

# 2019/2020 INTEGRATED ANNUAL REPORT



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# PART A - GENERAL INFORMATION

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# GEP'S GENERAL INFORMATION

<b>Registered Name</b>	Gauteng Enterprise Propeller
<b>Registered Number</b>	Not applicable
<b>Chairperson of the Board</b>	Mr Khehla Mthembu
<b>Acting Chief Executive Officer</b>	Mr Motlatjo Moholwa
<b>Registered Address</b>	6 <sup>th</sup> Floor 124 Main Street Marshalltown Johannesburg 2001
<b>Postal Address</b>	P.O. Box 61464 Marshalltown 2107
<b>GEP Telephone Numbers</b>	011 085 2001
<b>Fax Numbers</b>	011 834 6702
<b>GEP Contact Centre</b>	087 057 2000 <a href="mailto:enquiries@gep.co.za">enquiries@gep.co.za</a>
<b>Website Address</b>	<a href="http://www.gep.co.za">www.gep.co.za</a>
<b>Bankers</b>	First National Bank
<b>Auditors</b>	Auditor-General of South Africa
<b>Company Secretary</b>	First Corporate Secretaries

# GEP REGIONAL AND SATELLITE OFFICES

## REGIONAL OFFICES

### JOHANNESBURG

7<sup>th</sup> Floor,  
124 Main Street,  
Johannesburg  
Tel: 011 085 2002

### EKURHULENI

Ground Floor, 188 Victoria Street,  
Corner Victoria and Spilsbury,  
Germiston  
Tel: 011 776 9079

### TSHWANE

Block G, 333 Grosvenor Street,  
Hatfield Gardens,  
Hatfield  
Tel: 012 430 2359

### WEST RAND

23 Eloff Street,  
Krugersdorp  
Tel: 011 950 9870

### SEDIBENG

36 Merriman Avenue,  
Vereeniging  
Tel: 016 910 1216

## SATELLITE OFFICES

### BRONKHORSTS普UIT

Lazarus Building,  
43 Lanham Street,  
Bronkhorstspruit  
Tel: 013 932 3828

### HEIDELBERG

52 Voortrekker Road,  
PG Glass,  
Unit 34,  
Heidelberg  
Tel: 016 349 2658

### SOWETO

Maponya Mall,  
Thusong Centre,  
2127 Chris Hani Road,  
Soweto  
Tel: 011 938 4257

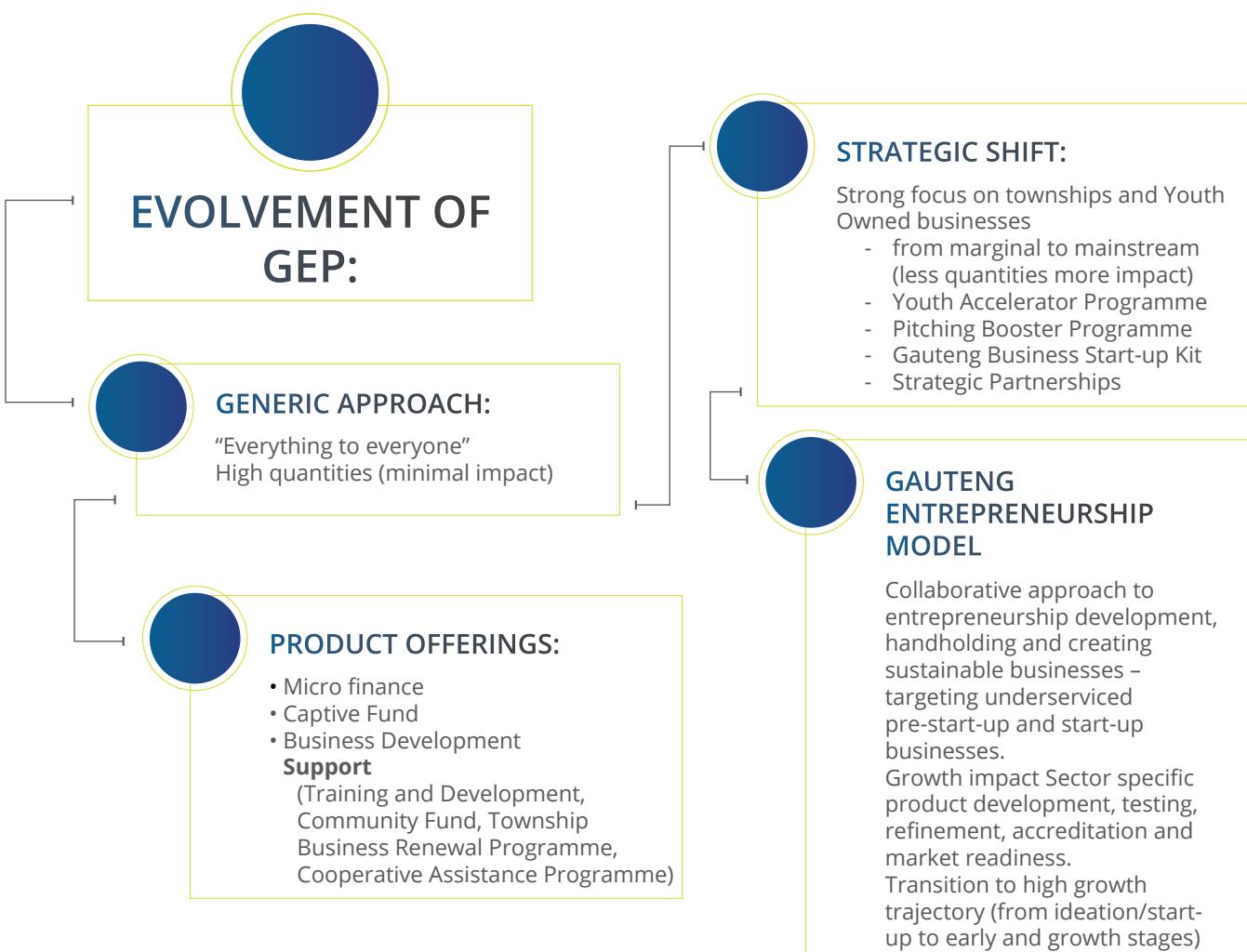
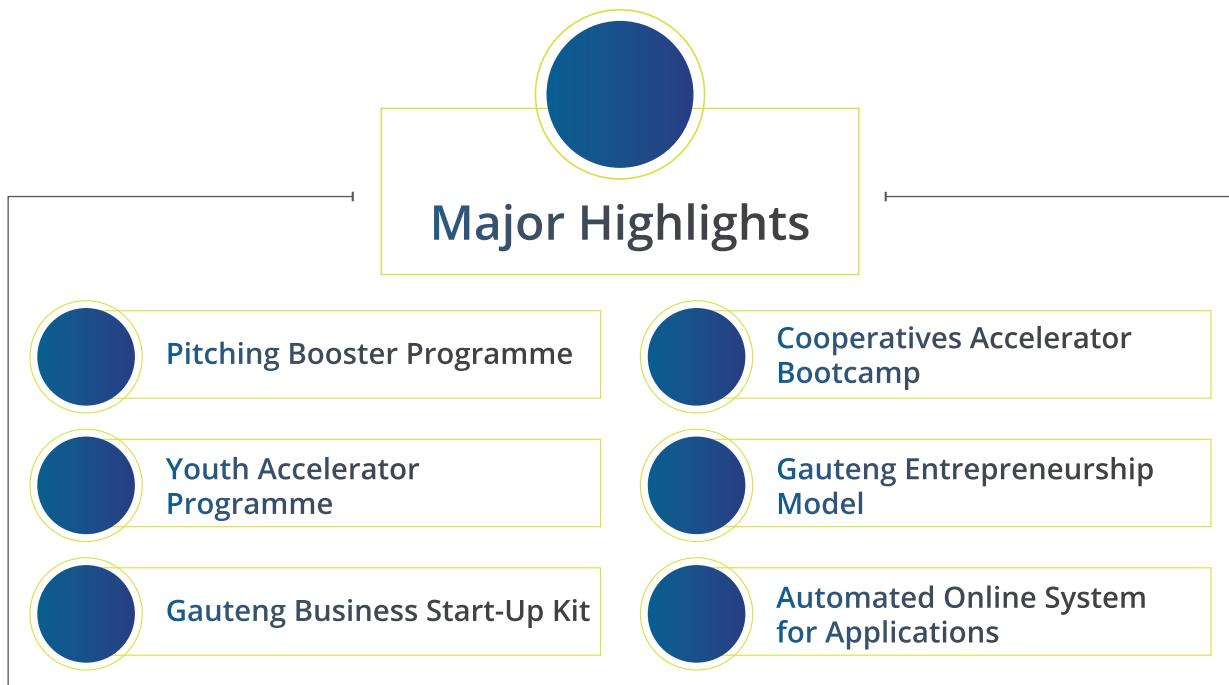
### MOHLAKENG

3521 Ralerata Street,  
Mohlakeng  
Tel: 011 414 1753

# LIST OF ABBREVIATIONS / ACRONYMS

<b>AGSA</b>	Auditor General South Africa	<b>GGT2030</b>	Growing Gauteng Together Vision 2030
<b>APP</b>	Annual Performance Plan	<b>GM</b>	General Manager
<b>ARGC</b>	Audit Risk Governance Committee	<b>GPG</b>	Gauteng Provincial Government
<b>ASM</b>	Acting Senior Manager	<b>ICT</b>	Information and Communications Technology
<b>BCM</b>	Business Continuity Management	<b>IGR</b>	Intergovernmental Relations
<b>BDC</b>	Business Development Committee	<b>IM</b>	Investment Management
<b>BDS</b>	Business Development Support	<b>LGBTIQ</b>	Lesbian Gay Bisexual Transsexual Intersex Queer
<b>CAP</b>	Cooperative Assistance Programme	<b>MEC</b>	Member of the Executive Council
<b>CCB</b>	Credit Committee of the Board	<b>MERMS</b>	Monitoring Evaluation Reporting Management System
<b>CF</b>	Community Fund	<b>MTSF</b>	Medium Term Strategic Framework
<b>CFO</b>	Chief Financial Officer	<b>MTEF</b>	Medium Term Expenditure Framework
<b>Co-Ops</b>	Cooperatives	<b>NDP</b>	National Development Plan
<b>DFI</b>	Development Finance Institutions	<b>OHS</b>	Occupational Health and Safety
<b>ES</b>	Enterprise Support	<b>PFMA</b>	Public Finance Management Act
<b>ESD</b>	Enterprise Supplier Development	<b>REMCO</b>	Human Resources Remuneration Committee
<b>GCR</b>	Gauteng City Region	<b>RO</b>	Regional Operations
<b>GDARD</b>	Gauteng Department of Agriculture and Rural Development	<b>SCM</b>	Supply Chain Management
<b>GDED</b>	Gauteng Department of Economic Development	<b>SMME</b>	Small, Medium and Micro Enterprises
<b>GEM</b>	Gauteng Entrepreneurship Model	<b>TBR</b>	Township Business Renewal
<b>GEP</b>	Gauteng Enterprise Propeller	<b>TER</b>	Township Economy Revitalisation
<b>GRAP</b>	Generally Recognised Accounting Practice	<b>TMR</b>	Transformation, Modernisation and Re-industrialisation
<b>GGDA</b>	Gauteng Growth Development Agency		

# GAUTENG ENTERPRISE PROPELLER ROADMAP



# FOREWORD BY THE CHAIRPERSON



In reflecting on the financial year under review, it has been characterised by a tough economic climate, while the entity has also undergone a challenging phase which necessitated a process of review and mapping a new strategic shift characterised by an impact-driven approach. The impact mapping process opened-up new opportunities and space for the entity to become a critical player in the enterprise development sector and the broad economy.

**Mr Khehla Mthembu**

Board Chairperson

In reflecting on the financial year under review, it has been characterised by a tough economic climate, while the entity has also undergone a challenging phase which necessitated a process of review and mapping a new strategic shift characterised by an impact-driven approach. The impact mapping process opened-up new opportunities and space for the entity to become a critical player in the enterprise development sector and the broad economy.

Placing the entity at the centre of enterprise development within the province as envisaged by the 6<sup>th</sup> Administration, will require a versatile leadership to unlock some of the barriers hindering economic growth through entrepreneurship. On the other hand, a process of organisational engineering to suit the new development trajectory has been thoroughly deliberated, hence the development of a business case to reposition and take the entity forward. The shaping of a new GEP, will require a unifying force that will bring government and its partners together to ensure the realisation of the impact of these interventions by 2030, in line with the National Development Plan (vision 2030) and the GGT2030 planning frameworks.

Further to a tremulous performance in 2019, it is becoming increasingly apparent that the global economy is likely to suffer another year of uncertainty as the impact of the Covid-19 in China (and across global economies) could push economic growth to its weakest pace since the 2009 global financial crisis. South Africa has also been on a recessionary trajectory for the last two quarters and the Reserve Bank predicted another serious knock on effect with the economy estimated to decline by negative 6%. Compounding this downward spiral is the drop in global investment standards by Moody's, which has made South Africa a risky investment destination. On the other hand, the government debt to GDP is estimated to reach high levels (from 65.6% currently) if no measures are put in place to at least 90% (worst case scenario). Exacerbating this situation, is the fiscus deficit of 6.8% due to the decline in tax collection, in the previous financial year (PWC, 2020).

This will leave government, its departments and agencies with limited options to turn around the current economic meltdown. The impact of Covid-19 on the global economy has resulted in a negative growth in many countries, except for China, which has seen a 1% positive economic growth rebound. Due to the slow global demand; and the slow opening of critical sectors globally, locally and the inward-looking focus due to Covid-19, some sectors will be hit harder than others. The case in point is the Tourism and Hospitality industry, envisaged to take a longer period to bounce back as a result of Covid-19 regulations deterring both international and domestic tourists. As a major employer in the South African economy, it is anticipated that jobs will be lost while special Tourism Relief measures put aside for the tourism businesses would not be enough to rescue the situation. Contraction is also likely to suffer due to the closure of construction related sectors and moratorium on new tenders. Construction activity is expected to stall, affected by movement restrictions and constraints on supply and demand (SA-TIED, 2020). The ICT sector, the e-commerce and pharmaceutical sectors, have shown resilience during this time due to the demand of specific products.

## FOREWORD BY THE CHAIRPERSON

Given the protracted bout of lacklustre manufacturing growth in recent months, as well as the Covid-19 outbreak, it is unlikely that the sector will capitalise on the global “bottoming-out” of international manufacturing. Mainly due to the structural bottlenecks currently restricting growth in SA’s manufacturing sector which will not be remedied by the fading of transitory shocks in the global manufacturing value chain, especially in the automotive and tech sectors. Conversely, the global economic meltdown under the Covid-19 pandemic, also presents an opportunity for local manufacturers to strengthen their capacities and reclaim the lost space taken through the dumping of cheap imported goods. Increasing relief support to SMMEs and cooperatives would assist to maintain resilience and prevent potential job losses and poverty.

The reduction in consumer confidence from a positive 5% in the third quarter of 2019 to a negative 9% mirrors a gloomy picture of the economy. The reduction of interest rates in the recent months depicts an interventionist state that cares for the lives of the people and the economy at large. Interest rate reduction and the debt relief response across the financial sector presented a positive picture, especially between government and the private sector. These relief measures, coupled with the support to small businesses or firms would assist to absorb the economic shock to consumers and in expediting a speedy recovery.

Despite its severe impact on small businesses across Gauteng, the Covid-19 pandemic has also presented latitude for opportunity-driven enterprises that are tech-savvy and agile to explore creative means of sustaining and growing their businesses. Several small enterprises had to diversify their product offerings to adapt and explore new opportunities during the lockdown. Technology also created new opportunities for businesses through e-commerce, online deliveries and online pitching. On the other hand, GEP did not struggle to deliver during this difficult period as the organisation implemented some of the fourth industrial revolution findings that encourage remote working and co-location through Microsoft, Zoom and other communication channels. During this difficult time, GEP employees have taken advantage of technological tools to remain effective in responding to the needs of businesses like never seen before.

The use of technology assisted Developmental Finance Institutions to short-circuit their processes and promote easy access to enterprise support through online platforms and the entity has also taken steps to re-engineer its processes. Provincial online platforms also assisted the Gauteng Provincial Government to issue working permits just-in-time for informal businesses with GEP support. The entity is focusing on the enhancement of its online platforms and inculcating a technologically-driven culture in small enterprises.

Webinar and Virtual workshops would assist GEP to meet its business development targets during the lockdown period and transcending into the Medium-Term-Expenditure-Framework period. The Covid-19 pandemic has compelled small enterprises to adapt to the “new norm” with its continuously changing circumstances and GEP employees to cope with the new world of work when it comes to digital transformation.

GEP, through its Business Development Support, has provided support to more than 3 000 small enterprises during the period under review despite the challenges that continue to plague the entity, with more than 1 000 informal businesses having benefited from interventions aimed at formalising these entrepreneurs and enhancing their levels of compliance and competitiveness. The entity realises the importance of the role it is expected to play in preparing Gauteng’s small enterprises for larger provincial procurement uptakes and driving re-industrialisation of townships across the province.

Given the fiscus squeeze and budget reduction, compounded by the back-to-back economic recession, the entity will have limited options to respond to the growing challenges of small businesses, hence the strengthening of partnerships across the province to ensure that private and public revenues are mobilised to scale-up interventions. With some of the sectors hit harder by the Covid-19 and the economic recession, the role of GEP as a nucleus of entrepreneurship development in the province will become more critical than before. The Board and Management remain committed to this course as it comprises a golden opportunity for giving true meaning to transformation of the township economy.

The year under review marks the end of the three-year term for us as a Board., I wish to express sincere gratitude to my fellow Board members who did not hesitate in taking on the enormous responsibility of providing strategic direction in guiding the execution of GEP’s mandate and have tirelessly supported the executive management team since their appointment on 1 October 2017. Without their commitment and dedication, steering this entity’s strategic vision would have been an impossible feat.

As a Board, we have faced a combination of legacy and emerging challenges, however, such did not hinder us from driving several key initiatives in accordance with the entity's mandate which included the provision of support by GEP to about 10 500 SMMEs, 1 250 Cooperatives, nearly 3 700 informal businesses over the 2017/18 to 2019/20 three-year term. In addition to this, almost 3000 of Gauteng's unemployed youth benefited from skills acquired and job placement opportunities provided through the GEP Youth Accelerator Programme in support of the provincial Tshepo 1 Million programme over the same period. Despite the decline in overall performance against the set Annual Performance Plan targets in the 2019/20 financial year, the track record of achievements reflected above is a clear indication of improvements to governance and internal controls over the years; and as we welcome the incoming Board, we trust that they will build on these and take further strides towards ensuring the advancement of Gauteng small enterprises.

On behalf of the Board I would like to express sincere gratitude to Mr Dumisani Dakile and Ms Mbali Hlophe, two of our fellow members who resigned during the 2019/20 financial year in pursuit of new career prospects. Your valued contribution to our work has been severely felt and we wish you all the best in your future endeavours as you continue to serve our citizens.

I also wish to thank the MEC for Economic Development, Agriculture and Environment, Ms Morakane Mosupyoe, and Head of Department, Ms Pumla Ncapayi, for the continued support to the entity over the past financial year.

I further acknowledge our strategic partners in government and private sector who continuously heeded the call of promoting the development and sustainability of Gauteng small enterprises to propel them into the mainstream economy; and enhance their participation in key productive value chains. Their collaborations with GEP on the roll-out of financial and non-financial support interventions for the benefit of SMMEs and Cooperatives has been invaluable and we trust they will continue to pursue an integrated approach towards growing the Gauteng economy as called for by the Gauteng Entrepreneurship Model.

To GEP management and employees, you remain at the core of moving the entity closer to the achievement of its mandate and your efforts are never in vain as they provide a glimmer of hope to Gauteng's small township enterprises in the current economic difficulty faced by the country and world at large.

**Ms Lebogang Mphahlele**

Board Chairperson

*The annual report, the annual financial statements and the audit report for 2019/20 financial year were finalised and approved by the new Board on the 18<sup>th</sup> February 2021. These reports were initially planned for approval on the 31<sup>st</sup> August 2020, but delayed due to an extension of the audit scope. At the time of their approval, the Chief Financial Officer (CFO) that was responsible for the financial statements had resigned on the 31<sup>st</sup> October 2020 prior to finalisation of the audit process on financial information, and the term of office for the previous Board had ended on the 31<sup>st</sup> September 2020 prior to finalisation of the audit process on financial and performance information. Based on these events, the annual report, the annual financial statements and the audit report for 2019/2020 were then approved and signed-off by the new Board, with effective term of office from the 1<sup>st</sup> October 2020.*

# ACTING CHIEF EXECUTIVE OFFICER'S OVERVIEW



GEP has been undergoing rigorous repositioning and this will ensure that the entity becomes relevant and more interventionists in its approach for developing the small business sector. Central to GEP turn-around strategy is the creation of sustainable businesses that are capacitated to contribute towards the creation of job opportunities. In line with the new GEP strategy, we are working hard to turn the entity around, shift from quantity driven approach to a more sustainable, impact-driven organisation. The Reconfiguration of GEP would assist in strengthening the capacity of the agency to focus on the high growth path through re-industrialisation (industrial financing) and revenue generation through partnerships with various partners. Repositioning the agency will ensure that businesses, large and small begin to prosper, thrive and create decent employment.

## **Mr Motlatjo Moholwa**

Acting Chief Executive Officer

Given the strategic positioning of the entity, in South Africa's economic hub, GEP is expected to play a prominent role in growing the province's economy. This is marked by the shift from focus on quantities to high growth trajectory, characterised by industrial financing and increased partnerships to enable the entity to scale-up interventions in the province whilst also increasing its footprints. This will require provincial support across departments and other private stakeholders.

The Covid-19 and the economic recession gripping South Africa, coupled with the reduced budget and the investment landscape, are the major challenges likely to impede GEP in delivering its mandate in the next few years. Despite the gloomy picture presented by the Covid-19 locally and globally, it also presents an opportunity for South Africa and Gauteng in the main, to bounce back and reclaim opportunities lost due to the inward focus in most countries and the less traffic flow of cheap import goods and services. This provides local businesses with an opportunity to re-industrialise and reclaim the market space. Thus, GEP would need to be pro-active and intervene in the development and support of critical sectors. In the year, ahead, GEP will assist to resuscitate small businesses with potential to create decent employment and stimulate economic growth.

Given the high concentration of small enterprises in Gauteng, and the limited resources at the entity's disposal, collaboration between GEP and key stakeholders such as, provincial government departments, the private sector and DFI's will be critical for implementing this strategy and the realisation of greater impact in the province's economy. The GGT2030 will serve as a springboard for GEP in realising and unleashing the full potential of small businesses in the province through increasing greater participation, building productive capacities and re-enforcing the resource-base.

The Agency's strategic focus for the planning period ahead will ensure GEP becomes more proactive and responsive to the need for re-industrialising townships through the establishment of programmes aimed at supporting township-based industrialists. This will ensure that GEP takes its rightful place as the centre of coordination of all small enterprise support interventions in the province in collaboration with government, DFI's, institutions of higher learning and the private sector.

Through various studies, GEP has noted the low level of economic participation, especially from township enterprises and the high informalisation of businesses. Despite interventions such as "Fix Your Business" or Qondishishini Lakho, the entity continues to encourage township businesses to register and be formalised. Through the Gauteng Entrepreneurship Model, the entity would ensure that Business Development Support interventions are extended to township businesses to increase economic participation and access to markets.

Since poverty and employment are more likely to increase, the role of GEP in building township economies would become critical. Central to the notion of township economies, GEP is expected to develop black township industrialists, whilst also focusing on supporting the township sector clusters such as furniture manufacturing, creative industry, footwear and construction. This will serve as a springboard in developing local and regional value chains and has a potential to increase market access and create employment where people live. This development thinking is in line with the National Development Plan which advocates for the creation of jobs where people live.

## ACTING CHIEF EXECUTIVE OFFICER'S OVERVIEW

GEP's Supply Chain Management (SCM) processes are aligned to SCM provisions that are timeously gazetted and issued by Parliament, National Treasury and Gauteng Provincial Treasury. The role of SCM is to support GEP business units in sourcing goods and services in line with all applicable SCM legislations and to ensure efficient, cost effective and uniform planning for procurement of goods and services. SCM processes uphold the provision of section 217 of the constitution which stipulates that "when an organ of state in the national, provincial or local sphere of government, or any other institution identified in national legislation, contracts for goods and services, it must do in accordance with a system which is fair, equitable, transparent, competitive and cost effective" when engaging and sourcing service providers for the provision of required goods and services.

The entity's SCM unit is assisting GEP to achieve its mandate of promoting, fostering, and developing small enterprises in Gauteng, implement the provisions of Preferential Procurement Regulations 2017 by applying pre-qualifying criteria to advance certain designated groups which are aligned to GEP's mandate and objectives. GEP support to Township SMMEs and Co-ops (including procurement spend on small township enterprises) for the financial year 2019/20 amounted to R41 346 325, and this aligns with the developmental mandate of promoting the sustainability of Gauteng's small business sector.

On the other hand, GEP's debt collection efforts during the 2019/20 financial year resulted in a total of R10.3 million having been collected in comparison to the collected R10.2 million from 2018/19. Given the current tough economic climate, and the financial constraints imposed by the Covid-19 pandemic on small enterprises, the entity expects significant reductions in the rand value of collections for the 2020/21 financial year. This in part, is due to the envisaged roll-out of debt relief support interventions that will see GEP clients in good standing benefiting from a minimum of six months in repayment holidays aimed at cushioning them during this period of global economic uncertainty coupled with the Covid-19 pandemic.

GEP has initiated a review and re-engineering of its the current business processes to be automated as part of GEP Digital Transformation and Innovation Programme. Although not all prioritised business processes were automated under the reporting period, automation was achieved for Strategy, Monitoring and Evaluation business processes and a MERMS was implemented in Quarter 4. This is a web-enabled solution available to users of computers and other mobile gadgets which is being used by the agency for enhancing the entity's performance information.

The entity continues to utilise its Online Application System for processing requests for support from SMMEs and Co-ops across the Gauteng City Region, and this platform has made the following achievements possible during the period under review:

- Financial support loans to 27 beneficiaries. This was lower than the envisaged 50 for the year and management has engaged the Provincial Treasury to address challenges relating the termination of cessions which previously served to secure GEP's short-term loan investments;
- Developmental support to over 3000 SMMEs and Cooperatives through GEP's start-up Community Fund, Township Business Renewal Programme and Cooperative Assistance Programme grants and Business Development Support interventions;
- Support to about 1 000 informal businesses aimed at preparing them for entry into formal markets;
- Provision of non-financial support interventions to 130 township-based construction enterprises; and
- Support to over 500 beneficiaries through the entity's Youth Accelerator and Pitching Booster Programmes.

### **Key External Audit Matters and Action Plans**

GEP is expected to bring opportunities to the many people confronted with inequalities at a spatial level through the Economic Revitalisation Action Plan and Economic Cluster Priorities. Going forward, the key focus areas in terms of GEP mandate will be the following:

- Remodelling of GEP to facilitate the long-term sustainability of industrial SMMEs and Co-ops;
- Investment attraction and access to funding through partnerships; and an integrated Development Finance Institutions (DFI) referral system; Providing support to enterprises through resource mobilisation;
- Providing opportunities for small enterprises to access government procurement opportunities through off-take agreements;
- Providing non-financial support to township-based small enterprises in key sectors, including construction and manufacturing, clothing, textiles, leather and footwear and the wholesale and retail sector;
- Non-financial support provided to township enterprises across all regions, at a spatial level, including depressed regions such as Westrand and Sedibeng;
- Financial support provided for small enterprises in the prioritised sectors, including manufacturing and agro-processing;
- Provision of support for informal businesses to be formalised and become competitive;
- Support cooperatives to be investment-ready through non-financial and qualified support interventions;
- Implementing youth accelerator programme across the five regions to curb youth unemployment in support of the provincial Tshepo 1 Million programme;
- Implementing support mechanisms aimed and enhancing the potential of Gauteng small enterprises to access and provincial government procurement set-asides and new market access opportunities; and
- Prioritising the provision of support to township enterprises, women-owned businesses and persons with disabilities' enterprises.

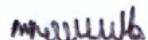
The filling of critical positions, particularly at a senior management level, is ranked high on the GEP list of priorities for the 2020/21 financial year as this will stabilise the management team and strengthen the capacity of the entity to deliver on its mandate.

The automation of business processes and development of strategies to promote a high-performance culture across the organisation are also key for the realisation of the entity's vision of "*Propelling entrepreneurs into sustainable enterprises that contribute meaningfully to inclusive economic growth and job creation*".

I wish to express my gratitude to the Shareholders and GEP Board members for their leadership and unwavering support to the management team and employees during the 2019/20 financial year.

Acknowledgement also goes to my fellow members of the executive team; your commitment throughout the past year, which has proven to be a resilience test in numerous forms, was invaluable.

To the GEP team, we have gone through a challenging financial year, however, 2020/21 presents a clean canvas for us to re-purpose this entity and ensure the hopes and aspirations of Gauteng's entrepreneurs are realised.



**Mr Motlatjo Moholwa**

Acting Chief Executive Officer



**Mr Motlatjo Moholwa**

Acting Chief Executive Officer



**Mr Khehla Mthembu**

Board Chairperson

# 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 2019/20 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 E) have been prepared in accordance with the 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 AGSA were engaged to express an independent opinion on the 2019/20 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 2020.

Yours faithfully



**Mr Motlatjo Moholwa**  
Acting Chief Executive Officer



**Ms Lebogang Mphahlele**  
Board Chairperson

*The annual report, the annual financial statements and the audit report for 2019/20 financial year were finalised and approved by the new Board on the 18<sup>th</sup> February 2021. These reports were initially planned for approval on the 31<sup>st</sup> August 2020, but delayed due to an extension of the audit scope. At the time of their approval, the Chief Financial Officer (CFO) that was responsible for the financial statements had resigned on the 31<sup>st</sup> October 2020 prior to finalisation of the audit process on financial information, and the term of office for the previous Board had ended on the 31<sup>st</sup> September 2020 prior to finalisation of the audit process on financial and performance information. Based on these events, the annual report, the annual financial statements and the audit report for 2019/2020 were then approved and signed-off by the new Board, with effective term of office from the 1<sup>st</sup> October 2020.*



# STRATEGIC OVERVIEW

The GEP vision and mission outlined adjacent are aligned to the Agency's mandate, the NDP, the economic development agenda of the province as outlined in the GCR Economic Development Plan, as well as, the Gauteng Township Economy Revitalisation and Transformation, Modernisation and Re-Industrialisation strategies.

Informed by the Gauteng Enterprise Propeller Act (No. 5 of 2005), other instructing legislation and policy, and under the strategic theme of GGT2030, the 6<sup>th</sup> Administration of the GPG has mandated the GEP to be positioned as the central hub and face of entrepreneurship, small enterprise development and industrial development in the Gauteng Province.

Specifically, the GEP mandate is to:

Promote entrepreneurship, mobilise resources and facilitate an integrated approach to entrepreneurial development and support within the province;

Provide financial and non-financial support for the development, growth and sustainability of small enterprises; and

Facilitate investment in high impact business enterprises that transform the structure and competitiveness of industrial sectors in the province.

The mandate is carried out to ensure the sustainability, growth and competitiveness of small enterprises as meaningful contributors to economic transformation and job creation in the Gauteng province. The foundation of the mandate is a well governed, stakeholder-oriented and high performing organisation.

In light of the new strategy, GEP will focus on creating impact-driven sustainable and competitive small enterprises contributing meaningfully to economic transformation and job creation in the Gauteng province.

## VISION

Propelling entrepreneurs into sustainable enterprises that contribute meaningfully to economic transformation and job creation.

## MISSION

In achieving its vision, the GEP defines its mission as:

Promoting entrepreneurship, mobilising resources and facilitating an integrated approach to entrepreneurial development and support within the Province;

Providing financial and non-financial support for the growth and sustainability of small enterprises; and

Facilitating investment in high-impact business enterprises that transform the structure and competitiveness of industrial sectors.

The Mission is enabled by sound governance and a stakeholder-oriented, high-performing organisation.

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

## VALUES

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

# LEGISLATIVE AND OTHER MANDATES

## LEGISLATIVE MANDATES

GEP is a public body established in terms of the Schedule 3C listing of provincial public entities as provided in the PFMA, No. 1 of 1999. The objectives of GEP as outlined in the Gauteng Enterprise Propeller, No. 5 of 2005 (the GEP Act) are to:

- Promote, foster and develop small enterprises in Gauteng;
- Implement the policy of the Gauteng Provincial Government for small enterprise development;
- Design and implement small enterprise development support programmes within Gauteng;
- Establish and promote a support network in order to increase the contribution of small enterprises to the Gauteng economy;
- Promote economic growth, job creation and equity;
- Integrate all government-funded small enterprise support agencies in Gauteng;
- Strengthen the capacity of service providers to assist small enterprises; and
- Strengthen the capacity of small enterprises to compete successfully domestically and internationally.

## POLICY MANDATES

Government priorities as outlined by the MTSF which guided the implementation of GEP plans during the 2019/20 financial year are as follows:

- Priority 1: Capable, Ethical and Developmental State
- Priority 2: Economic Transformation and Job Creation
- Priority 3: Education, Skills and Health
- Priority 4: Consolidating the Social Wage through Reliable and Quality Basic Services
- Priority 5: Spatial Integration, Human Settlements and Local Government
- Priority 6: Social Cohesion and Safer Communities
- Priority 7: A Better Africa and World

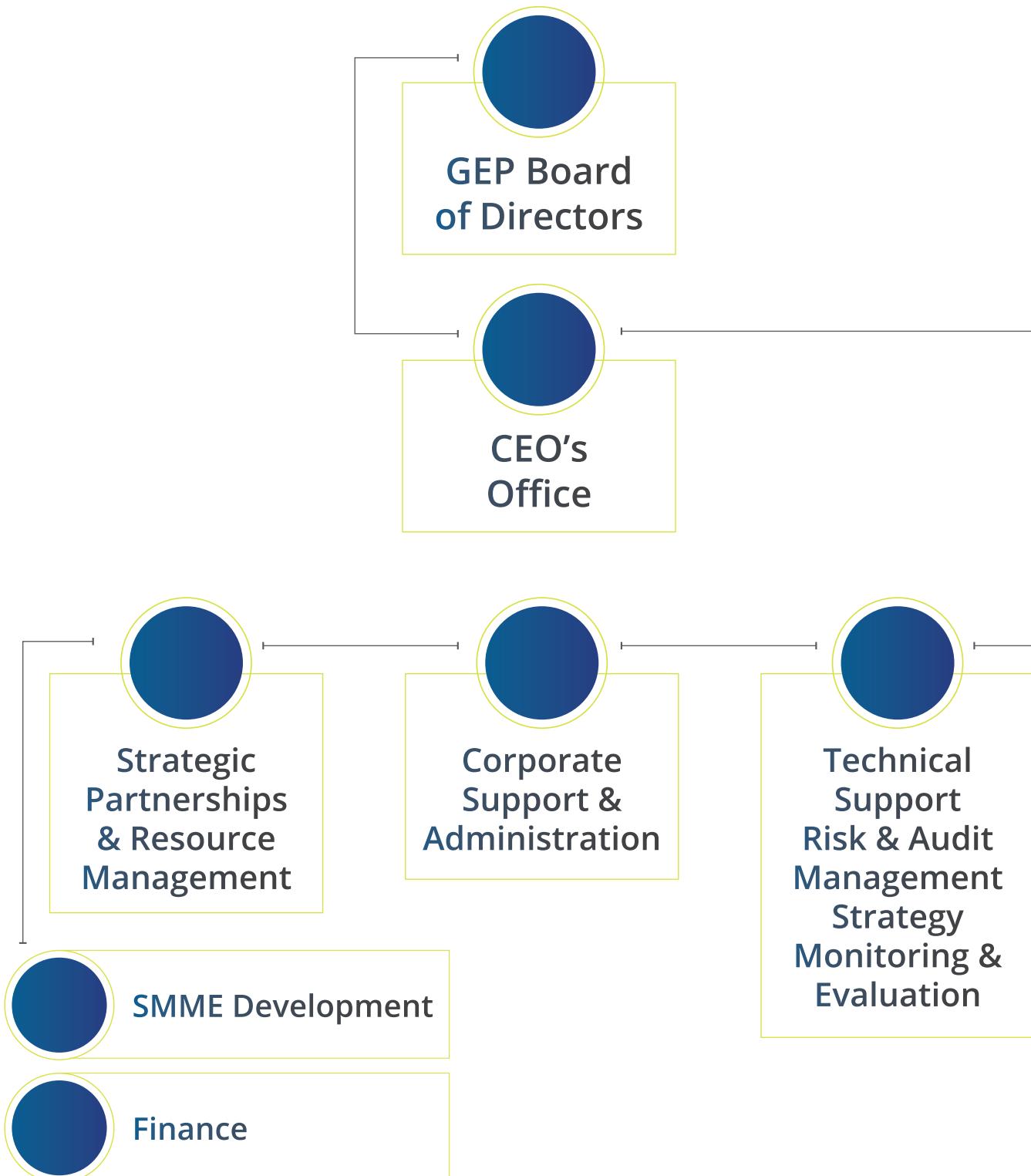
The 2019 – 2024 MTSF reflects the objective of the Sixth Administration of the democratic South Africa as that of tackling triple challenges of poverty, inequality and unemployment through the stimulation of economic growth, job creation and better services to South African citizens.

Priority 2, relating to transformation of the economy and the creation of job opportunities thus serves as a critical anchor for GEP in promoting the transformative and developmental agenda of provincial government.



# ORGANISATIONAL STRUCTURE

The GEP high-level organisational structure for the year under review is reflected below:



Programme 1: Administration, which serves as the overarching programme for divisions outlined above, provides the entity's strategic leadership and transversal support services.

# GEP BOARD OF DIRECTORS



**Mr Khehla Mthembu**  
Board Chairperson



**Ms Margaret - Ann Diedricks**  
Deputy Chairperson



**Mr Clive Kneale**  
Board Member



**Mr Thendo Ratshitanga**  
Board Member



**Mr Dumisani Dakile\***  
Board Member



**Ms Christine Walters**  
Board Member





**Mr Leon Marincowitz**  
Board Member



**Ms Dineo Maithufi**  
Board Member



**Dr Osmond Mlonyeni**  
Board Member



**Ms Mbali Hlophe\***  
Board Member



**Mr Sisa Njikelana**  
Board Member



**Ms Thobile Magerman**  
Board Member

\*Note: Members D. Dakile and M. Hlophe resigned from the Board on 26 May 2019 and 28 May 2019 respectively.

# GEP EXECUTIVE MANAGEMENT



**Mr Motlatjo Moholwa**  
Acting Chief Executive  
Officer



**Ms Nomfanelo Genuka**  
Chief Financial Officer



**Ms Nomalanga Tshatsha**  
Acting Chief Operations Officer



**Ms Vuyo Ntshoko**  
GM: Strategy, Monitoring  
& Evaluation



**Ms Crezelda Venter**  
ASM: Stakeholder  
Management & Revenue  
Generation



**Mr Vincent Mulaudzi**  
GM: Corporate Support &  
Administration



**Mr Lamlani Dube**  
GM: Risk and Audit





# PART B- PERFORMANCE INFORMATION



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# STRATEGIC OVERVIEW



The NDP outlines the country's long-term vision and provides key programmes for South Africa to advance radical economic transformation. The 2019 – 2024 MTSF further serves as an outcome-based monitoring framework for the implementation of the NDP. The MTSF outlines the key developmental priorities of South Africa's 6<sup>th</sup> Administration to be achieved through developmental goals and objectives.

At a provincial level the Growing Gauteng Together Plan is a critical plan that charts the provincial path to shared prosperity and outlines key interventions developed through extensive outcome modelling approach towards the establishment of a better Gauteng of 2030 with focused economic development and growth distributed in an equitable manner across the province that benefit all citizens, including vulnerable groupings within society. The strategic planning processes of GEP are informed by these key national and provincial results-driven plans of government which promote the development of measurable objectives through setting measurable goals and objectives and realistic implementation plans that are linked to the national and provincial priorities of government. In addition to the plans outlined above, the work of GEP during the 2019/20 financial year was primarily driven by the provincial TER and TMR strategies.

In the year under review GEP contributed to the following TMR pillars with priority on the township economy:

- Pillar 1 – Radical Economic Transformation;
- Pillar 6 – Modernisation of Gauteng economy; and
- Pillar 9 – Reindustrialisation of Gauteng economy.

The development of a new GEP strategy and vision seeks to propel the institution to promote the development of sustainable and resilient enterprises across the GCR that contribute towards job creation and stimulating the provincial economy. The shift to intervene in high growth sectors, calls for an aggressive and collaboration approach in rolling out SMME and Cooperative support geared towards developing a sustainable pipeline of township industrialists in line with the provincial TER and TMR strategies.

## AUDITOR'S REPORT: PREDETERMINED OBJECTIVES

The 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 report to management, with material findings being reported under the *Predetermined Objectives* heading in the *Report on the audit of the annual performance report* section of the auditor's report.

Refer to page 96 of the Report of the Auditors Report, published as Part E: Financial Information.

# SITUATIONAL ANALYSIS

The role of the entity in supporting key sectors of the economy has now become more critical than ever before, as entities such as GEP have become a panacea for various types of businesses that have found themselves in distress due to the outbreak of Covid-19. The entity has been entrusted with a responsibility to provide support and rescue small businesses in sectors such as manufacturing, clothing and textiles, ICT and the creative and tourism industries. On the other hand, GEP continues to address the market failures through the provision of support to diverse types of businesses including the informal businesses, whilst expected to gravitate towards high growth sectors to ensure that the entity plays a critical role in facilitating the creation of decent employment through small enterprise support interventions.

With limited resources, the entity is expected to provide relief measures to small businesses whilst also expected to contribute immensely to the Gauteng economic turn-around plan. The new GEP strategy places the entity at the centre of development in the Gauteng province whilst structural impediments such as poor coordination, alignment across government departments make it difficult for small businesses to access offtake agreements through preferential procurement and the development value chain.

The review of the Gauteng Enterprise Propeller Act, No. 5 of 2005, which was undertaken in the 2017/18 financial year was not concluded as at the end of the period under review. The Act would, however, need to also be aligned to key provincial priorities which have since risen such as the proposed reconfiguration and recapitalisation of the entity to focus on the provision of industrial financing that would enable township producers to play an active role in key productive value chains. Further alignment to the Gauteng Growth would also become a necessity.

## Overview of GEP's Performance for 2019/20

There were 20 Annual Performance Plan targets pursued by the entity in the 2019/20 financial year and 13 of these planned targets were achieved, which translates into a 60% overall achievement against annual performance targets. This was a 15% regression in comparison to the 80% performance from the prior financial year period. To mitigate this decline in performance outcomes, the entity has put measures in place for the timely project preparation and approval mechanisms whilst considerable effort has also been extended towards the re-engineering of business processes to improve the entity's levels of effectiveness and responsiveness.

In keeping with the Gauteng City Region Economic Development Plan, GEP continues to prioritise the key labour intensive sectors such as, Manufacturing; Clothing, Textiles, Leather and Footwear; Furniture and Construction.

Overall, more than 3 000 small enterprises benefited from GEP grant and business development support interventions, while an additional 1 000 informal businesses were supported through non-financial support aimed at assisting them in terms of formalisation and enhanced capabilities to compete in formal markets.

## Progress Against Our Strategic Objectives

Our objectives for the 2019/20 financial year were as follows:

- **Strategic Objective 1:** Sound internal controls and good governance;
- **Strategic Objective 2:** Unique and tailored financial support products and services that propel SMME's and cooperatives into the mainstream economy and revitalise township economies;
- **Strategic Objective 3:** Unique and tailored non-financial support products and services that propel small enterprises into the mainstream economy and revitalise township economies;
- **Strategic Objective 4:** Targeted regional non-financial support services that propel enterprises into the mainstream economy, revitalise township economies and grow the key economic sectors; and
- **Strategic Objective 5:** Targeted regional non-financial support services that propel enterprises into the mainstream economy, revitalise township economies and grow the key economic sectors.

## SITUATIONAL ANALYSIS

Moulding Entrepreneurs

Targeted GEP efforts towards these objectives led to the following results:

Strategic Objectives	Strategic Objective Indicator	Planned Target	Achievement	Deviation	Reason/s for deviation	Mitigation Actions
1. Sound internal controls and good governance	Audit outcome attained from the Auditor General (AG) on previous year's financial and non-financial performance information	Clean audit outcome attained from the AG for the 2018/19 financial year.	Unqualified audit outcome attained from the AG for the 2018/19 financial year.	Clean audit outcome not achieved for 2018/19.	Internal control and compliance deficiencies mainly relating to Financial Statements, Performance Information, SCM and Contract Management.	Implementation and tracking of AG action plans through GEP governance structures.
2. Unique and tailored financial support products and services that propel Small Enterprises into the mainstream economy and revitalise township economies	Small Enterprises provided with financial support through the provision of loans	75 Small Enterprises provided with financial support through the provision of loans between 2018/19 and 2019/20.	37	(38)	Deal cancellations due to client failures to meet loan approval conditions, approval turnaround times and difficulties in securing cessions impacted performance.	Business process re-engineering and continuation of engagements with Provincial Treasury to secure GEP contract loan investments through cessions.
	Percentage capital recovery of outstanding debts on GEP's active loan book	35%	42%	+7%	R9.6 million of the total active loan book of R23 million was collected (42%). Target was exceeded due to ongoing collection efforts to recover outstanding debt.	Not Applicable.
3. Unique and tailored non-financial support products and services that propel Small Enterprises into the mainstream economy and revitalise township economies	Enterprises supported with non-financial products and services	2 946 enterprises supported with non-financial products and services between 2017/18 and 2019/20	3 009	+63	High demand for GEP support interventions by Gauteng small enterprises.	Not Applicable.
4. Targeted regional financial support through grant funding for Small Enterprises	Enterprises provided with financial support through the provision of grant funding	3 345 enterprises provided with financial support through the provision of grant funding between 2015/16 and 2019/20	3 878	+533	High influx of applications for grant funding support by small enterprises.	Not Applicable
5. Targeted regional non-financial support services that propel enterprises into the mainstream economy, revitalise township economies and grow the key economic sectors	Enterprises supported by the regions with non-financial products and services	18 562 enterprises supported by the regions with non-financial products and services between 2015/16 and 2019/20	1 9045	+483	High influx of applications for non-financial support by small enterprises.	Not Applicable

Following the 2017/18 organisational structure review and the 2018/19 Skills Audit, 2019/20 was a transitional period from delivering on the 2015 – 2019 strategic objectives as outlined above and finalising the new GEP strategy for the 2020 – 2025 five-year term aligned to the 6<sup>th</sup> Administration mandate of scaling up efforts towards the re-industrialisation of Gauteng's township economy.

### 2020/21 Outlook

The year ahead, is ripe with opportunities for the entity to work more closely with both National and Provincial small enterprise support providers to overcome the broader socio-economic challenges gripping the province. There is a need to assist the entity to unblock some of the provincial bottlenecks such as the creation of a fertile ground for small businesses to access public procurement opportunities, strengthening coordination across departments and other players within the entrepreneurship space. During the difficult economic climate brought by the Covid-19 pandemic, the entity is required to be versatile and agile in rolling out support aimed at rescuing small businesses in distress.

There have been major strides that the entity has attained through partnerships during this difficult period, in accordance with the collaborative approach required by the Gauteng Entrepreneurship Model (GEM), and these will go a long way in increasing economies of scale and access to economic opportunities outside the entity. As an interventionist and developmental entity, this calls for unusual measures that are responsive to the current devastating economic effects of the pandemic. For the Gauteng economy to bounce back from the current economic recession, plans to deal with the urgent and pressing hurdles would need to be tackled to allow a smooth operationalisation and implementation of the GEP programs.

In the 2020/21 financial year, GEP focus will shift more towards re-industrialisation targeting higher growth sectors with high economic multiplier effects. However, the ongoing fiscal pressure is likely to hamper the new GEP strategic intervention. Thus, this calls for multiple interventions including partnering with both provincial and national entities as well as private sector players to find innovative ways of collaborating in order to stretch the limited resources for the benefit of Gauteng's entrepreneurs and unemployed youth, particularly in key sectors such as manufacturing, construction, ICT and the Green Economy.

# REPORT BY THE OPERATIONS DIVISION



**Ms Nomalanga Tshatsha**

Acting Chief Operations Officer

GEP Financial Support Loans are provided through Programme 2: IM, which seeks to ensure the optimal deployment of available loan 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.

About 40 loan applications were approved during the year under review and 27 of these, with a maximum loan value of R1.5 million each, had been disbursed to small enterprises as at the end of the financial year. A ringfenced TER allocation of R19.1 million was set aside for the provision of financial support loans to small enterprises with loans valued at about R14 million having been disbursed to 27 of the applicants that were approved for financial support loans during the year.

Regional Support is provided through the entity's Regional Offices, located across 5 corridors of the GCR, in the form of tailor-made support for the development and growth of small enterprises in accordance with the GEM stages of ideation, start-up and early growth. The following grants were offered to qualifying beneficiaries by GEP during the year in line with the TER Strategy:

- **Community Fund (CF):** a start-up grant of R9 000 intended to support businesses that have been in operation for less than a year;
- **Township Business Renewal (TBR):** a grant of R40 000 provided to businesses more than 12 months in existence; and
- **Cooperative Assistance Programme (CAP):** grant funding of R30 000 to cooperatives.

A total of about R15 Million was spent on the provision of grant support to about 643 small enterprises in 2019/20, with 320 being start-ups provided with a Community Fund grant, 263 being Township Business Renewal grant recipients and a further 60 having benefited from the Cooperative Assistance Programme grant.

## Overview of 2019/20

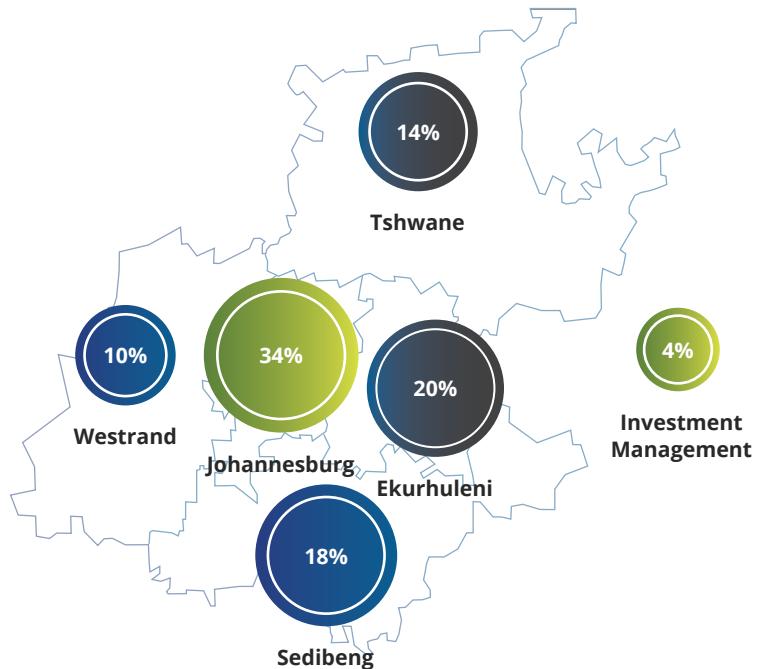
The entity's 2019/20 priorities included purposeful steps towards achieving the desired impact when it comes to improving the plight of small enterprises that are unable to tap into formal and more stringent channels of business support, as well as, unemployed citizens; particularly the youth. Through its financial and non-financial support interventions, GEP managed to provide much needed support to more than 3 000 of Gauteng's small enterprises primarily located in townships across the GCR.

The Youth Accelerator Programme, also provided job placement opportunities to about 240 unemployed young people across the GCR in support of the Provincial Tshepo 1 Million programme, with work having been continuing towards securing placements for a targeted additional 210 youth at the onset of the Covid-19 pandemic as at the end of the 2019/20 financial year. GEP's Pitching Booster ideation programme, also led to 320 SMMEs having benefited from financial, business development and mentorship support which capacitated them to gain access to opportunities in the mainstream economy.

## Regional Split

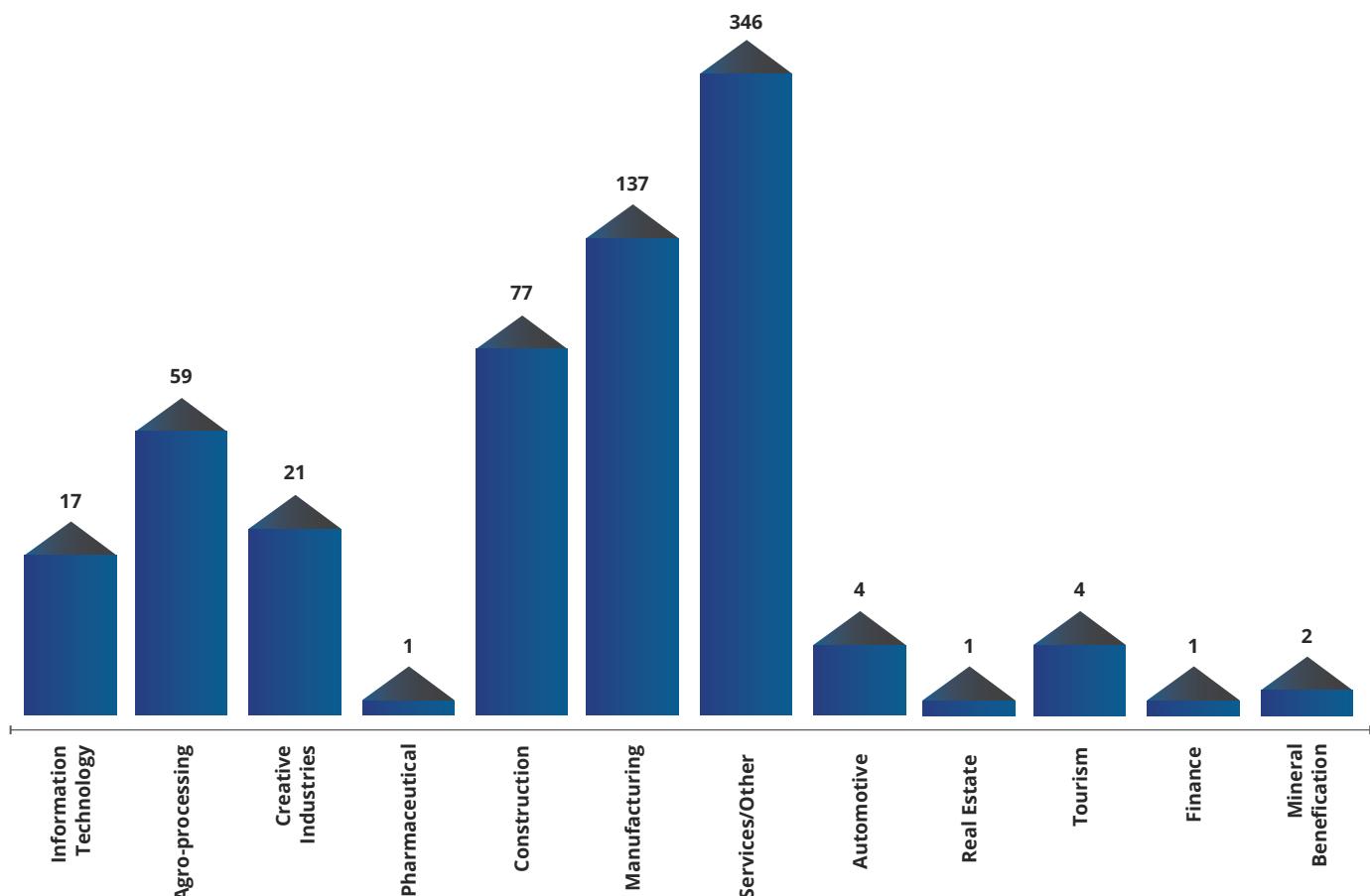
### 2019/20 Financial Support Loans and Grants:

- Tshwane – 95 grants;
- Johannesburg – 232 grants;
- Westrand - 70 grants;
- Sedibeng – 118 grants;
- Ekurhuleni – 128 grants; and
- Investment Management – 27 financial support loans.



### Distribution of GEP Support by Sector:

- Total - 670



# REPORT BY THE OPERATIONS DIVISION

## The Pitching Booster Programme

The Pitching Booster programme is an ideation programme aimed at unearthing township manufacturers and producers. Whilst it prioritises manufacturers and producers, it allows township based SMME's and Cooperatives in other sectors to pitch their business ideas/concepts that assist the province to create or accelerate job creation.

The campaign has continued to be a great success during the 2019/20 financial year with the following recorded achievements:

- Project budget: R5 million;
- Impacted small enterprises: 319
- Project reach: various communities across five regions of Gauteng Province
- Sectors represented by the beneficiaries included key sectors such as Manufacturing and Construction

The Pitching Booster has been enhanced that it not only focuses on business pitching skills but also mentorship of the winning businesses. Beneficiaries have been assigned mentors who are to work with the businesses over time and provide support in the form of mentorship. This is added intervention is envisaged to ensure success and sustainability of the small businesses.

## The Youth Accelerator Programme

The Youth Accelerator Programme is a program developed with the aim of ensuring that the Gauteng province achieves its commitment of supporting its unemployed youth. Through this program, GEP facilitated placement of unemployed young people for 'on the job' skills development and training opportunities provided to the youth. The program benefited about 240 young people that were placed in jobs provided through GEP partnerships with various private and public sector host companies in line with the Tshepo 1 Million program, a provincial programme which has created thousands of jobs in the province. In addition to the 210 youth whose placement had not been secured by the end of 2019/20 following the outbreak of the Covid-19 pandemic in March 2020, the entity plans to continue with this program in the 2020/21 financial year to the benefit of an additional 500 youth across the GCR as part of efforts to curb the high rate of unemployment.

## Challenges

In the financial year under review, GEP encountered the numerous challenges relating to the timely implementation of targeted youth development and sector specific projects such as the provision of support to local manufacturers, small enterprises in the furniture, clothing, textile, leather and footwear sectors, as well as, cooperative investment readiness support aimed at enhancing the productive and competitive capacity of cooperatives. The Youth Accelerator project was initiated late in the year and this impacted overall project implementation and the achievement of annual performance targets.

Further the onset of the lockdown towards the end of the financial year, contributed to the delayed recruitment and placement processes as the project could not continue as planned with the resultant effect being only 239 that youth were assisted against planned target of 450. The re-engineering and automation of GEP business processes will strengthen the entity's operations and performance outcomes going forward.

In view of the impact of the Covid-19 on the Gauteng's economy, the role of GEP has become critical in resuscitating the economy through the provision of small business rescue packages. The entity has contributed to the Gauteng Economic Recovery Plan and developed its own comprehensive plan targeting informal businesses, tourism businesses, spaza shops, small scale manufacturers and other sectors.

Key GEP interventions include payment holidays to clients in good standing for a six months' minimum duration, as guided by sector dynamics, and debt rescheduling to allow small businesses to recover from the economic meltdown and moratorium on hand-overs. The entity is expected to reduce its turn-around times to between five and seven days to ensure that small businesses become resilience during these difficult times. The Regional Operations are ready for the rollout of the small business relief interventions and work is continuing towards the implementation of response plans despite a reduced operational staff compliment and a need to adjust to the "new normal" in ensuring compliance with occupational health and safety measures and business continuity during and post the pandemic.

## Focus for the coming year

In the coming year, the entity will continue to focus on the rollout of key projects such as the Youth Accelerator Programme to provide job placement opportunities and entrepreneurship support to more than 500 unemployed young people across the GCR.

The focus of this program in the 2020/21 financial year will be on ensuring artisan placements of youth at specified sectors for sector specific artisan training with exit streams of new businesses for self-employment and business development support by GEP regional offices. These are in ICT, Furniture, automotive, and construction value chain, being plumbing and electricians. In addition to this the promotion of entrepreneurship as an alternate to formal employment will be yet another key aspect of the program.

GEP support in the new financial year, is targeted to benefit more than 4 000 beneficiaries across the GCR and will include business development support and grant funding to SMMEs, Co-ops and informal businesses. The entity has re-prioritised about R40 million from its 2020/21 resources to be utilised for small enterprise relief and support to spaza shops, informal businesses, salons and small scale manufacturers whose sustainability and livelihoods have been impacted by Covid-19. Strategic partnerships with stakeholders such as, national and provincial government departments, DFIs and other support providers will be critical for coordinating an integrated Covid-19 disaster management and post-Covid-19 economic recovery approach.

# OVERVIEW STAKEHOLDER MANAGEMENT & REVENUE GENERATION



**Ms Crezelda Venter**

ASM: Stakeholder Management & Revenue Generation

The Revenue Generation Unit was established due to a realisation that there are limited resources to address the Gauteng's economic agenda, hence the need to crowd-in financial and non-financial resources from national, provincial and local government, SMME support organisations, commercial banks, international donor organisations and private sector to promote the development of Gauteng's small enterprises. Such collaborations are achieved by partnering with organisations that are able to provide Enterprise Supplier Development and access to markets.

In line with the broader transformation agenda, one of the key strategic focus areas for GEP is the development of value adding partnerships to assist the organisation in meeting its legislated mandate. The partnerships are generally concluded with several stakeholders in the SMME development space and GEP collaborates with a plethora of partners who assist in the realisation of its mandate.

The Revenue Generation Unit engages partners from both private and public sector with the objective of coordinating SMME and Cooperatives funding and business development resources. The engagement with other DFIs is premised on the allocation of roles and responsibilities in executing support to SMME and Cooperatives. Resources are typically financial and in some instances facilitation of access to markets and other opportunities.

The entity's resource mobilisation strategy and implementation plan are premised on forging partnerships with all potential funders, which will result in GEP disbursing the partner funding or at best contracting fund management entities to manage funds on behalf of GEP and ensure repayment targets are met in-order to guarantee sustainability.

## International Relations Programme:

The International Relations Programme supports other GEP activities that require due diligence for potential TMR high impact projects requiring funding and support as per the recommendation and/or resolution by the BDC or the CCB. The purpose of this Programme is as follows:

- To secure International funding through the International Donor Community;
- To provide access to markets for SMMEs as per the TER strategy; and
- To benchmark against International competitors.

The Gauteng Provincial Government placed a Moratorium on all international travel in the 2019/20 financial year, therefore no international trips (i.e. outbound missions) were undertaken by GEP in this period. The entity did however; manage to participate in some inbound missions from international counterparts and international organisation hosted events. GEP participated in the Orange Corners Access to Finance breakfast hosted by the Netherlands embassy in August 2019. In May 2019, GEP together with the GGDA hosted a delegation from St Helena, United States of America, focused on benchmarking on small enterprise support structures and investment opportunities.

# OVERVIEW STAKEHOLDER MANAGEMENT & REVENUE GENERATION

## Intergovernmental Relations Programme:

IGR Programme plays an integral part in ensuring that relationships between the three spheres of government and its entities are maintained and to create the necessary platforms for collaborative efforts. Intergovernmental Relations will therefore provide a gateway for any discussions that may arise in regards to the delivery of any service to the public.

## 2019/20 GEP Partnerships

In the period under review, GEP engaged and partnered with different stakeholders as reflected below:

STRATEGIC PARTNER	FOCUS AREAS
<b>DATACOMB DEVELOPMENT HUBS</b>	Accelerated Business Development Programme <ul style="list-style-type: none"> <li>• Enterprise development</li> <li>• Skills development</li> <li>• Access to market opportunities</li> <li>• Information sharing</li> <li>• Leveraging on existing partnerships</li> </ul>
<b>GLOBAL TRADE SHOW (GTS) 2020*</b>	Global Trade Show: <ul style="list-style-type: none"> <li>• Participation and training of GEP's small enterprises at GTS 2020 (28 – 30 July 2020)</li> <li>• Exhibition space for GEP enterprises at a preferential rate</li> <li>• Networking opportunities for GEP enterprises</li> <li>• Access to market opportunities for GEP enterprises</li> </ul>
<b>BUSINESS DOCTORS</b>	<ul style="list-style-type: none"> <li>• Business assessment tool</li> <li>• Mentorship</li> <li>• Training (small enterprise and GEP front line staff focused)</li> <li>• Business Incubation</li> <li>• Enterprise Supplier Development</li> </ul>
<b>WORLD CONNECT*</b>	<ul style="list-style-type: none"> <li>• Access to international exhibition platforms</li> <li>• Access to international markets</li> <li>• Provide Enterprise Development in areas linked to pitching sales</li> <li>• Marketing material for the exhibiting enterprises</li> <li>• Handholding in the application process with the Department of Trade and Industry for financial support in line with their export programme</li> </ul>
<b>EDTP SETA</b>	<ul style="list-style-type: none"> <li>• Skills development</li> <li>• Access to market support</li> </ul>
<b>ROUND SQUARE</b>	<ul style="list-style-type: none"> <li>• Financial Management training</li> </ul>
<b>ADCOCK INGRAM HEALTH CARE</b>	<ul style="list-style-type: none"> <li>• Supplier capacity building</li> <li>• Suppliers access to markets</li> <li>• Enterprise Development in areas linked to supplier services</li> <li>• Marketing and advertising materials</li> <li>• Leveraging on existing partners</li> </ul>
<b>NYDA</b>	<ul style="list-style-type: none"> <li>• Enterprise Development</li> <li>• Job Placement</li> <li>• Access to funding</li> </ul>
<b>MANCHU GROUP</b>	<ul style="list-style-type: none"> <li>• Enterprise Supplier Development</li> <li>• Business Development Support</li> </ul>
<b>PRODUCTIVITY SA</b>	<ul style="list-style-type: none"> <li>• Enterprise Supplier Development</li> </ul>
<b>SEDA</b>	<ul style="list-style-type: none"> <li>• Business Development Support</li> <li>• Access to markets</li> <li>• Co-location alternatives</li> </ul>
<b>SAICA</b>	<ul style="list-style-type: none"> <li>• Financial Literacy Skills</li> </ul>
<b>GOOGLE SA</b>	<ul style="list-style-type: none"> <li>• Digital Skills Training</li> </ul>
<b>NATIONAL FINANCIAL LITERACY ASSOCIATION</b>	<ul style="list-style-type: none"> <li>• Business Development Support</li> <li>• Youth Development Programmes</li> <li>• Research insights on small enterprise development</li> </ul>

\*Planned 2020 trade show and exhibitions have been cancelled due to Covid-19

### Facilitation of Access to Markets

Through its partnerships and facilitation, GEP has unlocked some access to market opportunities for 15 small enterprises in the 2019/20 financial year. The access to markets opportunities were secured from both the private and public sector and across different sectors (i.e. Manufacturing, ICT, Creative Industries and Services). Beneficiaries were spread across the five regions of the Gauteng Province with a combined total contract value of over R4 million having been unlocked for these small enterprises.

### Challenges

Access to public and private sector procurement opportunities continues to be a challenge for Gauteng's small enterprises. Government needs to ensure definitive measures are in place for the enforcement of the 30% procurement set aside for township based enterprises as this will create more market access opportunities.

All spheres of government that procure across the different sectors needs to ensure that small enterprises from the townships are able to access procurement opportunities that exist. GEP therefore, has a critical role to play in the development of a pipeline of small enterprises that is capacitated to participate meaningfully in productive value chains and ready to deliver on procurement offtake agreements. Enterprise supplier development access to market opportunities are critical for small enterprises if they are to grow and participate meaningfully in the mainstream economy. This will allow them to increase their capacity and create more jobs in the different sectors and private sector partnerships are critical for the implementation of effective ESD support interventions.

### Focus for the coming year

GEP will continue to work with government departments and the private sector to forge partnerships that will open more doors for small enterprises to access opportunities, not only limited to markets in line with our ESD score card. The focus areas are Preferential Procurement Supplier diversity, Supplier Development, Enterprise Development, Accredited skills development and Product accreditation.

Meaningful partnerships and commitment from the private sector is required to ensure that small enterprises, inclusive of cooperatives, are aware of these opportunities and that they are accessible to all small enterprises, thus reducing the barriers of entry.

# SUPPORTED SMALL ENTERPRISES

CRISMO Enterprise CC



## About

### Registration Date

02/03/2011

### Business Location

Sebokeng

### Number of employees

11

### Business Vision

To be a preferred transformational partner in Scientific Research

### Business Mission

Accelerate scientific research through provision of research infrastructure.

### Business Goals and Objectives

- Create a platform for researchers and healthcare professionals to be involved in clinical trials.
- Conduct ethical clinical trials.
- Supply school uniform for all schools in Vaal.
- Contribute toward continuous improvement of patient's quality of life through research and development
- Embrace technology through Innovation and Training
- Contribute to policy development

## Financial Support

### Funding received from the various programmes provided by GEP

R28 000

### Funding has been used to purchase

Advertising

### Financial support has enabled the business to

This support enabled the company to create an online brand while using traditional marketing methods such as banners and brochures, at conference and exhibitions to share company information.

## Non-financial Support Programmes

### Accredited Training offered by accredited training providers

ISO 9001:2015 Development and Implementation of QMS

### In-house Training/Workshop offered by GEP officials

Entrepreneurship Skills

### Training by Corporate Partners offered through strategic partnerships

Printed Marketing Material; and Electronic Marketing Material.

### This assistance from GEP helped the business in achieving the following goals and objectives

The support assisted the company to implement the lessons learned during the training interventions

## Outcomes

### PERMANENT employment opportunities created since receiving support from GEP

7

### CASUAL employment opportunities created since receiving support from GEP

11

### Learnerships/Internships

8 individuals have benefitted from these programmes.

### Turnover increased by R1 208 000 from 2019 - 2020

### The following outcomes have been achieved since receiving support from GEP

Increased business footprint

### Future developments identified by GEP

Occupational Health and Safety Systems

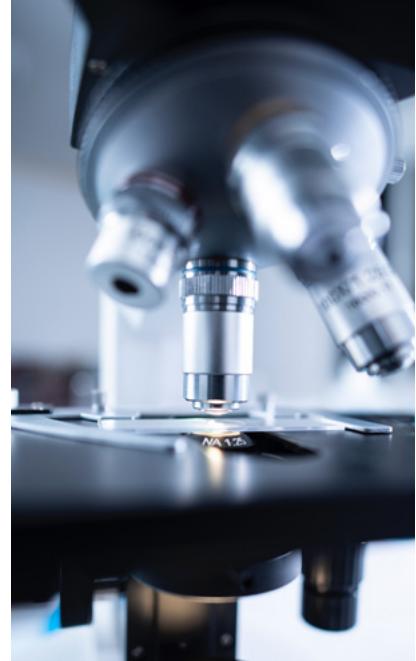
CRISMO is a black owned business based in the Bertha Gxowa Hospital in Germiston. Clinical trials are conducted by CRISMO for pharmaceutical companies before new medicines are released on the South African market. Patients are monitored closely through blood tests to determine any side affects of the medicine. CRISMO is registered with the Department of Health and is also member of the Medicine Central Council.

With the assistance of GEP, CRISMO received a Quality Management System and OHS Management System as well as Marketing Tools. This has resulted in an increase in market share, with the addition of seven new contracts as well as increased turnover. Additional equipment, comprising of blood measuring devices, remote temperature monitoring device, laptops, printer, and office furniture, has also been purchased to the value of

R50 000. CRISMO also expanded its services to Tsakane Square as well as established a satellite at Clinix Empangeni-Botsheleng Private Hospital with a paediatrician who is contracted to conduct research on children, this site is set up to resume post Covid-19.

Employment increased from two to five permanent staff as well as 15 nurses, clinical associates, and recruiters on a month-to-month basis. CRISMO has also hosted two

N6 Human Resource graduates in its Learnership programme to obtain an 18 month qualification funded by TETA and CRISMO. Eight Bachelors of Science and Management graduates have been hosted for an internship funded by HWSETA, during which each graduate received one year experience in clinical trials.



# SUPPORTED SMALL ENTERPRISES

Fuxion Shopper



## About

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### Registration Date

2017

### Business Location

Jaffe Street Lewisham, Mogale City, 1739 West Rand Corridor

### Number of employees

3

## Financial Support

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### Funding received from the various programmes provided by GEP

R9 000 - Community Fund Programme

## Non-financial Support Programmes

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### Accredited Training offered by accredited training providers

### Training by Corporate Partners offered through strategic partnerships

Marketing Tools

### In-house Training/Workshop offered by GEP officials

## Outcomes

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Turnover increased by R220 000 from 2019 - 2020

The following outcomes have been achieved since receiving support from GEP

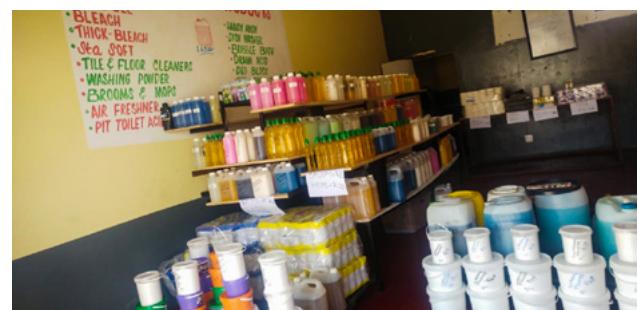
Increased Client base and Growth of business footprint

Fuxion Shopper is a business that specialises in manufacturing cleaning detergents such as, car shampoos, hand sanitisers, antibacterial hand soaps, dish washing liquid, floor polish, pine gel and bleach. Fuxion Shopper's target market consists of retailers and households in the surrounding areas.

With a lack of stock and Marketing Tools, Fuxion Shopper was unable to expand its business and client base. With the assistance of GEP, Fuxion Shopper was able to develop marketing material and conduct marketing campaigns to increase the business's footprint.

Through the Community Fund programme Fuxion Shopper was able to purchase R9 000 worth of stock.

Thanks to the assistance of GEP, Fuxion Shopper was able to increase its market share and turnover while creating employment opportunities for three individuals; Fuxion Shopper now has contracts with BP Garage and Nkwane Fibre Engineering.



# SUPPORTED SMALL ENTERPRISES

TrueEarth™



## About

### Registration Date

04/17/2013

### Business Location

Johannesburg

### Number of employees

2

### Business Vision

To be the most trusted health food brand in South Africa and beyond

### Business Mission

To contribute towards an improved quality of life through enjoyable and healthy food that everyone deserves.

### Business Goals and Objectives

TrueEarth™ intends to design, produce, market, distribute and sell "free-from" food products for both the domestic and export markets.

## Financial Support

### Funding received from the various programmes provided by GEP

R932 000

### Funding has been used to purchase

Stock

### Financial support has enabled the business to

The financial support funded some of the initial breakfast cereals launch as well as the launch of a range of snacks.

## Non-financial Support Programmes

### Training by Corporate Partners offered through strategic partnerships

Due Diligence

### This assistance from GEP helped the business in achieving the following goals and objectives

Our goal is to supply the market with a wide variety of health foods. Through the GEP's loan, we have been able to launch two products in 2019 and 2020.

## Outcomes

### PERMANENT employment opportunities created since receiving support from GEP

37

### The following outcomes have been achieved since receiving support from GEP

Increased market share and Increased business footprint.

### CASUAL employment opportunities created since receiving support from GEP

0

### Future developments identified by GEP

Financial Support Programmes

### Learnerships/Internships

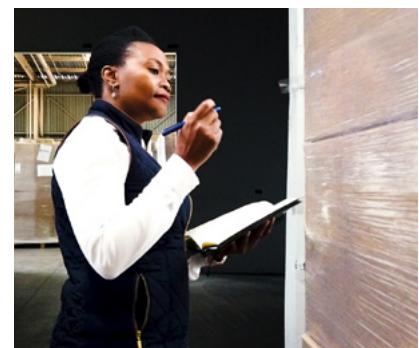
1 individual has benefitted from these programmes.

GEP was able to adequately and appropriately assist this business in achieving its business goals and objectives since providing Financial and Non-financial support.

### Turnover increased by R680 000 from 2019 - 2020

TrueEarth™ is a black female owned company focused on designing, marketing, selling, and distributing "free-from" food products for both the international and local market. TrueEarth™ has begun its business operation by producing gluten free breakfast cereals, with the intention of increasing its range of "free-from" foods in the following three to five years. Both Shoprite Checkers and Dischem Pharmacies have issued Letters of Intent to list TrueEarth™ products and have placed orders.

GEP assisted TrueEarth™ by approving a business loan during March 2020 towards financing working capital to be used for the design, marketing, distribution and selling of goods as well as the funds to cover initial orders and the launch of product marketing to increase brand visibility. This has allowed the business to focus on penetrating the cereals market by expanding shelf share and its target market.



# SUPPORTED SMALL ENTERPRISES

## SM3 Construction Trading and Projects Primary Cooperative Limited



### About

#### Registration Date

05/23/2018

#### Business Location

Riversands Incubation Hub

#### Number of employees

5

#### Business Vision

To meet and exceed our costumers expectations. To offer the best quality and durable service to our clients, making their lives easier in the process.

#### Business Mission

To ensure that our costumers get the best services at an affordable price for quick turnaround time.

#### Business Goals and Objectives

To be leaders in cutting and edging services and also to produce products of high quality.

### Financial Support

#### Funding received from the various programmes provided by GEP

R16 000 - Community Fund Programme

#### Funding has been used to purchase

Equipment

#### Financial support has enabled the business to

Power tools were purchased assisting in work efficiency while manufacturing quality and durable products. Having more tools we have been able to take on more projects at once, allowing us to generate revenue quickly.

### Non-financial Support Programmes

#### In-house Training/Workshop offered by GEP officials

Business Management Skills

#### Training by Corporate Partners offered through strategic partnerships

Printed Marketing Material

#### This assistance from GEP helped the business in achieving the following goals and objectives

This has assisted the business in developing its own brand identity as well as in marketing the business to its target market.

### Outcomes

#### PERMANENT employment opportunities created since receiving support from GEP

1

#### CASUAL employment opportunities created since receiving support from GEP

0

#### Turnover increased by R350 000 from 2019 - 2020

#### The following outcomes have been achieved since receiving support from GEP

Increased business footprint

#### Future developments identified by GEP

Marketing Tools and Occupational Health and Safety Systems

GEP was able to adequately and appropriately assist this business in achieving its business goals and objectives since providing Financial and Non-financial support.

SM3 Construction Trading and Projects specialises in manufacturing wooden furniture which includes; wall cupboards, TV stands, coffee tables and kitchen units, for the residents of the surrounding areas. GEP provided assistance in the form of Marketing Tools as well as capital through CAP to assist with the purchase of additional equipment to increase capacity and efficacy in order to meet customers' expectations.

With the increased production capacity SM3 Construction Trading and Projects is able to meet the demand of its increased client base due to the implementation of Marketing Tools provided by GEP. As a result, turnover increased and more employment opportunities have been created, SM3 Construction Trading and Projects has eight permanent and two casual employees.



# SUPPORTED SMALL ENTERPRISES

## Reqhoweng Secondary Cooperative



### About

#### Registration Date

09/25/2018

#### Business Location

Sebokeng

#### Number of employees

23

#### Business Vision

Create wealth for our people through job creation and see many families beating the poverty curse. To be one of Gauteng's largest uniform manufacturers.

#### Business Mission

Provide high quality school uniform in the Vaal area and its surroundings according to the school's specifications.

#### Business Goals and Objectives

- Provide quality products to our community at reasonable prices.
- Employ 100 people by 2023.
- Supply school uniform for all schools in Vaal.
- Open a wholesale store where other suppliers can stock.

### Financial Support

#### Funding received from the various programmes provided by GEP

R30 000

#### Funding has been used to purchase

Stock

#### Financial support has enabled the business to

Purchase fabric for an order that was needed for their first school client

### Non-financial Support Programmes

#### Accredited Training offered by accredited training providers

Accounting / Bookkeeping, Marketing plan & strategy, Printed Marketing Material.

#### Training by Corporate Partners offered through strategic partnerships

- Installation of a Payroll System
- Electronic Financial Management System

#### In-house Training/Workshop offered by GEP officials

Business Management Skills, Financial Literacy Skills

#### This assistance from GEP helped the business in achieving the following goals and objectives

"It has helped us with invoicing, tracking transactions and offering our clients professional responses. We are also able to do professional exhibitions with the marketing material."

### Outcomes

#### PERMANENT employment opportunities created since receiving support from GEP

15

#### The following outcomes have been achieved since receiving support from GEP

Increased business footprint, Increased production capacity, Employment creation

#### CASUAL employment opportunities created since receiving support from GEP

7

#### Future developments identified by GEP

Marketing Tools, Financial Management Systems

#### Learnerships/Internships

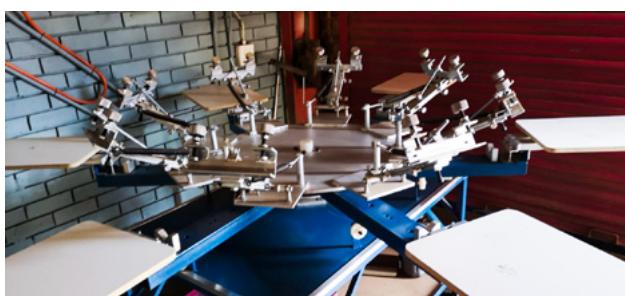
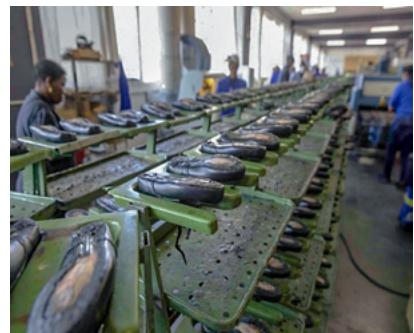
3 individuals have benefited from these programmes.

GEP was able to adequately and appropriately assist this business in achieving its business goals and objectives since providing Financial and Non-financial support.

#### Turnover increased by R100 000 from 2019 - 2020

Reqhoweng participates in the manufacturing sector in Sedibeng focusing on the production of school uniforms, school shoes, sandals, pumps, PPE and corporate wear. Due to COVID-19, Reqhoweng has started mass producing masks for individuals within the surrounding areas. The target market of Reqhoweng consists of community members and the private and public sectors. Reqhoweng has entered into a verbal agreement with Letsema Primary School to produce uniforms for more than 1 000 pupils.

GEP assisted Reqhoweng through CAP to purchase stock to the value of R30 000 which has increased production capacity; an Electronic Financial Management System to the value of R9 000 has been installed to produce credible management reports and GEP provided various Business Skills Interventions to assist members in managing the cooperative effectively. This assistance has resulted in increased turnover as well as the creation of 15 permanent jobs and seven casual employment opportunities as well as an increase in market share.



# SUPPORTED SMALL ENTERPRISES

Kgalala Palace



## About

### Registration Date

05/05/2006

### Business Location

Plot 26 Lamont park

### Number of employees

30

### Business Vision

To be one of the elite companies in construction sector and entertainment industry.

### Business Mission

Alleviate poverty through job creation and in the entertainment industry to develop, empower and enhance the individual skills.

### Business Goals and Objectives

Empower local businesses and individuals through national transformation.

## Financial Support

### Funding received from the various programmes provided by GEP

R120 000

### Funding has been used to purchase

Equipment

### Financial support has enabled the business to

Running of the office and company compliance.

## Non-financial Support Programmes

### Accredited Training offered by accredited training providers

ISO 9001:2015 Development and Implementation of QMS, ISO 9001:2015 Auditing and Certification, ISO 14001:2000 Auditing and Certification, ISO 18002:2008 Development and Implementation of OHSAS, ISO 18002:2008 Auditing and Certification.

### In-house Training/Workshop offered by GEP officials

Bookkeeping Skills

### Training by Corporate Partners offered through strategic partnerships

Printed Marketing Material.

### This assistance from GEP helped the business in achieving the following goals and objectives

Given the business an edge and accelerated the business growth.

## Outcomes

### PERMANENT employment opportunities created since receiving support from GEP

10

### CASUAL employment opportunities created since receiving support from GEP

6

### Learnerships/Internships

52 individuals have benefited from these programmes.

### Turnover increased by R1 500 000 from 2019 - 2020

### The following outcomes have been achieved since receiving support from GEP

Increased business footprint, Employment creation, Increased turnover

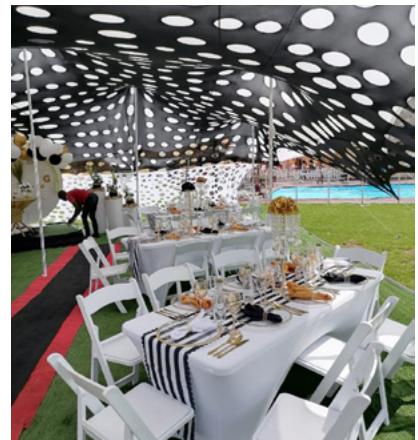
### Future developments identified by GEP

Business Plan, Marketing Tools, Business Skills Development, Financial Management Systems, Business Management Skills Development, Financial Support Programmes

GEP was able to adequately and appropriately assist this business in achieving its business goals and objectives since providing Financial and Non-financial support.

Kgalala Palace was initially established as a construction focused business and later expanded into entertainment. The target market includes members of the local community, corporates as well as government. Kgalala Palace is compliant with PAYE, COIDA, CSD vendor number except UIF through advisory and has a Tax Clearance Certificate, BBBEE Certificate, NHBRC, CIDB Level 6 and Health Acceptability Certificate. The owner of Kgalala Palace is affiliated with the Dikopane Metsing Consortium and is currently in the process of rezoning the entertainment facility.

GEP assisted Kgalala Palace with the development of; a Quality Management System, OHS System and Marketing Tools. This has led to increased turnover and sustainability through increased sales and bookings; Kgalala Palace has also been able to secure construction projects due to compliance with relevant regulations, especially safety. Job opportunities at Kgalala Palace have increased from three to 12 employees.



# SUPPORTED SMALL ENTERPRISES

VPlay Grafix (Pty) Ltd



## About

### Registration Date

05/04/2006

### Business Location

Evaton West Ext 11, Vaal

### Number of employees

4

### Business Vision

Maintain a vibrant and dynamic agency that is driven by adding value to our clients and always challenge the norm in order to break new ground. We are the door for brands to effectively communicate their message to the world.

### Business Mission

We see ourselves as a leading one stop Print shop and IT service provider specialising in the delivery of web and multimedia solutions.

### Business Goals and Objectives

Setup Print shops across the country that offers cost effective prices and a 24hr Speed service.

## Financial Support

### Funding received from the various programmes provided by GEP

R40 000- Township Business renewal

### Financial support has enabled the business to

The equipment has assisted us with offering in-house services and created job opportunities.

### Funding has been used to purchase

Equipment

## Non-financial Support Programmes

### Accredited Training offered by accredited training providers

ISO 9001:2015 Development and Implementation of QMS

### Training by Corporate Partners offered through strategic partnerships

Business Plan and Business Expansion Plan.

### In-house Training/Workshop offered by GEP officials

Business Plan Development, Sales and Marketing, Business Management Skills and Bookkeeping Skills.

### This assistance from GEP helped the business in achieving the following goals and objectives

It has helped us with being able to grow the business successfully.

## Outcomes

### PERMANENT employment opportunities created since receiving support from GEP

2

### The following outcomes have been achieved since receiving support from GEP

Increased market share, Increased business footprint, Increased production capacity, Employment creation and Increased turnover.

### CASUAL employment opportunities created since receiving support from GEP

2

### Future developments identified by GEP

Quality Management Systems and Financial Support Programmes

### Learnerships/Internships

4 individuals have benefitted from these programmes.

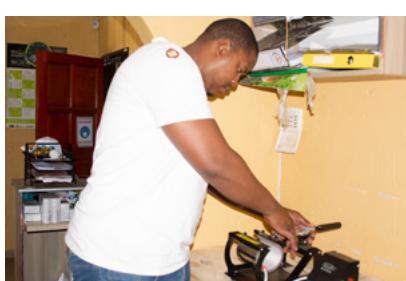
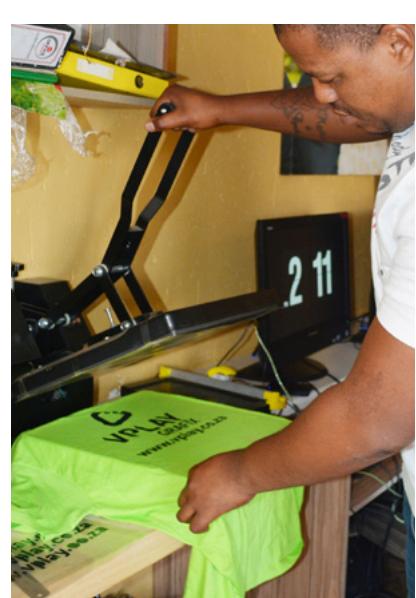
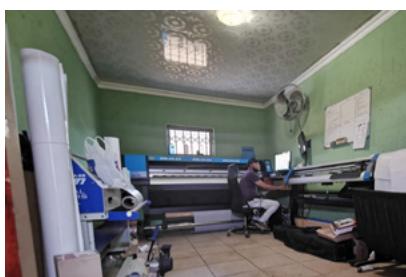
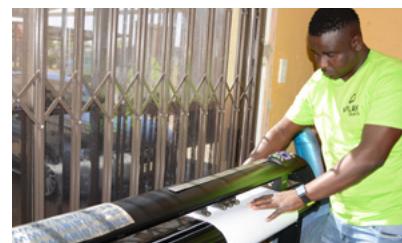
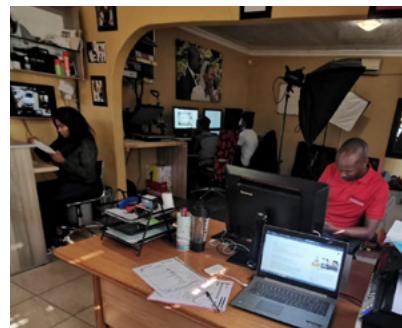
### Turnover increased by R300 000 from 2019 - 2020

GEP was able to adequately and appropriately assist this business in achieving its business goals and objectives since providing Financial and Non-financial support.

VPlay Grafix is focused on graphic design, printing, web design, hosting, signage and video production services. During 2017 VPlay Grafix successfully commissioned a local movie for Mzansi Magic TV Channel. Through the Township Business Renewal Programme GEP assisted VPlay Grafix to purchase a U-Print Multifunction Machine to the value of R40 000. An Electronic Financial Management System was also installed ensuring credible financial records are maintained.

GEP also assisted VPlay Grafix in developing an Integrated Management System to effectively manage the various services offered, as well as an OHS System to ensure compliance with industry regulations.

As a result, VPlay Grafix's turnover increased as well as the number of permanent employees increased to five individuals.



## SUPPORTED SMALL ENTERPRISES

Veggie by Nature Primary Cooperative (LTD)



### About

#### Registration Date

2017

#### Business Location

Unit 108 Greenway, Greenside Johannesburg

#### Number of employees

9

### Financial Support

#### Funding received from the various programmes provided by GEP

R9 000 - Community Fund

### Non-financial Support Programmes

#### In-house Training/Workshop offered by GEP officials

Business Plan

#### Training by Corporate Partners offered through strategic partnerships

Marketing Tools

### Outcomes

#### PERMANENT employment opportunities created since receiving support from GEP

7

#### CASUAL employment opportunities created since receiving support from GEP

2

Turnover increased by R120 000 from 2019 - 2020

#### The following outcomes have been achieved since receiving support from GEP

Since receiving support from GEP, production capacity has increased thanks to a larger piece of land being allocated to Veggie by Nature by the Johannesburg Municipality.

Veggie by Nature is 100% black owned and 80% female owned; the cooperative began operating on a 300sm patch of land allocated by the Gauteng Department of Social Development farming vegetables using water from a small stream to supply hawkers in the Diepsloot area. In 2019 Veggie by Nature was allocated a three hectare piece of land by the City of Johannesburg Municipality, which is fitted with irrigation and two greenhouse structures. Veggie by Nature is now able to produce a wide variety of vegetables which include spinach, tomatoes, peppers and lettuce which is packed on the farm is sold to

local supermarkets. Veggie by Nature also sells seedlings which are sold to other small scale farmers in the area.

GEP assisted Veggie by Nature through the Community Fund to purchase working tools to the value of R9 000. A Business Plan and Marketing Tools have been developed to further aid Veggie by Nature by successfully allocating a larger piece of land as well as marketing materials.

As a result, additional employees have been hired especially during harvesting and to package the produce.



# PERFORMANCE INFORMATION: 2019/2020

## GEP Programmes and Strategic Goals

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

**Programme 1 – Administration:** a programme responsible for the provision of strategic leadership and transversal support services required by the GEP's core functional Programmes, to ensure the successful implementation of the Entity's mandate through sustainable and integrated support and services that are customer driven.

While supporting the delivery of all three strategic goals, the focus of Programme was primarily on **Strategic Goal 3 – GEP** efficiently and effectively managed and governed.

**Programme 2 – Investment Management:** which is responsible for providing effective funding and investment management services in support of Gauteng SMME's and cooperatives. The programme supported delivery against the following strategic goals outlined in the revised 2015 – 2019 Strategic Plan:

- **Strategic Goal 1** - Gauteng's revitalised township economies contributing to shared economic growth and development; and
- **Strategic Goal 2** - Gauteng's small enterprises actively participating in the Province's mainstream economy.

**Programme 3 – Enterprise Support:** a programme with a responsibility to provide non-financial and financial support to Gauteng SMME's, cooperatives and the informal businesses. The Enterprise Support Programme also served to support delivery against the 2015 – 2019 strategic goals:

- **Strategic Goal 1** - Gauteng's revitalised township economies contributing to shared economic growth and development; and
- **Strategic Goal 2** - Gauteng's small enterprises actively participating in the Province's mainstream economy.

While the Investment Management programme focused on financial support to small enterprises, the objective of the Enterprise Support programme was to provide "*Unique and tailored non-financial support products and services that propel small enterprises into the mainstream economy and revitalise township economies*".

**Programme 4 - Regional Operations:** The programme is responsible to provide business development support interventions that play a catalyst role in the transformation of township-based SMME's, cooperatives and informal traders into sustainable businesses. The Regional Operations Programme supports delivery against the following strategic goals outlined in the Strategic Plan:

- **Strategic Goal 1** - Gauteng's revitalised township economies contributing to shared economic growth and development.
- **Strategic Goal 2** - Gauteng's small enterprises actively participating in the Province's mainstream economy.

Performance outcomes for 2019/20 are outlined in the following section.



# GEP 2019/20 ANNUAL PERFORMANCE REPORT

## PROGRAMME 1: ADMINISTRATION

Strategic Objective	Performance Indicator	Annual Target	Achievement	Annual Deviation	Reason/s for deviation	Mitigation Actions
Sound internal controls and good governance	GEP enterprise risk maturity level improved & maintained	GEP 2018/19 risk maturity improved by 1 to level 4	Level 4 out of a target of 4 of the risk maturity	None	Not Applicable	Not Applicable
	Percentage ICT Governance maturity levels improved (including information security and integrity)	10% improvement on 2018/19 ICT governance maturity level	Not achieved: DR Test performed, Disaster Recovery Plan Draft and Network Switches Specification (4%)	(6%)	Annual target was not met due to capacity constraints however, activities not dependent on specialised skills were initiated and completed.	Procurement of outstanding services was approved in February 2020 and initiated in March 2020. The process will be finalised in the 2020/21 financial year.
	Number of GEP business processes automated	3	Automation of business processes for Monitoring and Evaluation through MERMS.	(2)	The two automation projects were not achieved in the current financial year due to capacity constraints that impacted on the project rollout.	Re-skilling of the IT unit to implement and manage the Business Development Support and Investment Management business process automation.

## PROGRAMME 2: INVESTMENT MANAGEMENT

Strategic Objective	Performance Indicator	Annual Target	Achievement	Annual Deviation	Reason/s for deviation	Mitigation Actions
Unique and tailored financial support products and services that propel small enterprises into the mainstream economy and revitalise township economies	Number of small enterprises financially supported through the provision of loans	50	27	(23)	GEP contract loans were secured through cessions that ensured direct payment of funds to GEP once the clients had delivered on the contracts. The discontinuation of cessions by Provincial Treasury led to a higher credit risk for GEP and impacted on contract finance loan approvals and disbursements.	Ongoing processing of online applications, finalisation of deals that were approved but not disbursed by year-end and the continuation of engagements with Provincial Treasury to secure GEP contract loan investments through cessions.
	Percentage of prior year short-term loan disbursements (capital) recovered	50%	50%	None	Not Applicable	Not Applicable
	Percentage of GEP's active loan book recovered	35%	42%	+7%	R9.6 million of the total active loan book of R23 million was collected (42%). Target was exceeded due to ongoing collection efforts to recover outstanding debt.	Not Applicable

## GEP 2019/20 ANNUAL PERFORMANCE REPORT

### PROGRAMME 3: ENTERPRISE SUPPORT

Strategic Objective	Performance Indicator	Annual Target	Achievement	Annual Deviation	Reason/s for deviation	Mitigation Actions
Unique and tailored non-financial support products and services that propel small enterprises into the mainstream economy and revitalise township economies	Number of Gauteng manufacturers supported to produce goods	125	74	(51)	GEP has seen low small enterprises turnout with regards to sector workshops held vs. anticipated numbers.	Support to Gauteng manufacturers to be implemented through GEP Business Development Support processes.
	Number of construction enterprises non-financially supported	125	117	(8)	Annual target was not met as the targeted number of township-based enterprises was not achieved in the 1 <sup>st</sup> quarter of the financial year.	Not Applicable
	Number of enterprises supported with access to markets	15	15	0	None	Not Applicable
	Number of small enterprises supported through the Pitching Booster Programme	300	319	+19	Annual target was exceeded due to positive responses to Business Development and Pitching Workshops held during the period under review.	Not Applicable
	Number of youth benefited from the Youth Accelerator Programme	450	239	(211)	Project implementation commenced in February 2020 and job placement interventions were impacted by the inability of host companies to confirm placements in view of national contact restrictions.	Continuation of Youth Accelerator Programme implementation in 2020/21.
	Number of small enterprises supported through non-financial interventions in the priority districts of West Rand and Sedibeng	200	202	+2	Target was exceeded due to a high influx of applications for non-financial support through the GEP online system for Westrand and Sedibeng.	Not Applicable
	Number of partnerships secured through resource mobilisation efforts	10	10	0	None	Not Applicable
	Number of enterprises benefited from GEP resource mobilisation partnerships	500	393	(107)	On the money workshops with Old Mutual targeting 110 small enterprises did not take place as planned due to poor small enterprises responses that led to the redirection of partner funds to other programmes.	Continuation of Enterprise Supplier Development Support in 2020/21.

### PROGRAMME 4: REGIONAL OPERATIONS

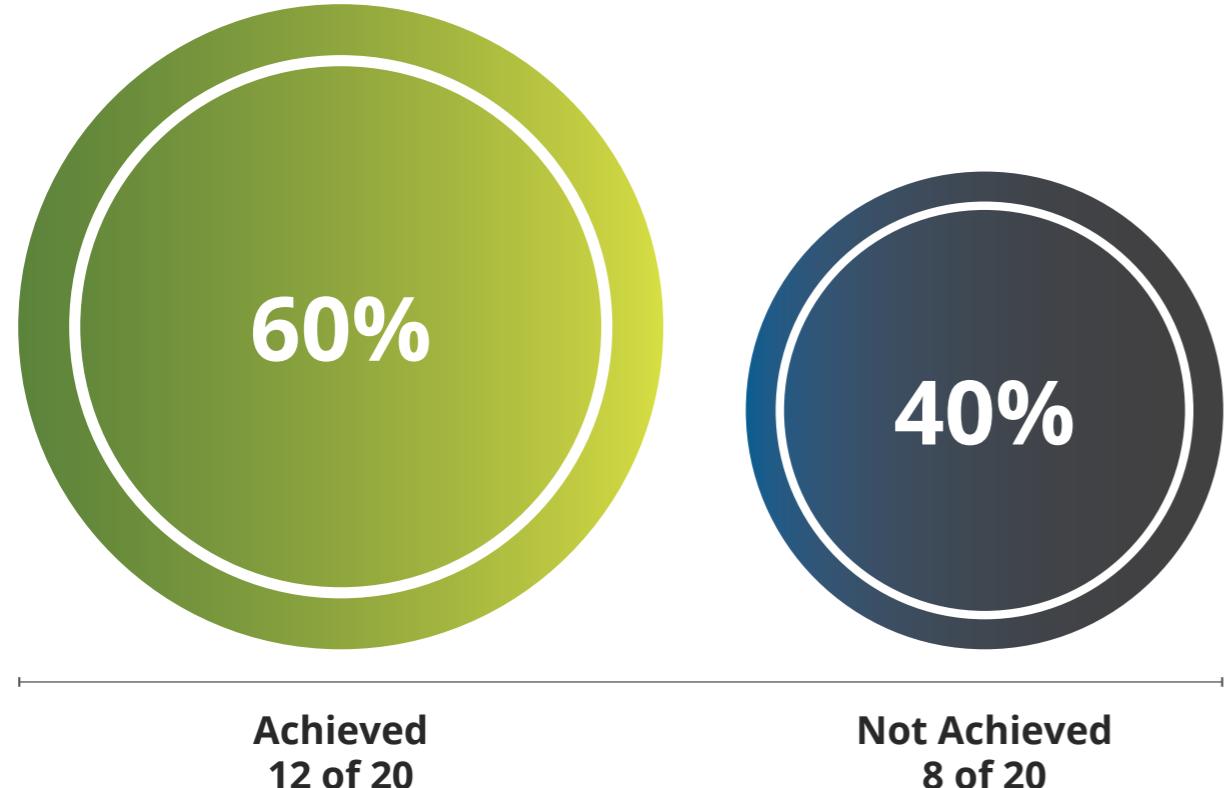
Strategic Objective	Performance Indicator	Annual Target	Achievement	Annual Deviation	Reason/s for deviation	Mitigation Actions
Targeted regional financial support through grant funding for Small Enterprises	Number of start-up Small Enterprises provided with grant funding (Community Fund)	300	320	+20	Target has been exceeded due to a high influx of applications received for start-up grant funding support (Community Fund) through the GEP online system.	Not Applicable
	Number of existing Small Enterprises provided with grant funding (Township Business Renewal Programme)	120	263	+143	Annual target was exceeded due to volumes of applications received by GEP regions, which exceeded the planned targets for the year.	Not Applicable
	Number of cooperatives provided with grant funding (Cooperative Assistance Programme)	80	60	(20)	Projects that were still at implementation stages could not be reported in Q4 and shall form part of catch-up reporting in Q1 of 2020/21 once completed and disbursed.	Implementation of the approved CAP projects and processing of new applications for support to continue.
Targeted regional non-financial support services that propel enterprises into the mainstream economy, revitalise township economies and grow the key economic sectors	Number of small enterprises supported non-financially	2 000	2 058	+58	Annual target has been exceeded due to Business Development Support projects and trainings conducted in all regions.	Not Applicable
	Number of informal businesses supported non-financially	1 000	1 001	+1	Annual target has been exceeded due to various non-financial support interventions provided to informal businesses.	Not Applicable
	Number of cooperatives supported to improve their investment readiness	100	109	+9	Annual target has been exceeded due to Business Development Support interventions conducted in regions.	Not Applicable

As at end of the financial year, 12 of 20 targets were achieved (i.e. 60%).

The below graph depicts GEP's achieved annual targets against the 2019/20 approved Annual Performance Plan:

2019 - 2020 Performance vs. Annual Performance Plan

Linking GEP Performance with Programme Budgets



Programme	2018/19 Financial Year (R'000)			2019/20 Financial Year (R'000)		
	Budget	Actual Amount	(Over) / Under Expenditure	Budget	Actual Amount	(Over) / Under Expenditure
Programme 1: Administration	73 607	74 528	(921)	79 511	79 511	0
Programme 2: Investment Management	40 531	74 954	(34 423)	31 708	24 834	6 873
Programme 3: Enterprise Support	15 246	25 225	(9 979)	80 375	23 255	57 120
Programme 4: Regional Operations	107 334	62 011	45 323	54 177	54 177	0
Total	236 718	236 718	0	245 771	181 777	63 994

# REVENUE COLLECTION

The entity exceeded the targeted debtors' collection amount of R10 million for the 2019/20 financial year and achieved a collection value of R10.3 million. The Finance Unit embarked on a process of visiting clients to ensure new debit orders are in place, as well as, to conclude new payment arrangements. A process of blacklisting clients with the Credit Bureau of South Africa as from June 2016 was also effected by the Agency and currently remains in place. This sparked reaction from the blacklisted clients and has positively impacted the Agency's collection rate. GEP debtors responded by making the required payment arrangements and in some instances negotiating settlement on the outstanding balances. The onset of the Covid-19 pandemic towards the end of the financial year has necessitated that the entity should develop debt relief mechanisms to support small businesses impacted and therefore re-evaluate its position on the blacklisting of defaulting debtors whose accounts were in good standing prior to Covid-19. The client visits continue to yield positive outcomes, resulting in an improved revenue collection position for GEP. The entity also managed to generate R5.2 million for 2019/20 through bank interest, training fees and insurance claims.

Revenue Sources	2018/19 Financial Year (R'000)			2019/20 Financial Year (R'000)		
	Budget	Actual Amount	(Over)/Under Collection	Budget	Actual Amount	(Over)/Under Collection
Debtor's Collections	10 000	14 590	(4 590)	10 000	10 300	300
Other Income (Bank Interest, Training Fees, Insurance claims)	8 000	10 031	(2 031)	0	5 352	5 352
<b>Total</b>	<b>18 000</b>	<b>24 621</b>	<b>(6 621)</b>	<b>10 000</b>	<b>15 652</b>	<b>5 652</b>

# CAPITAL INVESTMENT

There were no capital investment or major infrastructure plans implemented by GEP in the financial year under review. Measures undertaken by the Agency to ensure its asset register remained up-to-date during the financial year under review were as follows:

- Additions for the year were updated on the asset register in accordance with Treasury regulations and GRAP 17 Property Plant and equipment;
- Damaged / broken items were disposed and removed from the Asset Register; and
- Annual Physical verifications was performed to verify the existence and asses the condition of the assets.





# PART C- GOVERNANCE

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# INTRODUCTION

Corporate governance embodies processes and systems by which GEP is directed, controlled and 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 regarding 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, the Gauteng Department of Economic Development as the Shareholder and the GEP Board which serves as the Accounting Authority of the Agency are responsible for corporate governance.

# EXECUTIVE AUTHORITY

The GDED MEC is the Executive Authority of the Agency and approves the GEP Budgets, Strategic Plans and Annual Performance Plans. All the required GEP progress reports relating to the entity's financial and non-financial performance was submitted timeously to the Executive Authority during the period under review on a monthly, quarterly and annual basis in accordance with PFMA and other relevant legislative prescripts.



# THE BOARD AS THE ACCOUNTING AUTHORITY

The Board has since its appointment with effect from 1 October 2017, continued to play a critical role in terms of providing effective leadership based on the principles of honesty, professionalism, good governance and ethical business practices and exercised its oversight responsibility over financial and performance management and reporting while ensuring compliance with all relevant legal prescripts and policy imperatives.

## **The role of the GEP Board:**

### **The GEP Board Charter**

The entity's Board Charter is reviewed on annual basis and it outlined the key roles, responsibilities and composition of the Board as follows:

- Promote, foster and develop SMMEs in Gauteng;
- Design and implement SMMEs support programmes within Gauteng;
- Establish and promote a support network in order to increase the contribution of SMMEs to the Gauteng economy;
- Promote economic growth, job creation and equity;
- Integrate all government-funded SMMEs support agencies in Gauteng;
- Strengthen the capacity of contracted township based service providers to assist SMMEs; and
- Strengthen the capacity of SMMEs to compete successfully domestically and internationally.
- Exercise the fiduciary and general duties and responsibilities of an accounting authority in accordance with the provisions of the PFMA;
- Fulfil any of the roles, responsibilities and undertakings of the Board as set out in the Act;
- Provide strategic direction to GEP;
- Ensure that the responsibilities of GEP as per the Act are performed and that the objectives of GEP are achieved;
- Maintain balance between conforming to the governance framework and performing in an entrepreneurial way;
- Review and approve the financial objectives, plans and actions of the entity;
- Exercise leadership, integrity and judgement, based on fairness, transparency and accountability;
- Ensure that a succession plan for critical positions (key capabilities as identified by the Board) is in place;
- Ensure prompt communication with the Executive;
- Ensure compliance by the entity with the relevant laws, regulations and codes of best practice;
- Identify key risk areas and performance indicators in respect of the entity and monitor the performance of the entity in these respects;
- Define levels of materiality, reserving specific powers to itself and delegating other matters with the necessary written authority to management;
- Approve the entering into of contracts relating to financial and non-financial support with financial institutions or any other institutions with objectives similar to those of GEP; and
- Acquire or dispose of any right to property, provided that ownership in immovable property may be acquired or disposed of only with the consent of the Executive Authority.

The Board's action and decisions during the year under review were guided by the approved Board charter.

# THE BOARD AS THE ACCOUNTING AUTHORITY

## Approved Committee Charters

### Audit, Risk and Governance Committee (ARGC):

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

- Overseeing integrated reporting.
- Overseeing combined assurance.
- Review the expertise, resources and experience of the Finance Function, and disclose the results of such review in the integrated report.
- Review the GEP performance reports on a quarterly basis in accordance with the approved Annual Performance Plan and Budget.
- Evaluate the suitability of the expertise and experience of the Finance Function and recommend to the Board if any changes are necessary.
- Oversee and receive the risk management reports for monitoring and engagement.
- Recommend for Board approval and effectively monitor the implementation of the of GEP policies; risk management plan ("RM Plan"), Compliance Risk Management Plan ("CRMP"), risk appetite framework for decision-making and enhanced achievement of the strategic objective.
- 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 conflict of interest) processes, practices, frameworks and methodologies into day-to-day activities of the entity.
- Oversee the continuous risk assessments and ethics risk assessments at all management levels and for all risk categories, including the strategic risk assessment with the Board and recommendation for Board approval and monitoring of the Board strategic risk profile. Disclose the material/significant risks/breaches comprehensively and timely to the stakeholders and in the annual report.
- Reviewing of fraud reports (covering both potential and actual fraud) including the evaluation of the effectiveness.
- The Committee is responsible for overseeing internal audit.
- The Committee is responsible for overseeing the functioning of the compliance function.
- Oversee fraud and corruption matters.
- 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.
- Ensure that there is a process for the Committee to be informed of any reportable irregularities (as required by the Auditing Professions Act, 2005) identified and reported by the external auditor.
- Review the quality and effectiveness of the external audit process.
- Prepare a report, to be included in the annual financial statements for that financial year.

**Human Resources and Remuneration Committee (REMCO):**

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

- Operating as an overseer and makes recommendations to the Board for its consideration and final approval.
- Assist the Board to ensure that:
  - The entity remunerates executive and non-executive directors fairly and responsibly.
  - The disclosure of director and remuneration is accurate, complete and transparent.

**Credit Committee (CC):**

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

- Develop a Credit Policy for GEP.
- Approve credits which exceed the loan approval authority delegated to the Loans Committee.
- To advise the Board on the best services that can be procured from financial institutions for the benefit of SMME's.
- Serve as a conduit between the Board and financial institutions.
- Advise the Board on the best approach for funding of SMMEs in line with the strategy and mandate of GEP.

**Business Development Committee (BDC):**

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

- Develop, review and recommend the business development strategies.
- Advise the Board on best practice in respect of non-financial support to SMMEs.
- Recommends policies in relation to Business Development for Board approval.
- Oversee the achievement of business objectives and performance under normal 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 Board, the appropriate operating structure for business developments.
- Review tactical plans developed to achieve business development goals set out in the Entity's Strategic Plan.
- Review, monitor and report to the Board on business development opportunities.
- Review the economic evaluations of potential business development opportunities.

## THE BOARD AS THE ACCOUNTING AUTHORITY

Name	Designation (in terms of the Board structure)	Date appointed	Date resigned / Term ended	Qualifications	Area of Expertise	Other Committees	No. of Board Meetings attended
Mr Samuel Khehla Mthembu	Independent Non-Executive Board Chairperson	1 October 2017	N/A	B-Com (Unisa); Management Advancement Programme (Wits); and Management Development Diploma Programme (London, UK)	Leadership Development, Stakeholder Relations, Strategic Development, Business Development, Corporate Governance, Human Capital Management, Entrepreneurship Development	Member of Credit Committee	21 of 21
Ms Margaret - Ann Diedricks	Independent Non-Executive Deputy Chairperson	1 October 2017	N/A	MBA (UWC); BA Honours (Wits); H-Dip Ed (Wits), BA Arts (Cum Laude) (UWC); Advanced Executive Programme (UNISA)	Strategic Leadership and Management, Corporate Governance, Stakeholder Management and Cooperative Management,	Chairperson of Human Resources & Remuneration Committee and member of Business Development Committee	14 of 21
Mr Thendo Ratshitanga	Independent Non-Executive Board Member	1 October 2017	N/A	Masters in Public and Development Management (Wits), Post Grad Dip Public Policy and Development Management (Wits); Certificate in Programme for Management Development (GIBS); Mastering Entrepreneurship (Wits); Social Entrepreneurship Certificate (GIBS)	Business Management, Public Sector Management, Marketing, Change Management, Business and Entrepreneurship Development, Planning, Monitoring and Evaluation, Capacity Building, Information Management	Chairperson of Credit Committee and member of Business Development Committee	14 of 21
Ms Dineo Maithufi	Independent Non-Executive Board Member	1 October 2017	N/A	CA(SA), CTA, BCom Hons (Accounting), BCom (Accounting)	Finance, Audit, Compliance, Risk Management, Credit Risk Management, Business Development, Risk Assurance, Customer Portfolio Analysis, Automation, Loan Management, Banking, Budgeting and Forecasting, Accounting Frameworks IFRS, US GAAP	Chairperson of Audit, Risk and Governance Committee and member of Credit Committee	4 of 21
Mr Leon G Marincowitz	Independent Non-Executive Board Member	1 October 2017	N/A	Masters in Philosophy (UJ); Prince 2 Project Management Practitioner (ILX Group); BA Hon. Philosophy (University of Pretoria)	Entrepreneurship Development, Property Development, Corporate Governance, Legislative Framework, Strategic Programme Development, Project Coordination, Policy Advocacy, Media Liaison, Finance, Energy, Leadership, Economics	Chairperson of Business Development Committee and member of Audit and Risk and Governance Committee	16 of 21
Mr Clive Kneale	Independent Non-Executive Board Member	1 October 2017	N/A	FCIS; FSACSA; FCIBM; AIIA; DTM; F.Inst.D; FIRM	Corporate Governance, Corporate Compliance, Taxation, Risk Management and Insurance, Retirement Funding, Accountancy, Investment Administration	Member of Audit, Risk and Governance Committee	11 of 21
Ms Christine Walters	Independent Non-Executive Board Member	1 October 2017	N/A	Diploma in Social Studies (Oxford); Theology and Statistic Certificate (Platter); Extra Mural studies Certificate in Small Business (Cape Town); Certificate in Local Government (Technicon); Senior Executive Programme (Harvard & Wits); and National Diploma in Public Management (Technicon)	Transportation Policy and Infrastructure Development, Political Management, Legislative Programme, Human Resources, Corporate Administration, Facility Management and Administration, Occupational Health and Safety, Labour Relations, Social Development, Arts, Culture and Heritage, Sports and Recreation	Member of Audit, Risk and Governance Committee	10 of 21
Mr Sisa Njikelana	Independent Non-Executive Board Member	1 October 2017	N/A	Diploma in Applied Social Studies (Ruskin College, UK), Cert. Leadership Communication (Rhodes University)	Strategic Management, Change management, strategic relationships management, strategic and business planning, project planning and management, political analysis and political risk management, governance skills – strategy, structure and leadership, policy management, performance management, leadership development, community development, negotiating skills	Member of Audit, Risk and Governance Committee and Human Resources and Remuneration Committee	19 of 21
Dr. Osmond Mlonyeni	Independent Non-Executive Board Member	1 October 2017	N/A	PhD in Genetics - (University of Pretoria); M.Sc. (Cum Laude) B.Sc.(Hons); B.Sc. Genetics;	Leadership Development, Mentorship, Research and Development	Member of Audit, Risk and Governance Committee and Human Resources and Remuneration Committee	15 of 21

## THE BOARD AS THE ACCOUNTING AUTHORITY

Name	Designation (in terms of the Board structure)	Date appointed	Date resigned / Term ended	Qualifications	Area of Expertise	Other Committees	No. of Board Meetings attended
Mr Dumisani Dakile	Independent Non-Executive Board Member	1 October 2017	Resigned: 26 May 2019	Masters in Public Management and Development (Pending) (Wits); Dip. Human Resources Management (UNISA); Dip Industrial Relation (Wits); Cert. Economics and Development; Project Management and Development (Wits); Post Grad Public Management and Development	Business Management, Development and Economics, Policy Development, Stakeholder Relations, Bargaining processes, Project Management and Development	Member of Audit, Risk and Governance Committee and Human Resources and Remuneration Committee	1 of 21
Ms Mbali Hlophe	Independent Non-Executive Board Member	1 October 2017	Resigned: 28 May 2019	BA - Human and Social Studies; (UNISA), Cert. Property Investment and Practise (Wits)	Strategy Development, Property Investment, Business Development	Member of Business Development and Human Resources and Remuneration Committees	-
Ms Thobile Magerman	Independent Non-Executive Board Member	1 October 2017	N/A	B. Ed (KZN); Dip in Ministry (Rhema College), MBA (Pending) (Regenessys)	Strategy Development, Leadership, Corporate Governance, Municipal Finance Management Act, Public Finance Management Acts, Municipal Systems Act & Legislative Frameworks PFMA, MSA, MFMA, King 1-IV, Policy Formulation, Implementation, Monitoring and Evaluation, Project Management, Risk Management, Stakeholder Relationships, Budgets	Member of Credit and Business Development Committees	17 of 21

### Composition of The Board

As at the end of the financial year, the GEP Board was comprised of ten independent, non-executive members constituted by the Member of Executive Council ("the MEC") of Gauteng Department of Economic Development in terms of Section 7 of the GEP Act.

- Board members were appointed on a three (3) year term effective 1 October 2017.
- Mr K Mthembu was appointed the Chairperson of the Board with effect from 1 October 2017.
- Ms M Diedricks was also appointed as Deputy Chairperson of the Board effective from 1 October 2017.
- Mr Dumisani Dakile and Ms. Mbali Hlophe resigned from the GEP Board with effect from 26 May 2019 and 28 May 2019 respectively to pursue career developmental prospects within the Gauteng government.

The Acting Chief Executive Officer is an ex-officio member of the Board but does not receive additional remuneration or allowance for serving in the Board.

The table below depict Board meetings held in 2019/20:

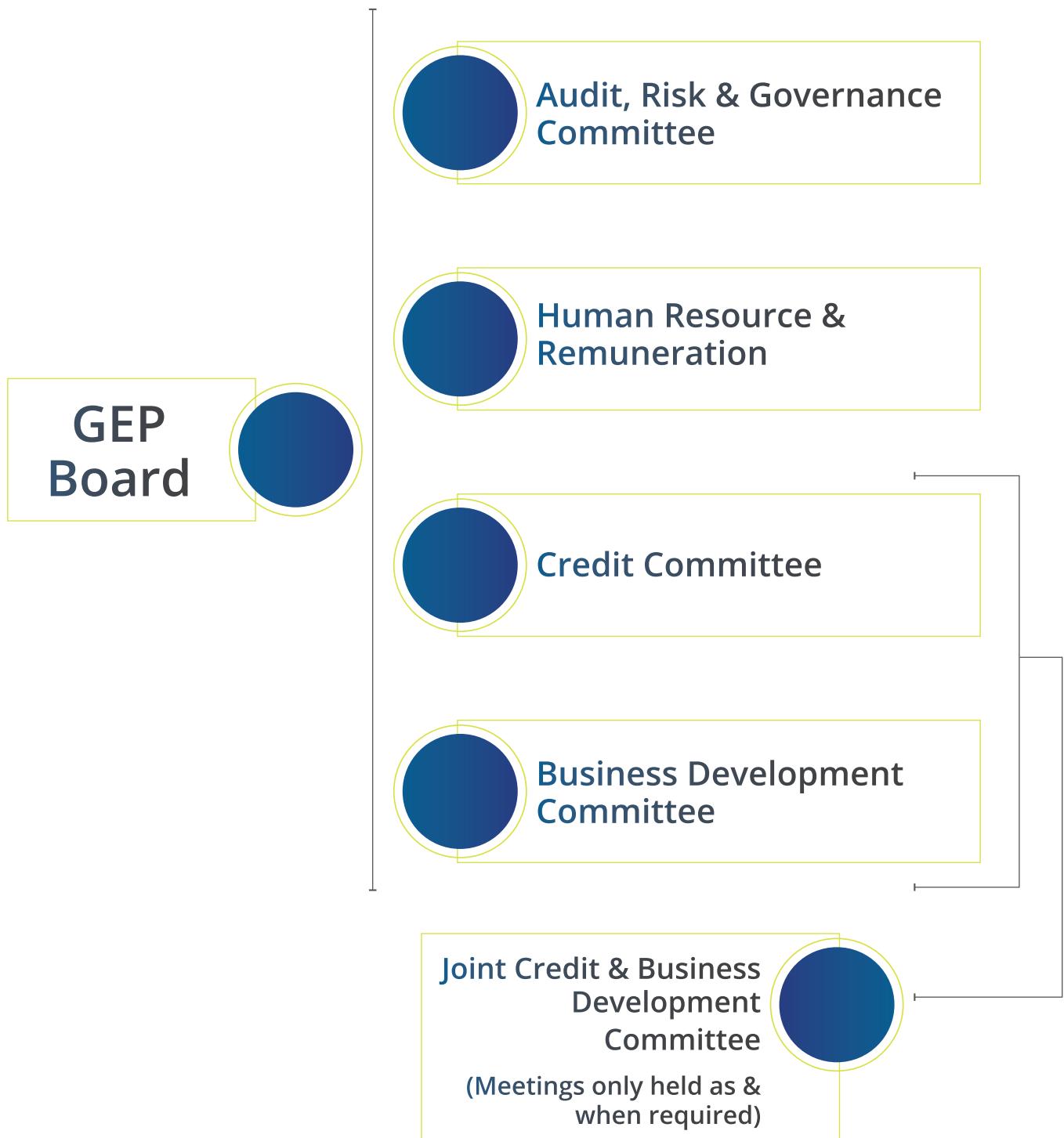
NO.	MEMBER	POSITION	MEETING ATTENDANCE	BOARD MEETINGS	BOARD COMMITTEE & MISCELLANEOUS*
1.	Mr Samuel Khehla Mthembu	Chairperson	21 of 21	3 of 3	18 of 18
2.	Ms Margaret Ann Diedricks	Deputy Chairperson	13 of 21	2 of 3	11 of 18
3.	Mr Thendo Ratshitanga	Board Member	13 of 21	2 of 3	11 of 18
4.	Ms Dineo Maithufi	Board Member	4 of 21	1 of 3	3 of 18
5.	Mr Leon G Marincowitz	Board Member	17 of 21	2 of 3	15 of 18
6.	Mr Clive Kneale	Board Member	11 of 21	2 of 3	9 of 18
7.	Ms Christine Walters	Board Member	9 of 21	1 of 3	8 of 18
8.	Mr Sisa Njikelana	Board Member	19 of 21	3 of 3	16 of 18
9.	Dr Osmond Mlonyeni	Board Member	15 of 21	2 of 3	13 of 18
10.	Mr Dumisani Dakile**	Board Member	1 of 21	0 of 3	1 of 18
11.	Ms Mbali Hlophe**	Board Member	-	-	-
12.	Ms Thobile Magerman	Board Member	17 of 21	3 of 3	14 of 18

\* Note: Special/Miscellaneous Meetings relate to meetings with the Shareholder, Strategic Sessions, Induction Programme, Special Events, Committee Workshops and Training Sessions.

\*\* Members resigned from the Board in May 2019.

# GEP BOARD COMMITTEES

The Agency's Board was supported by five Board Committees in the FY 2019/20 as depicted on the diagram below:



No scheduled sittings for the Joint CC & BDC in FY 2019/20.

Committee	No. of meetings held in 2019/20	No. of members	Names of members
Audit, Risk, Governance & Compliance Committee (ARGC)	10	6	Ms Dineo Maithufi (Chairperson) Ms Christine Walters (Member) Mr Clive Kneale (Member) Dr Osmond Mlonyeni (Member) Mr Leon Marincowitz (Member) Mr Sisa Njikelana (Member)
Human Resources & Remuneration (REMCO)	4	3	Ms Margaret-Ann Diedricks (Chairperson) Mr Sisa Njikelana (Member) Dr Osmond Mlonyeni (Member)
Credit Committee (CC)	3	4	Mr Thendo Ratshitanga (Chairperson) Ms Dineo Maithufi (Member) Ms Thobile Magerman (Member) Mr Khehla Mthembu (Member)
Business Development Committee (BDC)	4	4	Mr Leon Marincowitz (Chairperson) Ms Thobile Magerman (Member) Ms Margaret-Ann Diedricks (Member) Mr T Ratshitanga (Member)
Joint Credit Committee & Business Development Committee <i>(Meetings not mandatory, only when required)</i>	0	6	Mr Khehla Mthembu (Chairperson) Ms Thobile Magerman (Member) Mr Thendo Ratshitanga (Member) Ms Dineo Maithufi (Member) Mr Leon Marincowitz Ms Margaret-Ann Diedricks (Member)

#### Human Resources and Remuneration Committee Meetings

NO.	MEMBER	POSITION	MEETING ATTENDANCE	SPECIAL MEETINGS
1.	Ms M Diedericks	Committee Chairperson	3 of 3	1 of 1
2.	Mr S Njikelana	Committee Member	3 of 3	1 of 1
3.	Dr O Mlonyeni	Committee Member	2 of 3	1 of 1

#### Audit, Risk, Governance & Compliance Committee (ARGC)

NO.	MEMBER	POSITION	MEETING ATTENDANCE	SPECIAL MEETING
1.	Ms D Maithufi	Committee Chairperson	2 of 4	1 of 6
2.	Mr C Kneale	Committee Member	3 of 4	6 of 6
3.	Ms C Walters	Committee Member	4 of 4	6 of 6
4.	Dr O Mlonyeni	Committee Member	1 of 4	4 of 6
5.	Mr L Marincowitz	Committee Member	3 of 4	4 of 6
6.	Mr S Njikelana	Committee Member	4 of 4	6 of 6

#### Credit Committee (CC)

NO.	MEMBER	POSITION	MEETING ATTENDANCE	SPECIAL MEETINGS
1.	Mr T Ratshitanga	Committee Chairperson	2 of 2	1 of 1
2.	Ms T Magerman	Committee Member	2 of 2	0 of 1
3.	Ms D Maithufi	Committee Member	1 of 2	0 of 1
4.	Mr K Mthembu	Committee Member	2 of 2	1 of 1

## GEP BOARD COMMITTEES

### Business Development Committee (BDC)

NO.	MEMBER	POSITION	MEETING ATTENDANCE	SPECIAL MEETINGS
1.	Mr L Marincowitz	Committee Chairperson	2 of 3	1 of 1
2.	Ms M Diedericks	Committee Member	1 of 3	0 of 1
3.	Ms T Magerman	Committee Member	3 of 3	1 of 1
4.	Mr T Ratshitanga	Non-Member	2 of 3	0 of 1

### *Remuneration of Board Members*

Remuneration of Board members is determined by the Member of Executive Council ("the MEC") of Gauteng Department of Economic Development as per Section 12 and Section 13 of the Act and the National Treasury remuneration guidelines. Other expenses e.g. Travel, are reimbursed by the public entity as per the Travel Policy.

GEP Board member were remunerated as follows in the period under review:

Board Meetings	Remuneration Levels	Monthly Retainer Fee
Chairperson	R4 986.00	N/A
Deputy Chairperson	R4 231.00	N/A
Members	R3 879.00	N/A

# RISK MANAGEMENT



**Mr Lamani Dube**

General Manager: Risk and Audit

Risk and Audit unit was established in accordance with provision of the GEP Act, PFMA, Treasury Regulations, King IV Report on Corporate Governance, COSO Risk Management Model, ISO 31000 Risk Management Standards and the Public-Sector Risk Management Framework. It operates in line with requirements of the Public Sector Risk Management Framework, the Risk and Audit unit and a Board-approved Roadmap to Risk Maturity, and a Risk Management Plan which articulates a defined and disciplined approach for implementing, monitoring and maintaining good risk management practices to propel the organisation towards achieving objectives of the Risk Management Policy Framework.

Within GEP, 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, strategic objectives and satisfy its stakeholders within the prescribed regulatory framework. It is thus 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 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 Risk and Audit, reports administratively to the CEO and functionally to the Board Audit, Risk and Governance Committees for purposes of risk and assurance oversight on various risk categories in the organisation.

#### **Risk Belief at GEP ("Risk Philosophy")**

Risk is inherent in any business, more so in the business of propelling high risk SMMEs and Cooperatives (i.e. through financial and non-financial support) into the mainstream economy to reduce levels of poverty, high levels of unemployment and high levels of inequality.

Risk management is an important element of the organisational strategy and daily operations that impacts on 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. Taking business decisions must therefore be informed and underpinned by appropriate rigour and analysis, reducing incidents of fraud and corruption, reducing incidents of irregular, fruitless and wasteful expenditure and improving efficient use of resources in the rollout of projects.

# RISK MANAGEMENT

## Risk Maturity

The Risk and Audit Division's vision is to propel GEP to be "risk intelligent / matured" by 31 March 2021. Using a hybrid of ISO 31000 and the Public-Sector Risk Management Framework, a risk maturity self-assessment was undertaken and the results confirmed GEP's risk management practices in the organisation to be at level 4 out of level 5 of the risk maturity scale. As part of instilling and embedding a good risk management culture in the organisation, the gaps and improvements identified in the risk maturity self-assessment were incorporated into the Board approved four-year Risk Management Plan (RM Plan) ("the 2017/2021 RM Plan"). In reaching a level 4 risk maturity level, the key achievements over the reporting period include:

- a) implementation of the Risk Management and Business Continuity Management Policy (BCM Policy) Framework
- b) implementation of the risk appetite framework,
- c) implementation of the Combined Assurance Framework,
- d) linking the organisational strategy to the strategic risk profile,
- e) quantification of materialised, emerged, avoided and accepted risks controls and tasks (Total Cost of the actual Risk),
- f) conducting a Board strategic risk assessment,
- g) mapping of the King III to King IV for identification of gaps and improvements,
- e) development of the five year BCM Maturity Strategy,
- f) scenario analysis testing; and
- g) development of the risk management methodology.

In its intention to reach a level 5 risk maturity, the organisation will in future undertake the following activities: Coordinated risk management activities across silos (Combined Assurance), Risk appetite monitored at product level, technology implementation and enablement, contingency plans and escalation procedures, risk management training, risk modelling, 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 GRC (IGRC), data analytics, evaluation of Audit, Risk and Governance Committee in relation to risk management and risk management effectiveness independently and a risk culture survey.

## Strategic Risk Profile

For the reporting period, the Board and EXCO undertook an annual Board risk assessment to identify risks and opportunities from the 2015/2019 organisational strategy and annual performance targets for 2019/2020 financial year (In addition, the risks and opportunities for 2020/2025 strategy have also been identified), and seven strategic risk exposures were identified, relating to:

- a) financial sustainability;
- b) human capital;
- c) ICT;
- d) asset quality/credit risk;
- e) stakeholder relations/reputational risks;
- f) fraud and corruption; and
- g) regulatory framework.

Relevant risk mitigations were developed, monitored and reported to Board Audit, Risk and Governance Committee for independent oversight purposes.

## Key Audit, Risk, Governance and Committee (ARGC) Activities

Among others, the Audit, Risk and Governance Committee reviewed

- (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;
- (h) where relevant, the independence and objectivity of the external auditors,
- (i) investigate matters within its powers, as identified in the written terms of reference,
- (j) reports and make recommendations to the accounting authority,
- (k) reports on the effectiveness of internal controls in the annual report of the institution and
- (l) the financial statements in the annual report. The following ARGC meetings were held during the financial year under review:

NO.	MEMBER	POSITION	DATE APPOINTED	TERMINATION OF TERM	MEETING ATTENDANCE	SPECIAL MEETINGS
1.	Ms D Maithufi	Committee Chairperson	1 October 2017	N/A	2 of 3	1 of 6
2.	Mr C Kneale	Committee Member	1 October 2017	N/A	2 of 3	6 of 6
3.	Ms C Walters	Committee Member	1 October 2017	N/A	3 of 3	6 of 6
4.	Dr O Mlonyeni	Committee Member	1 October 2017	N/A	1 of 3	4 of 6
5.	Mr L Marincowitz	Committee Member	1 October 2017	N/A	1 of 3	4 of 6
6.	Ms S Njikelana	Committee Member	1 October 2017	N/A	3 of 3	6 of 6
7.	Mr D Dakile*	Committee Member	1 October 2017	30 May 2019	0 of 3	2 of 6

\*Member resigned on 26 May 2019.

#### Key Activities of the Internal Audit 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 Audit, Risk and Governance 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 Gauteng Legislature on the status of the GEP control environment.

The internal audit function provided reasonable assurance to management and the Board on the adequacy and effectiveness of the risk management, controls and governance processes based on the risk based annual audit plan approved by the Audit, Risk and Governance Committee. Guided by the approved risk based annual audit plan for 2019/2020, the control environment of the organisation was adequate and effective, except for areas of improvements highlighted to management and Board for enhancement and resolution.

#### Compliance with Laws and Regulations

In the pursuit of improving 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.

#### 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 prevention and ethics policy frameworks are in existence and adhered to, except in instances reported in the assurance reports and reported to Audit, Risk and Governance Committee and/or Board, including the Shareholder. The policy framework in place constitutes of the Fraud Prevention Policy, Staff Ethics Policy, Code of Conduct, Risk Management Policy, Compliance Management Policy, the 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 key 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. With a view of improving our fraud control environment holistically, GEP has developed the Board Ethics Policy and Politically Exposed Persons Policy for Board approval.

# RISK MANAGEMENT

## Mechanisms in Place to Report Fraud, Corruption and Unethical Behaviour

Guided by the fraud prevention and ethics policy frameworks mentioned above, GEP have a whistle-blowing facility availed to all internal and external stakeholders, including employees and external clients to confidentially report matters of fraud, corruption and unethical behaviour.

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

Matters reported are investigated and the outcomes of the investigation reports are tabled with relevant governance structures. During the period under review, a total of 23 cases were reported and are due for investigation by an independent panel of legal experts. In most instances, the registration of criminal cases was undertaken, including registering these matters in the schedule of actual and potential irregular, fruitless and wasteful expenditure.

## Minimising Conflict of Interest

In minimising the conflict of interest that might exists, applied that all officials and other role players or any close family member, partner or associate of such official with private or business interest in any contract to be awarded, that involved in supply chain management, must disclose any conflicts of interest to the Employer and withdraw or excuse themselves from participating in any manner whatsoever in the process relating to that contract.

## Code of Conduct

The code of conduct, fraud prevention policy and staff ethics policy were adhered to, except in instances where such is recorded in the assurance reports and reported to the Audit, Risk and Governance Committee and/or Board.

## Health, Safety and Environmental Issues

The entity has maintained effective, efficient OHS programmes with appropriate measures in place for the detection and reporting of shortcomings and mitigation actions to the relevant governance structures.

## Company Secretary

The Company Secretary is responsible for convening governance meetings, administrative support to committees and providing a central source of guidance and advise to the Board. The Company Secretary is accountable to the Board and administratively report to the CEO and has the responsibility of:

- Ensuring minutes for all shareholder meetings, board meetings, committee meetings and executive meetings are properly recorded in accordance to 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 true, correct and up to date.
- Ensuring that a copy of the company's annual financial statements is circulated, in accordance with the Act to all relevant stakeholders.

## Social Responsibility

GEP has in the 2019/20 financial year sponsored 25 events across various sectors. These events were supported based on their alignment to the GEP mandate and government priorities. Some of the sponsored beneficiaries included the LGBTIQ, Persons with Disabilities, Women and Youth.

# AUDIT, RISK AND GOVERNANCE COMMITTEE REPORT



**Ms Dineo Maithufi**

Chairperson of the Audit, Risk and Governance Committee

The ARGC is pleased to present its report for the financial year ended 31 March 2020. The ARGC is an independent statutory committee appointed by the Board of the GEP. The duties and responsibilities of the Audit Committee as delegated by the Board of the GEP are included in the report below.

## Committee Membership and Attendance

The Committee is chaired by Ms Dineo Maithufi and consists of seven Independent Non-Executive members. The Chief Executive Officer, Chief Financial Officer, Chief Operations Officer, GM Risk and Audit and external auditors have a standing invitation to all the meetings of the Committee.

On a quarterly basis, the Committee Chairperson reports the committee's activities, decisions and recommendations to the Board.

The committee's meeting attendance for the financial year under review has been summarised in the table below:

NO.	MEMBER	POSITION	MEETING ATTENDANCE	SPECIAL MEETING
1.	Ms D Maithufi*	Committee Chairperson	2 of 3	1 of 6
2.	Mr C Kneale	Committee Member	2 of 3	6 of 6
3.	Ms C Walters	Committee Member	3 of 3	6 of 6
4.	Dr O Mlonyeni	Committee Member	1 of 3	4 of 6
5.	Mr L Marincowitz	Committee Member	2 of 3	4 of 6
6.	Ms S Njikelana	Committee Member	3 of 3	6 of 6
7.	Mr D Dakile**	Committee Member	0 of 3	2 of 6

\*Sabbatical impacted on attendance by Chairperson with acting arrangements having been in place during her absence.

\*\*Member resigned effective 26 May 2019.

## Statutory Duties

Chairperson's The Audit Committee's roles and responsibilities include its statutory duties as per the PFMA, 1999 (Act No. 1 of 1999), as well as the Treasury Regulations issued in terms of the PFMA and the responsibilities assigned to it by the Board. The Audit Committee executed its duties in terms of the requirements of King IV and in instances where King IV requirements have not been applied; explanations are outlined in the Corporate Governance Statement included elsewhere in this Integrated Annual Report

The Committee performed its duties as set out in the Charter, which included a review 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.

# AUDIT, RISK AND GOVERNANCE COMMITTEE REPORT

## 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 2020, 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 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.

The areas of weakness that have been identified and are being addressed by management. The Committee will ensure that follow up reviews are conducted on such areas.

## 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 ARGC.

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 2019/20 Annual Audit Plan with meetings taking place during the year to ensure that the function is executed effectively and objectively.

## Evaluation of the finance function

The Committee is of the view that the resources and expertise within the finance function are inadequate to fulfil the entity's requirements. Measures are being put in place to address this.

## Evaluation of Financial Statements

The Committee reviewed the Annual Financial Statements ("AFS") for the year ended 31 March 2020 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 Quality of quarterly reports submitted in terms of PFMA

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. Albeit there is room for improvement in the quality of the reports, the committee is satisfied with the content thereof.

## 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 be enhanced.

## External Audit Opinion

GEP received a qualified audit outcome from the Auditor General of South Africa for the financial year ended 31 March 2020, due to the entity's inability to timeously provide contact details of a number of loans sampled for audit. This resulted in a limitation of scope as the AGSA was not able to perform direct confirmation of the said debtors. The Committee is extremely disappointed with the unforeseen qualification, which follows an Unqualified Audit Opinion in the FY 2018/19. Various interventions are being planned and implemented to respond to the issues that gave rise to the qualification.

## Conclusion

The ARGC 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 2019/10 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: Audit, Risk and Governance Committee

# B-BBEE COMPLIANCE PERFORMANCE INFORMATION

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

Has the 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 (Discussion on GEP response and measures 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?	No	Not applicable
Developing and implementing a preferential procurement policy?	Yes	GEP incorporates Preferential Procurement Regulations 2017 form National Treasury in SCM Policy and implement its provisions in all procurement activities. GEP in assisting to promote and advance Historically Disadvantaged Individuals and to achieve set APP target of increased access to procurement opportunities for township enterprises and enterprises owned by targeted groups, includes a BBBEE requirement in all procurement activities with a Rand value above R30 000.
Determining qualification criteria for the sale of state-owned enterprises?	No	Not applicable
Developing criteria for entering into partnerships with the private sector?	Yes	As guided by its mandate per the GEP Act of 2005, and ESD scorecard partnerships are aimed at supporting the core business of the organisation. Potential partnerships undergo a vigorous legal vetting and risk assessment process to ensure legal and legislative prescripts are followed and possible risks are identified to plan for mitigations where required. These partnerships should have clear financial and non-financial benefits for small enterprises in the Province through business development support and access to market opportunities.
Determining criteria for the awarding of incentives, grants and investment schemes in support of Broad Based Black Economic Empowerment?	Yes	GEP qualification criteria for financial and non-financial support is 51% black shareholding.



# PART D-

# HUMAN

# RESOURCE

# MANAGEMENT



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# CORPORATE SUPPORT AND ADMINISTRATION REPORT



## Overview of GEP Human Resources Unit

The business unit is made up of five departments: Human Resources, ICT, Legal Services, Facilities Management and Marketing and Communications. The primary objective of the business unit is to partner with the core business by providing strategic support in the functional areas inclusive of Business integration and optimisation and ICT support; Sound and up to date policies and procedures; Effective legal and contract management; Human capital management and development; Employee relations and wellness; Sound labour relations; Performance management and development; facilities, auxiliary services and OHS compliance, Brand awareness and reputation management.

## **Mr Vincent Mulaudzi**

GM: Corporate Support & Administration

**HR Priorities for the Year Under Review**

- Relations between management and labour improved as evidenced by approval of five HR Policies, concluding salary negotiations without dispute at CCMA, and a number of Labour forums held.
- The skills audit report has assisted in identifying key capacity challenges and the recommendations are being implemented.
- 95% of job profiles have been evaluated by both line managers and employees.
- Implementation of the ICT Security Strategy and Framework, and GEP ICT Strategy and Digitisation Framework in line with the Gauteng Entrepreneurship Model.

**Employee Performance Management Framework**

Compliance to Performance Management Policy in terms of performance contracting for 2019/2020 was at 97.9% and midyear appraisal was at 98.4%. The main reasons for not reaching 100% on midyear appraisals was due to some employees being on maternity leave and resignations. The final performance appraisal for the financial year was due on 30 April 2020 and it was postponed to end of June 2020 due to the outbreak of Covid-19 pandemic and the subsequent lockdown.

**GEP Employee wellness programmes**

GEP outsourced services related to employee wellness to Careways with face to face and virtual counselling having been provided as and when employees requested.

One of the markers of a well-entrenched Wellness program is having mix referral types which is reflected at GEP as follows:

Managerial referral; Trauma de-briefings following workplace incidents and most importantly Self referrals. Towards the end of financial year and with the outbreak of Covid-19 pandemic towards the end of the financial year, Life Employee Health Solutions was appointed to offer counselling services and virtual outreach to GEP employees and their family members.

**Policy Development**

The Corporate Support and Administration unit has 20 policies and managed to review five HR policies and two ICT policies which were ultimately approved by the Board during the year. 13 policies were reviewed internally and were to be consulted with Labour and finalised at oversight committee for approval. All policies are managed and reviewed as and when there are changes in the business environment informed by change in the Treasury Instructions, Gazettes and other relevant prescripts.

**Corporate Support and Administration Achievements**

- Approval of seven policies during the financial year;
- Progress relating to the implementation of the Skills Audit Report recommendations;
- Skills Development and Employment Equity Committee monthly meetings;
- 22 bursaries awarded to employees to further their studies;
- Hosting of Learnership for students living with disabilities and Internship programme from different institution of higher learning;
- Authorisation of Core Business – Investment Management and Business Development Support;

# CORPORATE SUPPORT AND ADMINISTRATION REPORT

- Collective agreement on salary improvement and other conditions of service signed without outside assistance and disputes;
- No internal disciplinary hearings, resolving on all internal grievance, reduced number of labour disputes at the CCMA and re-instatement of the unfairly dismissed shop stewards;
- Integrated GEP Online with customer credit validation and verification solution;
- Developed and implemented new GEP website;
- Establishment of the Change Management Network with representatives from different Business Units and Regional Offices who assisted in drafting new values; and
- Appointment of OHS Representatives for all GEP Offices in compliance with Occupational Health and Safety Act.

## Filling of Critical GEP Positions

The agency has 188 positions in the approved structure with 50 vacant positions, 24 have been earmarked for deletion from the organisational structure due to insufficient allocation of employee remuneration budget and 26 were identified as critical positions to be filled in 2020/2021.

## Future Corporate Support and Administration Plans

- To identify new skills set that will be required in line with new strategy and changes in the world of work as informed by lessons learned during Covid-19 which demands improvement of systems and value chain based on 4IR/new technologies;
- Organisational Structure Review to be aligned to new strategic plan for 2020 – 2025;
- Aligning the Corporate Support and Administration strategy to GEP's organisational strategy;
- Development of File Plan in line with National Archives and Record Service Act, and
- Appointment of new Panel of Attorneys and Debt Collectors.

# HUMAN RESOURCES OVERSIGHT STATISTICS

## Personnel Cost by programme

Programme	Total Expenditure for the entity (R'000)	Personnel Expenditure (R'000)	Personnel exp. as a % of total exp. (R'000)	No. of employees	Average personnel cost per employee (R'000)
Programme 1: Administration	79 511	47 424	59%	68	697 415.68
Programme 2: Investment	24 834	13 183	53%	19	693 865.21
Programme 3: Enterprise Support	23 255	10 205	43%	18	566 960.29
Programme 4: Regional Operations	54 177	28 663	52%	53	540 820.70
<b>Total</b>	<b>181 777</b>	<b>99 476</b>	<b>54%</b>	<b>158</b>	<b>2 499 061.88</b>

Note: Total expenditure for the entity to be finalised once financial reporting is concluded for the year.

## Personnel cost by salary band

Level	Personnel Expenditure (R'000)	% of personnel exp. to total personnel cost (R'000)	No. of employees	Average personnel cost per employee (R'000)
Top Management	6 890 762.98	6.9%	7	984 394.71
Senior Management	37 743 038.52	38%	32	1 179 469.95
Professional qualified	32 154 449.41	32%	47	684 137.22
Skilled	20 115 309.18	20%	54	372 505.73
Semi-skilled	2 572 927.77	3.1%	18	142 940.43
Unskilled	-	-	-	-
<b>Total</b>	<b>99 476 487.86</b>	<b>100%</b>	<b>158</b>	<b>3 36 448.04</b>

## Performance Rewards

Level	Performance rewards	Personnel Expenditure (R'000)	% of performance rewards to total personnel cost (R'000)
Top Management	N/A	N/A	N/A
Senior Management	N/A	N/A	N/A
Professional qualified	N/A	N/A	N/A
Skilled	N/A	N/A	N/A
Semi-skilled	N/A	N/A	N/A
Unskilled	N/A	N/A	N/A
<b>Total</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>

## 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 (R'000)
GEP employee training costs	93 589 717	1 469 859	1.57%	109	13 484.94

# HUMAN RESOURCES OVERSIGHT STATISTICS

## Employment and vacancies

Programme	2018/2019 No. of Employees	2019/2020 Approved Posts	2019/2020 No. of Employees	2019/2020 Vacancies	% of vacancies
Programme 1: Administration	67	87	58	32	66%
Programme 2: Investment	21	28	17	11	22%
Programme 3: Enterprise Support	20	17	15	2	4%
Programme 4: Regional Operations	45	56	52	4	8%
<b>Total</b>	<b>153</b>	<b>188</b>	<b>142</b>	<b>49</b>	<b>100%</b>

Level	2018/2019 No. of Employees	2019/2020 Approved Posts	2019/2020 No. of Employees	2019/2020 Vacancies	% of vacancies
Top Management	4	7	4	3	6%
Senior Management	27	37	29	8	16%
Professional qualified	47	63	45	18	37%
Skilled	53	72	52	20	41%
Semi-skilled	17	9	12	0	0%
Unskilled	-	-	-	-	-
<b>Total</b>	<b>153</b>	<b>188</b>	<b>153</b>	<b>49</b>	<b>100%</b>

## Employment changes

Level	Employment at beginning of period	Appointments	Terminations	Employment at end of the period
Top Management	4	0	0	4
Senior Management	27	5	3	29
Professional qualified	47	3	5	45
Skilled	53	2	3	52
Semi-skilled	17	1	6	12
Unskilled	-	-	-	-
<b>Total</b>	<b>148</b>	<b>9</b>	<b>15</b>	<b>142</b>

## Reasons for staff leaving

Reason	Number	% of total no. of staff leaving
Death	-	-
Resignation	7	54%
Dismissal	-	0%
Retirement	-	0%
Ill health	-	-
Expiry of contract	6	46%
Other	-	-
<b>Total</b>	<b>13</b>	<b>100%</b>

Employees resigned to pursue other interest whilst others had find new jobs. Some of the vacant positions will be filled in the new financial year (2020/21).

Terminations on employment changes includes employees who were promoted and moved to the higher salary band (i.e. Professionally qualified to Senior Management thus mean movement within the organisation).

## Labour Relations: Misconduct and disciplinary action

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

**Equity Target and Employment Equity Status**

The table below reflects the Company Profile; with a staff complement of 142 (100%) employees within the Agency. A total number of 131 (92.2%) employees are African; 6 (4.2%) are Coloured; 3 (2.1%) are Indian. There are only two (1.4%) white females and no white males. Males within the Agency total up to 44 (31.0%) of the staff population; out of which 42 (28.6%) are African males; whilst 1 (0.70%) are Indian and the other one (0.70%) is Coloured.

Only two employees reported their disability as shown in the table. It is worth noting that employees are not obliged to report their disabilities.

Occupational Levels	Male				Female				People with Disabilities		Total
	A	C	I	W	A	C	I	W	Male	Female	
Top / Senior Management GRADE E	2	0	0	0	2	0	0	0	0	0	4
Middle Management GRADE DU – D3	11	0	1	0	14	2	0	1	0	0	29
Professionally qualified GRADE D2 – D1	12	0	0	0	17	0	1	0	1	0	31
Skilled technical and academically qualified GRADE C	13	1	0	0	27	3	0	1	0	0	45
Semi-skilled and discretionary decision making GRADE B	0	0	0	0	28	0	1	0	1	0	30
<b>Total Permanent Staff</b>	<b>36</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>86</b>	<b>5</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>0</b>	<b>135</b>
Interns NON-GRADED	2	0	0	0	1	0	0	0	0	0	3
<b>Grand Total</b>	<b>40</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>89</b>	<b>5</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>0</b>	<b>142</b>

# **EMPLOYMENT EQUITY TARGETS**

The employment Equity Targets for the Agency are informed by the Economically Active Population Statistics of the Gauteng Province in line with the legislation. As per the table below:

- There is an over representation of African females; Coloured females and Indian females.
- The groups that are under represented are African males; Coloured males; Indian males and white individuals.

Population Group (Provincial)	Economically Active Population Representation by Gender					
	Male		Female		Total	
	Actual (GEP)	Target	Actual (GEP)	Target	Actual (GEP)	Target
African	29.6	45.2%	62.7	35.8%	92.3	81.0%
Coloured	0.7	1.3%	3.5	1.4%	4.2	2.8%
Indian	0.7	1.8%	1.4	1.2%	2.1	3.0%
White	0	7.3%	1.4	6.0%	1.4	13.3%
<b>Total</b>	<b>31</b>	<b>55.5%</b>	<b>69</b>	<b>45.5%</b>	<b>100%</b>	<b>100%</b>



# PART E - FINANCIAL INFORMATION



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# REPORT FROM THE FINANCE OFFICER



**Ms Nomfanelo Genuka**  
Chief Financial Officer

## OVERVIEW OF THE 2020/2021 ANNUAL FINANCIAL STATEMENTS

The GEP Annual Financial Statements (AFS) have been prepared in accordance with the Standards of GRAP, as well as the requirements of the PFMA, of 1999 and National Treasury Prescripts. The AFS have been prepared according to appropriate accounting policies which are consistently applied and supported by reasonable and prudent judgement and estimates. GEP's funding requirements are sourced mainly from operational and conditional grants received from the GDED which is its sole shareholder. This funding is mainly to assist the operational activities of GEP, including issuing of loans to SMME's and Co-ops, and providing financial and non-financial support to SMME's.

During 2019/20 financial year, GEP paid out R13.9 million in financial support loans compared to R5.1 million paid out in the previous financial year. The R13.9 million was mainly attributed to prior year commitments while a significant amount of the financial support 2019/20 budget was not utilised by year end and also under committed. During the year under review, GEP collected R10.3 million which is 103% of the annual target compared to the R9.7 million from prior year was collected from the outstanding debtors. Even though there is a slight increase of R600 000 in the collection GEP is still struggling in collecting funds from debtors mainly due to historical challenges related to the quality of the loan book, the tough current economic climate and the fact that GEP issued a lesser number of financial support loans in comparison to grants during the financial year under review.

With all the challenges that GEP encountered during the period under review, it has managed to maintain and improve its systems and controls. By way of illustration, payment of service providers has improved: it is now sitting at 100% of payments to suppliers under fifteen days. This shows that GEP met its target of ensuring that the turnaround period for payment of creditors is under the legislated 30 days.

### Assets

The total assets at 31 March 2020 were R217 million, which demonstrates an increase when compared to our total assets for the previous financial year of R185 million. The current assets at 31 March 2020 were R194 million, compare with R149 million for the previous year. This shows an increase of R32 million from the previous financial year which is mainly due to the increase in cash and cash equivalents when compared to the previous financial year.

### Liabilities

GEP total liabilities as at 31 March 2020 were R92.3 million. This was mainly attributed by the payables of exchange transactions and unspent conditional grants of R10.1 and R75.9 million respectively. In addition there was a significant decrease in the operating lease liability. The decrease in the operating lease liability is due to the unwinding of the liability as the lease term reduces and moves towards an end. GEP also obtained finance lease transactions for office printers. This resulted into an increase or capitalised finance lease obligation of R3.2 million (R1.1m current and 2.1 million non-current).

### Net Assets Value Statement

The net asset value (NAV) of the organisation has decreased in the period from R138.6 million, to R125.1 million. The decrease in NAV is as a result of the deficit of R13.4 million incurred in the current year. The deficit is unpacked below, under the extract from the Financial Performance Statement. The R13.4 million deficit for 2019/20 was made up revenue of R223 million and expenditure of R236 million.

## Revenue: Non-Exchange and Exchange

The provincial grant for the year was R201.5 million, which was a decrease of R39.5 million when compared to the previous year provincial grant of R241 million. During the year, additional conditional grant revenue of R6.7 million was recognised as revenue during the year, compared with only R23 million in the previous year.

During the current financial year, GEP earned exchange revenue of R16.4 million interest. Prior year exchange revenue was R14.4 million, also mainly made up of debtor interest. The increase is due to accounts being handed over which result compound interest being added to the financial support loans balance. The total revenue, non-exchange revenue, exchange revenue and finance income, for the Agency was R223.3 million for the current financial year against R.5 million in the previous financial year.

## Loan Book Performance and Credit Risk

The total GEP loan book is valued at R197 million. During the financial year, GEP, did not write off any bad debts. The entity did, however, provide for debtors to the value of R129 million, compared with a provision for doubtful debts of R84 million in the previous financial year. The R129 million consists of R 108.9 million for trade debtors and R20.5 million for financial support (FSS) Loans.

The current year provision for doubtful debts adjustment is R45 million, compare with the previous year's doubtful debts adjustment of R39 million. The current year increase in the Provision for doubtful debts is reflective of the broader difficult macro environment that SMME's in the province operate in and the challenges faced by them. In spite of the difficult macro-economic environment, GEP was still able to collect R10.3 million from debtors. The debtor collections target for the year was R10 million, therefore the over collection was R300 000. The provision for doubtful debts is an indication that GEP might write off 66% of its total loan book, which is an increase from 48% in the previous financial year. Furthermore, the current year increase in the provision for doubtful debts is a reflection that GEP is struggling, for a variety of reasons, to collect certain monies that are owed to it by defaulting clients this notwithstanding GEP's best endeavours to collect.

For 2020/21 financial year, the performance of the loan book will be affected due to client not being operational as a result of the Covid-19 pandemic. The entity has also implemented payment relief for its clients which that necessitated the reviewing of the collection target for the 2020/21 FY to place greater emphasis on debt relief support.

## Irregular Expenditure

An irregular expenditure of R51 has been identified by AGSA. The transaction relates to month to month expired contracts and non-compliance with supply chain laws and regulations.

## Fruitless and Wasteful Expenditure

An amount of R47 058 705 has been identified as irregular by management. In addition there was interest costs on late payment to Sanlam Retirement Fund for an amount of R3 927.00 and advertised tender on Government Tender Bulletin twice without treasury prior approval for an amount of R500.00.

## Appreciation

I would to extend words of gratitude to the Executive Management team of GEP and employees who contributed to the completion of the 2019/20 financial year. The qualified audit opinion outcome for 2019/20 relates to the receivables of the entity. It was a difficult year that came with several challenges but through determination and hard work, we will implement the Auditor General recommendations to ensure that in the next audit, the entity improves the audit opinion.



## Mr Kealeboga Bogatsu

Chief Financial Officer

*The annual report, the annual financial statements and the audit report for 2019/20 financial year were finalised and approved by the new Board on the 18<sup>th</sup> February 2021. These reports were initially planned for approval on the 31<sup>st</sup> August 2020, but delayed due to an extension of the audit scope. At the time of their approval, the Chief Financial Officer (CFO) that was responsible for the financial statements had resigned on the 31<sup>st</sup> October 2020 prior to finalisation of the audit process on financial information, and the term of office for the previous Board had ended on the 31<sup>st</sup> September 2020 prior to finalisation of the audit process on financial and performance information. Based on these events, the annual report, the annual financial statements and the audit report for 2019/2020 were then approved and signed-off by the new Board, with effective term of office from the 1<sup>st</sup> October 2020.*



## Report of the Auditor-General to the Gauteng Provincial Legislature on Gauteng Enterprise Propeller

### Report on the audit of the financial statements

#### Qualified opinion

1. I have audited the financial statements of the Gauteng Enterprise Propeller set out on pages 103 to 140, which comprise the statement of financial position as at 31 March 2020, statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, except for the possible effects of the matters described in the basis for qualified opinion section of this auditor's report, the financial statements present fairly, in all material respects, the financial position of the Gauteng Enterprise Propeller as at 31 March 2020, and its financial performance and cash flows for the year then ended in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA).

#### Basis for qualified opinion

##### Financial support loans at amortised cost

3. I was unable to obtain sufficient appropriate audit evidence for financial support loans at amortised cost, as I was not provided with the contact details of the debtors and the public entity did not have adequate debt management related internal controls. I was unable to obtain sufficient appropriate audit evidence to confirm financial support loans at amortised cost included in the financial statements by alternative means as sufficient appropriate audit evidence was not provided. Consequently, I was unable to determine whether any further adjustment relating to financial support loans at amortised cost, stated at R29 982 637 in the financial statements, was necessary.

##### Receivables from exchange transactions

4. I was unable to obtain sufficient appropriate audit evidence for receivables from exchange transactions, as I was not provided with the contact details of the debtors and the public entity did not have adequate debt management related internal controls. I was unable to obtain sufficient appropriate audit evidence to confirm receivables from exchange transactions included in the financial statements by alternative means as sufficient appropriate audit evidence was not provided. Consequently, I was unable to determine whether any further adjustment relating to receivables from exchange transactions, stated at R39 589 044 in the financial statements, was necessary.

#### Context for the opinion

5. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of this auditor's report.
6. I am independent of the public entity in accordance with sections 290 and 291 of the Code of ethics for professional accountants and parts 1 and 3 of the International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA codes) as well as the 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 codes.
7. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

## **Emphasis of matters**

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

## **Restatement of corresponding figures**

9. As disclosed in note 30 to the financial statements, the corresponding figures for 31 March 2019 were restated as a result of an error in the financial statements of the public entity at, and for the year ended, 31 March 2020.

## **Impact of covid-19 in the financial statements**

10. I draw attention to note 28 to the financial statements, which deals with going concern and specifically the possible effects of the future implications of Covid-19 on public entity's future prospects, performance and cash flows. Management have also described how they plan to deal with these events and circumstances. Our opinion is not modified in respect of this matter.

## **Responsibilities of the accounting authority for the financial statements**

11. The accounting authority, is responsible for the preparation and fair presentation of the financial statements in accordance with the 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.

12. In preparing the financial statements, the accounting authority is responsible for assessing the public entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the public entity or to cease operations, or has no realistic alternative but to do so.

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

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

14. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

## **Report on the audit of the annual performance report**

### **Introduction and scope**

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

16. My procedures address the usefulness and reliability of the reported performance information, which must be based on the approved performance planning documents of the public entity. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the public entity enabled service delivery. My procedures also do not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

17. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programme presented in the annual performance report of the public entity for the year ended 31 March 2020.

Programme	Pages in the annual performance report
Programme 3 – enterprise support	54 – 60

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

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

#### Various indicators

20. The achievements below were reported in the annual performance report for the listed indicators. I was unable to obtain sufficient appropriate audit evidence that systems and processes were established to enable consistent measurement and reliable reporting of performance against the predetermined indicator definitions. This was due to insufficient measurement definitions and processes. I was unable to validate the existence of systems and processes by alternative means.

Indicator	Reported achievement
3.1 Number of Gauteng manufacturers supported to produce goods	74
3.2 Number of construction enterprises non-financially supported	117
3.4 Number of small enterprises supported through the pitching booster programme	319
3.6 Number of small enterprises supported through non-financial interventions in the priority districts of West Rand and Sedibeng	202

#### Other matter

21. I draw attention to the matter below.

#### Achievement of planned targets

22. Refer to the annual performance report on pages 54 to 60 for information on the achievement of planned targets for the year and explanations provided for the under-/over achievement of a significant number of targets. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraph(s) 19 to 20 of this report.

#### Report on the audit of compliance with legislation

##### Introduction and scope

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

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

#### **Annual financial statements, performance and annual reports**

25. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework and supported by full and proper records, as required by section 55(1) (a) and (b) of the PFMA.

26. Material misstatements of non-current assets and current assets identified by the auditors in the submitted financial statements were corrected and the supporting records were provided subsequently, but the supporting records that could not be provided resulted in the financial statements receiving a qualified opinion.

#### **Procurement and contract management**

27. Some of the quotations were accepted from prospective suppliers who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, which is prescribed in order to comply with treasury regulation 16A8.3. Similar non-compliance was also reported in the prior year.

#### **Expenditure management**

28. Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R47 058 705 as disclosed in note 33 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 supply chain management laws and regulations. Irregular expenditure amounting to R36 680 433 was incurred on price standardisation contract.

#### **Consequence management**

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

30. Investigations were not conducted into all allegations of financial misconduct committed by some of the officials, as required by treasury regulation 33.1.1.

31. Disciplinary hearings were not held for confirmed cases of financial misconduct committed by some of the officials, as required by treasury regulation 33.1.1.

#### **Other information**

32. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and the selected programme presented in the annual performance report that have been specifically reported on in the auditor's report.

33. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.

34. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programme presented in the annual performance report, or my knowledge obtained during the audit or otherwise appears to be materially misstated.

35. I did not receive the other information prior to the date of this audit report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

## Internal control deficiencies

- 36. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the qualified opinion, the findings on the performance report and the findings on compliance with legislation included in this report.
- 37. There was inadequate oversight by the accounting authority regarding financial and performance reporting and non-compliance with applicable laws and regulations.
- 38. Senior management did not always implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information was accessible and available to support performance and financial reporting.
- 39. Senior management did not adequately review and monitor compliance with applicable laws and regulations.

## Other reports

- 40. In addition to the investigations relating to material irregularities, I draw attention to the following engagements conducted by various parties which had, or could have, an impact on the matters reported in the public entity's financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.
- 41. The investigation into allegations of irregularities in the township modernisation and revitalisation (TMR) programme and labour related issues was commissioned by the executive authority and the investigation report was issued to the executive authority on 15 November 2017. The accounting authority was presented with the investigation report during the year under review and as at the date of this report the accounting authority had not implemented the recommendations of the investigation.

Auditor General

Johannesburg

03 February 2021



AUDITOR-GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

## **Annexure – Auditor-general’s responsibility for the audit**

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

### **Financial statements**

2. In addition to my responsibility for the audit of the financial statements as described in this auditor’s report, I also:
  - identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
  - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the public entity’s internal control
  - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting authority
  - conclude on the appropriateness of the accounting authority’s 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 related to events or conditions that may cast significant doubt on the ability of the Gauteng Enterprise Propeller 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 the 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 whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

### **Communication with those charged with governance**

3. I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also confirm to the accounting authority that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

# ANNUAL FINANCIAL STATEMENTS

## General Information

<b>Country of incorporation and domicile</b>	South Africa
<b>Nature of business and principal activities</b>	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.
<b>Board Members</b>	K. Mthembu (Chairperson) M. Diedricks (Deputy Chairperson) M. Moholwa (Acting Chief Executive Officer) VB. Ntshoko (Acting Chief Executive Officer - 18 July 2019 to January 2020) L. Manenzhe (Acting Chief Executive Officer - 1 July 2015 to 22 June 2019) D. Dakile (1 October to 26 May 2019) L. Marincowitz T. Ratshitanga C. Walters T. Magerman D. Maithufi M. Hlophe (1 October to 28 May 2019) S. Njikelana O. Mlonyeni
<b>Registered office</b>	GEP Head Office 6 <sup>th</sup> Floor, 124 Main Street Marshalltown Johannesburg 2001
<b>Postal address</b>	P O Box 61464 Marshalltown 2107
<b>Bankers</b>	First National Bank Limited Registration number 1929/001225/06
<b>Auditors</b>	Auditor-General of South Africa (AGSA)
<b>Company Secretary</b>	First Corporate Secretaries (Pty) Ltd

# ANNUAL FINANCIAL STATEMENTS

## Index

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

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# STATEMENT OF FINANCIAL POSITION

## AS AT 31 MARCH 2020

Figures in Rand	Note	31 March 2020	31 March 2019
<b>Assets</b>			
<b>Current Assets</b>			
Financial support loans at amortised cost	3	14 430 450	15 576 234
Receivables from exchange transactions	4	39 589 044	48 481 939
Cash and cash equivalents	5	140 517 319	85 801 664
		<b>194 536 813</b>	<b>149 859 837</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	6	6 676 987	5 104 765
Intangible assets	7	746 761	744 338
Financial support loans at amortised cost	3	15 552 187	29 846 486
Other Investments	8	1	1
		<b>22 975 936</b>	<b>35 695 590</b>
<b>Total Assets</b>		<b>217 512 749</b>	<b>185 555 427</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Finance lease obligation	9	1 119 304	-
Operating lease liability	10	1 461 798	3 951 197
Payables from exchange transactions	11	10 171 905	9 700 261
Unspent conditional grants and receipts	12	75 939 601	31 749 807
Provisions	29	2 185 211	1 515 237
<b>Non-Current Liabilities</b>			
Finance lease obligation	9	1 458 757	-
Total Liabilities		<b>92 336 576</b>	<b>46 916 502</b>
Net Assets		<b>125 176 173</b>	<b>138 638 925</b>
Accumulated surplus		<b>125 176 173</b>	<b>138 638 925</b>

# STATEMENT OF FINANCIAL PERFORMANCE

## AS AT 31 MARCH 2020

<b>Figures in Rand</b>	Note	<b>31 March 2020</b>	31 March 2019
Revenue from non- exchange transactions	13	201 581 205	241 112 650
Revenue from exchange transactions	14	16 471 095	15 114 354
Other Income	15	1 048 978	786 004
Program and projects	16	(44 844 638)	(96 321 629)
Operating expenses	38	(191 688 410)	(178 403 904)
<b>Operating deficit</b>		<b>(17 431 770)</b>	<b>(17 712 525)</b>
Finance Income	19	4 229 636	3 742 990
Finance costs	20	(260 618)	-
<b>Surplus/(deficit) for the year</b>		<b>(13 462 752)</b>	<b>(13 969 535)</b>

# STATEMENT OF CHANGES IN NET ASSETS

## AS AT 31 MARCH 2020

<b>Figures in Rand</b>	<b>Accumulated surplus</b>	<b>Total net assets</b>
<b>Balance at 1 April 2018</b>	<b>145 547 826</b>	<b>145 547 826</b>
Changes in net assets		
Prior year adjustment (provision)	(1 515 237)	(1 515 237)
Finance Income: Financial Support Loans	8 575 873	8 575 873
Net income (losses) recognised directly in net assets	7 060 636	7 060 636
Surplus/(deficit) for the year	(13 969 537)	(13 969 537)
Total recognised income and expenses for the year	(6 908 901)	(6 908 901)
Total changes	(6 908 901)	(6 908 901)
<b>Balance at 1 April 2019</b>	<b>138 638 925</b>	<b>138 638 925</b>
Changes in net assets		
Surplus/(deficit) for the year	(13 462 752)	(13 462 752)
Total changes	(13 462 752)	(13 462 752)
<b>Balance at 31 March 2020</b>	<b>125 176 173</b>	<b>125 176 173</b>

# CASH FLOW STATEMENT

## AS AT 31 MARCH 2020

Figures in Rand	Note(s)	31 March 2020	31 March 2019
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Cash receipts from non-exchange transactions		245 771 000	243 689 000
Cash received from exchange transaction		1 003 570	1 639 124
Cash receipt from financial support loans		9 301 344	8 658 139
Finance income	19	4 229 636	3 742 990
Other Income	15	1 048 978	786 004
		<b>261 354 528</b>	<b>258 515 257</b>
<b>Payments</b>			
Employee costs and Suppliers		(189 853 609)	(240 376 552)
Cash paid as financial support loans	3	(13 951 163)	(5 167 282)
		<b>(203 804 772)</b>	<b>(245 543 834)</b>
<b>Net cash flows from operating activities</b>	22	<b>57 549 756</b>	<b>12 971 423</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	6	(989 640)	(881 027)
Purchase of other intangible assets	7	(734 511)	(399 730)
		<b>(1 724 151)</b>	<b>(1 280 757)</b>
<b>Net cash flows from investing activities</b>			
<b>Cash flows from financing activities</b>			
Finance lease payments		(1 109 950)	-
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>54 715 655</b>	<b>11 690 466</b>
Cash and cash equivalents at the beginning of the year		85 801 664	74 111 198
<b>Cash and cash equivalents at the end of the year</b>	5	<b>140 517 319</b>	<b>85 801 664</b>

# STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

## Budget on Cash Basis

Figures in Rand	Approved budget	Budget re-alignment	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
<b>Revenue from exchange transactions</b>						
Receipts on loan book	10 000 000	-	<b>10 000 000</b>	9 301 344	(698 656)	A
Interest and other income	-	5 352 114	<b>5 352 114</b>	17 520 073	<b>12 167 959</b>	B
<b>Total revenue from exchange transactions</b>	<b>10 000 000</b>	<b>5 352 114</b>	<b>15 352 114</b>	<b>26 821 417</b>	<b>11 469 303</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Transfer revenue</b>						
Government grants & subsidies	194 628 000	-	<b>194 628 000</b>	194 628 000	-	C
Grant - Youth Accelerator Programme	14 960 000	5 237 422	<b>20 197 422</b>	180 097	(20 017 325)	C
Rollover Income	-	54 051 858	<b>54 051 858</b>	-	(54 051 858)	
Grant: Mohlakeng	-	128 473	<b>128 473</b>	128 473	-	
Grant - Ekurhuleni Municipality	-	499 598	<b>499 598</b>	463 511	(36 087)	C
Grant - Deliverology	10 725 000	5 746 664	<b>16 471 664</b>	1 999 910	(14 471 754)	C
Grant - Gauteng Liquor Board (GLB)	-	100 000	<b>100 000</b>	100 000	-	C
Grant Business Start-up Kit	-	3 319 650	<b>3 319 650</b>	2 601 190	(718 460)	C
Grant - Pitching Booster	5 000 000	-	<b>5 000 000</b>	1 480 024	(3 519 976)	C
Grant - Project Evaluation	2 458 000	3 323 000	<b>5 781 000</b>	-	(5 781 000)	C
Grant - Spaza Shop Verification	18 000 000	13 395 000	<b>31 395 000</b>	-	(31 395 000)	C
<b>Total revenue from non-exchange transactions</b>	<b>245 771 000</b>	<b>85 801 665</b>	<b>331 572 665</b>	<b>201 581 205</b>	<b>(129 991 460)</b>	
<b>Total revenue</b>	<b>255 771 000</b>	<b>91 153 779</b>	<b>346 924 779</b>	<b>228 402 622</b>	<b>(118 522 157)</b>	
<b>Expenditure</b>						
Personnel	(116 194 000)	13 000 000	<b>(103 194 000)</b>	(100 976 859)	<b>2 217 141</b>	
Depreciation and amortisation	-	-	-	(3 056 582)	(3 056 582)	D
Finance costs	-	-	-	(260 618)	(260 618)	
Debts impairment	-	-	-	(45 111 371)	(45 111 371)	E
Repairs and maintenance	-	(1 587 536)	<b>(1 587 536)</b>	(2 595 147)	(1 007 611)	F
General expenses	(109 477 000)	(86 181 405)	<b>(195 658 405)</b>	(84 684 130)	<b>110 974 275</b>	G
Capital expenditure	(1 000 000)	(8 240 991)	<b>(9 240 991)</b>	(4 740 187)	<b>4 500 804</b>	
Financial support loans	(19 100 000)	(18 143 847)	<b>(37 243 847)</b>	(13 951 163)	<b>23 292 684</b>	H
<b>Total expenditure</b>	<b>(245 771 000)</b>	<b>(101 153 779)</b>	<b>(346 924 779)</b>	<b>(255 376 057)</b>	<b>91 548 722</b>	
Operating surplus	10 000 000	(10 000 000)	-	(26 973 435)	(26 973 435)	
Loss on disposal of assets	-	-	-	(108 959)	(108 959)	
Adjustment for capital movements	-	-	-	13 619 642	<b>13 619 642</b>	
Actual amount on comparable basis	<b>10 000 000</b>	<b>(10 000 000)</b>	-	(13 462 752)	(13 462 752)	

# 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 (PFMA).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

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

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

### 1.2. Significant 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:

#### **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 of delinquency in payments are considered indicators that the debtor should be impaired.

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

Where the debtor has not paid for one to three months, no amount is provided against the loan balance and the debtor invoiced amounts.

Where the debtor has not paid for four to twelve months, the amount is at least been 20% of the loan balance and the debtor invoiced amounts.

Where the debtor has not paid for thirteen months to eighteen months, the amount is at least been 50% of the loan balance and the debtor invoiced amounts.

Where the debtor has not paid for nineteen months to twenty-four months, the amount is at least been 75% of the loan balance and the debtor invoiced amounts.

Where the debtor has not paid for over twenty-four months, the amount is at least been 90% of the loan balance and the debtor invoiced amounts.

#### **Debtors loan write off**

Where the likelihood of a loan being repaid is remote, a motivation for write off is submitted to the Debt Management Committee by Finance.

In instances where legal action has run its course and there is no other means of recovering the monies due to the entity, the Credit Controller has to submit a motivation for writing off the debtors' loan account.

Where loans have been granted in line with a partnership agreement with a third party, the said agreement has been consulted for the approval of the write-offs.

The motivation for the write-off is tabled at the Debt Management Committee which will then recommends such to the Accounting Authority in terms of the Delegation of Authority.

# ACCOUNTING POLICIES

## CONTINUED

### 1.2 Significant judgements and sources of estimation uncertainty (continued)

#### **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 been exempted from Income tax by South African Revenue Services in terms of Section 10(1) (can) (I) of the Income Tax Act. (Act No. 58 of 1962)

### 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 over more than one financial year.

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.

Cost 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.

# ACCOUNTING POLICIES

## CONTINUED

### 1.3 Property, plant and equipment (continued)

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.

Item	Depreciation Method	Average useful life
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 period

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 is 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 rental 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.

# ACCOUNTING POLICIES

## CONTINUED

### 1.4. Intangible assets

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity; and
- the cost or fair value of the asset can be measured reliably.

The entity assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

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

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

#### **Development phase**

An intangible asset arising from development (or from the development phase of an internal project) will be recognised if, and only if we can demonstrate the following:

- a) the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- b) an intention to complete the intangible asset and use or sell it;
- c) inability to use or sell the intangible asset;
- d) how the intangible asset will generate probable future economic benefits or service potential. Among other things, we must be able to demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;
- e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- f) an ability to measure reliably the expenditure attributable to the intangible asset during its development.

#### **Subsequent Measurement**

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses. The amortisation period and the amortisation method of intangible assets are reviewed at each reporting date.

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

Computer software, other	3 – 5 years
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#### **Computer software**

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

#### **Subsequent expenditure**

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised as an expense when incurred.

# ACCOUNTING POLICIES

## CONTINUED

### 1.5. 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 uncollectibility.

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

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.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

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 counterparty has failed to make a payment when contractually due.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. Transaction costs are capitalised to the loan amount and are recognised as revenue from exchange transactions - initiation costs. 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 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 its fair value.

# ACCOUNTING POLICIES

## CONTINUED

### 1.5 Financial instruments (continued)

#### **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 SMMEs. 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 are 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.

### 1.6. 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.

#### **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.

### 1.7. 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.

# ACCOUNTING POLICIES

## CONTINUED

### 1.7 Impairment of cash-generating assets (continued)

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.

### 1.8. 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 are 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.

# ACCOUNTING POLICIES

## CONTINUED

### 1.8 Impairment of non-cash-generating assets (continued)

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 overdesigned 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 assess 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.

### 1.9 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.

# ACCOUNTING POLICIES

## CONTINUED

### 1.9. Employee Benefits (continued)

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 within 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 an 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.

### 1.10. Provisions and contingencies

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.

# ACCOUNTING POLICIES

## CONTINUED

### **1.11. Commitments**

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

### **1.12. 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.

#### **Interest**

Interest income is accrued on a time proportion basis, taking into account the principal amount and the effective interest rate over the period to maturity. Interest is recognised from the date funds are advanced to a debtor, after taking into account the grace period and full disbursement, up until the debt is fully paid.

### **1.13. Revenue from non-exchange transactions**

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

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.

The amount of revenue from non-exchange transactions and related liabilities and assets. 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.

### **1.14. Comparative figures**

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

### **1.15. 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.

# ACCOUNTING POLICIES

## CONTINUED

### 1.15 Fruitless and wasteful expenditure (continued)

#### **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 it is determined that the fruitless and wasteful expenditure cannot be recovered from an employee (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 our 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.

#### **Condonation**

Requests for condonation of fruitless and wasteful expenditure submitted to the relevant authority will 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;
- 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 fruitless and wasteful expenditure in similar circumstances.

# ACCOUNTING POLICIES

## CONTINUED

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

National Treasury 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 and 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.

# ACCOUNTING POLICIES

## CONTINUED

### 1.16 Irregular expenditure (continued)

#### Condonation

Requests for condonation of irregular expenditure submitted to the relevant authority 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.

### 1.17 Deviations

The accounting authority 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.

### 1.18 Budget information

The approved budget is prepared on a cash basis and presented by economic classification linked to performance outcome objectives. The approved budget covers the fiscal period from 2019/04/01 to 2020/03/31.

### 1.19 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.

# ACCOUNTING POLICIES

## CONTINUED

### 1.19 Related parties (continued)

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.

### 1.20. 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.

# ACCOUNTING POLICIES

## CONTINUED

### **1.21. 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.

### **1.22. 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.

#### **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**

Prior period errors are omissions from, and misstatements in, the Agencies 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.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

## 2. New standards and interpretations

### 2.1. Standards and interpretations effective and adopted in the current year

In the current year, the entity has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date:	Expected impact:
	Years beginning on or after	
• GRAP 20: Related parties	1 April 2017	Unlikely there will be a material impact
• GRAP 108: Statutory Receivables	1 April 2019	Impact of standard is not material
• GRAP 32: Service Concession Arrangements: Grantor	1 April 2016	Not applicable. The entity is not engaged in any service concession arrangements.
• GRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	1 April 2016	Not applicable. The entity is not engaged in any service concession arrangements.

Figures in Rand	31 March 2020	31 March 2019
<b>3. Financial support loans at amortised cost</b>		
<b>At amortised cost</b>		
Net amount outstanding as at the 31 March 2020	29 982 637	45 422 720
Balance at 1 April	58 337 588	88 131 152
Amounts advanced	13 951 163	5 167 283
Transfer to receivables	(21 823 774)	(34 989 847)
Recapitalisation of interest and initiation fees	53 500	29 000
Other loans and receivables	50 518 477	58 337 588
Less: Impairment on loans	(20 535 840)	(12 914 868)
Opening balance at April	(12 914 867)	(27 159 227)
Current movement	(7 620 973)	14 244 359
	<b>29 982 637</b>	<b>45 422 720</b>
<b>Non-current assets</b>		
At amortised cost	15 552 187	29 846 486
Non-current assets	14 430 450	15 576 234
Current assets		
	<b>29 982 637</b>	<b>45 422 720</b>

The positive movement of R14 million impairment in the year 2018/19 represents net effect of impairment transferred to receivables as and when loans are due. Refer to note 18 for the overall impairment amount.

## 4. Receivables from exchange transactions

Trade debtors	146 584 125	118 543 179
Impairment of trade receivables	(108 908 193)	(71 417 796)
Balance at 1 April	(71 417 796)	(25 423 157)
Current year movement	(37 490 397)	(45 994 639)
Net debtors	37 675 932	47 125 383
Deposits and prepayments	1 913 112	1 356 556
	<b>39 589 044</b>	<b>48 481 939</b>

The details around the ageing of the debtors are also presented in note 26: Risk Management (Credit risk).

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

Figures in Rand	31 March 2020	31 March 2019
<b>5. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Cash on hand	43 001	43 001
Main Bank balances	135 873 330	73 906 936
Development fund bank balance	1 715 914	1 818 166
Financial support bank balances	2 885 074	10 033 561
	<b>140 517 319</b>	<b>85 801 664</b>

## 6. Property, plant and equipment

	2020			2019		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Motor vehicles	122 000	(121 390)	610	122 000	(120 780)	1 220
Office equipment	8 119 986	(6 332 989)	1 786 997	8 293 204	(5 944 711)	2 348 493
IT equipment	6 533 460	(4 211 893)	2 321 567	5 974 083	(3 450 221)	2 523 862
Leasehold improvements	1 252 038	(1 159 563)	92 475	1 252 038	(1 020 848)	231 190
Leased Assets	3 427 391	(952 053)	2 475 338	-	-	-
<b>Total</b>	<b>19 454 875</b>	<b>(12 777 888)</b>	<b>6 676 987</b>	<b>15 641 325</b>	<b>(10 536 560)</b>	<b>5 104 765</b>

### Reconciliation of property, plant and equipment - 31 March 2020

	Opening balance	Additions	Disposals	Depreciation	Total
Motor vehicles	1 220	-	-	(610)	610
Office equipment	2 348 493	89 790	(7 054)	(644 232)	1 786 997
IT equipment	2 523 862	899 850	(101 905)	(1 000 240)	2 321 567
Leasehold improvements	231 190	-	-	(138 715)	92 475
Leased assets	-	3 427 391	-	(952 053)	2 475 338
	<b>5 104 765</b>	<b>4 417 031</b>	<b>(108 959)</b>	<b>(2 735 850)</b>	<b>6 676 987</b>

The disposals amount of (R108 959) is due to the disposals of GEP assets in the current financial year.

### Reconciliation of property, plant and equipment - 31 March 2019

	Opening balance	Additions	Disposals	Depreciation	Total
Motor vehicles	15 250	-	-	(14 030)	1 220
Office equipment	2 946 538	89 332	(11 277)	(676 100)	2 348 493
IT equipment	3 440 043	791 695	(116 984)	(1 590 892)	2 523 862
Leasehold improvements	369 905	-	-	(138 715)	231 190
	<b>6 771 736</b>	<b>881 027</b>	<b>(128 261)</b>	<b>(2 419 737)</b>	<b>5 104 765</b>

The disposals amount of (R128 261) was disposals of GEP Assets in the prior financial year.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

## 7. Intangible assets

	2020			2019		
	Accumulated amortisation and Cost / accumulated impairment		Carrying value	Accumulated amortisation and Cost / accumulated impairment		Carrying value
	Valuation	Valuation		Valuation	Valuation	
Computer software	1 134 261	(387 500)	746 761	814 251	(69 913)	744 338

### Reconciliation of intangible assets - 31 March 2020

	Opening balance	Additions	Amortisation	Total
Computer software	744 338	323 156	(320 733)	746 761

### Reconciliation of intangible assets - 31 March 2019

	Opening balance	Additions	Amortisation	Total
Computer software	14 335	811 085	(81 082)	744 338

## 8. Other Investments

Balance at 31 March 2020

Over the years, the Gauteng Department of Economic Development ("the shareholder") transferred an investment to Gauteng Enterprise Propeller (GEP) in line with the mandate of GEP. The investment has devalued over a number of years to a value of R1 (for the purpose of disclosure). There is a loss of significant influence over the investment due to the company being placed under liquidation.

Figures in Rand	31 March 2020	31 March 2019
Wakegem (Pty) Ltd	1	1
<b>9. Finance lease obligation</b>		
<b>Minimum lease payments due</b>		
- within one year	1 331 940	-
- in second to fifth year inclusive	1 553 930	-
less: future finance charges	2 885 870	-
	(307 809)	-
<b>Present value of minimum lease payments</b>	<b>2 578 061</b>	-
<b>Present value of minimum lease payments due</b>		
- within one year	1 119 304	-
- in second to fifth year inclusive	1 458 757	-
<b>Non-current liabilities</b>	<b>2 578 061</b>	-
<b>Current liabilities</b>	<b>1 458 757</b>	-
	1 119 304	-
	<b>2 578 061</b>	-

The finance lease liability relates to equipment lease contracts. The lease period is for three years for printers.

## 10. Operating lease liability

Operating lease accrual 1 461 798 3 951 197

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 CONTINUED

Figures in Rand	31 March 2020	31 March 2019
<b>11. Payables from exchange transactions</b>		
Trade payables	4 247 639	5 002 609
Accrued leave pay	5 224 263	4 086 348
Accrued 13th Cheque	700 003	611 305
	<b>10 171 905</b>	<b>9 700 261</b>
<b>12. Unspent conditional grants and receipts</b>		
<b>Unspent conditional grants and receipts comprises of:</b>		
<b>Unspent conditional grants and receipts</b>		
Ekurhuleni Municipality	36 086	499 598
Gauteng Liquor Board (GLB)	-	100 000
Project Evaluation	5 781 000	3 323 000
DED: Deliverology	14 471 754	5 746 664
Youth Accelerator Program (including Job Placements)	20 017 325	5 237 422
Business Start-up Kit	718 460	3 319 650
Spaza Shop Verification	31 395 000	13 395 000
Pitching Booster	3 519 976	-
Mohlakeng Hub	-	128 473
	<b>75 939 601</b>	<b>31 749 807</b>

In line with the agreement that was entered into between GEP and Ekurhuleni Municipality, an amount of R9.7 million was transferred to GEP during the 2015/16 financial year. The Agency met the conditions related to the amount of R7.2 million, between 2015/16 and 2016/17. The remaining balance of R2.5 million was not spent in the prior years due to lack of commitment from participants (some of their reasons were: failed to attend training, cooperatives collapsed due to relationship issues, and some opted for permanent employment). In the current financial year, a new agreement was entered into with the Ekurhuleni Municipality which allowed GEP to spend the funds relating to Ekurhuleni SMME's support to the value of R2 million. In the year under review R36 000 remained unspent.

The Youth Accelerator Programme is a program developed with the aim to ensure that the Gauteng Province achieves its commitment of supporting youth. Through this program, GEP has facilitated placement for job skills development, training opportunities and encouragement of entrepreneurship for Gauteng unemployed youth. In order to reduce the high number of unemployed youth in Gauteng, GEP outsourced the youth program and entered into a three (3) year agreement from 2016 to 2019. The contract amount was R65 million for a period of three years of which the first year, the budget was R20 million and spent 99% at year end. For the two subsequent financial years, the entity spent 99% and 79% respectively. The balance as at 31 March 2019 was R5.2 million which remained unspent. For 2019/20 financial year, a budget of R14.9 million was allocated to the programme which brings the total allocation to R20.1 million and remained unspent as at 31 March 2020.

In line with the Provincial mandate, Gauteng Department of Economic Development identified areas that have the potential to create Labour intensive jobs within the 11 key sectors. In this regard, GEP has been tasked with championing the Furniture, Construction, Clothing and Textile as well as Wholesale and Retail sub-sectors. A total amount of R5.7 million was unspent at the end of March 2018. In the year 2019/20, GEP was allocated R10.7 million for the projects. For the year under review, GEP was allocated R5 million for the pitching booster project and R3.5 million remains unspent as at 31 March 2020.

For the financial year 2018/19, GEP was allocated R2.4 million for the Project Evaluation (Monitoring and Evaluation) which was not utilised in the year and was rolled over to the year 2019/20. For 2019/20 financial year, GEP was allocated a further R3.3 million bringing the total budget to R5.8 million which remains unspent at the end of the financial year under review. The budget is committed to be spent in the year 2020/21.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

## 12. Unspent conditional grants and receipts (continued)

In the year 2018/19, GEP line with its mandate, Gauteng Department of Economic Development transferred an amount of R13.3 million to GEP in the year under review. The aim of the project is to perform a physical verification of all Spaza Shops and produce quality and reliable data to assist GEP and Gauteng Department of Economic Development (GDED) to make informed decisions pertaining to legal and illegal Spaza Shops. As at 31 March 2019, GEP had not spent the allocated budget. For the year under review a further R18 million was transferred and as at 31 March 2020, R31 million remains unspent.

In the year under review, GEP received Business Start-Up Kit funding to the value of R4 million. The project is aimed at empowering unemployed youth based in townships who have business ideas and the potential to create jobs for the youth. This will further help with improving their livelihood, to address the unemployment challenges and assist them in contributing to the mainstream economy of Gauteng. The Business Start-Up Kit was launched by the Member Executive Council (MEC) on the 12<sup>th</sup> of February 2019. Due to the launch of the project being towards year end, GEP had only utilised R680 000 and therefore an amount of R3.3 million is unspent as at 31 March 2019. In the current year GEP met the conditions amounting to R2.6 million and left a balance of R718 000 as at 31 March 2020.

Figures in Rand	31 March 2020	31 March 2019
<b>13. Revenue from non-exchange transactions</b>		
The amount included in revenue arising from non-exchange transactions are as follows:		
Provincial grants	194 628 000	198 068 000
Conditional Grant - Youth Accelerator Program	180 097	20 003 989
Conditional Grant - Mohlakeng	128 473	1 871 527
Conditional Grant - Ekurhuleni Municipality	463 511	2 038 549
Conditional Grant - Pitching Booster	1 480 024	-
Conditional Grant - Gauteng Gambling Board (GGB)	-	1 075 129
Conditional Grant - Deliverology	1 999 910	15 793 337
Conditional Grant - Gauteng Entrepreneurship Model (GEM)	-	681 769
Conditional Grant - Gauteng Liquor Board (GLB)	100 000	900 000
Conditional Grant - Business Start-up Kit	2 601 190	680 350
	<b>201 581 205</b>	<b>241 112 650</b>
<b>14. Revenue from Exchange Transactions</b>		
Sundry Income (Initiation fees)	53 500	29 000
Management fees	-	100 000
*Finance Income: financial support loans	16 417 595	14 985 354
	<b>16 471 095</b>	<b>15 114 354</b>
*Finance Income: Financial Support Loans comprises of non-cash interest of R15.4 million and cash interest of R1 million.		
<b>15. Other Income</b>		
SETA claims	53 377	108 246
Insurance claims	140 924	90 258
Bad debts recovered: financial support loans	854 677	587 500
	<b>1 048 978</b>	<b>786 004</b>
Management has decided to split the disclosure of Other Income for Revenue from exchange transactions. Refer to note 30.		
<b>16. Programs and project</b>		
SMME product development	1 091 103	11 792 317
SMME seminars and training	1 739 481	385 844
SMME sponsorships	2 369 999	4 650 431
SMME business development support	36 115 076	75 885 235
Community Grant Funding	3 528 979	3 607 802
	<b>44 844 638</b>	<b>96 321 629</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

Figures in Rand	31 March 2020	31 March 2019
<b>17. Employee related costs</b>		
Basic Salary	69 313 240	68 113 923
Performance bonus (Goodwill/Ex-gratia)	-	27 082
Medical aid - company contributions	3 407 099	3 182 309
Unemployment Insurance Fund	248 865	260 347
Workman's Compensation Assistance	-	61 818
Skills Development Levy	798 456	803 030
Leave pay provision charge	1 370 943	284 313
Employee Wellness	41 247	20 623
Labour Relations Awards - employee settlements	4 901 236	916 447
Travel, motor car, accommodation, subsistence and other allowances	3 028 090	3 611 791
13 <sup>th</sup> cheques	2 323 840	2 226 949
Acting allowances	1 166 362	1 280 413
Retirement benefits (Contribution to retirement fund)	13 288 631	12 672 906
Cell Phone Allowance	1 088 850	1 210 663
	<b>100 976 859</b>	<b>94 672 614</b>
<b>18. Debt Impairment Adjustments</b>		
<b>Provision for Debt Impairment Adjustments</b>		
Financial support loans	(7 620 973)	14 244 359
Trade and other receivables	(37 490 397)	(45 994 640)
	<b>(45 111 370)</b>	<b>(31 750 281)</b>
<b>19. Finance Income</b>		
<b>Interest revenue</b>		
Finance Income - Bank	4 229 636	3 742 990
<b>20. Finance costs</b>		
Finance leases	260 618	-
GEP incurred interest cost on finance lease for printers.		
<b>21. Auditors' remuneration</b>		
Internal and External Audit Fees	2 716 822	2 061 755
<b>22. Cash generated from (used in) operations</b>		
Deficit	(13 462 752)	(13 969 535)
<b>Adjustments for:</b>		
Depreciation and amortisation	3 056 582	2 500 526
Profit/(loss) on write-off assets	108 959	128 574
Finance costs - Finance leases	260 618	-
Debt impairment	45 111 370	31 750 281
Movements in operating lease assets and accruals	(2 489 399)	(597 980)
Other non-cash items	6	7 060 814
(Increase)/decrease in financial support loans	7 819 111	29 793 565
<b>Changes in working capital:</b>		
Receivables from exchange transactions	(28 597 507)	(48 523 069)
Payables from exchange transactions	883 000	736 658
Unspent conditional grants and receipts	44 189 794	2 576 352
Movement in provisions	669 974	1 515 237
	<b>57 549 756</b>	<b>12 971 423</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

## Figures in Rand

### 23. Commitments

Certain contracts were approved during the year for the provision of goods and/(or) services. As at 31 March 2020, the outstanding commitments for contracts in progress amounted to:

#### Approved but not contracted for

Financial support loans approved but not yet paid out

31 March 2020

31 March 2019

2 248 927

14 143 847

#### Operating leases - as lessee

##### Minimum lease payments due

- within one year

8 394 239

11 811 618

- in second to fifth year inclusive

-

8 394 238

**8 394 239**

**20 205 856**

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

### 24. Contingencies Contingent liabilities

As at 31 March 2020, there were two (2) litigation cases against the Gauteng Enterprise Propeller (GEP).

A loan applicant whereby the loan was not approved has issued summons against GEP for the value of R2.5 million. GEP's attorneys of record, have since filed a notice of intention to defend this matter.

GEP received an amplified letter of demand dated 25 July 2019 from one of the Township Entrepreneurship Awards (TEA) nominees, through her attorneys of record, where in she demands R1.075 million. Her claim relates to TEA in which she was a participant - she averred that she was unduly eliminated therein. In addition, she inter alia stated that the adjudication process was unfair because the rules thereof were constantly changed.

#### Contingent assets

Four (4) former employees are owing GEP an estimated amount of R1 410 730 and recovery processes are under way to collect the monies.

### 25. Related parties

#### Relationships

Gauteng Department of Economic Development	Government Department
Gauteng Gambling Board (GGB)	Public Entity
Gauteng Growth Development Agency (GGDA)	Public Entity
Gauteng Liquor Board (GLB)	Public Entity
Gauteng Tourism Authority (GTA)	Public Entity
Cradle of Humankind World Heritage Site	Trading Entity
Dinokeng	Trading Entity
Gauteng Department of Agriculture and Rural Development	Government Department

The Gauteng Enterprise Propeller is a listed provincial public entity and therefore is also a related party to other provincial state-controlled entities and Departments.

#### 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	194 628 000	198 068 000
Gauteng Liquor Board (GLB)	-	1 100 000
DED: Deliverology	10 725 000	13 503 000
Gauteng Provincial Department of Economic Development (Spaza Shop Verification)	18 000 000	13 395 000
Gauteng Provincial Department of Economic Development (Pitching Booster)	5 000 000	-
Gauteng Provincial Department of Economic Development (Business Startup-Kit)	-	4 000 000
Gauteng Provincial Department of Economic Development (Youth Accelerator Program)	14 960 000	25 000 000

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

Figures in Rand	31 March 2020	31 March 2019
Gauteng Provincial Department of Economic Development (Project Evaluation)	2 458 000	3 323 000
<b>25. Related parties (Continued)</b>		
<b>DED Deliverology</b>		
Grant Revenue	1 999 910	15 793 337
Grant Liability	14 471 754	5 746 664
<b>Gauteng Gambling Board (GGB)</b>		
Grant Revenue	-	1 075 129
<b>Spaza Shop Verification</b>		
Grant Revenue	-	-
Grant Liability	31 395 000	13 395 000
<b>Youth Accelerator Program</b>		
Grant Revenue	180 097	20 003 989
Grant Liability	20 017 325	5 237 422
<b>Project Evaluation</b>		
Grant Liability	5 781 000	3 323 000
<b>Gauteng Entrepreneurship Model (GEM)</b>		
Grant Revenue	681 769	
<b>Gauteng Liquor Board (GLB)</b>		
Grant Revenue	100 000	900 000
Grant Liability	-	100 000
<b>Business Startup-Kit</b>		
Grant Revenue	2 601 190	680 350
Grant Liability	718 460	3 319 650
<b>Pitching Booster</b>		
Grant Revenue	1 480 024	
Grant Liability	3 519 976	
<b>Bio Park</b>		
Grant Liability	-	
Refund	-	
<b>Mohlakeng Hub</b>		
Grant Revenue	128 473	
Grant Liability	-	
GEP entered into an arms length lease agreement with the Gauteng Development of Economic Development (GDED) in 2015. The lease agreement terminates in November 2020. The commitments relating to this lease agreement are disclosed under note 22 - minimum lease payment due.		
<b>Remuneration of Non-Executive Directors</b>		
K. Mthembu	320 881	205 149
M. Diedricks	120 520	102 665
C. Kneale	88 482	88 235
L. Marincowitz	151 417	147 324
T. Ratshitanga	73 662	77 755
C. Walters	98 216	106 401
T. Magerman	110 493	77 754
D. Maithufi	53 200	175 941
M. Hlophe	-	20 462
S. Njikelana	135 047	94 124
O. Mlonyeni	102 817	105 229
D. Dakile	12 277	114 586
	<b>1 267 012</b>	<b>1 315 625</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

## 25. Related parties (Continued)

Members D. Dakile and M. Hlophe resigned from the Board on 26 May 2019 and on 28 May 2019, respectively.

Directors attendance of Board and Board Committee meetings

	Board	ARGC	REMCO	CC	BDC	SPECIAL MEETINGS
K. Mthembu	3/3	*	*	2/2	*	16/16
M. Diedricks	2/3	*	3/3	*	1/3	12/12
C. Kneale	2/3	4/4	*	*	*	12/12
D. Dakile	1/3	*	*	*	*	*
L. Marincowitz	2/3	3/4	*	*	2/3	11/12
T. Ratshitanga	2/3	*	*	2/2	2/3	12/12
C. Walters	1/3	4/4	*	*	*	13/13
T. Magerman	3/3	*	*	2/2	3/3	10/10
D. Maithufi*	0/3	2/4	*	1/2	*	*
M. Hlophe	0/3	*	*	*	*	*
S. Njikelana	3/3	4/4	3/3	*	*	8/8
O. Mlonyeni	2/3	1/4	2/3	*	*	13/13

\*D. Maithufi (Sabbatical from May 2019 to December 2019)

## Senior management remuneration

2020	Salary	Acting Allowance	Total
M. Moholwa - Acting Chief Executive Officer	-	39 984	39 984
VB. Ntshoko - GM: Strategy, Planning and M&E & Acting Chief Executive Officer (from July 2019 until January 2020)	1 661 103	104 003	1 765 106
L. Manenzhe - Acting Chief Executive Officer	-	81 262	81 262
N. Genuka - Chief Financial Officer	1 658 124	-	1 658 124
K. Nokoane - Acting Chief Financial Officer (April to May 2019)	-	31 537	31 537
R. Lebelo - Acting Chief Operations Officer	-	57 841	57 841
ND. Tshatsha - Acting Chief Operations Officer (from July 2019 until January 2020)	1 149 515	75 527	1 225 042
TJ. Guliwe - Acting Specialist : Strategy, Planning and M&E (July 2019 to 13 March 2020)	-	133 595	133 595
NV. Mulaudzi - GM: Corporate Support & Administration	1 626 150	-	1 626 150
LHS Dube - GM: Risk & Audit	1 660 243	-	1 660 243
<b>7 755 135</b>	<b>523 749</b>	<b>8 278 884</b>	

The Gauteng Department of Economic Development (Shareholder) seconded the Acting CEO, L. Manenzhe who was paid an acting allowance by GEP from 1 July 2015 to 22 June 2019.

The Gauteng Department of Agriculture and Rural Development (GDARD) seconded the Acting COO who is paid on acting allowance by GEP from 23 April 2018 to 22 June 2019.

The Gauteng Department of Economic Development (Shareholder) seconded the Acting CEO, M. Moholwa who is paid an acting allowance by GEP from 1 March 2020.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

## 25. Related parties (Continued)

2019	Other benefits*	Salary	Acting Allowance	Total
L. Manenzhe - Acting Chief Executive Officer	-	-	325 048	325 048
L. Maluleke - Chief Operations Officer (until February 2019)	916 447	1 565 952	-	2 482 399
R. Lebelo - Acting Chief Operations Officer	-	-	192 203	192 203
N. Genuka - Chief Financial Officer	-	1 628 967	-	1 628 967
LHS Dube - GM: Risk and Audit	-	1 638 148	-	1 638 148
VB. Ntshoko - GM Strategy, Monitoring and Evaluation	-	1 637 968	-	1 637 968
C. Mamabolo - Acting GM: Corporate Support and Administration	-	904 163	127 167	1 031 330
NV. Mulaudzi - GM: Corporate Support and Administration	-	505 100	-	505 100
<b>Total emoluments</b>	<b>916 447</b>	<b>7 880 298</b>	<b>644 418</b>	<b>9 441 163</b>

The Gauteng Department of Economic Development (shareholder) seconded the Acting CEO who is paid an acting allowance by GEP from 1 July 2015.

The Gauteng Department of Agriculture and Rural Development (GDARD) seconded the Acting COO who was paid an acting allowance by GEP from 23 April 2018.

Figures in Rand	31 March 2020	31 March 2019
<b>Financial instruments disclosure</b>		
<b>Categories of financial instruments</b>		
<b>Statement of financial performance</b>		
<b>Financial assets by class</b>		
Financial Support Loans	29 982 637	45 422 720
Trade and other receivables from exchange transactions	39 589 043	48 481 939
Cash and cash equivalents	140 517 319	85 801 664
	<b>210 088 999</b>	<b>179 706 323</b>
<b>Financial liabilities by class - at carrying value and fair value</b>		
Taxes and other payable (non-exchange)	4 247 639	5 002 609

## 27. 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	Total
Trade and other payables	-	4 247 639	-	4 247 639

### Credit risk

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

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

## 27. Risk Management (continued)

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 2020, the entity did not consider there to be any significant concentration of credit risk which had not been insured or adequately provided for.

<b>Debtor type</b>	<b>Current</b>	<b>30 Days</b>	<b>60 Days</b>	<b>90 Days</b>	<b>120 Days+</b>	<b>Total</b>
Contract Finance	329 025	363 592	112 697	16 169	2 367 593	3 189 077
Expansion	173 499	157 802	160 230	159 646	6 582 683	7 233 859
Franchise	3 080	3 036	3 345	3 415	376 077	388 954
Handover	-	96 867	247 256	246 452	24 527 318	25 117 893
Mafisa	3 066	2 863	3 046	3 031	441 148	453 155
Micro Finance	321	302	2 000	1 870	42 072	46 564
Start-up	42 699	12 610	12 384	12 299	353 725	433 719
TMR	108 143	107 326	107 815	107 437	381 991	812 710
	<b>659 833</b>	<b>744 398</b>	<b>648 773</b>	<b>550 319</b>	<b>35 072 607</b>	<b>37 675 931</b>

### Interest rate risk

Bank deposits are linked to the South African prime interest rate. The net interest income at 31 March 2020 is R4 229 636 (2019: R3 742 990). 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 amount 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 31 March 2020 is summarised as follows:

	<b>0 -12 months</b>	<b>Beyond one year</b>	<b>Total floating rate borrowings/investments</b>
Financial support loans	14 430 450	15 552 187	29 982 637
Receivables from exchange transactions	39 589 043	-	39 589 043
Cash and cash equivalents	140 517 319	-	140 517 319
	<b>194 536 812</b>	<b>15 552 187</b>	<b>210 088 999</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

## 28. Going concern

We draw attention to the fact that as at 31 March 2020, the entity had an accumulated surplus of R125 176 173 and that the entity's total assets exceed its Liabilities by R125 176 173.

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.
- The entire world has been affected by Covid-19. The pandemic will negatively impact the GEP Loan book due to the national lockdown that has resulted in SMME's not being able to make their monthly repayments. Thus, GEP resolved to provide debit relief (payment holiday) to assist these businesses, who are in good standing, for a period of six (6) months. GEP continues to assess the impact of Covid-19 on its operations and in particular it's Going Concern. This assessment includes, amongst others, further assessment of the recoverability of Debtor amounts. The assessment will take place over the coming few months, and its impact will only be fully determined in the coming financial year.
- 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 of GEP has concluded that the Agency will be able to operate for the foreseeable, and therefore is a Going Concern.

## 29. Provisions

### Reconciliation of provisions - Statement of financial performance

	Opening Balance	Additions	Total
Sedibeng	-	78 315	78 315
Maponya Mall	1 515 237	591 659	2 106 896
	<b>1 515 237</b>	<b>669 974</b>	<b>2 185 211</b>

Rental invoices for Sedibeng office space were not invoiced in the current year by the lessor. A provision has been raised based on information received from the lessor.

During the financial year, the entity was not invoiced for rent expenses related to its Maponya Mall satellite office. A provision has been raised based on confirmation letters provided by the lessor. Management believes the amounts are not the true reflection of the office space provided. GEP is also in the process to establish the basis of this arrangement. For the prior year, a prior year adjustment has been effected, please refer to the prior year adjustment note (note 29).

## 30. 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: disclosures that have been affected by prior-year adjustments:

The entity erroneously omitted rent expense for the Maponya Mall satellite office that amounts to R1.5 million for periods 2011-2019. The prior period error resulted in an understatement of operating lease expenditure. The entity has corrected the error and comparative figures has been adjusted.

In addition to the above there was a correction of an error for financial support loans. This note mainly refers to interest recalculation for financial support loans which were handed over and did not incur interest. The related debt impairment is also raised on these clients.

Board Fees was incorrectly included with employee costs. This is now reclassified to general expenditure.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

## 30. Prior-year adjustments (continued)

### Statement of financial position

2019	As previously reported	Correction of error	Restated
Provision	-	1 515 237	1 515 237
Current financial support loans	5 344 313	10 231 921	15 576 234
Receivable from Exchange transaction	39 383 610	9 098 329	48 481 939
Non-Current Financial Support Loans	43 248 864	(13 402 378)	29 846 486
Accumulated Surplus	134 226 290	4 412 635	138 638 925
	-	-	-

### Statement of financial performance

2019	As previously reported	Correction of error	Restated
Revenue from exchange transactions	5 665 411	9 448 943	15 114 354
Other Income	-	786 004	786 004
Debt Impairment	18 867 333	12 882 948	31 750 281
	-	-	-

## 31. Events after the reporting date

In South Africa, Covid-19 lockdown was announced on the 23<sup>rd</sup> March 2020, starting on the 26<sup>th</sup> March 2020. GEP continues to assess the impact of the Covid-19 lockdown on its operations and the impact it may have on the organisation. The assessment includes, amongst others, an assessment of the recoverability of Debtor amounts. This assessment will take place over the coming few months, and its impact will only be fully determined in the coming financial year.

## 32. Fruitless and wasteful expenditure

Figures in Rand	31 March 2020	31 March 2019
Opening Balance	-	-
Fruitless and wasteful expenditure - current year: Penalty fees (Sanlam)	3 926	-
Non-compliance with Treasury Regulations (Tender advert not approved)	500	-
	<b>4 426</b>	-

## 33. Irregular expenditure

Figures in Rand	31 March 2020	31 March 2019
Opening balance	4 416 439	-
Add: Irregular Expenditure - incurred in the current year	29 519 018	4 416 439
Irregular Expenditure - incurred in the prior year but identified in the current year	17 539 687	-
	<b>51 475 144</b>	<b>4 416 439</b>

### Details of irregular expenditure – current year

Opening balance	4 416 439
Current year: Irregular expenditure incurred as a result of consumption of services on expired contract and contracts arranged not in-line with tender processes	29 519 018
Prior year: Consumption of services on an expired contracts & non compliance of SCM laws and regulations	17 539 687
	<b>51 475 144</b>

### Details of irregular expenditure - Prior year (Not condoned)

Consumption of services on an expired contracts	1 352 535
Non-compliance with supply chain laws and regulations	3 063 904
	<b>4 416 439</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

## 34. 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 2020: R13 288 631 (2019: R12 672 906) represents contributions payable to those schemes by the entity at rates specified in the rules of schemes. The entity had no post-retirement obligations for retirement benefits, at year end.

## 35. 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.

The below table reflects the approved deviations:

Service Details	Type of Service	Type of Deviation	Total
Human Resources	Advert	Single Source	34 709
Strategy, Monitoring and Evaluation	Subscription	Sole Provider	182 850
Strategy, Monitoring and Evaluation	Conference	Single Source	21 000
Human Resources	CCMA	Single Source	48 370
Risk and Audit	Training	Single Source	84 042
Stakeholder Management and Revenue Generation	Training	Single Source	58 000
Human Resources	Advert of CEO post	Single Source	62 000
Human Resources	Training	Single Source	178 000
Office of the Acting CEO	Training	Single Source	29 848
Office of the Acting CEO	Appointment of Secretariat Services	Single Source	400 000
			<b>1 098 819</b>

## 36. 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) For the year 2019/20 financial year, GEP collected revenue of R10.3 million which includes cash interest of R1 million. The projected revenue was R10 million which shows an over-collection of R3 000 from the collected revenue.
- B) The entity recognised R8.6 million at year end compared to the budget of R5.3 million. The positive variance of R17.5 million is due to the interest on the loan book for R17.5 million.
- C) At year end, GEP had met the conditions for an amount of R7 million for conditional grants and R75 million remains unspent as at year end. The unspent grant is committed and will be spent in the 2020/21 financial year.
- (D & E) These are non-cash items not budgeted for.
- G) For general expenditure, the entity had an original budget of R109 million and an adjustment of R86 million which was received to fund other priority areas and bringing our total budget to R195 million. The expenditure for the year amounted to R84 million with a positive variance of R110 million committed. Included R75 million is for conditional grants unspent.
- H) GEP commenced the year with an original budget of R19 million and an adjustment of R18 million, totalling to R37 million. The actual financial support loans advanced for the year amounted to R13.9 million. This left a positive variance of R23 million which will be disbursed in the financial year 2020/21.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

## 37. General expenses

Figures in Rand	31 March 2020	31 March 2019
Advertising	868 094	1 174 509
Auditors remuneration	2 716 822	2 061 755
Bank charges	84 560	86 416
Cleaning	2 182 753	925 398
Board Fees	1 256 260	1 306 346
Consulting and professional fees	6 279 384	9 053 227
Catering	30 164	21 359
Fines and penalties	3 927	-
Community grant funding	3 528 979	3 724 223
Office equipment rental	350 151	1 512 678
Insurance	356 522	386 902
IT expenses	2 318 625	1 747 977
Motor vehicle expenses	1 977	27 406
Printing, stationery and office supplies	819 732	1 623 169
Library maintenance	14 510	18 509
Security	1 559 014	932 423
Maintenance of software	2 056 086	3 026 507
Telephone and fax	813 855	871 310
Training	577 225	305 696
Travel - local	155 783	42 184
Travel - overseas	-	1 077 138
Board meetings	96 270	63 839
Bursaries	877 635	514 587
SMME business development support	36 115 076	75 885 235
Travel reimbursement	576 055	734 019
Recruitment	1 004 004	125 133
SMME product development	1 091 103	11 792 317
SMME seminars and training	1 739 481	385 844
SMME sponsorships	2 369 999	4 650 431
	<b>69 844 046</b>	<b>124 076 537</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

## 38. Operating expenses

Figures in Rand	Note(s)	31 March 2020	31 March 2019
<b>Operating expenses</b>			
Employee Costs	17	100 976 859	94 672 614
Depreciation and Amortisation	6 and 7	3 056 582	2 500 526
Operating Lease		14 840 084	15 859 900
Debt Impairment	18	45 111 371	31 750 281
Repairs and Maintenance		2 595 147	5 737 101
General Expenses *	37	24 999 408	27 754 908
Loss on Disposal of Assets	6	108 959	128 574
		<b>191 688 410</b>	<b>178 403 904</b>

\* General expenses excludes Programs and projects of R44 844 638 which is disclosed separately in note 16.

## Unaudited Detailed Statement of Financial Performance

### Revenue

#### Revenue from exchange transactions

Revenue from exchange transactions	14	16 471 095	15 114 354
Other income	15	1 048 978	786 004
Finance Income	19	4 229 636	3 742 990
		<b>21 749 709</b>	<b>19 643 348</b>

#### Total revenue from exchange transactions

#### Revenue from non-exchange transactions

#### Transfer revenue

Government grants and subsidiaries		194 808 097	218 071 989
Revenue: Pitching Booster		1 480 024	-
Revenue - Business Start-up Kit		2 601 190	680 350
Revenue - Gauteng Liquor Board (GLB)		100 000	900 000
Revenue - Gauteng Entrepreneurship Model (GEM)		-	681 769
Revenue - Deliverology		1 999 910	15 793 337
Revenue - Ekurhuleni Municipality		463 511	2 038 549
Revenue - Mohlakeng		128 473	1 871 527
Revenue - Gauteng Gambling Board (GGB)		-	1 075 129
		<b>201 581 205</b>	<b>241 112 650</b>

#### Total revenue from non-exchange transactions

#### Total revenue

#### Expenditure

Employee related costs	17	(100 976 859)	(94 672 614)
Depreciation and amortisation	6&7	(3 056 582)	(2 500 526)
Finance costs	20	(260 618)	-
Operating leases		(14 840 084)	(15 859 900)
Debt impairment	18	(45 111 371)	(31 750 281)
Repairs and maintenance		(2 595 147)	(5 737 101)
General expenses	37	(69 844 046)	(124 076 537)
		<b>(236 684 707)</b>	<b>(274 596 959)</b>
<b>Total expenditure</b>		<b>(13 353 793)</b>	<b>(13 840 961)</b>
<b>Deficit before taxation</b>		<b>108 959</b>	<b>128 574</b>
Loss on disposal of assets	6		
<b>Deficit for the year</b>		<b>(13 462 752)</b>	<b>(13 969 535)</b>

## 2019/2020 INTEGRATED ANNUAL REPORT

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ISB No. 978-0-621-48499-1

PR 157/2020



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