

# ANNUAL REPORT

## 2021-2022



Moulding Entrepreneurs





# ANNUAL REPORT

## 2021-2022



**GAUTENG PROVINCE**  
ECONOMIC DEVELOPMENT  
REPUBLIC OF SOUTH AFRICA



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# PART A

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## 1. GEP'S GENERAL INFORMATION

<b>Registered Name</b>	Gauteng Enterprise Propeller
<b>Chairperson of the Board</b>	Ms. Lebogang Mphahlele
<b>Chief Executive Officer</b>	Mr. Saki Zamxaka
<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 Number</b>	011 085 2001
<b>Fax Number</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>	Huruma Bantfu

## 2. GEP REGIONAL AND SATELLITE OFFICES

### REGIONAL OFFICES

#### Johannesburg Regional Office

7th Floor, 124 Main St,  
Johannesburg  
TEL: 011 085 2002

#### Ekurhuleni Regional Office

Ground Floor, 188 Victoria Street,  
Corner Victoria & Spilsbury, Germiston  
Tel: 011 821 2870

#### Tshwane Regional Office

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

#### West Rand Regional Office

23 Eloff Street, Krugersdorp  
Tel: 011 950 9870

#### Sedibeng Regional Office

36 Merriman Avenue, Vereeniging  
Tel: 016 910 1200

### SATELLITE OFFICES

#### Bronkhorstspruit Satellite Office

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

#### Heidelberg Satellite Office

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

#### Soweto Satellite Office

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

#### Mohlakeng Satellite Office

3521 Ralerata Street, Mohlakeng  
TEL: 011 414 1753

### 3. LIST OF ABBREVIATIONS / ACRONYMS

<b>AIDC</b>	Automotive Industry Development Centre
<b>APP</b>	Annual Performance Plan
<b>BDS</b>	Business Development Support
<b>CAP</b>	Cooperative Assistance Programme
<b>CFO</b>	Chief Financial Officer
<b>CIPC</b>	Companies and Intellectual Property Commission
<b>COO</b>	Chief Operations Officer
<b>CRMP</b>	Compliance Risk Management Plan
<b>CSD</b>	Central Supplier Database
<b>Co-Ops</b>	Cooperatives
<b>DED</b>	Department of Economic Development
<b>ESD</b>	Enterprise Supplier Development
<b>GCR</b>	Gauteng City Region
<b>GDED</b>	Gauteng Department of Economic Development
<b>GEP</b>	Gauteng Enterprise Propeller
<b>GIBUS</b>	Gauteng Informal Business Upliftment Strategy
<b>GGT2030</b>	Growing Gauteng Together 2030
<b>GM</b>	General Manager
<b>GPG</b>	Gauteng Provincial Government
<b>IDC</b>	Industrial Development Corporation
<b>IM</b>	Investment Management
<b>MEC</b>	Member of Executive Council
<b>MTEF</b>	Medium Term Expenditure Framework
<b>MV</b>	Military Veterans
<b>MTSF</b>	Medium Term Strategic Framework
<b>NDP</b>	National Development Plan
<b>PFMA</b>	Public Finance Management Act
<b>POPIA</b>	Protection of Personal Information Act
<b>PPFA</b>	Public Preferential Procurement Framework Act
<b>PWD</b>	Person with Disabilities
<b>RO</b>	Regional Operations
<b>SA SME</b>	South African Small Medium Enterprise (Fund)
<b>SCM</b>	Supply Chain Management
<b>SEDA</b>	Small Enterprise Development Agency
<b>SEFA</b>	Small Enterprise Finance Agency
<b>SEZ</b>	Special Economic Zones
<b>SMME</b>	Small, Medium and Micro Enterprises
<b>TBR</b>	Township Business Renewal
<b>TEDA</b>	Township Economy Development Act
<b>TEPF</b>	Township Economy Partnership Fund
<b>TER</b>	Township Economic Revitalisation
<b>TMR</b>	Transformation, Modernisation and Re-industrialisation



## 4. FOREWORD BY THE CHAIRPERSON



**Ms Lebogang Mphahlele**  
Board Chairperson

South Africa's unemployment rate increased by 0,4% from 34,9% in the third quarter of 2021 to 35,3% in the fourth quarter of 2021, the highest increase since the financial crisis in 2008. In Gauteng over this same period the unemployment rate declined slightly to 36,6% in Q4 down from 37,0% in Q3 of 2021 (SEDA, 2021). Nationally, informal sector employment fell by 48 000 jobs in Q4 of 2021 while employment in the formal sector increased by 143 000. Informal sector job losses occurred most frequently in the transport, manufacturing, community and social services, finance and utilities industries.

Gauteng has a significantly higher proportion of formal SMMEs than other provinces, with 38,5% formally registered. The majority of SMMEs in the Province operate in the trade and accommodation sector, followed by financial and business services, community services, construction and manufacturing. While Gauteng has the lion's share of SMMEs (34%) compared to other provinces, the reality is that during the year under review there was a decline in SMMEs of 11% (SEDA, 2021), painting a bleak picture for the province. Thriving economies are those with a strong small businesses sector and thus the negative SMME growth indicates major concerns. These statistics present a context that must be abated with all agencies in the province, particularly in the economic sector, working to turn the tide through efforts to build a strong and resilient Gauteng.

The Township Economic Development Act presents us with an opportunity to change this picture and through our Strategic Partnership and Stakeholder Management

team, GEP is well on its way to impact the Township Economy. To turn the tide, all agencies in the province in partnership with other spheres of government must rally behind the Act and ensure realisation of its intent.

The Gauteng Enterprise Propeller (GEP) is an Agency of the Gauteng Provincial Government, which is entrusted with providing business development and financial support interventions in the Gauteng province. In view of the economic slump, aggravated by the advent of COVID-19, there are high expectations for the Agency to facilitate the pooling of resources to cushion the impact on SMMEs. Given the fiscal constraints and budget shortfall over the medium-term the pooling of resources and forging key partnerships became a critical role for the Agency. To support these efforts the Agency strengthened its partnership with the Industrial Development Corporation (IDC) during the year under review by ensuring that proper governance frameworks are in place to allow transparent and efficient disbursement against the SMME partnership programme valued at R400 million. Other partnerships established to further these aims include the partnership with the Gauteng Department of Agriculture valued at R60 million over a three year period aimed at unlocking the potential of the cannabis industry.

Looking ahead, we are confident that our existing partnerships will be catalytic in forging further partnerships to serve SMMEs in the province, particularly in the township economy landscape, in a manner that will facilitate economic growth thereby creating sustainable jobs and livelihoods for the greater Gauteng population.

Given the above backdrop, I am pleased to present the Gauteng Enterprise Propeller (GEP) annual report outlining the performance outcomes against pre-determined objectives and our financial performance for the 2021/22 financial year.

### **High level overview of GEP's strategy and performance**

The Gauteng Provincial Government developed the Growing Gauteng Together (GGT2030) economic strategy aligned to the National Development Plan with ambitious targets for job creation by the year 2030. One critical expectation is that these jobs must be generated from small and micro enterprise, placing GEP and other development finance institutions at the centre of the provinces job creation agenda. High growth sectors within the provincial economy served as a blueprint for targeting our financial and non-financial programmes, with a view towards implementation and impact. The year under review saw GEP providing support to a total of 1 522 small enterprises in various sectors to the value of over R59 million.

The decline in the growth of SMMEs in the province presented us with the impetus to re-visit our programmes during the mid-year adjustment to assist businesses to brave the consequences of our ailing economy. For the year under review, such programmes included the Gauteng Rebuilding Fund driven by GEP and the IDC to assist SMMEs severely impacted by the pandemic and the July 2021 unrest. The Retail Fund was also established to assist businesses in the retail sector with recovery from the pandemic and July 2021 unrest, during which many retail businesses were looted. During the adjustment period the GEP also geared programmes to be more impactful as opposed to chasing numbers with little effect. This included the tracking of money invested in businesses, which amounted to over R38 million against a target of R28 million through our Investment Management Programme.

### **Strategic relationships**

The partnership with the IDC to the value of R400 million has continued in the year under review and is set to be a strategic prelude to other partnerships moving forward. As the year ended, the GEP was already at advanced negotiations with the SA SME Fund to set up a Crises Fund, under the Township Enterprise Partnership Fund (TEPF) banner, which pools resources to assist SMMEs in the township economy. The Fund focuses on key sectors including manufacturing, the taxi economy, backyard real estate and retail. The intent is to provide these township SMMEs with funding which would otherwise be inaccessible through private institutions.

### **Challenges faced by GEP**

Over the past few years, the Agency has battled a leadership vacuum at the executive level with acting CEOs at the helm. This brought instability and impacted the execution of GEP strategic programmes contributing to weak responses to support SMMEs against the backdrop of an ailing economy. A Chief Executive Officer was appointed during the 2020/21 financial year, as well as further executive appointments deemed critical by the Board. During the year under review, the appointment of GM: Strategic Partnerships and Revenue Generation as well as GM: Strategy, Monitoring and Evaluation are crucial milestone not only for the business but also towards our transformation efforts. Amidst the achievement of having more women at the Executive level, during Q4, the GEP lost its Chief Financial Officer who was one of the first EXCO members appointed by the new CEO and oversaw an unqualified audit for the 2020/21 financial year. On behalf of the Board we extend our heartfelt condolences to Kealeboga Bogatsu's (CFO) family for the loss "akwehlanga lungelangha". The GEP also lost one of its long standing EXCO members, the GM: Audit and Risk, whose contract came to an end and who joined another Finance Development Institution. While the losses of key EXCO members have been a setback to the team, under the leadership of the CEO the GEP closed the year with overall 67% performance against targets.

### **Strategic focus over the medium to long term period**

While the GGT2030 strategy advocates for the support of high growth sectors, a balance is required to ensure inclusive and sustainable growth for small, micro and medium enterprises in line with the Gauteng Township Economic Recovery Plan. This new vision aligns with the GEP's strategy which seeks to strengthen local content, develop SMME's to access economic opportunities through strategic procurement, promote supplier development and encourage strategic resourcing through GEP as a 'Resource Aggregator' in the province. With the Township Economy Act passed into law in April 2022, the Province is well on its way to ensure that sustainable SMME growth becomes a reality.

The Township Economic Development Act (TEDA) affords GEP a golden opportunity to help unlock the economic potential in townships. We foresee that the TEPF will be catalytic in igniting economic activity in the soon to be proclaimed Township Enterprise Zones as per the Act. Our role will be to aggregate resources so that SMMEs in these zones have access to finance while also providing programmes that will assist SMMEs to grow their businesses through non-financial support.



*The new provincial economic vision advocates for high impact interventions and accelerating the transitioning of small and medium enterprise.*



## **Acknowledgements**

On behalf of the Board, I would like to express sincere gratitude to former fellow Board member, Mr Edward Ranamane, who resigned during the 2021/22 financial year in pursuit of new career prospects. We appreciate your contribution to our work and we wish you all the best in your future endeavours as you continue to serve the citizens of South Africa.

I also wish to thank the Member of the Executive Committee (MEC) for Economic Development, Agriculture, Environment and Rural Development, Mr Parks Tau and the Head of Department, Mr Blake Mosley-Lefatola for their continued support to the Agency over the past financial year.

To GEP management and employees, you remain critical to the fulfilment of the GEP mandate and your efforts are never in vain, offering hope to Gauteng small enterprise as they navigate this difficult economic terrain.



**Ms Lebogang Mphahlele**

Board Chairperson: Gauteng Enterprise Propeller



## 5. CHIEF EXECUTIVE OFFICER'S OVERVIEW



**Mr. Saki Zamxaka**  
Chief Executive Officer

The year under review has presented challenges for the organisation as it navigated its way through the pandemic whilst ensuring it gains a firm foothold in the SMME space. GEP closed the financial year with an overall performance of 67% against reported targets. Key to the achievements are programmes from core business which include Business Development Support and Investment Management programmes. The year under review was also a year to ensure that appropriate governance structures are in place to enable launch of the Partnership Fund.

Successes during the year under review include our investment in Isisekelo Engineering, a Level 1 B-BBEE company operating in the construction industry, one of the provinces high growth sectors. The Agency provided financial assistance for working capital resulting in the creation of nine additional jobs. This investment is just one example of the Agency's impact on the Gauteng economy. Such interventions inspire us to further stretch ourselves in developing programmes that will have the desired impact in the SMME sector.

The growing expectation for programmes that will ensure SMME growth and job creation is at the centre of what defines GEP. However, achieving this within our own fiscal constraints requires partnerships that will facilitate our concerted efforts to do more in the SMME space. I am proud to report that the Strategic Partnerships and Revenue Generation team are well on their way to establishing strategic partnerships that will enable GEP to expand, particularly within the township economy. As such, one of GEP's highlights for the year under review is

the launch of the Township Economy Partnership Fund (TEPF) which focuses on assisting township SMMEs with access to expansion capital or funding.

The TEPF is underpinned by a three-year agreement between the GDED, GEP and IDC which will see the entities jointly combine, coordinate, and leverage their resources towards supporting SMMEs in Gauteng. The focus on townships is against the backdrop of the Gauteng Economic Development Act, which was passed into law in quarter 1 of 2022/23, forcing government institutions to play a role in economic activity within proclaimed enterprise zones. Looking ahead, the Act situates the GEP at the centre of township SMME development, with the TEPF serving as a critical lever for investment and growth.

### **Capacity constraints and challenges facing GEP**

In the year under review, the Agency executed a strategic re-alignment to streamline processes for transparency and efficiency. This resulted in the review of approval committees, paving the way for the establishment of a single committee (the Investment Management Committee) to ensure uniformity in how deals are processed and approved. The Management Investment Committee ("the Committee") is mandated by the Board with the authority to consider loan applications and business development support, partnerships, and grant proposals to the value of R1,5 million per project as per the approved Delegation of Authority. This review was key to ensuring proper governance processes, which are uniform and transparent so that applications are processed in a manner that abates possible collusion and corruption.

Nevertheless, the review came at the price of stagnated application processes impacting to an extent on overall performance.

GEP also lost two of its EXCO members during the last quarter of the financial year. I take this opportunity to convey our gratitude once more to the Bogatsu family for sharing Mr Kealeboga Bogatsu with the GEP. It was a pleasure to work with Mr Bogatsu and his passing is a great loss, not only to GEP, but to the province and country. Condolences once more. During the year under review, we also received a resignation from a longstanding member, GM: Audit and Risk, and we wish him well on his new journey. An Acting GM: Risk and Audit was appointed effective 01 March 2022 as part of the succession plan, while GEP recruits a permanent candidate on a five-year fixed term contract. Ms Xolelwa Matyila was also appointed as Acting CFO and recruitment processes are under way to fill these vacancies as soon as possible. The GEP audit thus unfolded during a period of high vacancy at executive level.

### **Overview of the GEP Financial Results 2021/22**

The Agency appropriated budget mainly comprises of a transfer in the form of a grant and subsidy from the province through its shareholder department (Gauteng Department of Economic Development). An adjusted overall transfer of R309,4 million was received by the Agency. This adjusted transfer contracted by R168 million when compared to the prior years allocation. The budget is driven by the Agency's core programmes which comprises of Business Development Support for the non-financial support and investment management programme, which provides financial support to SMMEs through loans. The adjusted budget also included R86 million for contract financing driven by the Investment Management Programme. GEP closed the financial year with an overall expenditure of 83%.

During the year under review, the Agency reported R18,3 million of irregular expenditure because of SCM legislation contravention.

### **Supply Chain Management (SCM) 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 applicable SCM legislation and to ensure efficient, cost effective and uniform planning on 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 so 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 Auditor General, in their report on the GEP financial statements for the year under review, concluded that the statements present fairly, in all material respects, the financial position of the GEP as at 31 March 2022, and its financial performance and cash flows for the year.

### **Key external audit matters and action plans**

Critical for the Agency is to further strengthen internal controls to curb the occurrence of Unauthorised, Irregular, Fruitless and Wasteful expenditure, as well as debt recovery in order to finance SMME development and broaden the Agency's reach.

### **Outlook for the future**

In the upcoming period, GEP is geared to fully implement the SMME partnership programme under the TEPF banner. With governance structures being finalised, we are prepared to disburse against the fund whilst further leveraging and establishing partnerships in an effort to expand our reach. To this effect, we have leveraged a further R100 million from SA SME as well as R30 million from IDF. Over and above this work, GEP will continue with its efforts to stimulate the economy and transformational agenda by procuring goods and services from township-based small enterprises, specifically those owned by women, youth, and people with disabilities. GEP will also continue with the provision of financial support to small enterprises across the province, who qualify, with a bias towards youth-owned businesses, noting that almost 30% of youth in South Africa reside in Gauteng (Stats, SA). Furthermore, in terms of financial support, GEP will continue to provide grant funding to informal traders in alignment with the Gauteng Informal Businesses Strategy, with the intent of propelling informal businesses into the mainstream economy.

With regards to non-financial support, GEP will continue to provide SMMEs with Business Development Support. The intent is to enable SMMEs to be market ready and compliant, particularly as we target stimulating economic activity in the proclaimed Township Economic Zones as per the TEDA. This support will be tailor-made to respond to the different needs of SMMEs. On the Cooperative Strategy front, GEP through the Business Development Programme will play a crucial role in ensuring its implementation.

Debt management remains a priority for the Agency in order to recover monies which will enable us to assist other SMMEs and expand our reach. Therefore, efforts to stabilise the Agency's finances and its balance sheet will remain one of our core areas of focus. We closed the 2021/22 financial year with a 15% debt collection rate against a target of 10% in the Loan Book. For the upcoming financial year, we intend to recover 15% of the Loan Book. We are also geared to explore valuable partnerships in alignment with our resource aggregator role, broadening our footprint in the SMME space.

### **Events after the reporting date**

GEP had eight Fraud and Corruption cases in the investigation register that were referred externally to independent legal experts. All the eight investigations were completed at the date of publishing of the Annual Report (seven of eight investigations were completed as at 31 March 2022). The entity is currently applying corrective measures/consequence management to those employees and service providers who are implicated. The entity further conducted the Irregular Expenditure Assessment and Determination exercise for the purposes of condoning the irregular expenditure incurred. It is the entity's intention to condone all the unwanted expenditures in line with due process. Consequence Management is also currently being undertaken for those who are implicated in the transactions.

### **Economic viability**

During the 2021/22 financial year, GEP earned exchange of R18 million, comprised mainly of interest from loans to the value R17 million compared to R14 million in the prior year. GEP is in a net asset position (R47,6 million) and the Shareholder remains committed to continue

to support GEP through transfers over the MTEF period. Furthermore, more can be done to recover debt so as not to compromise our financial sustainability and the team is geared to ensure that strides are made in the upcoming financial year.

### **Acknowledgements**

On behalf of GEP management, I would like to express my gratitude to the Shareholder and GEP Board for their leadership and unwavering support to the management team and employees during 2021/22 financial year. A special acknowledgement also goes to my fellow members of the executive team and staff, the unqualified audit opinion is evidence of your commitment to the Agency and is invaluable not only to GEP, but to the DED group, the province and the country.



**Mr. Saki Zamxaka**

Chief Executive Officer: Gauteng Enterprise Propeller

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

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

All information and amounts disclosed in this annual report are consistent with the 2021/22 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 Generally Recognised Accounting Practice (GRAP) standards applicable to the Agency.

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

The Accounting Authority is further responsible for ensuring that the Agency establishes and implements a system of internal control designed to provide

reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the Annual Financial Statements.

The external auditors (Auditor – General of South Africa) were engaged to express an independent opinion on the 2021/22 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 2021.

Yours faithfully,



Mr. Saki Zamxaka  
Chief Executive Officer



Ms. Lebogang Mphahlele  
Board Chairperson

## 7. STRATEGIC OVERVIEW



### 7.1 Vision

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

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### 7.2 Mission

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

- Establishing a high performing professional, ethical and capable institution;
  - Promoting entrepreneurship and facilitating an integrated approach to entrepreneurial development and support within the Province;
  - Creating Strategic Partnerships with a range of institutions for sustainable small enterprises and cooperative development and support;
  - Developing innovative financial solutions, tools and channels to speed up increased market participation in the provision of affordable finance; and
  - Facilitating investment in high-impact business enterprises that transform the structure and competitiveness of industrial sectors.
- 



### 7.3 Values

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



**Motivation** - Passion for excellence in delivering quality services to Gauteng entrepreneurs.



**Ownership** - Accountability, honesty and integrity displayed by management and employees in all stakeholder interactions.



**Ubuntu** - Compassion, respect and dignity to be central in collaborations with other institutions to make a meaningful impact in small businesses.



**Diversity** - Recognising that it takes people from different backgrounds to make an organisation succeed.



**Ethical Leadership** - Demonstrating ethical leadership consistently to ensure the organisation is managed according to the code of ethics and led effectively.



**Dependable** - Customer centricity, responsiveness and striving to provide excellent client experiences.

## 8. LEGISLATIVE AND OTHER MANDATES

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

- Constitution of South Africa Act (No. 108 of 1996)
- Gauteng Propeller Act (No. 5 of 2005) (GEP Act)
- Companies Act, 2008 (No. 71 of 2008)
- Public Finance Management Act (No. 1 of 1998), as amended (PFMA)

GEP also operates in accordance with the full suite of governance legislation, including, amongst others:

- King IV Code on Corporate Governance in SA (2016)
- Intergovernmental Relations Framework Act (No. 13 of 2005)
- Consumer Protection Act, 2008 (No. 68 of 2008)
- National Credit Act, 2005 (No. 34 of 2005)
- Protection of Personal Information Act, 2013 (No. 4 of 2013)
- Preferential Procurement Policy Framework Act, 2000 (No. 5 of 2000)
- Broad-Based Black Economic Empowerment Act, 2003 (No. 53 of 2003)
- National Development Plan, Vision 2030 - Chapter 8

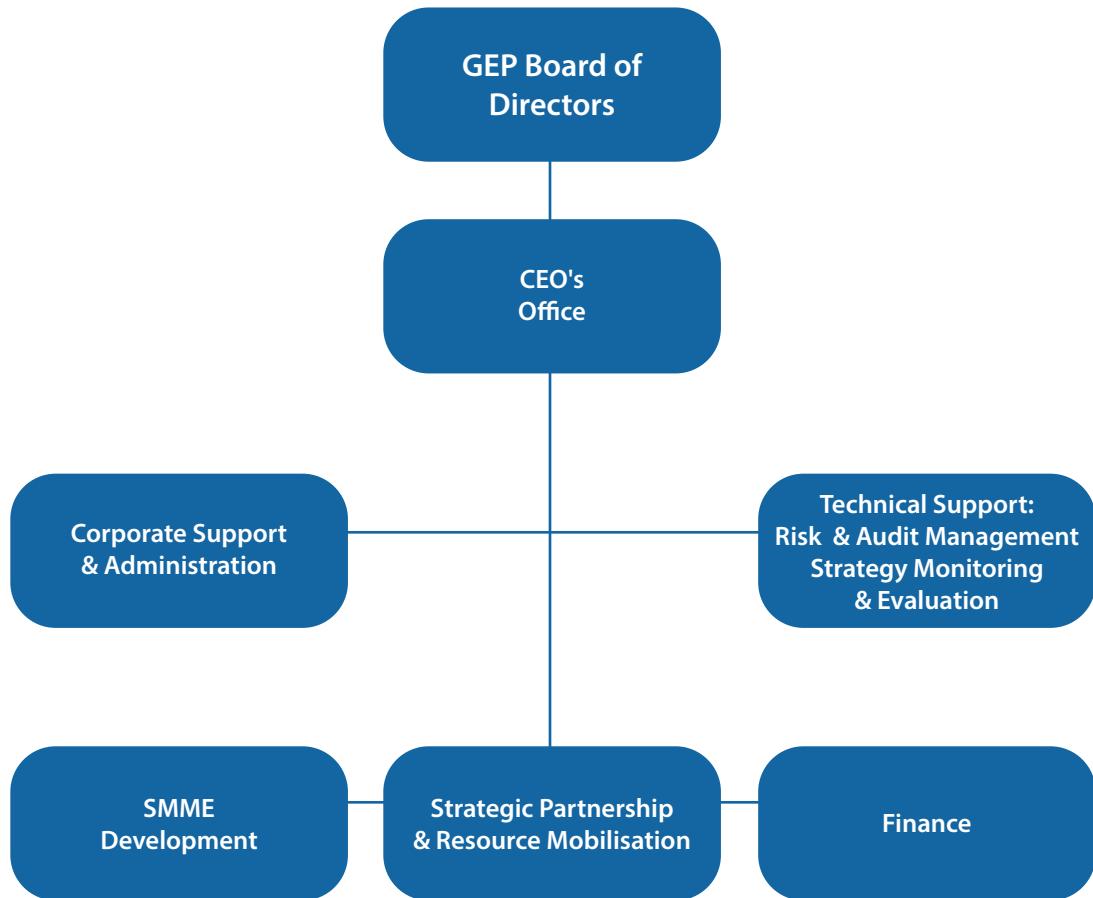
- Sustainable Development Goals - Goals 5, 8 and 9
- African Union 2063 - Aspirations 1, 6 and 7
- Medium-Term Strategic Framework (MTSF 2019-2024) - Outcome 1 and 2
- Ten Pillars of Transformation, Modernisation and Reindustrialisation (TMR)
- Growing Gauteng Together 2030 (GGT2030) - Priority 1 and 5

Other key Gauteng policies and strategies supporting GGT2030 include the:

- Township Economy Revitalisation Strategy
- Tshepo 1 Million
- Gauteng Entrepreneurship Model
- Gauteng Spatial Development Framework (GSDF) 2030
- The GCR Integrated Infrastructure Master Plan (GIIMP)
- Gauteng City Region Economic Development Plan
- Gauteng Informal Business Upliftment Strategy (GIBUS)
- GCR Governance and Planning Roadmap

## 9. ORGANISATIONAL **STRUCTURE**

The GEP organisational structure is informed by programme implementation for 2021/22:



## 10. GEP BOARD OF DIRECTORS



**Ms. Lebogang Mphahlele**  
Board Chairperson



**Ms. Phumeza Mangu**  
Deputy Chairperson



**Ms. Dineo Maithuvi**  
Board Member



**Mr. Leon Marincowitz**  
Board Member



**Mr. Kgosi Mogotsi**  
Board Member



**Ms. Bukeka Mahlutshana**  
Board Member



**Mr. Desmond Golding**  
Board Member



**Mr. Thabo Rasenyallo**  
Board Member



**Ms. Dineo Mapanzela**  
Board Member



**Ms. Nomusa Mufamadi**  
Board Member



**Mr. Sipho Mkhize**  
Board Member



**Mr. Edward Ranamane**  
Board Member  
(Resigned on 30th June 2021)

## 11. GEP EXECUTIVE MANAGEMENT



**Mr. Saki Zamzaka**  
Chief Executive Officer



**Ms. Xolelwa Matyila**  
Acting Chief Financial Officer



**Mr. Imraan Khan**  
Chief Operations Officer



**Ms. Khanyisile Cele**  
GM: Strategy, Monitoring and  
Evaluation



**Mr. Vincent Mulaudzi**  
GM: Corporate Support and  
Administration



**Ms. Nosipho Khonkwane**  
GM: Strategic Partnerships and  
Revenue Generation



**Ms. Sibusisiwe Ntuli**  
Acting GM: Risk and Audit  
Management





# PART B

## Performance Information

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## 1. AUDITOR'S REPORT: PREDETERMINED OBJECTIVES

The Auditor – General South Africa (AGSA) performs the necessary audit procedures on the Agency's performance information to provide reasonable assurance in the form of an audit conclusion. The audit conclusion on the performance against predetermined objectives is included in the report to management, with material findings being reported under the Predetermined Objectives heading in the Report on other legal and regulatory requirements section of the auditor's report.

Refer to page 92 of the Report of the Auditors Report, published as Part E: Financial Information.

## 2. OVERVIEW OF PERFORMANCE



**Ms. Khanyisile Cele**  
GM: Strategy, Monitoring & Evaluation

The National Development Plan (NDP) is the whole of government's blueprint to address the triple challenges of unemployment, inequality, and poverty. The Medium-Term Strategic Framework (MTSF) 2019-2024 is a five-year building block of the NDP, setting out clear priorities, interventions and targets needed to realise government's development aspirations. At a provincial level the Growing Gauteng Together (GGT) 2030 has a clear line of sight to the NDP as a critical strategy towards inclusive, shared growth and prosperity and outlines key interventions for the province to be achieved by the year 2030. Pivotal to the GGT2030 plan is the focus on supporting township small enterprise, as demonstrated by the Township Economic Revitalisation Strategy and the now newly enacted Township Economic Act and driven by the Public Preferential Procurement Framework Act (PPPFA) which seeks to increase small enterprise participation in the mainstream economy. The ten high growth sectors set out in government's policy framework provided an opportunity for GEP to focus its business and financial support programmes.

The year 2021/22 was a year of "implementation through the eye of the GGT2030" and required discipline in programme design and execution. As a result, the strategic focus for GEP through its programmes is characterised by concerted efforts to support small enterprise, particularly as they recover from the COVID-19 pandemic. In addition, the country witnessed one of the most destructive riots since the dawn of democracy in July 2021, wherein infrastructure and businesses were severely impacted, particularly in KwaZulu-Natal and Gauteng. In pursuit of the objectives of rebuilding and recovery, GEP together with its shareholder (DED) launched the Gauteng Rebuilding Fund for SMMEs impacted by the riots.

GEP achieved 67% overall performance against 78% overall expenditure during the year under review, down from 75% overall performance the previous year. Favourable performance is seen in the main through programme one (1) affirming our commitment to transformation by leveraging our procurement spend towards targeted, previously disadvantaged, groups. Performance is also seen in those indicators and targets that drive the core business of GEP, which includes financial support through loans and grants as well as non-financial support through the Business Development Support Programme. Loans to the value of R38 million were issued to small enterprises and a total of 860 small businesses were provided non-financial support in the form of training and business formalisation. Our Youth Accelerator Programme has placed a total of 109 youths in employment positions.

For the SMME partnership fund, the 2021/22 financial year was a year to lay the foundation for sound administrative and governance processes to ensure that implementation is free from 'loopholes'. Consequently, indicators and targets pertaining to the R250 million SMME partnership were not met. By the end of 2021/22, the IDC and GEP partnership was formally secured, creating opportunity for further partnerships in the new financial year.

## **2.1 Service delivery environment**

In the year under review GEP continued to operate against the backdrop of an ailing economy with high unemployment and a difficult small business environment. The South African economy is not sustainable, with real GDP per capita declining steadily since 2015, extremely slow productivity growth, and an unemployment rate that increased by 0,4% in Q3 2021 to 35,3% in Q4 2021, the highest increase since 2008. The economic malaise is exacerbated by the aftermath of the COVID-19 pandemic and the July 2021 unrest, which saw many businesses permanently close while at the same time highlighting the country's socio-economic challenges.

In his State of the Nation Address, President Cyril Ramaphosa asserted that thriving economies comprise mainly of small enterprises and that public policies must create an environment to enable enterprises to grow and flourish. This will create much-needed jobs, decreasing the gap of inequality and reducing poverty. During the year under review, GEP has put in place programmes that were designed to cushion small business from the impacts of the COVID-19 pandemic and the July 2021 unrest, to abate more business "closing shop" and limit job loss.

## **2.2 Organisational environment**

The appointment of the Chief Executive Officer and Chief Financial Officer early in the financial year has provided the Agency with much needed stability and direction. The strategic re-alignment meant a review of operational processes, such as the manner in which loans and business development support programmes were processed and approved to ensure coherence and transparency across the organisation. An example is the establishment of the Management Investment Committee chaired by the Chief Financial Officer which considered and approves loans to small enterprises, non-financial support to small enterprises as well as partnerships between the Agency and other catalytic organisations. After the review process, the Agency prioritised capacitation of the core business to ensure that there is adequate human resource capacity to implement the strategy. Intricate detail regarding these activities is provided in Part D of the annual report.

There were some challenges during the year with the client interface system and telephone lines. These were, however, resolved with limited impact to clients, applications for loans and other service offerings were processed, and backlogs addressed. In the year under review the need was identified for a central database of SMMEs in the province, compiled by the GEP, and the resolution was to make use of the current client system as a springboard for this task. Further work to bring this database into fruition is set to commence in the new financial year.

## **2.3 Key policy developments and legislative changes**

### **The Protection of Personal Information Act (POPIA)**

The POPIA was signed into law in November 2013 and the remaining provisions of the Act were due to come into effect on 1 April 2020, however there were delays as a result of COVID-19 and responses needed to abate its spread. The President issued a Proclamation on 22 June 2020, commencing some sections of the POPI Act which came into effect on 1 July 2020, namely sections 2 to 38, 55 to 109, 111 and 114(1), (2) and (3). These sections largely deal with the application and exclusion provisions, the lawful processing of personal information and respective exemptions, the Information Officer, prior authorisation, codes of conduct and provisions regulating direct marketing. Sections 110 and 114(4) came into effect on 30 June 2021.

All organisations in South Africa, no matter their size, and individuals that are in a position to obtain, handle and store the personal information of other individual(s), be it with regards to employment, or a service provider or supplier, must conform to the requirements of the Act and implement steps to safeguard this information. Since June 2021, organisations had 12 months to put systems and processes in place to comply with the Act, with a deadline of 1 July 2021. Non-compliance after this period meant possible reputational damage and/or potential civil damages claims, punitive fines up to R10 million- or 10-years imprisonment, or a combination thereof.

To ensure compliance, GEP convened training sessions across the organisation starting from Board level. These efforts were to ensure integration of the requirements of the Act across all programmes.

### **Gauteng Township Economic Development Act**

The Gauteng Department of Economic Development is concerned about the low participation of SMMEs in the economy, the cost of doing business, a fragmented approach to business development and inadequate resources to deal with the challenges facing small enterprise. In line with the Constitution of the Republic of South Africa, the Township Economic Development Act forces state organs, including municipalities, government departments and Development Finance Institutions, to ensure that SMMEs are supported and referred to the relevant entities.

Central to the development of the Township Economic Development Act is the inability of SMMEs to access markets, funding, and workspace, as well as the stringent

regulations constraining enterprise development. The Act thus forces municipalities to allocate working space, permission, and licences to operate and to consider small and township enterprise as formal businesses, empowering them to advance the transformation agenda. In addition, the Township Enterprise Zones will create an aggregator platform for SMMEs to access markets.

The Township Economic Development Act challenges GEP to relook at the current business development model. Firstly, it pushes GEP and other DFIs to assist SMMEs in the development, testing, and refinement of products to be ready for market. This implies that GEP needs to balance business development support with product development, in line with the twenty-two priority products, Fast Moving Consumer Goods (FMCG) and other products identified as having economic potential. Secondly, the Bill requires that GEP look at the low level of SMME participation in public procurement, which is attributed to the lack of support instruments to build the productive capacity of SMMEs and products. Finally, the Township Economic Zones, as set out in the Act, provide SMMEs with a platform to improve the quality of their products, access affordable working space, and achieve economies of scale by aggregating products for the market. GEP is expected to play a critical role in investing in product development and promoting local content for SMMEs.

During the year under review, the DED undertook significant consultation leading up to the "enactment" of the Bill towards the Gauteng Township Economic Development Act. This is set to be a game changer for township enterprises, placing GEP at the centre of a small business renewal. The aim is to address the legacy of apartheid on Gauteng's townships and to open-up new procurement and market opportunities for township businesses. Part 2, Section 11 of the Act speaks directly to the role that GEP must play towards implementation of the newly enacted TEDA. Whilst there is a degree of alignment between GEP's strategic focus and the Act, the year ahead will require a specific focus on enterprises in Township Economic Zones.

### **Gauteng Economic War Room**

Realising the lacklustre performance of the Gauteng Department of Economic Development and GPG Departments more broadly, the new leadership adopted an aggregator approach to economic development which is more impactful in orientation. Firstly, the War Room acknowledged the fragmentation of resources and departments in pursuing and attaining a common goal of developing the economy. Secondly, it recognises that,

while the Gauteng Department of Economic Development is the custodian of economic growth and job creation in the province, other departments play a critical role in stimulating economic development and resource support. The establishment of the Gauteng Economic War Room in August 2021 was later elevated to a GPG Economic War Room bringing on board other departments and economic clusters. This shift intends to address the siloed and fragmented approach to SMME development in the province. Bringing together private sector, institutions of higher learning and industry bodies as part of the delivery machinery of the province.

Several workstreams were developed in the Gauteng Economic War Room with an impact on SMME Development. This includes Township and Inclusive Economy, Transport and Logistics, Agro-processing, Green Economy Cluster, Action Lab (for priority sectors), Tshepo 1 million (targeting youth employment), and Broadband. Central to this is the development of an SMME Fund to bolster support for micro, small and medium enterprises. This is furthered by the GPG 'Big Push' to force departments, entities, and the private sector to commit their B-BBEE fund, which comprises funding for supplier development, enterprise development and skills development, to micro, small and medium enterprises.

The Gauteng Economic War Room facilitated the development of the Township Economic Development Bill and eventually, the Gauteng Township Economic Development Act to foster economic integration across all spheres of government, reduce red tape, prioritise enterprise development and create decent employment. At the heart of implementing the Gauteng Township Economic Development Act is the focus on Township Economic Zones, which create an enabling platform for the capacitation of local suppliers with productive capacities, equipment, working space and market access.

Broadly, these interventions are linked to the Gauteng Province Enterprise Supplier Development Programme, which assists local township businesses to improve and refine their products until they are market ready. This calls for the realignment of interventions from development finance institutions to market demands. The low level of SMME participation in both public procurement and the corporate market signals a mismatch between market supply and demand, hence the call to rethink the SMME development model with an emphasis on sustainability, impact and tackling the monopolistic structure of the economy in a holistic and strategic way.

## **2.4 Progress towards achievement of institutional impacts and outcomes**

Part of GEP's mandate and objective is to promote, foster and develop small enterprises in the province which in the main pertains to providing financial and non-financial

support to small enterprises. Since the commencement of the 6th administration, GEP has assisted more than 6 900 SMMEs through our financial and non-financial support. The positive impacts captured in this report are just some examples of the footprint of GEP in terms of our contribution to the economy and job creation

## **3. REPORT FROM THE ACTING CHIEF FINANCIAL OFFICER**



**Ms. Xolelwa Matyila**

Acting Chief Financial Officer

### **Overview of the 2021/22 Annual Financial Statements**

The Gauteng Enterprise Propeller's (GEP) Annual Financial Statement (AFS) have been prepared in accordance with the Standard of Generally Recognized Accounting Practice (GRAP), as well as the requirements of the Public Finance Management Act (PFMA), of 1999 and National Treasury Prescripts. The AFS have been prepared according to appropriate accounting polices which are consistently applied and supported by reasonable and prudent judgment and estimates.

GEP's funding requirements are sourced mainly from 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-operatives and providing financial and non-financial support to SMME's.

During the 2021/2022 financial year, GEP paid out R37,6 million in FSS loans compared to R26,9 million paid out in the previous financial year, an increase of R10,7 million on approved loans. This is due to improved turnaround times on approvals of loans as compared to the previous years and improved efficiencies in the Investment Management unit.

Over the same period GEP collected R13,4 million from outstanding debtors which is 135% above the budgeted collection of R10 million. Even though there was a slight increase of R3,4 million in collection, GEP continues to struggle to collect funds from debtors mainly due to historical challenges related to the quality of the loan book.

In the past, GEP contracted legal attorneys to assist with collections and it was noted that this process had not yielded any fruitful results and towards the end of the current year (2020/2021) management took a decision to use the services of the External Debt Collectors to assist in collection. Despite the challenges 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 sitting at 100% of payment of suppliers under fifteen days. Thus, the GEP met its target of ensuring that the turnaround period for payment of creditors is under the legislated 30 days. The speedy payment of service providers and SMMEs alleviated their cashflow pressures and reduced the level of enterprise failure, which usually emanates from long payment turnaround times, while also building trust and confidence in our Agency among SMMEs and service providers.

### **Assets**

Total assets as at 31 March 2022 were R468 million, which is an increase when compared to our total assets for the previous financial year of R437 million. The increase is mainly attributed to an increase of R12 million in cash and cash equivalent and FSS loans issued. The entity has a carrying value of R 4 306 438 for PPE as compared to R5 651 843 in the prior year. Additional IT equipment of R919 000 was also purchased in the current year.

## **Liabilities**

GEP total liabilities as at 31 March 2022 were R420 million, compared with R402 million in the previous financial year. The current year balance increased by R18 million mainly due to R86 million paid back to GPT and a R99 million provision for surplus retention (see Statement of Financial Performance) as well as trade payables and accruals at year end. Although there is not substantial movement in terms of value, there is a significant movement in terms of the TEPF partnership programme, transferred from provision to payables from non-exchange transactions.

## **Net Assets Value Statement**

The Net Asset Value (NAV) has increased in the period under review from R34 million to R47,5 million. The increase in NAV is due to surplus for the year of R13,4 million.

## **Revenue: Exchange Transactions**

The provincial grant for the year was R309 403 000, which was a decrease of R168 million as compared to the previous year of R477 897 000. Provincial support continues to reduce over the period and GEP operational budgets continue to be extremely constricted.

## **Revenue: Non-Exchange and Exchange**

During the financial year, GEP earned exchange of R18 million which is mainly made up of interest relating to loans to the value of R17 million. Prior year exchange revenue was R14 million, also mainly made up of the interest on debtors.

## **Loan Book Performance and Credit Risk**

The total GEP loan book is valued at R275 million. During the financial year, GEP wrote off bad debt with a net value of R61k. The entity provided for impairment on debtors of R225 million in the current year and R209 million in the previous year.

The current provision for doubtful debt adjustment is R21 million, compared with the previous year's doubtful debts of R16 million. The current year increase in the Provision for Doubtful Debts is reflective of a broader difficult macro environment that the SMMEs in the province operate in and challenges faced by them. Despite the difficult macro-economic environment, GEP was able to collect 13,4 million from debtors against a collection target of R10 million.

Furthermore, the current 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, notwithstanding GEP's best endeavors to collect. During the 3rd quarter of the year, GEP appointed External Collection Agencies to assist with tracing of non paying clients and assist with collection of long outstanding accounts.

## **Irregular Expenditure**

The entity discloses irregular expenditure of R153,7 million as compared to R73 million the prior year. The sharp increase is largely as a result of the entity's own investigations and relates to historic matters. The remainder of the irregular expenditure relates to services that were awarded without following procurement processes and continuation of utilising contracts which were declared to be irregular contracts in the prior years. Some of the matters are handed over to the law enforcement agencies for further investigations.

## **Fruitless and Wasteful Expenditure**

The entity discloses fruitless and wasteful expenditure of R20 million as compared to R415 000 the prior year. This is mainly attributed to matter that were referred for further investigation with law enforcement agencies. Further, it was discovered that some of the deals were awarded without observing proper due diligence.

## **Appreciation**

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

## 4. REPORT BY THE CHIEF OPERATIONS OFFICER



**Mr. Imraan Khan**  
Chief Operations Officer

### Overview of 2021/22

The 2021/2022 financial year proved to be challenging with the continued effects owing to the COVID-19 pandemic on the economy. GEP undertook a revision of internal processes to create efficiencies in the processing of applications, culminating in the consolidation of three internal management approval committees into a single, Investment Management Committee. This significantly improved turnaround times in the approval of projects and deals.

The Investment Management has delivered fully on the Annual Performance Plan (APP) for the 2021/2022 financial year, exceeding its annual planned targets. The Investment Management Unit supported businesses to the value of R38 million against the R28 million annual budget. The launch of the SMME Fund, a partnership between the Gauteng Enterprise Propeller (GEP) and the Industrial Development Corporation (IDC), is a key highlight for the year under review. In addition, the Rebuilding Fund was launched which aimed to assist businesses negatively impacted by COVID-19 and the July 2021 unrest. In terms of Business Development Support, a total of 860 projects amounting R20 344 166 were approved. Furthermore, there was an increase in the number of grant applications during the year under review with a total of 316 projects approved totalling R2 663 908. GEP was also successful in providing skills development through the placement of 109 youths, thus contributing to the Tshepo 1 Million Program.

### Challenges

Business Development Support and Investment Management challenges related primarily to inefficiencies within the GEP. To address this, the team revised controls and processes to ensure an effective and efficient operating environment. This assisted GEP with the achievement of APP targets.

### Focus for the coming year

Our focus for the coming year is to ensure that we assist as many businesses as possible given the growing unemployment challenge. The intent is to launch specifically focused funds such as a Youth Loan Programme to aid youth owned businesses in their financial sustainability. We further intend to leverage the funds to ensure maximum reach through our business development programmes.

## 5. OVERVIEW: STAKEHOLDER MANAGEMENT & REVENUE GENERATION



### Ms. Nosipho Khonkwane

GM: Stakeholder Management and Revenue Generation

#### Overview of 2021/22

The focus of the Stakeholder Management and Revenue Generation Unit is to mobilise resources and build value adding partnerships with funders and other entrepreneurship support organisations to increase the level of financial and non-financial support provided to Gauteng SMMEs. During the period under review the following notable achievements were made:

#### Strategic Partnerships

- Six new partnerships were forged to support the work of GEP.
- The establishment of a Township Economy Partnership Fund (TEPF), in partnership between the Gauteng Provincial Government (GPG) through the Gauteng Department of Economic Development, the Gauteng Enterprise Propeller (GEP), and the Industrial Development Corporation (IDC) aimed at providing funding to small township-based businesses.
- Governance Structures were established to ensure efficient functioning of the TEPF.
- The TEPF leveraged R400m in funds towards supporting the township economy with the GEP and IDC each committing R200m.

#### Public Engagements

- GEP participates as a regular contributor to the SABC show Speak Out on matters that pertain to SMMEs and business-to-business trading.
- On the 12th of February 2022, GEP through the CEO participated in a Newzroom Afrika special focus on township entrepreneurship. The special ran on the 12th and 13th of February and was uploaded on the Newzroom Africa YouTube account.
- On the 26th of February 2022, the Grow Your Business TV show interviewed GEP on our enterprise development offerings.
- GEP presented its product offering and engaged in panel discussions in various platforms such as the Khulanathi - TETA funded SMME support programme.
- GEP uses the media as an engagement tool, contributing to Vukuzenzele (GCIS), Vutivu Business News, Spotong Business News, and Jozi FM.
- Joint engagement of SMMEs in the West Rand and Sedibeng District Municipalities together with the DSBD Minister, Deputy Minister, SEFA and SEDA on 8 March 2022.

#### 2021/22 GEP partnerships

In the period under review, GEP engaged and partnered with different stakeholders, signing agreements with the following:

- The Innovation Hub
- Constitutional Hill and Innotivity Institute
- Dinokeng Projects
- Gauteng Industrial Development Zone
- Industrial Development Corporation
- Productivity South Africa

#### Facilitation of access to markets

GEP focused on establishing partnerships with government and private sector to facilitate access to markets for SMMEs. This also enables a pipeline for GEP contract/purchase order funding. This performance area was under achieved due to Technical Definition Indicator that required both the signing of a partnership agreement and purchase order, while the supported SMMEs couldn't receive purchase orders.

#### International Relations Partnership Programme

Due to COVID-19, the International Relations Partnership Programme was negatively impacted for the 2021/22 financial year. All resources meant for this programme were redirected to assist in the Provincial response to the pandemic.

However, meaningful engagements still took place with the United States Embassy. This has resulted in a multi stream working group inclusive of all relevant GDED agencies and GDED sub-units. The work towards signing a Provincial Agreement with the United States continues.

## Challenges

The GEP faced the following critical challenges during the year under review:

- Impact of COVID-19
- Budget cuts
- Implementation of market access partnerships lagged behind due to challenges posed by COVID-19.

## Focus for the coming year

The 2022/23 financial year will focus on:

- Implementation of the TEPF to ensure that funding is fully accessible to township SMMEs through partnering with Non-Bank Lenders to establish a township SMME pipeline.
- Engagement with ecosystem partners in townships to ensure the investment readiness of SMMEs.
- Resource mobilisation through co-funding partnerships.
- Improved visibility and a proactive Stakeholder Management Programme.

## 6. GEP SUCCESS STORIES

The following success stories highlight key achievements and economic impacts by GEP during the year under review.

### Isisekelo Engineering (Pty) Ltd

Location: 234 Glover Avenue, Waterford Court Unit D17, Centurion, 0157

Corridor: Tshwane

Sector: Engineering and Construction Services

### Business profile

Isisekelo Engineering Services was formed in 2017 and is a Level 1 B-BBEE company with 100% Black ownership. The business is managed by Mr. Sicelo Myeni who is a qualified Mechanical and Electrical Engineer. The business's management team has extensive experience in engineering, mining, and project management.

The business is currently executing three projects namely, Exxaro Coal, Evander Gold Mines and Universal Coal. The work is on an ongoing basis through purchase orders as and when required by the mines. More projects are in the pipeline with an emphasis of converting them to sales. The key challenge for the business is the high cost of Equipment Plant Hire, which affects project profitability and liquidity. As a result, the Business is considering own plant acquisition to improve financial sustainability.



## **Business challenges**

The main challenge for the business is the erratic variable costs that constrain cash flow due to high rental costs. There is currently an opportunity, owing to the Businesses healthy order book, to provide financial assistance to alleviate these constraints. The business will benefit from a GEP cash injection which will reduce monthly costs of plant equipment hire, build a stronger company balance sheet, improve operational efficiency and cash flow management, and control and improve profitability.

## **GEP interventions**

The business was assisted with capital to procure its own heavy machinery and equipment.

## **The outcome**

The business acquired own equipment and machinery which saved machinery leasing and rental costs.

## **Employment creation**

The GEP investment propelled the business to create nine direct employment opportunities: Quantity Surveyor, Tractor Loader Operator, Tipper Truck Operator, Tractor Loader Assist, Tipper Tuck Assist, BDM Manager,

Projects Specialist, and two General Workers and retain 20 existing jobs. All nine of these new jobs will be filled by youth, while four will be filled by women. The GEP investment will enhance the business' potential to create new jobs in the medium term and may double the current staff compliment.

## **Danchi (Pty) Ltd**

Location: 6 Aambeeld Street, Silvertondale, Pretoria, 0084

Corridor: Tshwane

Sector: Engineering and Construction Services

## **Business profile**

The Danchi Group (Danchi) is a steel manufacturing business that employs 13 people in Silvertondale in the East of Pretoria. The company was formed by Rachael Gaffane in 2017 and is 100% black woman owned. It manufactures steel components for the automotive and rail transport industries, including bushings, spacers, pins, pivots, and steel fabricated products such as columns, scaffolding, sheeting, conveyor structures and shafts, and refurbishes steel components for clients in various industries. Over the years, the business has established relationships with industry giants such as Komatsu, Timken, Aveng Trident Steel and Kaefer.



## **Business challenges**

The challenges faced by the business included shrinking margins and slowing revenue. The onset of COVID-19 worsened difficulties in the construction sector, and the company required a change of direction. In 2020, Gaffane sought to reposition the Group from constructing steel products to steel components manufacturing. This change required significant capital investment of machinery and equipment and an injection of working capital.

## **GEP interventions**

The GEP assisted the company by providing funding for working capital.

## **The outcome**

In the year before receiving GEP funding, Danchi invested in acquiring equipment, and the support from GEP has helped Danchi operationalise that capital investment.

## **Employment creation**

Danchi employs 13 people, mainly artisans. This includes two machine operators, two painters, a draughtsman, two welders, two general workers, a production manager, a workshop supervisor and administrative support.

## **Appto (Pty) Ltd**

Location: 12th Floor Sandton City Office Towers, 2196

Corridor: Johannesburg

Sector: Services

## **Business profile**

APPTO is a South African on-demand neighborhood shopping app that provides e-commerce and delivery fulfilment solutions for consumers from local merchants such as retail stores, restaurants, pharmacies, grocery shops, liquor outlets, hardware stores, food markets and more. APPTO employs eleven people and as part of its service, aggregating orders from multiple retailers for a single fulfilment (pick-up or delivery).

The business was founded by Madoda Khuzwayo, a serial technology entrepreneur with an enduring passion for eCommerce. Mr. Khuzwayo approached the GEP for start-up capital after struggling to get support from financial institutions.



## **Business challenges**

The main challenge faced by the business was a lack of start-up capital to commence business operations.

## **GEP interventions**

APPTO is now in partnership with Sandton City Mall to enable shopping and delivery fulfilment for all tenants interested in offering delivery or the 'click & collect' model. APPTO is also opening its first dark store in Sandton City, a retail facility that resembles a conventional supermarket but is not open to the public. The store houses goods used to fulfil orders placed online and is Sandton City's first-ever dark store tenant. The APPTO Sandton City Store will be open 24/7 offering delivery of liquor and essential items to service consumers in and around Sandton City.

## **The outcome**

Mr. Khuzwayo believes the GEP's support will go a long way in helping his business become a strong competitor in South Africa's e-commerce landscape and aid in creating additional jobs.

## **Employment creation**

Before GEP interventions, APPO was struggling to access start-up capital. The GEP investment propelled the business to create 10 direct employment opportunities: Store Manager, Delivery Manager, three Cashiers, three Client Services Consultants, General Worker, and Inquiries Consultant and retain eight existing jobs. Of the ten new jobs created, all are filled by youth and seven are occupied by women. The GEP investment will enhance the businesses potential to create new jobs in the medium-term and may double the current staff compliment.



## Lemmechew Foods (Pty) Ltd

Location: 11 Ellaman Street, Sunderland Ridge

Corridor: Tshwane

Sector: Manufacturing

### Business profile

Lemmechew Foods is a 100% black woman owned business established in 2016 by founder Katlego Suze. The business specialises in food manufacturing, food nutrition, healthcare and related teachings. Katlego studied Hospitality Management and is a professional chef with a certificate from the Steyn Culinary School. Prior to opening her business Katlego worked in the financial sector for over eight years as a Loans Consultant. Her husband Sam works in the business as the Sales and Marketing Manager.

Lemmechew Foods started off by catering corporate and private events as well as selling venison, health shakes and cooking classes for kids. In 2019 Ms. Suze pursued an idea to produce Lemmechew chilli sauce in three flavours, manufacturing and bottling the products from her home. The sauces are sold to individuals and small businesses such as butcheries, spaza shops and restaurants in Gauteng townships.

### Business challenges

The business owned inadequate equipment resulting in an inability to keep up with orders received. As a result, Lemmechew was reluctant to take on larger orders from well-known retailers such as OBC and Roots Butcheries, limiting growth. The business also required assistance with marketing tools for in-store promotions.

### GEP interventions

Lemmechew Foods benefited from both the TBR fund and Covid Relief Fund for Manufacturers. From the TBR fund, the business received a stove, sealing machine and cooker hood. Funding from the Covid Relief Fund was used to purchase ingredients and packaging material such as bottles. In 2022 the business received assistance with marketing tools in the form of banners, tablecloths, and vehicle branding and was recently approved by GEP to be a beneficiary of the Youth Fund.

### The outcome

Following GEP's support, the business increased their capacity and supplies a greater number of businesses in Atteridgeville. They have also expanded to major retailers in Gauteng including:

- Royal Buthery – Attln Mall in Atteridgeville





- OBC Meat and Chicken – Atteridgeville Mnadi Mall
- OBC Meat and Chicken – Vosloorus Mail
- For the Love of Food - Malebo Road Nellmupius
- SPAR - Danville Pretoria West
- The Braai Maestro – Pretoria West
- Sloan Butchery and Deli – Sloan Park Shopping Centre
- OK Grocer – Madeira Shopping Complex Westview
- Basement Chisanyama - Atteridgeville
- Saverite Meat and Veg – Arcadia
- Blom Lifestyle – Nellmupius Pretoria
- Sentra – Danville
- Hellena Supermarket – Ludrits Street Boysens
- Kwaggasrand Supermarket Fruit and Veg – Inner Cres Kwaggasrand
- Fish and Go – Celtis Ridge Centurion
- North Park – Pretoria North
- Watloo Meat and Chicken - Olivenhoutbosch, Centurion
- Meat and Chicken - Diepsloot Chuma Mall, Diepsloot Bambanani Mall and MamsMall

- OBC Meat and Chicken – Protea Glen Soweto
- Superspar – Queenswood
- Universal Pobacco – Pretoria Gardens
- Moot In Café – Daspoort Pretoria
- Rabira Trading – Gezina

The business was able to move their operations from their home in Atteridgeville and are now operating from a small industrial factory in Sunderland, Centurion. Lemmechew has also been able to obtain SABS certification. The business has managed to grow revenue from R4 000 per month to over R100 000 per month.

### **Employment creation**

The business has created five new full time jobs in the roles of Operations Manager, Chef, Assistant Manager, General Worker and Administrator. There is an opportunity to employ a further five people as the business grows.

## **Makwande Primary Co-operative Limited**

Location: Plot 49, Tweefontein, Cullinan

Region / Corridor: Tshwane

Sector: Agriculture

### **Business profile**

Makwande Primary Co-operative Limited was formed and registered with the CIPC in 2014 and operates from Cullinan. The co-operative farms broiler chicken which are then sold to individuals in the community and chisanyama businesses around Cullinan, Rayton, Bronkhorstspruit, Mamelodi and Ekangala. The co-operative operates two chicken structures housing 5 000 chickens each.

### **Business challenges**

An assessment revealed that the co-operative was experiencing a high mortality rate due to lack of temperature control during both winter and summer. This had a serious effect on the co-operatives revenue.

### **GEP interventions**

In November 2018, the co-operative received equipment to the value of R29 999 through the Cooperative Assistance Programme. Equipment purchased included curtains, drinkers, heaters, fans and crates. The chicken structures now house chickens at maximum capacity.

### **The outcome**

The purchase of temperature control equipment decreased the mortality rate of chickens. As a result, turnover increased from R750 000 in 2017/18 to R940 000 in the 2020/21 financial year. Profit increased from R300 000 in 2017/18 to 400 000 in 2020/21.

### **Employment creation**

The co-operative employed six people before the GEP intervention, increasing to nine people after funding was secured.



## **Siyaphambili Supply and Multi-Purpose Primary Cooperative Limited**

Location: 10793 Zambezi Street Extension 6 Kagiso, Gauteng, 1754

Corridor: West Rand

Sector: Manufacturing

### **Business profile**

The Siyaphambili Co-operative was established in February 2016 and formalised in 2018. The co-operative manufactures school uniforms, traditional clothing and formal wear. The target market includes schools, mines, individuals, and private companies. Marketing is executed using materials provided by the GEP.

Co-operative members invested R10 000 into the business to purchase equipment and maintenance materials. Funds are held in a Sasfin bank account with financial transactions manually recorded.

### **Business challenges**

The co-operative faces a number of challenges including the lack of marketing materials, equipment, quality management systems, business skills and HR policies and procedures. These challenges hindered business operations and made it difficult for the co-operative to meet demand.

### **GEP interventions**

GEP assisted the business through the Cooperative Investment Readiness Incubation Programme which

improved capacity in basic business management, sales and marketing, bookkeeping and finance, coaching and personal development, conflict management, cooperative governance and operations management. The GEP also engaged Siyaphambili in our Cooperative Acceleration Boot Camp which assists with the forming of strong partnerships between co-operatives, capacity building, knowledge transfer and unlocking access to market opportunities.

GEP procured equipment and developed marketing material for the cooperative which included a signboard, personalised invoice and quotation books, business cards and company profile. The co-operative received assistance from the COVID-19 Relief Fund which was used to buy additional materials to ensure they remained sustainable during the pandemic. They were afforded the opportunity to manufacture and sell masks to community members through the Co-operative COVID-19 Programme. Finally, HR Policies and procedures were developed to help the cooperative deal with human resource matters effectively.

### **The outcome**

Support from the GEP enabled the co-operative to increase capacity, take on more orders, and improve business processes. Opportunities were also created to forge partnerships with other co-operatives, gain insights, and access new markets. The business turned over R40 000 in the 2020/21 financial year despite the lasting effects of the COVID-19 lockdowns, which crippled many businesses.

### **Employment creation**

The business operates with five members.



## 7. INSTITUTIONAL PROGRAMME PERFORMANCE INFORMATION

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

### 7.1 Programme 1: Administration

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

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

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

### 7.2 Programme 2: Investment Management

To ensure the optimal deployment of available loan and grant funding to support 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.

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

Outcome 3: Sustainable enterprises that create and maintain jobs

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

### 7.3 Programme 3: Regional Operations and Enterprise Support

To provide tailor-made, business development support for the development and growth of small enterprises through the Gauteng Entrepreneurship Model (GEM) stages of ideation, start-up and early growth. A referral system is developed to ensure investment ready small enterprises receive the required financial support through GEP loans or through loans provided by other DFIs or cofounders.

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

Outcome 3: Sustainable small enterprises that are creating jobs

### 7.4 Programme 4: Resource Mobilisation and Industrial Financing

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

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

## Outcome 1: Improved balance sheet to support small enterprises

**Outcome 3:** Increased number of supported small enterprises that are sustainable and creating jobs

## **Outcomes, Outputs, Output Indicators, Targets and Actual Achievement**

**Table 1 - Initial Annual Performance Plan Outcomes, Outputs, Output Indicators, Targets and Actual Achievement until date of re-tableing**

PROGRAMME 1: ADMINISTRATION						
Outcome	Output	Output Indicator	Audited Actual Performance 2020/2021	Planned Annual Target 2021/2022	*Actual Achievement 2021/2022	Deviation from Planned Target to Actual Achievement 2021/2022
<b>Increased contribution of Small Enterprises in the Gauteng economy</b>	GEP procurement set-asides to benefit target groups	Percentage of procurement spend on small enterprises owned by women	10%	40%	10% (30%)	R40 150 was spent on procurement from women owned service providers against R386 745 spent on all service providers regardless of B-BBEE status.
		Percentage of procurement spend on small enterprises owned by youth	19%	30%	19% (11%)	R74 650 was spent on youth owned service providers against R386 745 spent on all service providers regardless of B-BBEE status.
		Percentage of procurement spend on small enterprises owned by person with disabilities	40%	7%	40% +33%	None – target achieved
		Percentage of valid procurement invoices paid within 15 days	100%	100%	100% 0%	R143 147 was spent on PwD owned service providers against R386 745 spent on all service providers regardless of B-BBEE status.
						None

PROGRAMME 2: INVESTMENT MANAGEMENT						
Outcome	Output	Output Indicator	Audited Actual Performance 2020/2021	Planned Annual Target 2021/2022	*Actual Achievement 2021/2022	Reasons for Deviations from Planned Target to Actual Achievement 2021/2022
<b>Sustainable enterprises that create and maintain jobs</b>	Financially supported small enterprises creating jobs	Number of small enterprises provided with financial support through the provision of loans (approval)	21	500	21	(479)

The performance indicator and target were removed to measure the Rand value of the approved loans and disbursement rate of the approved loans.

This was and continues to be in line with the strategic shift to ensure that loans disbursed facilitate sustainable and thriving businesses.

**PROGRAMME 3: REGIONAL OPERATIONS AND ENTERPRISE SUPPORT**

<b>Outcome</b>	<b>Output</b>	<b>Output Indicator</b>	<b>Audited Actual Performance 2020/2021</b>	<b>Planned Annual Target 2021/2022</b>	<b>*Actual Achievement 2021/2022</b>	<b>Deviation from Planned Target to Actual Achievement 2021/2022</b>	<b>Reasons for Deviations</b>	<b>Reasons for Revisions to the Outputs / Output Indicators / Annual Targets</b>
<b>Sustainable enterprises that create and maintain jobs</b>	Small enterprises supported through Business Development Interventions in all economic sectors	Number of small enterprises supported through Business Development Support Interventions	173	1 325	173	(1 152)	During the mid-year adjustment period the annual target was reduced to 850 and the annual target has been achieved.	During the mid-year adjustment period the annual target was reduced to 850 and the annual target has been achieved.
		Percentage of GEP funded small enterprises supported through Business Development Support Interventions	0%	70%	0%	(70%)	The revision came after the review of internal governance processes to bring about efficiencies and standardisation in the approval process across regions.	The revision came after the review of internal governance processes to bring about efficiencies and standardisation in the approval process across regions.

**PROGRAMME 3: REGIONAL OPERATIONS AND ENTERPRISE SUPPORT**

Outcome	Output	Output Indicator	Audited Actual Performance 2020/2021	Planned Annual Target 2021/2022	*Actual Achievement 2021/2022	Deviation from Planned Target to Actual Achievement 2021/2022	Reasons for Deviations	Reasons for Revisions to the Outputs / Output Indicators / Annual Targets
<b>Sustainable enterprises that create and maintain jobs</b>	Number of Commercial farmers supported through Business Development Support Interventions	0	20	0	(20)	The performance indicators relating to Business Development Support interventions are consolidated under one performance indicator i.e. Number of small enterprises supported through Business Development Support Interventions in all economic sectors.	The performance indicators relating to Business Development Support interventions are consolidated under one performance indicator.	i.e. Number of small enterprises supported through Business Development Support Interventions in all economic sectors.
	Number of furniture small enterprises provided with skills through incubation	0	30	0	(30)	The performance indicators relating to Business Development Support Interventions including incubation are consolidated under one performance indicator.	The performance indicators relating to Business Development Support Interventions including incubation are consolidated under one performance indicator.	i.e. Number of small enterprises supported through Business Development Support Interventions in all economic sectors.

PROGRAMME 3: REGIONAL OPERATIONS AND ENTERPRISE SUPPORT						
Outcome	Output	Output Indicator	Audited Actual Performance 2020/2021	Planned Annual Target 2021/2022	*Actual Achievement 2021/2022	Deviation from Planned Target to Actual Achievement 2021/2022
<b>Sustainable enterprises that create and maintain jobs</b>		Number of emerging construction small enterprises (contractors and subcontractors) in the supplier development programme provided with business development support interventions	0	30	0	(30)
		Number of manufacturing small enterprises supported through Business Development Support Interventions	7	100	7	(93)

**Reasons for Deviations to the Outputs / Output Indicators / Annual Targets**

Reasons for Revisions to the Outputs / Output Indicators / Annual Targets
The performance indicators relating to Business Development Support Interventions are consolidated under one performance indicator.
i.e. Number of small enterprises supported through Business Development Support Interventions in all economic sectors.
The performance indicators relating to Business Development Support Interventions are consolidated under one performance indicator.
i.e. Number of small enterprises supported through Business Development Support Interventions in all economic sectors.

**PROGRAMME 3: REGIONAL OPERATIONS AND ENTERPRISE SUPPORT**

Outcome	Output	Output Indicator	Audited Actual Performance 2020/2021	Planned Annual Target 2021/2022	*Actual Achievement 2021/2022	Deviation from Planned Target to Actual Achievement 2021/2022	Reasons for Deviations	Reasons for Revisions to the Outputs / Output Indicators / Annual Targets
<b>Sustainable enterprises that create and maintain jobs</b>	Number of tourism small enterprises supported through Business Development Support Interventions	0	240	0	(240)	The performance indicators relating to Business Development Support Interventions are consolidated under one performance indicator.	i.e. Number of small enterprises supported through Business Development Support Interventions in all economic sectors.	The performance indicators relating to Business Development Support Interventions are consolidated under one performance indicator.
	Number of small enterprises based at the West Rand (Randfontein) SEZ provided with Business Development Support Interventions	0	50	0	(50)	The Randfontein SEZ was not yet operational therefore, GEP was unable to provide Business Development Support to small enterprises based in West Rand.	i.e. Number of small enterprises supported through Business Development Support Interventions in all economic sectors.	i.e. Number of small enterprises supported through Business Development Support Interventions in all economic sectors.
	Number of automotive small enterprises in the AIDC supplier development programme provided with business development support interventions	0	30	0	(30)	The performance indicators relating to Business Development Support Interventions are consolidated under one performance indicator.	i.e. Number of small enterprises supported through Business Development Support Interventions in all economic sectors.	i.e. Number of small enterprises supported through Business Development Support Interventions in all economic sectors.

### PROGRAMME 3: REGIONAL OPERATIONS AND ENTERPRISE SUPPORT

Outcome	Output	Output Indicator	Audited Actual Performance 2020/2021	Planned Annual Target 2021/2022	*Actual Achievement 2021/2022	Deviation from Planned Target to Actual Achievement 2021/2022	Reasons for Deviations	Reasons for Revisions to the Outputs / Output Indicators / Annual Targets
<b>Sustainable enterprises that create and maintain jobs</b>		Number of small enterprises in Ekasi Labs provided with Business Development Support Interventions	0	80	0	(80)	The performance indicators relating to Business Development Support Interventions are consolidated under one performance indicator.	The performance indicators relating to Business Development Support Interventions are consolidated under one performance indicator.
		Number of small enterprises provided with grant funding	278	1 575	278	(1 297)	i.e. Number of small enterprises supported through Business Development Support Interventions in all economic sectors.	i.e. Number of small enterprises supported through Business Development Support Interventions in all economic sectors.
		Grant funding for small enterprises and cooperatives	32	100	32	(68)	This is in line with the strategic shift to ensure more sustainable businesses as opposed to pushing numbers.	This is in line with the strategic shift to ensure more sustainable businesses as opposed to pushing numbers.

### PROGRAMME 3: REGIONAL OPERATIONS AND ENTERPRISE SUPPORT

Outcome	Output	Output Indicator	Audited Actual Performance 2020/2021	Planned Annual Target 2021/2022	*Actual Achievement 2021/2022	Deviation from Planned Target to Actual Achievement 2021/2022	Reasons for Deviations	Reasons for Revisions to the Outputs / Output Indicators / Annual Targets
<b>Sustainable enterprises that create and maintain jobs</b>		Number of construction small enterprises in the installation, repairs and maintenance programme provided with grant funding	0	150	0	(150)	The performance indicator and target were removed to measure the Rand value of the approved grants and disbursement rate of the approved grants.	
		Number of informal Businesses provided with grant funding	256	1 100	256	(844)	The performance indicator and target were removed to measure the Rand value of the approved grants and disbursement rate of the approved grants.	
		Number of small enterprises in the Taxi Economy Programme provided with grant funding	0	250	0	(250)	The performance indicator and target were removed to measure the Rand value of the approved grants and disbursement rate of the approved grants.	
	YOUTH SUPPORT	Number of youth supported through the Youth Accelerator Programme	109	1 400	109	(1 291)	The programme was adapted to increase the stipend and revise the programme term to 12 months. The adjustments are geared toward a more impactful and sustainable programme, albeit with fewer participants.	During the mid-year adjustment period and in efforts to create a more impactful and sustainable program it was decided to increase the stipend and term of the contract based on the budget numbers of the youth.

#### PROGRAMME 4: RESOURCES MOBILISATION AND INDUSTRIAL FINANCING

Outcome	Output	Output Indicator	Audited Actual Performance 2020/2021	Planned Annual Target 2021/2022	*Actual Achievement 2021/2022	Deviation from Planned Target to Actual Achievement 2021/2022	Reasons for Deviations	Reasons for Revisions to the Outputs / Output Indicators / Annual Targets
<b>Improved balance sheet to support small enterprises</b>	Revenue leveraged from partnerships	Rand Value of revenue leveraged from partnerships	R200m	R500m	R200m	(R300m)	MOA between GFP and IDC is signed. The final approval is matching funds of R200 million from each partner.	Not Applicable
<b>Sustainable enterprises that create and maintain jobs</b>	Revenue generated from internal resources	Rand value of revenue generated from internal resources (Treasury function)	R22,9m	R5m	R22,9m	+17,9m	Target Achieved, The over-achievement is attributable to interest earned after moving funds from FNB to the Reserve Bank which had a higher interest rate.	Not Applicable

PROGRAMME 4: RESOURCES MOBILISATION AND INDUSTRIAL FINANCING						
Outcome	Output	Output Indicator	Audited Actual Performance 2020/2021	Planned Annual Target 2021/2022	*Actual Achievement 2021/2022	Deviation from Planned Target to Actual Achievement 2021/2022
<b>Increased number of supported small enterprises that are sustainable and creating jobs</b>	Small enterprises linked to market access opportunities provided by GPG sector departments and private sector	Number of small enterprises linked to access market opportunities	0	300	0	(300)

The achievement of this indicator was a challenge as the business shifted from focusing on Purchase Orders and MOUs (as per requirements of the TIDs), which the GEP has no real control over, to linking those small enterprises to access markets.

However, the work to link SMMEs to markets during the year did unfold as follows:

- Locrate Market – a Soweto based business that uses events to engage and develop SMMEs in staging the Locrate Market. This created an opportunity for 25 traders and SMMEs to showcase their products and to attend development workshops.
- The West Rand Bootstrappers project implemented by Khanyi Intelligence Enlightenment to provide market access for start-up traders in the West Rand Region.
- Basadi Farmers' Market organised by Morongwa Foundation for capacity development of SMMEs and Cooperatives in Tshwane.

**Table 2: Re-tabled Annual Performance Plan Outcomes, Outputs, Output Indicators, Targets and Actual Achievement**

PROGRAMME 1: ADMINISTRATION						
Outcome	Output	Output Indicator	Audited Actual Performance 2020/2021	Planned Annual Target 2021/2022	**Actual Achievement 2021/2022	Deviation from Planned Target to Actual Achievement 2021/2022
<b>Increased contribution of small enterprises in the Gauteng economy</b>	GEP procurement set-asides to benefit target groups	Percentage of procurement spend on small enterprises owned by women	41%	40%	41%	+1%
		Percentage of procurement spend on small enterprises owned by youth	38%	30%	38%	+8%
<b>Well-governed and high performing organisation</b>	Unqualified Audit Opinion	Percentage implementation of prior year audit action plans	81%	80%	81%	+1%

R1015 908 was spent on women owned service providers against R2 473 097 spent on all service providers regardless of B-BBEE status.

More efforts were directed towards the youth given the youth unemployment rate and the need to ensure youth participate in the provincial economy.

None – target achieved

R938 639 was spent on youth owned service providers against R2 473 097 spent on all service providers regardless of B-BBEE status.

None – target achieved

R163 878 spent on PwD owned service providers against R2 473 097 spent on all service providers regardless of B-BBEE status.

None (valid invoices, and exclude those in dispute)

None

PROGRAMME 2: INVESTMENT MANAGEMENT						
Outcome	Output	Output Indicator	Audited Actual Performance 2020/2021	Planned Annual Target 2021/2022	**Actual Achievement 2021/2022	Deviation from Planned Target to Actual Achievement 2021/2022
<b>Sustainable enterprises that create and maintain jobs</b>	Financially supported small enterprises creating jobs	Rand value of loans approved from the Investment Management Programme	R38m	R28m	R38m	+R10m
		Rand value of loans approved from the SMME Partnership Programme	0	R90m	0	(R90m)
		Rand value of loans approved from the Gauteng Rebuilding Fund	R3,7m	R40m	R3,7m	(R30,3m)
		Rand value of loans approved from the Retail Fund	0	R10m	0	(R10m)

PROGRAMME 2: INVESTMENT MANAGEMENT							
Outcome	Output	Output Indicator	Audited Actual Performance 2020/2021	Planned Annual Target 2021/2022	**Actual Achievement 2021/2022	Deviation from Planned Target to Actual Achievement 2021/2022	Reasons for Deviations
Sustainable enterprises that create and maintain jobs	Percentage rate of approved loans disbursed	91%	80%	91%	+11%	Target achieved.	<p>Out of 69 loans approved (initially 89 loans, with 20 cancelled) 63 loans have been disbursed.</p> <p>Cancellations were mainly due to non-adherence to approval conditions by the applicants i.e., non-submission of required information.</p>
	Percentage of loans approved for youth-owned small enterprises disbursed	100%	100%	100%	0%	Target achieved.	<p>Out of 16 loans approved (initially 23 however, 7 were cancelled) 16 loans have been disbursed.</p> <p>Cancellations were mainly due to non-adherence to approval conditions by the applicants i.e., non-submission of required information.</p>

PROGRAMME 2: INVESTMENT MANAGEMENT							
Outcome	Output	Output Indicator	Audited Actual Performance 2020/2021	Planned Annual Target 2021/2022	**Actual Achievement 2021/2022	Deviation from Planned Target to Actual Achievement 2021/2022	Reasons for Deviations
<b>Sustainable enterprises that create and maintain jobs</b>	Grant funding for small enterprises	Percentage of approved grant funding for small enterprises disbursed	94%	90%	94%	+4%	Target achieved. Out of 390 grants approved, 365 have been disbursed.
	Rand value of grants approved from the SMMIE Partnership Programme	0	R10m	0	(R10m)	0	The following external factors contribute to some of the delays: <ul style="list-style-type: none"><li>An external legal opinion needed to be secured as part of the foundational documentation of the agreement.</li><li>The Treasury confirmation and concurrence was also part of the process. One of the conditions was to open a Reserve Bank account.</li></ul> IDC approved a total of R2,45 million in grants which constitutes their contribution to the Rebuilding Fund. The Rebuilding Fund allocation of R50 million is split into 2 components i.e. R40 million for loans and R10 million for grants. GEP has not utilised its component in contribution to the fund as the IDC fully provided for the grant requirements, so there was no need to disburse from GEP.

**PROGRAMME 3: REGIONAL OPERATIONS AND ENTERPRISE SUPPORT**

<b>Outcome</b>	<b>Output</b>	<b>Output Indicator</b>	<b>Audited Actual Performance 2020/2021</b>	<b>Planned Annual Target 2021/2022</b>	<b>**Actual Achievement 2021/2022</b>	<b>Deviation from Planned Target to Actual Achievement 2021/2022</b>	<b>Reasons for Deviations</b>
<b>Increased number of small enterprises that are sustainable and creating jobs</b>	Business Development Interventions for small enterprises in all economic sectors	Number of small enterprises supported through Business Development Support Interventions in all economic sectors	860	850	860	+10	Target achieved. GEP is in the process of cleaning up processes and re-aligning the business to respond to the strategic posture during the 1st half of the year.  This led to the merger of some of the indicators into the BDS indicator resulting in more applications received than anticipated.  The re-alignment also led to formation of the MIC which met twice a week to approve qualifying applications logged on the system.
	Youth supported through the Youth Accelerator Programme	Number of youths that benefitted from the Youth Accelerator Programme	109	40	109	+69	The initial target was 1 400 youths supported and the performance started prior to the mid-year adjustment period. The initial contracts on this early performance were for six months only.  The adjustments made are geared toward a more impactful and sustainable program, hence it was decided to increase the stipend and term of the contract based on the budget numbers of the youth. This will mean a decrease in the number of youths undergoing the initiative for future intakes. The intention was to do a second intake after adjustments, however there were delays in the approval process.  The performance achieved is based on the initial APP target as well as contract term parameters of six months. This is the reason for overachievement on the target.

#### PROGRAMME 4: RESOURCES MOBILISATION AND INDUSTRIAL FINANCING

Outcome	Output	Output Indicator	Audited Actual Performance 2020/2021	Planned Annual Target 2021/2022	**Actual Achievement 2021/2022	Deviation from Planned Target to Actual Achievement 2021/2022	Reasons for Deviations
<b>Improved balance sheet to support small enterprises</b>	Leveraged funds from partnerships	Rand value of revenue leveraged from partnerships	R200m	R500m	R200m	(R300m)	<p>The following external factors contribute to some of delays:</p> <p>An external legal opinion needed to be secured as part of the foundational documentation of the agreement.</p> <p>The Treasury confirmation and concurrence was also part of the process. One of the conditions was to open a Reserve Bank account.</p> <p>These are some of the factors which resulted in the delay:</p> <p>It was crucial to ensure that all necessary pre-requisite documentation (concurrency of Treasury, legal opinion, partnership framework etc.) and governance structures (e.g., GEP and IDC Steering Committee) are in place to prepare for full implementation.</p>
	Percentage of revenue leveraged from partnerships disbursed	0	50%	0	(50%)	The following external factors contribute to some of delays:	<p>An external legal opinion needed to be secured as part of the foundational documentation of the agreement.</p> <p>The Treasury confirmation and concurrence was also part of the process. One of the conditions was to open a Reserve Bank account.</p>
	Generated funds from internal resources	Rand value of revenue generated from internal resources (Treasury function)	R22,9m	R5m	R22,9m	+R17,9m	<p>Target achieved</p> <p>The over-achievement is attributed to interest earned after moving funds from FNB to the Reserve Bank which had a higher interest rate.</p>
	Collections from the Loan Book	Percentage of revenue collected from the Loan Book	15%	10%	15%	+5%	<p>Target achieved.</p> <p>R9 726 808 collected over R66 170 901 total arrears. This is due to the debt management unit committing extra efforts to collect monies owed. One intervention included visits to debtors to confirm their existence.</p>

#### PROGRAMME 4: RESOURCES MOBILISATION AND INDUSTRIAL FINANCING

<b>Outcome</b>	<b>Output</b>	<b>Output Indicator</b>	<b>Audited Actual Performance 2020/2021</b>	<b>Planned Annual Target 2021/2022</b>	<b>**Actual Achievement 2021/2022</b>	<b>Deviation from Planned Target to Actual Achievement 2021/2022</b>	<b>Reasons for Deviations</b>
<b>Increased number of small enterprises that are sustainable and creating jobs</b>	Small enterprises linked to market access opportunities provided by GPG sector departments and private sector	Number of small enterprises linked to access market opportunities	0	300	0	(300)	<p>The Agency's strategic focus changed from focusing on POA and MOU to instead target establishing partnerships with strategic partners in assisting SMEs to access markets. To achieve this, the GEP executed the following:</p> <ul style="list-style-type: none"> <li>Locrate Market – a Soweto based business that uses events to engage and develop SMEs in staging the Locrate Market. This created an opportunity for 25 traders and SMEs to showcase their products and to attend developmental workshops.</li> <li>The West Rand Bootstrappers project implemented by Khanyi Intelligence Enlightenment to provide market access for start-up traders in the West Rand Region.</li> <li>Basadi Farmers' Market organised by the Morongwa Foundation for capacity development of SMEs and Cooperatives in Tshwane.</li> </ul>

### ***Linking GEP performance with programme budgets***

Programme/ Activity/Objective	2021/2022			2021/2022		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
COE	114 620,00	113 060,00	1 560,00	119 711,00	99 844,00	19 867,00
Goods and services	194 783,00	104 916,00	89 867,00	358 186,00	120 762,00	237 424,00
<b>Total</b>	<b>309 403,00</b>	<b>217 976,00</b>	<b>91 427,00</b>	<b>477 897,00</b>	<b>220 606,00</b>	<b>257 291,00</b>

### **Strategy to overcome areas of under performance**

The Agency has a strong focus on resource aggregation, mobilisation of various partners within and outside the entrepreneurship landscape, government departments, agencies and the private sector. In the context of its role as a Resource Aggregator, GEP will continue to pursue partnering opportunities to leverage available enterprise development resources, so as to fund the barely surviving small enterprises. The IDC Partnership, concluded in the 2021/2022 financial period, will also continue in this regard. The entity continues to capacitate the COO branch to ensure efficiencies in the business unit in dealing with financial support applications, to reduce turnaround times in the application process.

### **Reporting on the Institutional Response to the COVID-19 Pandemic**

There were no institutional responses to the COVID-19 pandemic during the year under review.

## **8. REVENUE COLLECTION**

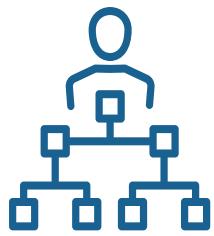
Sources of Revenue	2021/2022			2021/2022		
	Estimate	Actual Amount Collected	(Over)/ Under Collection	Estimate	Actual Amount Collected	(Over)/Under Collection
	R'000	R'000	R'000	R'000	R'000	R'000
DED Allocation	309 403	309 403	-	477 897	477 897	0
Receipts on Loan Book	10 000	13 467	(3 467)	3 200	4 498	(1 297)
Interest and Other Income	5 000	23 113	(18 113)	0	17 686	(17 686)
<b>Total</b>	<b>324 403</b>	<b>345 983</b>	<b>(21 580)</b>	<b>481 097</b>	<b>500 080</b>	<b>18 983</b>

The Agency's debt collection target was R10 million in the year under review. GEP has reached and exceeded the annual collection target, with 2021/2022 outperforming the previous three financial years.

During the year under review, GEP appointed the services of External Debt Collectors (EDCs) to assist with the collection of debts which are older than 120 days in arrears. The involvement of EDCs is to strengthen the debt collections process and to enforce performance contracts by the debtors. It is envisaged that this process will yield positive results for GEP in the future especially with the debtors that are proven to be delinquent and difficult to contact and trace.

## **9. CAPITAL INVESTMENT**

GEP does not have any capital investment.



# PART C

## GOVERNANCE

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## **1. 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 with regard to the public entity is applied through the precepts of the Public Finance Management Act (PFMA) and occurs 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 processes. GEP's Corporate Governance structure specifies the distribution of duties and responsibilities among its internal and external stakeholders as well as the standards that guide the actions and decisions of such role-players.

## **2. EXECUTIVE AUTHORITY**

The Gauteng Department of Economic Development Member of the Executive Council (MEC) is the Executive Authority of the Agency and as such approves the GEP Budgets, Strategic Plans and Annual Performance Plans. This necessitates that GEP should provide progress reports on financial and non-financial performance on a monthly, quarterly and annual basis in accordance with the requirements of the PFMA. All GEP performance plans were submitted for approval by the Executive Authority and progress reports were submitted timeously during the financial year under review. The Agency also took the necessary steps to ensure its 2021/22 Annual Performance Plan (APP) was aligned to the strategies and plans of the Gauteng Department of Economic Development and the Gauteng Provincial Government.

## **3. THE BOARD AS THE ACCOUNTING AUTHORITY**

The GEP Board is regarded as the Accounting Authority in terms of Section 49 of the Public Finance Management Act (PFMA). The term of the current Board started from 1st October 2021.

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

The GEP Board sets the strategic direction and oversees the management of the affairs of the entity including:

- Approval of the strategy;
- Establishing policies for strengthening the performance of the entity;
- Monitoring the performance of management in line with agreed-upon objectives;
- Ensuring the integrity of financial information and a robust internal control environment; and
- Ensuring the entity has a robust risk management system and complies with relevant laws, regulations and codes of best practice.

The roles and responsibilities of the Board are articulated in more detail in the Board charter which is reviewed on an annual basis. All Board activities and decisions during the year under review were carried out with in accordance with the charter.

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

## **Board Committees**

GEP has five Board sub-committees that are delegated the responsibility of assisting with certain matters and reporting to the Board on a quarterly basis. These are the Audit Committee, the Risk and Governance Committee, the Credit and Investment Committee, the Business Development Committee and the Human Resources, Remuneration, Social and Ethics Committee.

The Board delegated responsibilities to the sub-committees through formal terms of reference which are reviewed on an annual basis to ensure alignment with legislative developments and best practice.

### **Audit Committee**

The Audit Committee is an independent statutory committee constituted in terms of the Public Finance Management Act, as amended. The key roles and responsibilities of the Audit Committee as outlined in the approved Audit Committee Terms of Reference are as follows:

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

### **Risk and Governance Committee**

The Risk and Governance Committee provides risk governance and assists the Board in carrying out its responsibility in ensuring that GEP has implemented an effective risk management system that will enhance its ability to achieve its strategic objectives. The Committee also assists the Board to ensure transparency, accountability and good corporate governance. The key roles and responsibilities of the Risk and Governance Committee as outlined in its approved Terms of Reference are as follows:

- Recommending for GEP Board approval and effectively monitor the implementation of the risk management policy, business continuity policy, compliance management framework, and ethics policy such as the Code of Conduct, and Transactions with Politically Exposed Persons for enhanced achievement of the strategic objectives;
- Recommending for GEP Board approval and effectively monitor the implementation of the risk management

plan, compliance risk management plan, business continuity plan and ethics strategy for enhanced achievement of the strategic objectives;

- Oversee and approve measures to improve the risk management culture, the compliance culture, and ethics culture by integrating risk, compliance and ethics management (unethical behaviour and conflicts of interests) processes, practices, frameworks and methodologies of GEP;
- Consider and determine the appropriateness of risk mitigation responses and interventions;
- Receive, review and monitor the risk management report on the emerging, materialised, avoided and accepted risks;
- Report on the level of compliance with material legislation, including breaches and or exposure to risks relating to regulatory compliance/ethics breaches and recommend action thereof; and
- Approve investment agreements/standard term sheets and due diligence templates on an annual basis.

### **Credit and Investment Committee**

The Credit and Investment Committee reviews GEP's credit and investment policies as well as credit risk management policies. The key roles and responsibilities of the Credit and Investment Committee as outlined in its approved Terms of Reference are as follows:

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

## **Business Development Committee**

The Business Development Committee reviews GEP's business development strategy and provides oversight on the entity's non-financial support programmes. The key roles and responsibilities of the Business Development Committee as outlined in its approved Terms of Reference are as follows:

- Develop, review and recommend the business development strategies;
- Advise the GEP Board on best practices in respect of non-financial support to SMMEs;
- Recommend policies in relation to Business Development for GEP 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 GEP Board, the appropriate operating structure for business developments;
- Review tactical plans developed to achieve business development goals set out in the GEP's Strategic Plan;
- Review, monitor and report to the GEP Board on business development opportunities; and
- Review the economic evaluations of potential development opportunities.

## **Human Resources and Remuneration Committee**

The duty of the Human Resources, Remuneration, Social and Ethics Committee is to oversee the establishment of appropriate human resource policies and strategies that will enable GEP to achieve its objectives. The Committee also provides oversight of the bank's compliance with social, ethical and environmental requirements as well as best practice codes.

Key roles and responsibilities of the Human Resources, Remuneration, Social and Ethics Committee as outlined in its approved Terms of Reference are as follows:

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

Composition of The Board					
Name	Designation	Date Appointed	Date Resigned	Qualifications	Area of Expertise
Ms Lebogang Mphahlele	Chairperson	01 October 2020	N/A	University of Pretoria: BCom Accounting Sciences; University of South Africa: BCompt Honours; University of South Africa: PGD – Applied Accounting Sciences; SAICA: Initial Test of Competence (ITC); University of Cape Town: Assessment of Professional Competence (APC); SAICA: Assessment of Professional Competence (APC)	Financial Management, Auditing, Accounting
Ms Phumeza Mangcu	Deputy Chairperson	01 October 2020	N/A	Harvard Institute Online: Entrepreneurship in Emerging Economies Management; School of South: Masters in Business Administration; Damelin College: Higher Diploma: Business Management; Nelson Mandela University: Diploma: Marketing Management; Joshua West: Strategic Project Management for Engineers Certificate; National Productivity Institute: Productive Capacity Building Programme; Damelin College: Certificate Train-The-Trainer; Drum Beat Accreditation and Training; Assessor training (plan and conduct assessment)	Overall Management of the company's operations and resources; Women empowerment and women emancipation
Ms Dineo Maithuji	Member	September 2017	N/A	University of Johannesburg: Bachelor of Commerce (Accounting); University of Natal: Bachelor of Commerce (Honours) Accounting; Awarded the Chartered Accountant (South Africa) (CA (SA)) designation	Auditing, Accounting, Financial Risk Management, Business Development; Business Management;

Composition of The Board						Area of Expertise	Board Directorships	Other Committees or Task Teams	No. of Meetings Attended
Name	Designation	Date Appointed	Date Resigned	Qualifications					
Mr Leon Gert Marinowitz	Member	September 2017	N/A	University of Johannesburg: Masters: Philosophy; University of Pretoria BA Honours: Philosophy; University of Pretoria: BA General	Strategic programme development, project co-ordination, policy advocacy, fundraising and media liaison; Entrepreneurship and business development	N/A	Chair of Business Development Committee; Member of Risk and Governance Committee	17 of 19	
Mr Kgosi Mogotsi	Member	01 October 2020	N/A	Henly Business School Africa: Post Graduate Diploma in Management; Wits Business School: Management Advance Programme; Saseta Johannesburg: Certificate in Customer Management; University of Johannesburg National Diploma Retail Business Management	Monitoring and evaluation of business practices and performance at the regional level.	N/A	Member of the Audit Committee; Member of Human Resources and Remuneration Committee	18 of 19	
Mr Edward Orshepeng Ranamane	Member	01 October 2020		University of Johannesburg: B-Tech Water Engineering; Tshwane University of Technology: Civil Engineering	Project Management; Design of regional water infrastructure; Design of roads and stormwater	N/A	Member of the Business Development Committee; Member of the Credit Committee	2 of 4	
Ms Buleka Mahlutsheha	Member	01 October 2020	N/A	University of South Africa: M Com in Business Management (In Progress); University of South Africa: B Com Honours in Business Management specialisation in Financial Management; University of Johannesburg: Diploma Municipal Governance; University of Fort Hare: B Com in Business Management; IodDSA: Being a Director Part 1-4; EuroMoney: Advanced Investment Analysis and Valuation; Brit Training Institute: Applied Private Equity; GIBSISAVCA: Private Equity and Venture Capital Foundation Course; GIBSISAVCA: Advanced Programme International Private and Venture Capital Valuation Guidelines	Developing strategic and operational plans; Business planning; Financial Management and Reporting; Operations Management; Human Resource Management and Development	N/A	Member of the Business Development Committee; Member of the Credit Committee	19 of 19	

Composition of The Board					
Name	Designation	Date Appointed	Date Resigned	Qualifications	Area of Expertise
Mr Desmond Khalid Golding	Member	01 October 2020	N/A	Doctor of Philosophy (PhD) Central banking and financial market reform (In Progress); Oxford University, England: Oxford Advanced Leadership and Management Programme; Harvard Business School, Boston, USA; Finance for Senior Executives; University of London, England: Master of Laws (Banking and Finance); University of the Witwatersrand: MA (International Relations); University of Zululand: Baccalaureus Procurations (BProc)	Finance, deal structuring, business strategy; Risk and financial management; Business development; Management and evaluation of compliance and governance; Special advisory to Ministers; Executive management
Mr Thabo Daniel Rasenyaalo	Member	01 October 2020	N/A	Regenesys, South Africa: Master of Business Administration Candidate (In Progress); Tshwane University of Technology: Bachelor of Technology Degree: Electrical (Power) Engineering; Tshwane University of Technology: National Higher Diploma: Mechanical Engineering; Tshwane University of Technology: Bachelor of Technology Degree: Electrical (Power) Engineering; Mancosa, South Africa: Post Graduate Diploma: Project Management	Operations management; Transformational leadership and management; Project planning and management
Ms Nomusa Mufamadi	Member	01 October 2020	N/A	University of South Africa: Jointly with Law Society of SA Advanced Short Course in Business Rescue Practice (In Progress); University of South Africa: Post Graduate Diploma in Financial Accounting; University of South Africa: BCompt; New Port University: Diploma in Industrial Relations; Brighton Business Centre: Certificate in Human Resources Management and Management of Change	Strategic leadership; Auditing, financial management, taxation and human resources management.

Composition of The Board					
Name	Designation	Date Appointed	Date Resigned	Qualifications	Area of Expertise
Ms Dineo Raphanzela	Member	01 October 2020	N/A	University of Witwatersrand Graduate School of Business; Master of Management in Entrepreneurship and New Venture Creation; University of Oxford Said Business School; Oxford Entrepreneurship; Venture Finance Programme; Directors Association; Advanced Director Training Programme; London School of Trends; Luxury Brand Management; The University of Virginia and BCG; Certificate in Digital Transformation; University of Witwatersrand Graduate School of Business; Postgraduate Diploma in Management (Business Administration); University of Cape Town; Bachelor of Social Sciences	Corporate social responsibility strategy development and implementation; Property development and management; Operations management
Mr Sipho Mkhize	Member	01 October 2020	N/A	Regenesys Business School: Masters: Public Management; Regenesys School of Public Management: Honours: Public Development and Management; University of Pretoria: Executive Certificate in Public Management and Development; WITS University: Professional Certificate in Public Management (P&DM); WITS University: Housing Policy Management (P&DM); Regenesys: Project Management; University of Stellenbosch: Policy Writing and Development; University of Durban Westville: Capacity Building	Human resource development; Social development; Public accounts

## No. of Meetings Attended

19 of 19

## No. of Meetings Attended

16 of 19

Member of the Risk and Governance Committee;  
Member of the Human Resources and Remuneration Committee

N/A

N/A

Member of the Audit Committee;  
Member of the Risk and Governance Committee

### GEP Board Committees

<b>Committee</b>	<b>No. of meetings held</b>	<b>No. of members</b>	<b>Name of members</b>
Audit Committee	12	4	Ms Dineo Maithufi – Chairperson Ms Nomusa Mufamadi Mr Leon Marincowitz (joined the committee in the last quarter of the financial year) Mr Kgosi Mogotsi (joined BDS committee in the last quarter of the year) Mr Sipho Mkhize
Business Development Committee	6	5	Mr Leon Marincowitz – Chairperson Mr Kgosi Mogotsi Mr Desmond Golding Ms Bukeka Mahlutshana Mr Thabo Rasenyallo
Risk and Governance Committee	4	7	Ms Phumeza Mangcu – Chairperson Ms Dineo Maithufi Mr Leon Marincowitz Mr Desmond Golding Mr Dineo Maphanzela Mr Sipho Mkhize Ms Lebogang Mphahlele
Credit and Investment Committee	16	4	Mr Desmond Golding – Chairperson Ms Bukeka Mahlutshana Mr Thabo Rasenyallo Mr Kgosi Mogotsi
Human Resources, Remuneration, Social and Ethics Committee	4	4	Ms Nomusa Mufamadi – Chairperson Mr Dineo Maphanzela Mr Thabo Rasenyallo Ms Bukeka Mahlutshana

## 4. RISK MANAGEMENT



**Ms. Sibusisiwe Ntuli**  
Acting GM: Risk and Audit

The Risk and Audit Division, within GEP, is established in conformance or in accordance with the provisions of the GEP Act, PFMA, Treasury Regulations, King IV Report on Corporate Governance, ISO 31000 Risk Management Standards and the Public-Sector Risk Management Framework. It operates in line with requirements of the Public-Sector Risk Management Framework. The Risk Management Function defined a 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 Business Continuity Management (BCM) programme, (c) implement the Fraud Prevention Strategy and Ethics Programme, (d) provide assurance on Policy Development, (e) implement a Combined Assurance Model and (f) implement the Internal Audit Programme.

### Audit Programme

The unit, headed by the General Manager Risk and Audit, reports 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.

### GEP's Risk Philosophy

The risk belief at GEP ("Risk Philosophy") is that risk is inherent in any business, more so in the business of propelling high risk SMMEs and co-operatives (i.e., through financial and business development support) into the mainstream economy to reduce levels of poverty, high levels of unemployment and 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, and 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 Maturity

The Risk and Audit Division's vision is to propel GEP to be "risk intelligent / matured" by using a hybrid of ISO 31000 and the Public-Sector Risk Management Framework, a risk maturity 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 five year RM Plan ("the 2017/2022 RM Roadmap") and another five-year plan will be developed and submitted to the Board for approval. In reaching a level 5 risk maturity level, the key achievements over the reporting period include:

- Implementation of the Risk Management and Business Continuity Management Policy Framework;
- Implementation of the Combined Assurance Framework;
- Linking the organisational strategy to the strategic risk profile;
- Quantification of materialised, emerged, avoided and accepted risks controls and tasks (total cost of the actual risk);
- Implementation and operationalisation of the risk appetite framework;
- Risk discussion is embedded in strategic planning;
- Development of the five-year BCM Maturity Strategy;
- Scenario analysis testing;
- Development of the risk management methodology; and
- Development of the risk champions framework.

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 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 the 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 2020/2025 organisational strategy and annual performance targets for the 2021/2022 financial year. The seven strategic risk exposures were identified, ranked and approved by the Board relating to:

- Human Capital;
- Financial Sustainability;
- Asset Quality;
- Regulatory Framework;
- ICT;

- Fraud and Corruption; and
- Stakeholder Management.

Relevant risk mitigations were developed, monitored and reported to the Board and the Risk and Governance Committee for independent oversight purposes. These mitigations are tracked monthly through Strategic and Risk logs and reported to the Risk and Governance committee on a quarterly basis.

## 5. INTERNAL CONTROL UNIT

Amongst many things, the Audit and Compliance 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 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.

### Internal Audit/ Control Unit

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

## 6. INTERNAL AUDIT AND AUDIT COMMITTEES

The Audit Committee is chaired by Ms. Dineo Maithufi and consists of four independent Board members. The Chief Executive Officer and the Chief Financial Officer, Chief Operations Officer, General Manager: Risk and Audit and external auditors have a standing invitation to all the meetings of the Audit Committee. On a quarterly basis, the Audit Committee Chairperson reports the Committees activities, decisions and recommendations to the Board.

The Audit Committee is mandated to provide oversight of risk governance in relation to opportunities and associated risks to be considered when developing organisational strategy, and potential positive and negative effects of risks and opportunities in the achievement of the organisational strategy. The Audit Committee oversight of implementation of the fraud and corruption prevention strategy and provide oversight of compliance governance in relation to identification, development, assessment

and monitoring of the regulatory environment, including policy development and assurance.

### Key Internal Audit Activities

The internal audit function provided reasonable assurance to management and the Board on the adequacy and effectiveness of the risk management, controls and governance processes based on the risk based annual audit plan approved by the Audit Committee. Guided by the approved risk based annual audit plan for 2021/22 the control environment of the organisation was adequate and effective, except for areas of improvements highlighted to management and Board through internal audit reports for enhancement and resolution.

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

Name	Qualifications	Internal or External	If Internal, position in the public entity	Date Appointed	Date Resigned	No. of Meetings Attended
Ms Dineo Maithufi - Chairperson	University of Johannesburg: Bachelor of Commerce (Accounting); University of Natal: Bachelor of Commerce (Honours) Accounting; Awarded the Chartered Accountant (South Africa) (CA (SA)) designation	External	N/A	September 2017	N/A	12 of 12
Ms Nomusa Mufamadi	University of South Africa: Jointly with Law Society of SA Advanced Short Course in Business Rescue Practice (In Progress); University of South Africa Post Graduate Diploma in Financial Accounting; University of South Africa: BCompt; New Port University: Diploma in Industrial Relations; Brighton Business Centre: Certificate in Human Resources Management and Management of Change	External	N/A	01 October 2021	N/A	10 of 12
Mr. Kgosi Mogotsi	Henly Business School Africa: Post Graduate Diploma in Management; Wits Business School: Management Advance Programme; Saseta Johannesburg: Certificate in Customer Management; University of Johannesburg National Diploma Retail Business Management	External	N/A	01 October 2021	N/A	11 of 12
Mr Sipho Mkhize	Regenesys Business School: Masters: Public Management; Regenesys School of Public Management: Honours: Public Development and Management; University of Pretoria: Executive Certificate in Public Management and Development; WITS University: Professional Certificate in Public Management (P&DM); WITS University: Housing Policy Management (P&DM); Regenesys: Project Management; University of Stellenbosch: Policy Writing and Development; University of Durban Westville: Capacity Building	External	N/A	01 October 2021	N/A	11 of 12

## 7. COMPLIANCE WITH LAWS AND REGULATIONS

### Background and Key Activities of the Compliance Function

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 and implemented in line with the target achievement. The Agency also developed and implemented the POPI readiness implementation plan, which led to 100% POPI readiness for the year under review. The Agency also has a draft Regulatory Compliance Universe in place to ensure compliance with relevant legislation. Internal Audit also provided a review and recommendations of the Statutory Returns/ prescripts applicable to the entity.

## 8. FRAUD AND CORRUPTION

### Fraud Prevention and Ethics Policy Framework

Guided, amongst others, by the PFMA, the King Code on Corporate Governance, the Protected Disclosures Act and the Combating of Corrupt Activities Act; the fraud prevention and ethics policy frameworks are in existence and adhered to, except in instances reported in the assurance reports and reported to Audit Committee and/or Board, including the Shareholder. The policy framework 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.

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

- Guided by the fraud prevention and ethics policy frameworks mentioned above, GEP have a whistleblowing facility managed by an independent and external service provider availed to all internal and external stakeholders, including employees and external clients to confidentially report matters of fraud, corruption, and unethical behavior.
- In addition to this, the fraud prevention and ethics policy frameworks also allow for direct reporting of fraud, corruption, and unethical behavior to the Board and/or Audit Committee, including identification of fraud risks reportable to the Board and/or Audit Committee.
- Matters reported are investigated and the outcomes of the investigation reports are tabled with relevant governance structures. During the period under review, 86% of the reported cases were concluded for investigation and consequence management based on the outcome of the investigations is currently being implemented for the implicated service providers/employees. The entity also conducted the Assessment and Determination exercise for irregular expenditure with the purpose of condoning these unwanted expenditures, after consequence management measures have been implemented. The Fraud Prevention plan was developed and implemented. For the period under review, the target to implement the plan was achieved.

## **9. MINIMISING CONFLICT OF INTEREST**

In minimising the conflict of interest that might exists, all officials and other role players or close family members and partners that may influence the outcome of supply chain management processes, 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 the award of a contract.

## **10. 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 and investigation reports and reported to the Audit Committee and/or Board.

## **11. HEALTH, SAFETY AND ENVIRONMENTAL ISSUES**

The procurement of office space by Department of Infrastructure on behalf of the Department of Economic Development and sharing of office space building with other sister agencies has posed a challenge as some of building are not OHS compliant.

## **12. COMPANY /BOARD SECRETARY**

The Company Secretary is responsible for convening governance meetings, administrative support to committees and providing a central source of guidance and advice to the Board. The Company Secretary is accountable to the Board and administratively 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 notices in terms of the Company Act, and whether such notices appear to be true, correct and up to date; and
- Ensuring that a copy of the company's annual financial statements is circulated, in accordance with the Act to all relevant stakeholders.

## **13. SOCIAL RESPONSIBILITY**

There were no activities with regards to Social Responsibility during the year under review.

## 14. AUDIT COMMITTEE REPORT



**Ms. Dineo Maithufo**  
Chairperson of the Audit Committee

I hereby present the Audit Committee report for the financial year ended 31 March 2022.

### Audit Committee Responsibility

The Audit Committee acts in consultation with other committees of the Entity in particular the Risk and Governance Committee and has complied with its responsibilities arising from Section 38(1) (ii), 76(4) (d) and 77 (a), (b) and (c) of the Public Finance Management Act and Treasury Regulation 3.1.13. The Audit Committee also reports that it has adopted appropriate formal Terms of Reference as its Audit Committee Charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

### Statutory Duties

The Committee derives its responsibilities from Section 51 (1)(a)(ii) of the Public Finance Management Act and Treasury Regulation 27.1 as well as additional responsibilities as assigned by the Board. The Committee has adopted appropriate formal terms of reference which were duly approved in line with governance requirements and has regulated its affairs in compliance with this charter and discharged its responsibilities as contained therein.

The Committee carried out its duties through engagements with members of the executive management team, internal audit, external audit as well as through attendance at Audit Committee meetings. Focus areas included:

- Review of the effectiveness of the GEP's internal control systems as well as risk management processes;
- Ensuring the integrity of the financial and performance reporting systems;

- Consideration of risk areas for scoping of internal and external audits;
- Oversight over the remediation of accounting and auditing concerns identified through internal or external audits;
- Appointment, remuneration, independence and performance of the external auditor as well as reviewing the integrity of the audit process;
- Review of compliance with legal and regulatory provisions;
- Oversight over the activities of the Risk and Audit Unit, including its work programmes, coordination with the External Auditors, receiving reports of significant investigations and reviewing management responses to recommendations;
- Approval of the Internal Audit Charter and Internal Audit Plan; and
- Conducting of investigations within our Terms of Reference.

### Effectiveness of Internal Controls and Risk Management

The PFMA requires the Board to ensure that a public entity has and maintains effective, efficient and transparent systems of financial, risk management and internal control. The Committee is responsible for overseeing risk management and reviewing internal controls. During the financial year ended 31 March 2022, 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.

Areas of weakness 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 Audit Committee.

The Committee is satisfied that GEP's Risk and Audit Unit operated effectively in terms of identifying and addressing key risks pertinent to the entity in its audits. The work of Internal Audit was guided by the approved 2021/22 Annual Audit Plan with meetings taking place during the year to ensure that the function is executed effectively and objectively.

## Expertise and Experience of the Finance Function

As at year end, GEP unfortunately lost its CFO but was able to put in place acting arrangements to ensure timeous preparation of the Annual Financial Statements and smooth running of the external audit. Efforts are underway to fill the CFO vacancy. The Audit Committee is satisfied with the current acting arrangements.

## Evaluation of Financial Statements

The Committee reviewed the Annual Financial Statements ("AFS") for the year ended 31 March 2022 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.

Financial Statements were recommended to Board for approval on 27 May 2022.

## 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.

## Going Concern

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

## Governance of Risk

The oversight of GEP's risk management has been assigned to a separate Risk and Governance Committee of which the Audit Committee Chairperson is a member. The Audit Committee exercises oversight over financial reporting risks, fraud and IT risks.

## External Audit

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

## Remediation of Prior Year Audit Findings

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

- Controls over Debt Management
- IT controls

## External Audit Opinion

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

## Conclusion

The Audit Committee has executed its role 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 2021/22 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. statements be accepted and read together with the report of the auditor.

## 15. B-BBEE COMPLIANCE PERFORMANCE INFORMATION

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

Has the Department / Public Entity applied any relevant Code of Good Practice (B-BBEE Certificate Levels 1 – 8) with regards to the following:		
Criteria	Response	Discussion
Determining qualification criteria for the issuing of licences, concessions or other authorisations in respect of economic activity in terms of any law?	N/A	Not Applicable
Developing and implementing a preferential procurement policy?	Yes	All supply chain or procurement transactions incorporate the preferential procurement policy until February 2022. ConCourt issued a court judgement to cancel the Preferential Procurement Policy in February 2022.
Determining qualification criteria for the sale of state-owned enterprises?	N/A	Not Applicable
Developing criteria for entering into partnerships with the private sector?	Yes	GEP designed the Partnership Governance Framework to assist with the criteria for entering into Partnerships with the public and private sector.
Determining criteria for the awarding of incentives, grants and investment schemes in support of Broad Based Black Economic Empowerment?	N/A	Not Applicable

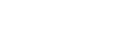
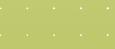
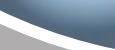


Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov

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Innovation  
Branding  
Solution  
Marketing  
Analysis  
Ideas  
Success  
Management





# PART D

## HUMAN RESOURCE MANAGEMENT

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# 1. CORPORATE SUPPORT AND ADMINISTRATION REPORT



**Mr. Vincent Mulaudzi**

GM: Corporate Support & Administration

## Overview of Corporate Support and Administration (CS&A)

Corporate Support and Administration (CS&A) derives its mandate from the 2020 - 2025 strategic plan outcome five of a well governed and high performing organisation by providing adequate support to the Agency in line with its mandate, vision, mission, and values. The business unit comprises the following department/units:

- Legal Services,
- Human Resources,
- Facilities Management,
- Marketing & Communications, and
- Information and Communication Technology (ICT).

CS&A provide strategic leadership, management and support services to the Agency and partner with the core business by providing strategic support and in the functional areas including:

- Human capital management and development;
- Employee relations and wellness;
- Sound labour relations;
- Performance management and development;
- Implementation of strategies and policies aimed at improving service delivery within and to our SMME and Cooperatives including capacity of the agency to cope with change;

- Ensure that structures and governance processes are in place and aligned to achieve the strategic objectives of the agency;
- Ensure effective legal and contract management, compliance to government regulatory legislation and framework applicable to the work of the business unit and agency;
- Business integration, optimisation, and ICT support; and
- Brand equity, awareness, and reputation management.

## Set CS&A priorities for the year under review and the impact of these priorities

- Appointment of key permanent leadership positions at Executive level i.e. Chief Executive Officer, Chief Operations Officer, Chief Financial Officer, General Manager Strategic Partnership & Revenue Generation, General Manager: Strategy, Monitoring & Evaluation.
- Relations between management and labour improved as evidenced by finalising multiyear collective agreement for condition of service for 2020/21 and 2021/22.
- Review and approval of 15 policies for Human Resources, Marketing & Communications, and Information Communication & Technology.
- Development and approval of two Standard Operating Procedures for Minute Taking and Legal Settlement Offers.
- Implementation of Skills of Audit recommendations including lateral transfer of employees and secondment of employees as part of fit for purpose.
- Implementation of the Climate Survey recommendations.
- Deleting of 11 non-critical positions from the approved structure which reduced the vacancy rate from 25% to 19%.Termination of SLA with panel of attorneys and engaging Panel of Debt Collection agencies operating on no collection no fee basis.
- Affiliation to professional bodies across all business units.
- Induction of employees on GEP products and services, Policy and Strategic Plan 2020-2025 and Annual Performance Plan.

## **Workforce Planning Framework and Key Strategies to Attract and Recruit a Skilled and Capable Workforce**

- Appointment of Graduate Interns across all businesses and training them with a view to absorption;
- Appointment of candidates with development finance experience; and
- Training the core unit at SEFA on financial modelling, due diligence and deal approval as part of exchange programme with other Development Funding Institutions (DFIs).

## **Employee Performance Management Framework**

GEP reviewed its Performance Management Policy and employee's performance is managed in line with the provision of the policy. Compliance to Performance Management Policy in terms of performance contracting for 2021/22 was at 100% and mid-year assessment at 97%. The main reason for not achieving 100% is because some employees are on a short-term contract. The year-end appraisals were due the end of May 2022.

## **GEP Employee Wellness Programmes**

GEP partnered with two service providers for employee wellness (Careways Wellness Proprietary trading as Life Employee Health Solutions) and Covid Testing (Target Pathology Laboratory). Several sessions and information brochures were shared with employees on employee wellness.

## **Policy Development**

CS&A has 24 policies and of those, five were reviewed in 2019/20 and 2020/21, 15 were reviewed and approved, and two remain under review.

## **Challenges Faced by the Public Entity**

Due to the fiscal constraints of the provincial and national governments, the agency is not able to secure the necessary funds to employ sufficient staff relative to its mandate. Employee remuneration cost has been close to the allocated grant. Office space being procured by Department of Infrastructure Development on behalf of shareholder (GDED) and insufficient budget for goods and services including office accommodation remain some of challenges faced year on year.

## **Future CS&A Plans / Goals**

- Organisational Structure Review to be aligned to new strategic plan 2020 -2025.
- Conduct Job Grading and develop remuneration structure for GEP.
- Finalisation of the Human Resources Strategy.
- Development of a File Plan in line with National Archives and Record Service Act.
- Review and approval of the remaining four policies and development of new policies and standard operating procedures.
- Appointment of all other critical positions and meet the EE target including of PWD.

## 2. HUMAN RESOURCE OVERSIGHT STATISTICS

Programme/Activity/ Objective	Total Expenditure for the entity (R'000)	Personnel Expenditure (R'000)	Personnel exp. as a % of total exp. (R'000)	No. of employees	Average personnel cost per employee (R'000)
Programme 1: Administration	201 468 403	47 495 626,00	24%	68	698 465
Programme 2: Investment	69 979 796	15 725 764,00	22%	27	582 436
Programme 3: Regional Operations and Enterprise Support	79 386 113	43 792 002,00	55%	65	673 723
Programme 4: Resource Mobilisation and Industrial Financing	5 825 972	5 125 868,00	88%	7	732 267
<b>Total</b>	<b>356 660 283,61</b>	<b>112 139 260,00</b>	<b>31%</b>	<b>167</b>	<b>671 493</b>

### Personnel cost by salary band

Salary Band	Personnel Expenditure (R'000)	% of personnel exp. to total personnel cost (R'000)	No. of employees	Average personnel cost per employee (R'000)
Lower skilled (levels A1 – B3)	6 062 126	5,4%	31	195 552
Skilled (levels BU-C3)	18 073 476	16,1%	41	440 816
Highly skilled production (levels CU - D2)	36 793 685	32,8%	52	694 202
Highly skilled supervision (levels D3 – DU)	34 291 930	30,6%	28	1 224 712
Senior and top management (levels DU-EU)	16 918 044	15,1%	15	1 127 870
<b>TOTAL</b>	<b>112 139 261</b>	<b>100%</b>	<b>167</b>	<b>3 683 152</b>

### Performance Rewards

Programme/Activity/ Objective	Performance Rewards	Personnel Expenditure (R'000)	% of performance rewards to total personnel cost (R'000)
Top Management	Nil	N/A	N/A
Senior Management	Nil	N/A	N/A
Professional qualified	Nil	N/A	N/A
Skilled	Nil	N/A	N/A
Semi-skilled	Nil	N/A	N/A
Unskilled	Nil	N/A	N/A
<b>TOTAL</b>	<b>Nil</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
Bursaries	112 139 261	681 237	6	18	37 864
Staff Training	112 139 261	681 906	2	37	5 321
Professional Membership	112 139 261	697 605	6	179	3 897

NB: A Mandatory Grant of 208 435 was received from the Services SETA after GEP complied with the requirements of the Skills Development Act.

## Employment and vacancies

<b>Programme/ Activity/Objective</b>	<b>2021/22 No. of Employees</b>	<b>2021/22 Approved Posts</b>	<b>2021/22 No. of Employees</b>	<b>2021/22 Vacancies</b>	<b>% of Vacancies</b>
Programme 1: Administration	58 (includes 4 interns additional to the establishment)	78	58 (includes 4 interns additional to the establishment)	24	68,5%
Programme 2: Investment Management	20	25	20	5	14,3%
Programme 3: Regional Operations and Enterprise Support	61	66	61	5	14,3%
Programme 4: Resource Mobilisation and Industrial Financing	7	8	7	1	2,9%
<b>Total</b>	<b>146</b>	<b>177</b>	<b>146</b>	<b>35</b>	<b>100%</b>

<b>Programme/ Activity/Objective</b>	<b>2021/22 No. of Employees</b>	<b>2021/22 Approved Posts</b>	<b>2021/22 No. of Employees</b>	<b>2021/22 Vacancies</b>	<b>% of Vacancies</b>
Top Management	5	7	5	2	5,7%
Senior Management	29	35	29	6	17,0%
Professional qualified	49	62	49	13	37,0%
Skilled	40	49	40	9	26,0%
Semi-skilled	23 (includes 4 interns)	24	23 (includes 4 interns)	5	14,3%
Unskilled	-	-	-	-	-
<b>TOTAL</b>	<b>146</b>	<b>177</b>	<b>146</b>	<b>35</b>	<b>100%</b>

## Employment Changes

<b>Salary Band</b>	<b>Employment at beginning of period</b>	<b>Appointments</b>	<b>Terminations</b>	<b>Employment at end of the period</b>
Top Management	3	4	2	5
Senior Management	29	3	3	29
Professional qualified	46	6	3	49
Skilled	39	2	1	40
Semi-skilled	23	5 (4 interns)	5 (2 interns)	23 (4 interns)
Unskilled	-	-	-	-
<b>Total</b>	<b>140</b>	<b>20</b>	<b>14</b>	<b>146</b>

Explanation: Of the 5 appointments, 4 were intern appointments and 2 intern terminations

## Reasons for staff leaving

Reason	Number	% of total no. of staff leaving
Death	6	43%
Resignation	4	29%
Dismissal	2	14%
Retirement	-	-
Ill health	-	-
Expiry of contract	2	14%
Other	-	-
<b>Total</b>	<b>14</b>	<b>100%</b>

Explanation: Critical positions were filled while non-critical positions were not filled as way of reducing the vacancy rate. Graduate Interns were appointed and trained to capacitate business units and administrative support level.

## Labour Relations: Misconduct and disciplinary action

Nature of Disciplinary Action	Number
Verbal Warning	2
Written Warning	-
Final Written Warning	-
Dismissal	2
<b>Total</b>	<b>4</b>

## Equity Target and Employment Equity Status

The following tables show the employment equity targets and achievements for the Agency. All employees are reported as per their substantive positions. Employees are not obliged to report their disabilities. Note that there is high staff turnover at the middle management level.

Levels	MALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	2	45,2%	0	1,3%	1	1,8%	0	7,3%
Senior Management	11	45,2%	0	1,3%	1	1,8%	0	7,3%
Professional qualified	21	45,2%	0	1,3%	0	1,8%	1	7,3%
Skilled	7	45,2%	1	1,3%	0	1,8%	0	7,3%
Semi-skilled	1	45,2%	0	1,3%	0	1,8%	0	7,3%
No Grade	0	45,2%	0	1,3%	0	1,8%	0	7,3%
<b>TOTAL</b>	<b>42</b>	<b>45,2%</b>	<b>1</b>	<b>1,3%</b>	<b>2</b>	<b>1,8%</b>	<b>1</b>	<b>7,3%</b>

Levels	FEMALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	2	35,8%	0	1,4%	0	1,2%	0	6,0%
Senior Management	14	35,8%	2	1,4%	0	1,2%	1	6,0%
Professional qualified	26	35,8%	0	1,4%	1	1,2%	0	6,0%
Skilled	27	35,8%	3	1,4%	1	1,2%	1	6,0%
Semi-skilled	18	35,8%	0	1,4%	0	1,2%	0	6,0%
No Grade	4	35,8%	0	1,4%	0	1,2%	0	6,0%
<b>TOTAL</b>	<b>91</b>	<b>35,8%</b>	<b>5</b>	<b>1,4%</b>	<b>2</b>	<b>1,2%</b>	<b>2</b>	<b>6,0%</b>

Levels	Disabled Staff				
	Male		Female		
	Current	Target	Current	Target	
Top Management	0	2,0%	0	2,0%	
Senior Management	0	2,0%	0	2,0%	
Professional qualified	1	2,0%	0	2,0%	
Skilled	1	2,0%	0	2,0%	
Semi-skilled	0	2,0%	0	2,0%	
Unskilled	0	2,0%	0	2,0%	
<b>TOTAL</b>	<b>2</b>	<b>2,0%</b>	<b>0</b>	<b>2,0%</b>	



# PART E

## Financial Information

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## GENERAL INFORMATION

### Country of incorporation and domicile

South Africa

### Nature of business and principal activities

The Agency is a public body established in terms of the Schedule 3C listing of provincial public entities as provided in the Public Finance Management Act (PFMA), No.1 of 1999. The existence, functions, duties of the Agency are governed by the Gauteng Enterprise Propeller Act, 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 sectors.

### Members

L. Mphahlele (Chairperson)  
P. Mangcu (Deputy Chairperson)  
S. Zamxaka (Chief Executive Officer)  
D. Golding  
B. Mahlutshana  
D. Maithufi  
D. Maphanzela  
K. Mokgotsi  
S. Mkhize  
N. Mufamadi  
T. Rasenyallo

### Registered office

Gauteng Enterprise Propeller Head Office  
6th Floor, 124 Main Street  
Marshalltown  
Johannesburg  
2107

### Auditors

Auditor-General of South Africa (AGSA)

## INDEX

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

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

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

## Report on the audit of the financial statements

### Opinion

1. I have audited the financial statements of the Gauteng Enterprise Propeller set out on pages 98 to 142 which comprise the statement of financial position as at 31 March 2022, 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 notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Gauteng Enterprise Propeller as at 31 March 2022, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA).

### Basis for opinion

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

### Emphasis of matters

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

### Material impairments – financial support loans at amortised cost

7. As disclosed in note 3 to the financial statements, the financial support loans balance has been impaired. The allowance for impairment of financial support loans is R225 342 127 (2020-21: R209 958 110), which represents 82% (2020-21: 88%) of the total financial support loans. The contribution to allowance for impairment amounts to R21 495 947 (2020-21: R16 753 774).

## **Material losses – financial support loans at amortised cost**

8. As disclosed in note 3 to the financial statements, material losses of R6 111 930 was incurred as a result of a write-off of irrecoverable financial support loans.

## **Restatement of corresponding figures**

9. As disclosed in note 33 to the financial statements, the corresponding figures for 31 March 2021 were restated as a result of an error in the financial statements of the public entity at, and for the year ended, 31 March 2022.

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

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

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

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

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

### **Introduction and scope**

14. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for the selected programme presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.

15. My procedures address the usefulness and reliability of the reported performance information, which must be based on the public entity's approved performance planning documents. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the public entity enabled service delivery. My procedures do not extend to any disclosures or assertions relating to the extent of achievements in the current year or planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
16. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programme presented in the public entity's annual performance report for the year ended 31 March 2022:

Programme	Pages in the annual performance report
Programme 3 – regional operations and enterprise support	58

17. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
18. I did not identify any material findings on the usefulness and reliability of the reported performance information for this programme:
- Programme 3 – regional operations and enterprise support.

### Other matter

19. I draw attention to the matters below.

#### Achievement of planned targets

20. Refer to the annual performance report on pages 44 to 60 for information on the achievement of planned targets for the year and management's explanations provided for the under/over achievement of targets.

#### Adjustment of material misstatements

21. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information of programme 3: regional operations and enterprise support. As management subsequently corrected the misstatements, I did not raise any material findings on the usefulness and reliability of the reported performance information.

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

### **Introduction and scope**

22. 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.
23. The material findings on compliance with specific matters in key legislation are as follows:

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

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

### **Expenditure management**

25. Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R80 517 507, as disclosed in note 39 to the annual financial statements, as required by section 51(1) (b) (ii) of the PFMA. The majority of the irregular expenditure was caused by non-compliance with procurement processes, as identified by investigations.
26. Effective steps were not taken to prevent fruitless and wasteful expenditure amounting to R19 607 004, as disclosed in note 38 to the annual financial statements, as required by section 51(1) (b) (ii) of the PFMA. The majority of the fruitless and wasteful expenditure was caused by approval of loans without following due processes, as identified by investigations.

### **Other information**

27. 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 in this auditor's report.
28. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion on it.
29. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programme presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

### **Internal control deficiencies**

31. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on compliance with legislation included in this report.
32. Management did not adequately review and monitor compliance with applicable laws and regulations.

### **Other reports**

33. 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.
34. The Special Investigating Unit (SIU) is investigating the 2017 Township Entrepreneur Awards tender and the 2018 project management services for the pitching booster initiative in the Sedibeng region. These investigations were in progress as at the date of this report.

*Auditor General*

Johannesburg

31 July 2022



AUDITOR-GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

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

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for the 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 relating 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 my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a public entity to cease operating as a going concern
  - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

**GAUTENG ENTERPRISE PROPELLER ACT (NO. 5 OF 2005)**

**ANNUAL FINANCIAL STATEMENTS**

for the year ended 31 March 2022

## STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2022

Figures in Rand	Note(s)	2022	2021
<b>Assets</b>			
<b>Current Assets</b>			
Financial support loans at amortised cost			
	3	28,223,517	25,358,961
Receivables from exchange transactions	4	1,809,473	2,357,803
Cash and cash equivalents	5	411,585,241	399,276,396
		<b>441,618,231</b>	<b>426,993,160</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	6	4,306,438	5,651,843
Financial support loans at amortised cost	3	22,174,685	4,415,377
Other Investments	7	1	1
		<b>26,481,124</b>	<b>10,067,221</b>
<b>Total Assets</b>		<b>468,099,355</b>	<b>437,060,381</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Finance lease obligation	8	219,178	1,239,579
Operating lease liability	10	41,824	39,852
Payables from exchange transactions	9	18,825,490	21,972,124
Payables from non exchange transactions	11	260,000,000	86,979,617
Provisions	12	141,482,265	292,523,417
		<b>420,568,757</b>	<b>402,754,589</b>
<b>Non-Current Liabilities</b>			
Finance lease obligation	8	-	219,178
<b>Total Liabilities</b>		<b>420,568,757</b>	<b>402,973,767</b>
<b>Net Assets</b>			
Accumulated surplus		47,530,598	34,086,614
<b>Total Net Assets</b>		<b>47,530,598</b>	<b>34,086,614</b>

## STATEMENT OF FINANCIAL PERFORMANCE

Figures in Rand	Note(s)	2022	2021
Revenue from non- exchange transactions	13	309,403,000	477,897,000
Revenue from exchange transaction	14	18,085,531	14,826,782
Other income	15	515,914	755,763
Program and projects	16	(27,094,606)	(63,720,255)
Operating expenses	17	(291,768,017)	(408,805,035)
<b>Operating surplus (deficit)</b>	<b>18</b>	<b>9,141,822</b>	<b>20,954,255</b>
Finance income	20	4,513,534	361,041
Finance costs	21	(92,361)	(212,636)
<b>Surplus or (Deficit) before loss on disposal</b>		<b>13,562,995</b>	<b>21,102,660</b>
Loss on disposal of assets	22	(119,011)	(79,834)
<b>Surplus for the year</b>		<b>13,443,984</b>	<b>21,022,826</b>

## STATEMENT OF CHANGES IN NET ASSETS

Figures in Rand	Accumulated surplus	Total net assets
<b>Balance at 1 April 2020</b>	<b>13,063,787</b>	<b>13,063,787</b>
Changes in net assets (Prior year adjustments*)	(413,584)	(413,584)
	(413,584)	(413,584)
Surplus for the year previously stated	21,436,411	21,436,411
Surplus for the year restated	21,022,827	21,022,827
Total changes	21,022,827	21,022,827
<b>Balance at 1 April 2021 as restated</b>	<b>34,086,614</b>	<b>34,086,614</b>
Changes in net assets (Surplus for the year)	13,443,984	13,443,984
	13,443,984	13,443,984
Total changes		
<b>Balance at 31 March 2022</b>	<b>47,530,598</b>	<b>47,530,598</b>

\*The amount was restated please refer to note 33

## CASH FLOW STATEMENT

Figures in Rand	Note(s)	2022	2021
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Cash receipts from non-exchange transactions		319,403,000	477,897,000
Cash received from exchange transaction		1,641,129	585,184
Cash receipt from financial support loans		11,797,178	4,497,504
Interest income		4,513,534	361,041
Other income		515,914	755,763
		337,870,755	484,096,492
<b>Payments</b>			
Employee costs and suppliers		(198,744,253)	(195,827,016)
Cash paid as financial support loans		(37,586,289)	(26,875,907)
Goverment Grant (Surrender of surplus funds)		(86,979,617)	-
		(323,310,159)	(222,702,923)
<b>Net cash flows from operating activities</b>	<b>23</b>	<b>14,560,596</b>	<b>261,393,569</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	6	(919,810)	(1,302,553)
<b>Cash flows from financing activities</b>			
Finance lease payments		(1,331,940)	(1,331,940)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>12,308,846</b>	<b>258,759,076</b>
Cash and cash equivalents at the beginning of the year		399,276,396	140,517,320
<b>Cash and cash equivalents at the end of the year</b>	<b>5</b>	<b>411,585,242</b>	<b>399,276,396</b>

STATEMENT OF COMPARISON OF **BUDGET AND ACTUAL AMOUNTS**

<b>Budget on Cash Basis</b>						
<b>Revenue from Exchange Transactions</b>	<b>Approved Budget</b>	<b>Adjustments</b>	<b>Final Budget</b>	<b>Actual amounts on comparable basis</b>	<b>Difference between final budget and actual</b>	<b>Reference</b>
<b>Figures in Rand</b>						

**Statement of Financial Performance****Revenue****Revenue from exchange transactions**

Receipts on loan book	10,000,000	-	<b>10,000,000</b>	13,438,308	<b>3,438,308</b>	A
Interest and other income	-	5,364,000	<b>5,364,000</b>	23,114,979	<b>17,750,979</b>	B
<b>Total revenue from exchange transactions</b>	<b>10,000,000</b>	<b>5,364,000</b>	<b>15,364,000</b>	<b>36,553,287</b>	<b>21,189,287</b>	

Revenue from non-exchange transactions

Rollover income	-	39,760,240	<b>39,760,240</b>	39,760,240	-	
Transfer revenue						
Government grants & subsidies	219,944,000	89,459,000	<b>309,403,000</b>	309,403,000	-	C
<b>Total revenue from non-exchange transactions</b>	<b>219,944,000</b>	<b>129,219,240</b>	<b>349,163,240</b>	<b>349,163,240</b>	-	
<b>Total revenue</b>	<b>229,944,000</b>	<b>134,583,240</b>	<b>364,527,240</b>	<b>385,716,527</b>	<b>21,189,287</b>	

**Expenditure**

Employee costs	(122,611,500)	7,991,000	<b>(114,620,500)</b>	(113,060,235)	<b>1,560,265</b>	D
Depreciation and amortisation	-	-	-	(2,146,204)	<b>(2,146,204)</b>	E
Debt impairment	-	-	-	(21,557,686)	<b>(21,557,686)</b>	F
Program and projects	(47,304,500)	(10,172,668)	<b>(57,477,168)</b>	(27,094,606)	<b>30,382,562</b>	G
Operating expenses	(22,028,000)	(32,547,733)	<b>(54,575,733)</b>	(155,096,253)	<b>(100,520,520)</b>	H
Financial support loans	(28,000,000)	(108,814,000)	<b>(136,814,000)</b>	(37,586,267)	<b>99,227,733</b>	I
Capital expenditure	-	(1,039,839)	<b>(1,039,839)</b>	(919,810)	<b>120,029</b>	

<b>Total expenditure</b>	<b>(219,944,000)</b>	<b>(144,583,240)</b>	<b>(364,527,240)</b>	<b>(357,461,061)</b>	<b>7,066,179</b>	
<b>Operating surplus</b>	<b>10,000,000</b>	<b>(10,000,000)</b>	-	<b>28,255,466</b>	<b>28,255,466</b>	

Loss on disposal of Assets	-	-	-	119,011	<b>119,011</b>	
Adjustment for Capital Movements	-	-	-	14,692,471	<b>14,692,471</b>	

<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>10,000,000</b>	<b>(10,000,000)</b>	-	<b>13,443,984</b>	<b>13,443,984</b>	
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## ACCOUNTING POLICIES

### 1. Presentation of Annual Financial Statements

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

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand, which is the entity's functional currency.

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

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

#### 1.1 Going concern assumption

The annual financial statements have been prepared based on the expectation that the entity will continue to operate as a going concern for at least the next 12 months. In assessing whether the going concern assumption is appropriate management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the reporting date.

#### 1.2 Significant judgements and sources of estimation uncertainty

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

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

#### Impairment of trade debtors and financial support loans

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

An impairment of trade debtors is established when there is objective evidence that the entity will not be able to collect all amounts due according to the original terms of the loan. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial recognition, and default or delinquency in payments are considered indicators that the debtor should be impaired. The amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cashflows (excluding future credit losses that have not been incurred) discounted at the financial assets original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognised in surplus or deficit.

## ACCOUNTING POLICIES

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

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

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

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

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

#### **Debtors loans write off**

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

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

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

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

#### **Taxation**

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

## ACCOUNTING POLICIES

### 1.3 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

#### Initial recognition

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

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

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

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

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

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

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

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

#### Subsequent measurement

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

## ACCOUNTING POLICIES

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

#### Depreciation

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

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

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

Item	Depreciation method	Average useful life
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

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

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

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

The entity assesses at each reporting date whether there is any indication that the entity expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the entity revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate. The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

#### Derecognition

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

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

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

## ACCOUNTING POLICIES

### 1.4 Financial instruments

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

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

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

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

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

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

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

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

A financial asset is:

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

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

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

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

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

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

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

## ACCOUNTING POLICIES

### 1.4 Financial instruments (continued)

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.

#### Trade and other receivables

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

#### Trade and other payables

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

#### Cash and cash equivalents

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

### 1.5 Leases

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

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

#### Finance leases - lessee

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

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

## ACCOUNTING POLICIES

### **1.5 Leases (continued)**

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

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

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

#### **Operating leases - lessee**

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

### **1.6 Impairment of cash-generating assets**

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

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

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

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

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

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

### **1.7 Impairment of non-cash-generating assets**

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

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

## ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

Useful life is either:

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

#### **Identification**

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

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

#### **Value in use**

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

#### **Depreciated replacement cost approach**

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

## ACCOUNTING POLICIES

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

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

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

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

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

## ACCOUNTING POLICIES

### 1.8 Employee benefits

#### Short-term employee benefits

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

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

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled 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.

### 1.9 Provision and contingencies

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

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

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

## ACCOUNTING POLICIES

### **1.9 Provision and contingencies (continued)**

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

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

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

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

### **1.10 Commitments**

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

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

### **1.11 Revenue from exchange transactions**

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

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

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

### **Measurement**

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

### **Initial Recognition**

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

## ACCOUNTING POLICIES

### **1.12 Revenue from non-exchange transactions**

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an entity, which represents an increase in net assets, other than increases relating to contributions from owners.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

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

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

#### **Unspent grant/surplus**

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

#### **Recognition**

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

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

#### **Measurement**

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

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

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

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

## ACCOUNTING POLICIES

### **1.13 Comparative figures**

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

### **1.14 Fruitless and wasteful expenditure**

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

#### **Discovery**

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

#### **Assessment & Determination**

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

The assessment also collects information on:

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

During the period of the assessment, the expenditure remains in the expense account until 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 the responsible official (not liable in law), the expenditure remains as a debit against the relevant expenditure item and disclosed as such in the relevant note to the financial statements. The accounting authority will consider writing it off, following the entity's write-off policy.

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

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

## ACCOUNTING POLICIES

### **1.15 Irregular expenditure**

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

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

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

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

#### **Assessment**

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

#### **Confirmation**

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

#### Determination & Investigation

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

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

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

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements are updated with the amount condoned.

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

## ACCOUNTING POLICIES

### 1.15 Irregular expenditure (continued)

#### Recovery

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

#### Condonation

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

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

### 1.16 Deviations

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

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

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

### 1.17 Related parties

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

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

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

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

## ACCOUNTING POLICIES

### **1.17 Related parties (continued)**

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

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

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

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

An entity is related to the reporting entity if any of the following conditions apply:

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

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

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

### **1.18 Events after reporting date**

Events after the 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.

## ACCOUNTING POLICIES

### **1.18 Events after reporting date (continued)**

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

### **1.19 Loan commitments**

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

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

### **1.20 Accounting policies, estimates and errors**

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

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

- The application of an accounting policy for events or transactions, other events or conditions that differ in substance from those previously occurring. In this case, another accounting policy will be used that is applicable to the specific type of transaction, or substance of the transaction.
- The application a new accounting policy for transactions, other events or conditions that did not occur previously. In this case, a new accounting policy will be applied to a new type or transaction, event or condition.
- The application of a new account policy for transactions, other events or conditions that were immaterial. In this case a new accounting policy will be applied to a new type of transaction, event or condition.
- Change in classification where the method of recognition and measurement remains the same.

The entity accounts for a change in accounting policy resulting from the initial application of a Standard of GRAP in accordance with the specific transitional provisions, if any, in that Standard; and when the changes in accounting policy upon initial application of a Standard of GRAP that does not include specific transitional provisions applying to that change, or changes an accounting policy voluntarily, it shall apply the change retrospectively.

When a change in accounting policy is applied retrospectively the entity shall adjust the opening balance of each affected component of net assets for the earliest prior period presented and the other comparative amounts disclosed for each prior period presented as if the new accounting policy had always been applied.

#### **Change in Accounting Estimate**

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

## ACCOUNTING POLICIES

### **1.20 Accounting policies, estimates and errors (continued)**

#### **Prior Period Errors**

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

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

### **1.21 Presentation currency**

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

### **1.22 Other Investments**

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

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

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

The equity method is a method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the investor's share of the investee's net assets. The investor's surplus or deficit includes its share of the investee's surplus or deficit and the investor's net assets includes its share of changes in the investee's net assets that have not been recognised in the investee's surplus or deficit.

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

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

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

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

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

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

## ACCOUNTING **POLICIES**

### **1.23 General expenses**

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

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

Expenses incurred during the reporting period are recognised in surplus. The entity presents its operating expenses in terms of their function.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2022	2021
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### 2. New standards and interpretations

#### 2.1 Standards and interpretations issued, but not yet effective

The following standards have been approved but not yet effective as at 31 March 2022. The impact that these standards will have on the entity is detailed below.

##### Standard/ Interpretation:

- GRAP 25 (as revised 2021): Employee Benefits Not yet effective Unlikely there will be a material impact
- GRAP 104 (amended): Financial Instruments Not yet effective Not expected to impact results but may result in additional disclosure

##### Expected impact:

### 3. Financial support loans at amortised cost

#### At amortised cost

Net amount outstanding	50,398,202	29,774,338
Balance at 1 April	239,732,448	203,164,640
Amounts advanced	37,586,289	26,875,906
Bad debts written off	(6,173,667)	-
Initiation fees	130,500	84,189
Interest on financial Support Loans	17,955,031	14,942,687
Provision for financial support loans credit balance adjustment	(51,964)	64,662
Interest adjustment	-	(200,094)
Payments received	(13,438,308)	(5,199,542)
FSS Loans as at 31 March	275,740,329	239,732,448
FSS Loan Impairments	(225,342,127)	(209,958,110)
Opening balance	(209,958,110)	(193,204,336)
Impairment amount written-off	6,111,930	-
Current movement	(21,495,947)	(16,753,774)
	<b>50,398,202</b>	<b>29,774,338</b>

#### Financial support loans at amortised cost

Financial Support Loans already due **	7,220,901	4,418,263
Financial Support Loans due in the next 12 months	21,002,616	20,940,698
Current Assets	28,223,517	25,358,961
Non-Current Assets	22,174,685	4,415,377
	<b>50,398,202</b>	<b>29,774,338</b>

\*\*The details relating to the ageing of the debtors are presented in Note 35: Risk Management (Credit risk).

### 4. Receivables from exchange transactions

Deposits, other debtors and prepayments	1,809,473	2,357,803
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## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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## 5. Cash and cash equivalents

Cash on hand	39,001	30,857
Main bank balances	76,230,085	395,759,784
SA Reserve Bank CPD	332,464,266	-
Development fund bank balance	1,726,368	1,715,433
Financial support bank balance	1,125,521	1,770,322
	<b>411,585,241</b>	<b>399,276,396</b>

Cash balances relate to cash available for immediate use for the entity's main operations. Included in the cash balances is R250 million ring fenced amount to set up the SME Fund.

## 6. Property, plant and equipment

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying Value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Motor vehicles	122,000	(121,999)	1	122,000	(121,999)	1
Office equipment	7,089,188	(5,778,950)	1,310,238	7,109,483	(5,619,465)	1,490,018
IT equipment	7,458,817	(4,653,028)	2,805,789	6,879,106	(4,050,156)	2,828,950
Leasehold improvements	1,252,038	(1,252,038)	-	1,252,038	(1,252,038)	-
Leased assets	3,427,391	(3,236,981)	190,410	3,427,391	(2,094,517)	1,332,874
<b>Total</b>	<b>19,349,434</b>	<b>(15,042,996)</b>	<b>4,306,438</b>	<b>18,790,018</b>	<b>(13,138,175)</b>	<b>5,651,843</b>

## Reconciliation of property, plant and equipment - 2022

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

The disposals amount of (R119,011) is due to the disposals of the entity's assets which are scrapped and stolen.

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

Figures in Rand	2022	2021
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## 6. Property, plant and equipment (continued)

### Reconciliation of property, plant and equipment - 2021

	Opening Balance	Additions	Disposals	Depreciation	Total
Motor vehicles	610	-	-	(609)	1
Office equipment	1,461,204	-	(11,744)	40,558	1,490,018
IT equipment	2,320,992	1,302,553	(68,091)	(726,504)	2,828,950
Leasehold improvements	92,475	-	-	(92,475)	-
Leased assets	2,475,338	-	-	(1,142,464)	1,332,874
	<b>6,350,619</b>	<b>1,302,553</b>	<b>(79,835)</b>	<b>(1,921,494)</b>	<b>5,651,843</b>

## 7. Other Investments

### Wakegem (Pty) Ltd

- A legal opinion was sourced in April 2022 on the legal and accounting implications to write-off the Wakegem investment. The investment has been sitting at R1 in the preceding financial years. The final opinion recommended the write-off of the investment to R0 due to the factors highlighted below.
- The investee is under liquidation, i.e., Wakegem (Pty) Ltd and the GEP is a concurrent creditor in its insolvent estate. Only the IDC as the secured creditor has realised distributions in the insolvent estate, which are a fraction of its R102 million secured loan in Wakegem.
- The remaining 8 concurrent creditors including GEP, received no concurrent award from the insolvent estate. Accordingly, upon conclusion and approval of the Liquidation and Distribution account by the Master, there will be no monies due and payable to GEP in respect of its equity that it holds by way of shares in Wakegem.
- In accordance with paragraph 20 of GRAP 7, GEP is required to discontinue the use of the equity method from the date that it ceases to have significant influence over an associate and to account for the investment in accordance with GRAP 104 from that date.
- The legal consequences of the insolvency of Wakegem are that the liquidator took over the control of Wakegem. As such, all the elements of an investor having 'significant influence' over an investee ceased to be present from the date of liquidation.

In conclusion, GEP will not realise any distributions from Wakegem as the company is in liquidation, thus there are no expected returns to be realised from the investment. It is thus recommended that the investment be completely written-off.

A recommendation for write-off will be presented to the Board before July 2022. If the approval is granted, the entity will write off the investment. If the approval is granted before the signing off of the audit report, the matter will be disclosed as subsequent event.

Figures in Rand	2022	2021
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## 8. Finance lease obligation

### Minimum lease payments due

- in second to fifth year inclusive
- later than five years

less: future finance charges

### Present value of minimum lease payments

	221,990	1,331,940
	-	221,990
	221,990	1,553,930
	(2,812)	(95,173)
	<b>219,178</b>	<b>1,458,757</b>

### Present value of minimum lease payments due

- in second to fifth year inclusive
- later than five years

	21,978	1,239,579
	-	219,178
	<b>21,978</b>	<b>1,458,757</b>

Non-current liabilities

Current liabilities

	-	219,178
	219,178	1,239,579
	<b>219,178</b>	<b>1,458,757</b>

The finance lease liability relates to equipment lease contracts. The lease periods are from 01/06/2019 to 31/03/2023 for printers.

## 9. Payables from exchange transactions

Trade payables

Accrued leave pay

Accrued 13th Cheque

	10,557,768	14,330,621
	7,448,292	6,835,117
	819,430	806,386
	<b>18,825,490</b>	<b>21,972,124</b>

The trade payables of R10.5 million relates to invoices to be paid by the entity within the next 30 days. Leave of R7.4 million is provided for employees in line with the entity's leave policy, the leave will be utilised in the next six months.

## 10. Operating lease liability

Current liabilities

	41,824	39,852
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The straight-line accrual relates to office accommodation lease contracts with escalation clause. The amounts payable under the contract are charged to the statement of financial performance on a straight-line basis over the term of the contract.

## 11. Payables from non exchange transactions

Government grants (Surrender of surplus funds)

SMME Partnership Fund

GGB Grant

	-	86,979,617
	250,000,000	-
	10,000,000	-
	<b>260,000,000</b>	<b>86,979,617</b>

The MOA was signed between GEP and IDC to establish the SMME (TEPF) Partnership fund.

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

**Figures in Rand**

**2022**

**2021**

## 12. Provisions

### Reconciliation of provisions - 2022

	<b>Opening Balance</b>	<b>Additions</b>	<b>Utilised during the year</b>	<b>Reversed during the year</b>	<b>Total</b>
Maponya Mall	2,698,555	528,485	(1,477,086)	-	1,749,954
Provision for surrender of surplus funds	289,760,240	139,719,651	-	(289,760,240)	139,719,651
Provisions for Financial Support Loans	64,622	12,660	(64,622)	-	12,660
	<b>292,523,417</b>	<b>140,260,796</b>	<b>(1,541,708)</b>	<b>(289,760,240)</b>	<b>141,482,265</b>

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

Included in the provision for financial support loans is debtors with negative balances.

The entity made a provision for surplus in line with the Treasury instruction note 12 of 2020/21. The provision relates to the grants that were unspent at year-end to the value of R139 million.

### Reconciliation of provisions - 2021

	<b>Opening Balance</b>	<b>Additions</b>	<b>Utilised during the year</b>	<b>Total</b>
Sedibeng	78,315	-	(78,315)	-
Maponya Mall	2,106,896	591,659	-	2,698,555
Provision for surrender of surplus funds	125,887,143	250,852,714	(86,979,617)	289,760,240
Provisions for Financial Support Loans	179,366	64,622	(179,366)	64,622
	<b>128,251,720</b>	<b>251,508,995</b>	<b>(87,237,298)</b>	<b>292,523,417</b>

## 13. Revenue

Government grants	309,403,000	477,897,000
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## 14. Revenue from exchange transactions

Sundry Income (Initiation fees)	130,500	84,189
*Finance Income: (financial support loans)	17,955,031	14,742,593
	<b>18,085,531</b>	<b>14,826,782</b>

\*Finance Income: Financial Support Loans comprises of non-cash interest of R16,3 million and cash interest of R1,6 million.

Figures in Rand	2022	2021
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## 15. Other Income

SETA claims	208,435	400,531
Insurance claims	282,009	113,469
Bad debts recovered: financial support loans	25,470	241,763
	<b>515,914</b>	<b>755,763</b>

Other income relates to income received for SETA claims for skills development and internship, Insurance claims relating to assets lost or stolen. The amount of R25 470 relates to bad debts write off that have been recovered.

## 16. Programs and project

SMME product development	3,933,034	15,849,470
SMME seminars and training	73,500	20,000
Community grant funding	1,709,738	2,181,364
SMME business development support	13,401,091	27,585,122
Sponsorships	867,938	-
Youth accelerator programme	7,109,305	18,084,299
	<b>27,094,606</b>	<b>63,720,255</b>

## 17. Operating expenses

Employee costs	24	113,060,235	99,844,519
Depreciation, amortisation and impairments	25	2,146,204	2,020,397
Lease rentals on operating lease	19	13,750,677	13,592,433
Debt Impairment	26	21,557,686	16,753,774
Repairs and maintenance		1,768,214	2,555,580
General Expenses	27	139,485,001	274,038,332
		<b>291,768,017</b>	<b>408,805,035</b>

## 18. Operating surplus (deficit)

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

<b>Operating surplus (deficit) for the year:</b>		
Surplus for the year	13,443,984	21,022,826

## 19. Lease rentals on operating lease

<b>Premises</b>		
Contractual amounts	13,750,677	13,592,433

## 20. Finance income

<b>Interest revenue</b>		
Finance Income - Bank	4,513,534	361,041

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## 21. Finance costs

Finance leases	92,361	212,636
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GEP incurred interest cost on finance lease for printers.

## 22. Loss on disposal of assets

Loss on disposal of assets	119,011	79,834
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General expenditure included loss on disposal of assets. This is now disclosed/reclassified separately in the performance statement. Please see note 33 for reclassification.

## 23. Cash generated from operations

Surplus	13,443,984	21,022,826
<b>Adjustments for:</b>		
Depreciation and amortisation	2,146,204	2,020,397
Profit/(Loss) on write-off assets	119,011	79,834
Finance costs - Finance leases	92,361	212,636
Debt impairment	21,557,686	16,753,774
Movements in operating lease assets and accruals	1,971	(1,421,946)
Other non-cash items	(6,235,582)	(4,406,645)
(Increase)/decrease in financial support loans	(30,541,560)	(33,020,988)
<b>Changes in working capital:</b>		
Receivables from exchange transactions	(548,330)	444,691
Payables from exchange transactions	(3,146,636)	8,457,676
Payables from non exchange transactions	173,020,383	86,979,617
Movement in Provisions	(155,348,896)	164,271,697
	<b>14,560,596</b>	<b>261,393,569</b>

## 24. Employee related costs

Basic	82,080,975	71,135,019
Medical aid - company contributions	3,737,335	3,634,651
UIF	294,591	245,705
SDL	936,516	570,533
Leave pay provision charge	1,505,658	2,210,006
Employee Wellness	81,767	41,980
Other short term costs	349,828	-
Travel, motor car, accommodation, subsistence and other allowances	2,751,694	2,781,590
13th Cheques	3,019,187	2,742,251
Acting allowances	756,617	1,350,466
Retirement benefits (Contribution to retirement fund)	16,374,435	13,966,684
Cell Phone Allowance	1,171,632	1,165,634
	<b>113,060,235</b>	<b>99,844,519</b>

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## 25. Depreciation and amortisation

Property, plant and equipment	2,146,204	2,020,397
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## 26. Debt impairment

Net Debtors Written-off	61,737	-
Contributions to debt impairment provision	21,495,949	16,753,774
	<b>21,557,686</b>	<b>16,753,774</b>

### Contribution to Debt Impairment Provision

Financial Support Loans -Non Current	7,625,038	9,720,129
Financial Support Loans -Current	(29,120,987)	(26,455,903)
	<b>(21,495,949)</b>	<b>(16,735,774)</b>

### Reconciliation of Net Debtors Written-Off

	Gross	Debt Impairment	Carrying Value
Financial Support Loans -Non Current	17,475	(17,300)	175
Financial Support Loans Current	6,156,192	(6,094,630)	61,562
	<b>6,173,667</b>	<b>(6,111,930)</b>	<b>61,737</b>

The total value of R61 737 was written-off in the year 2021/22. This represent loans that are prescribed or are for liquidated businesses.

In addition to the above, please refer to note 36 for events after reporting date.

Figures in Rand	2022	2021
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## 27. General expenses

Advertising	1,978,995	1,164,843
Auditors remuneration	3,691,917	2,390,309
Bank charges	115,358	127,042
Cleaning	1,418,882	1,373,184
Board fees	1,710,154	2,093,105
Consulting and professional fees	20,739,933	5,195,226
Provision for credit debtor balances	-	(114,744)
Catering	43,194	15,736
Office equipment rental	50,720	115,792
Insurance	152,609	377,623
IT expenses	1,387,702	2,236,503
Cellphone and data costs	351,903	2,094,979
Printing, stationery & office supplies	363,044	175,067
Library maintenance	-	6,676
Security	736,086	641,731
Maintenance of software	4,568,069	2,996,805
Telephone and fax	758,305	364,746
Training	196,907	204,285
Travel - local	18,212	5,348
Board meetings	12,991	15,449
Bursaries	665,914	1,077,439
Travel reimbursement	106,693	54,360
Recruitment	458,002	574,114
Provision for surplus expense	99,959,411	250,852,714
	139,485,001	274,038,332

## 28. Auditors' remuneration

Internal and External audit fees	3,691,917	2,390,309
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## 29. 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 2022: R16 374 435 (2021: R13 966 684) represents contributions payable to those schemes by the entity at rates specified in the rules of schemes. The entity had no postretirement obligations for retirement benefits, at year end.

Figures in Rand	2022	2021
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## 30. Commitments

### Operating leases - as lessee (expense)

#### Minimum lease payments due

- within one year	193,520	225,698
- in second to fifth year inclusive	299,435	620,912
	<b>492,955</b>	<b>846,610</b>

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

## 31. Contingencies

### Contingent Assets

The Board approved investigations to uncover irregularities that were noted in awarding of financial support for TER and TRM projects. The investigation outcome recommended that GEP should take reasonable steps to recover the loans from the implicated SMMEs. Letters of demand were sent to the implicated SMMEs in the year under review, no acknowledgement of debt received yet from the implicated parties.

### Contingent Liabilities

In 2020/21 GEP Received the following litigations which were not resolved and carried over to 2021/22.

- Litigation matter against the entity, namely ARDHI CONCEPTS CC //GEP under case number: 1123/2019 in the High Court of South Africa (Gauteng Division, Johannesburg). The matter relates to a loan applicant who has issued summons against the entity, for the loan amount of R2,5 million that was not approved. The matter is currently not yet concluded and under way.
- GEP received an amplified letter of demand from the Township Entrepreneurship Awards (TEA) nominees, through their attorney's records, the nominees is demanding R1,075 million as she claims to have been unduly eliminated. The claim relates to the participant claiming that she was unduly eliminated therein, and stated that the adjudication process was unfair as the rules were constantly changed. The matter is currently not yet concluded and under way.

In 2021/22, GEP received a litigations from KNT attorneys for the payments of legal fees of R265 216 for service rendered under case number 22/638 in the High Court of south Africa (Gauteng Local Division, Johannesburg). The matter is currently not yet concluded and GEP is defending the matter.

## 32. Related parties

### Relationships

Members of Accounting Authority	Refer to members' report note 32
Gauteng Department of Economic Development (GDED)	Government Department - Controlling Entity
Gauteng Growth Development Agency (GGDA)	Gauteng Gambling Board (GGB)
Gauteng Liquor Board (GLB)	Public Entity - Controlled by GDED
Gauteng Tourism Authority (GTA)	Public Entity - Controlled by GDED
Cradle of Humankind World Heritage Site	Public Entity - Controlled by GDED
Dinokeng	Trading Entity - Controlled by GDED
Gauteng Department of Agriculture and Rural Development	Trading Entity - Controlled by GDED
Wakegem (Pty) Ltd	Government Department
	Other Investments

Figures in Rand	2022	2021
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## 32. Members' emoluments (continued)

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

Goverment grants	309,403,000	477,897,000
Operating Lease and Utilities	13,866,776	13,550,805

GEP entered into an arm's length lease agreement with the Gauteng Development of Economic Development (GDED) in 2015 for office space at 124 Main Street in Sedibeng. The lease agreement terminated in November 2020. The entity has received the lease contract form the landlord, however, has not yet signed as there are various disputes it has with the lease contract. The entity is continuing to occupy the building, the entity has made a provision for the year under review for the space occupied. The unsigned lease contract is for a period of five years at an average cost of R14 million per annum, which is a lease contract to the value of R70 million of the five years.

#### Gauteng Gambling Board (GGB)

Payables from non-exchange	10,000,000	-
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The funds of R10m was received from GGB in March 2022 are for contribution towards the Township Economy Recovery (TER).

### Non-Executive management remuneration

#### Remuneration of Non-Executive Directors Term

P Mangcu	128,764	102,313
D Maithufi	186,555	146,644
L Marincowitz	182,676	144,644
N Mufamadi	182,676	132,007
D Golding	271,893	148,722
K Mogotsi	186,555	148,523
E Ranamane *	13,637	90,338
S Mkhize	151,644	121,249
T Rasenyallo	213,708	103,975
B Mahlulshana	190,434	102,975
D Maphanzela	120,612	48,669
L Mphahlele	-	2,000
	<b>1,829,154</b>	<b>1,292,059</b>

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## 32. Members' emoluments (continued)

\* E Ranamane resigned 30 June 2021

### Remuneration of Non-Executive Directors Term ended 30 September 2020

K Mthembu	-	105,205
M Diedricks	-	98,202
C Kneale	-	32,739
L Marincowitz	-	114,799
T Ratshitanga	-	65,478
T Magerman	-	94,124
D Maithufi	-	118,678
S Njikelana	-	90,275
O Mlonyeneni	-	77,755
	<b>-</b>	<b>797,255</b>

2022								
	Board	RGC	Remco	CC	BDC	ARGC	Special Board Meetings	Miscellaneous Meetings 8/10
L. Mphahlele	4/5	4/4		3/3			13/14	
D. Golding	5/5	4/4		16/16	6/6		14/14	18/18
K. Mogotsi	5/5	1/1		7/8	5/5	11/11	13/14	2/5
E. Ranamane	0/1		1/1	0/2	0/1		2/3	1/1
L. Marincowitz	3/5	4/4		1/1	4/6		14/14	10/10
S. Mkhize	4/5	4/4		1/1		11/11	12/14	4/5
T. Rasenyallo	5/5	1/1	3/3	16/16	5/5		14/14	4/4
B. Mahlutshana	5/5	1/1	3/3	14/16	4/5		14/14	7/7
D. Maithufi	4/5	4/4		1/1		12/12	13/14	11/12
N. Mufamadi	5/5	3/3	4/4	0/1		10/11	14/14	4/5
D. Mapanzela	5/5	2/4	4/4	1/1			14/14	5/5
P. Mangcu	4/5	4/4		0/1			14/14	7/7

2021						
	Board	ARGC	Remco	CC	BDC	Special Meetings

Board Member term ended 30 September 2020

K. Mthembu	3/3	*	*	2/2	*	10/10
M. Diedricks	2/3	*	3/3	*	1/3	8/8
C. Kneale	2/3	4/4	*	*	*	3/7
D. Dakile	1/3	*	*	*	*	*
L. Marincowitz	2/3	3/4	*	*	2/3	10/10
T. Ratshitanga	2/3	*	*	2/2	2/3	6/7
C. Walters	1/3	4/4	*	*	*	*
T. Magerman	3/3	*	*	2/2	3/3	7/7
D. Maithufi	0/3	2/4	*	1/2	*	*
M. Hlophe	0/3	*	*	*	*	*

## 32. Members' emoluments (continued)

2021	Board	ARGC	Remco	CC	BDC	Special Meetings
S. Njikelana	3/3	4/4	3/3	*	*	6/7
O. Mlonenyi	2/3	1/4	2/3	*	*	6/7
	-	-	-	-	-	-
	-	-	-	-	-	-
<b>The board members were appointed from 1 October 2020.</b>						
L. Mphahlele*	3/3	2/4	1/1	1/1	2/2	22/22
D. Golding*	3/3	3/3	*	*	4/4	22/23
K. Mogotsi*	3/3	10/10	*	*	4/4	20/20
E. Ranamane*	3/3	*	3/3	4/4	2/4	12/17
L. Marincowitz*	2/3	3/3	*	2/2	4/4	24/24
S. Mkhize*	3/3	10/10	*			17/18
T. Rasenyallo*	3/3	*	*	4/4	4/4	21/21
B. Mahlutshana*	3/3	*	*	4/4	3/4	16/17
D. Maithufi*	3/3	11/11	*	*	*	20/20
N. Mufamadi*	3/3	8/10	3/3	*	*	17/20
D. Maphanzela*	3/3	3/3	3/3	*	*	16/16
P. Mangcu*	3/3	3/3	*	*	*	19/20

### Senior management remuneration

## 32. Members' emoluments (continued)

<b>2022</b>	<b>Salary</b>	<b>Acting Allowance</b>	<b>Total</b>
S. Zamzaka- Chief Executive Officer	2,630,866	-	2,630,866
K. Cele - GM: Strategy, Planning and M&E	1,238,079	-	1,238,079
I. Khan- Chief Operations Officer	1,566,912	-	1,566,912
K. Bogatsu - Chief Financial Officer *	2,282,543	-	2,282,543
PM. Tshiredo- Acting Chief Operations Officer	-	32,056	32,056
TJ. Guliwe - Acting Specialist: Strategy, Planning and M&E	-	101,370	101,370
NV. Mulaudzi - GM: Corporate Support & Administration	1,816,679	-	1,816,679
LHS Dube - GM: Risk & Audit **	1,925,238	-	1,925,238
S. Ntuli- Acting GM: Risk & Audit ***	-	17,391	17,391
N. Khonkwane - GM: Strategic Partnerships and Revenue Generation ***	146,326	-	146,326
	<b>11,606,643</b>	<b>150,817</b>	<b>11,757,460</b>

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

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

\*\*\* Started 01 March 2022

<b>2021</b>	<b>Salary</b>	<b>Acting Allowance</b>	<b>Total</b>
M Moholwa - Acting Chief Executive Officer	-	327,486	327,486
VB. Ntshoko - GM:Strategy, Planning and M&E	938,333	-	938,333
N. Genuka - Chief Financial Officer**	1,037,210	-	1,037,210
K. Bokgatso - Chief Financial Officer	447,844	-	447,844
PM. Tshiredo- Acting Chief Operations Officer	-	79,631	79,631
TJ. Guliwe - Acting Specialist : Strategy, Planning and M&E	-	119,446	119,446
NV. Mulaudzi - GM: Corporate Support & Administration	1,650,788	-	1,650,788
LHS. Dube - GM: Risk & Audit	1,655,196	-	1,655,196
	<b>5,729,371</b>	<b>526,563</b>	<b>6,255,934</b>

### 33. Prior-year adjustments

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

#### Statement of financial position

**2021**

	Note	As previously reported	Correction of error	Restated
Payables from exchange transactions	9	21,758,632	213,490	21,972,122
Current : Financial Support Loans	3	20,986,632	(45,935)	20,940,697
Non-Current : Financial Support Loans	3	8,877,279	(154,159)	8,723,120
Transfer to receivables	3	19,256,992	200,094	19,457,086
Financial Support Loans Approved but not paid	3	4,307,743	(4,307,743)	-
Provisions for Financial Support Loans	12	4,372,365	(4,307,743)	64,622
		-	-	-

#### Statement of financial performance

**2021**

	Note	As previously reported	Correction of error	Restated
<b>Operating expenses</b>	<b>17</b>	<b>408,706,045</b>	<b>178,820</b>	<b>408,884,865</b>
Consulting and professional fees		5,083,034	112,192	5,195,226
Cell phone and data costs		2,085,576	9,403	2,094,979
Bursaries		1,020,214	57,225	1,077,439
		-	-	-
<b>Projects and programs</b>	<b>16</b>	<b>63,685,585</b>	<b>34,670</b>	<b>63,720,255</b>
SMME business development support		45,634,751	34,670	45,669,421
		-	-	-
<b>Revenue from non-exchange transactions</b>		<b>15,026,876</b>	<b>(200,094)</b>	<b>14,826,782</b>
Finance Income: financial support loans	14	14,942,687	(200,094)	14,742,593
		-	-	-
<b>Surplus for the year</b>		<b>21,436,414</b>	<b>(413,588)</b>	<b>21,022,826</b>
		-	-	-

#### Cash flow statement

**2021**

Cash flow from operating activities (Surplus for the year)	23	21,436,414	(413,588)	21,022,826
Increase)/decrease in financial support loans	23	7,703,103	(200,094)	7,503,009
Increase)/decrease in financial support loans		7,503,009	4,307,743	11,810,752
Movement in Provisions	23	168,579,440	(4,307,743)	164,271,697
Payables from exchange transactions	23	(8,244,184)	(213,490)	(8,457,674)
		-	-	-

#### Errors

The error above relates to amounts paid after year-end which was not accrued in the year 2020/21. The changes is corrected in the related financial period.

Prior year Provision for financial support loans was restated, in terms of the loan commitment the amount to be considered is a portion of the loan issued below related market rate.

Figures in Rand	2022	2021
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## 34. Comparative figures

Certain comparative figures have been reclassified.

The effects of the reclassification are as follows:

Operating expenses	-	79,834
Loss on disposal of assets	-	(79,834)
SMME business development support	-	18,084,299
Youth accelerator programme	-	(18,084,299)
Receivables from exchange transactions (Trade debtors)	-	(4,418,263)
Receivables from exchange transactions (Financial Support Loans)	-	4,418,263
	-	-

Loss on disposal of assets was disclosed under operating expenses, this is now disclosed separately under note 22.

The amount of R18 million was included under SMME business development support. This is now disclosed separately in the programmes and project. Refer to note 16.

In order to reflect a fair presentation on the financial statement, management considered re-allocating the amount of R4.4 million from trade debtors to financial support loans.

## 35. Risk management

### Financial risk management

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

### Liquidity risk

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

Financial liabilities	0 - 12 months	1 - 5 years	5 years	5 years
Trade and other payables	18,825,490	-	-	-

## 35. Risk management (continued)

### Credit risk

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

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

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

The Debt Management Committee monitors the performance of receivables on a regular basis. At 31 March 2022, 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>180 Days</b>	<b>Total Arrears</b>
Contract Finance	444,900	185,346	201,120	497,559	1,411,805	2,740,729
Expansion	530,162	491,060	416,642	412,760	33,255	1,883,879
Franchise	7,715	7,524	7,552	7,460	21,915	52,167
Mafisa	2,566	2,477	2,546	2,464	7,372	17,425
Micro Finance	21,403	21,234	21,160	19,742	49,684	133,223
Start-up	324,985	254,617	253,375	249,751	546,661	1,629,388
TMR	110,532	110,253	110,130	110,061	323,114	764,090
Total	1,442,263	1,072,511	1,012,525	1,299,797	2,393,806	7,220,901
	-	-	-	-	-	-

### Interest rate risk

Bank deposits are linked to the South African prime interest rate. The net interest income at 31 March 2022 is R4 513 534 (2021: R361 041). The sensitivity analysis below has been determined based on the exposure to interest rate on financial instruments at the balance sheet date. For the floating rate instruments, the analysis is prepared assuming the number of instruments outstanding at the balance sheet date was outstanding for the whole year. A 50-basis points increase is used and presents management's assessment of the reasonably possible change in interest rates.

The entity's interest rate profile consists of floating loan rate and bank balances which exposes the entity to fair value interest risk and cash flow interest risk. The interest rate re-pricing profile at 31 March 2022 is summarised as follows:

	<b>0 -12 months</b>	<b>Beyond one year</b>	<b>Total floating rate borrowings/ investments</b>
Financial support loans	28,223,517	22,174,685	50,398,202
Receivables from exchange transactions	1,809,473	-	1,809,473
Cash & cash equivalents	411,585,241	-	411,585,241
	<b>441,618,231</b>	<b>22,174,685</b>	<b>463,792,916</b>

Figures in Rand	2022	2021
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## 36. Going concern

We draw attention to the fact that at 31 March 2022, the entity had an accumulated surplus of R 47,530,598 and that the entity's total assets exceed its liabilities by R 47,530,598.

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

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

## 37. Events after the reporting date

### Adjusting events after the reporting date

- Seven (7) bad debtors were approved by the Board in April 2022 for write off. The debtors were part of the debtors handed over to legal for collection in the previous years. The gross amount of the debtors is R6,17 million with provision for impairment estimated to be R6,11 million and net value of R61k. The matter is considered to be significant and adjusting event after reporting date.

## 38. Fruitless and wasteful expenditure

Opening balance as previously reported	415,728	4,426
<b>Opening balance as restated</b>	<b>415,728</b>	<b>4,426</b>
Fruitless and wasteful expenditure -identified Interest on late payment current year: Payment for IT System	-	411,302
Interest on late payment	31,580	-
Fruitless and wasteful expenditure Incurred in the prior year identified in the current year	19,575,424	-
<b>Closing balance</b>	<b>20,022,732</b>	<b>415,728</b>

### Expenditure identified in the current year relates to prior year

Arrangement was entered before due diligence.	Disciplinary steps taken/criminal proceedings	3,600,000	-
It was established there was no benefits recovered/ management and other actions to commence received this agreement.	Investigation completed – consequence		
Agreement was entered into before due diligence was completed and it was established there were no benefits	Letters of demand were issued to the clients to recover the funds	15,975,424	-
		<b>19,575,424</b>	<b>-</b>

Figures in Rand	2022	2021
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## 39. Irregular expenditure

Opening balance as previously reported	73,190,589	51,475,144
<b>Opening balance as restated</b>	<b>73,190,589</b>	<b>51,475,144</b>
Add: Irregular Expenditure - incurred in the current year	18,354,928	19,187,170
Irregular Expenditure - incurred in the prior year but identified in the current year	62,162,579	2,528,275
<b>Closing balance</b>	<b>153,708,096</b>	<b>73,190,589</b>

### Details of Irregular expenditure

Opening Balance	73,190,589	51,475,144
Consumption of services on expired contracts and without proper variation approval	11,486,511	4,816,517
Prior year: Award contract to a service provider without following prescribed SCM laws and regulations	198,000	2,462,275
Various service provider: Price Standardisation Tender	1,691,309	14,436,653
Contract arranged not in line with prescribed tender processes	4,979,108	-
Occupation of office premises without signing lease contracts and extensions	62,162,579	-
Details of irregular expenditure transpired from previous	-	-
Investigation completed - consequence management and other actions are under way	-	-
	<b>153,708,096</b>	<b>73,190,589</b>

### Cases under investigation

Cases related to non-compliance with procurement process requirements.	5,742,193	-
Irregular expenditure is investigated in-order to establish facts whether the transgression is related to fraudulent, corrupt, and other criminal conduct.	-	-

A panel of attorneys were appointed to conduct an Assessment and Determination exercise on GEP Irregular Expenditure transactions. To date, the exercise has been concluded and disciplinary measures for implicated employees will ensue and consequence management will be applied as per requirement by Treasury to apply for condonation. It is anticipated that the application for condonation will be communicated to Treasury by August 2022 on conclusion of the disciplinary measures.

## 40. Budget differences

### Material differences between budget and actual amounts

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

- A) The year 2021/22 financial year, the entity collected revenue of R13,6m which excludes cash interest of R1,6m. The projected revenue was R10m which shows an over-collection of R3.6 from the collected revenue.
- B) An additional R23m represent the other income and mainly driven by a positive return on the new Reserve Bank CPD account opened later in the year as well as the financial support loans for R18m.
- C) The full budget for the year is R309m with the adjustment of R89m million received in January 2022. This was mainly for contract finance.
- E & F) This non cash item and not budget for.
- G) The original budget for R47m is mainly for business development support and youth PMO. This was further adjusted by R10m approved rollover from the year 2021/22.. The remaining budget is expected to be used in the new year as it is committed.
- H) The adverse variance of R90m million represent the provision for surplus retention.
- I) The financial support loans budget for the year of R28m was used in total. In January an additional R86m was received for contract financing.

## 41. Deviation from supply chain management regulations

Treasury Regulations:16A6.4 states that if in a specific case it is impractical to invite competitive bids, the accounting authority may produce the required goods or services by other means, provided that the reasons for deviating from inviting competitive bids must be recorded and approved by the accounting authority. Practice note 8 of 2007/2008, paragraph 3.3.3. stipulates that if it is not possible to obtain at least three written price quotations, the reasons should be recorded and approved by the accounting officer / authority or his / her delegate".

The below table reflects the approved deviations:

Service Details	Type of the Service	Type of Deviation	-
Office of the CEO	Catering Service for workshop	2 quotations received	5,891
Office of the CFO	Support for and SAGE Maintenance	2 quotations received	331,200
Office of the CEO	Transcendental training to a Board Member	Single Source	4,050
Office of the CEO	POPIA Masterclass for Directors	Single Source	48,299
Corporate Services and Administration	Professional Membership of IBASA	Single Source	259,482
Corporate Services and Administration	Hosting and Maintenance of GEP online	Single Source	488,865
Corporate Services and Administration	Movement of office furniture received within the building	2 quotations	18,505
Corporate Services and Administration	Event Management Services for West Rand SMME Conference	Single Source	491,073
Office of the CEO	Venue and catering for a workshop	Single Source	12,045
Monitoring and Evaluations	Sector Specific	Sole Source	186,507
Corporate Services and Administration	Research Subscription	2 Quotations	354,000
Corporate Services and Administration	Cleaning Services for Heidelberg	2 Quotations	4,500
Corporate Services and Administration	Mental health day conference		64,400
			2,268,817

## **42. Segment information**

### **Information about geographical areas**

The entity's operations are in the Gauteng Province.

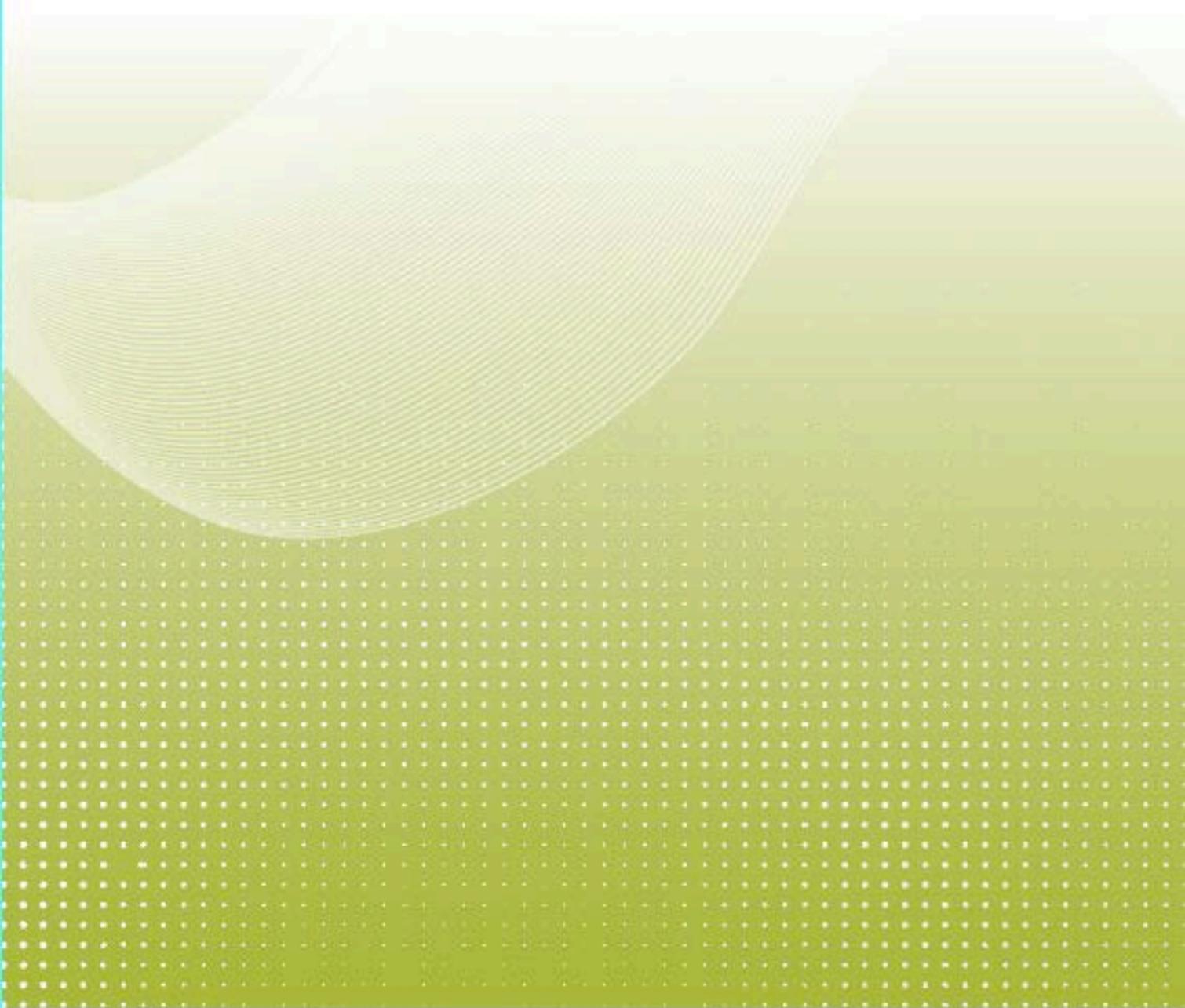
GEP is situated in Johannesburg and have regional and satellite offices which are for convenience and implementation of Business Development Support across Gauteng City Region's five corridors.

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

## Detailed Statement of Financial Performance

Figures in Rand	Note(s)	2022	2021
<b>Revenue</b>			
Government grants & subsidies	13	309,403,000	477,897,000
SETA claims	15	208,435	400,531
Insurance claims	15	282,009	113,469
Bad debts recovered: financial support loans	15	25,470	241,763
Sundry Income (Initiation fees)	14	130,500	84,189
Finance Income: financial support loans	14	17,955,031	14,742,593
Interest received - investment	20	4,513,534	361,041
<b>Total revenue</b>		<b>332,517,979</b>	<b>493,840,586</b>
<b>Expenditure</b>			
Employee related costs	24	(113,060,235)	(99,844,519)
Depreciation and amortisation	25	(2,146,204)	(2,020,397)
Finance costs	21	(92,361)	(212,636)
Lease rentals on operating lease	19	(13,750,677)	(13,592,433)
Debt Impairment	26	(21,557,686)	(16,753,774)
Repairs and maintenance		(1,768,214)	(2,555,580)
Program and projects	16	(27,094,606)	(63,720,255)
General Expenses	27	(139,485,001)	(274,038,332)
<b>Total expenditure</b>		<b>(318,954,984)</b>	<b>(472,737,926)</b>
<b>Operating surplus</b>	<b>18</b>	<b>13,562,995</b>	<b>21,102,660</b>
Loss on disposal of assets	22	119,011	79,834
<b>Surplus for the year</b>		<b>13,443,984</b>	<b>21,022,826</b>







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