / CO-OP: Smartlink Wireless (Pty) Ltd
LOCATION: 939 Moshoeshoe Street, Sebokeng Zone 13, 1983
CORRIDOR: Sedibeng
SECTOR: Information Communications Technology



BUSINESS PROFILE / BACKGROUND

Smart Link Wireless (Pty) Ltd is a 100% black-owned and managed entity registered in 2021. The business operates from rented office space at 939 Moshoeshoe Street, Zone 13, Sebokeng. The company is a wireless internet service provider based in Sebokeng Township. The business's target market is homes, organisations, and companies that need access to a wireless internet connection for business and personal usage. Smart Link Wireless owns an ICASA District license for Internet installations in Sedibeng; as of 1 March 2022, the company has installed Internet access to over 50 homes, two organisations, and one business (Kasi Corner Wholesale) and Monyaka Gym in Sebokeng. The entity employs three people, including the owner.

The business uses social media platforms and WhatsApp groups for its marketing. Business is obtained mainly through referrals. An investment of R65 500,00 was made into the company, which was used to finance 3x Pop Station Towers, Back-up solar power systems, Bakkie, Tools, Office Furniture and payment of ICASA License.

The entity generated a turnover of R180 000,00 in the current financial year. The business realised a profit of R65 500,00. The owner records transactions electronically through an Excel spreadsheet. The company has a valid SARS tax pin. The entity is not VAT, PAYE, UIF and SDL registered. The entity has previously benefitted from a GEP community fund grant.

BUSINESS CHALLENGES

Challenges mainly facing the business is the slow growth of the company due to the following:

- Most households cannot upfront buy the wifi equipment needed to be installed in their homes to access the Smart Link Wireless's frequency.
- The company is still relatively new and faces the challenges of being unpopular in the Sedibeng region.
- The business needs to have access to and make use of an Enterprise Resource Planning (ERP) system that most well-established Internet Service Providers (ISP)s make use of so that they can be able to manage customer subscriptions better.

GEP INTERVENTIONS

GEP has so far provided the following interventions:

- Community Fund equipment grant of R15 000,00 for them to buy extra equipment.

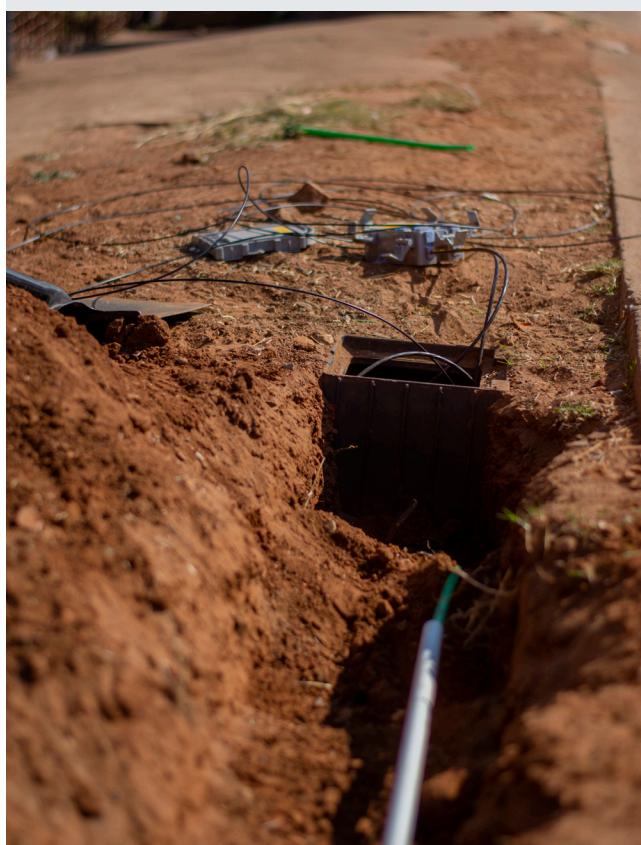
- Business plan development to enable the owners to raise better finance on a larger scale.
- An electronic financial management system (SAGE One Accounting) and a laptop to enable the business to record better financial information.
- Currently attending business skills training and mentoring sessions through the GEP-VUT partnership. The VUT business clinic hosts the sessions.

THE OUTCOME

- Extra equipment enabled the business to increase its customer base/subscribers.
- Business Plan allowed funders such as IDC to be able to look into their financial application better.
- SAGE One Accounting software enables the business to have better reputability.

EMPLOYMENT CREATION

The business currently employs three people, two full-time owners and one casual worker.



NAME OF SMME / CO-OP: TCM Squired (Pty) Ltd

LOCATION: Ekangala

CORRIDOR: Tshwane

SECTOR: Agro- Processing



BUSINESS PROFILE / BACKGROUND

TCM Squared (Pty) Ltd is an Agro-processing business operating from a plot in Ekangala – Bronkhorstspruit. The company was formed by Tsholofelo Mokwele in 2018. TCM Squared is a mixed farming business which includes livestock, poultry, and vegetables. Tsholofelo was employed as a Laboratory Technician when she was retrenched. She decided to start a farming business because she has certificates in poultry training, piggery, and crop farming. She invested her savings into the business. Initially, the target market was the local community

and individual companies. She has put her efforts into the business. GEP involvement – assessment conducted, intervention benefited, business advice, after-care service has provided positive results to the company. The business now supplies its products to Tshwane and Johannesburg markets. It has expanded to new premises and has created job opportunities. Other interventions i.e., financial management system and branding will be implemented in the current financial year.

BUSINESS CHALLENGES

The challenges for TCM Squared Pty Ltd were improving business viability and sustainability. The company was operating at meagre sales and was not realizing its profits because of low margins. Other challenges were a need for greenhouses, secured premises, equipment, access to the market, productivity, Covid 19 pandemic and a power outage.

GEP INTERVENTIONS

- TBR - beneficiary from GEP grant funding.
- Attended business skills training.
- Market access – linked with other stakeholders.
- GEP assisted in registering the business with the Department of Agriculture, Land Reform and Rural Development.

THE OUTCOME

- The equipment they benefited from through GEP grant funding – TBR, namely chain saw, generator, welding machine, trimmer, pressure washer, etc. Assisted the business to provide efficient service, i.e., welding machines and other tools were used to provide security and pressure washers to keep clean all areas of the business, etc.
- Training attended has expanded the scope of the business into piggery.
- Business advice – benefited the business with networking platforms/channels.
- Turnover - has increased from R127 000,00 to R210 000,00.
- Business expansion – resent has secured a one-hectare plot - The Department of Agriculture is in the process of providing them with relevant interventions.



NAME OF SMME: Maodi Gumebe (Pty) Ltd

LOCATION: Shop 15a, 1908 Lucas Mangope Rd, Mabopane square, Pretoria

CORRIDOR: Tshwane

SECTOR: Services and Manufacturing

BUSINESS PROFILE / BACKGROUND

Maodi Gumebe (Pty) Ltd is a business based in Mabopane. It trades under the name Sneaker Cleanic. It is 100% owned by a PWD youth Lesego Arnold Gumebe. Lesego has a hearing impairment. He started Sneaker Cleanic in June 2021 after leaving formal employment. The business specialises in washing, cleaning, restoring shoes and sneakers. The company also manufactures various shoe aftercare products and sells to ensure customers' shoes and sneakers remain clean and well-maintained. The customers of the business include individuals in the Mabopane and surrounding areas. Sneaker Cleanic has developed relationships with other companies to allow customers to drop off and collect their shoes and sneakers at these businesses. These businesses include Fast and Smart Dry Cleaners in Pretoria North, LSU Pub & Grill in Ga-Rankuwa and Dirtylolli.

Shoes that are dropped off at these locations are collected on Mondays, Wednesdays and Fridays at 12 pm. Washing takes two days, while restoration takes three to four days. Prices for the services range from R50,00 to R160,00. Sneaker Cleanic has also developed cleaning detergents for shoes and sneakers. A new store was recently opened in Mamelodi East.

Lesego holds a matric certificate. He is enrolled for a National Diploma in Event Management from Tshwane University of Technology. Before resigning to start his business, he worked for Makro as a Till Assistant and at Identity as a service desk assistant.

BUSINESS CHALLENGES

- Outsourcing of shoe repairs due to limited equipment.
- Lack of capital to implement planned marketing strategies and digital content creation.

GEP INTERVENTIONS

GEP assisted the business through the Community Fund and BDS Marketing Materials programs. Sneaker Cleanic managed to purchase a sewing machine to use for their shoe repairs. Social media content was created through an informative video about cleaning and caring for your shoes and sneakers.

THE OUTCOME

The sewing machine helped increase revenue by offering a more holistic approach to caring for one's shoes. In the past, Sneaker Cleanic was outsourcing the repairs of shoes. Owning their machine has increased their profit margins. This purchase has also given them an edge over their competitors. The promotional videos created were posted on YouTube and have had over 400 views and 37 subscriptions to their channel. The business also printed pamphlets and branded their vehicle. The vehicle branding has generated 25 queries over 4 weeks.

EMPLOYMENT CREATION

The business had created employment for six individuals. One new job opportunity was created since GEP interventions, thus bringing the total employment to seven people.



NAME OF SMME / CO-OP: Dikgaitsedi Tourism and Catering Primary CO-OPERATIVE

LOCATION: 95 Frere Road Buzuidenhout Valley, Johannesburg

CORRIDOR: Johannesburg

SECTOR: Agro-Processing and Services

BUSINESS PROFILE / BACKGROUND

The business was registered with CIPC in 2011 but only started operating in 2014. The company only worked in catering from 2014 to 2020. The members had initially contributed R 120 000,00 to kick-start the catering equipment. In 2020, when COVID-19 forced the country to lockdown, the co-operative suffered as they lost business. To mitigate the impact of lockdown, the co-operative quickly established horticulture management, of which they invested R 85 000,00 to kick-start. In 2020 after training, the co-operative was awarded a nine-month contract by City Parks with its Expanded Public Works Programme (EPWP) programme. In 2021 the contract was extended by another three years.

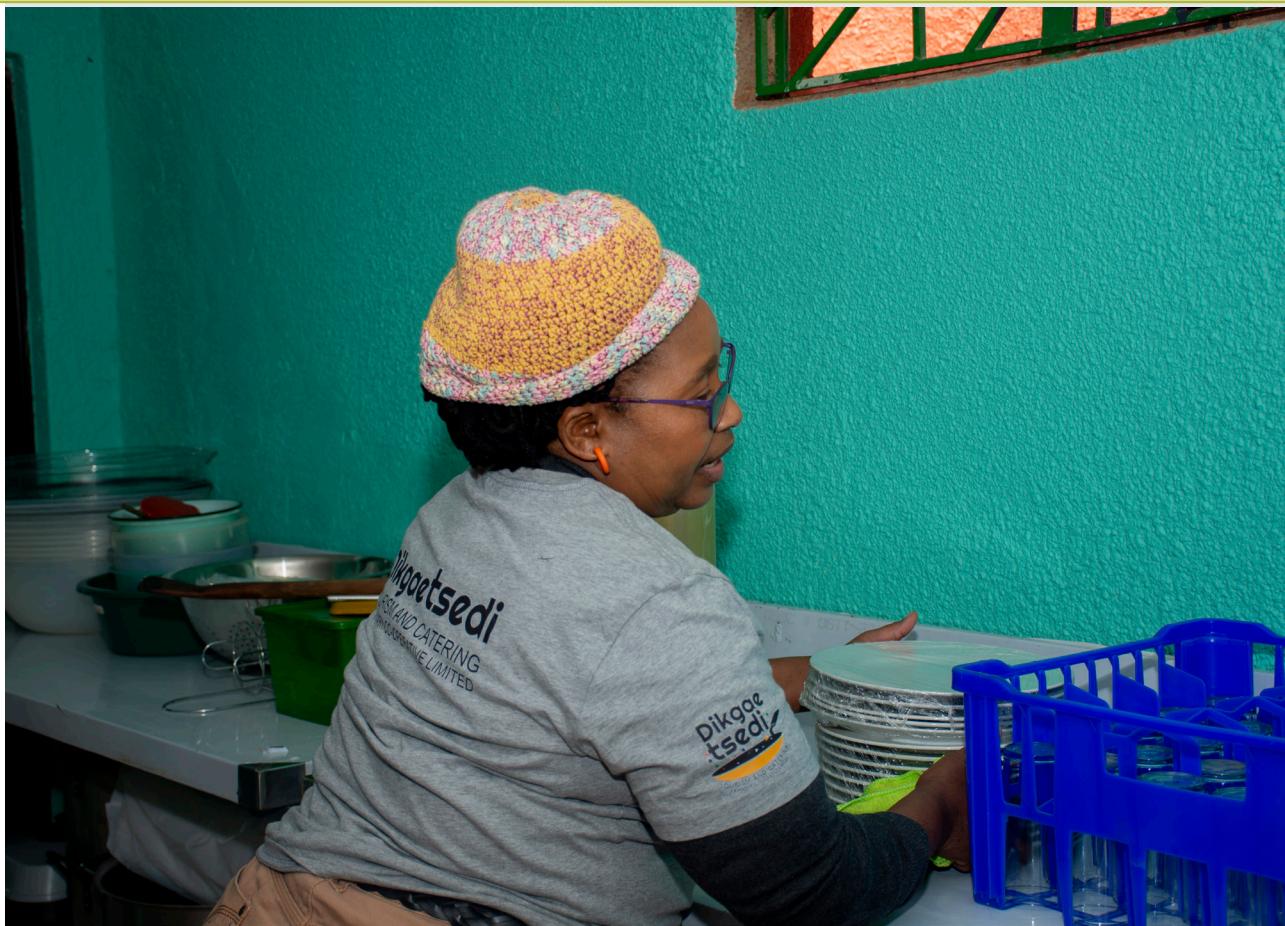
In 2021 the co-operative was allocated a piece of land for vegetable production by the City of Joburg. The co-operative produces table vegetables, which they supply local supermarkets with.

BUSINESS CHALLENGES

For the 2021/2022 financial year, the business turned over R 2 012 403,07. with a loss of R 18 510,69. The loss was because the company;

- needed more equipment and had to hire equipment, especially a trailer, to transport their tools and equipment.
- hired a bigger vehicle or a trailer when transporting their produce. (This resulted in waste and customers declining the crop.)





- hired a trailer unsuitable for vegetable transportation.
- needed proper equipment for processing their vegetables as the supermarkets they were supplying required that the vegetables be cut and packaged to make them consumer ready.
- needed help marketing its products and the co-operative.

GEP INTERVENTIONS

Through the Co-operative Assistance Programme, the co-operative was assisted with food processing equipment and a trailer that they use to transport vegetables and tools to the sites they are operating from.

THE OUTCOME

The co-operative saved R25 000,00, which they paid for transport rental. Furthermore, the agro-processing business can package the products as per the requirements of customers.

This intervention has translated to an average monthly income of R67 000,00, with a profit of R28 000,00 from a monthly loss of R13 000,00. The business is now turning a profit of R49 000,00 a month. The business supplies Pick N Pay and Boxer supermarkets at the Busy Corner Mall in Midrand.

EMPLOYMENT CREATION

The business was able to convert 6 of the casual employees to permanent employees. In total, the co-operative now has a total of 10 permanent employees as compared to 4 in the previous year.

NAME OF SMME: Imma Cleaning and Catering Services cc

LOCATION: 2073 Zone 2, Diepkloof, Soweto

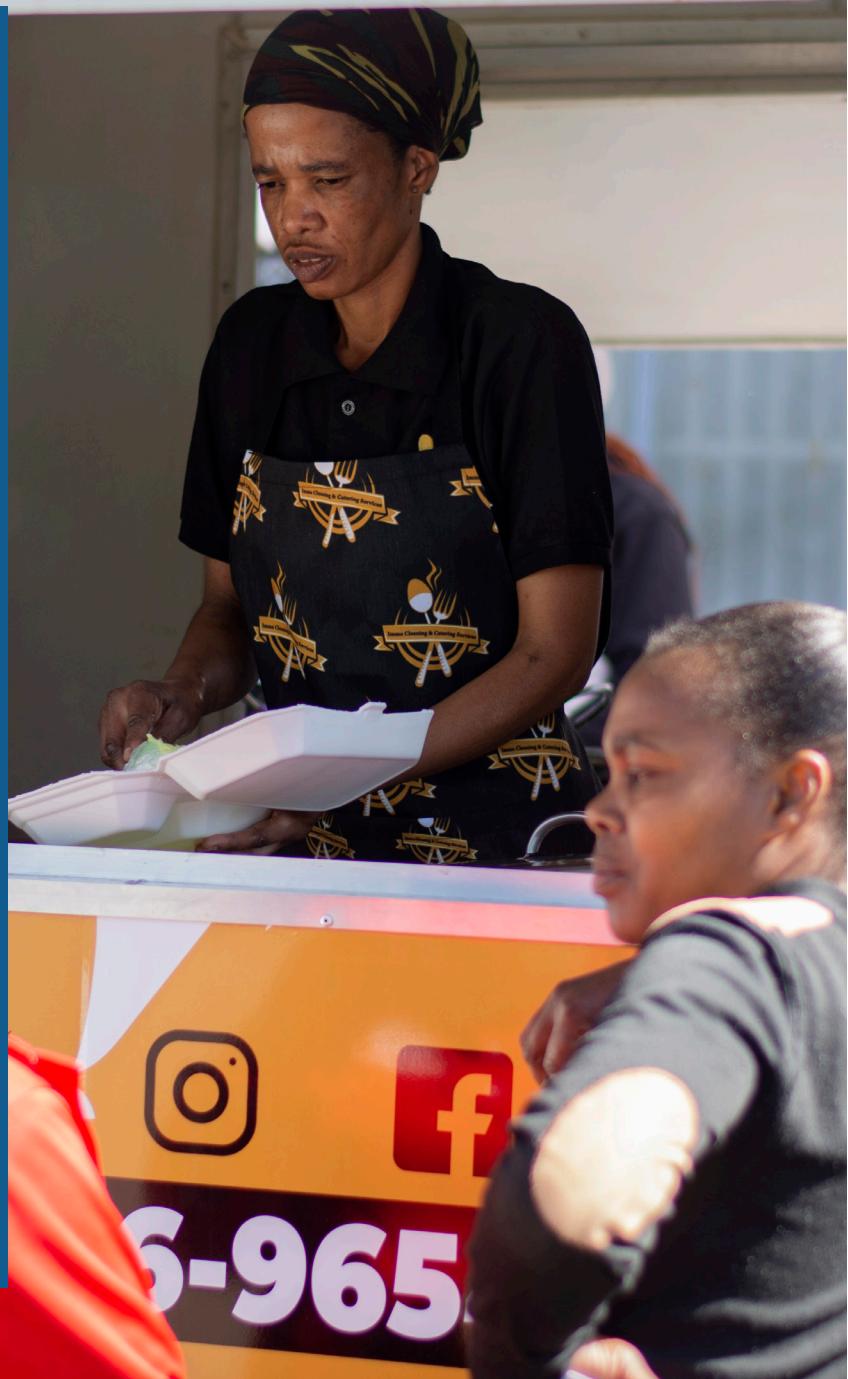
CORRIDOR: Johannesburg

SECTOR: Services



BUSINESS PROFILE / BACKGROUND

The company was registered at CIPC in April 2011 and operational only in June 2011. Its core service is catering services, but it also offers decoration services. It operates from a home-based office at 2073 Zone 2, Diepkloof, in Soweto. It also worked in a rented mobile kitchen at Maponya Mall since 2020. The business is paying a monthly mobile kitchen rental fee of R4 000,00 and R5 500,00 for rental space at Maponya Mall. Its target market is government departments, private companies and different events. It has a certificate of acceptable food premises. The owner invested R40 000,00 and has the equipment, including a gas stove, fridge and pots. The business uses word-of-mouth referrals and social media platforms for marketing. The company operates with one full-time employee who assists with food preparations. It has an account held with Standard Bank and its business transaction are recorded on an Excel spreadsheet.





BUSINESS CHALLENGES

The company's challenges are the need for more funds to expand the business by buying a mobile kitchen, catering equipment and assistance with funding of contracts received.

GEP INTERVENTIONS

Through the Township Business Renewal (TBR) Programme, the company was assisted with the procurement of a mobile kitchen installed with a gas stove and two chafing dishes. The mobile kitchen bought is used for cooking and selling food. Now, instead of renting a mobile kitchen, the company owns it, which reduces expenses and assists in expanding the business.

The company was also assisted through the GEP Investment department with two contract funding received from the Department of Health to supply fruits to Baragwanath Hospital. The first contract funding was in June 2022 for R129 370,00 and the second was R183 900,00 in Sept 2022.

THE OUTCOME

The company was making a turnover of R120 000,00 in the year ended March 2022 with a profit of R20 000,00 before receiving assistance from GEP. After GEP's intervention, the turnover has moved to R150 000,00 with a gain of R52 500,00. GEP allowed the company to honour the contract by buying stock and delivering on time. The company is also among the preferred suppliers due to supplying on time.

EMPLOYMENT CREATION

Through GEP assistance, the business increased its employees from one permanent employee to two permanent employees.

NAME OF SMME: Joselyne Davids and Associates (Pty) Ltd
LOCATION: Eldorado Park
CORRIDOR: Johannesburg
SECTOR: Construction

BUSINESS PROFILE / BACKGROUND

Joselyne Davids and Associates (Pty) Ltd is a female-owned construction company wholly owned and managed by Joselyne Davids. The company was registered in 2016. The target market includes contractors, Housing Departments and Johannesburg Road Agency. The company operates from the owner's home in Eldorado Park, with all projects being executed on-site. The owner has invested R80 000,00 to purchase office furniture, refurbish the office, and buy a laptop, printer and stationery. The entity is registered with National Home Builders Registration Council (NHBRC), Associate of Industries and various associations, including; including South African Forum of Civil Engineering Contractors (SAFCEC) and Project Management of South Africa (PMSA). The company has a business account and uses word of mouth and referrals for marketing. The entity is not registered for VAT, UIF and PAYE.

BUSINESS CHALLENGES

The challenge faced by the company is the lack of marketing tools to create awareness among potential customers. Another challenge the company faces is the need for a business plan/project plan to source funding.

GEP INTERVENTIONS

Through the marketing material provided by GEP, the company could get tenders from the Johannesburg Road Agency (JRA) and private sectors.

THE OUTCOME

The company increased its annual turnover from R1.4 million to R1.6 million and expanded the workforce from three casual to five permanent staff.





NAME OF SMME: SMK Projects (Pty) Ltd
LOCATION: Stand No 667, Magaliesburg, Mogale City. 1791, Ward 31
CORRIDOR: West Rand
SECTOR: Food Services
YEAR REGISTRATION/ STARTED TRADING: Registered 2019 and started operating 2020



BUSINESS PROFILE / BACKGROUND

SMK Projects (Pty) Ltd, trading as Ga Mogale Lifestyle, was registered in December 2019 and started operating in September 2020. The company operates at Magaliesburg- Ga Mogale on a land parcel issued by Mogale City Local Municipality. The company trades as a Restaurant and Bar providing Township standard restaurant dishes and African cuisines such as braaied beef, chicken, pork, wors served with pap, dumplings, variety of salads and soft drinks. SMK Projects is a multipurpose company founded by two young people, Tshegofatso and Shepard Nkomonde, who believe entrepreneurship answers some social challenges, especially unemployment and poverty. SMK Projects is a 100% black youth-owned entity. Both directors share the day-to-day responsibilities of the entity equally.

The company employs four full-time and four temporary workers. It has managed to secure sponsorship/funding from GDED through Cradle of Humankind for two customised containers, i.e., 6 and 12 meters. The containers are fully installed and equipped to cater to kitchen and bar outlets. The containers have been installed and fitted with all equipment and accessories. The Restaurant was officially launched on the 24 of September 2022. The Bar will operate on temporary permits until all required licenses and approvals have been granted by the relevant authorities. The Restaurant/ Shisanyama is fully operational and already looking at expanding its operations and service offerings due to high demand. Additional services will include private events, car wash and hair salon services.

The investment made into the company is estimated at R150 000,00, utilised for company registration, palisade fencing, paving, sewerage connection, mobile toilet, Eskom connection, vacuum cleaner, pressure washer, pressure pump, structural drawings/designs, research, and travel costs.

The target market for the company is youth, tourists, guest houses, lodges, hotels and the general public. The marketing is done through a website, advertising board, flyers, business cards, social media, word of mouth, direct engagement with potential customers and referrals. The identifiable competitors are mostly informal businesses in operation. The annual turnover is estimated at R126 000,00. The company's financial transactions are logged using an invoice book and deposited into their bank accounts.

BUSINESS CHALLENGES

The company's main challenges are capital to buy additional equipment to meet the increasing customer demand, lack of a business plan to raise funding for expansion purposes and lack of a Point-of-Sale System to assist with cashflow management and sales.



GEP INTERVENTIONS

The company made a non-financial application through our online application systems in 2021. It was assisted with printed marketing tools as well as procurement of equipment through the Township Business Renewal programme in 2022. In 2023, the company was further assisted with developing electronic marketing material.

THE OUTCOME

Through the support provided by GEP, the company acquired the necessary marketing tools to market its business effectively and attract customers. The equipment provided assisted the company in successfully launching the Restaurant/Shisanyama in 2022. The annual turnover increased from R4 500,00 in 2022 to R126 000,00 in 2023.

EMPLOYMENT CREATION

In terms of employment creation, the company had two workers. However, after GEP interventions managed to employ six more employees, bringing the total employees, including the two owners, to eight workers (four permanent and four casuals).

7. INSTITUTIONAL PROGRAMME PERFORMANCE INFORMATION

The Agency's programmes and strategic goals during the period under review are summarised below:

7.1 PROGRAMME 1: ADMINISTRATION

Responsible for providing strategic leadership and transversal support services required by the GEP's core functional programmes and ensuring the successful implementation of the Agency's mandate through sustainable and integrated support and services.

The Administration Programme delivers against the following Outcomes reflected in the Strategic Plan:

Outcome 2: Increased contribution of small enterprises in the Gauteng economy

7.2 PROGRAMME 2: INVESTMENT MANAGEMENT

To ensure the optimal deployment of available loan and grant funding to support qualifying small enterprises' development, growth and sustainability. The Programme is tasked to manage the loan book effectively through approving loans, disbursement of approved loans and timeous loan recoveries.

The Investment Management Programme delivers against the following Outcome reflected in the Strategic Plan:

Outcome 3: Sustainable enterprises that create and maintain jobs

Outcome 4: Sustainable Black-owned industrial enterprises participating in high-growth sectors

7.3 PROGRAMME 3: REGIONAL OPERATIONS AND ENTERPRISE SUPPORT

To provide tailor-made business development support for the development and growth of small enterprises through the Gauteng Entrepreneurship Model (GEM) stages of ideation, start-up and early growth.

A referral system is developed to ensure investment ready small enterprises receive the required financial support through GEP loans or loans provided by other Development Finance Institutions (DFIs) or cofounders.

The Regional Operations and Enterprise Support Programme delivers against the following Outcome reflected in the Strategic Plan:

Outcome 3: Sustainable small enterprises that are creating jobs

7.4 PROGRAMME: RESOURCE MOBILISATION AND INDUSTRIAL FINANCING

Responsible for actively promoting entrepreneurship, mobilising resources through strategic partnerships and facilitating an integrated approach among DFIs and other role-players towards entrepreneurial development and support within the province. The Programme also supports the industrial development drive of the province by facilitating investment in high-impact business enterprises that dilute monopolies and stimulate high rates of employment.

The Resource Mobilisation and Industrial Financing Programme delivers against the following Outcome reflected in the Strategic Plan:

Outcome 1: Improved balance sheet to support small enterprises

Outcome 3: Increased number of sponsored small enterprises that are sustainable and create jobs

8. OUTCOMES, OUTPUTS, OUTPUT INDICATORS, TARGETS AND ACTUAL ACHIEVEMENT

Table 1: Annual Performance Plan Outcomes, Outputs, Output Indicators, Targets and Actual Achievement

PROGRAMME 1: ADMINISTRATION							
Outcome	Output	Output Indicator	Audited Actual Performance 2022/2023	Planned Annual Target 2022/2023	Actual Achievement 2022/2023	Deviation from planned target to Actual Achievement 2022/2023	Reasons for deviations
Increased contribution of Small Enterprises in the Gauteng economy	GEP procurement set-asides to benefit target groups	Percentage of procurement spent on small enterprises owned by women	55%	50%	55%	+5%	<p>R1 568 276,48 has been spent on women owned service providers against R2 857 667,34 total preferential procurement expenditure.</p> <p>A portion of required professional services were earmarked to be acquired from women owned businesses which has led to the current outcome.</p>
		Percentage of procurement spent on small enterprises owned by youth	50%	40%	50%	+10%	<p>R1 439 996,30 has been spent to women owned service providers against R2 857 667,34 total preferential procurement expenditure.</p> <p>Most commodities that are simple in nature are channelled towards local business that are mostly owned by youth who fall within both male and female groups and services procured has led to the current outcome.</p> <p>With the current high youth unemployment in the Province, GEP needed to play a role in ensuring that small businesses owned by youth do benefit from our procurement activities, as a result of our focus and deliberate action it has led to the over-achievement of this particular target.</p>
		Percentage of procurement spend on small enterprises owned by persons with disabilities	9%	7%	9%	+2%	<p>R266 371,68 has been spent to PwD owned service providers against R2 857 667,34 total preferential procurement expenditure.</p> <p>In Q4 there were further efforts exerted to procure from businesses owned by persons with disabilities.</p>

Outcome	Output	Output Indicator	Audited Actual Performance 2022/2023	Planned Annual Target 2022/2023	Actual Achievement 2022/2023	Deviation from planned target to Actual Achievement 2022/2023	Reasons for deviations
	GEP procurement set-asides to benefit target groups	Percentage of valid procurement Invoices paid within 15 days.	100%	100%	100%	0%	None
Well governed and high-performing organization	Unqualified Audit Opinion	Annual Audit Opinion	GEP received an Unqualified audit opinion for 2021/2022	Unqualified audit opinion for 2021/2022	GEP received an Unqualified audit opinion for 2021/2022	None	None
	Progress Report on Implementation of the GEP Turnaround Strategy	Percentage Implementation of the GEP Turnaround Strategy	57%	50%	57%	+7%	The management was proactive in ensuring that the implementation of the turnaround strategy Board recommendations are implemented as part of the GEP reconfiguration. As such, more recommendations were implemented and thus over-achieving the target by 7%. This was done to ensure that more recommendations are implemented in the next financial year.

PROGRAMME 2: INVESTMENT MANAGEMENT							
Outcome	Output	Output Indicator	Audited Actual Performance 2022/2023	Planned Annual Target 2022/2023	Actual Achievement 2022/2023	Deviation from planned target to Actual Achievement 2022/2023	Reasons for deviations
Sustainable enterprises that create and maintain jobs	Financially supported small enterprises creating jobs	Percentage of loans committed from the Investment Management Programme	297%	100%	297%	+197%	R89 054 626,18 has been committed for loans against a budget of R30 000 000,00 IM has committed more than the allocated budget of R30 million because of the large volume of applications received.
		Percentage rate of committed loans disbursed	96%	85%	96%	+11%	R85 578 828,49 has been disbursed against a total approval of R89 054 626,18 Hard work of the IM team ensuring that all approved deals are disbursed, has improved the disbursement rate. In addition there was a re-look at internal processes and more coordinated efforts (between Investment Management, Legal & Risk) and improvement in internal controls has also led to the over-achievement of this particular target.
		Percentage of blending funding committed for youth-owned small enterprises disbursed	97%	85%	97%	+12%	R4 757 580,44 has been disbursed against a total approval of R4 887 654,84 With the current high youth unemployment in the Province, GEP needed to play a role in ensuring that youth-owned small businesses are provided with the necessary financial support so that they can grow and further create employment, therefore our deliberate action has led to the over-achievement of this particular target. In addition, more efforts by IM team in ensuring that all approved deals are disbursed and has led to the improved disbursement rate. This is coupled with the improved internal processes between IM, Legal and Risk, in implementing approved deals which resulted in the quicker turnaround times.

Outcome	Output	Output Indicator	Audited Actual Performance 2022/2023	Planned Annual Target 2022/2023	Actual Achievement 2022/2023	Deviation from planned target to Actual Achievement 2022/2023	Reasons for deviations
		Percentage of grants committed	170%	100%	170%	+70%	R17 916 179,56 has been committed for grants against a budget of R10 528 000,00. Target exceeded due to a large number of applications received
	Grant funding for small enterprises	Percentage rate of committed grants disbursed	100%	90%	100%	+10%	R17 894 304,26 has been disbursed against a total approval of R17 916 179,56
	Grant funding for informal traders	Percentage of grants committed for informal traders	154%	100%	154%	+54%	Informal Traders grants to the value of R3 388 317,12 have been committed against the budget of R2 200 000,00 Target exceeded due to a large number of applications received.

PROGRAMME 3: REGIONAL OPERATIONS AND ENTERPRISE SUPPORT							
Outcome	Output	Output Indicator	Audited Actual Performance 2022/2023	Planned Annual Target 2022/2023	Actual Achievement 2022/2023	Deviation from planned target to Actual Achievement 2022/2023	Reasons for deviations
Increased number of supported small enterprises that are sustainable and creating jobs	Business Development Support Interventions for small enterprises in all economic sectors	Percentage of Business Development interventions committed for small enterprises	199%	100%	199%	+99%	<p>Business Development Support interventions to the value of R14 753 506,04 have been committed against a budget of R7 400 000,00.</p> <p>Target exceeded due to a large number of applications received</p>
		Percentage of SMMEs in Gauteng Province	37,5%	38%	37,5%	0,5%	The nominal decline in SMMEs (from 38% previously to 37,5 currently) can be attributed to the global surge in input costs and inflation, the purchases (of inventories) by SMEs which has increased by 9.1%. This is also worsened by the bouts of loadshedding experienced in the South African context raising input costs further.
	Youth supported through the Youth Accelerator Programme	Number of youths that benefitted from the Youth Accelerator Programme	94	40	94	+54	<p>The over achievement arose from a decision to focus on impact and sustainability; thus the number of youth placements were increased.</p> <p>The initial APP was finalized prior to this decision and the intent was to revise the number during Sep i.e., the period allowed for revisions of APP. It was subsequently communicated that no revisions to APP were to be made and as a result we have the overachievement.</p>

PROGRAMME 4: RESOURCES MOBILISATION AND INDUSTRIAL FINANCING							
Outcome	Output	Output Indicator	Audited Actual Performance 2022/2023	Planned Annual Target 2022/2023	Actual Achievement 2022/2023	Deviation from planned target to Actual Achievement 2022/2023	Reasons for deviations
Improved Balance Sheet to support small enterprises	Leveraged funds from partnerships	Rand Value of funds leveraged from partnerships	R361 997 200	R500m	R361 997 200	-R138 002 800	<p>There is lengthy time required to establish partnership approval from our potential partners.</p> <p>GEP does not have control over internal processes of potential partners, to then conform to GEP pre-determined timelines and therefore this impact on GEP performance in this particular area.</p>
	Collections from the loan book	Collection rate of the Loan Book	26%	15%	26%	+11%	<p>Out of R118 191 821,00 collections due, GEP collected a total of R31 049 330,00 which translates to 26% collected against annual target of 15%.</p> <p>Better strategies were put in place for collection and efforts have been intensified with the utilisation of External Debt Collectors. Blacklisting the delinquent debtors on ITC was also given us impetus.</p>
Increased number of supported small enterprises that are sustainable and creating jobs	Financially supported small enterprises creating jobs	Percentage of loans committed from the SMME Partnership Programme	86%	100%	86%	-14%	<p>A total of R 600 million funds have been committed against a budget of R700 million.</p> <p>TEPF funds committed for Family Tree could not be transferred by end March due to delays caused by NEDBANK Commitment, they later got commitment from ABSA and there was a commitment to finalize this transaction in the new financial year.</p>
		Percentage of loans committed from the Property Fund	101%	100%	101%	+1%	Indlu Living Property has committed an amount of R50 307 375,00 against a budget of R50 million.
		Percentage of loans committed from the Township Fund	100%	100%	100%	0%	Percentage of loans committed from the Property Fund

LINKING GEP PERFORMANCE WITH PROGRAMME BUDGETS

Programme/activity/objective	2022/2023			2021/2022		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
COE	121 690	119 125	2 565	114 620	112 648	3 743
Goods and services	102 186	102 186	0	194 783	131 029	63 754
Total	223 876	221 311	2 565	309 403	241 906	67 497

Strategy to overcome areas of underperformance

The public entity must provide the strategies to address underperformance.

9. REVENUE COLLECTION

Sources of revenue	2022/2023			2021/2022		
	Estimate	Actual Amount Collected	(Over)/Under Collection	Estimate	Actual Amount Collected	(Over)/Under Collection
	R'000	R'000	R'000	R'000	R'000	R'000
DED Allocation	223 876	223 876	0	477 897	477 897	0
Receipts on Loan Book	20 000	30 113	10 113	3 200	4 498	(1 297)
Interest and other income	20 000	28 693	8 693	0	17 686	(17 686)
Total	263 876	282 682	18 806	481 097	500 080	18 983

The entity's debt collection target was R30 million in the year under review. GEP has reached and exceeded the annual Collection target and 2021/2022 is the best-performing year compared to the previous three financial years.

During this fiscal year, GEP mandated EDCs to collect old debts over 120 days in arrears.

The involvement of EDCs is to strengthen the debt collection process and to enforce performance contracts by the debtors. It is envisaged that this process will yield positive results for GEP in the future, especially with the debtors that are proven delinquent and difficult to contact and trace.

10. CAPITAL INVESTMENT

GEP does not have any capital investment.



PART C

GOVERNANCE

1.	Introduction	59
2.	Executive Authority	59
3.	The Board As The Accounting Authority	60
4.	Risk Management	69
5.	Internal Control Unit	73
6.	Internal Audit And Audit Committees	74
7.	Compliance With Laws And Regulations	75
8.	Fraud And Corruption	76
9.	Code Of Conduct	76
10.	Health Safety And Environmental Issues	77
11.	Company /Board Secretary	77
12.	Social Responsibility	77
13.	Audit Committee Report	78
14.	B-BBEE Compliance Performance Information	81

1. INTRODUCTION

Corporate Governance embodies processes and systems by which GEP directs, controls and is held to account. In addition to legislative requirements based on the Gauteng Enterprise Propeller Act No. 5 of 2005, which is the Agency's founding legislation, and the Companies Act, Corporate Governance concerning the public entity is applied through the precepts of the PFMA) and run in tandem with the principles contained in the King IV Report on Corporate Governance.

The Gauteng Provincial Legislature, Gauteng Department of Economic Development as the Shareholder and the GEP Board, which serves as the Agency's Accounting Authority, are responsible for Corporate Governance. GEP's corporate governance structure specifies the distribution of rights and responsibilities among its internal stakeholders and the standards that guide the actions and decisions of such role-players.



2. EXECUTIVE AUTHORITY

The GDED Member of the Executive Council (MEC) is the Executive Authority of the Agency and as such, approves the GEP Budgets, Strategic Plans and Annual Performance Plans. This structure necessitates that GEP provides progress reports on the financial and non-financial performance on a monthly, quarterly and annual basis per the requirements of the PFMA.

All GEP performance plans were submitted for approval by the Executive Authority and progress reports were submitted timeously during the financial year under review. The Agency also took the necessary steps to ensure its 2022/2023 Annual Performance Plan (APP) was aligned with the strategies and plans of GDED and the Gauteng Provincial Government.



3. THE BOARD AS THE ACCOUNTING AUTHORITY

The GEP Board is regarded as the Accounting Authority under Section 49 of the Public Finance Management Act (PFMA). The term commenced on the 1 of October 2021 and will end on the 30 of September 2023.

THE ROLE OF THE GEP BOARD

The Board continues to provide effective leadership based on the principles of honesty, professionalism, good Governance and ethical business practices. It also exercised its oversight responsibility over financial and performance management and reporting while ensuring compliance with all relevant legal prescripts and policy imperatives.

BOARD COMMITTEES

Audit Committee

The GEP has an approved Audit Committee Charter which is reviewed on an annual basis and includes details such as roles, responsibilities and

composition of the Audit Committee. The key roles and responsibilities of the Audit Committee as outlined in the approved Audit Committee Charter are as follows:

- Oversee integrated reporting;
- Oversee combined assurance;
- Review the expertise, resources and experience of the finance function and disclose the results of such review in the integrated report;
- Oversee the risk management function;
- Approve the terms of engagement and remuneration for the external audit engagements;
- Determine the nature and extent of any non-audit services which the auditor may provide to GEP, or that the auditor must not provide to the company; and
- Make submissions to the GEP on any matter concerning the company's accounting policies, financial controls, records and reporting.

Risk and Governance Committee

The GEP has an approved Risk and Governance Committee Charter which is reviewed on an annual basis and includes details such as roles, responsibilities and composition of the Risk and Governance Committee. The key roles and responsibilities of the Risk and Governance Committee as outlined in the approved Risk and Governance Committee Charter are as follows:

- Recommending for GEP Board approval and effectively monitor the implementation of the risk management policy, business continuity policy, compliance management framework, and ethics policy such as the Code of Conduct, and Transactions with Politically Exposed Persons for enhanced achievement of the strategic objectives;
- Recommending for GEP Board approval and effectively monitor the implementation of the risk management plan, compliance risk management plan, business continuity plan and ethics strategy for enhanced achievement of the strategic objectives;
- Oversee and approve measures to improve the risk management culture, the compliance culture, and ethics culture by integrating risk, compliance and ethics management (unethical behaviour and conflicts of interests) processes, practices, frameworks and methodologies of GEP;
- Consider and determine the appropriateness of risk mitigation responses and interventions;
- Receive, review and monitor the risk management report on the emerging, materialised, avoided and accepted risks;
- Report on the level of compliance with material legislation, including breaches and or exposure to risks relating to regulatory compliance/ethics breaches and recommend action thereof.

CREDIT AND INVESTMENT COMMITTEE

The GEP has an approved Credit and Investment Committee Charter, which is reviewed annually and includes details such as roles, responsibilities and composition of the Credit and Investment Committee.

The key roles and responsibilities of the Credit and Investment Committee as outlined in the approved Credit and Investment Committee Charter are as follows:

- Develop and recommend to GEP the Board a Credit Policy and/or Financial Support Policy and Partnership Governance Framework for GEP;
- Recommend to the GEP Board approval for special deviations from the Credit Policy and/or Financial Support Policy and Partnership Governance Framework;
- Approve investment agreements/standard term sheets and due diligence templates annually.
- Approve or decline loans and/or grants up to from R1,5 million to R2,5 million or GEP Board approved delegations,
- Recommend loans and/or grants above R2,5 million to the GEP Board for approval;
- Approve partnerships for interest-bearing loans and interest-free non-refundable capital grants between R1,5 and R2,5 million;
- Recommend to GEP Board the approval of partnerships for interest-bearing loans and interest-free non-returnable capital grants above R2,5 million;
- Approve credits that exceed the loan approval authority delegated to the Management Investment Committee;
- Advise the GEP Board on the best services that can be procured from financial institutions for the benefit of SMMEs;
- Serve as a conduit between the GEP Board and financial institutions; and
- Advise the GEP Board on the best approach for funding SMMEs in line with the strategy and mandate of GEP.

BUSINESS DEVELOPMENT COMMITTEE

The GEP has an approved Business Development Committee Charter, which is reviewed annually and includes details such as roles, responsibilities and composition of the Business Development Committee. The key roles and responsibilities of the Business Development Committee as outlined in the approved Business Development Committee Charter are as follows:

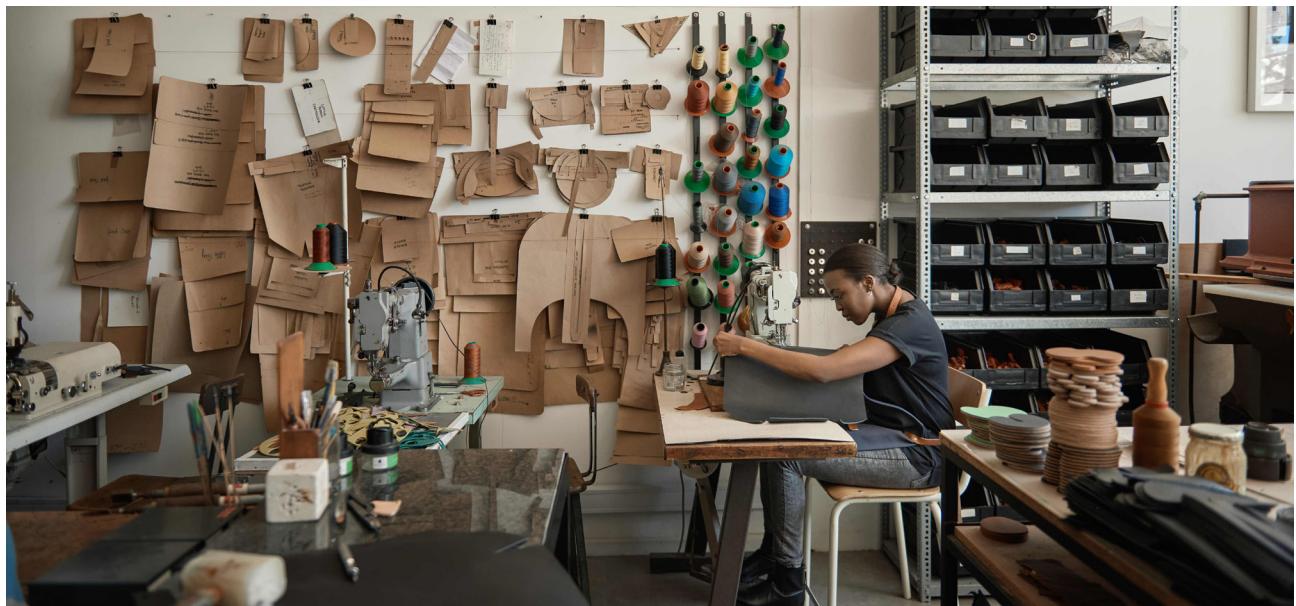
- Develop, review and recommend the business development strategies;
- Advise the GEP Board on best practices in respect of non-financial support to SMMEs;
- Recommend policies concerning Business Development for GEP Board approval;
- Oversee the achievement of business objectives and performance under typical as well as adverse operating conditions;
- Oversee the reliability and integrity of operational information and responsible behaviour towards the stakeholders in the organisation;
- Initiate research to evaluate the effectiveness of small business support;
- Review and recommend for the approval of the GEP Board the appropriate operating structure for business developments;
- Review tactical plans developed to achieve business development goals set out in the GEP's Strategic Plan;
- Review, monitor and report to the GEP Board on business development opportunities; and
- Review the economic evaluations of potential development opportunities.

HUMAN RESOURCES AND REMUNERATION COMMITTEE

The GEP has an approved Human Resources and Remuneration Committee Charter, which is reviewed annually and includes details such as roles, responsibilities and composition of the Human Resources and Remuneration Committee.

The key roles and responsibilities of the Human Resources and Remuneration Committee as outlined in the approved Human Resources and Remuneration Charter are as follows:

- Ensure compliance with legislation, policy and procedures in the selection and recruitment of staff;
- Review the human resources policies and procedures of GEP and recommend revisions for submission to the Board;
- Review and measure annual bonuses against individual and GEP performance targets, both financial and sustainability-related, which targets must be reviewed annually to remain appropriate;
- Monitor and review, annually, staff training needs and development programmes;
- Ensure compliance with all statutory and best practices requirements regarding labour and industrial relations management;
- Review any significant changes in the organisational structure as proposed by management;
- Recommend the performance appraisal of the Chief Executive Officer to the Board for approval; and
- Ensure alignment of the remuneration and human resource strategies and policies with the GEP's strategy, needs and desired culture.



COMPOSITION OF THE BOARD

Name	Designation (in terms of the Public Entity Board structure)	Date Appointed	Date Resigned	Qualifications	Area of Expertise	Board Directorships (List the entities)	Other Committees or Task Teams (e.g: Audit committee / Ministerial task team)	No. of Meetings attended
Ms. Lebogang Leshika	Chairperson	01 October 2020	N/A	University of Pretoria: BCom Accounting Sciences; University of South Africa: BCompt Honours; University of South Africa: PGD – Applied Accounting Sciences; SAICA: Initial Test of Competence (ITC); University of Cape Town: Assessment of Professional Competence (APC); SAICA: Assessment of Professional Competence (APC)	Financial Management ,Auditing, Accounting	N/A	Board Chairperson Risk and Governance Committee Member	15 of 15
Ms. Phumeza Mangcu	Deputy Chairperson	01 October 2020	N/A	Online: Entrepreneurship in Emerging Economies Management; School of South: Masters in Business Administration; Damelin College: Higher Diploma: Business Management; Nelson Mandela University: Diploma: Marketing Management; Joshua West Strategic: Project Management for Engineers Certificate National Productivity Institute: Productive Capacity Building Programme; Damelin College: Certificate Train-The-Trainer; Drum Beat Accreditation and Training: Assessor training (plan and conduct assessment)	Overall Management of the company's operations and resources; Women empowerment and women emancipation	N/A	Deputy Chairperson Chair of Risk and Governance Committee	14 of 15

Name	Designation (in terms of the Public Entity Board structure)	Date Appointed	Date Resigned	Qualifications	Area of Expertise	Board Directorships (List the entities)	Other Committees or Task Teams (e.g: Audit committee / Ministerial task team)	No. of Meetings attended
Ms. Dineo Maithufi	Member	September 2017	N/A	University of Johannesburg: Bachelor of Commerce (Accounting) University of Natal: Bachelor of Commerce (Honours) Accounting University of Natal: Certificate of Theory in Accounting Chartered Accountant (South Africa)	Auditing Accounting Financial Management Compliance Risk Management	N/A	Chair of the Audit Committee Member of Risk and Governance Committee	13 of 15
Mr. Leon Gert Marincowitz	Member	September 2017	N/A	University of Johannesburg: Masters: Philosophy; University of Pretoria BA Honours: Philosophy; University of Pretoria: B.A General	Strategic programme development, project co-ordination, policy advocacy, fundraising and media liaison; Entrepreneurship and business development	N/A	Chair of Business Development Committee Member of Risk and Governance Committee Member of Audit Committee	15 of 15
Mr. Kgosi Mogotsi	Member	01 October 2020	N/A	Henley Business School Africa: Post Graduate Diploma in Management; Wits Business School: Management Advance Programme; Saseta Johannesburg: Certificate in Customer Management; University of Johannesburg National Diploma Retail Business Management	Monitoring and evaluation of business practices and performance at the regional level.	N/A	Member of Business Development Committee Member of Credit and Investment Committee	14 of 15

Name	Designation (in terms of the Public Entity Board structure)	Date Appointed	Date Resigned	Qualifications	Area of Expertise	Board Directorships (List the entities)	Other Committees or Task Teams (e.g: Audit committee / Ministerial task team)	No. of Meetings attended
Ms. Bukeka Mahlutshana	Member	01 October 2020	N/A	University of South Africa: M Com in Business Management (In Progress); University of South Africa: B Com Honours in Business Management specialisation in Financial Management; University of Johannesburg: Diploma Municipal Governance; University of Fort Hare: B Com in Business Management; IoDSA: Being a Director Part 1-4 EuroMoney: Advanced Investment Analysis and Valuation; Brit Training Institute: Applied Private Equity; GIBSISAVCA: Private Equity and Venture Capital Foundation Course; GIBSISAVCA: Advanced Programme International Private and Venture Capital Valuation Guidelines	Developing strategic and operational plans; Business planning; Financial Management and Reporting; Operations Management; Human Resource Management and Development	N/A	Member of the Business Development Committee Member of the Credit and Investment Committee	15 of 15
Mr. Desmond Khalid Golding	Member	01 October 2020	9 May 2022	Doctor of Philosophy (PhD) Central banking and financial market reform (In Progress); Oxford University, England: Oxford Advanced Leadership and Management Programme; Harvard Business School, Boston, USA: Finance for Senior Executives; University of London, England: Master of Laws (Banking and Finance); University of the Witwatersrand: MA (International Relations); University of Zululand: Baccalaureus Procuracionis (B.Proc)	Finance, deal structuring, business strategy; Risk and financial management; Business development; Management and evaluation of compliance and governance; Special advisory to Ministers; Executive management	N/A	Chairperson of the Credit and Investment Committee – Resigned May 2022 Member of the Business Development Committee Member of the Risk and Governance Committee	4 of 4

Name	Designation (in terms of the Public Entity Board structure)	Date Appointed	Date Resigned	Qualifications	Area of Expertise	Board Directorships (List the entities)	Other Committees or Task Teams (e.g: Audit committee / Ministerial task team)	No. of Meetings attended
Mr. Thabo Daniel Rasenyallo	Member	01 October 2020	N/A	Regenesys, South Africa Master of Business Administration Candidate (In Progress); Tshwane University of Technology: Bachelor of Technology Degree: Electrical (Power) Engineering; Tshwane University of Technology: National Higher Diploma: Mechanical Engineering; Tshwane University of Technology: Bachelor of Technology Degree: Electrical (Power) Engineering; Mancosa, South Africa: Post Graduate Diploma: Project Management	Operations management; Transformational leadership and management; Project planning and management	N/A	Member of the Business Development Committee Member of the Credit and Investment Committee – Chairperson since July 2022	15 of 15
Ms. Nomusa Mufamadi	Member	01 October 2020	6 June 2022	University of South Africa: Jointly with Law Society of SA Advanced Short Course in Business Rescue Practice (In Progress); University of South Africa Post Graduate Diploma in Financial Accounting; University of South Africa: BCompt; New Port University: Diploma in Industrial Relations; Brighton Business Centre: Certificate in Human Resources Management and Management of Change	Strategic leadership; Auditing, financial management, taxation and human resources management.	N/A	Chairperson of the Human Resources and Remuneration Committee – Resigned June 2022 Member of the Audit Committee	4 of 4

Name	Designation (in terms of the Public Entity Board structure)	Date Appointed	Date Resigned	Qualifications	Area of Expertise	Board Directorships (List the entities)	Other Committees or Task Teams (e.g: Audit committee / Ministerial task team)	No. of Meetings attended
Ms. Dineo Maphanzela	Member	01 October 2020	N/A	University of Witwatersrand Graduate School of Business: Master of Management in Entrepreneurship and New Venture Creation; University of Oxford Saïd Business School: Oxford Entrepreneurship: Venture Finance Programme. Directors Association: Advanced Director Training Programme; London School of Trends: Luxury Brand Management; The University of Virginia and BCG: Certificate in Digital Transformation; University of Witwatersrand Graduate School of Business: Postgraduate Diploma in Management (Business Administration); University of Cape Town: Bachelor of Social Sciences	Corporate social responsibility strategy development and implementation; Property development and management; Operations management	N/A	Member of the Risk and Governance Committee Member of the Human Resources and Remuneration Committee – Chairperson since July 2022	12 of 15
Mr. Sipho Mkhize	Member	01 October 2020	N/A	Regenesys Business School: Masters: Public Management; Regenesys School of Public Management: Honours: Public Development and Management; University of Pretoria: Executive Certificate in Public Management and Development; WITS University: Professional Certificate in Public Management (P&DM); WITS University: Housing Policy Management (P&DM); Regenesys: Project Management; University of Stellenbosch: Policy Writing and Development; University of Durban Westville: Capacity Building	Human resource development; Social development; Public accounts	N/A	Member of the Audit Committee Member of the Risk and Governance Committee	13 of 15

GEP BOARD COMMITTEES

Committee	No. of meetings held	No. of members	Name of members
Audit Committee	16	4	Ms Dineo Maithufi – Chairperson Ms Nomusa Mufamadi [Resigned 6 June 2022] Mr Leon Marincowitz Mr Sipho Mkhize
Business Development Committee	5	5	Mr Leon Marincowitz – Chairperson Mr Kgosi Mogotsi Mr Desmond Golding [Resigned 9 May 2022] Ms Bukeka Mahlutshana Mr Thabo Rasenyallo
Risk and Governance Committee	3	7	Ms Phumeza Mangcu – Chairperson Ms Dineo Maithufi Mr Leon Marincowitz Mr Desmond Golding [Resigned 9 May 2022] Mr Dineo Maphanzela Mr Sipho Mkhize Ms Lebogang Mphahlele
Credit and Investment Committee	7	4	Mr Desmond Golding – Chairperson [Resigned 9 May 2022] Ms Bukeka Mahlutshana Mr Thabo Rasenyallo Mr Kgosi Mogotsi
Human Resources and Remuneration Committee	6	4	Ms Nomusa Mufamadi – Chairperson [Resigned 6 June 2022] Mr Dineo Maphanzela Mr Thabo Rasenyallo Ms Bukeka Mahlutshana



4. RISK MANAGEMENT



Ms. Sibusisiwe Ntuli
GM: Risk and Audit

The Risk and Audit Division within GEP is established in conformance and under the provisions of the GEP Act, PFMA, Treasury Regulations, King IV Report on Corporate Governance, ISO 31000 Risk Management Standards and the Public Sector Risk Management Framework.

It operates in line with the Public Sector Risk Management Framework requirements. The Risk Management function is defined as a disciplined approach to implement, monitor and maintain good risk management practices to propel the organization towards achieving objectives of the Risk Management Policy Framework.

The unit is positioned as a strategic enabler, risk and audit management expert advisor, and a value-add function intended to assist GEP in achieving its mandate and strategic objectives, as well as satisfy its stakeholders within the prescribed regulatory framework.

It is empowered, amongst other functions, to (a) facilitate risk and opportunity identification, risk mitigation, risk reporting and risk monitoring at both strategic and operational levels, (b) implement the Business Continuity Management (BCM) programme, (c) implement the Fraud Prevention Strategy and Ethics Programme, (d) provide assurance on Policy Development, (e) implement a Combined Assurance Model and (f) implement the Internal Audit Programme.

The unit, headed by the General Manager of Risk and Audit, reports to the CEO and functionally to the Board, Audit, Risk and Governance Committees for risk and assurance oversight on various risk categories in the organisation.

GEP'S RISK PHILOSOPHY

Risk Belief at GEP ("Risk Philosophy") is that risk inherent in any business, more so in the business of propelling high-risk SMMEs and Cooperatives (i.e., through financial and business development support) into the mainstream economy to reduce levels of poverty, unemployment and inequality. Risk management is a critical element of the organisational strategy and daily operations that impacts organisational performance (i.e., APP Targets), financial results and future organisational plans.

It is upon this basis that GEP believes risk management should be the responsibility of every employee in the organisation, practiced daily and infused into daily operations, business processes and policies with a view of converting risks into opportunities, protecting the organisation against unforeseen losses, improving investment returns, being a reliable and sustainable service delivery agency.

Accurate analysis and information are key for informed business decisions, preventing fraud, corruption, and wasteful expenditure, to maximize resource efficiency for project success.

RISK MATURITY

The Risk and Audit Division's vision is to propel GEP to be "risk intelligent / matured" by using a hybrid of ISO 31000 and the Public-Sector Risk Management Framework. A risk maturity assessment was undertaken for the year under review by an independent service provider. As part of instilling and embedding a good risk management culture in the organization, the gaps and improvements identified in the risk maturity assessment were incorporated into the revised approved risk maturity roadmap. At the end of March 2023, the entity implemented 80% of the recommendations. The key achievements over the reporting period include:

- Implementation of the Risk Management Policy Framework
- Implementation of the Business Continuity Management Policy Framework
- Implementation of the Risk Appetite Framework;
- Implementation of the Combined Assurance Framework;
- Linking the organizational strategy to the strategic risk profile;
- Risk discussion is embedded in strategic planning;
- Development and implementation of the 5-year BCM Maturity Strategy;
- Development,
- approval and implementation of the Risk Management Methodology;
- Development of a Risk Management Guide;
- Development of the Risk Champions Strategy
- Review of Risk Management Function by external assurance providers (external auditors) as a provider of "full assurance"; and
- Risk management training for all staff and Board.

In its intention to reach a level 6 risk maturity, the organisation will in future undertake the following activities: Coordinated risk management activities across silos (Combined Assurance), Risk appetite monitored at the product level, technology implementation and enablement, contingency plans and escalation procedures, risk management training, transversal risk analysis, risk consolidation and quantification, risk consultation, RM /BCM / Ethics / Compliance / Anti-fraud Training, improve "tone at the top", risk discussion is embedded in strategic planning, capital allocation, product

development, linkage to performance measures and incentives, industry benchmarking used regularly, Integrated Governance, Risk and Compliance (iGRC), evaluation of Risk and Governance Committee concerning risk management and risk management effectiveness independently. Other value-added services include reviewing financial and financial support deals, including partnerships, to identify the risks and ensure that they are properly mitigated to aid collection and debt recovery processes.

2022/2023 ASSURANCE PLANS

The risk management function implements the annual Risk Management Plan "RM Plan" and Business Continuity Implementation Plan "BCMI Plan". The targets for both assurance plans for 2022/2023 were 80% and the targets were all achieved.

STRATEGIC RISK PROFILE

For the reporting period, the Board and EXCO undertook an annual Board risk assessment to identify risks and opportunities from the 2020/2025 organizational strategy and annual performance targets for the 2022/2023 financial year. During 2022/2023, management implemented 78% of approved risk mitigations. The partially resolved mitigations have been carried over to 2023/2024 for implementation. The eight strategic risk exposures identified with key mitigations are ranked and approved by the Board. Other value-added services include reviewing financial and financial support deals, including partnerships, to identify the risks and ensure that they are properly mitigated to aid collection and debt recovery processes.



Risk Name and Description	Risk Mitigation
HUMAN CAPITAL Failure to recruit, develop and retain the best talent and succession planning to create a conducive working culture that enables high-performing organization, including consequence management.	<ul style="list-style-type: none"> Benchmark, develop and implement an organization-wide human resources strategy linked to the 2021/2025 organizational strategy and re-configuration strategy (Talent management strategy, defined remuneration philosophy for short- and long-term incentives) Develop a culture transformation plan and change management plan. Development and implementation of a skills development plan Implement consequence management or corrective measures relating to irregular, fruitless and wasteful expenditure and others.
FINANCIAL SUSTAINABILITY Inability to maintain or generate sufficient cash resources to meet payment obligations and fund business operations.	<ul style="list-style-type: none"> Review of Impairment Methodology Leverage R500m to fund its partnerships model. Implement cost containment measures (operating costs increase by 2.5%) Training on all unwanted expenditures Request treasury's condonation of unwanted expenditures Review and finalization of the structure and deletion of non-critical positions Savings on 10% on its current lease costs by sharing offices with Municipalities in its regional offices. Budget re-allocation and rollovers from Treasury Ensure validity of current rental agreements by signing all regional lease agreements with lessors
ASSET QUALITY Inadequate and ineffective processes for originating quality loans, recovery and collection of invested funds, well defined lending policies and high rate of impairments and write-offs.	<ul style="list-style-type: none"> Automation of the enhanced due diligence business processes/models Procurement of the loans application system that has a financial model for correct forecasting business performance as it is linked to institutions such as ARS, ITC and others for validation of information supplied by the applicants. Post Investment visits to be conducted in line with the policy. Develop and implement investment strategy. Engage Provincial Treasury for registering of cessions for contract finance loans. In consultation with Legal Services develop stringent obligation clauses which are punitive to the client should a misrepresentation/collusion be identified which disadvantages GEP Monitoring of funding agreements and reporting on breaches
REGULATORY FRAMEWORK Non-adherence to good corporate governance practices, policies, and legislative requirements pertaining to governance, risk management, internal control, and compliance.	<ul style="list-style-type: none"> Policy trainings sessions for all staff (approved policies) Monitoring and tracking on non-compliance to policies Implementation of compliance roadmap Creation of a policy universe GEP Act review finalization Review risk appetite framework (regulatory risk) Monitoring of progress of prior year action plans relating to compliance Activate Combined assurance (i.e., Internal audit, external audit, risk management, compliance, quality assurance, regulators) Capacitate Compliance Function Finalization of Regulatory Universe

Risk Name and Description	Risk Mitigation
ICT Inadequate ICT systems and processes to support business operations including cyber security, ICT Governance, Data Governance, IT Architecture (design), and ICT Skills.	<ul style="list-style-type: none"> • Resourcing / budget for and implementation of ICT Governance Strategy which includes: • Implementation of the ICT Governance maturity strategy-development of ICT SOPs • Implementation and prioritized ICT Governance standards • Purchase and implementation of • Enterprise Resource Planning (ERP) • Develop cyber security strategy. • Develop, implement and identify critical deliverables Cyber Security strategy • Define the ICT infrastructure and application roadmap • Migrate critical service to Microsoft Azure • System enhancement to improve efficiencies while ensuring compliance with legislative requirements, regulations, including e-invoicing
FRAUD & CORRUPTION Inadequate systems/processes to prevent, detect, investigate and report fraudulent activities and corruption.	<ul style="list-style-type: none"> • Development and implementation of the Fraud Prevention Roadmap. • Publish the ethics programme which encompasses the Declaration of Interest and Ethics Commitment Forms • to support the Code of Ethics. • Track implementation of the mitigation and recommendations in the internal and external audit, risk and investigations log • Fraud awareness and training • Timous completion of investigations, if any • Referral of cases to law Enforcement Agencies where fraud is suspected within four weeks of reporting, if any • Procure system to verify employee declarations. • Training of staff on Fraud and Corruption Prevention and Staff Ethics policies
STAKEHOLDER MANAGEMENT Potential or actual damage to the GEP's image through factors (reputational risk) that may impair the sustainability of the business including identification and management of key stakeholders.	<ul style="list-style-type: none"> • Develop Stakeholder Satisfactory Survey to be and present quarterly/ bi-annually to management. • Negotiate with partners to fund 5% of the Business Development Support (BDS), as a result, R5,4m is re-allocated to customer loans, or other funding projects. • Strengthen external communication (Communication and PR strategy). • Stakeholder engagements -testimonials from previously funded SMME's. • Meetings with staff to communicate GEP activities undertaken in the quarter. • Operationalisation of signed MoUs/partnership agreements to optimize operational efficiencies. • Continuous engagement with the public in all city regions to enhance accessibility to GEP services.
MARKET RISK Fluctuations in exchange rates and interest rates which impacts the funding of SMME's and profitability.	<ul style="list-style-type: none"> • Review Financial Support and Post Investment Policy to include foreign exchange transactions. • Review pricing matrix to cater for term loans as a result of interest rate hikes (pricing to cater for both increases and decreases in interest rate) • Consider entering into forex hedging arrangements with banks. • Benchmarking with other D's on the treatment of foreign exchange transactions

Risk mitigations are regularly monitored and reported to the Board and the Risk and Governance Committee for independent oversight. Mitigations are tracked monthly through Strategic and Operational Risk logs.

Operational risks are identified continuously by

the Risk and Audit Division. Various methods are utilised to identify operational risks, such as operational risk assessments, monthly/quarterly reports provided by management, and audit reports. These risks are confirmed with management and mitigation plans are developed to address the risks.



5. INTERNAL CONTROL UNIT

The Audit Committee reviewed several items; (a) the effectiveness of the internal control systems; (b) the effectiveness of internal audit; (c) the risk areas of the entity's operations to be covered in the scope of internal and external audits; (d) the adequacy, reliability and accuracy of financial information provided to management and other users of such information; (e) any accounting and auditing concerns identified as a result of internal and external audits; (f) the entity's compliance with legal and regulatory provisions; and (g) the activities of the internal audit function, including its annual work programme, coordination with the external auditors, the reports of significant investigations and the responses of management to specific recommendations; and (h) where relevant, the independence and objectivity of the external auditors.

INTERNAL AUDIT/ CONTROL UNIT

Operating in line with the provisions of the PFMA, Treasury Regulations, the International Standards for the Professional Practice of Internal Audit (i.e. IIA Standards) and Public Sector Internal Audit Framework, the Audit, Risk and Governance Committee Charter, Internal Audit Charter, Internal Audit Methodology and King IV Report on Corporate Governance, the Internal Audit Function within the Risk and Audit Division exists as an independent internal assurance provider, expert advisor, strategic enabler and value-add activity that independently evaluates the risk management practices, control environment and the governance processes, thus contributing positively to the achievement of the organisational objectives. The internal audit function reports administratively to the CEO and functionally to the Audit Committee. In addition, the assurance results of the internal audit assist the Board to fulfil its reporting and disclosure responsibilities to the MEC for Economic Development and Legislature on the status of the GEP control environment.

6. INTERNAL AUDIT AND AUDIT COMMITTEES

Ms. Dineo Maithufi chairs the Audit Committee and it consists of three independent Board members. The Chief Executive Officer, Chief Financial Officer, General Manager: Risk and Audit, General Manager: Strategy, Monitoring and Evaluation and external auditors have a standing invitation to all the meetings of the Audit Committee. The Audit Committee Chairperson quarterly reports the Committee's activities, decisions and recommendations to the Board.

The responsibility of overseeing risk and opportunity governance, fraud prevention, and compliance governance falls under the purview of the Audit Committee. Their principal duty entails evaluating and monitoring policies and regulations.

KEY INTERNAL AUDIT ACTIVITIES

The internal audit function provided reasonable assurance to management and the Board on the adequacy and effectiveness of the risk management,

The table below discloses relevant information on the audit committee members:

Name	Qualifications	Internal or external	If internal, position in the public entity	Date Appointed	Date Resigned	No. of Meetings attended
Ms. Dineo Maithufi - Chairperson	University of Johannesburg: Bachelor of Commerce (Accounting) University of Natal: Bachelor of Commerce (Honours) Accounting University of Natal: Certificate of Theory in Accounting Chartered Accountant (South Africa)	External	N/A	September 2017	N/A	16 of 16
Mr. Leon Gert Marincowitz	University of Johannesburg: Masters: Philosophy; University of Pretoria BA Honours: Philosophy; University of Pretoria: B.A General	External	N/A	September 2017	N/A	15 of 16

Name	Qualifications	Internal or external	If internal, position in the public entity	Date Appointed	Date Resigned	No. of Meetings attended
Mr. Sipho Mkhize	Regenesys Business School: Masters: Public Management; Regenesys School of Public Management: Honours: Public Development and Management; University of Pretoria: Executive Certificate in Public Management and Development; WITS University: Professional Certificate in Public Management (P&DM); WITS University: Housing Policy Management (P&DM); Regenesys: Project Management; University of Stellenbosch: Policy Writing and Development; University of Durban Westville: Capacity Building	External	N/A	October 2021	N/A	16 of 16

7. COMPLIANCE WITH LAWS AND REGULATIONS

BACKGROUND AND KEY ACTIVITIES OF THE COMPLIANCE FUNCTION

To improve the compliance culture as part of risk management practices, combined assurance framework and the fraud prevention and ethics policy frameworks, the Compliance Function is mandated to conduct its activities in line with the Compliance Management Policy Framework aligned to the Generally Accepted Compliance Framework. During the period under review, the compliance management plan was developed and implemented in line with the

target achievement. The Agency also has a draft Regulatory Compliance Universe to ensure compliance with relevant legislation. Internal Audit also provided a review and recommendations of the Statutory Returns/ prescripts applicable to the entity. The compliance unit will continue to review compliance with laws and regulations to prevent the re-occurrence of unauthorised, irregular, fruitless and wasteful expenditures.



8. FRAUD AND CORRUPTION

FRAUD PREVENTION AND ETHICS POLICY FRAMEWORK

Guided, amongst others, by the PFMA, the King Code on Corporate Governance, the Protected Disclosures Act and the Combating of Corrupt Activities Act, the fraud and corruption prevention and ethics policy frameworks are in existence and adhered to, except in instances reported in the assurance reports and reported to Audit Committee and/or Board, including the Shareholder. The policy framework comprises the Fraud Prevention Policy, Staff Ethics Policy, Code of Conduct, Risk Management Policy, Compliance Management Policy, Delegation of Authority Framework and the five-year fraud prevention roadmap. The roadmap gives a practical effect to the fraud prevention and ethics policy frameworks by emphasising and rolling out the fundamental principles and elements of fraud prevention, fraud detection, fraud investigation and fraud resolution, including the zero-tolerance statement and whistleblowing mechanisms – thus stressing the matters of ethics, accountability and consequence management. To improve our fraud control environment holistically, GEP has in place the Board Ethics Policy and Politically Exposed Persons Policy. The entity revised the Fraud and Corruption Prevention policy to include the mechanisms for protected disclosures in line with the Protected Disclosures Act and Prevention and Combating of Corrupt Activities Act (PRECCA).

MECHANISMS IN PLACE TO REPORT FRAUD, CORRUPTION AND UNETHICAL BEHAVIOUR

Guided by the fraud and corruption prevention and ethics policy frameworks mentioned above, GEP has a whistleblowing facility managed by an independent and external service provider available to all internal and external stakeholders, including employees and external clients, to report fraud, corruption, and unethical behaviour confidentially. For the period under review, no fraud and corruption cases were reported under the fraud hotline, which indicates that fraud and corruption within the entity have been severely minimised. No fraud risk indicators were identified by the external auditors for the year under review. Furthermore, the fraud risk was assessed as "LOW" by the Board in the current year.

In addition, the fraud prevention and ethics policy frameworks also allow for direct reporting of fraud, corruption, and unethical behaviour to the Board and/or Audit Committee, including identifying fraud risks reportable to the Board and/or Audit Committee.

Matters reported are investigated, and the investigation reports' outcomes were tabled with relevant governance structures. During the period under review, no new investigations were conducted, as there were no new fraud and corruption cases on all reporting channels. The Fraud Prevention plan was developed and implemented. For the period under review, the target to implement the plan was achieved.

9. CODE OF CONDUCT

The Code of Conduct, fraud and corruption prevention policy and staff ethics policy were adhered to, except when such is recorded

in the assurance and investigation reports and reported to the Audit Committee and/or Board.

10. HEALTH SAFETY AND ENVIRONMENTAL ISSUES

Procuring office space by the Department of Infrastructure on behalf of the Department of Economic Development and sharing office space buildings with other sister agencies has posed a challenge. Some buildings need to be OHS compliant.

The COVID-19 pandemic brought about unprecedented health and safety concerns shifting the focus to mental health awareness in the workplace since cases are on the rise.

The GEP has recognized the importance of monitoring and supporting infected and affected employees.

There is a plan to facilitate ongoing training for the safety representatives in different regions to ensure compliance with occupational health and safety regulations as a priority.

11. COMPANY /BOARD SECRETARY

Regarding the Companies Act, a state-owned company must appoint a person to serve as Company Secretary. The Board appointed Huruma Bantfu (Pty) Ltd on the 4th of March 2022 as the Company Secretary for GEP. All Directors have access to the Company Secretary, who ensures that the Board's procedures, applicable rules, and regulations are fully applied. The Company Secretary keeps the Board abreast of relevant legislation and governance best practices changes. The Company Secretary oversees the induction of new Directors and the ongoing training of Directors.

The information required for each Board meeting is sent to the Directors promptly before each session to enable them to acquaint themselves with the information and consider Company information regarding their statutory and fiduciary responsibilities.

The Company Secretary is responsible for convening governance meetings, providing

administrative support to committees and providing a central source of guidance and advice to the Board. The Company Secretary is accountable to the Board and administratively reports to the CEO and has the responsibility of:

- Ensuring minutes for all shareholder meetings, board meetings, committee meetings and executive meetings are correctly recorded under the Companies Act 71 of 2008;
- Certifying the company's annual financial statements and whether the company has filed required returns and notice in terms of the Company Act, and whether such notices appear to be accurate, correct and up to date; and
- We ensure that a copy of the company's annual financial statements is circulated to all relevant stakeholders under the Act.

12. SOCIAL RESPONSIBILITY

GEP recognises the importance of being socially accountable to self, its stakeholders and the general public. To this end the entity endeavours to

undertake its business activities in a manner that takes into account the economical, social and environmental aspects of society.

13. AUDIT COMMITTEE REPORT



Ms. Dineo Maithufi
Chairperson of the Audit Committee

I am pleased to present the Audit Committee report for the financial year ended 31 March 2023

AUDIT COMMITTEE RESPONSIBILITY

The Audit Committee (or “the committee”) has complied with its responsibilities arising from Section 38(1) (ii), 76(4) (d) and 77 (a), (b) and (c) of the Public Finance Management Act and Treasury Regulation 3.1.13. In addition, the committee has adopted appropriate formal Terms of Reference and regulated its affairs in compliance thereto, discharging all its responsibilities as contained therein.

STATUTORY DUTIES

The Committee derives its responsibilities from Section 51 (1)(a)(ii) of the Public Finance Management Act and Treasury Regulation 27.1 as well as additional responsibilities as assigned by the Board. These duties have been articulated in the committee’s formal terms of reference that were duly approved in line with governance requirements and informed the affairs and responsibilities of the committee during the financial year.

The Audit Committee performed its duties as set out in the Charter, which included a review of the following:

- The effectiveness of the GEP’s internal control systems;
- The risk areas of the GEP’s operations to be covered in the scope of the internal and external audits;
- The accounting and auditing concerns identified through internal or external audits;
- The GEP’s compliance with legal and regulatory provisions; the GEP Act, the PFMA, as well as the Treasury Regulations;
- The activities of the Risk and Audit Unit, including its work programmes, coordination with the External Auditors, the reports of significant investigations and the responses of Management to specific recommendations;
- The independence and objectivity of the External Auditors;
- The external audit fee and the terms of engagement;
- Internal Audit Charter and Internal Audit Plan; and
- This Committee also conducted investigations within its Terms of Reference.

EFFECTIVENESS OF INTERNAL CONTROLS AND RISK MANAGEMENT

The PFMA requires the Board to ensure that a public entity has and maintains effective, efficient and transparent systems of financial, risk management and internal control.

The Committee is responsible for overseeing risk management and reviewing internal controls. During the financial year ended 31 March 2023, several reviews were conducted on the effectiveness of internal controls. In the main, the overall control environment is satisfactory however there is room for improvement particularly in adherence to Information Technology (IT) controls. The Committee conducted a Risk Assessment Workshop during the year. Risk reports have been reviewed and the committee believes the entity is on a path towards risk maturity. Areas of weakness have been identified and are being addressed by management.

EVALUATION OF INTERNAL AUDIT

The Risk and Audit Division reviews and provides assurance on the adequacy and effectiveness of the internal control environment within the entity. The Committee is responsible for ensuring that the Risk and Audit Division is independent and has the necessary skills and resources as well as authority within the organisation to enable it to effectively discharge its duties and responsibilities. Internal Auditors have unrestricted access to the Audit Committee.

The Committee is satisfied that GEP's Risk and Audit Unit operated effectively in terms of identifying and addressing key risks pertinent to the entity in its audits. The work of Internal Audit was guided by the approved 2022/23 Annual Audit Plan with meetings taking place during the year to ensure that the function is executed effectively and objectively.

EXPERTISE AND EXPERIENCE OF THE FINANCE FUNCTION

The committee is satisfied that the finance function possesses the necessary expertise and requisite experience.

EVALUATION OF FINANCIAL STATEMENTS

The Committee reviewed the Annual Financial Statements ("AFS") for the year ended 31 March

2023 to satisfy itself that the Annual Financial Statements were fairly presented.

The AFS were reviewed paying specific attention to:

- Changes in accounting policies and practices;
- Significant financial reporting judgements and estimates;
- Significant adjustments flowing from the year-end audit;
- Completeness of disclosure;
- Compliance with effective South African Standards of GRAP, the PFMA and other statutory precepts;
- Reasons for year-end fluctuations; and
- The appropriateness of the going concern assumption.

The Annual Financial Statements were approved by the Board on 31 July 2023, following recommendation by the Audit Committee.

IN-YEAR MANAGEMENT AND MONTHLY/ QUARTERLY REPORT

During the period under review, management presented quarterly reports which enabled the committee to monitor the financial position of the entity and perform a comparison against performance objectives. The entity submitted monthly and quarterly reports to the Executive Authority.

INTEGRATED REPORTING

The Committee considered the GEP's sustainability information as disclosed in the Integrated Report and has assessed its consistency with operational and other information known to the Committee Members, and for consistency with the Annual Financial Statements. The Committee discussed the sustainability information with GEP's Executive Management and has considered the conclusion of the Auditor General of South Africa.

The Committee is satisfied that the sustainability information is reliable and consistent with the financial results, whilst noting that sustainability reporting will continue to be improved upon.

GOING CONCERN

The Committee has reviewed management's documented going concern assessment and agrees with the appropriateness of the going concern assumption as a basis of preparing GEP's Annual Financial Statements.

EXTERNAL AUDIT

The Auditor General of South Africa is the external auditor for GEP. The Committee approved the terms of engagement, audit plan and remuneration of the external auditor through the Engagement letter and Audit Strategy. In addition, the committee assessed the independence of the external auditor and is satisfied that the Auditor's independence is not impaired.

REMEDIATION OF PRIOR YEAR AUDIT FINDINGS

We have reviewed the public entity's implementation plan for audit issues raised in the prior year and we are satisfied that the matters have been adequately resolved except for the following:

- Controls over Debt Management
- IT controls
- Irregular Expenditure arising from expired contracts (finalisation of consequence management processes)

Management is in the process of remediating the above.

EXTERNAL AUDIT OPINION

GEP received an unqualified audit opinion with material findings on the prevention of irregular expenditure for the year under review. The Committee will continue to exercise its oversight to ensure that key areas of concern are addressed to set the entity on a path towards a clean audit.

CONCLUSION

The Audit Committee has executed its rules in line with the Board approved Terms of Reference. The Committee concurs with and accepts the audit opinion of the Auditor General of South Africa on the 2022/2023 Annual Financial Statements and is of the view that the audited Annual Financial Statements be accepted and read together with the report of the Auditor General of South Africa.



Ms. Dineo Maithufi

Chairperson of the Audit Committee

14. B-BBEE COMPLIANCE PERFORMANCE INFORMATION

The following table has been completed in accordance with the compliance to the B-BBEE requirements of the B-BBEE Act of 2013 and as determined by the Department of Trade, Industry and Competition

Has the Department / Public Entity applied any relevant Code of Good Practice (B-BBEE Certificate Levels 1 – 8) with regards to the following:		
Criteria	Response Yes / No	Discussion (include a discussion on your response and indicate what measures have been taken to comply)
Determining qualification criteria for the issuing of licences, concessions or other authorisations in respect of economic activity in terms of any law?	N/A	N/A
Developing and implementing a preferential procurement policy?	Yes	SCM policy, which states that the entities targeted groups will be Women, youth, PWD and township based owned business
Determining qualification criteria for the sale of state-owned enterprises?	N/A	N/A
Developing criteria for entering into partnerships with the private sector?	Yes	GEP designed the Partnership Governance Framework to assist with the criteria for entering into Partnerships with the public and private sector.
Determining criteria for the awarding of incentives, grants and investment schemes in support of Broad Based Black Economic Empowerment?	N/A	N/A





PART D

HUMAN RESOURCE MANAGEMENT

- | | | |
|----|---|----|
| 1. | Corporate Support And Administration Report | 83 |
| 2. | Human Resource Oversight Statistics | 88 |

1. CORPORATE SUPPORT AND ADMINISTRATION REPORT



Ms Thenjiwe Msomi
Acting GM: Corporate Support & Administration

OVERVIEW OF GEP HUMAN RESOURCES MATTERS

GEP is continuously being professionalised. The team is registered with SABPP to ensure they align with the HR National Standard. All other teams have been assisted with different professionalization initiatives. The organizational review has been completed and the next step is to fast-track Change management initiatives to ensure implementation of proposed changes in the structure. There is much that has been accomplished with lean staff complements. GEP has also been a training ground for the unemployed who have acquired skills and experience for Work Integration Learning purposes.

SET HR PRIORITIES FOR THE YEAR UNDER REVIEW AND THE IMPACT OF THESE PRIORITIES

The GEP has formed partnerships with various professional bodies to solicit skills from technocrats to assist with enhancing capabilities to ensure organisational growth and sustainability. Professional Bodies inclusive of SABPP; IPM;

HPCSA; SIOPSA; IBAS; SAIPA; IRMSA; IoDSA; the Gauteng City Regional Academy and the School of Governance are some of the institutions used in the development of scarce and critical skills. The Skills Development and Equity Committee is one vehicle used to drive talent management initiatives.

The business has made headway in ensuring that the learning culture is embedded. Employees are continuously offered bursaries annually. At least thirteen employees were funded to further their studies; in line with the business need and their work areas.

The organizational structure, which was approved in 2017, has been revised; and there was meaningful consultation with different Business Units within the organization, including labour. To date, at least ten positions identified as non-critical were abolished, reducing the vacancy rate from 23% to 19%. Twenty-one posts have been deleted; out of 188 posts, the structure now has 167 positions, reducing the vacancy rate significantly.

To improve the communication and trust relationship between staff and management, which was perceived as a challenge when the climate survey was conducted; change management agents and champions have been equipped with the skill to navigate through change. Moreover, the Chief Executive officers met with different sub-units to understand their views and sore points to solicit information on challenges that may be resolved. Critical vacancies, such as General Manager: Risk and Audit, have been filled.

WORKFORCE PLANNING FRAMEWORK AND KEY STRATEGIES TO ATTRACT AND RECRUIT SKILLED AND CAPABLE WORKFORCE

A process is underway to identify and analyse workforce needs to ensure that the organization has the right people in the right place at the right time to ensure that GEP can achieve its strategic objectives. The focus is also on future needs in

the VUCA world of work, considering that COVID brought forced change, which requires learning agility.

There is currently a talent pool created through continuous professional development initiatives and formal training to address the needs for critical skills such as Investment Management; business analysis to ensure succession and alignment of workforce planning with the critical skills requirement.

Partnership with the institutions of higher learning; providing opportunities for Work Integrated Learning assists in the transference of skills.

GEP is also participating in the surveys with other comparator organisations in exchange for results that will help the organisation keep abreast of the current trends in remuneration, job matching and other guidelines that would be incorporated in the dynamic workforce plan that will cater to the current hybrid work model. To date, GEP has been able to identify skills to ensure continuity for succession purposes.

EMPLOYEE PERFORMANCE MANAGEMENT FRAMEWORK

In the year under review, GEP has thrived on being a performance-driven organisation. In so doing, the Organisational Efficiencies function has emphasized aligning the annual targets derived from APP into KPA's and translating them into SMART KPIs. This process assists the organisation in monitoring individual performance in enabling GEP to deliver on its mandate. Per the Performance Management Policy, the 2022/23 Performance Contracts and mid-year performance assessments were concluded.

During the 2021/22 Financial Year, the South African Board of People Practices (SABPP), an HR-accredited professional body, evaluated the usefulness and reliability of the reported performance management process. SABPP identified gaps in the performance management process, and in addressing this finding, GEP is improving performance management, including system optimisation to increase organisational efficiency.

GEP EMPLOYEE WELLNESS PROGRAMMES

Company Wellness Solutions was appointed in September 2022 to offer counselling services, which shows that GEP cares about all employees' safe and healthy work environments. This appointment is to help maintain a healthy work-life balance and eliminates spillover effects from home and work challenges.

Evidence of high utilisation of wellness services circumvents the current worldwide pandemic related to mental health issues. GEP promotes the culture of organizational and individual health. During the HR audit by the SABPP, most employees confirmed that they are aware of the services and are being utilized. A wide range of services is offered, such as advice on nutrition, legal advice and psychological benefits, which also covers family members.

POLICY DEVELOPMENT

Some policies were reviewed in consultation with organised labour during the period under review, such as Recruitment and Section policy, Travel and Subsistence policy. There is communication underway regarding Cell phone and Data allowance policy.

The Human Resources will make changes as and when there are changes in the legislation division is continuously monitoring the policy environment and where there are changes, the respective policies will be updated accordingly.

CORPORATE SUPPORT AND ADMINISTRATION ACHIEVEMENTS

Information Communication Technology

The IT environment focused on business Analysis, a globally recognized critical process. Business Analysis empowers businesses to identify opportunities for improvement, streamline processes, and ultimately facilitate growth.



The Business Analyst at GEP during the last fiscal year (2022/2023) has collaborated with key stakeholders throughout the organization, including executives, department heads, and subject matter experts, to gather relevant information, analyze critical data, and devise strategic recommendations aligned with the company's strategic priorities and objectives.

The success of the analysis exercise can be attributed to a deep understanding of GEP's goals, objectives, and challenges. This exercise involved a comprehensive evaluation of the company's operations, processes, and systems and an assessment of industry trends, relevant government agency positions, and competitor activities.

The business analysis work has resulted in the development of Business Case documents, Business Requirements Specifications and Functional Requirements Specification Documents that have led to actionable recommendations that drive measurable business value, which are as follows:

A Summary of eight core findings and recommendations are tabled below:

- Automated Documents and Records Management System
- Digitized Performance Management and

Reporting Solutions

- Comprehensive Backup and Recovery Solution
- Update ICT Disaster Recovery Plan
- Cybersecurity assessment initiative
- Virtualize and Host Server Systems on Microsoft Cloud
- Migration of SAGE Finance & HR System to SAGE Cloud
- Development of a comprehensive ICT Strategy, which is currently underway

The recommended strategy aims to address the identified issues and achieve the organization's objectives by defining its ICT priorities, developing a roadmap for ICT initiatives, and improving the efficiency and effectiveness of its Technology, Systems and Processes within each GEP unit and the organisation. Developing and implementing this ICT strategy will provide GEP with a clear roadmap for leveraging technology to improve efficiencies, reduce costs, and enhance overall GEP performance.

Marketing and Communications

Soweto Tourism Awards

Soweto Tourism hosted its inaugural Soweto Tourism Awards ceremony on the 3rd of February 2023. The Award ceremony under the theme: Back

to the Roots, occurred at the Soweto Theatre in Soweto. Sponsorship provided Public Relations, Event Branding and Speaking platform.

Social Media FAQ Campaign

Between 17 and 30 January, the unit ran a Social Media campaign focusing on Frequently Asked Questions which increased engagement with our pages.

GEP Stakeholder Engagement Session

The Stakeholder Engagement session with SMME Chambers and Associations occurred in November 2022. The purpose of the session is to provide an update on the GEP priorities and offerings and explore potential collaboration opportunities.

Success Stories Campaign

Between June-August 2022, a campaign to profiling beneficiaries took place. The aim was to promote GEP-supported businesses and highlight the work the entity is doing. 6 businesses were profiled as part of the campaign.

Human Resources

The Human Resources division requested the audit to support our HR Function's ongoing development and professionalisation, which will enable us to provide the best service possible to all our employees and, ultimately, our clients. SABPP, the professional body for HR practitioners in South Africa, conducted an audit of GEP HR practices. The SABPP has developed 13 HR Management System Standards and HR was audited against each of these Standards.

The audit took place in October 2022; and was conducted by SABPP-certified auditors, all of whom are experienced and registered HR professionals.

All our policies, processes and practices were assessed. The auditors also interviewed randomly selected employees to seek their views on the performance of the HR team. The initiative was solely to provide insights through a detailed audit

report and to provide the HR team with feedback that will support ongoing development since they are registered with the same professional bodies and others such as HPCSA, IPM, SIOPSA and SACSSP.

SAIPA and Gauteng Enterprise Propeller: A Partnership Driving Professionalism and Accountability in the Finance Department

GEP is proud to share our ongoing collaboration with the South African Institute of Professional Accountants (SAIPA) to enhance the professionalisation of our Finance Department. As an IFAC member, SAIPA follows the structures, policies, and strategic objectives of the International Federation of Accountants (IFAC). Professionalising the accounting and advisory sectors in South Africa and Africa is crucial for elevating service quality, reinforcing reputations, and addressing the increasing demand for transparency and accountability.

The growing emphasis on financial reporting and compliance, particularly in light of corporate scandals and regulatory reforms, has driven this change. As a result, SAIPA has introduced new codes of conduct and standards for its members, and the Independent Regulatory Board for Auditors (IRBA) has amplified its monitoring and enforcement mechanisms. In our pursuit of accountability and professionalism, GEP's Finance Department has joined SAIPA as a Corporate Member through this partnership. GEP's Finance team members join as Professional Accountants (SA) and Accounting Technicians (SA), which are SAIPA's designations. Holding these designations requires members to comply with the strict code of conduct and ethics and maintain continuous professional development by participating in the strategically selected CPD webinars SAIPA offers.

SAIPA members' responsibilities go beyond mere number-crunching as they actively create, enable, and distribute value. By supporting businesses in making informed, future-oriented decisions, optimizing operational efficiency, and ensuring compliance with legislation, regulations, and standards, SAIPA members contribute to a value chain that generates job opportunities and fosters economic growth.

Through our corporate partnership with SAIPA, our Finance Department enjoys membership benefits such as Continuous Professional Development, access to research publications, updates on International Standards of Accountability, and exclusive Professional Indemnity Insurance for members. At GEP, we are honoured to participate in the broader initiative to professionalise the public sector.

All GEP staff were also trained in Risk Management up to the Executive and Board Level. Executives were offered executive coaching opportunities for at least eight months. In partnership with the National School of Governance, the Gauteng City Region Academy trained employees responsible for managing the contract on Supply Chain Management and How to avoid unauthorised wasteful expenditure. IBASA has already certified at least ten employees as Professional Business Advisors; others are also being assessed for certification.

Challenges Faced by The Public Entity

Post-COVID-19 pandemic, there were significant challenges that GEP had to quickly adapt to whilst assisting affected employees who never had a chance to plan for the changes. Following are some of the potential Challenges:

GEP had to deal with Mental Wellness issues and the impact thereof. There are ongoing interventions to address the lasting effects of issues related to stress, anxiety, and burnout on employees. Health and Wellness service providers continuously develop strategies to support their mental health issues.

Remote Work and Hybrid Workforce Management: Many organisations shifted to remote work during the pandemic. Post-COVID, HR departments may need to adapt to managing a hybrid workforce with remote and on-site employees. This presents challenges related to communication, employee engagement, and ensuring equal opportunities for all workers.

There is also a need to finalise the detailed organisational structure, which will be more cost-effective to help adapt to the new world of work. Moreover, adopting digital tools and technology

whilst re-skilling employees is one of the areas that is being addressed through upskilling and re-skilling employees to keep them competent and aligned with business needs and the latest technologies.

Due to the hybrid model of work, there is a continuous need to ensure that employees are engaged whilst management improves in fostering the sense of belonging for team building and meaningful communication to maintain a positive culture.

The speed of changes in the working environment requires the HR team to keep abreast of all changes related to laws and regulations resulting from the pandemic to deal with legal issues, employee benefits, health and safety guidelines.

Future HR Plans / Goals

- To leverage the improved relations between management and the employee representatives, it is envisaged that a relationship-building exercise between management and labour will be held in the new financial year to ensure that the labour forum is fully functional and capacitated.
- To monitor and review all policies as and when they expire
- The GEP must comply with the Skills Development Amendment Act 37 of 2008 by submitting the report annually to qualify for the mandatory grant.
- All jobs will be graded and evaluated once the structural review process is finalised.
- Continued partnerships with institutions of higher learning by offering internship opportunities to students who have completed their theoretical learning to capacitate units who need assistance with administration.
- ENCOURAGE EMPLOYEES to stay relevant by upskilling themselves to gain skills in digitisation and data analytics
- Fast-track staff movement internally to leverage skills acquired by employees currently studying to ensure return on investment.
- To continue training employees in line with the standards set by different professional bodies.

2. HUMAN RESOURCE OVERSIGHT STATISTICS

Programme/activity/objective	Total Expenditure for the entity (R'000)	Personnel Expenditure (R'000)	Personnel exp. as a % of total exp. (R'000)	No. of employees	Average personnel cost per employee (R'000)
Programme 1: Administration	89 891 205	50 820 093	57%	70	726 001
Programme 2: Investment	62 597 320	19 799 973	32%	26	761 537
Programme 3: Regional Operations and Enterprise Support	98 176 943	42 770 349	44%	62	689 844
Programme 4: Resource Mobilisation and Industrial Financing	6 561 442	6 561 442	100%	7	937 349
TOTAL	257 226 910	119 951 857	46%	165	3 114 731

PERSONNEL COST BY SALARY BAND

Salary Band	Personnel Expenditure (R'000)	% of personnel exp. to total personnel cost (R'000)	No. of employees	Average personnel cost per employee (R'000)
Lower skilled (level A1 – B3)	6 346 284	5%	31	204 719
Skilled (level BU-C3)	19 010 796	16%	41	436 678
Highly skilled production (levels CU - D2)	43 917 815	37%	55	798 506
Highly skilled supervision (level D3 – DU)	33 055 724	27%	29	1 139 853
Senior and Top management (levels DU-EU)	17 621 238	15%	9	1 957 915
TOTAL	119 951 861	100%	165	4 537 671

PERFORMANCE REWARDS

Programme//activity/objective	Performance rewards	Personnel Expenditure (R'000)	% of performance rewards to total personnel cost (R'000)
Top Management	NIL	N/A	N/A
Senior Management	NIL	N/A	N/A
Professional qualified	NIL	N/A	N/A
Skilled	NIL	N/A	N/A
Semi-skilled	NIL	N/A	N/A
Unskilled	NIL	N/A	N/A
TOTAL	NIL	N/A	N/A

TRAINING COSTS

GEP Budget 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
GEP employee training costs	119 951 857	1 378 732,10	1.15%	87	15 847,49

EMPLOYMENT AND VACANCIES

Programme/activity/objective	2022/23 No. of Employees	2022/23 Approved Posts	2022/23 No. of Employees	2022/23 Vacancies	% of vacancies
Programme 1: Administration	64	71	64	21	64%
Programme 2: Investment Management	19	22	19	4	12%
Programme 3: Regional Operations and Enterprise Support	61	66	60	5	15%
Programme 4: Resource Mobilisation and Industrial Financing	5	8	6	3	9%
TOTAL	149	167		33	100%

Programme/activity/objective	2022/23 No. of Employees	2022/23 Approved Posts	2022/23 No. of Employees	2022/23 Vacancies	% of vacancies
Top Management	6	7	6	1	3.03%
Senior Management	23	34	23	11	33.3 %
Professional qualified	51	54	51	8	24.2%
Skilled	40	48	40	8	24.2%
Semi-skilled	29	24	29	5	15 %
Unskilled	-	-	-	-	-
TOTAL	149	167		33	100%

EMPLOYMENT CHANGES

Programme/activity/objective	Employment at beginning of period	Appointments	Terminations	Employment at end of the period
Top Management	5	1	-	6
Senior Management	29	1	7	23
Professional qualified	49	6	4	51
Skilled	40	1	1	40
Semi-skilled	23	8	2	29
Unskilled	-	-	-	-
TOTAL	146	17	14	149

REASONS FOR STAFF LEAVING

Reason	Number	% of total no. of staff leaving
Death	NIL	NIL
Resignation	9	69%
Dismissal	2	15%
Retirement	1	8%
Ill health	-	-
Expiry of contract	1	8%
Other	-	-
TOTAL	13	100%

LABOUR RELATIONS: MISCONDUCT AND DISCIPLINARY ACTION

Nature of disciplinary Action	Number
Verbal Warning	-
Written Warning	-
Final Written warning	4
Dismissal	2

EQUITY TARGET AND EMPLOYMENT EQUITY STATUS

The company structure was revised. There is also high staff turnover at the middle management level.

All employees are reported as per their substantive positions.

Employees are not obliged to report their disabilities.

Levels	MALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	1	45.2%	0	1.3%	0	1.8%	0	7.3%
Senior Management	1	45.2%	-	1.3%	1	1.8%	-	7.3%
Professional qualified	29	45.2%	-	1.3%	1	1.8%	1	7.3%
Skilled	11	45.2%	1	1.3%	-	1.8%	-	7.3%
Semi-skilled	2	45.2%	-	1.3%	-	1.8%	-	7.3%
No Grade	0	45.2%	0	1.3%	0	1.8%	0	7.3%
TOTAL	44	45.2%	1	1.3%	2	1.8%	1	48

Levels	FEMALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	0	35.8%	0	1.4%	0	1.2%	0	6.0%
Senior Management	2	35.8%		1.4%	0	1.2%	0	6.0%
Professional qualified	33	35.8%	2	1.4%	0	1.2%	1	6.0%
Skilled	38	35.8%	3	1.4%	1	1.2%	1	6.0%
Semi-skilled	22	35.8%		1.4%	1	1.2%		6.0%
No Grade	0	35.8%	0	1.4%	0	1.2%	0	6.0%
TOTAL	95	35.8%	5	1.4%	2	1.2%	2	104

Levels	Disabled Staff					
	Male		Female			
	Current	Target	Current	Target	Current	Target
Top Management	0	2.0%	0	2.0%	0	2.0%
Senior Management	0	2.0%	0	2.0%	0	2.0%
Professional qualified	1	2.0%	0	2.0%	0	2.0%
Skilled	1	2.0%	0	2.0%	0	2.0%
Semi-skilled	0	2.0%	0	2.0%	0	2.0%
Unskilled	0	2.0%	0	2.0%	0	2.0%
TOTAL	2	2.0%	0	2.0%	0	2



PART E

PFMA COMPLIANCE REPORT

- | | | |
|----|---|-----|
| 1. | Irregular, Fruitless and Wasteful Expenditure and Material Losses | 93 |
| 2. | Late and/or Non-Payment of Suppliers | 100 |
| 3. | Supply Chain Management | 101 |

1. IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE AND MATERIAL LOSSES

1.1. IRREGULAR EXPENDITURE

a) Reconciliation of irregular expenditure

Description	2022/2023	2021/2022
	R'000	R'000
Opening balance	159 451	141 096
Add: Irregular Expenditure confirmed	0	18 355
Less: Irregular Expenditure condoned	0	0
Less: Irregular Expenditure not condoned and removed	14 363	0
Less: Irregular Expenditure recoverable	0	0
Less: Irregular Expenditure not recovered and written off	0	0
CLOSING BALANCE	146 609	159 451

Included in the opening balance of R159.4 million was an amount of R14 362 695,83 million which was lease payments procured under GDED for the 124 Main Street Head Office buildings. The amount was erroneously included in the Irregular Expenditure for FY 2021/2022. GDED confidently asserts that this contract is not an Irregular Expenditure.

A decision to accommodate GDED and its agencies in one office facility was approved by provincial EXCO 2009 to promote easy access to service delivery for the public and to reduce escalating costs. The contract was renewed for an additional five years in 2019.

Reconciling notes

Description	2022/2023	2021/2022
	R'000	R'000
Irregular Expenditure that was under assessment in 2022/2023	-	-
Irregular Expenditure that relates to 2020/2021 and identified in 2021/2022	-	-
Irregular Expenditure for the current year	1 521	18 355
TOTAL	1 521	18 355

b) Details of current and previous year irregular expenditure (under assessment, determination, and investigation)

Description	2022/2023	2021/2022
	R'000	R'000
Irregular Expenditure under assessment	4 040	0
Irregular Expenditure under determination	0	0
Irregular Expenditure under investigation	0	0
TOTAL	4 040	0

- A transaction of R453 000 processed in 2018 was investigated and considered an Irregular Expenditure by the SIU. The matter is currently under assessment, to identify possible irregularities on transactions processed and to confirm the allegations of Irregular Expenditure.
- An amount of R3.587 million for the FY 2022/2023 has been flagged as potentially irregular and is currently being assessed to confirm any irregularities.

c) Details of current and previous year irregular expenditure condoned

Description	2022/2023	2021/2022
	R'000	R'000
Irregular expenditure condoned	R0	R0
TOTAL	0	0

d) Details of current and previous year irregular expenditure removed - (not condoned)

Description	2022/2023	2021/2022
	R'000	R'000
Irregular Expenditure NOT condoned and removed	14 363	0
TOTAL	14 363	0

Included in the opening balance of R159.4 million was an amount of R14,362 695,83 million which was lease payments procured under GDED for the 124 Main Head Office buildings. The amount was erroneously included in the Irregular Expenditure for FY 2021/2022. GDED confidently asserts that this

contract is not an Irregular Expenditure. A decision to accommodate GDED and its agencies in one office facility was approved by provincial EXCO 2009 to promote easy access to service delivery for the public and to reduce escalating costs. The contract was renewed for an additional five years in 2019.

e) Details of current and previous year irregular expenditure recovered

Description	20YY/20ZZ	20XX/20YY
	R'000	R'000
Irregular expenditure recovered	0	0
TOTAL	0	0

Consequence management process in progress.

f) Details of current and previous year irregular expenditure written off (irrecoverable)

Description	2021/2022	2022/2023
	R'000	R'000
Irregular expenditure written off	0	0
TOTAL	0	0

Consequence management process in progress.

Additional disclosure relating to Inter-Institutional Arrangements

- g) Details of non-compliance cases where an institution is involved in an inter-institutional arrangement (where such institution is not responsible for the non-compliance)**

Description
None
TOTAL

There is no non-compliance reported in the inter-institutional arrangement between GDED and GEP on the lease of the Head Office buildings.

- h) Details of non-compliance cases where an institution is involved in an inter-institutional arrangement (where such institution is responsible for the non-compliance)**

Description	2021/2022	2022/2023
	R'000	R'000
None	0	0
TOTAL	0	0

- i) Details of current and previous year disciplinary or criminal steps taken as a result of irregular expenditure**

Disciplinary steps taken
GEP procured the services of external service providers (attorneys) to perform assessment and determination of Irregular expenditure. Charge sheets were prepared for officials implicated in the irregular expenditure. Disciplinary processes have started and not finalised yet.



1.2. FRUITLESS AND WASTEFUL EXPENDITURE

a) Reconciliation of Fruitless and Wasteful Expenditure

Description	2022/2023	2021/2022
	R'000	R'000
Opening balance	20 023	19 991
Add: Fruitless and Wasteful Expenditure confirmed	0	32
Less: Fruitless and Wasteful Expenditure written off	0	0
Less: Fruitless and Wasteful Expenditure recoverable	0	0
CLOSING BALANCE	20 023	20 023

Reconciling notes

Description	2022/2023	2021/2022
	R'000	R'000
Fruitless and Wasteful Expenditure that was under assessment in 2022/2023	0	0
Fruitless and Wasteful Expenditure that relates to 2021/2022 and identified in 2022/2023	0	0
Fruitless and Wasteful Expenditure for the current year	0	32
TOTAL	0	32

b) Details of current and previous year fruitless and wasteful expenditure (under assessment, determination, and investigation)

Description	2022/2023	2021/2022
	R'000	R'000
Fruitless and Wasteful Expenditure under assessment	26	0
Fruitless and Wasteful Expenditure underdetermination	0	0
Fruitless and Wasteful Expenditure under investigation	0	32
TOTAL	26	32



c) Details of current and previous year irregular expenditure recovered

Description	2022/2023	2021/2022
	R'000	R'000
Fruitless and wasteful expenditure recovered	0	0
TOTAL	0	0

d) Details of current and previous year irregular expenditure not recovered and written off

Description	2022/2023	2021/2022
	R'000	R'000
Fruitless and Wasteful Expenditure written off	0	0
TOTAL	0	0

e) Details of current and previous year disciplinary or criminal steps taken because of fruitless and wasteful expenditure

Disciplinary steps taken
Disciplinary process not finalised yet

In progress



1.3. ADDITIONAL DISCLOSURE RELATING TO MATERIAL LOSSES IN TERMS OF PFMA SECTION 55(2)(B)(I) &(III))

a) Details of current and previous year material losses through criminal

Material losses through criminal conduct	2022/2023	2021/2022
	R'000	R'000
Theft	0	0
Other material losses	0	0
Less: Recovered	0	0
Less: Not recovered and written off	0	0
TOTAL	0	0

None

b) Details of other material losses

Nature of other material losses	2022/2023	2021/2022
	R'000	R'000
None	0	0
TOTAL	0	0

None

c) Other material losses recovered

Nature of losses	2022/2023	2021/2022
	R'000	R'000
None	0	0
TOTAL	0	0

None

d) Other material losses written off

Nature of losses	2022/2023	2021/2022
	R'000	R'000
None	0	0
TOTAL	0	0

None

2. LATE AND/OR NON-PAYMENT OF SUPPLIERS

Description	Number of invoices	Consolidated Value
	R'000	R'000
Valid invoices received	636	51 208
Invoices paid within 30 days or the agreed period	636	51 208
Invoices paid after 30 days or agreed period	0	0
Invoices older than 30 days or the agreed period (unpaid and without dispute)	0	0
Invoices older than 30 days or the agreed period (unpaid and in dispute)	0	0

GEP always strive to pay all valid invoices within 15 days



3.1. PROCUREMENT BY OTHER MEANS

Project description	Name of supplier	Type of procurement by other means	Contract number	Value of contract R'000
Provision of task flow cloud-based licenses and custom configuration for Youth Funding	ISON	Single source	01/2022/GEPONLINE	R188 095.38
Strategic Session	Marung Restaurant & Bar	Only 1 quote was received on an RFQ issued	03/2022/MARUNG	R72 266.00
Flight and accommodation	Travel touch	2 quotes received	07/2022/TRAVELTOUCH	R19318.42
Provision of retrieval and package GEP Cosec information and hand over	First Corporate Secretariat	Single source	02/2022/FIRSTCORP	R34 500.00
Change Management	Work Dynamics	2 quotes received	06/2022/GEP CHANGE MANAGEMENT	R990 085.60
B-BBEE Strategy and Implementation	Black Lite Consulting	2 quotes received	04/2022/GEP BEE STRATEGY	R530 840.00
Cloud Licenses & Custom Configuration	ISON	Single source	05/2022/GEPONLINE	R630 568.00
TOTAL				R2 465 673.40

3.2. CONTRACT VARIATIONS AND EXPANSIONS

Project description	Name of supplier	Contract modification type (Expansion or Variation)	Contract number	Original contract value	Value of previous contract expansion/s or variation/s (if applicable)	Value of current contract expansion or variation
				R'000	R'000	R'000
Website Hosting & Maintenance	Cytotouch	Variation	2022/Cytotouch	R2 010 900.00	R411 355.00	R558 583.40
Provision of Executive Coaching Services	ExpertTech	Expansion	2022/ExpertTech	R242 535.00	0	R29 000.00
Provision of printing solutions services and maintenance	TechEmpire	Variation	2022/TechEmpire	R3 995 828.64	0	R382 933.58
Development of ICT 5 year strategy	80Concept	Expansion	2022/80Concept	R487 500.00	0	R132 000.00
TOTAL						R1 102 516.98



PART F

FINANCIAL INFORMATION



General Information	103
Report of the Auditor General	105
Annexure to the Auditor's Report	112
Compliance with Legislation –	
Selected Legislative Requirements	114
Statement of Financial Position	117
Statement of Financial Performance	118
Statement of Changes in Net Assets	119
Cash Flow Statement	120
Statement of Comparison of Budget and Actual Amounts	121
Accounting Policies	122
Notes to the Annual Financial Statements	143
Detailed Statement of Financial Performance	163

GENERAL INFORMATION

Country of incorporation and domicile	South Africa
Nature of business and principal activities	The Agency is a public body established in terms of the Schedule 3C listing of provincial public entities as provided in the Public Finance Management Act (PFMA), No.1 of 1999. The existence, functions, duties of the Agency are governed by the Gauteng Enterprise Propeller, No 5 of 2005 (the GEP Act) and delivery on its mandate is primarily driven by the provincial Transformation, Modernisation and Re-industrialisation (TMR) and Township Economy Re-vitalisation (TER) Strategies which requires GEP to drive: the revitalisation of township economies; enhanced participation of SMMEs and Co-ops in the Province's mainstream economy; and the growth and development of the 11 identified sectors, i.e. the agro-processing, automotive, manufacturing , information and communications technology (ICT), tourism, pharmaceuticals, creative industries, construction, real estate, finance and mineral beneficiation
Members	L. Leshika (Chairperson) P. Mangcu (Deputy Chairperson) S Zamxaka (Chief Executive Officer) B. Mahlutshana D. Maithufi D. Maphanzela K. Mokgotsi S. Mkhize T. Rasenyallo
Registered office	Gauteng Enterprise Propeller Head Office 6th Floor, 124 Main Street Marshalltown Johannesburg 2107
Auditors	Auditor-General of South Africa (AGSA)



INDEX

The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

General Information	103
Report of the Auditor General	105
Annexure to the Auditor's Report	112
Compliance with Legislation – Selected Legislative Requirements	114
Statement of Financial Position	117
Statement of Financial Performance	118
Statement of Changes in Net Assets	119
Cash Flow Statement	120
Statement of Comparison of Budget and Actual Amounts	121
Accounting Policies	122
Notes to the Annual Financial Statements	143
Detailed Statement of Financial Performance	163

Report of the auditor-general to the Gauteng Provincial Legislature on Gauteng Enterprise Propeller

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Gauteng Enterprise Propeller set out on pages 117 to 163, which comprise the statement of financial position as at 31 March 2023, statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget information with actual amounts for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Gauteng Enterprise Propeller as at 31 March 2023, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA).

Basis for opinion

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

Emphasis of matters

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

Material impairments – financial support loans at amortised cost

7. As disclosed in note 3 to the financial statements, the financial support loans balance has been impaired. The allowance for impairment of financial support loans is R246 341 563 (2021-22: R225 342 127), which represents 74% (2021-22: 82%) of the total financial support loans. The contribution to allowance for impairment amounts to R47 480 136 (2021-22: R21 495 947).

Material losses – financial support loans at amortised cost

8. As disclosed in note 3 to the financial statements, material losses of R27 102 476 was incurred as a result of a write-off of irrecoverable financial support loans.

Material uncertainties relating to contingent liabilities

9. With reference to note 33 to the financial statements, the public entity is the defendant in various lawsuits. The ultimate outcome of the matter could not be determined and no provision for any liability that may result was made in the financial statements.

Restatement of corresponding figures

10. As disclosed in note 35 to the financial statements, the corresponding figures for 31 March 2022 were restated as a result of an error in the financial statements of the public entity at, and for the year ended, 31 March 2023.

Other matter

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

Unaudited irregular expenditure and fruitless and wasteful expenditure

12. On 23 December 2022 National Treasury issued Instruction Note No. 4: PFMA Compliance and Reporting Framework of 2022-23 in terms of section 76(1)(b), (e) and (f), 2(e) and (4)(a) and (c) of the PFMA, which came into effect on 3 January 2023. The PFMA Compliance and Reporting Framework also addresses the disclosure of unauthorised expenditure, irregular expenditure and fruitless and wasteful expenditure. Among the effects of this framework is that irregular and fruitless and wasteful expenditure incurred in previous financial years and not addressed is no longer disclosed in the disclosure notes of the annual financial statements, only the current year and prior year figures are disclosed in note 40 to the financial statements. The movements in respect of irregular expenditure and fruitless and wasteful expenditure are no longer disclosed in the notes to the annual financial statements of Gauteng Enterprise Propeller. The disclosure of these movements (e.g. condoned, recoverable, removed, written off, under assessment, under determination and under investigation) are now required to be included as part of other information in the annual report of the auditees. I do not express an opinion on the disclosure of irregular expenditure and fruitless and wasteful expenditure in the annual report.

Responsibilities of the accounting authority for the financial statements

13. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with the SA Standards of GRAP and the requirements of the PFMA, and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
14. In preparing the financial statements, the accounting authority is responsible for assessing the

to going concern; and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the public entity or to cease operations, or has no realistic alternative but to do so.

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

15. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
16. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

17. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance against predetermined objectives for selected programmes presented in the annual performance report. The accounting authority is responsible for the preparation of the annual performance report.
18. I selected the following programmes presented in the annual performance report for the year ended 31 March 2023 for auditing. I selected programmes that measures the public entity's performance on its primary mandated functions and that are of significant national, community or public interest.

Programme	Page numbers	Purpose
Investment management	53	To ensure the optimal deployment of available loan and grant funding to support the development, growth and sustainability of qualifying small enterprises. The Programme is tasked to manage the loan book effectively through the approval of loans, disbursement of approved loans and timeous loan recoveries.
Regional operations and enterprise support	55	To provide tailor-made, business development support for the development and growth of small enterprises through the Gauteng Entrepreneurship Model (GEM) stages of ideation, start-up and early growth. A referral system is developed to ensure investment ready small enterprises receive the required financial support through GEP loans or through loans provided by other DFIs or cofounders.

Programme	Page numbers	Purpose
Resources mobilisation and industrial financing	56	Responsible for actively promoting entrepreneurship, to mobilising resources through strategic partnerships and facilitating an integrated approach among DFIs and other role-players towards entrepreneurial development and support within the Province. The Programme also supports the industrial development drive of the Province by facilitating investment in high-impact business enterprises that dilute monopolies and stimulate high rates of employment.

19. I evaluated the reported performance information for the selected programmes against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the public entity's planning and delivery on its mandate and objectives.

20. I performed procedures to test whether:

the indicators used for planning and reporting on performance can be linked directly to the public entity's mandate and the achievement of its planned objectives

the indicators are well defined and verifiable to ensure that they are easy to understand and apply consistently and that I can confirm the methods and processes to be used for measuring achievements

the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated

the indicators and targets reported on in the annual performance report are the same as what was committed to in the approved initial or revised planning documents

the reported performance information is presented in the annual performance report in the prescribed manner

there are adequate supporting evidence for the achievements reported and for the reasons provided for any over- or underachievement of targets.

21. I performed the procedures for the purpose of reporting material findings only, and not to express an assurance opinion.

22. I did not identify any material findings on the reported performance information for the selected programmes.

Other matters

23. I draw attention to the matters below.

Achievement of planned targets

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

Material misstatements

25. I identified material misstatements in the annual performance report submitted for auditing.

These material misstatements were in the reported performance information of resources mobilisation and industrial financing. Management subsequently corrected all the misstatements and I did not include any material findings in this report.

Report on compliance with legislation

26. In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The accounting authority is responsible for the public entity's compliance with legislation.

27. I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.

28. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the public entity, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.

29. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

Expenditure management

30. Effective and appropriate steps were not taken to prevent irregular expenditure, as disclosed in note 40 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA. The majority of the irregular expenditure was caused by non-compliance with procurement processes.

Other information in the annual report

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

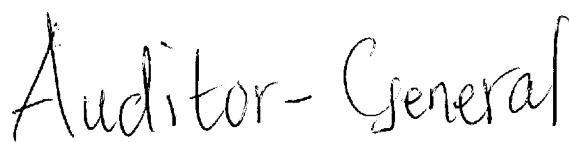
Internal control deficiencies

35. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.
36. The matter reported below is limited to the significant internal control deficiencies that resulted in the material finding on compliance with legislation included in this report.
37. Management did not adequately review and monitor compliance with applicable laws and regulations relating to prevention of irregular expenditure.

Other reports

38. I draw attention to the following engagements conducted by various parties. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.

39. The Special Investigating Unit (SIU) is investigating the 2017 Township Entrepreneur Awards tender and the 2018 project management services for the pitching booster initiative in the Sedibeng region. The investigation for Township Entrepreneur Awards was concluded, and resulted in disciplinary referrals for the employees still employed by the public entity. The disciplinary proceedings were in progress at the date of this auditor's report. The investigation for the Sedibeng pitching booster initiative was in progress at the date of this auditor's report.
40. An independent panel of attorneys, at the request of the public entity, investigated allegations of maladministration, corruption and fraud in the TMR deals. The investigation was concluded and resulted in criminal proceedings and pursuance of recovery of loans. These proceedings and recoveries were in progress at the date of this auditor's report.
41. An independent panel of attorneys, at the request of the public entity, investigated sponsorships that were allegedly not in line with the sponsorship framework. The investigation was concluded and resulted in disciplinary processes and pursuance of recovery of funds. These disciplinary processes and recoveries were in progress at the date of this auditor's report.
42. An independent panel of attorneys, at the request of the public entity, investigated alleged misuse, overcharging and poor allocation of instructions to the panel of attorneys for the 2017-18, 2018-19 and 2019-20 financial years. The investigation was concluded and resulted in suspensions, disciplinary processes and pursuance of recovery of funds. These disciplinary processes and recoveries were in progress at the date of this auditor's report.
43. An independent panel of attorneys, at the request of the public entity, investigated alleged procurement irregularities in awarding of the tender for the Project Vuthela initiative for youth unemployment to create 75 000 job opportunities. The investigation was concluded and resulted in pursuance of recovery of funds. The recoveries were in progress at the date of this auditor's report.



Johannesburg

31 July 2023



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure to the auditor's report

The annexure includes the following:

- the auditor-general's responsibility for the audit
- the selected legislative requirements for compliance testing.

Auditor-general's responsibility for the audit

Professional judgement and professional scepticism

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

Financial statements

In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the public entity's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made
- conclude on the appropriateness of the use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the public entity to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a public entity to cease operating as a going concern
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

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



Compliance with legislation – selected legislative requirements

The selected legislative requirements are as follows:

Legislation	Sections or regulations
Public Finance Management Act 1 of 1999 (PFMA)	Section 51(1)(b)(i); 51(1)(b)(ii); 51(1)(e)(iii) Section 53(4) Section 54(2)(c); 54(2)(d) Section 55(1)(a); 55(1)(b); 55(1)(c)(i) Section 57(b)
Treasury Regulations (TR)	Treasury regulations 8.2.1; 8.2.2 Treasury regulations 16A 3.1; 16A 3.2; 16A 3.2(a); 16A 6.1; 16A6.2(a) & (b); 16A6.2(e);16A 6.3(a); 16A 6.3(a)(i); 16A 6.3(b); 16A 6.3(c); 16A 6.3(d); 16A 6.3(e); 16A 6.4; 16A 6.5; 16A 6.6; TR 16A.7.1; 16A.7.3; 16A.7.6; 16A.7.7; 16A 8.2(1); 16A 8.2(2); 16A 8.3; 16A 8.3(d); 16A 8.4; 16A9.1(b)(ii); 16A9.1; 16A9; 16A9.1(c); 16A 9.1(d); 16A 9.1(e); 16A9.1(f); 16A 9.2; 16A 9.2(a)(ii); TR 16A 9.2(a)(iii) Treasury regulations 30.1.1; 30.1.3(a); 30.1.3(b); 30.1.3(d); 30.2.1 Treasury regulations 31.1.2(c') Treasury regulations 31.2.1; 31.2.5; 31.2.7(a) Treasury regulation 31.3.3 Treasury regulations 33.1.1; 33.1.3
Prevention and Combating of Corrupt Activities Act 12 of 2004 (PRECCA)	Section 34(1)
Preferential Procurement Regulations of 2022 (PPR)	3(1) 4(1) 4(2) 4(3) 4(4) 5(1) 5(2) 5(3) 5(4) 5 (4)
PFMA Instruction Note 3 of 2021-22	Definition Par. 4.2 (b)  Par 4.4 Par. 4.3 Par. 4.4 (c) Par. 4.4.(d)
SCM Instruction Note 03 of 2021-22	Par 3.2.1 Par 4.1

Legislation	Sections or regulations
	Par. 7.2 Par 3.3.1 Par. 4.2 (b)
SCM Instruction Note 2 of 2021-22	Par. 3.2.1 Par. 3.2.4 Par. 3.2.4(b)
NT Instruction Note 07 of 2017-18	Par. 4.3
NT Instruction Note 4A of 2016-17	Par. 6
NT Instruction Note 4 of 2015-16	Par. 3.4
NT Instruction Note 5 of 2020-21	Par. 4.8 Par. 4.9 Par. 5.3
Preferential Procurement Regulations (PPR), 2011	PPR 2011 4(1) PPR 2011 4(3) PPR 2011 4(4) PPR 2011 4(5) PPR 2011 5(1) PPR 2011 5(2) PPR 2011 5(3) PPR 2011 5(5) PPR 2011 6(1) PPR 2011 6(2) PPR 2011 6(3) PPR 2011 6(5) PPR 2011 6(4) PPR 2011 7(1) PPR 2011 10 PPR 2011 11(2) PPR 2011 11(4) PPR 2011 11(5) PPR 2011 11(8)
Treasury Instruction Note 11 of 2020-21	Par. 3.1 Par. 3.4 (b) and par. 3.9
Preferential Procurement Policy Framework Act 5 of 2000 (PPPFA)	Section 2(1)(a) Section 2(1)(f)
Second amendment NT Instruction Note 5 of 2020-21	Par. 1
Erratum NT Instruction Note 5	Par. 2
Preferential Procurement Regulations (PPR), 2017	PPR 2017 5(1)

Legislation	Sections or regulations
	PPR 2017 5(3) PPR 2017 5(6) PPR 2017 5(7) PPR 2017 6(1) PPR 2017 6(2) PPR 2017 6(3) PPR 2017 6(5) PPR 2017 6(6) PPR 2017 6(8) PPR 2017 7(1) PPR 2017 7(2) PPR 2017 7(3) PPR 2017 7(5) PPR 2017 7(6) PPR 2017 7(8) PPR 2017 8(2) PPR 2017 8(5) PPR 2017 9(1) PPR 2017 10(1) PPR 2017 10(2) PPR 2017 11(1)
Public Service Act	Section 18(1),(2)



STATEMENT OF FINANCIAL POSITION AS AT MARCH 31, 2023

Figures in Rand	Note(s)	2023	2022
Assets			
Current Assets			
Financial support loans at amortised cost	3	48,506,019	28,223,517
Receivables from exchange transactions	4	1,627,104	1,809,473
Cash and cash equivalents	5	260,732,372	411,585,241
		310,865,495	441,618,231
Non-Current Assets			
Property, plant and equipment	6	4,318,477	4,306,438
Financial support loans at amortised cost	3	38,636,472	22,174,685
Other Investments	7	-	1
Interest in SMME Partnership Fund	8	175,000,000	-
		217,954,949	26,481,124
Total Assets		528,820,444	468,099,355
Liabilities			
Current Liabilities			
Finance lease obligation	9	315,184	219,178
Operating lease liability	10	34,979	41,824
Payables from exchange transactions	11	12,168,307	17,361,460
Payables from non-exchange transactions	12	60,000,000	10,000,000
Provisions	13	189,196,934	391,482,265
		261,715,404	419,104,727
Non-Current Liabilities			
Finance lease obligation	9	644,076	-
Total Liabilities		262,359,480	419,104,727
Net Assets		266,460,964	48,994,628
Accumulated surplus		266,460,964	48,994,628
Total Net Assets		266,460,964	48,994,628



STATEMENT OF FINANCIAL PERFORMANCE

Figures in Rand	Note(s)	2023	2022
Revenue from non exchange transactions	14	223,876,000	309,403,000
Revenue from Exchange transaction	15	27,881,250	18,085,531
Other income		392,259	515,914
Program and projects	17	(42,661,446)	(27,094,606)
Operating expenses	18	(214,439,901)	(190,344,578)
Provision for surplus expense	19	202,651,637	(99,959,411)
Operating surplus (deficit)	20	197,699,799	10,605,850
Finance Income	22	19,892,103	4,513,534
Finance costs	23	(31,172)	(92,361)
Surplus or (Deficit) before loss on disposal		217,560,730	15,027,023
Loss on disposal of assets	24	(94,394)	(119,011)
Surplus for the year		217,466,336	14,908,012

STATEMENT OF CHANGES IN NET ASSETS

Figures in Rand	Accumulated surplus	Total net assets
Balance at April 1, 2021	34,086,615	34,086,615
Changes in net assets		
Changes in net assets *	1,464,029	1,464,029
	1,464,029	1,464,029
Surplus for the year previously stated	13,443,984	13,443,984
Surplus for the year restated	14,908,013	14,908,013
Total changes	14,908,013	14,908,013
Balance at 1 April 2022	48,994,628	48,994,628
Changes in net assets		
Surplus for the year	217,466,336	217,466,336
Total changes	217,466,336	217,466,336
Balance at March 31, 2023	266,460,964	266,460,964

* Prior year adjustment refer to note 35

CASH FLOW STATEMENT

Figures in Rand	Note(s)	2023	2022
Cash flows from operating activities			
Receipts			
Cash receipts from non-exchange transactions		223,876,000	319,403,000
Cash received from exchange transaction		3,360,759	1,641,129
Cash receipt from financial support loans		27,688,571	11,797,178
Interest income		19,892,103	4,513,534
Other income		342,544	515,914
		275,159,977	337,870,755
Payments			
Employee costs and suppliers		(212,509,620)	(198,744,254)
Cash paid as financial support loans		(87,959,205)	(37,586,289)
Government Grant (Surrender of surplus funds)		-	(86,979,617)
		(300,468,825)	(323,310,160)
Net cash flows from operating activities	25	(25,308,848)	14,560,595
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(220,235)	(919,810)
Interest in SMME Partnership Fund		(125,000,000)	-
Net cash flows from investing activities		(125,220,235)	(919,810)
Cash flows from financing activities			
Finance lease payments		(323,786)	(1,331,940)
Net increase/(decrease) in cash and cash equivalents		(150,852,869)	12,308,845
Cash and cash equivalents at the beginning of the year		411,585,241	399,276,396
Cash and cash equivalents at the end of the year	5	260,732,372	411,585,241



STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Receipts on loan book	10,000,000	10,000,000	20,000,000	27,688,571	7,688,571	A
Interest and other income	-	20,000,000	20,000,000	48,165,609	28,165,609	B
Total revenue from exchange transactions	10,000,000	30,000,000	40,000,000	75,854,180	35,854,180	

Revenue from non-exchange transactions

Rollover Income	-	139,680,651	139,680,651	139,680,651	-	
Transfer revenue						
Government grants & subsidies	212,805,000	11,071,000	223,876,000	223,876,000	-	C
Total revenue from non-exchange transactions	212,805,000	150,751,651	363,556,651	363,556,651	-	
Total revenue	222,805,000	180,751,651	403,556,651	439,410,831	35,854,180	

Expenditure

Employee costs	(130,190,000)	8,500,000	(121,690,000)	(119,005,656)	2,684,344	D
Depreciation and amortisation	-	-	-	(1,274,539)	(1,274,539)	E
Debt Impairment	-	-	-	(48,101,914)	(48,101,914)	F
Program and Projects	(46,061,000)	(25,559,232)	(71,620,232)	(42,661,446)	28,958,786	G
Operating expenses	(6,554,000)	(45,930,807)	(52,484,807)	156,683,847	209,168,654	H
Financial support loans	(30,000,000)	(103,190,612)	(133,190,612)	(87,959,205)	45,231,407	I
Capital expenditure	-	(2,071,000)	(2,071,000)	(1,380,970)	690,030	
Total expenditure	(212,805,000)	(168,251,651)	(381,056,651)	(143,699,883)	237,356,768	
Operating surplus	10,000,000	12,500,000	22,500,000	295,710,948	273,210,948	
Loss on disposal of Assets	-	-	-	(94,394)	(94,394)	
Adjustment for Capital Movements	-	-	-	(78,150,218)	(78,150,218)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	10,000,000	12,500,000	22,500,000	217,466,336	194,966,336	



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, as amended).

The 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, which is the entity's functional currency.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

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

1.1 Going concern assumption

The 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. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the reporting date.

1.2 Significant judgements 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 judgement is 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 judgements include:

Other significant judgements, sources of estimation uncertainty and/or relating information, have been disclosed in the relevant notes.

Impairment of trade debtors and financial support loans

The entity assesses its trade receivables, held to maturity investments, loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, management makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset. An impairment of trade debtors is established when there is objective evidence that the entity will not be able to collect all amounts due according to the original terms of the loan. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial recognition, and default or delinquency in payments are considered indicators that the debtor should be impaired. The amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cashflows (excluding future credit losses that have not been incurred) discounted at the financial assets original effective interest rate (i.e. the effective interest rate computed at initial recognition).

The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognised in surplus or deficit.

The entity first assesses whether objective evidence of impairment exist individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If an entity determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtors credit rating), the previously recognised impairment loss shall be reversed either directly or by adjusting an allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal shall be recognised in surplus or deficit.

1.2 Significant judgements and sources of estimation uncertainty (continued)

The methodology used for the calculation of the provision for impairment is as follows:

- Handed Over Accounts - 99% of the total debt handed over to be impaired.
- Debtors under liquidation - 100% of the total debt to be impaired.
- Where the debtors account is not yet due, no amount is provided against the loan balance. Age Analysis at Current and less than 30 days - 5% of the total debt to be impaired (Credit Allowance).
- Age Analysis from 30 Days to 60 Days - 15% of the total debt to be impaired.
- Age Analysis from 61 Days to 120 - 25% of the total debt to be impaired.
- Age Analysis from 121 Days to 180 - 35% of the total debt to be impaired.
- Age Analysis from 181 Days to 240 - 50% of the total debt to be impaired.
- Age Analysis from 241 Days to 365 Days - 60% of the total debt to be impaired.
- Age Analysis from 366 Days to 450 Days - 75% of the total debt to be impaired.
- Age Analysis from 456 Days to 546 Days - 85% of the total debt to be impaired.
- Age Analysis above 547 Days - 100% of the total debt to be impaired.

Debtors loans write off

Where the likelihood of a loan being repaid is remote the legal action has run its course and there is no other means of recovering the monies due to the entity. A write off process is followed and approved in line with the entity's Delegation of Authority.

Trade receivables / held to maturity investments and/or loans and receivables

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

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Taxation

The entity has is exempted from Income Tax by the South African Revenue Services in terms of Section 10(1) (cA)(i) of the Income Tax Act. (Act No. 58 of 1962), effective from 28 July 2006.

1.3 Property, plant and equipment

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

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

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

Initial Recognition

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

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

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

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

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management. Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Subsequent Measurement

Subsequent to initial recognition, items of property, plant and equipment are carried at cost less accumulated depreciation and any impairment losses.

Depreciation

Property, plant and equipment are depreciated on the straight-line basis over their expected useful lives to their estimated residual value.

Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation of an asset ceases at the date that the asset is derecognised. Therefore, depreciation does not cease when the asset becomes idle or is retired from active use and held for disposal unless the asset is fully depreciated. When the asset has been depreciated in line with the useful life, but not yet disposed, the entity will continue to use the asset at a residual value of R1.

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

ITEM	DEPRECIATION METHOD	AVERAGE USEFUL LIFE
Total Motor Vehicles	Straight-line	5-10 years
Office equipment and Furniture	Straight-line	6-20 years
IT equipment	Straight-line	3-7 years
Leasehold improvements	Straight-line	Lease

1.3 Property, plant and equipment (continued)

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the entity. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The entity assesses at each reporting date whether there is any indication that the entity expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the entity revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Derecognition

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the entity holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.4 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectability.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

When a financial asset or financial liability is recognised initially, an entity shall measure it at its fair value plus, in the case of a financial asset or a financial liability not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The entity shall measure all financial assets and financial liabilities after initial recognition at fair value and at amortised cost.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

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

A financial asset is:

cash;

- a residual interest of another entity; or
- a contractual right to:
 - receive cash or another financial asset from another entity; or
 - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

A financial asset is past due when a counterpart has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured. Financial support loans are categorised and are stated at their amortised cost using the effective interest rate method less and allowance for impairment. An estimate of impairment is made on a review of all outstanding amounts at statement of financial position date. Bad debts are written off during the year in which they are identified. Due to the short-term nature of the entity's receivables, amortised cost approximates it's fair value.

Investments in residual interests are measured at fair value through surplus or deficit. As a practical expedient, an investment in a residual interest whose fair value cannot be reliably measured is measured at cost. If a reliable measure of fair value becomes available, the investment should be measured at fair value through surplus or deficit.

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

CLASS	CATEGORY
Financial support loans at amortised cost	Financial asset measured at amortised cost
Financial Instruments (Residual interest)	Financial asset measured at fair value

Interest in SMME Partnership Fund

Interest in SMME Partnership Fund is recognised initially at fair value and subsequently measured at fair value as well. As a practical expedient, a residual interest whose fair value cannot be reliably measured is measured at cost. If a reliable measure of fair value becomes available, the interest shall be measured at fair value through surplus or deficit.

Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the entity will not be able to collect all accounts due according to the original term. Further assessments are done in conjunction with all relevant units to establish the likelihood of further collections and or non-financial support to delinquent SMEs. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial recognition, and default or delinquency in payments are considered indicators that the debtor is impaired. When the trade debtor is perceived to be uncollected, it is written off. Subsequent recoveries of amounts previously written off are credited in the statement of financial performance as bad debts recovered.

Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less.

1.5 Leases

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

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessee**Initial recognition.**

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

At the commencement of the lease term, lessees shall recognise assets acquired under finance leases as assets and the associated lease obligations as liabilities in their statement of financial position. The assets and liabilities shall be recognised at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The discount rate to be used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

The sum of the depreciation expense for the asset and the finance expense for the period is rarely the same as the lease payments payable for the period, and it is, therefore, inappropriate simply to recognise the lease payments payable as an expense. Accordingly, the asset and the related liability are unlikely to be equal in amount after the commencement of the lease term

Any contingent rents are expensed in the period in which they are incurred.

The depreciation for the leased assets is over the leased period.

Operating leases - lessee

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.

1.6 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation). Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon. A cash-generating unit is the smallest identifiable group of assets used with the objective of

generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense. Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the entity; or
- the number of production or similar units expected to be obtained from the asset by the entity.

1.7 Impairment of non-cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the entity; or
- the number of production or similar units expected to be obtained from the asset by the entity.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The entity assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the entity estimates the recoverable service amount of the asset.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the entity would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an over designed or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the entity recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.8 Employee benefits

Short-term employee benefits

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

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled with twelve months after the end of the period in which the employees render the related service. Short term employee benefits include items such as:

wages, salaries and social security contributions;

- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled with twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of reporting period in which the employees rendered the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cell phones) for current employees.

When an employee has rendered service to the group during a reporting period, the company recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the group recognise 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 benefits in the cost of a asset.

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contribution into a separate entity and will have no legal or constructive obligation to pay further amounts.

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the group's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expenses in surplus or deficit when they are due.

1.9 Provision and contingencies

A provision is liability on uncertain timing or amount. Provisions are recognised when:

- the entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

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

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

A provision is used only for expenditures for which the provision was originally recognised.

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of GEP. Contingent Liability and Contingent Assets are not recognised in the statement of financial position of the entity but disclosed in the notes.

A contingent asset is a possible asset that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

1.10 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash. The entity discloses commitments that are of capital in nature, the operational commitments are not disclosed.

A commitment arises out of a contractual agreement between the entity and another party which entitles the entity or the third party to enforce the contract.

1.11 Revenue from exchange transactions

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

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

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

Measurement

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

Initial Recognition

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised as revenue from exchange transaction in the statement of performance, in line with the stage of completion of the transaction at the reporting date. Rendering of services may include, amongst others: training and management services, interest of debtors and bad debts recovered.

1.12 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an entity, which represents an increase in net assets, other than increases relating to contributions from owners. Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting entity.

Unspent grant/surplus

The entity recognizes unspent government grants in line with National Treasury Instruction note 12 of 2021 where the surplus is provided for as provision. Unspent grants not approved by Treasury as a retention are treated as a liability.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the entity.

When, as a result of a non-exchange transaction, the entity recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Receivables that arise from statutory (non-contractual) arrangements are initially measured in accordance with this accounting policy, as well as the accounting policy on Statutory Receivables. The entity applies the accounting policy on Statutory Receivables for the subsequent measurement, derecognition, presentation and disclosure of statutory receivables.

Interest is recognised using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

1.13 Comparative figures

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

1.14 Fruitless and wasteful expenditure

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

Discovery

The accounting authority records the details of all alleged fruitless and wasteful expenditure in a fruitless and wasteful expenditure checklist.

Assessment & Determination

Upon detection of alleged fruitless and wasteful expenditure, an assessment is conducted to confirm whether the expenditure incurred meets the definition of fruitless and wasteful expenditure.

- The assessment also collects information on -
- the root causes that led to the fruitless and wasteful expenditure;
- the employee(s) responsible;
- confirmed amounts of fruitless and wasteful expenditure to be recovered, if any;
- confirmed amounts of fruitless and wasteful expenditure that are assessed as irrecoverable; and
- any breakdown in the designed internal controls.

During the period of the assessment, the expenditure remains the expense account the results of the assessment determine the appropriate action to be taken regarding this expenditure.

Confirmation

Upon confirmation of fruitless and wasteful expenditure, the details of the fruitless and wasteful expenditure are recorded in the fruitless and wasteful register.

Investigation & Recovery

If is determined that the fruitless and wasteful expenditure cannot be recovered from the responsible official (not liable in law), the expenditure remains as a debit against the relevant expenditure item and disclosed as such in the relevant note to the financial statements. The accounting authority will consider writing it off, following the entity's write-off policy.

If any expenditure meets the definition of fruitless and wasteful expenditure (after a determination) and it is recoverable from a responsible official(s), a current asset is created on the statement of financial position, and posted to the relevant expenditure account (credit expenditure account). The employee(s) responsible for the fruitless and wasteful expenditure is informed of the debt and given 30 days to pay or in reasonable instalments.

When we receive the funds from the responsible official (fruitless and wasteful expenditure is recovered), the debtor and bank accounts are affected.

1.15 Irregular expenditure

Irregular expenditure is expenditure incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- A. the PFMA; 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, including internal policies and procedures.

National Treasury instruction note no. 2. of 2019/2020 which was issued in terms of sections 76(2)(e) to 76(4) (a) of the PFMA requires the following (effective from 16 May 2019):

On discovering a possible irregular expenditure, the alleged irregular expenditure is recorded in the relevant register and reported to the Accounting authority.

Assessment

The entity evaluates if the alleged irregular expenditure is valid. If the irregular expenditure is valid, the relevant register is updated stating that the expenditure is in fact irregular expenditure. These amounts are included in the irregular expenditure note. If the irregular expenditure is not valid, the relevant register is updated stating that the alleged irregular expenditure was found not to be valid.

Confirmation

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements is also 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.

Determination & Investigation

The investigation must provide the accounting authority with at least the following:-

- root causes that led to the transgression;
- impact of the transgression;
- fraudulent, corrupt or other criminal conduct;
- employee(s) responsible for the irregular expenditure;
- whether the department, constitutional institution or public entity suffered a loss;
- whether the matter must be referred to the South African Police Service; and
- any breakdowns in the designed internal controls and the impact thereof.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end is 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 are updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the Provincial Treasury or the relevant authority is recorded appropriately in the irregular expenditure register.

Recovery

If liability for the irregular expenditure can be attributed to a person, a debt account is created if such a person is liable in law. Immediate steps are thereafter taken to recover the amount from the person concerned. If recovery is not possible, the accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register is updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto remains against the relevant program/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Condonation

Requests for condonation of irregular expenditure, by the entity is submitted to the Provincial Treasury in line with the National Treasury instruction note. The condonation request must at least contain the following information:

- confirmation that a determination test was conducted;
- findings and recommendations of the Loss Control function or another relevant function that conducted the determination test;
- findings and recommendations of the Internal Audit function or another relevant function that conducted the investigation;
- confirmation that no losses were incurred against the entity;
- confirmation that disciplinary action was taken against the reasonable employee(s);
- confirmation that investigations were conducted in cases of identified fraudulent, corrupt or criminal acts; and
- Remedial actions taken by the accounting authority to prevent the recurrence of such irregular expenditure in similar circumstances.

1.16 Deviations

The accounting authority or delegated may procure its required goods or services by means other than inviting competitive bids, provided that the reasons for deviating from inviting competitive bids is been recorded and approved by the accounting authority.

The accounting authority may opt to participate in a transversal term contract facilitated by its relevant treasury. Should the accounting authority opt to participate in a transversal contract facilitated by its treasury, the accounting authority may not solicit bids for the same or similar product or service during the tenure of the transversal term contract.

The accounting authority may, on behalf of the entity, opt to participate in any contract arranged by means of a competitive bidding process by any other organ of state, subject to the written approval of such organ of state and the relevant contractors.

1.17 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 to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the ventures).

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 are those family members who may be expected to influence, or be influenced by that person in their dealings with the entity. As a minimum, a person is considered to be a close member of a family of another person if they are:

- married or live together in a relationship similar to a marriage; or
- separated by no more than two degrees of natural or legal consanguinity or affinity;
- dependents of that person or that person's spouse or domestic partner;
- a grandparent, grandchild, parent, brother or sister, and
- a parent-in-law, brother-in-law or sister-in-law.

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 management and has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

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

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

1.18 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.

1.19 Loan commitments

Loan Commitment is a firm commitment to provide credit under pre-specified terms and conditions. A Loan Commitment is recognised when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

The entity provides a provision for commitments where the contract has been signed by both parties at year end but not yet paid. The entity raises a long-term assets for these provisions.

1.20 Accounting policies, estimates and errors

A change in the accounting treatment, recognition or measurement of a transaction, event or conditions within a basis of accounting is regarded as a change in accounting policy.

The following are however, not considered to be changes in accounting policies.

- The application of an accounting policy for events or transactions, other events or conditions that differ in substance from those previously occurring. In this case, another accounting policy will be used that is applicable to the specific type of transaction, or substance of the transaction.
- The application a new accounting policy for transactions, other events or conditions that did not occur previously. In this case, a new accounting policy will be applied to a new type or transaction, event or condition.
- the application of a new account policy for transactions, other events or conditions that were immaterial. In this case a new accounting policy will be applied to a new type of transaction, event or condition.
- Change in classification where the method of recognition and measurement remains the same. The entity accounts for a change in accounting policy resulting from the initial application of a Standard of GRAP in accordance with the specific transitional provisions, if any, in that Standard; and when the changes in accounting policy upon initial application of a Standard of GRAP that does not include specific transitional provisions applying to that change, or changes an accounting policy voluntarily, it shall apply the change retrospectively. When a change in accounting policy is applied retrospectively the entity shall adjust the opening balance of each affected component of net assets for the earliest prior period presented and the other comparative amounts disclosed for each prior period presented as if the new accounting policy had always been applied.

Change in Accounting Estimate

A change in the accounting estimate is an adjustment of the carrying amount of an asset or a liability or the amount of the periodic consumption of an asset, that results from the assessment of the present status of, and expected future benefits and obligations associated with, assets and liabilities. Changes in accounting estimates result from new information or new developments and, accordingly, are not corrections of errors. Changes in accounting estimates are recorded prospectively in the current period only, or current and future periods, depending on the period affected.

Prior Period Errors

Errors can arise in respect of the recognition, measurement, presentation or disclosure of elements of financial statements. Potential current period errors discovered in that period are corrected before the financial statements are authorised for issue. However, material errors are sometimes not discovered until a subsequent period, and these prior period errors are corrected in the comparative information presented in the financial statements for that subsequent period.

An entity shall correct material prior period errors retrospectively in the first set of financial statements authorised for issue after their discovery by: (a) restating the comparative amounts for the prior period(s) presented in which the error occurred; or (b) if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets for the earliest prior period presented.

A prior period error shall be corrected by retrospective restatement except to the extent that it is impracticable to determine either the period-specific effects or the cumulative effect of the error.

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

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

1.21 Presentation currency

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

1.22 Other Investments

An associate is an entity over which the investor has significant influence.

Binding arrangement is an arrangement that confers enforceable rights and obligations on the parties to the arrangement as if it were in the form of a contract. It includes rights from contracts or other legal rights.

Consolidated annual financial statements are the annual financial statements of an economic entity in which assets, liabilities, net assets, revenue, expenses and cash flows of the controlling entity and its controlled entities are presented as those of a single economic entity.

The equity method is a method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the investor's share of the investee's net assets. The

investor's surplus or deficit includes its share of the investee's surplus or deficit and the investor's net assets includes its share of changes in the investee's net assets that have not been recognised in the investee's surplus or deficit.

A joint arrangement is an arrangement of which two or more parties have joint control.

Joint control is the agreed sharing of control by way of a binding arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

A joint venturer is a party to a joint venture that has joint control of that joint venture.

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

If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the entity continues to apply the equity method and does not remeasure the retained interest.

1.23 General expenses

An expense is defined as an outflow of economic resources or service potential during the reporting period that results in a decrease in net assets.

The entity recognises an expense when the related services or goods are received by the entity. The expense recognised is measured at the fair value of the consideration paid or payable.

Expenses incurred during the reporting period are recognised in surplus.

The entity presents its operating expenses in terms of their function.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

2023

2022

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The following standards have been approved but not yet effective as at 31 March 2023. The impact that these standards will have on the entity is detailed below.

2.2 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the entity's accounting periods beginning on or after April 1, 2023 or later periods but are not relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
IGRAP 21 The Effect of Past Decisions of Materiality	1st April 2023	Not expected to impact results but may result in additional disclosure
GRAP 2020 Improvements to the standards of GRAP	1st April 2023	Not expected to impact results but may result in additional disclosure
GRAP 104 (amended): Financial Instruments	Not yet effective	Not expected to impact results but may result in additional disclosure
GRAP 1 (Presentation on Financial Statements)	1st April 2023	Not expected to impact results but may result in additional disclosure



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

2023

2022

3. Financial support loans at amortised cost

At amortised cost

Net amount outstanding	87,142,491	50,398,202
Opening balance	275,740,329	239,732,448
Amounts advanced	87,959,205	37,586,289
Bad debts written-off	(27,102,476)	(6,173,667)
Initiation fees	290,031	130,500
Interest on Financial Support Loans	27,591,219	17,955,031
Provision for Financial Support Loans Credit Balance Adjustment	27,730	(51,964)
Refund	27,346	-
Payment received	(31,049,330)	(13,438,308)
Subtotal	333,484,054	275,740,329
FSS Loan Impairments	(246,341,563)	(225,342,127)
Opening balance	(225,342,127)	(209,958,110)
Impairment amount written-off	26,480,700	6,111,930
Current movement	(47,480,136)	(21,495,947)
	87,142,491	50,398,202

Financial support loans at amortised cost

Current Assets	48,506,019	28,223,517
Non-Current Assets	38,636,472	22,174,685
	87,142,491	50,398,202

**The details relating to the ageing of the debtors are presented in Note 37: Risk Management (Credit risk).

4. Receivables from exchange transactions

Deposits, other debtors and prepayments	1,627,104	1,809,473
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5. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	39,001	39,001
Main bank balances	82,874,960	76,230,085
SA Reserve Bank CPD	173,771,503	332,464,266
Development fund bank balance	1,780,324	1,726,368
Financial support bank balance	2,266,584	1,125,521
	260,732,372	411,585,241

Cash balances relate to cash available for immediate use for the entity's main operations.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

2023 2022

6. Property, plant and equipment

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Motor vehicles	122,000	(121,999)	1	122,000	(121,999)	1
Office equipment	6,981,200	(5,814,163)	1,167,037	7,089,188	(5,778,950)	1,310,238
IT equipment	7,488,708	(5,401,276)	2,087,432	7,458,817	(4,653,028)	2,805,789
Leasehold improvements	1,252,038	(1,252,038)	-	1,252,038	(1,252,038)	-
Leased Assets	1,160,735	(96,728)	1,064,007	3,427,391	(3,236,981)	190,410
Total	17,004,681	(12,686,204)	4,318,477	19,349,434	(15,042,996)	4,306,438

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals	Depreciation	Total
Motor vehicles	1	-	-	-	1
Office equipment	1,310,238	13,336	-	(156,537)	1,167,037
IT equipment	2,805,789	206,899	(94,392)	(830,864)	2,087,432
Leased Assets	190,410	1,160,735	-	(287,138)	1,064,007
	4,306,438	1,380,970	(94,392)	(1,274,539)	4,318,477

The disposals amount of (R94 392) is due to the disposals of the entity's assets which are scrapped and stolen.

The entity assessed the useful life of its assets, the useful lifes are in line with the accounting policy. Assets which have fullydepreciated, however not disposed and in use, have a carrying value of R1. The entity is has not replaced these assets due to limited budget.

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Depreciation	Total
Motor vehicles	1	-	-	-	1
Office equipment	1,490,018	-	(4,716)	(175,064)	1,310,238
IT equipment	2,828,950	919,810	(114,295)	(828,676)	2,805,789
Leased Assets	1,332,874	-	-	(1,142,464)	190,410
	5,651,843	919,810	(119,011)	(2,146,204)	4,306,438

7. Other Investments

Wakegem (Pty) Ltd	-	1
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- A legal opinion was sourced in April 2022 on the legal and accounting implications to write- off the Wakegem investment. The investment has been sitting at R1 in the preceding financial years. The final opinion recommended the write-off of the investment to R0 due to the factors highlighted below.
- The investee is under liquidation, i.e., Wakegem (Pty) Ltd and the GEP is a concurrent creditor in its insolvent estate. Only the IDC as the secured creditor has realised distributions in the insolvent estate, which are a fraction of its R102 million secured loan in Wakegem.
- The remaining 8 concurrent creditors including GEP, received no concurrent award from the insolvent estate. Accordingly, upon conclusion and approval of the Liquidation and Distribution account by the Master, there will be no monies due and payable to GEP in respect of its equity that it holds by way of shares in Wakegem.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

2023 2022

7. Other Investments (continued)

- In accordance with paragraph 20 of GRAP 7, GEP is required to discontinue the use of the equity method from the date that it ceases to have significant influence over an associate and to account for the investment in accordance with GRAP 104 from that date.
- The legal consequences of the insolvency of Wakegem are that the liquidator took over the control of Wakegem. As such, all the elements of an investor having 'significant influence' over an investee ceased to be present from the date of liquidation.
- In conclusion, GEP will not realise any distributions from Wakegem as the company is in liquidation, thus there are no expected returns to be realised from the investment.

8. Interest in SMME Partnership Fund

Interest in SMME Partnership Fund	175,000,000	-
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The GEP was allocated funds by the Gauteng Provincial Government ("the GPG") to respond to the significant economic hardship faced by Gauteng SMMEs after Covid-19. The GEP formed a cooperative partnership between itself, the GPG and the IDC named the Township Economy Partnership ("TEP") / "the Fund".

The GEP, on the instructions of the Gauteng Department of Economic Development as per MEC's instruction letter, will make a capital commitment ("GEP Commitment") of R200 million to the TEP to be deployed by the TEP into stimulating SMMEs in the township economy. GEP has a residual interest in the net assets of the TEP. Therefore, the contribution made by the GEP to the TEP is a financial asset of the GEP.

GEP's interest in the net assets of the TEP, and should initially be measured at its fair value and be classified as a financial asset at cost.

9. Finance lease obligation

Minimum lease payments due

- within one year	407,178	221,990
- in second to fifth year inclusive	712,561	-
	1,119,739	221,990
less: future finance charges	(160,479)	(2,812)
Present value of minimum lease payments	959,260	219,178

Present value of minimum lease payments due

- within one year	315,184	219,178
- in second to fifth year inclusive	644,076	-
	959,260	219,178

Non-current liabilities

Current liabilities	644,076	-
	315,184	219,178
959,260	219,178	

The finance lease liability relates to equipment lease contracts. The lease periods are from 01/01/2023 to 31/12/2025 for printers.

10. Operating lease liability

Current liabilities	34,979	41,824
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The straight-line accrual relates to office accommodation lease contracts with escalation clause. The amounts payable under the contract are charged to the statement of financial performance on a straight-line basis over the term of the contract.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

2023

2022

11. Payables from exchange transactions

Trade payables	4,519,190	9,093,738
Accrued leave pay	6,907,349	7,448,292
Accrued 13th Cheque	741,768	819,430
	12,168,307	17,361,460

The trade payables of R4.5 million relates to invoices to be paid by the entity within the next 30 days. Leave of R6.9 million is provided for employees in line with the entity's leave policy, the leave will be utilised in the next six months.

12. Payables from non-exchange transactions

SMME Partnership Fund	50,000,000	-
GGB CSI Projects funds	10,000,000	10,000,000
	60,000,000	10,000,000

The amount of R50m represent a request for funds by the SMME Partnership Fund. This is in line with the agreement with the TEPF.

The funds for R10m was received from GGB in March 2022 are for contribution towards the Township Economy Recovery(TER).

13. Provisions

Reconciliation of provisions - 2023

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Maponya Mall	1,749,954	338,960	-	-	2,088,914
Provision for surrender of surplus funds	389,719,651	187,068,014	-	(389,719,651)	187,068,014
Provisions for Financial Support Loans	12,660	40,006	(12,660)	-	40,006
	391,482,265	187,446,980	(12,660)	(389,719,651)	189,196,934

A provision has been raised based on that GEP occupies Maponya Mall, however the entity has utilized confirmation letters provided by the lessor to make estimates. The entity has used the estimate based on the possible amounts to be charged for the space occupied.

The entity made a provision for surplus in line with the Treasury Instruction Note 12 of 2020/21.

Reconciliation of provisions - 2022

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Maponya Mall	2,698,555	528,485	(1,477,086)	-	1,749,954
Provision for surrender of surplus funds	289,760,240	389,719,651	-	(289,760,240)	389,719,651
Provisions for Financial Support Loans	64,622	12,660	(64,622)	-	12,660
	292,523,417	390,260,796	(1,541,708)	(289,760,240)	391,482,265

14. Revenue from non- exchange transactions

Goverment grants	223,876,000	309,403,000
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2023	2022
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15. Revenue from exchange transactions

Sundry Income (Initiation fees)	290,031	130,500
*Finance Income: (financial support loans)	27,591,219	17,955,031
	27,881,250	18,085,531

*Finance Income: Financial Support Loans comprises of non-cash interest of R24.2m and cash interest of R3.3m.

16. Other Income

SETA claims	259,487	208,435
Insurance claims	80,772	282,009
Bad debts recovered: financial support loans	52,000	25,470
	392,259	515,914

Other income relates to income received for SETA claims for skills development and internship, insurance claims relating to assets lost or stolen. The amount of R52K relates to bad debts write off that have been recovered.

17. Programs and project

SMME product development	186,507	3,933,034
SMME seminars and training	2,041,890	73,500
Community grant funding	2,094,588	1,709,738
SMME business development support	29,536,964	13,401,091
Marketing Sponsorships	1,822,800	867,938
Youth accelerator programme *	6,978,697	7,109,305
	42,661,446	27,094,606

*Included in the Youth Accelerator Programme is an amount of R2.3 million for blended finance grant portion.

18. Operating expenses

Employee costs	26	119,005,656	113,060,236
Depreciation, amortisation and impairments	27	1,274,539	2,146,204
Lease rentals on operating lease	21	14,029,478	13,750,677
Debt Impairment	28	48,101,914	21,557,686
Repairs and maintenance		1,810,893	1,768,214
General Expenses	29	30,217,421	38,061,561
		214,439,901	190,344,578

19. Provision for surplus expense

Provision for surplus expense	(202,651,637)	99,959,411
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The entity made a provision for surplus in line with the Treasury Instruction Note 12 of 2020/21.

20. Operating surplus (deficit)

Operating surplus (deficit) for the year is stated after accounting for the following:

Surplus for the year	217,466,336	14,908,012
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2023	2022
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21. Lease rentals on operating lease

Premises		
Contractual amounts	14,029,478	13,750,677

22. Finance income

Interest revenue		
Finance Income - Bank	19,892,103	4,513,534

23. Finance costs

Finance leases	31,172	92,361
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GEP incurred interest cost on finance lease for printers.

24. Loss on disposal of assets

Loss on disposal of assets	94,394	119,011
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25. Cash (used in) generated from operations

Surplus	217,466,336	14,908,012
Adjustments for:		
Depreciation and amortisation	1,274,539	2,146,204
Profit/(Loss) on write-off assets	94,394	119,011
Finance costs - Finance leases	31,172	92,361
Debt impairment	48,101,914	21,557,686
Movements in operating lease assets and accruals	(6,845)	1,971
Other non-cash items	(128,037)	(6,235,584)
(Increase)/decrease in financial support loans	(84,846,202)	(30,541,560)
Changes in working capital:		
Receivables from exchange transactions	182,368	(548,330)
Payables from exchange transactions	(5,193,157)	(4,610,663)
Payables from non-exchange transactions	-	(76,979,617)
Movement in Provisions	(202,285,330)	94,651,104
	(25,308,848)	14,560,595

26. Employee related costs

Basic	84,835,482	82,080,975
Ex gratia	5,706,754	-
Medical aid - company contribution:	3,648,256	3,737,335
UIF	309,961	294,591
SDL	1,019,382	936,516
Leave pay provision charge	308,821	1,505,658
Employee Wellness	93,540	81,767
Other short term costs	405,785	349,828
Travel, motor car, accommodation, subsistence and other allowances	2,425,340	2,751,694
13th Cheques	2,511,946	3,019,188
Acting allowances	832,512	756,617
Retirement benefits (Contribution to retirement fund)	15,705,520	16,374,435
Cell Phone Allowance	1,202,357	1,171,632
	119,005,656	113,060,236

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2023	2022
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27. Depreciation and amortisation

Property, plant and equipment	1,274,539	2,146,204
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28. Debt impairment

Net Debtors Written-off	621,778	61,737
Contributions to debt impairment provision	47,480,136	21,495,949
	48,101,914	21,557,686

Contributions to debt impairment provision	47,480,136	21,495,949
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Reconciliation of Net Debtors Written-Off

Financial Support Loans	27,102,478	6,173,667
Debt Impairment	(26,480,700)	(6,111,930)
Carrying Value Written-Off	621,778	61,737

The total value of R621,778 was written-off in the year 2022/23. This represent loans that are considered irrecoverable or are for liquidated businesses.

29. General expenses

Advertising	662,856	1,978,995
Auditors remuneration	3,331,444	3,691,917
Bank charges	78,003	115,358
Cleaning	1,581,129	1,418,882
Board Fees	1,195,444	1,710,154
Consulting and professional fees	14,638,189	20,739,933
Catering	24,538	43,194
Office equipment rental	20,764	50,720
Insurance	305,623	152,609
IT expenses	1,038,765	1,387,702
Cellphone and data costs	601,125	351,903
Motor vehicle expenses	16,280	-
Printing, stationery & office supplies	12,343	363,044
Security	1,175,658	736,086
Maintenance of Software	4,112,425	3,546,913
Telephone and fax	241,384	315,433
Training	445,876	196,907
Travel - local	59,999	18,212
Board meetings	8,926	12,991
Bursaries	336,692	665,914
Travel reimbursement	241,841	106,693
Recruitment	88,117	458,001
	30,217,421	38,061,561

30. Auditors' remuneration

Auditors remuneration	3,331,444	3,691,917
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

2023

2022

31. Retirement benefit information

It is the policy of the entity to encourage, facilitate and contribute to the provision of retirements for all permanent employees. To this end the entity's permanent employees are required to be members of an independently administered provident fund. The total charge to the statement of financial performance as at 31 March 2023: R15 705 520 (2022: R16 374 435) represents contributions payable to those schemes by the entity at rates specified in the rules of schemes. The entity had no postretirement obligations for retirement benefits, at year end.

32. Commitments

Operating leases - as lessee (expense)

Minimum lease payments due

- within one year	209,001	193,520
- in second to fifth year inclusive	90,433	299,435
	299,434	492,955

Operating lease payments represent rentals payable for the use of office accommodation for regional offices. Leases escalate at rates between 5% and 9% per annum.

33. Contingencies

Contingent Assets

- 2020/21 - The Board approved investigations to uncover irregularities that were noted in awarding of financial support for TER and TRM projects. The investigation outcome recommended that GEP should take reasonable steps to recover the loans from the implicated SMMEs. Letters of demand were sent to the implicated SMMEs in the year under review,no acknowledgment of debt received yet from the implicated parties.
- 2015/16 - GEP signed an SLA with the service provider for a period of three years. This was for a pilot project for financing 50 (Fifty) SMMEs in Gauteng Province through discounting model. The service provider failed to deliver on the terms of the SLA. GEP instituted legal action against the service provider to recoup the funds.
- 2020/21 - A law suit against the ex-employee for a salary and benefits paid during the course of employment. GEP instructed attorney's to recover the benefits against the employee.

Contingent Liabilities

GEP Received the following litigations which were not resolved.

- 2019/20 - Litigation matter against the entity, namely ARDHI CONCEPTS CC //GEP under case number: 1123/2019 in the High Court of South Africa (Gauteng Division, Johannesburg). The matter relates to a loan applicant who has issued summons against the entity, for the loan amount of R2.5 million that was not approved. The matter is currently not yet concluded and under way.
- 2020/21- GEP received an amplified letter of demand from the Township Entrepreneurship Awards (TEA) nominees, through their attorney's records, the nominees is demanding R1,075 million as she claims to have been unduly eliminated. The claim relates to the participant claiming that she was unduly eliminated therein, and stated that the adjudication process was unfair as the rules were constantly changed. The matter is currently not yet concluded and under way.
- 2021/22 - GEP received a litigations from KNT attorneys for the payments of legal fees of R265 615 for service rendered under case number 22/638 in the High Court of south Africa (Gauteng Local Division, Johannesburg).The matter is Set Down for 17 July 2023. The parties are currently negotiating a possible settlement.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

2023

2022

34. Related parties

Relationships

Members of Accounting Authority	Refer to members' below
Gauteng Department of Economic Development (GDED)	Government Department - Controlling Entity
Gauteng Gambling Board (GGB)	Public Entity - Controlled by GDED
Gauteng Growth Development Agency (GGDA)	Public Entity - Controlled by GDED
Gauteng Liquor Board (GLB)	Public Entity - Controlled by GDED
Gauteng Tourism Authority (GTA)	Public Entity - Controlled by GDED
Cradle of Humankind World Heritage Site	Public Entity - Controlled by GDED
Dinokeng	Public Entity - Controlled by GDED
Gauteng Department of Agriculture and Rural Development **	Government Department

** The Gauteng Department of Agriculture and Rural Developmen was no longer part to the Gauteng Department of Economic Development group from October 2022.

GEP entered into a significant transaction with IDC and formed a Township Economy Partnership Fund. The two entities are not related parties in terms of GRAP 20.

Related party transactions

The management of the Gauteng Enterprise Propeller is not aware of any related party transactions with directors or any other parties, apart from those mentioned below, amounting to any significant value. If there were any such transactions, they were on terms which were no more or less favourable than those entered into with third parties.

Gauteng Provincial Department of Economic Development

Government grants	223,876,000	309,403,000
Operating Lease and Utilities	13,225,705	13,866,776

GEP entered into an arm's length lease agreement with the Gauteng Development of Economic Development (GDED) in 2015 for office space at 124 Main Street. The entity has entered into an arm's length lease agreement with GDED for office space in Sedibeng. The entity is continuing to occupy the building, the entity has made a provision for the year under review for the space occupied.

Gauteng Gambling Board

Payable from Non Exchange transactions	10,000,000	10,000,000
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The funds for R10m was received from GGB in March 2022 as a contribution towards the Township Economy Recovery(TER).

Gauteng Department of Economic development (GDED)

Payable from Non Exchange transactions	1,078,000	-
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

34. Related parties (continued)

Non-Executive management remuneration

Remuneration of Non-Executive Directors

P Mangcu	22,395	128,764
D Maithufi	176,676	186,555
L Marincowitz	207,708	182,676
N Mufamadi *	17,516	182,676
D Golding **	48,548	271,893
K Mogotsi	123,491	186,555
E Ranamane	-	13,637
S Mkhize	155,523	151,644
T Rasenyallo	195,014	213,708
B Mahlulshana	139,886	190,434
D Maphanzela	166,890	120,612
	1,253,647	1,829,154

* N. Mufumadi resigned 1st July 2022

** D. Golding resigned 9th May 2022

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

34. Related parties (continued)

2023

	Board	RGC	Remco	CC	BDC	ARGC	Special Board Meetings	Board Meeting	Miscellaneous Meeting	BDC & CC
L. Leshika	3/3	3/3		2/2	1/1		12/12	9/9	0/1	
D. Golding				7/7	4/5	16/16	4/4	3/3		
K. Mogotsi	3/3				5/5	15/16	11/12	3/5	0/1	
L. Marincowitz	3/3					16/16	12/12	11/12		
S. Mkhize	2/3	3/3					11/12	4/6	0/1	
T. Rasenyallo	3/3		6/6	7/7	5/5		12/12	7/7	1/1	
B. Mahlulshana	3/3		6/6	7/7	3/5		12/12	5/6	1/1	
D. Maithufi	3/3	1/3				16/16	10/12	18/20	0/1	
N. Mufamadi			1/1			2/3	4/4	1/1		
D. Maphanzela	2/3	2/3	6/6				10/12	7/10	0/1	
P. Mangcu	2/3	3/3					12/12	5/6	0/1	



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

34. Related parties (continued)

2022

	Board	RGC	Remco	CC	BDC	ARGC	Special Meetings	Board	Miscellaneous Meeting
L. Leshika	4/5	4/4		3/3			13/14		
D. Golding	5/5	4/4	3/3	16/16	6/6		14/14	18/18	
K. Mogotsi	5/5	1/1		7/8	5/5	11/11	13/14	2/5	
E. Ranamane	0/1		1/1	0/2	0/1		2/3	1/1	
L. Marincowitz	3/5	4/4	*	1/1	4/6		14/14	10/10	
S. Mkhize	4/5	4/4	*	1/1		11/11	12/14	4/5	
T. Rasenyallo	5/5	1/1	3/3	16/16	5/5		14/14	4/4	
B. Mahlulshana	5/5	1/1	3/3	14/16	4/5		14/14	7/7	
D. Maithufi	4/5	4/4		1/1		12/12	13/14	11/12	
N. Mufamadi	5/5	3/3	4/4	0/1		10/12	14/14	4/5	
D. Maphanzela	5/5	2/4	4/4	1/1			14/14	5/5	
P. Mangcu	4/5	4/4		0/1			14/14	7/7	



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

34. Related parties (continued)

Senior management remuneration

2023

Name	Salary	Acting Allowance	Total
S. Zamzaka- Chief Executive Officer	2,869,726	-	2,869,726
K. Cele - GM: Strategy, Planning and M&E	2,248,894	-	2,248,894
I. Khan- Chief Operations Officer	2,097,667	-	2,097,667
X. Matyila -Acting Chief Financial Officer *	-	142,345	142,345
T. Msomi - Acting GM: Corporate Support & Administration *	-	98,196	98,196
NV. Mulaudzi - GM: Corporate Support & Administration ***	1,876,630	-	1,876,630
S. Ntuli - GM: Risk & Audit *	450,941	167,496	618,437
N. Khonkwane - GM: Strategic Partnerships and Revenue Generation	1,879,028	-	1,879,028
	11,422,886	408,037	11,830,923

* Since April 2022

** Currently in Acting role for the suspended GM: Corporate Support & Administration since October 2022

*** Currently on suspension from October 2022

**** Appointed on the 1st January 2023

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

2023

2022

34. Related parties (continued)

2022

Name	Salary	Acting Allowance	Total
S. Zamxaka- Chief Executive Officer	2,630,866	-	2,630,866
K. Cele - GM: Strategy, Planning and M&E	1,238,079	-	1,238,079
I. Khan- Chief Operations Officer	1,566,912	-	1,566,912
K. Bokgatso - Chief Financial Officer *	2,282,543	-	2,282,543
PM. Tshiredo- Acting Chief Operations Officer	-	32,056	32,056
TJ. Guliwe - Acting Specialist : Strategy, Planning and M&E	-	101,370	101,370
NV. Mulaudzi - GM: Corporate Support & Administratio	1,816,679	-	1,816,679
LHS. Dube - GM: Risk & Audit **	1,925,238	-	1,925,238
S. Ntuli- Acting GM: Risk & Audit ***	-	17,391	17,391
N. Khonkwane - GM: Strategic Partnerships and Revenue Generation ***	146,326	-	146,326
	11,606,643	150,817	11,757,460

*K. Bogatsu - Chief Financial Officer Death 23 March 2022

** LHS Dube - GM : Risk & Audit - Resignation 28 February 2022

*** Started 01 March 2022

35. 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

2022

	Note	As previously reported	Correction of error	Restated
Payables from non exchange transactions	11	260,000,000	(250,000,000)	10,000,000
Provisions	13	141,482,265	250,000,000	391,482,265
Payables from exchange transactions	11	18,825,490	(1,464,029)	17,361,460

Statement of financial performance

2022

	Note	As previously reported	Correction of error	Restated
Maintenance of software		4,568,069	(1,021,156)	3,546,913
General expenditure		139,485,001	(1,464,029)	138,020,972
Telephone and fax		758,305	(442,872)	315,433

Cash flow statement

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

2023

2022

35. Prior-year adjustments (continued)

2022

	Note	As previously reported	Correction of error	Restated
Cash flow from operating activities				
Payables from exchange transactions	11	(3,146,636)	(1,464,029)	(4,610,665)
Payables from non-exchange transactions	12	173,020,383	(250,000,000)	(76,979,617)
Movement in Provisions	13	(155,348,896)	250,000,000	94,651,104
		14,524,851	(1,464,029)	13,060,824

Errors

The error above relates to expenditure incorrectly accrued. The changes are corrected in the related financial period.

Reclassifications

The following reclassifications adjustment occurred:

Reallocation of Provision for surplus expense

Provision for surplus expense is now disclosed separately on the performance statement.

Operating expenses	-	99,959,411
Provision for surplus expense	-	(99,959,411)
	-	-

36. Comparative figures

Certain comparative figures have been reclassified.

37. Risk management

Financial risk management

The Board of Directors have overall responsibility for the establishment and oversight of the entity's risk management framework. The Board has established the Audit, Risk and Governance Committee, which is responsible for monitoring the entity's risk management policies and processes. The Committee reports regularly to the Board of Directors on its activities. The entity is exposed to credit risks, interest risks and liquidity risks. The entity's senior management oversees the management of these risks and is supported by various committees such as Audit, Risk and Governance Compliance Committee, Credit Committee and Debt Management Committee.

Liquidity risk

The entity manages liquidity risk through the compilation and monitoring of cash flow forecasts as well as ensuring that there are adequate banking facilities.

Financial liabilities	0 - 12 months	1 - 5 years	5 years	5 years
Trade and other payables	12,168,307	-	-	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

2023

2022

37. Risk management (continued)

Credit risk

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

Potential concentration of credit risk consists mainly of trade receivables and financial support debtors.

Trade and other receivables comprise of customers dispersed across different industries and geographical areas. Credit evaluations are performed through Management by Credit Committee as well as the Board depending on the threshold of the transaction and the financial condition of these receivables. Where appropriate, the necessary credit guarantees are arranged. Trade and other receivables are shown as net of impairment.

The Debt Management Committee monitors the performance of receivables on a regular basis. At 31 March 2023, the entity did not consider there to be any significant concentration of credit risk which had not been insured or adequately provided for.

Product Type	Current	30 Days	60 Days	90 Days	120 Days Plus	Total Arrears	Impairment amount	Net amount
Contract Finance	1,331,699	4,368,860	1,594,265	1,243,068	15,551,689	24,089,581	7,803,061	16,286,520
Expansion	877,357	800,200	753,145	723,832	6,644,530	9,799,064	8,009,807	1,789,257
Handover	2,044,766	1,899,495	2,004,074	2,002,023	168,811,460	176,761,818	174,994,200	1,767,618
Mafisa	2,612	2,344	2,585	2,574	376,861	386,975	383,106	3,869
Micro finance	8,791	8,772	8,794	8,767	50,715	85,838	84,979	859
Start-up	459,199	429,804	332,534	371,152	4,844,782	6,437,472	5,998,800	438,672
TMR Finance	112,629	111,242	112,137	112,318	838,744	1,287,070	965,302	321,768
Youth Hybrid Fund	10,561	104	-	-	-	10,655	1,600	9,064
Subtotal	4,847,614	7,620,821	4,807,534	4,463,734	197,118,781	218,858,473	198,240,855	20,617,627
	-	-	-	-	-	-	-	-

Interest rate risk

Bank deposits are linked to the South African prime interest rate. The net interest income at March 31, 2023 is R19,892,103 (2022:R4 513 534). The sensitivity analysis below has been determined based on the exposure to interest rate on financial instruments at the balance sheet date. For the floating rate instruments, the analysis is prepared assuming the number of instruments outstanding at the balance sheet date was outstanding for the whole year. A 50-basis points increase is used and presents management's assessment of the reasonably possible change in interest rates.

The entity's interest rate profile consists of floating loan rate and bank balances which exposes the entity to fair value interest risk and cash flow interest risk. The interest rate re-pricing profile at March 31, 2023 is summarised as follows:

	0 -12 months	Beyond one year	Total floating rate borrowings/ investments
Financial support loans	48,506,019	38,636,472	87,142,491
Receivables from exchange transactions	1,627,104	-	1,627,104
Cash & cash equivalents	260,732,372	-	260,732,372
	310,865,495	38,636,472	349,501,967

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

2023

2022

38. Going concern

We draw attention to the fact that at March 31, 2023, the entity had an accumulated surplus of R 266,460,964 and that the entity's total assets exceeds its liabilities by R 266,460,964.

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.

- After the reporting date, there is no intention to liquidate GEP or to cease operating, nor is there a realistic alternative to do so.
- Further, the Grant funding from the provincial government remains in place, therefore GEP is confident that it will be able to fund its operations going forward, for at least the coming financial year.
- After considering the above, management has concluded that the entity will be able to operate for the next twelve month, and therefore is a Going Concern.

39. Events after the reporting date

Adjusting events after the reporting date:

- Management is not aware of any events after the reporting date.

40. Irregular and Fruitless and wasteful expenditure

Description			
Irregular Expenditure	-	1,521,082	18,354,928
Fruitless and wasteful expenditure	-	-	31,580
Total		1,521,082	18,386,508

Irregular and Fruitless and wasteful expenditure is disclosed in terms of Treasury Note 04 of 2022/2023.

The details of the balance are included in part-E of the annual report.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

2023

2022

41. Budget differences

Material differences between budget and actual amounts

The annual financial statements are prepared on the accrual basis using a classification based on the nature of expenses in the statement of financial performance. The annual financial statements differ from the budget, which is approved on a cash basis.

- A) The year 2022/23 financial year, the entity collected revenue of R27m which excludes cash interest of R3.3m. The projected revenue was R10m was increased by 10million to R20m. This amount was again exceeded by 50%
- B) An additional R48m represent the other income and mainly driven by a positive return on the new Reserve Bank CPD.
- C) The full budget for the year is R223m with the adjustment of R11m received in January 2023.
- D) There was a positive variance of R2.6m as a result of vacant positions not concluded by year-end.
- E & F) This non cash item and not budget for.
- G) The original budget for R46m is mainly for business development support and youth PMO. This is was further adjusted by R25m. The remaining budget is expected to be used in the new year as it is committed.
- H) The positive variance of R210 million is mainly driven by the provision reversal of R204m.
- II) The variance of R45m million represent the financial support loans to be paid in the year 2024..

42. Deviation from supply chain management regulations

Treasury Regulations:16A6.4 If in a specific case it is impractical to invite competitive bids, the accounting authority may produce the required goods or services by other means, provided that the reasons for deviating from inviting competitive bids must be recorded and approved by the accounting authority. Practice note 8 of 2007/2008, paragraph 3.3.3. stipulates that if itnot possible to obtain at least three written price quotations, the reasons should be recorded and approved by the accounting officer / authority or his / her delegate".

The below table reflects the approved deviations:

Service Details	Type of the Service	Type of Deviation	Amount
ICT	Cloud License & Custom configuration	Single source	188,095
Office of CEO	Venue and Catering services	1 quotation received	72,266
Office of CEO	Funding function	Single Source	19,318
Office of CEO	Document retrieval	Single Source	34,500
Corporate Services and Administration	Change Management	2 quotations received	990,086
Office of CEO	BBEEE Strategy and implementation	2 quotations received	530,840
ICT	Cloud Licence	Single Source	630,568
			2,465,673

43. Segment information

Information about geographical areas

The entity's operations are in the Gauteng Province.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

2023

2022

43. Segment information (continued)

GEP is situated in Johannesburg and have regional and satellite offices which are for convenience and implementation of Business Development Support across Gauteng City Region's five corridor.

Management has as per GRAP standards decided to report on GEP as a single geographical area. Management is of the opinion that as per paragraph 31-32; GEP Head office and the regional activities are providing similar services and it would therefore not be in the interest of the users of financial statements to develop geographical information for reporting, and secondly the cost of developing geographical information would be excessive. GEP current financial system has no capabilities to produce accurate geographical information in line with GRAP 18 requirements.

DETAILED STATEMENT OF FINANCIAL PERFORMANCE

Figures in Rand	Note(s)	2023	2022
Revenue			
Government grants & subsidies	14	223,876,000	309,403,000
SETA claims	16	259,487	208,435
Insurance claims	16	80,772	282,009
Bad debts recovered: financial support loans	16	52,000	25,470
Sundry Income (Initiation fees)	15	290,031	130,500
Finance Income: financial support loans	15	27,591,219	17,955,031
Interest received - Bank	22	19,892,103	4,513,534
Total revenue		272,041,612	332,517,979
Expenditure			
Employee related costs	26	(119,005,656)	(113,060,236)
Depreciation and amortisation	27	(1,274,539)	(2,146,204)
Finance costs	23	(31,172)	(92,361)
Lease rentals on operating lease	21	(14,029,478)	(13,750,677)
Debt Impairment	28	(48,101,914)	(21,557,686)
Repairs and maintenance		(1,810,893)	(1,768,214)
Program and projects	17	(42,661,446)	(27,094,606)
General Expenses	29	(30,217,421)	(38,061,561)
Provision for surplus expense	19	202,651,637	(99,959,411)
Total expenditure		(54,480,882)	(317,490,956)
Operating surplus	20	217,560,730	15,027,023
Loss on disposal of assets	24	94,394	119,011
Surplus for the year		217,466,336	14,908,012

The supplementary information presented does not form part of the annual financial statements and is unaudited



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