



Moulding Entrepreneurs

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# 2016/2017 ANNUAL REPORT

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# 2016/2017 **ANNUAL REPORT**

*Together, Moving Gauteng City Region Forward*



**GAUTENG PROVINCE**

ECONOMIC DEVELOPMENT  
REPUBLIC OF SOUTH AFRICA

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## IIST of AcRonYmS

AGSA	Auditor-General of South Africa
APP	Annual Performance Plan
BCM	Business Continuity Management
BDS	Business Development Support
BBBEE	Broad-Based Black Economic Empowerment
BSM	Business Sophistication Model
CAP	Cooperative Assistance Programme
CIPC	Companies and Intellectual Property Commission
COE	Centre of Excellence
DFI	Development Finance Institution
DSP	Deal Screening Panel
ES	Enterprise Support
ESD	Enterprise Supplier Development
EWP	Employee Wellness Programme
FSS	Financial Support Loans
GCR	Gauteng City Region
GDED	Gauteng Department of Economic Development
GEM	Global Entrepreneurship Monitor
GEP	Gauteng Enterprise Propeller
GGDA	Gauteng Growth and Development Agency
GIBUS	Gauteng Informal Business Upliftment Strategy
GM	General Manager
PGP	Gauteng Provincial Government
GRAP	Generally Recognised Accounting Practice
GTA	Gauteng Tourism Authority
ICT	Information and Communications Technology
IM	Investment Management
MAFISA	Micro Agricultural Financial Institutions of South Africa
MEC	Member of the Executive Council
M & E	Monitoring and Evaluation
MTSF	Medium Term Strategic Framework
NAV	Net Asset Value
NDP	National Development Plan
PFMA	Public Finance Management Act
PRR	Pause, Review, Realign
PWD	Person with Disabilities
RBO	Relationship by Objectives
SABC	South African Broadcasting Corporation
SEFA	Small Enterprise Finance Agency
SETA	Sector Education and Training Authority
SMME	Small, Medium and Micro Enterprises
SCOPA	Standing Committee on Public Accounts
TBR	Township Business Renewal
TER	Township Economy Revitalisation
TIA	Technology Innovation Agency
TMR	Transformation, Modernisation and Re-industrialisation
TR	Treasury Regulation
WSP	Work Skills Plan



**PART A:**  
GENERAL INFORMATION

# GENErAl InfoRMATIon



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*Part A general information sets the context, by providing GEP'S General Information, foreword by the Chairperson, the Acting Chief Executive Officer's report. Statements of responsibility and confirmation of the accuracy of the Annual Report Strategic Overview, Legislative and other mandates and organisational Structure.*

## **GeneRAI InfoRmATIon**

### **GEP Regional Offices**

**Johannesburg Regional Office**  
 7th floor, 124 main Street,  
 johannesburg  
 Tel: 011 085 2002

### **Ekurhuleni Regional Office**

Ground floor, 188 Victoria Street,  
 Cnr 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 Elof Street,  
 Krugersdorp  
 Tel: 011 950 9870

### **Sedibeng Regional Office**

1st floor, GEP house,  
 22 hertz boulevard,  
 vanderbijlpark  
 Tel: 016 910 1200

### **GEP 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

### **Registered Name**

Gauteng Enterprise Propeller

### **Registered Number**

Not applicable

### **Chairperson of the Board**

ms. lebogang magagane

### **Acting Chief Executive Officer**

ms. leah manenzhe

### **Registered Address**

GEP Head Office  
 6th floor  
 124 main Street  
 marshalltown  
 johannesburg  
 2001

### **Postal Address**

P.O box 61464  
 marshalltown  
 2107

### **Contact Telephone Numbers**

+27 11 085 2001

### **Fax numbers**

+27 11 834 6702

### **Website Address**

[www.gep.co.za](http://www.gep.co.za)

### **Bankers**

first National bank

### **Auditors**

auditor-General South Africa

### **Company Secretary**

first Corporate Secretaries

## cHAIRPeRSon'S foRewoRD



**Ms. Lebogang Magagane**  
Board Chairperson

I am honoured to present the Gauteng Enterprise Propeller (GEP) annual report outlining the performance outcomes against pre-determined objectives for the 2016/17 financial year.

### Overview

South Africa is going through a difficult time as political uncertainty remains high, weighing on business and consumer confidence. Recently, South Africa's economy has moved into recession with the reported decrease of 0.7% in GdP during the first quarter of 2017, following a 0.3% contraction in the fourth quarter of 2016. Despite the sluggish growth of the global and domestic economy over the past two years, the Gauteng province has retained its position as the economic and industrial hub of South Africa and the SadC region, although plagued by challenges such as job losses in the mining and manufacturing sectors, a rising influx of migrants into Gauteng, and high levels of unemployment.

South Africa's unemployment rate rose to 27.7% in the first quarter of 2017. When looking at rates by education level, the unemployment rate for those with less than matric was at 33.1%, up from 31.2% in the fourth quarter of 2016. The unemployment rate for graduates went up from 7% in the fourth quarter of 2016 to 7.3%

in the first quarter of 2017. The youth unemployment rate in South Africa averaged 51.54% from 2013 until 2016, reaching an all-time high of 54.50% in the first quarter of 2016 and a record low of 48.80% in the fourth quarter of 2014.

**“South Africa’s unemployment rate rose to 27.7% in the first quarter of 2017. When looking at unemployment rates by education level, the unemployment rate for those with less than matric was at 33.1%, up from 31.2% in the fourth quarter of 2016.”**

recession, compounded by the recent junk status accorded to South Africa will further put a strain on the growth of our economy. Since March 2017, we have seen several investors pulling out of the Johannesburg Stock Exchange. This might lead to the country adopting further fiscus austerity measures. Consequently the state will reduce its budget spend on certain projects and programs. Furthermore, radical economic transformation will be compromised, translating into slow economic growth with high unemployment and poverty.

Reductions on budget spend will also result in fewer SmmEs and cooperatives being provided with support interventions that would assist them to stimulate the ailing economy. The envisaged budget reduction will further compromise the National Development Plan which advocates for the creation of jobs through entrepreneurship development. This gloomy picture will have far-reaching implications on the poor and the marginalised groups

of society. Another risk of budget reductions would be the closure of some businesses, as was the case during the 2009 recession, due to a decline in demand and the lack of necessary support required to turn the economy around.

South Africa has an estimated 2,251,821 SmmEs of which 667 433 are formal with the majority still operating in the informal sector, with 48% of the SmmEs in South Africa reported to be residing and operating in Gauteng. Of those in the formal sector, 34% is made up of black owned SmmEs.

While SmmEs are recognised as key drivers of economic growth and employment, the high failure rate estimated to be a staggering 70%, remains a major challenge facing SmmEs in South Africa. The theme of the GEP Strategic Plan for 2015-2019 is radical economic *transformation to address the triple challenges of poverty, inequality and unemployment* and the organisation's support to township businesses, including those in the informal economy, geared towards achieving the vision of **“sustainable SMMEs and co-ops propelled into the mainstream economy of Gauteng.”**

The continued support that GEP has provided to SmmEs and cooperatives remains at the core of the Gauteng Department of Economic Development's (GdEd) implementation of the National Development Plan, the Gauteng Informal Business Upliftment Strategy (GIBuS), the Transformation Modernisation and Re-industrialization (TMR) and the Township Economy Revitalisation Strategy (TER) programmes.

### Review of Current Year

In the financial year under review, the organisation focused on the provision of financial and non-financial support

## **cHAIRPeRSon' S foRewoRD conTInueS**

services targeting township businesses in the prioritised sectors of agro-processing, automotive, manufacturing, information and communications technology (ICT), tourism, pharmaceuticals, creative industries, construction, real estate, finance and mineral beneficiation.

GEP provided financial and non-financial support to a total of 4 702 SmmEs and 1 042 cooperatives in 2016/17, creating 3 877 jobs in the process. Non-financial support interventions provided included training and mentorship to SmmEs and cooperatives, formalisation of informal businesses, job readiness and job placement programmes targeting the youth, establishment of SmmEs and cooperatives, and creation of access to market opportunities. These interventions were aimed at providing business management skills, growth and development opportunities to SMMEs and cooperatives and profiling small businesses in the province to attract investment and other funding mechanisms, thus propelling more township businesses into the mainstream economy.

It is with regret that limited funding resources remain a major challenge that the organisation is still facing in delivering its mandate. During the financial year 2014/2015, the organisation went through a period of uncertainty, where operations were halted due to institutional challenges and budget constraints. during this period, debt collection reached its lowest since the establishment of GEP. most of the defaulters could not be located, necessitating debt write-offs. a new debt collection system was introduced and because of teething problems in implementation, the system did not yield the anticipated results. This situation combined with other factors, created a spirit of despondency across the GEP value chain, which consequently affected clients and employees, resulting in reputational damage for GEP. Through concerted efforts of the board, the management team, and GEP employees, the organisation has since succeeded in turning the tide as reflected by its ability to collect r14.6 million of its outstanding debtors book against a budgeted r10 million for 2016/17.

### **Looking Forward**

The road ahead for GEP is exciting as we have embarked on conducting an Impact assessment Study which aims to measure the status of businesses and cooperatives supported by GEP since the 2013/14 financial year. The sustainability of the supported businesses will form part of the critical areas to be analysed and GEP seeks to utilise its findings for improving support interventions offered to SmmEs and cooperatives going forward. The organisation continuously strives to develop better programmes of supporting SmmEs and co-operatives to ensure their survival and positive contribution to the growth of the Gauteng economy.

### **Acknowledgements**

The board, through its various committees, has put considerable effort towards strengthening GEP's corporate governance structures as these provide assurance to our stakeholders that the organisation operates effectively and transparently. The achievement of a clean audit for 2016/17 as confirmed by the Auditor-General is testimony to GEP's commitment to place sound governance at the core of everything we do.

This year marks the end of our term as a board and I wish to thank the outgoing board for their support, dedication and contribution to the advancement of SmmEs into the mainstream economy. This is but a brief demonstration of the great work that has been achieved under your leadership. I hope in your respective roles you will continue to contribute to the established success and legacy you leave behind.

I would like to also thank our strategic funding partners for their continued support resulting in additional support provided to SmmEs through collaboration and partnerships. We look forward to having a mutually beneficial long-term relationship.

I further wish to extend my gratitude to the honourable member of the Executive Council for Economic development and agriculture and rural development, mr. lebogang maile, and the teams at Gauteng's departments of Economic development and agriculture and rural development for their oversight and unwavering role in steering GEP towards the achievement of its mandate during our three-year tenure.

we also salute the GEP management team and employees who have contributed to the realisation of our strategic objectives. It has been a tough and challenging environment but we all pushed forward and have successfully achieved some goals in tackling the challenges of poverty, unemployment and inequality in the Gauteng province.

lastly, I am extremely grateful and honoured to have had the opportunity to serve SmmEs in Gauteng during my term of office. I will forever cherish the lessons learnt and the relationships built. I would like to welcome the new board and wish them well in improving on the value provided to SmmEs in Gauteng and reaching new heights.

ms. lebogang magagane  
Board Chairperson

## **ActInG cHIEf eXeCUTIve offICEr'S RePoRT**



**Ms. Leah Manenzhe**  
Acting Chief Executive Officer

The Gauteng Enterprise Propeller (GEP) is proud to close off the 2016/17 financial year with a clean audit as reported by the auditor-General. These results could not have been achieved without the leadership and support by the accounting authority, and the oversight provided by the accounting Executive. The GEP executive team and staff must also be commended for having demonstrated agility, strength and dedication towards Gauteng-based SmmEs and cooperatives.

The positive outcomes can be attributed to the implementation of the GEP turn-around strategy, which was introduced during the 2015/16 financial year following a period that was termed Prr (Pause, review, Realign). Briefly, the PRR period was used to review GEP processes, and align its service offerings to the Tmr programme of the Province. It was also during this period that the agency was able to reduce its salary bill from R98 million to R94.9 million. The savings were redirected towards SmmEs and cooperatives support. further, GEP enhanced its resources, and recruited additional investment analysts to assist with assessments of applications, as well as Post-Investment personnel to assist with monitoring client performance once businesses have commenced operations.

whilst the audit outcome is welcomed, the agency is not satisfied with the number of material findings on performance information. To mitigate, GEP will be implementing the following during the 2017/18 financial year:

- automation of GEP Operations: This will reduce the number of human errors related to duplications on the number of SmmEs and cooperatives supported, under and over-reporting of clients supported. more importantly, this system will assist GEP in reducing the number of client queries, as applicants will be automatically kept abreast of the status of their applications at all touch points.
- monthly validation Sessions: The monitoring and Evaluation team working closely with the compliance coordinators, will validate all reported information for consistency and accuracy to reduce possible reporting errors.

**“The establishment of wholesale and support mechanisms to local manufacturers through a Township Local Producer Incubation and Wholesale site that will assist 100 local producers to secure accreditation and access formal markets.”**

GEP understands that it will take activist public servant hood to increase the participation of SmmEs and cooperatives in the economy. The NdP states that about 90% of the targeted 11 million jobs will be created by SmmEs. It is for this reason that GEP has developed a strategy that would assist SmmEs to develop the productive capacities necessary for the creation of jobs required whilst also positioning them to become bigger players within the

highly competitive industry space. The revised 2015-2019 strategy has re-focused GEP's interventions on minority townships with the aim of aggressively responding to the triple challenges of poverty, inequality and unemployment that remain a burden to the Gauteng province. The provision of financial and non-financial support to SMMEs and cooperatives in the prioritised sectors of agro-processing, automotive, manufacturing, information and communications technology (ICT), tourism, pharmaceuticals, creative industries, construction, real estate, finance and mineral beneficiation remain central to GEP's approach in line with the TEr and Tmr strategies.

The agency's performance against the 2016/17 annual Performance Plan reflected an achievement of fourteen (14) targets against the planned nineteen (19) targets, translating into an overall annual achievement of 74%, which is an increase of 12% compared to the 2015/16 overall performance.

GEP collected R14,6 million from its debtors against a target of R10 million. This is a significant improvement when compared to 2015/16 where only R8,5 million was collected. The improved collection was a result of the introduction of blacklisting to defaulting clients (on merit), increased client visitations and the implementation of the debt Collection Policy.

The Township Economy revitalisation (TEr) programme remains crucial for stimulating and sustaining township entrepreneurship. Some of the TEr projects to be implemented through GEP in the 2017/18 financial year include:

- bread Production Cluster for clustering of bread producers in the townships for the public sector market such as hospitals and schools;

## ActInG cHief eXecuTive offIceR'S RePoRT conTinueS

- a commercial study for the establishment of a construction Eco systems Centre to house all construction manufacturing competencies with a focus on Township Contractor development and support (e.g. accreditation and formalisation of construction SmmEs). The project will contribute towards the transformation of the construction sector;
- The establishment of wholesale and support mechanisms to local manufacturers through a Township local Producer Incubation and wholesale site that will assist 100 local producers to secure accreditation and access formal markets; and
- The Siyeza Pitching Campaign aimed at ensuring that business funding opportunities and business development support are brought directly to SmmEs and cooperatives in townships of the Gauteng City region. The programme will see 1 000 SMMEs benefiting from this process in 2017/18.

These projects will ensure optimal, scalable and sustainable approaches to propel SmmEs and cooperatives into the mainstream economy of Gauteng.

The agency is also focusing on improving its service offerings through the rollout of an end-to-end automated system that will track all client interactions from the point of first contact to the finalisation of each application. This will result in improved efficiencies and a broader reach to SMMEs and co-operatives that require support from the Agency.

In conclusion, I wish to thank the Shareholder for their continuous support during 2016/17, the GEP board of directors who continue to provide oversight over GEP operations, and lastly, the GEP executive team who are raving fans of the agency, and have demonstrated outmost commitment towards propelling SmmEs and cooperatives into the mainstream economy, and last but not least, the entire GEP staff for persevering and delivering under pressure.

ms. leah manenzhe  
**Acting CEO: Gauteng Enterprise Propeller**

## **1. STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF THE ACCURACY of 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 2016/17 GEP annual financial Statements audited by the auditor-General.

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

The annual report has been prepared in accordance with the annual report Guide for Schedule 3a and 3C Public Entities issued by National Treasury.

The GEP 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 Officer is responsible for establishing, and implementing 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 auditor-General of South Africa was engaged to express an independent opinion on the agency's annual Financial Statements for the 2016/17 financial year and their report is contained in Part E of this annual report.

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 2017.

yours faithfully,

**ms. leah manenzhe  
Acting Chief Executive Officer**



**ms. lebogang magagane  
Board Chairperson**

## 2. STRATEGIC oveR view

The Gauteng Enterprise Propeller is an agency established by, and accountable to the Gauteng department of Economic development (GdEd). The GEP mandate, vision, mission, values and strategic objectives all stem from those of the GdEd.

The revision to the GEP strategy in the 2015/16 financial year necessitated a review of the Agency's vision and mission as outlined below to ensure greater alignment to the current economic development agenda of the province, The National development Plan (NdP), the Gauteng City region Economic Plan and the Gauteng Township revitalisation Strategy.

### **Vision**

Sustainable SmmEs and cooperatives propelled into the mainstream economy of Gauteng.

### **Mission**

To provide unique, tailored, financial and non-financial services that enable SMMEs and cooperatives to become active participants in Gauteng's mainstream economy.

### **Value's**

GEP's values, informed by its vision and mission, are outlined in the table below:

<b>GEP Values</b>	
<b>Excellence</b>	We will strive to serve as an agency of excellence in providing unique, tailored, financial and non-financial services to SMMEs and cooperatives in Gauteng.
<b>Leadership</b>	We will lead in reshaping the role and position of SmmEs and cooperatives away from the marginal to the mainstream economy.
<b>Professionalism</b>	We will provide speedy, responsive and relevant professional services in accordance with the batho Pele principles.
<b>Equality</b>	We will facilitate equity, redress and access to economic opportunities and decent employment.
<b>Innovation</b>	We will foster, and practice, high levels of innovation, effective and efficiency.
<b>Good Governance</b>	We will consistently act with integrity and ensure accountability and good governance.
<b>Partnerships</b>	We will forge long-term and sustainable strategic partnerships that will contribute to achieving GEP's goals and objectives.

## STRATEGIC OVERVIEW

### 2.1 Legislative and other mandates

The Gauteng Enterprise Propeller is a Schedule 3C entity as listed in terms of the Public finance management act, 1 of 1999 (Pfma) Schedule of Provincial Public Entities. The agency was established through an act of Parliament and is governed by the Gauteng Enterprise Propeller act, (No. 5 of 2005).

The mandate of the agency is primarily derived from the Gauteng Enterprise Propeller act, (No. 5 of 2005) and the province's Transformation, Modernisation and Re-industrialisation (TMR) Strategy which requires the 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, ie, the agro-processing, automotive, manufacturing, information and communications technology (ICT), tourism, pharmaceuticals, creative industries, construction, real estate, finance and mineral beneficiation.

### 2.2 Policy mandates

The Medium-Term Strategic Framework (mTSF) provides a framework for plans of national, provincial and local government as it sets the following government priorities for the 2015-2019 electoral term:

- radical economic transformation, rapid economic growth and job creation;
- rural development, land and agrarian reform and food security;
- Ensuring access to adequate human settlements and quality basic services;
- Improving the quality of and expanding access to education and training;
- Ensuring quality health care and social security for all citizens;
- fighting corruption and crime;
- Contributing to a better Africa and a better world; and
- Social cohesion and nation building.

The GEP mandate and its interventions to support the growth and development of township SmmEs and co-ops in the 2016/17 reporting period are aligned to the government's broader goals for promoting a competitive economy, creating decent work opportunities and encouraging investment in the country's economy as highlighted by the mTSF.

The National Development Plan (NDP) seeks to grow an inclusive economy, increase employment, eradicate poverty and reduce inequality by 2030. The NDP's priorities include:

- raising employment through faster economic growth;
- Improving the quality of education, skills development and innovation; and
- building the capability of the state to play a developmental, transformative role.

developmental entities such as the GEP thus have a crucial role to play in transforming the economy and ensuring there is greater participation by the previously marginalised groups whilst also positively contributing to changing patterns of ownership and control of the economy and reducing poverty and inequality as envisaged by the NDP.

### 3. ORGANISATIONAL STRucTuRe

a high-level organisational structure of the agency is depicted below:



The GEP divisions as outlined in the agency's high-level structure all fall under Programme 1: administration, which seeks to provide strategic leadership and transversal support services required by the GEP's core functional programmes.

The key sub-programmes of Programme 1: administration, and their main functions are as follows:

#### **Office of the CEO:**

- Provides strategic direction to the agency;
- Oversees service delivery and implementation of GEP plans;
- risk management and auditing;
- Strategic Planning, monitoring and Evaluation; and
- Stakeholder management and revenue Generation.

#### **Corporate Support and Administration:**

- human Capital management;
- facilities management;
- Communications and marketing;
- Information and Communication Technology; and
- legal Services.

#### **Office of the Chief Financial Officer:**

- financial management;
- management accounting; and
- Supply Chain management.

## GeP BoARD of DIRecT oRS



**Ms. Lebogang Magagane**  
Chairperson



**Mr. Thulani Sithole**  
deputy Chairperson



**Mr. Monde Africa**  
board member



**Mr. Rodney Kekana**  
board member



**Mr. Tshilidzi Ratshitanga**  
board member



**Ms. Claire Busetti**  
board member



**Ms. Morwesi Ramonyai**  
board member



**Mr. Kingsley Duba**  
board member



**Ms. Mary-Jane Ramusi**  
board member



**Ms. Millicent Maroga**  
board member



**Ms. Innocentia Motau**  
board member



**Ms. Mamoroke Lehobye**  
board member

## GeP eXecuTive mAnAGemenT



**Ms. Leah Manenzhe**  
acting Chief Executive  
Officer



**Ms. Nomfanelo Genuka**  
Chief Financial Officer



**Mr. Labane Maluleke**  
Chief Operations Officer



**Ms. Vuyo Ntshoko**  
Gm: Strategy, monitoring and  
Evaluation



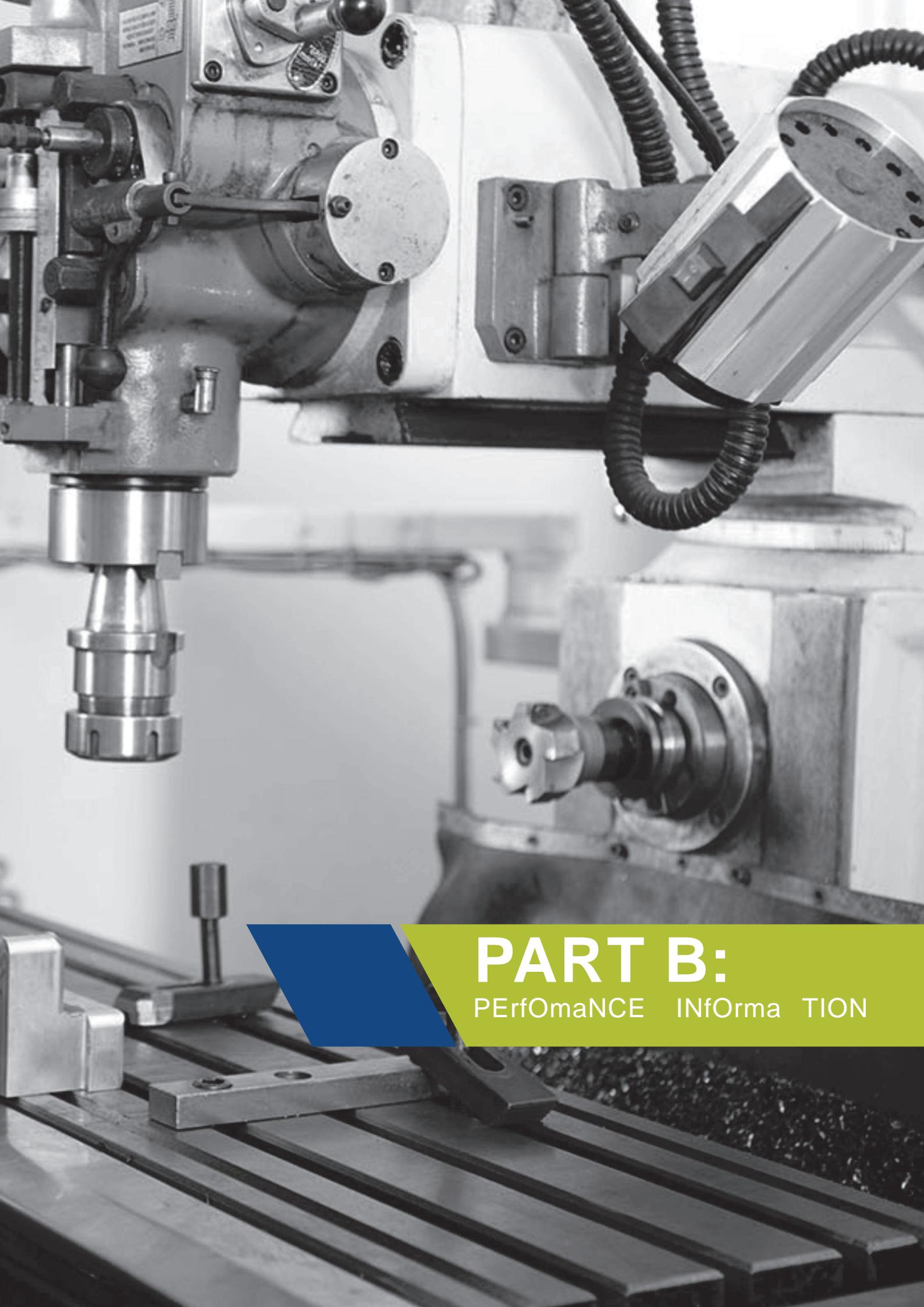
**Mr. Mpumelelo Ndebele**  
Gm: Stakeholder  
management and  
revenue Generation



**Ms. Cathrine Mamabolo**  
acting Gm: Corporate  
Support and  
administration



**Mr. Lamani Dube**  
Gm: risk and audit



## PART B:

PERFORMANCE INFORMATION

# PErfOmaNCE InfoRmATIon



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*Part B performance information sets the context, by providing the Overview: Strategy, Monitoring and Evaluation, Auditor-General's report: Predetermined Objectives, Situational analysis, Service delivery environment, Overview of GEP performance, Organisational environment, Key policy developments and legislative changes, GEP Strategic outcome-oriented goals, Performance information by programme.*

## 4. OVERVIEW: STRATEGY, monIT oRInG AnD ev AluATIon



**Ms. Vuyo Ntshoko**  
General Manager: Strategy, M & E

The Strategy, monitoring and Evaluation (m & E) unit is located within the Office of the CEO and is tasked with the following key responsibilities which were a priority during the period under review:

- Ensuring GEP's compliance with policy and legislative requirements relating to strategic planning, monitoring, evaluation and reporting;
- driving the GEP's research agenda and ensuring accurate reporting on performance outcomes against the agency's strategic objectives; and
- Promoting accountability to key stakeholders such as the GEP board, the Gauteng department of Economic development (GdEd), and the Gauteng Provincial legislature, the Standing Committee on Public Accounts, the beneficiaries of GEP programmes, and the public.

In line with the requirements of Treasury regulation (Tr) 29.3.1, this unit established procedures for quarterly reporting to the Executive authority to facilitate effective performance monitoring, evaluation and corrective action, where necessary.

### The Entrepreneurship Landscape and its Challenges

Out of 2 251 821 SmmEs in South africa (including formal and informal), the largest number (785 321) is concentrated in Gauteng. This is also in line with the ever-growing population of Gauteng where budgetary requirements are low compared to the needs. There is a need for an increase in the budget for SmmEs and cooperatives in the province to ensure growth and employment potential.

It is important to note that the percentage of adult South africans involved in entrepreneurial activity has dropped by 34% since 2013 (Global Entrepreneurship monitor: 2013). The percentage of adults in South africa involved in a business that is less than three-and-a-half years old (also known as early-stage stage entrepreneurs) fell to 6.97% in 2014, from a 13-year high of 10.6%.

The Global Entrepreneurship monitor (GEm) report shows that the rating of South africa's entrepreneurial ecosystem, i.e. the conditions that enhance (or hinder) new business creation, have slipped. when compared with the entrepreneurial activity of different countries, South africa should have an increasing rate in the region of 14%, which if achieved, would go a long way towards reducing unemployment and alleviating the poverty experienced by much of its population.

South africa performs below other similar, efficiency-driven economies, where the average early-stage entrepreneurial activity rate is 14% of adults, whilst the rate of established businesses is 4.5%. South africa has the highest small business failure rate compared to other emerging economies and SadC countries.

The level of entrepreneurship in South africa is one of the lowest in the world, ranked 27th out of 59 countries in the primary measure of entrepreneurship used by the Global Entrepreneurship monitor. In 2012, almost 4 400 small businesses in South africa closed down due to the lack of funding.

In South africa, 60% of SmmEs are at business Sophistication model level (BSM 1-4) and are classified as survivalists, and are informal and very small. The SmmEs at this low level of development would mean that the country needs to invest more to increase employment and stimulate the ailing economy.

regrettably, the 2012 GEm survey indicated declining levels of local entrepreneurship, from a reported 9.1% in 2011 to 7.3% in 2012. In addition, the study revealed lower perceived business opportunities for South africa (39%), compared to Sub-Saharan africa's average of 70%.

### The GEP Strategy

The implementation of the revised 2015-2019 Strategic Plan which was approved in march 2016, and the 2016/17 annual Performance Plan, were at the core of the GEP's activities for the period under review with the focus remaining on the long-term objective of supporting Gauteng SmmEs and co-operatives to graduate from the marginal (informal) economy into the mainstream economy.

This was in keeping with the revised GEP's vision of "Sustainable SmmEs and cooperatives propelled into the mainstream economy of Gauteng."

## over view : STRATeGY, monIT oRInG AnD evAluATIon

### **Alignment to National and Provincial Strategies**

The implementation of the GEP strategy was underpinned by the Transformation, modernisation and re-industrialisation (Tmr) Strategy of the Gauteng Provincial Government (GPG) with the agency's programmes geared towards contributing to the following priority areas in 2016/17:

- The revitalisation of township economies;
- Increased participation of SMMEs and cooperatives in the province's mainstream economy; and
- The growth and development of the 11 identified sectors, i.e. the agro-processing, automotive, manufacturing, ICT, tourism, pharmaceuticals, creative industries, real estate, finance and mineral beneficiation.

In order to enhance the sustainability of township businesses, the GEP's approach did not merely focus on the provision of financial support interventions but was also geared towards non-financial business development support as this strengthens the capacity of SMMEs and cooperatives to participate meaningfully in the economy and their ability to compete for access to markets and investment opportunities.

### **GEP Priorities for the Year Under Review**

The GEP continues to respond to the provincial Township Economy revitalisation (TER) and Transformation, modernisation and re-industrialisation (Tmr) strategies aimed at promoting the inclusion of township-based enterprises and cooperatives into the mainstream economy of Gauteng. The agency's improved product offerings allow it to be competitive in the SMME development space and to this end, a total of 4 702 SMMEs benefited from both financial and non-financial support interventions provided by GEP in 2016/17 with 1 042 cooperatives having benefited from GEP support interventions during the same period.

### **GEP Performance Challenges**

There were 19 planned annual Performance Plan targets for 2016/17 and the agency achieved 14 of these targets, which translated into a 26% non-achievement rate for the year. The specific areas of non-achievement are outlined below:

<b>Areas of Non-achievement</b>	<b>GEP Challenges</b>	<b>Mitigation Actions</b>
No. of new cooperatives supported financially in the prioritised sectors: 71 of the targeted 110 cooperatives were supported.	low volumes of new cooperatives applying and qualifying for financial assistance.	databases of government departments and entities will be utilised to source cooperative applications in the 2017/2018 financial year.
No. of SMME centres of excellence (COEs) established	The existence of external dependencies negatively impacted on delivery against this target.	This target will not be pursued by GEP in the 2017/18 financial year as the Gauteng Growth and development agency (GGda) is to provide project management support and its resources for the establishment of the COE.
No. of small businesses in the industrial parks through business development support (bds) interventions supported: 80 of the targeted 250 businesses were supported.	The target was not achieved due to the low number of small businesses in the industrial parks qualifying for support.	business development support interventions to continue where required.

## over view : STRATeGY, monIT oRInG AnD evAluATIon

Areas of Non-achievement	GEP Challenges	Mitigation Actions
No. of existing SmmEs non-financially supported in the prioritised sectors: 1 161 SmmEs were supported against the targeted 1 400.	The target was not achieved due to the low number of SMMEs qualifying for support.	applications will continue to be assessed against GEP's qualifying criteria for non-financial support.
No. of cooperatives supported through business development support (bDS) interventions: 472 of the targeted 500 co-ops were supported.	low volumes of cooperatives applying and qualifying for business development support.	Partnerships will be utilised by GEP to source cooperative applications in the 2017/2018 financial year.

### 2017/18 Priorities

GEP will continue to grow the shareholder value and support the GCr, the Township Economy revitalisation Strategy and Transformation, Modernisation and Re-industrialisation Strategy initiatives in the coming financial year by focusing on the following priorities:

- The provision of financial support to SMMEs and cooperatives, in line with the Township Economy Revitalisation (TER) Strategy;
- Providing non-financial support interventions for SMMEs and co-ops in the 11 identified priority sectors;
- Providing business management skills development opportunities to SMMEs, access to markets and profiling township businesses in the province to attract investment;
- addressing the high demand for the formalisation of informal businesses;
- Providing entrepreneurship support, job readiness and job placement opportunities for youth with a view to address the challenge of youth unemployment and introduce entrepreneurship as an alternative to formal employment;
- Conducting an impact assessment study that seeks to measure the effectiveness of GEP programmes delivered over the 4- year period of 2012/13 to 2015/16, identify programme failures and make recommendations for the improvement of future GEP interventions;
- developing a Gauteng Entrepreneurship model framework that will, among other key areas, explain the value chain of entrepreneurship, identify enablers for successful entrepreneurship and propose a model for entrepreneurship development; and
- Conducting Phase II of the Gauteng Industrial Parks study to enable more business interventions from the Gauteng Enterprise Propeller and deepen our understanding of the challenges facing SmmEs in various townships. This will assist in scaling up support to SmmEs operating in the industrial parks and meet the annual Performance targets.

despite the limited resources available for SmmEs and cooperatives support, GEP continues to assist Gauteng's marginalised small enterprises and informal businesses in line with the Township Economy revitalisation Strategy and the Transformation, modernisation and re-industrialisation Strategy, and the provincial Gauteng Informal business upliftment Strategy.

GEP's core focus remains on driving programmes that will increase the participation of SmmEs and co-operatives in Gauteng's mainstream economy and the agency remains optimistic that it will build on the 2016/17 performance results and achieve its objectives and targets for the 2017/18 financial year.

**“ GEP continues to respond to the provincial TER and TMR strategies aimed at promoting the inclusion of township-based enterprises and cooperatives into the mainstream economy of Gauteng. ”**

## 4.1 Auditor-General's Report: Pre-determined

### Objectives

The auditor-General South Africa, as the GEP's external auditors, evaluate the systems and processes in respect of the development of the Agency's quarterly and annual performance reports with a view to provide reasonable assurance on the accuracy, completeness and relevance of the 2016/17 performance information. The report of the auditor-General is contained in the Part E: financial Information section of this annual report.

### 4.2 Situation Analysis

A report developed by the agency review Committee in the 2015/16 financial year indicated that GEP lacked a specific targeted approach on SMME development and tried to be "everything to everyone." As a consequence of this, GEP developed a revised 2015 - 2019 Strategy focusing on the development of sustainable businesses with a long-term objective of supporting SmmEs to move or graduate from the marginal (informal) into the mainstream economy. hence the agency's current approach is geared more towards handholding (business development support) and providing less financial support to SmmEs. This approach is aimed at strengthening the capacity of SmmEs and cooperatives to participate in a more meaningful manner in an economy dominated by big businesses.

### 4.3 Services Delivery Environment

GEP is at the centre of the implementation of the Provincial Township Economic revitalisation (TER) and Transformation, modernisation and re-industrialisation (Tmr) strategies and has steadfastly driven the creation of opportunities for the greater participation of Gauteng SmmEs and co-operatives in the mainstream economy.

### 4.4 Overview of GEP Performance

In the 2016/17 financial year, a total of 4 702 SMMEs benefited from both financial and non-financial support interventions provided by GEP. Of these, 708 SmmEs were assisted with financial support, while the remaining 3 994 SmmEs were provided with business development support (bdS) interventions which included training and business registration support. Township-based informal business were also supported through business development support interventions in the financial year under review and 679 informal businesses benefitted from GEP's support.

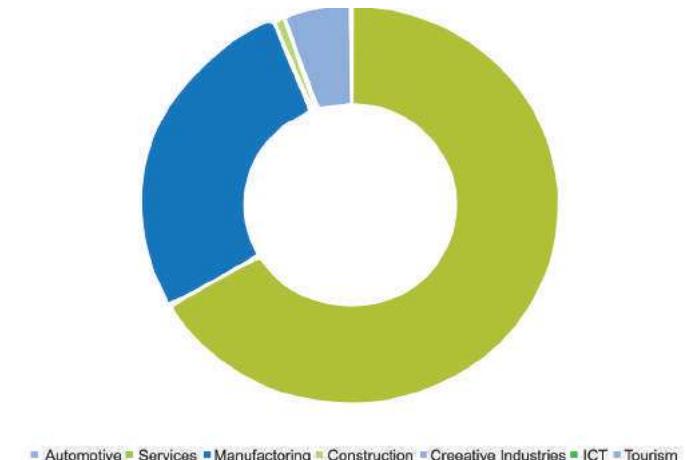
The agency's initial budget allocation for 2016/17 amounted to R176.4 million with an additional amount of R60.3 million provided to GEP through an adjustment budget to mainly cater for the agency's TER and youth support programmes.

This resulted in a total 2016/17 allocation of R236.7 million and the biggest portion (i.e. R107.3 million) was allocated to Programme 4: regional Operations, in line with the key provincial strategies such as the Township Economic revitalisation and the Gauteng Informal business upliftment Strategy.

The agency's support interventions to propel Gauteng SmmEs and co-operatives into the mainstream economy continue to be limited by inadequate financial resources. however, the committed GEP debt collection and revenue generation teams continue to work tirelessly to raise funding required to augment the limited financial resources.

As reflected in Figure 1. below, GEP contributed to the services, manufacturing, automotive, construction, tourism, ICT and creative industries – with the key sectors supported being services and manufacturing.

Figure 1. Key Sectors Supported by GEP



### 4.5 Organisational Environment

The pronouncement of the Tmr and the TER strategies gave birth to a new GEP Strategy which primarily intends to increase the provincial footprint in all the corridors and ensure the stimulation of the economy and encourage massive and active participation of SmmEs and cooperatives, especially in the mainstream economy.

The structure of GEP has thus been revised to enhance the Agency's efficiency and responsiveness to the needs of Gauteng businesses. The agency's focus was on aligning its organisational structure to the mandate and strategy of GEP, with the aim of ensuring that its human capital is fit-for-purpose in terms of delivering a value-for-money contribution towards the achievement of the 2015 – 2019 objectives as outlined in the revised GEP Strategic Plan, as well as the TER and Tmr strategies.

Over the past few years, GEP experienced a reduced budget whilst its mandate and responsibilities grew. In addressing the capacity and resource challenges, GEP has accordingly aligned its new strategy to provincial priorities and established a revenue Generation unit dedicated to increasing the organisation's revenue stream to meet growing demands of the Gauteng City region (GCr).

GEP has also increased its footprint in the Gauteng City region in line with the Gauteng Premier's economic corridor approach. The agency continues to have representation in the following regions:

- Johannesburg region: Central development Corridor;
- Ekurhuleni region: Eastern development Corridor;
- Tshwane region: Northern development Corridor;
- w estrand region: w estern Corridor; and
- Sedibeng region: Southern Corridor.

The increased GEP footprint will lead to improved accessibility of GEP products and services by SmmEs and co-ops and further improve the agency's reach to a greater number of township-based businesses. a budget that is responsive to the economic meltdown would thus assist in maintaining and creating new opportunities required to turn around the current situation and further bring the necessary stability and hope to Gauteng citizens.

The Agency continues to prioritise the filling of critical positions that will be pivotal to the delivery of its strategy. In reinforcing its operational capacity, GEP has also mobilised institutions of higher learning through memoranda of understanding to ensure that they not only form part of the GCR, but also bring new expertise required to drive the Gauteng development trajectory. leveraging on the proximity of the institutions of higher learning will in turn enhance the realisation of the necessary comparative advantages of the region and advance the corridor economy discourse.

## **4.6 Key Policy Development and Legislative Changes**

The agency and GdEd have embarked on a process of reviewing the GEP's founding legislation, the Gauteng Enterprise Propeller act, (No. 5 of 2005). This, in order to ensure it reflects the political, strategic and other external and internal contexts that have impacted on the GEP since its inception.

This will assist the organisation in responding to the new mandate and aligning to the key GdEd, provincial and national plans.

## **4.7 GEP Strategic Outcome Oriented Goals**

The agency's strategic outcome oriented goals as per the revised 2015 - 2019 Strategic Plan are directly aligned to the TEr and Tmr strategies, as well as the goals and objectives of the GdEd.

The three outcome-oriented goals of the GEP are:

1. Gauteng's revitalised township economies contributing to shared economic growth and development;
2. Gauteng's SmmEs and co-ops actively participating in the province's mainstream economy, including in key economic sectors; and
3. GEP efficiently and effectively managed and governed.

Key cross-cutting principles and outcomes that underpin the GEP programmes and projects linked to these outcome-oriented goals are:

- Creating decent work;
- reducing Gauteng's unemployment levels;
- Contributing to an increase in the Gross domestic Product;
- Inclusion of the marginalised sectors of women, youth and persons with disabilities; and
- Changing the patterns of ownership in private sector institutions and key economic sectors.

GEP pursued the following strategic objectives during the period under review:

- revitalise and modernise township economies reflecting radical transformation and re-industrialisation for the Gauteng economy; and
- Provision of unique and tailored business development (non-financial) support services to targeted beneficiaries

These were achieved through ensuring that SmmEs, co-ops and informal businesses were transformed through the provision of financial and non-financial support interventions targeting township-based businesses in the 11 prioritised sectors of manufacturing, agro-processing, mineral beneficiation, construction, ICT, real estate, automotive, retail, finance, pharmaceutical and creative industries.

#### 4.8 Performance Information by Programme

BuDGeT PRoGRAMme	PuRPOSe	SUB- PRoGRAMmeS	funcTionS
Programme 1: administration	To provide strategic leadership and transversal support services required by the GEP's core functional programmes.	Office of the CEO	<ul style="list-style-type: none"> <li>Provides strategic direction to the agency;</li> <li>Oversees service delivery and implementation of GEP plans;</li> <li>risk management;</li> <li>Strategic Planning, monitoring and Evaluation; and</li> <li>Strategic Partnerships.</li> </ul>
		Office of the Chief Financial Officer	<ul style="list-style-type: none"> <li>financial management;</li> <li>management accounting; and</li> <li>Supply Chain management.</li> </ul>
		Corporate Support and administration	<ul style="list-style-type: none"> <li>human Capital management;</li> <li>Communications, marketing and branding;</li> <li>Information and Communication Technology; and</li> <li>legal advisory Services</li> </ul>

**Programme 1** supported the delivery of all GEP strategic objectives. It contributes directly to **Strategic Goal 3: GEP** efficiently and effectively managed and governed; and supports delivery of: **Strategic Goal 1: Gauteng's revitalised township economies contributing to shared economic growth and development; and Strategic Goal 2: Gauteng's SmmEs and co-ops actively participating in the province's mainstream economy, including in key economic sectors.**

BuDGeT PRoGRAMme	PuRPOSe	SUB-PROGRAMMES	funcTionS
Programme 2: Investment management	To provide efficient and professional funding and investment management services for GEP.	loan management	<ul style="list-style-type: none"> <li>funding of SmmEs, cooperatives and informal traders.</li> </ul>

**Programme 2** contributed to the following **Strategic Objective:** Revitalise and modernise township economies reflecting radical transformation and re-industrialisation for Gauteng economy and also supported the delivery of **Strategic Goal 1: Gauteng's revitalised township economies contributing to shared economic growth and development; and Strategic Goal 2: Gauteng's SmmEs and co-ops actively participating in the province's mainstream economy, including in key economic sectors.**

BuDGeT PRoGRAMme	PuRPOSe	SUB-PROGRAMMES	funcTionS
Programme 3: Enterprise Support	To provide non-financial and financial support to SmmEs, cooperatives and the informal businesses.	business development support	<ul style="list-style-type: none"> <li>mentoring;</li> <li>Post-investment and aftercare;</li> <li>business incubation; and</li> <li>Product development.</li> </ul>

The Enterprise Support Programme contributed to the achievement of the following **Strategic Objective:** Provide unique and tailored business development (non-financial) support services that propel SMMEs into the mainstream economy, revitalise township economies and grows key economic sectors. The programme supported the delivery of **Strategic Goal 1: Gauteng's revitalised township economies contributing to shared economic growth and development; and Strategic Goal 2: Gauteng's SmmEs and co-ops actively participating in the province's mainstream economy, including in key economic sectors.**

BuDGeT PRoGRAMme	PuRPOSe	SuB PRoGRAMmeS	funcTionS
Programme 4: regional Operations	To provide business development support interventions that play a catalyst role in the transformation of township-based SmmEs, cooperatives and informal traders into sustainable businesses.	Regional offices	<ul style="list-style-type: none"> <li>• Provision of business development support interventions;</li> <li>• Grant funding;</li> <li>• CIPC registrations; and</li> <li>• Informal traders support</li> </ul>

The GEP regional Operations worked towards the achievement of the **Strategic Objective**: revitalise and modernise township economies reflecting radical transformation and reindustrialisation of Gauteng economy and supported the delivery of **Strategic Goal 1**: Gauteng's revitalised township economies contributing to shared economic growth and development; and **Strategic Goal 2**: Gauteng's SmmEs and co-ops actively participating in the province's mainstream economy, including in key economic sectors.



**“** Provide unique and tailored business development (non-financial) support services that propel SMMEs into the mainstream economy, revitalise township economies and grows key economic sectors. **”**

## RePoRT BY THe cHLeF oPeRATIOnS offIceR



**Mr. Labane Maluleke**  
Chief Operations Officer

The focus of the Operations Division throughout the financial year under review was on ensuring the continued delivery of services and achievement of the agency's set performance targets. We have been able to embrace our challenges and celebrate our triumphs and the success stories witnessed over the duration of 2016/17 bear testimony of GEP's continued support to SmmEs and cooperatives in the province in its quest to reduce unemployment and ensure their participation in the mainstream economy.

### An Overview of GEP's Operations Division

The Operations division is composed of the following sub-units: the Investment management, business development Support, Transactional and advisory Services; Post-Investment and the debt management.

- Investment management – responsible for the provision of tailored financial services for SmmEs and cooperatives.
- business development Support – responsible for providing non-financial support interventions to SmmEs and cooperatives.
- Transactional and advisory Services – responsible for the implementation and monitoring of approved projects and product development.

- Post-Investment unit encourages prudent financial management and institutional sustainability by contributing to the development of a framework that simultaneously balances the entity's financing portfolio.
- debt management – responsible for providing efficient and effective debt management services.

despite several challenges experienced in the 2016/2017 financial year, we have seen improved performance in most areas of the business through our cautious, balanced and yet aggressive approach.

### Key Projects for 2016/17

GEP, through its Product development unit, was able to establish a deals Screening Panel (dSP) with the responsibility of screening applications received for both non-financial and financial support and allocating the same to the relevant business units for evaluation and processing. The dSP was introduced to assist in coordinating applications as they are received with a view to enhance efficiency and reduce the number of complaints from clients.

### SMME Development

SmmEs continued to be a key area of focus for GEP in the financial year under review with a total of 4 702 SMMEs benefiting from both the financial and non-financial support interventions provided by GEP.

### Co-operative Support

GEP was able to assist 122 cooperatives across different Gauteng communities through the Cooperatives assistance Programme (CaP), which resulted in the agency achieving beyond its set target of 100 in this specific area due to a high demand for the programme.

### Youth Development Initiatives

GEP was involved in the "Qondishishini lakho" campaign spearheaded by the Gauteng department of Economic development. The campaign sought to inform and educate township-based businesses about compliance and regulatory issues such as CIPC registration, liquor licensing for liquor traders and South African Revenue Services products. In addition, young people were employed to assist in these processes as part of the campaign, thus contributing towards job creation for the youth.

### Informal Business Support Interventions

GEP has created a product called Community Fund which specifically caters for informal businesses, of which the majority are survivalists and have no alternative source of income. The number of people running these types of businesses has increased drastically over the years owing to the increasing unemployment rate.

### Performance Highlights

The agency has employed new targeted strategies and improved collection mechanisms in its debt management sub-unit. These include physical visits to call on clients, which resulted in a significant improvement in the outcomes of debt collection efforts. The unit, through these measures, managed to exceed the debt collection target for the period under review and plans to continue refining collection measures in this area with a view to improve even further in the year ahead.

## **RePoRT BY THe cHIEf oPeRATIonS offIceR**

### **Performance Challenges**

The reach of the Agency's programmes has been restricted by limited financial resources, and this has negatively impacted on the delivery of some of the APP performance areas where GEP reported achievements reflect lesser numbers than what would have otherwise been possible with the availability of increased financial resources. In addition, a failure by some of the SmmEs to honour their repayment obligations to GEP has resulted in the poor performance of the loan book over the years. despite these challenges, we have seen an improved collection rate in the latter part of the 2016/2017 financial year with the Agency managing to exceed its budgeted R10 million collection amount by over r4 million.

### **Future Priorities**

GEP will continue to focus on the 11 priority sectors of the economy along with the province's Transformation, Modernisation and Re-Industrialisation strategy. Wherever possible, the Agency will introduce sector specific incubation programmes as targeted strategies to address the sector decline and the resultant increase in the unemployment rate. There will also be renewed focused attention on construction, agriculture, clothing and textile and the wholesale and retail industries which have seen a great decline over the years due to various reasons.

The clothing and textile industry, despite significant investment and support from government, has struggled to move from survivalist to expansionary mode due to cheap imports from China. The automotive industry is also one of the province's most importants sectors, with many of the major multinational motor vehicle manufacturers increasing their investment in both the province and the country in general. The provincial sector approach continues to create opportunities for GEP sponsored small manufacturers, suppliers and service providers to participate in the industry.

### **Pitch Presentation**



**“...the success stories witnessed over the duration of 2016/17 bear testimony of GEP's continued support to SMMEs and cooperatives in the province in its quest to reduce unemployment and ensure their participation in the mainstream economy.”**

## oveR view : STAKEHOLDER MANAGEMENT & REVENUE GENERATION



**Mr. Mpumelelo Ndebele**  
General Manager: Stakeholder Management and Revenue Generation

The Stakeholder management and revenue Generation unit is charged with the responsibility of fostering strategic partnerships with local and international partners. These partnerships are premised on unlocking both financial and non-financial resources to enable GEP to collaboratively fulfill its legislated mandate. The year under review saw the development and implementation of the GEP revenue Generation Plan to guide the establishment and nurturing of transformative partnerships that place GEP at the center of the SmmE and co-operatives development rubric.

The foundation has been laid for accelerated partnerships and better co-ordination of SmmE development resources. It is indeed an exciting period for GEP, with significant steps being taken in establishing partnerships with the international funding community as well as facilitation of access to markets for the Gauteng SmmEs. The advent of the Transformation, modernisation and re-industrialisation and the Township Economy revitalisation agenda is presenting enormous opportunities for our SmmEs and co-operatives, particularly in the enterprise and supplier development space.

The GEP remained relevant to key strategic partners who enhance our value proposition to our clients. hence, the ability to mobilise additional resources for various GEP service delivery programmes. GEP strategic partnerships for financial and non-financial support have strengthened, resulting in the improved service delivery model in the core areas of our mandate.

This has greatly improved our capacity and ability to meet SmmEs and co-operatives' needs. we extend our sincere gratitude to all our partners for their continued support and confidence in GEP. We are gradually improving the efficacy of our systems and processes and this has been observed by our partners.

### **Partnership with Development Finance Institutions**

One of the criticisms levelled against development finance institutions (dfis) in the dfl review report of 2016 is that although development resources are abundant, there is a lack of coordination and a failure to work collaboratively for greater developmental impact in the SmmE arena. The tendency is to work in silos and hence, very little impact is achieved.

The revenue Generation unit, through its Intergovernmental relations sub-unit, has been able to foster partnerships with other development finance institutions to leverage additional funding resources for GPG SmmEs and co-operatives.

The value adding strategic partnerships with other SmmE development role-players is therefore of paramount importance to grapple with the challenge highlighted above.

Typically, the GEP looks to derive the following from other dfis:

- funding leveraging and co-funding opportunities;
- bench marking;
- referrals for SmmEs and cooperatives outside the funding scope of GEP; and
- Knowledge and best practice sharing.

The revenue Generation unit plays a co-ordination role in pooling together the resources from a plethora of partners in order to develop sustainable SmmEs and co-operatives. we have also learnt that GEP cannot only depend on transfers from the department of Economic development to deliver on its mandate. hence the concerted effort in mobilising resources from diverse sources. GEP has partnered with SEfa to make available a funding facility for SmmEs and co-operatives.

GEP plays a key role in pre-funding project preparation work in order to give SEfa a pipeline of bankable projects. GEP welcomes the Technology Innovation agency (Tla) as a partner in the funding of innovative projects in Gauteng which augurs well for our efforts at modernising our economy.

The National department of agriculture, foresteries and fisheries, through the mafisa fund, continues to be a valuable partner to GEP by making available funding resources for agriculture and agro-processing initiatives in the province.

we appreciate the partnership with the National department of Small Business through various finance incentive programmes for our SmmEs and cooperatives.

## **oveR view : STAKEHOLDER MANAGEMENT & REVENUE GENERATION**

### **Partnership with the Private Sector, State-Owned Companies (SOCS) and Enterprise and Supplier Development Programmes**

GEP has partnered with the private sector and state-owned companies to accelerate the transformation of the economy through the bbbEE elements of the scorecard. The highlight for the 2016/17 financial year is the partnership with Transnet SOC, premised on the Itireleng Enterprise development fund as well as GEP's participation in the Transnet SmmE hub. The SabC Enterprise division continues to be a strategic partner in the rollout of ESd programmes in Gauteng with SMMEs benefiting from their transformative initiatives. we are appreciative of the partnership with Sun International and they have distinguished themselves as champions of the township economy revitalisation through an impressive enterprise supplier development model which is extremely beneficial to our SmmEs.

The Gauteng Gambling board continues to be the paragon of commitment in partnering with GEP to change the face and structure of our economy. we have also partnered with KPmG to assist with technical, leadership, and business skills training of SmmEs through their supplier development initiative which aims to up skill black-owned enterprises.

GEP partnered and participated in the rollout of the annual ESd conference where 35 GEP supported SmmEs participated and were linked to market opportunities. The revenue Generation unit has been at the forefront of creating linkages between GEP funded projects and market opportunities.

### **Partnership with Municipalities and Government Departments**

In an effort to stimulate local economies, municipalities remain critical partners in the execution of

economic development programmes. The Ekurhuleni metropolitan municipality partnered with GEP in the rollout of the lungile mtshali Cooperatives Programme. This partnership has assisted a number of beneficiaries from the different communities of the municipality to participate meaningfully in the economy. as charity begins at home, GEP has partnered with other GPG sister departments in implementing strategic provincial programmes. The Gauteng department of human Settlements is on board as a partner in the implementation of the construction SmmE ecosystem model which will result in service delivery to our communities and the development of black-owned SmmEs and co-operatives.

The Gauteng department of roads and Transport has partnered with GEP in the execution of the bicycle manufacturing project which will afford township SmmEs opportunities in the manufacturing space.

### **Accelerated Youth Employment Programme - Project Vuthela**

The objective of the project is to address the reduction of youth unemployment as well as the reduction of drug and substance abuse amongst youth through providing training to 1 700 youths in waste management, security, plumbing, information and communications technology ("ICT") hubs, agro-processing and automotive hubs. The project has achieved its target of training 1 700 unemployed youths where a total of 1 737 youth have been trained to date, against the target of 1 700 annually. This therefore means a target has been exceeded and the project has been delivered successfully with a total of 545 trainees been placed on the job market.

There has been success and testimonials from the beneficiaries of the programme. among these testimonials is that of brendon from

Eldorado Park, who after having finished his Matic, dreamt of being a marketing Executive for airline Company. however, given the challenges of unemployment in the province, brendon found himself unemployed and contemplating what could have been. Project vuthela has given him a chance to live that dream in Eldorado Park where the project was piloted.

Brendon typifies how our youth can be part of uplifting and changing our society.

- This is an example of the potential we can unlock in young people, by simply recognising their value and helping them find their path to economic and social participation.
- To assist the estimated two million young people in Gauteng who are not in employment, education or training, we need to do Project vuthela on a mass scale.
- To transform this challenge into an opportunity, the rollout of Project vuthela, an innovative response to the massive problem of youth unemployment, was approved and funded by the Gauteng department of Economic development to be implemented through the Gauteng Enterprise Propeller.
- The programme identifies and creates opportunities for young people based on their aptitudes and capabilities. These include formal employment in companies of all sizes, public works programmes, national youth service programmes and micro-enterprise development channels such as the enterprise and supplier development of private companies.

## oveR view : STAKEHOLDER MANAGEMENT & REVENUE GENERATION



Project Vuthela beneficiaries after their qualification as plumbers. They are now part of the joburg water war on leaks programme.

The GEP partnered with the bank of China for access to international markets for SmmE developed by the Province as well as facilitation of various funding products for GEP projects. The Thembani Guarantee fund is a partner who came on board through the GEP efforts of mobilizing international partners and donors. we appreciate their partners which will benefit different GEP portfolios and in particular township enterprises.

In conclusion, 2016/17 financial year was used to pilot revenue generation models and we anticipate an acceleration of the partnership and resource mobilization agenda taking cognizance of lessons learnt thus far. we are grateful for the partners that are making a massive difference in the SmmE development arena. The unit has proven its capability and competence as a facilitator of bbbEE scorecard imperatives particularly in the management of ESd funds.

### International Relations Partnership Programmes

The year under review saw the development of an integrated international relations programme aimed at accessing funding opportunities from international partners as well as facilitation of market linkage opportunities for SmmEs as the fundamental focus areas.



**“** Project Vuthela is an innovative response to the massive problem of youth unemployment, approved and funded by the Gauteng Department of Economic Development to be implemented through the Gauteng Enterprise Propeller. **”**



**GeP**  
SuCCESS STOrIES

# GEP



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*GEP Success stories sets the context, by providing some of GEP'S Success stories for the financial year under review.*

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## KBT ALUMINIUM & GLAZING PROJECTS (Pty) Ltd.



**Name:** KbT aluminium & Glazing Projects (Pty) Ltd.

**Location:** mohlakeng hub

**Corridor:** western Corridor (west rand)

**Sector:** manufacturing

KbT aluminium & Glazing Projects (Pty) Ltd was registered in 2014 and started operating the same year. The services offered by the business include refurbishment of bus seats and windows, architectural designs and manufacturing, supply and fitting of aluminum products including but not limited to garage doors, windows, gates and staircases. The company designs its own products and customises them to meet client requirements and the structural conditions.

KbT aluminium & Glazing Projects (Pty) Ltd currently operates at mohlakeng Enterprise hub. The business has generated approximately R350 000.00 annual turnover in the past financial year. The company's regular clients include busmark, metro bus, vaal maseru and Gauteng Coaches. KbT has secured a long-term contract with busmark which entails maintenance of bus seats and the refurbishment of windows.

The company also works for private clients in manufacturing, fitting aluminium windows, doors, gates and stir cases for households. The business markets are accessed through its website, registration on national, provincial and municipal databases, word of mouth market and network sessions as well as marketing tools provided

by GEP. The target market for the business includes taxi industry, mining houses, private sector and domestic households. The company plans to expand and have bigger workshops.



## KBT ALUMINIUM & GLAZING PROJECTS (Pty) Ltd.



### Business Challenges

Some of the challenges experienced by the business were lack of: funding, equipment, raw material, adequate office space and hr management systems.

### GEP Intervention

- Equipment through the Township Business Renewal Programme;
- marketing tools; and
- Comprehensive business Plan.

### The Outcome

The above interventions greatly contributed to the business in terms of expanding capacity and additional marketing exposure. as a result, the company was able to increase production.

The turnover has also increased to over R400 000.00 per annum. In addition, KBT Aluminum benefited from other support programmes provided by the mohlakeng hub which the GEP west rand region is managing on behalf of the department of Economic development.

### Employment Creation

The business has created a total of 5 jobs including that of the owner.

*The above interventions greatly contributed to the business in terms of expanding capacity and additional marketing exposure. As a result, the company was able to increase production.*

## nAmBITHA nuTRITIOnAl PRoDucTS



**Name:** Nambitha Nutritional Products

**Location:** Orange farm

**Corridor:** Southern Corridor (Sedibeng)

**Sector:** manufacturing

Nambitha Nutritional Products Primary Co-operative was registered in 2008 and has been operating for the past 5 years. The entity operates from Orange farm and manufactures nutritional products in the form of soy drinks.

The target market for the entity is the general public, private businesses and the public sector.

### Business Challenges

Lack of adequate equipment.



### GEP Intervention

In 2016, the entity was nominated for the GEP SmmE awards and received prize money which was used to purchase an NP 200 bakkie and some equipment.



### The Outcome

The above-mentioned intervention resulted in an increase in the turnover from R260 000.00 to R465 000.00. The entity has also grown

its production from under 100 units per day to 300 units per day due to the support provided by GEP and received further support in the form of marketing tools developed by GEP.

### Employment Creation

The cooperative employs 3 casual workers who are sales consultants.



## PHUThA PHUTHANG TRADING ENTERPRISES cc



**Name:** Phutha Phuthang Trading Enterprises cc

**Location:** Soweto

**Corridor:** Central Corridor (johannesburg)

**Sector:** Services

Phutha Phuthang Trading Enterprise CC was registered in 2006 but started operating in November 2009. The business operates from rented business premises in Kliptown, Soweto as a laundromat.

There is a self-service on washing machines which are coin operated and clients will then use their own detergents, including collections and drop-off services. Cleaning services are offered to households and companies.



### Business Challenges:

- No financial management system;
- No BBBEE Certificate; and
- Lack of equipment.

### GEP Intervention

After an assessment was done for the business, a Pastel financial management system was installed and the owner trained to use the system, a BBBEE certificate was done and laundry equipment such as roller iron and two steam irons were bought through GEP's Township business renewal grant.

### The Outcome

Through these interventions, the client is able to capture daily business financial transactions and print financial statements. The provision



of laundry services has also been enhanced due to the provision of equipment. The turnover has also increased from R400 000 to R480 000 per annum, which is an indication of business growth.

### Employment creation

The company employs 5 employees on a permanent basis which include an administrator and 4 general workers.

## AmAQHawe TRADING AND PROJECTS coopeRATIVE



**Name:** Amaqhawe Trading and Projects Cooperative

**Location:** Springs

**Corridor:** Eastern Corridor (Ekurhuleni)

**Sector:** Clothing and Textile

The co-operative consists of 10 members and was officially registered with CIPC in 2011. It operates from Khangezile Primary School in Kwa-Thema, Springs, at no fee. The co-operative received a tender to manufacture prepare school uniform from The department of health and Social development in January 2014.

They also secured a contract from Caesars Palace to manufacture and prepare pre-school uniform and in January 2015, the business was awarded a contract again by Caesars Palace to manufacture uniforms.

### **Business Challenges**

- The co-operative seeks to establish its own clientele and not rely solely on Social development contracts.
- The co-operative requires machinery (i.e. embroidery

machine, button whole machine and hemming stitching machine) in order to eliminate the need for outsourcing.



### **GEP Intervention**

GEP was able to assist Amaqhawe Trading and Projects Co-operative limited in the following ways:

- Compiling findings in the form of an aCO (assessment of Company Operations).
- Co-operative assistance Programme (grant for purchasing of machinery).

### **The Outcome**

The turnover for the business increased from R55 500.00 to R 193 590.00 over a period of one year.

### **Employment creation**

The co-operative employs 5 temporary workers to assist when they have big orders.



## **BeAR GRIP (Pty) Ltd**



**Name:** bear Grip (Pty) Ltd

**Location:** denver Industrial Park

**Corridor:** Central Corridor (johannesburg)

**Sector:** manufacturing

**b**ear Grip (Pty) Ltd. was founded in November 2015 and started operating in April 2016. Its core business is in pulley lagging manufacturing, which is an integral part of industrial conveyor belt systems. The purpose of pulley lagging is to provide a grip between a conveyor belt and pulley. The company intends to initially manufacture 2 types of pulley lagging; rubber backed ceramic lagging (RBCL) and profiled rubber lagging (PRL).



### **Business Challenges**

At inception, creating a footprint for the business was a challenge. However, this was overcome when they appointed a professional Sales representative.

### **GEP Intervention**

GEP assisted the business through a loan for the purchase of manufacturing equipment, material, working capital and other contingencies in order for the business to operate.

### **The Outcome**

- The business is fully operational and has subsequently acquired imports/exports certification from SARS.
- They are also in the process of registering as a supplier for Continental Global, a multinational tyre manufacturing business.

### **Employment creation**

The company employs 10 people in different positions including 6 in administration and 4 factory workers.



## **RevolutionARY ROADS SOLUTION (RRS)**



**Name:** revolutionary roads Solutions (rrS)

**Location:** Glenvista

**Corridor:** Central Corridor (johannesburg)

**Sector:** Construction

revolutionary roads Solutions is an innovative company that mainly focuses on the modern maintenance of roads and repairing potholes using hydro asphalt. The business is focused on addressing the historical shortcomings of conventional road building and maintenance in South Africa. They have developed a cold applied asphalt that is water-based, quick binding and permanently repairs roads. hydro asphalt is used for new road building, resurfacing of existing roads, maintenance of dilapidated roads and potholes.

### **Business Challenges**

being a new innovative product in the country and without certification from the relevant regulatory bodies, they faced challenges launching the business and access to market. They have now acquired the necessary certification and they are trading with good business prospects.



### **GEP Intervention**

GEP assisted the business through a loan and a developmental grant. The funding assisted in launching and growing the business and it is believed it will revolutionise road building, resurfacing and maintenance in South Africa.

### **The Outcome**

The business has been producing 2000 bags of asphalt daily and scaling up due to increased demand. They are already registered with most of the major retailers in South Africa including massbuild (i.e. builders warehouse, Cashbuild and legendary brands) and the product is now available in these outlets. The company has also been awarded contract work by Johannesburg roads agency (JRA) for fixing roads within the city.

### **Employment creation**

- The company employs 19 people.



## LOKUHLE TRADING AND PROJECTS cc



**Name:** lokuhle Trading & Projects cc

**Corridor:** Eastern Corridor

**Sector:** manufacturing

Lokuhle Trading & Projects is a manufacturer specialising in the manufacturing of wooden doors, ottomans and headboards. In 2015, the business was listed with massmart to supply builders warehouse with its products. Over and above massmart, lokuhle also supplies to independent resellers within the building and construction industries.

### Business Challenges

lokuhle had to source material from a new supplier due to the liquidation of one of their suppliers.

### GEP Intervention

GEP assisted the business with funds to purchase equipment used to manufacture their products.

### The Outcome

Through GEP assistance the business also purchased a truck used to transport its products.

### Employment creation

The business employs 17 employees including the managing member with the intention to employ six more people.



## 5. GEP 2016/17 Annual Performance Report

Programme 2: Investment Management Strategic Objectives	Outcome / Measurable Objective	Indicator / Performance Measure	Annual Target	Annual Achievement	Perform- ance Deviation	Reason/s for deviation	Plan of Action to Address Deviation
revitalise and modernize township economies reflecting radical transformation and re-industrialisation for Gauteng economy.	SmmEs and co-ops supported.	No. of existing SmmEs supported financially in the prioritised sectors.	115	438	+323	The target was over-achieved due to a high demand for the provision of funding to qualifying SmmEs and the expedited approval of loans, Township business renewal and Community fund applications.	Not applicable.
		No. of new SmmEs supported financially in the prioritised sectors.	230	270	+40		Not applicable.
revitalise and modernize township economies reflecting radical transformation and re-industrialisation for Gauteng economy.	SmmEs and co-ops supported.	No. of existing co-ops supported financially in the prioritised sectors.	100	118	+18	The target was overachieved due to a high demand for funding to qualifying existing cooperatives.	Not applicable.

Programme 2: Investment Management Strategic Objectives	Outcome / Measurable Objective	Indicator / Performance Measure	Annual Target	Annual Achieve- ment	Performance Deviation	Reason/s for deviation	Plan of Action to Address Deviation
revitalise and modernise township economies reflecting radical transformation and re-industrialisation for Gauteng economy.		No. of new cooperatives supported financially in the prioritised sectors.	110	71	(39)	The target was not achieved due to the low volumes of cooperatives applying and qualifying for financial assistance.	Partnerships will be utilised to source cooperative applications in the 2017/2018 financial year. Co-operative databases of government departments and entities will continue to be assessed against GEPs qualifying criteria for financial support.
		SmmEs and co-ops supported.	400	641	+241	The annual target was exceeded due to a high demand for support from township businesses and the expedited approval of loan applications, Township business renewal, Cooperative assistance Programme and Community fund applications.	Not applicable.
		SmmEs and co-ops supported.		50	-	Not applicable.	Not applicable.

<b>Programme 3: Enterprise Support</b>	<b>Outcome / Measurable Objective</b>	<b>Indicator / Performance Measure</b>	<b>Annual Target</b>	<b>Annual Actual</b>	<b>Performance Deviation</b>	<b>Reason/s for deviation</b>	<b>Plan of Action to Address Deviation</b>
Provision of unique and tailored business development (non-financial) support services to targeted beneficiaries.	SmmE Centre of Excellence established.	No. of SmmE centres of excellence established.	1	0	(1)	The project was transferred to the Gauteng Growth and development agency (GGda) in the third quarter of 2016/17.	GGda is to provide project management support and its resources for the establishment of the Centre of Excellence.
<b>Programme 4: Regional Operations</b>	<b>Outcome / Measurable Objective</b>	<b>Indicator / Performance Measure</b>	<b>Annual Target</b>	<b>Annual Actual</b>	<b>Performance Deviation</b>	<b>Reason/s for deviation</b>	<b>Plan of Action to Address Deviation</b>
revitalise and modernise township economies reflecting radical transformation and reindustrialisation of the Gauteng economy.	SmmEs, co-ops and informal businesses radically transformed.	No. of existing SmmEs non-financially supported in the prioritised sectors.	1 400	1 161	(239)	The target was not achieved due to the low number of SMMEs qualifying for support.	applications will continue to be assessed against GEP's qualifying criteria for non-financial support.
		No. of new SmmEs non-financially supported in the prioritised sectors.	1 900	1 900	-	Not applicable.	Not applicable.
		No. of existing co-ops non-financially supported in prioritised sectors.	500	518	+18	The target was overachieved due to a high demand for non-financial support to co-ops and the expedited approval of received business development support applications.	Not applicable.

Programme 4: Regional Operations	Outcome / Measurable Objective	Indicator / Performance Measure	Annual Target	Annual Actual	Performance Deviation	Reason's for deviation	Plan of Action to Address Deviation
revitalise and modernise township economies reflecting radical transformation and reindustrialisation of Gauteng economy.	SmmEs, co-ops and informal businesses radically transformed	No. of new cooperatives non-financially supported in prioritised sectors.	200	213	+13	The target was overachieved due to a high demand for non-financial support to co-ops and the expedited approval of received business development support applications.	Not applicable.
	SmmEs, co-ops and informal businesses radically transformed	No. of townships based informal business through business development support (bdS) interventions supported.	500	679	+179	The target was overachieved due to a high demand for non-financial support to informal businesses and the expedited approval of received business development support applications.	Not applicable.
	revitalise and modernise township economies reflecting radical transformation and reindustrialisation of Gauteng economy.	No. of small businesses in the industrial parks through business development Support (bdS) interventions supported.	250	80	(170)	The target was not achieved due to the low number of small businesses in the industrial park qualifying for support.	business development support interventions to continue where required.

Programme 4: Regional Operations	Outcome / Measurable Objective	Indicator / Performance Measure	Annual Target	Annual Actual	Perfor-mance Deviation	Reason/s for deviation	Plan of Action to Address Deviation
revitalise and modernise township economies reflecting radical transformation and reindustrialisation of Gauteng economy.	SmmEs, co-ops and informal businesses radically transformed.	No. of start-up businesses through the Community fund funded.	350	369	+19	The annual target was exceeded due to a high demand for Community fund programme funding and the expedited approval of applications.	Not applicable.
		No. of cooperatives through the cooperative assistance Programme (CaP) funded.	100	122	+22	The target was over-achieved due to a high demand for support through the Cooperative assistance Programme and the expedited approval of applications.	Not applicable.
		No. of SmmEs supported through business development support (bds) interventions.	700	896	+196	The target was over-achieved due to a high SmmE demand for bds support and the expedited approval of applications.	Not applicable.
		No. of cooperatives supported through business development support (bds) interventions.	500	472	(28)	The target was not achieved due to the low volumes of cooperatives applying and qualifying for business development support.	Partnerships will be utilised to source cooperative applications in the 2017/2018 financial year.

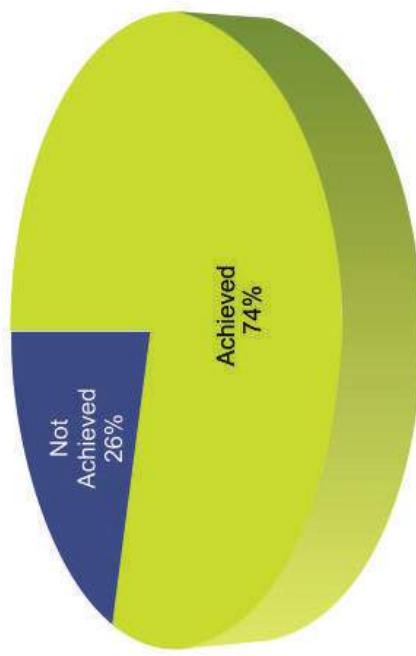
## SummARY of GeP PeRfOrMAnCe

### GEP 2016/17 Performance vs Annual Targets

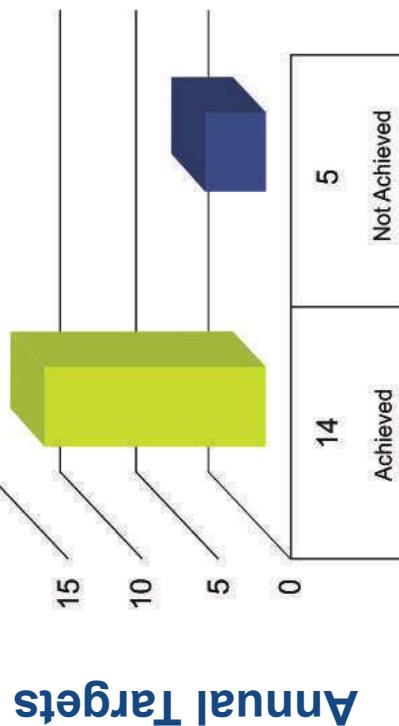
The graphs below depict the agency's achievements against the planned 2016/17 approved annual Performance Plan targets. fourteen (14) of the nineteen (19) planned targets were achieved being **74%** of the total planned 2016/17 performance targets and five (5) of the nineteen (19) planned targets were not achieved being **26%** of the planned GEP targets for the year under review.

### GEP 2016/17 Performance vs Annual Targets

Achieved ■ Not Achieved



### GEP 2016/17 Performance



## LINKING GeP PeRfoRmANCE wITH PRoGRAMme BuDGeTS

Programme	2015/16 Financial Year (R'000)			2016/17 Financial Year (R'000)		
	Budget	Actual	Over / (Under) Expenditure	Budget	Actual	Over / (Under) Expenditure
Programme 1: Administration	135 086	84 111	50 975	73 607	74 528	(921)
Programme 2: Investment Management	19 684	25 966	(6 282)	40 531	74 954	(34 423)
Programme 3: Enterprise Support	18 286	51 683	(33 397)	15 246	25 225	(9 979)
Programme 4: Regional Operations	117 382	80 683	36 699	107 334	62 011	45 323
<b>Total (R'000)</b>	<b>290 438</b>	<b>242 443</b>	<b>47 995</b>	<b>236 718</b>	<b>236 718</b>	<b>0</b>

### 5.1 GEP REVENUE COLLECTION

The entity exceeded the targeted debtors' collection amount of R10 million for the 2016/17 financial year and achieved a collection value of R14.59 million. The finance unit embarked on a process of visiting clients to ensure new debit orders are in place, as well as to conclude new payment arrangements. A process of blacklisting clients with the Credit Bureau of South Africa as from June 2016 was also effected by the agency and currently remains in place. This has sparked reactions from the blacklisted clients and has positively impacted the agency's collection rate. GEP debtors responded by making the required payment arrangements and in some instances, negotiating settlement on the outstanding balances. The client visits continue to yield positive outcomes, resulting in an improved revenue collection position for GEP.

Revenue Sources	2015/16 Financial Year (R'000)			2016/17 Financial Year (R'000)		
	Budget	Actual Amount	Over / (Under) Collection	Budget	Actual Amount	Over / (Under) Collection
Debtor's Collections	10 000	8 456	(1 544)	10 000	14 590	(4 590)
Other income (Bank interest, training fees, insurance claims)	7 500	7 542	(42)	8 000	10 031	(2 031)
<b>Total (R'000)</b>	<b>17 500</b>	<b>15 998</b>	<b>1 502</b>	<b>18 000</b>	<b>24 621</b>	<b>(6 621)</b>

### 5.2 GEP CAPITAL INVESTMENT

There were no capital investment or major infrastructure plans implemented by GEP in the financial year under review.

Measures undertaken by the Agency to ensure its asset register remained up-to-date during the financial year under review were as follows:

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



**PART c:**  
GOvErNaNCE

# GOvErNaNCE



## ParT C

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*Part C governance sets the context, by providing Governance Introduction, The Executive Authority, The Board as the Accounting Authority, GEP Risk and Audit Report and the Report of the Audit and Compliance Committee.*

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## 6. GOVERNANCE InTRoDucTlOn

Gauteng Enterprise Propeller is an entity of Gauteng department of Economic development established in terms of GEP Act of 2005 and as defined in Section 1 of the Public finance management act. GEP's corporate governance structure specifies the distribution of rights and responsibilities among different participants in the organisation such as the board, management, shareholders, and various stakeholders and lays down rules and procedures for decision-making.

### 6.1 The Executive Authority

The GdEd member of the Executive Council (mEC) is the Executive authority of the agency and as such, approves the GEP budgets, strategic plans and annual performance plans. This necessitates that GEP should provide progress reports on the 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 2016/17 annual Performance Plan (aPP) was aligned to the strategies and plans of GdEd and the Gauteng Provincial Government.

### 6.2 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) and is required to put the following in place:

- Exercise the duty of utmost care to ensure reasonable protection of the assets and records;
- Act with fidelity, honesty, integrity and in the best interests of the public entity in managing the financial affairs of the agency;
- Prevent any prejudice to the financial interests of the state;
- Maintain effective, efficient and transparent systems of financial and risk management and internal control;
- Maintain an appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost-effective;
- Take effective steps to prevent irregular expenditure, fruitless and wasteful expenditure, losses resulting from criminal conduct, and expenditure not complying with the operational policies of the agency; and
- Manage available working capital efficiently and economically.

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

### The GEP Governance Framework

GEP's Governance framework is built on principles of the King Iv report on Corporate Governance and the Protocol of Corporate Governance that governs public entities.

The role of the board is to:

- |          |  |
|----------|--|
| <b>1</b> | Provide, input to, review proposals for and then approve the strategy.   |
| <b>2</b> | Scrutinise the performance of management in meeting agreed goals, objectives and monitor the reporting.                          |
| <b>3</b> | Review the integrity of financial information and determine whether internal controls and systems of risk management are robust. |

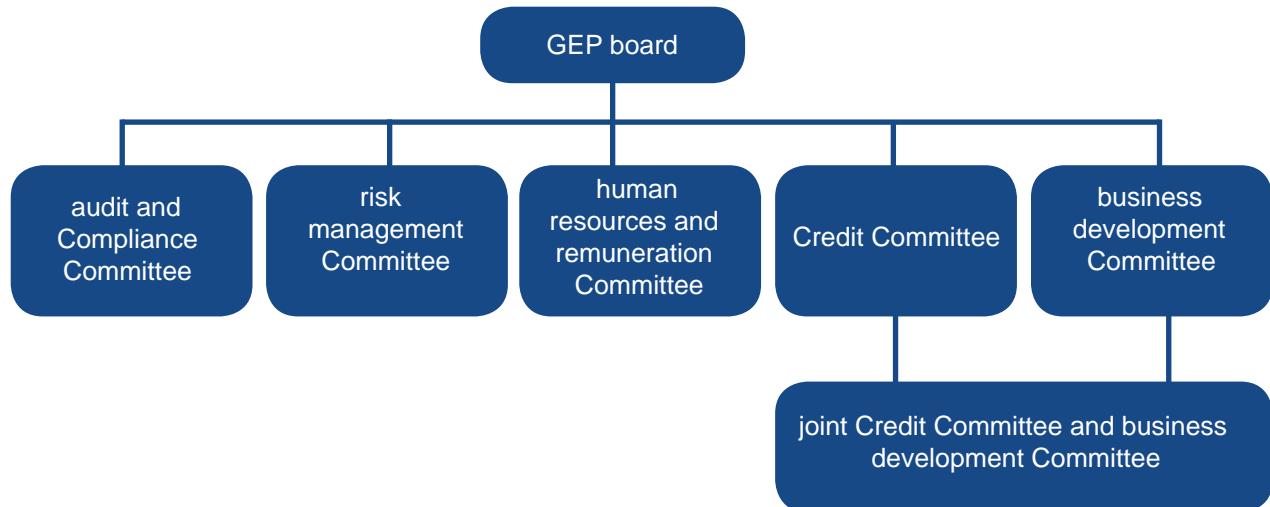
### The GEP Board Structure

The GEP recognises the importance of the King Iv report of Corporate Governance which revolves around leadership, building proper governance structures by instilling ethical values of responsibility, accountability, fairness and transparency.

GEP has an approved board Charter which is reviewed on annual basis and includes details such as roles, responsibilities and composition of the board. The board is further supported by five Board committees as depicted on the diagram below. These committees have delegated responsibility to assist the Board on specific matters but this doesn't relieve the board from its responsibility.

## THE GeP BOARD STRUCTURE

GEP has an established governance structure as depicted below.



### Composition of the Board

The GEP board is comprised of 12 members constituted by the member of Executive Council ("the mEC") of Gauteng's department of Economic development in terms of Section 7 of the GEP act.

Ms. I. Magagane was appointed the Chairperson of the board with effect from the 8th June 2015. Mr. T Sithole was also appointed as Deputy Chairperson of the board, following the promotion of Ms. I. Magagane, in June 2015.

The Acting Chief Executive Officer, Ms. L Manenzhe, is an ex-officio member of the Board but does not receive additional remuneration or allowance for serving in the board. GEP board members are fully independent and do not hold any executive roles within the entity. Furthermore, members have diverse skills and experience in various sectors of our economy.

NO.	nAme	DATE OF APPOINTMENT	PROFILE	DESIGNATION
1.	ms Lebogang Magagane	appointed board Chairperson 8 June 2015	Independent Non-Executive board Chairperson B Acc (UJ); MBA (GIBS)  <i>Member of Credit Committee and Human Resources &amp; Remuneration Committee</i>	board Chairperson
2.	mr Thulani Sithole	1 October 2014	Independent Non-Executive board Deputy Chairperson B Comm (UKZN); HDIP Tax Law (UJ); B Comm (Hons) (UP); BLDP (GIBS)  <i>Member of Audit Committee and Business Development Committee</i>	deputy Chairperson
3.	ms Mamoroke Lehobye	1 October 2014	Independent Non-Executive board member B Comm (UCT); HDIPACC (WITS); CA (SA); Member (IODSA)  <i>Chairperson of Audit Committee</i>	board member

## THe GeP BoARD STRucTuRe

NO.	nAme	DATE of APPoinTmenT	PRofIle	DeSIGNATIon
4.	ms morwesi ramonyai	1 October 2014	Independent Non-Executive board member b Comm (rhodes); member (lodSa)  <i>Chairperson of Business Development Committee and member of Risk Committee</i>	board Chairperson
5.	mr monde africa	1 October 2014	Independent Non-Executive board member bSocSc (rhodes); Pdm (uP); mba GlbS)  <i>Chairperson of Credit Committee</i>	board member
6.	mr rodney Kekana	1 October 2014	Independent Non-Executive board member ba (wits); ba hons (wits); PGd (hrm) (wits); Cert. Er; mba (wits)  <i>Chairperson of Human Resources and Remuneration Committee</i>	board member
7.	ms Claire busetti	1 October 2014	Independent Non-Executive board member bSc (Chemistry) (uKzN); mba (wits)  <i>Member of Credit Committee and Business Development Committee</i>	board member
8.	ms millicent maroga	1 October 2014	Independent Non-Executive board member ba (Cum laude) (uj); ba (hons) (Cum laude) (uj); Cert marketing management (Cum laude) (manchester, uK); mSc (Globalisation and development) (manchester, uK); Nexus leadership Programme (GlbS); Pmd (GlbS)  <i>Member of Business Development Committee and Risk Committee</i>	board member
9.	ms mary-jane ramusi	1 October 2014	Independent Non-Executive board member b (laws) (ul); admitted attorney of the high Court  <i>Member of Audit Committee and Credit Committee</i>	board member
10.	mr Kingsley duba	1 October 2014	Independent Non-Executive board member bSc (acc) (livingstone College, uSa)  <i>Chairperson of Risk Committee and member of Human Resources and Remuneration Committee</i>	board member

## THe GeP BoARD STRucTuRe

NO.	nAme	DATE of APPoinTmenT	PRofile	DeSIGNATIon
11.	ms Innocentia motau	11 june 2015	<p>Independent Non-Executive board member            bSc (Chemistry) (uJ); N. diploma (Chemical Engineering (wits); Post Grad diploma (water Engineering) (Germany); Project management (GImT); municipal Governance (uj); maP (wits); aPm (uNISa); Current Studies-mComm (maritime Studies).</p> <p><i>Member of Audit Committee and Human Resources and Remuneration Committee</i></p>	board member
12.	mr Tshilidzi ratshitanga	1 October 2014	<p>Independent Non-Executive board member            ba (uj); Cert. Public Information, Communication Policy &amp; management (wits); ba (hons) (NmU); mPhil (Singapore) Cert. managing Change in Public Service (uP); adv. Cert. in Shopping Centre leadership; Current studies: Phd (delaware)</p> <p><i>Member of Credit Committee</i></p>	board member
13.	ms leah madavha (Co-opted member)	7 july 2016	<p>Independent Non-Executive Co-opted audit Committee member            bcom Information Systems and Economics (rhodes university), higher diploma in Computer audit (wits business School) ,CISa, ISaCa, ITII, foster melliar</p> <p>Co-opted member of audit Committee</p>	Co-opted audit Committee

## **BoARD AnD commITtee meeTInGS**

The board and Committee meetings are scheduled in accordance with the GEP corporate calendar as approved annually by the Board. The special Board and Committee meetings are convened as and when required to address specific matters. Feedback from each of the Committees is provided to the board by respective Committee Chairpersons at the next board meeting.

The following meetings were held during 2016/17 financial year:

### **Board Meetings**

NO.	memBeR	PoSITION	meeTInG ATTenDAnCe	BoARD meeTInGS	*BoARD mIScellAneouS
1.	ms l magagane	Chairperson	11/11	3/4	7/7
2.	mr T Sithole	deputy Chairperson	08/11	3/4	5/7
3.	mr r Kekana	board member	08/11	2/4	6/7
4.	mr m africa	board member	04/11	2/4	2/7
5.	mr T ratshitanga	board member	05/11	3/4	2/7
6.	mr K duba	board member	05/11	4/4	1/7
7.	ms m lehobye	board member	08/11	2/4	6/7
8.	ms m ramonyai	board member	06/11	4/4	2/7
9.	ms C busetti	board member	10/11	4/4	6/7
10.	ms m maroga	board member	08/11	3/4	5/7
11.	ms m ramusi	board member	10/11	2/4	3/7
12.	ms l motau	board member	09/11	4/4	5/7

Notes:

\*Board miscellaneous comprises the following Board meetings:

Special meetings:

1. Organisational Structure/ Annual Financial Statements;
2. Strategy sessions.

## BoARD AnD commITTEE meeTInGS

### Human Resources and Remuneration Committee

NO.	memBeR	POSITION	meeTInG ATTenDAnCe	*SPeCIAL meeTInGS
1.	mr r Kekana	Committee Chairperson	5/5	1/1
2.	ms l magagane	Committee member	5/5	1/1
3.	mr K duba	Committee member	2/5	0/1
4.	ms l motau	Committee member	5/5	0/1

Note:

\*Special Remuneration Meeting: 1. The CEO Scorecard.

### Risk and Audit Committee

NO.	memBeR	POSITION	meeTInG ATTenDAnCe	*SPeCIAL meeTInGS
1.	ms m lehobye	Committee Chairperson	3/3	3/4
2.	mr T Sithole	Committee member	2/3	4/4
3.	ms m ramusi	Committee member	2/3	1/4
4.	ms l motau	Committee member	3/3	3/4
5.	ms l magagane	Non-member	1/3	4/4
6.	ms l madavha	Co-opted member	3/3	2/4

Notes:

\*Special Risk & Audit Meetings:

1. Risk Register Workshop;
2. Annual Financial Statements
3. Segregation of the Risk and Audit roles as per Board Resolution to form two separate committees (Risk Management Committee and Audit & Compliance Committee).

### Credit Committee

NO.	memBeR	POSITION	meeTInG ATTenDAnCe	*SPeCIAL meeTInGS
1.	mr m africa	Committee Chairperson	3/3	1/1
2.	ms l magagane	Committee member	3/3	1/1
3.	mr T ratshitanga	Committee member	2/3	0/1
4.	ms C busetti	Committee member	3/3	1/1
5.	ms m ramusi	Committee member	1/3	1/1

Note:

\*Special Credit Committee Meeting: 1. Credit Committee Workshop held on 29th August, 2016.

## BoARD AnD commITTEE meeTInGS

### Business Development Committee

NO.	memBeR	POSITION	meeTInG ATTenDAnCe	*SPeCIAL meeTInGS
1.	ms m ramonyai	Committee Chairperson	2/3	1/1
2.	ms C busetti	Committee member	3/3	1/1
3.	ms m maroga	Committee member	1/3	0/1
4.	mr T Sithole	Committee member	3/3	1/1
5.	ms I magagane	Non-member	-	1/1

Note:

\*Special Remuneration Meeting: 1. The CEO Scorecard.

### Joint Credit Committee and Business Development Committee

NO.	memBeR	POSITION	meeTInG ATTenDAnCe
1.	ms m ramonyai	Committee Chairperson	2/2
2.	mr m africa	Committee Chairperson	1/2
3.	ms C busetti	Committee member	2/2
4.	ms m ramusi	Committee member	1/2
5.	ms m maroga	Committee member	2/2
6.	mr T Sithole	Committee member	2/2
7.	mr T ratshitanga	Committee member	0/2
8.	ms I magagane	Non-member	2/2

### Risk Management Committee\*

NO.	memBeR	POSITION	meeTInG ATTenDAnCe
1.	ms K duba	Committee Chairperson	1/1
2.	ms m ramonyai	Committee member	0/1
3.	ms m maroga	Committee member	1/1

\*Newly Instituted committee which resulted from the separation of the Risk and Audit Committee into two individual committees namely: (1) Audit and Compliance Committee and (2) Risk Management Committee

### Portfolio Committees

The Standing Committee on Public accounts (SCOPA) reviews the GEP annual financial Statements and the audit reports of the external auditor. The Portfolio Committee exercised oversight over the 2016/17 performance of the agency and, as such, reviewed quarterly performance reports of GEP as tabled by the GDED.

The agency's 2016/17 annual Performance Plan and budget were tabled by the mEC for Economic development to the Provincial Legislature on the 29th of February 2016. GEP quarterly performance reports for the year under review were submitted to the GDED within 30 days of the end of each quarter in accordance with Treasury Regulations and the Agency accordingly participated in the quarterly performance presentations to the Portfolio Committee. All SCOPA resolutions were provided with responses by the Agency during the financial year under review.

## BoARD RemuneRATIon

### Board Remuneration

The remuneration and allowance of the board was determined by the mEC in line with section 10(4) of the GEP act.

BoARD memBeR	RemuneRATIon/ ReTAIneR fee	oTHeR Allow AnceS TRAvel	oTHeR ReImBuRSemenTS	ToTAI
ms lebogang magagane	r243 600.00	r4 540.20		r248 140.20
mr Thulani Sithole	r178 500.00	r2 961.00		r181 461.00
ms mamoroke lehobye	r155 750.00	r2 171.40		r157 921.40
ms morwesi ramonyai	r155 750.00	r2 171.40		r157 921.40
mr monde africa	r149 250.00	r1 776.60		r151 026.60
mr rodney Kekana	r165 500.00	r2 566.20		r168 066.20
ms Claire busetti	r181 750.00	r3 750.		r185 500.60
ms millicent maroga	r155 750.00	r2 171.40		r157 921.40
ms mary-jane ramusi	r149 250.00	r1 776.60		r151 026.60
ms Innocentia motau	r175 250.00	r2 368.80		r177 618.80
mr Tshilidzi ratshitanga	r139 500.00	r789.60		r140 289.60
mr Kingsley duba	r139 150.00	r1 184.40		r140 334.40

## BoARD InDucTIon AnD DeveloPmenT

### Board Induction Programme and Continuous Development

GEP board members receive an appropriate level of induction into the work of the entity which covers the operations of the company, governance and regulatory frameworks, existing governance models, roles and responsibilities of the board members, board structures and risk management, to mention a few.

The last board induction was conducted for ms I motau who joined the board on the 11th june 2015. furthermore, the board members receive various educational research papers that affect the board operations and entity as a whole. This process is done through an electronic informational database portal created for members called the reference section on the boardw orks.

### Board Evaluation

The board Evaluation was concluded in july 2016 by the Institute of directors, Southern africa (IodSa). The evaluation covered performance of board and committees which included the evaluation of the Chairperson, members of the board and key members of the management team.

The report recommended possible interventions to improve the performance and governance structures of the entity. The reports are being discussed at various platforms and form part of the agenda on a continuous basis.

The report outlined and recommended improvement on the following:

- GEP Governance Structures; and
- Review and development of Board Committee systems and processes.

## 7. GEP RISK AND AUDIT REPORT



**Mr. Lamlani Dube**  
General Manager: Risk and Audit

The risk management (rm) function, within GEP, is established in conformance with the provisions and recommendations of the GEP act, Public finance management act (Pfma), Treasury regulations, King Iv report on Corporate Governance, COSO risk management model, ISO 31000 risk management Standards and the Public Sector risk management framework. In line with the requirements of the Public Sector risk management framework, the risk management division has put in place the risk management Plan in which it articulates a defined and disciplined approach for implementing, monitoring and maintaining good risk management practices in order to propel the organisation to the achievement of the objectives of the risk management Policy framework and Strategy.

### Overview of Risk Management

within GEP, the division is positioned as a strategic enabler and a value-add function intended to assist GEP to achieve its mandate, strategic objectives and satisfy its stakeholders within the prescribed regulatory framework. It is thus empowered, amongst other things, 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,  
 (d) Provide assurance on Policy development,  
 (e) Implement a Combined assurance model and  
 (f) Implement the Ethics programme.

The division, headed by a General manager: risk and audit, reports administratively to the CEO and functionally to the board risk and Governance Committee for purposes of risk oversight on types and category of risks in the organisation.

### Risk Belief at GEP

risk is inherent in any business, more so in the business of propelling high-risk entrepreneurs (i.e. financial and non-financial support) into the mainstream economy in order to cut down on levels of poverty, high levels of unemployment and high levels of inequality. Risk management is an import element of the organisational strategy and daily operations that impacts on organisational performance (i.e. APP targets) and financial results. It is upon this basis that GEP believes that risk management should be a responsibility of every employee in the organization, practiced daily and infused into day-to-day operations/ business processes and policies.

This with a view of converting risks into opportunities, protecting the organisation against unforeseen losses, improving investment returns, being a reliable and sustainable service delivery agency, taking business decisions informed and underpinned by appropriate rigour and analysis, reducing incidents of fraud, corruption, irregular, fruitless and

wasteful expenditure and improving efficient use of resources, including in projects.

### Risk Maturity

The risk management's vision is to propel GEP to be "risk intelligent/matured" by 31 march 2021. using a hybrid of ISO 310000 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 2 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/improvements identified in the risk maturity self-assessment were incorporated into the board approved four (4) year rm Plan ("the 2017/2021 rm Plan"). In reaching a level 2 risk maturity level, these are some of the key achievements in the reporting period:

- (a) development of the rm Policy framework,
- (b) development of the bCm Policy framework,
- (c) development of the Combined assurance framework,
- (d) linking the organisational strategy to the strategic risk profile,
- (e) Partly establishing risk governance structures,
- (f) Partly resourcing the risk management division,
- (g) limited utilisation of the appointed risk champions for risk monitoring and reporting.

## GeP RISK AND AUDIT REPORT

In its intention to reach a level 5 risk maturity, the organisation will in future undertake these activities, namely:

- (a) Operational project risk assessment,
- (b) Scenario planning,
- (c) Erm/bCm/Ethics training,
- (d) data/risk analytics,
- (e) development and operationalisation of the risk appetite framework,
- (f) Costing and weighting of risks/controls
- (g) Independent evaluation of risk management practices,
- (h) risk culture survey
- (i) Strategies to improve bCm, Ethics and fraud Prevention and
- (j) Integrated Governance, risk and Compliance (Combined assurance model/framework),
- (k) risk oversight and ownership, including risk disclosure,
- (l) risk infrastructure and
- (m) board strategic risk assessment, and
- (n) Improve the “tone at the top.”

### Strategic Risk Profile

for the reporting period, the executives undertook an annual risk assessment in order to identify risks and opportunities from the 2015/2019 organisational strategy and annual performance targets for 2016/2017 financial year, and twelve strategic risk exposures were identified. These related to:

- (a) limited availability of funds,
- (b) limited availability of skill,
- (c) Credit risk,
- (d) ICT environment,
- (e) regulatory compliance,
- (f) fraud and
- (g) Corruption,
- (h) limited communication,
- (i) business continuity,
- (j) Stakeholder management,
- (k) limited revenue generation and
- (l) Limited financial accountability.

The relevant risk mitigations were developed, monitored and reported to the board risk and Governance Committee and board audit and Compliance Committee for independent oversight purposes. The future intention is to conduct a board strategic risk assessment with a view of consolidating and reducing the number of strategic risks into a manageable quantity. The key mitigations implemented relate to improved debt collection, generation of additional revenue, staff retention and training, disaster recovery testing, improved credit risk assessment, improved ICT environment, investigating fraud and

corruption incidents, engagement with key stakeholders and improved adequacy and effectiveness of policies.

### Internal Audit Unit

Operating in line with the provisions/recommendations of Pfma, Treasury regulations, the International Standards for the Professional Practice of Internal audit (i.e. IIA Standards), the audit Committee Charter, Internal audit Charter and King Iv report on Corporate Governance, the Internal audit function within the risk and audit division exists as an independent internal assurance provider, a strategic enabler and value-add activity that independently evaluates the risk management practice, control environment and the governance processes, thus contributing positively to the achievement of the organisational objectives.

The internal audit function reports administratively to the CEO and functionally to audit and Compliance Committee. In addition, the assurance result of the internal audit assists the Board to fulfil its reporting and disclosure responsibilities to the mEC for Economic development and Gauteng legislature on the status of the control environment of GEP.

### Key Internal Audit Activities

Through insourced and outsourced internal audit services, 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 audit and Compliance Committee. Guided by the approved risk based annual audit plan for 2016/2017, the control environment of the organisation was adequate and effective in all respects, except in areas of improvement highlighted to management for enhancement and resolution.

### Key Audit Committee Activities

among other things, the audit Committee successfully evaluated the effectiveness of the Internal audit function, recommended for board approval of the Internal audit Charter, reviewed a summary of internal audit reports and management responses to the audit findings and satisfied itself that the internal audit function has necessary resources, budgets, organisational independence/authority within GEP to perform its functions. It encouraged internal and external audit to co-operate and received quarterly progress reports on the performance of the audit plan (The audit plan for 2016/2017 was 100% completed). There are plans to develop an assurance roadmap that will guide GEP's road to assurance maturity as informed by King Iv.

## GeP RISK AND AUDIT REPORT

### Compliance with Laws and Regulations

In the quest to improve compliance culture as part of risk management practices and combined assurance framework, the Compliance function in its mandate to provide assurance to the CEO it has facilitated management of compliance risk throughout the organization. Through its mandate, it has identified, evaluated, monitored, reported issues of non-compliance with a view of applying compliance remedies. The future plan of the function is to develop a formal compliance charter and framework with a view of formalizing the compliance function to operate in line with the Generally accepted Compliance framework.

### Fraud Prevention and Ethics Policy Framework

Guided, amongst others, by Pfma, Protected disclosures act and Combating of Corrupt activities act, the risk and Audit Division has revised the fraud prevention policy framework to reflect on detection, prevention, investigation and resolution of matters. as part of risk management practice, GEP has a zero tolerance approach towards fraud and corruption. In addition, inculcating the risk management culture in line with King IV, the GEP has the Conflict of Interest Policy, Code of Conduct and GEP values that are practiced in the organisation, although the Ethics management framework has not yet been developed to guide the organisation of issues of Code of Ethics, infusing ethics standards and practices into GEP policies, ethics performance review and ethics maturity.

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

GEP has a whistle-blowing facility available to all stakeholders, including employees and clients to confidentially report matters of fraud, corruption and unethical behavior. matters reported are investigated and the outcomes of the investigation reports are tabled with relevant governance structures.

for the period under review, there were 26 cases that have been reported and investigated. Of the 26 matters reported, 22 were resolved (85%) and interventions such as disciplinary action, registration of criminal cases and possible recovery of losses have been undertaken by the organisation. In the matters reported and investigated, none was found to be relating to conflict of interest.

*The relevant risk mitigations were developed, monitored and reported to the Board Risk and Governance Committee and Board Audit and Compliance Committee for independent oversight purposes.*

## 8. REPORT of THE AUDIT AND COMPLIANCE COMMITTEE



**Ms Mamoroke Lehobye**

Chairperson : Audit  
and Compliance Committee

The audit and Compliance Committee is pleased to present its report for the financial year ended 31 march 2017.

The audit and Compliance Committee is an independent statutory committee appointed by the board of the GEP. The duties and responsibilities of the audit Committee, as delegated by the board of the GEP, are included in the report below.

### Audit Committee Terms of Reference

The audit and Compliance Committee has adopted formal terms of reference in the form of its audit and Compliance Committee Charter that has been approved by the board of the GEP. The Committee has conducted its affairs in compliance with this Charter and has discharged its responsibilities contained therein. an external assurance provider has confirmed substantial compliance in

terms of the audit and Compliance Committee annual workplan.  
The Charter is available on request.

### Audit Committee Members and Meeting Attendance

The audit and Compliance Committee consists of four Non-Executive directors. It meets at least four times per year, as specified in terms of its Charter.

The Chairperson of the board, Chief Executive Officer, Chief Financial Officer, GM Risk and Audit, external auditors and other assurance providers attend meetings by invitation only.

during the year under review, the following meetings were held:

### Risk and Audit Committee Meetings

memBeR	POSITION	meeTInG ATTenDAnCe	SPeCIAL meeTInGS
ms m lehobye	Committee Chairperson	3/3	3/4
mr T Sithole	Committee member	2/3	4/4
ms m ramusi	Committee member	2/3	1/4
ms l motau	Committee member	3/3	3/4
ms l magagane	Non-member	1/3	4/4
ms l madavha	Co-opted member	3/3	2/4

\* The risk and audit Committee was separated into two individual committees during the year under review namely: (1) audit and Compliance Committee and (2) risk management Committee”

### Roles and Responsibilities

#### Statutory Duties

The audit and Compliance Committee's roles and responsibilities include its statutory duties as per the Public finance management act, 1999 (act No. 1 of 1999) (Pfma), as well as the Treasury regulations issued in terms of the Pfma and the responsibilities assigned to it by the board. The audit and Compliance Committee executed its duties in terms of the requirements of King IV and in instances where King IV requirements have not been applied, explanations are outlined in the Corporate Governance Statement included elsewhere in this Integrated annual report.

The committee was responsible for performing its duties as set out in the Charter, which included reviewing the following:

- The effectiveness of the GEP's internal control systems;
- The risk areas of the GEP's operations to be covered in the scope of the internal and external audits;
- The accounting and auditing concerns identified because of the internal or external audits;
- The GEP's compliance with legal and regulatory provisions; the GEP Act, the PFMA, as well as the Treasury regulations;
- The activities of the Risk and Audit Unit, including its work programmes, coordination with the external auditors, the reports of significant investigations and the responses of management to specific recommendations;
- The independence and objectivity of the external auditors;

## 8. REPORT of THE AUDIT AND COMPLIANCE COMMITTEE

The review of the Financial Statements with specific attention to:

- Underlying accounting policies or changes thereto;
- Major estimates and managerial judgements;
- Significant adjustments flowing from the year-end audit;
- Compliance with effective South African Standards of Generally recognised accounting Practice (GraP), the Pfma and other statutory precepts; and
- The appropriateness of the going concern assumption.

The audit and Compliance Committee also undertook the following activities during the year under review:

- Reviewing and approving the Internal Audit Charter and Internal audit Plan;
- Conducting investigations within its terms of reference; and
- Encouraging communication between Members of the board, executive management, the risk and audit unit, and the external audit partner.

### External Auditors

During the 2016/17 financial year, the Audit and Compliance Committee met with the external auditors and with the Gm risk and audit without management being present. The committee is satisfied that it complied with its legal, regulatory or other responsibilities. The audit and Compliance Committee, in consultation with executives, agreed to the engagement letter, terms, audit plan and budgeted audit fees for the 2016/17 financial year.

### Financial Statements and Accounting Policies

The audit and Compliance Committee has evaluated the accounting Policies and financial Statements of the GEP for the year ended 31 march 2017 and concluded that these comply, in all material respects, with the requirements of the Pfma, and were prepared in accordance with the effective South african Standards of GraP issued by the accounting Standards board (the aSb). The committee has established a process to receive and deal appropriately with any concerns and complaints relating to the reporting practices of the GEP. No matters of significance have been raised in the past financial year.

### Irregular and Fruitless and Wasteful Expenditure

The Audit and Compliance Committee is satisfied with the processes in place to detect and disclose irregular and fruitless and wasteful expenditure within GEP.

### Internal Financial Controls

The audit and Compliance Committee's assessment of the internal financial controls in the organisation is

that the systems, although enhanced, should still be improved. despite this, and based on the information and explanations given by executive management and the risk and audit unit, together with discussions held with the auditor-General of South Africa on the result of their audits, the audit and Compliance Committee believes the internal financial controls are adequate to ensure that the financial records are relied upon for preparing the Financial Statements, and accountability for the assets and liabilities is maintained.

based on the results of the formal documented review of the design, implementation and effectiveness of the GEP's system of internal financial controls conducted by the Internal Audit function during the 2017 financial year-end, in addition, considering information and explanations given by executives and discussions with the External auditor on the results of their audit, the audit and Compliance Committee is of the opinion that the GEP's system of internal financial controls is effective and forms a sound basis for the preparation of reliable financial Statements.

### Whistle-blowing

The audit and Compliance Committee receives and deals with any concerns or complaints, whether from within or outside GEP, relating to the accounting practices and Internal audit function of GEP, the content or auditing of the Agency's Financial Statements, the internal financial controls of GEP and related matters.

### Duties Assigned by the Board

In addition to the statutory duties of the audit and Compliance Committee, as reported above, the board has determined further functions for this committee to perform, as set out in the audit and Compliance Committee Charter. These functions include the following:

#### a. Integrated Reporting and Combined Assurance

The Audit Committee fulfils an oversight role regarding the GEP's Integrated report and the reporting process, including the system of internal financial control. furthermore, the audit Committee oversees cooperation between the internal and external auditors and other assurance providers. a Combined assurance forum has been formed which is chaired by the General manager: risk & audit and reports to the audit Committee on a quarterly basis. The Audit 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 audit Committee members.

## **8. REPORT of THE AUDIT AND COMPLIANCE COMMITTEE**

The audit and Compliance 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 audit and Compliance Committee discussed the sustainability information with GEP's executive management and has considered the conclusion of the auditor-General 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.

The Office of the Auditor-General South Africa performed an assurance engagement on annual performance indicators included under the heading "Performance Information by Programme" that forms part of the GEP's integrated sustainability reporting. It is envisaged that such assurance of sustainability information will become more encompassing in line with the recommendations of King IV.

### **b. Going Concern**

The audit and Compliance Committee reviewed a documented assessment by executives of the going concern premise before agreeing that the adoption of the going concern premise is appropriate in preparing the financial Statements.

### **c. Governance of Risk**

The board has assigned oversight of the GEP's risk management function to the risk management Committee. Some members of the audit and Compliance Committee are also members of the risk management Committee. To ensure that information relevant to these committees is transferred regularly. The Audit and Compliance Committee fulfils an oversight role regarding financial reporting risks, business risks, and fraud risk as it relates to financial reporting.

### **d. Internal Audit**

The audit and Compliance Committee is responsible for ensuring that GEP's Internal audit function is independent and has the necessary resources, standing and authority within the GEP to enable it to discharge its duties. This committee considered and recommended the Internal audit Charter for approval by the board. The internal audit function's annual audit Plan was approved by the committee.

The internal audit function reports centrally with responsibility for reviewing and providing assurance on the adequacy of the internal control environment across all the GEP's operations. The Gm risk and audit is responsible for reporting the findings of the Internal audit work against the agreed internal audit Plan to the audit and Compliance Committee on a regular basis.

The Gm risk and audit has a functional reporting line to the audit and Compliance Committee and risk management Committee, primarily through its Chairperson and reports administratively to the CEO. The audit Committee is also responsible for the assessment of the performance of the Gm risk and audit and the internal audit function.

### **e. Evaluation of the Expertise and Experience of the Chief Financial Officer and Finance Function**

The Audit and Compliance Committee has satisfied itself that the GEP Chief Financial Officer has appropriate expertise and experience. The committee has considered, and has satisfied itself with the appropriateness of the expertise and adequacy of the resources in the finance function and the experience of the senior members of management responsible for the finance function.

The Audit and Compliance Committee is satisfied that it complied with its legal, regulatory or other responsibilities and is proud to have undertaken the journey with GEP leadership towards the achievement of the Agency's clean audit for the 2016/17 financial year.

The audit and Compliance Committee concurs and accepts the conclusions of the auditor-General on the annual financial statements and believes the audited annual financial statements be accepted and read together with the report of the auditor-General.

ms. mamoroke lehobye  
**Chairperson of the Audit and Compliance Committee**

A black and white photograph showing a close-up of a person's hands typing on a laptop keyboard. The laptop is open and angled towards the viewer. In the background, there is a blurred image of a white cup and saucer on a saucer plate, suggesting a coffee break. The overall scene conveys a sense of work or productivity.

# PART D:

humaN rESOurCE  
maNaGEmENT

# humaN rESOurCE mAnAGemenT



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*Part D Human Resource Management sets the context, by providing Corporate Services and Human Resources Report, Human resource oversight statistics.*

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## 9. CORPORATE SERVICES AND HUMAN RESOURCES REPORT



**Ms. Cathrine Mamabolo**  
Acting GM: Corporate Support  
and Administration

The GEP organisational structure was reviewed in line with the approved strategy for the 2015-2019 mTSf period. The revised structure will ensure the implementation of the mandate and targets set on the annual Performance Plan and Operational Plan. In addition, the structure will also improve the turnaround times of services rendered by GEP to all its stakeholders.

### HR Priorities for 2016/17

all the positions on the approved structure were profiled and graded to ensure that all the jobs are designed in alignment with the approved strategy. during the period under review, GEP appointed ICaS to conduct behavioural risk management audit which focused on the behavioural and emotional risk patterns present amongst the employees. This audit was aimed at ensuring that the well being of GEP employees remains a priority for the organisation and their needs and concerns are identified and adequately addressed. Interventions emanating from the recommendations of the behavioural risk management audit will be implemented in the 2017/18 financial year.

### Employee Performance Management Framework

Employee performance was assessed in the 2016/17 financial year and no performance bonuses were paid due

to financial constraints faced by the agency. Employees were, however, paid an ex-gratia payment of 2% of their total cost to company packages in recognition of the valuable contribution to the successes of the agency.

### Employee Wellness Programme

The GEP Employee wellness Programme (EwP) is being administered by the Careways Group, a service provider appointed in September 2016. The utilisation of the wellness service was sitting at 8% as at the end of the year under review, thus necessitating a continued drive by the agency to promote awareness and usage of the services by employees in the coming financial year. A total of 2 employee health and wellness sessions were held during 2016/17, with a minimum of 12 wellness sessions scheduled to take place in 2017/18. These cover a number of critical health and social issues such as mental health, tuberculosis, and substance abuse.

### Policy Reviews

during the period under review, GEP reviewed numerous policies to improve administrative effectiveness and efficiencies. Key amongst the these were the acting Policy which aims to ensure that employees that are assuming acting roles are remunerated in line with best practices. In addition, the Group Gauteng department of Economic development Transversal Policy on recruitment, Transfers and Secondment was adopted by the GEP board of directors. The policy is aimed and ensuring employee movement and growth opportunities within all the agencies of the GdEd irrespective of which agency they are employed at.

### Highlights and Achievements

- During the financial year 2016/17, a total of 33 positions were filled through internal and external

recruitment processes and 7 employees were promoted internally by the agency. The total vacant positions filled by GEP during the year included 4 executive management posts of Chief Financial Officer, Chief Operations Officer, General manager: Strategy, monitoring and Evaluation and General manager: Audit and Risk which were filled in the third and fourth quarters of the financial year. This was in line with the agency's concerted effort of ensuring that the GEP was adequately capacitated through prioritising the filling of all core and critical vacant positions in 2016/17.

- To ensure continuous learning and development of staff, a total of 21 new bursaries were awarded to employees studying in various fields. In awarding bursaries, preference is given to employees who intend to enroll for lower grades and those that do not possess any post-matric qualification with a view to ensure that such employees are granted an opportunity to obtain qualifications that will enhance their knowledge and skills.
- The Workplace Skills Plan (WSP) was developed and submitted to the Services SETa. The plan was fully implemented and the GEP further received the mandatory grant from SETa which was used to train employees.
- The entity implemented the Succession Policy starting at executive level and possible successors of all executive positions were identified and their specific training will take place in the financial year 2017/18. The implementation will be cascaded to the lower level positions in the coming financial year.

## **coRPoRATE SeR vIcSeS AnD HumAn ReSouRceS RePoRT**

- In partnership with core business a total of 619 youths were trained on the workplace preparation courses such as Customer Service (Principles of batho Pele), report writing Skills and Introduction to business management by the Gauteng City region academy.

### **GEP Challenges**

- Representation of females at senior management levels;
- Misalignment of the organisational culture to the GEP values; and
- Building of sound labour relations.

The planned mitigation actions to address these challenges are outlined below and agency will prioritise efforts to address them as it recognises that in so doing, GEP can only improve its organisational efficiency and drive towards the achievement of greater individual employee and organisational performance results in 2017/18.

### **Future HR Plans and Priorities**

HR priorities for the 2017/18 financial year are outlined below:

- Finalisation of recruitment processes for the appointment of a GEP Chief Executive Officer;
- Filling of all vacant funded positions;
- Finalisation of the matching and placement of employees into the approved structure;
- Implementation of the Succession Policy at all levels within the organisation starting with core and critical positions;
- Implementation of the non-financial rewards and recognition;
- Implementation of the Behavioural Risk Management Audit Recommendations;
- Improving the Employment Equity figures within the entity especially the representation of females at senior management level and overall number People with disability (Pwds);
- Implementation of change management initiatives to ensure alignment of GEP organisational culture to the values; and
- Conducting a Relationship by Objectives (RBO) workshop between management and organised labour to ensure a sound labour relations within GEP.

## 9.1 HUMAN ReSOUReS oveRSIGHT STATISTICS

### Personnel Cost by Programme

GEP Budget Programme	Total Expenditure for the entity (R'000)	Personnel Expenditure (R'000)	Personnel exp. as a % of total exp. (R'000)	No. of employees	Average personnel cost per employee (R'000)
<b>Programme 1:</b> administration	135 086	44 183	33%	71	622
<b>Programme 2:</b> Investment management	19 684	11 405	58%	27	422
<b>Programme 3:</b> Enterprise Support	18 286	8 972	49%	14	641
<b>Programme 4:</b> regional Operations	117 382	24 890	21%	56	444
<b>Total</b>	<b>290 438</b>	<b>89 450</b>	<b>31%</b>	<b>168</b>	<b>532</b>

\*Personnel expenditure excludes board fees and youth Placement Programme costs

### Personnel Cost by Salary Band

Level	Personnel Expenditure (R'000)	% of personnel exp. to total personnel cost (R'000)	No. of employees
Top management	9 342	10%	11
Senior management	32 691	37%	31
Professional qualified	28 516	32%	56
Semi-skilled	1 555	2%	10
Skilled	17 346	19%	60
<b>Total</b>	<b>89 450</b>	<b>100%</b>	<b>168</b>

\*Personnel expenditure excludes board fees and youth Placement Programme costs

## HumAn ReSouRceS oveRSIGHT STATISTICS

### Performance Rewards

Level	Performance rewards	Personnel Expenditure (R'000)	% of performance rewards to total personnel cost (R'000)
Top management	Ex gratia	143	0.16%
Senior management	Ex gratia	453	0.51%
Professional qualified	Ex gratia	379	0.42%
Semi-skilled	Ex gratia	38	0.04%
Skilled	Ex gratia	281	0.31%
<b>Total</b>	<b>Ex gratia</b>	<b>1 294</b>	<b>1.45%</b>

### Training Costs

GEP Budget Programme	Personnel Expenditure (R'000)	Training Expenditure (R'000)	Training Expenditure as a % of Personnel Cost.	No. of employees trained	Average training cost per employee (R'000)
GEP employee training costs	89 450	491	0.55%	52	9.45

### Employment and Vacancies

Programme	2015/2016 No. of Employees	2016/2017 Approved Posts	2016/2017 No. of Employees	2016/2017 Vacancies
Programme 1: administration	76	74	67	21
Programme 2: Investment management	8	24	24	2
Programme 3: Enterprise Support	6	11	11	-
Programme 4: regional Operations	48	48	46	5
<b>Total</b>	<b>138</b>	<b>157</b>	<b>148</b>	<b>28</b>

## HumAn ReSouRceS oveRSIGHT STATISTICs

Level	2015/2016 No. of employees	2016/2017 Approved posts	2016/2017 No. of employees	*2016/2017 Vacancies
Top management	6	7	5	2
Senior management	25	33	31	5
Professional qualified	36	54	49	7
Semi-skilled	13	8	9	-
Skilled	58	55	54	14
<b>Total</b>	<b>138</b>	<b>157</b>	<b>148</b>	<b>28</b>

\*Notes:

A processes to fill the senior management roles and those of highly skilled supervisory personnel is underway and vacancies are expected to be filled at the end of the first quarter in the 2017/2018 financial year. Low level personnel vacancies will be filled once the process of placing existing employees in the structure is finalised.

## Employment Changes

The turnover rates outlined below provide an indication of the 2016/17 trends in GEP's employment profile

Level	Employment at 01 April 2016	Appointments	Terminations	Employment at 31 March 2017
Top management	6	4	4	5
Senior management	25	5	-	31
Professional qualified	36	20	7	49
Semi-skilled	13	-	3	9
Skilled	58	4	2	54
<b>Total</b>	<b>138</b>	<b>33</b>	<b>16</b>	<b>148</b>

\*\* 7 appointments were internal GEP employees

## HumAn ReSouRceS oveRSIGHT STATISTICs

### Reasons for Employee Departures

Reason	Number	% of total no. of employees leaving
death	-	-
resignation	5	31%
dismissal	-	-
retirement	-	-
Ill-health	-	-
Contract Expiry	10	63%
Other: Transferred to GTa	1	6%
<b>Total</b>	<b>16</b>	<b>100%</b>

### Labour Relations: Misconduct and Disciplinary Action

Nature of Disciplinary Action	Number
verbal warning	-
written warning	-
final written warning	-
dismissal	-

### Equity Target and Employment Equity Status

Levels	male							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top management	3	-	-	-	-	-	-	-
Senior management	14	-	-	-	1	-	-	-
Professional qualified	22	-	-	-	-	-	-	-
Semi-skilled	1	-	-	-	-	-	-	-
Skilled	6	-	-	-	1	-	-	-
<b>Total</b>	<b>46</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>-</b>

## HumAn ReSouRceS oveRSIGHT STATISTICS

Levels	Female							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top management	2	-	-	-	-	-	-	-
Senior management	13	-	2	-	-	-	1	-
Professional qualified	26	-	-	-	1	-	-	-
Semi-skilled	8	-	-	-	-	-	-	-
Skilled	42	-	3	-	1	-	1	-
<b>Total</b>	<b>91</b>	-	<b>5</b>	-	<b>2</b>	-	<b>2</b>	-

Levels	*Disabled Employees			
	male		Female	
	Current	Target	Current	Target
Top management	1	-	-	-
Senior management	-	-	-	-
Professional qualified	2	-	1	-
Semi-skilled	-	-	-	-
Skilled	-	-	-	-
<b>Total</b>	<b>3</b>	-	<b>1</b>	-

\*Note:

The Pwds target is 2% of the total staff complement - it is not done according to different position levels.



## PART e: fINaNCIAL INfOrma TION

# fINANCIAL InFoRMATIon



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## 10. CHIEF FINANCIAL OFFICER'S REPORT



**Ms. Nomfanelo Genuka**

Chief Financial Officer

The Chief Financial Officer (CFO) is primarily responsible for managing the financial risks of GEP, financial planning, record-keeping, as well as financial reporting. The office of the CFO is the chief enforcer of rules, requirements, and regulations and the technical expert on financial and budget practices and procedures as guided by Pfma, Treasury relations, accounting Standards and the CFOs handbook.

for the period under review, there has been continued improvement in the financial health of the GEP. For the first time since the inception of GEP, a clean audit outcome was achieved by the entity, proving that the financial controls are firmly in place and the entity is adhering to the prescribed accounting standards. In compliance with laws and regulations, supply chain management processes was audited by the auditor-General and there were no material issues identified.

during the year under review, GEP paid out R75 million in financial support loans, compared with R23,6 million in the previous financial year. This increase in financial Support loan pay-outs is in line with our objectives to fund our core mandate, of providing financial and non-financial support to SMMEs and

co-operatives located in the Gauteng province. furthermore, during the current financial year, GEP exceeded budget expectations by collecting r14,6 million from outstanding debtors. This is well above the r10 million projected budget to be collected. These improved collections also resulted in GEP not having any bad debts written off during the financial year under review. The entity is working tirelessly to ensure that monies due to GEP are paid by the debtors.

**"For the first time since the inception of GEP, a clean audit outcome was achieved by the entity, proving that the financial controls are firmly in place and the entity is adhering to the prescribed accounting standards."**

GEP continues to strengthen its controls and oversight mechanisms over its spending patterns in order to derive maximum value from its limited and insufficient resource allocation. with the improved systems and controls, GEP was able to keep its promise of ensuring that 100% of payments to creditors were processed within a period of two to five days. The average percentage spent in creditors payments was 23.7% in 2015/16 and was reduced to 12.5% in 2016/17. This demonstrates commitment in ensuring that SmmEs are paid on time.

The speedy payment of service providers and SmmEs alleviates cashflow pressures and reduces the high mortality levels of enterprises emanating from the long turn around times.

### FINANCIAL POSITION STATEMENT

#### Assets

The total assets at 31 march 2017 were r171 million, which is in line with our total assets for the previous financial year of R171,5 million. The current assets at 31 march 2017 were r93 million, which is a decrease of r45 million from the previous financial year. This is mainly due to the decrease in cash and cash equivalents of R62 million from the previous financial year. The decrease in cash and cash equivalents emanated from our increased pay-outs of financial Support loans.

#### Liabilities

The total liabilities at 31 march 2017 were r25 million, which is a decrease of R3 million from the previous financial year's total liabilities of r28 million. The decrease is mainly attributable to the decrease in unspent grants of r4 million at year-end, compared to the previous financial year. The decrease in unspent grants was due to GEP meeting the conditions of the grant, therefore decreasing the grant liability.

#### NET ASSETS VALUE STATEMENT

The net asset value (Nav) of the organisation has increased from r143 million, to r146 million as a result of the decrease in total liabilities of r3 million.

### FINANCIAL PERFORMANCE STATEMENT

GEP recorded a surplus of r2,5 million for the year under review, compared to the surplus of r69 million reported in the previous financial year. The 2016/17 financial performance is attributable to the following:

## **10. CHIEF FINANCIAL OFFICER'S REPORT (CONTINUED)**

### **Revenue**

The total revenue for the organisation was R247.5 million for the current financial year against R302.4 million in the previous financial year. The decrease in revenue of R55 million is attributable to the decrease in the provincial grant received by GEP in the current financial year, R290 million, compared to the previous financial year's R215 million.

### **Expenditure**

The total expenditure for the year under review was R260 million compared to R241.9 million in the previous financial year. This is a result of GEP increasing its support to small businesses participating in the supplier development programs, township businesses and the Township business renewal. The total payroll cost for the year was r92,4 million, an increase of R7,8 million from the previous financial year due to the filling of vacancies in the organisational structure during the 2016/17 financial year.

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

During the 2016/17 financial year, GEP did not write off any debtors as bad debts. The entity did, however, provide for doubtful debtors to the value of R27 million. The provision for doubtful debts is reflective of the broader macro environment that SMMEs in the province operate in and the challenges they face. Despite the difficult macro-economic environment, GEP was still able to collect r14,6 million from debtors, and this is far in excess of the r10m the entity had budgeted for. The collection rate has shown significant improvement in 2016/17 in comparison to the previous financial years due to the commitment of the management in ensuring that the loan repayments increase on an annual basis. This milestone was as a result of new strategies that were put in place to improve the collection such as cessions with clients, blacklisting and regular client visits.

### **Acknowledgements**

I would like to thank the executive management team, the GEP finance team and all GEP employees for the continued improvement in internal controls and commitment to the organisation's success in fulfilling its mandate. The achievement of a clean audit outcome for 2016/17 affirms that financial controls within the GEP environment are operating effectively as intended. This was possible due to the team work, dedication and commitment displayed by officials. This milestone now places a challenge on us to rise and not regress from the clean audit outcome in coming years.

A final word of appreciation also goes to the Agency's Accounting Officer, the Audit and Compliance Committee and the board as this positive milestone was possible due to their good stewardship and unwavering support.

ms. Nomfanelo Genuka  
**Chief Financial Officer**

## 10.1 REPORT of eXTeRnAl AuDIToRS

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

#### Opinion

1. I have audited the financial statements of the Gauteng Enterprise Propeller set out on pages 82 to 118 which comprise the statement of financial position as at 31 March 2017, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual information for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Gauteng Enterprise Propeller as at 31 March 2017, and its financial performance and cash flows for the year then ended in accordance with South African Standards of Generally recognised accounting Practise (SA Standards of GraP) and the requirements of the Public Finance Management Act of South Africa of 1999 (Act No 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' Code of ethics for professional accountants (IESBA code) together with the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### Emphasis of matter

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

#### Material impairment

7. As disclosed in note 4 to the financial statements, a material impairment of trade receivables were provided for to the amount of R18 716 103 (2016: R11 462 738). This represents 40% (2016: 29%) of the total trade debtors.

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

8. The board of directors, which constitutes the accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with 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.
9. In preparing the financial statements, the Accounting Authority is responsible for assessing the Gauteng Enterprise Propeller'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 there is an intention either to liquidate the entity or to cease operations, or there is no realistic alternative but to do so.

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

10. 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 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
11. A further description of my responsibilities for the audit of the financial statements is included in the annexure to the auditor's report.

## RePoRT of eXTeRnAl AuDIToRS (CONTINUED)

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

#### Introduction and scope

12. In accordance with the Public audit act of South Africa, 2004 (act No. 25 of 2004) (Paa) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
13. my procedures address the reported performance information, which must be based on the approved performance planning documents of the public entity. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. my procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
14. 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 programmes presented in the annual performance report of the entity for the year ended 31 march 2017:

Programme	Pages in the annual performance report
Programme 2 - Investment management	<b>42 - 43</b>
Programme 3 - Enterprise Support	<b>44</b>
Programme 4 - regional Operations	<b>44 - 46</b>

15. 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.
16. I did not identify any material findings on the usefulness and reliability of the reported performance information for the selected programmes.

#### Other matters

17. I draw attention to the matters below.

#### Achievement of planned targets

18. refer to the annual performance report on page(s) 42 to 46 for information on the achievement of planned targets for the year and explanations provided for the under achievement of one planned target.

## RePoRT of eXTeRnAl AuDIToRS (CONTINUED)

### Adjustment of material misstatements

19. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of Programme 2: Investment management and Programme 4: Regional operations. As management subsequently corrected the misstatements, I did not report any material findings on the usefulness and reliability of the reported performance information.

### Report on the audit of compliance with legislation

#### Introduction and scope

20. In accordance with the Paa and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the public entity with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
21. I did not identify any instances of material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of Paa.

#### Other information

22. The Gauteng Enterprise Propeller's accounting authority is responsible for the other information. The other information comprises the information included in the annual report which includes the audit Committee's report. The other information does not include the financial statements, the auditor's report thereon and those selected objectives presented in the annual performance report that have been specifically reported on in the auditor's report.
23. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
24. 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 objectives presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed on the other information obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

#### Internal control deficiencies

25. 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 thereon. I did not identify any significant deficiencies in internal control.

*Auditor General*

johannesburg  
31 july 2017



*Auditing to build public confidence*

**GeP Annual Financial Statement****Statement of Financial Position for the Year ended 31 March 2017**

<b>Figures in Rand</b>	<b>Note(s)</b>	<b>2017</b>	<b>2016</b>
<b>Assets</b>			
<b>Current Assets</b>			
Financial support loans at amortised cost	3	22,403,864	6,702,945
Receivables from exchange transactions	4	29,258,938	28,895,121
Cash and cash equivalents	5	41,350,135	103,123,881
		<b>93,012,937</b>	<b>138,721,947</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	6	6,855,125	3,021,703
Intangible assets	7	224,589	482,844
Financial support loans at amortised cost	3	70,986,380	29,305,446
Other investments	8	1	1
		<b>78,066,095</b>	<b>32,809,994</b>
<b>Total Assets</b>			
		<b>171,079,032</b>	<b>171,531,941</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Finance lease liability	9	-	58,506
Operating lease liability	10	3,796,971	2,487,393
Trade and other payables	11	8,927,411	9,039,040
Unspent conditional grants	12	12,306,516	16,389,978
		<b>25,030,898</b>	<b>27,974,917</b>
<b>Net Assets</b>			
<b>Accumulated surplus</b>			
		<b>146,048,134</b>	<b>143,557,024</b>
		<b>146,048,134</b>	<b>143,557,024</b>

**GeP Annual Financial Statement**
**Statement of Financial Performance for the Year ended 31 March 2017**

<b>Figures in Rand</b>	<b>Note(s)</b>	<b>2017</b>	<b>2016</b>
Revenue from non-exchange transactions	13	247,527,437	302,367,140
Revenue from exchange transactions	14	11,747,651	6,646,160
Programs and projects	15	(100,525,600)	(97,208,265)
Operating expenses		(160,212,921)	(144,712,347)
<b>Operating (deficit) surplus</b>		<b>(1,463,433)</b>	<b>67,092,688</b>
Finance income	18	3,955,921	1,996,130
Finance costs	19	(1,378)	(23,357)
<b>Surplus for the year</b>		<b>2,491,110</b>	<b>69,065,461</b>

**GeP Annual Financial Statement****Statement of changes in net assets for the year ended 31 March 2017**

Figures in Rand	Accumulated surplus	Total net assets
<b>Balance at 01 April 2015</b>	<b>74,491,563</b>	<b>74,491,563</b>
Surplus for the year	69,065,461	69,065,461
Total changes	69,065,461	69,065,461
<b>Balance at 01 April 2016</b>	<b>143,557,024</b>	<b>143,557,024</b>
Surplus for the year	2,491,110	2,491,110
Total changes	2,491,110	2,491,110
<b>Balance at 31 March 2017</b>	<b>146,048,134</b>	<b>146,048,134</b>

**GeP Annual Financial Statement****CASH flow STATEMENT for THE YEAR ended 31 mARCh 2017**

<b>Figures in Rand</b>	<b>Note(s)</b>	<b>2017</b>	<b>2016</b>
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Cash receipts from non-exchange transactions		244,530,500	318,757,118
Cash received from exchange transactions		2,813,283	3,110,562
Cash receipts from financial support loans		12,716,911	7,286,426
Finance income	18	3,955,921	1,996,130
		<b>264,016,615</b>	<b>331,150,236</b>
<b>Payments</b>			
Employee costs and Suppliers		(245,108,646)	(213,853,232)
Finance costs	19	(1,378)	(23,357)
Cash paid as financial support loans	3	(74,958,507)	(23,654,008)
		<b>(320,068,531)</b>	<b>(237,530,597)</b>
<b>Net cash flows from operating activities</b>	21	<b>(56,051,916)</b>	<b>93,619,639</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	6	(5,764,554)	(647,339)
Proceeds from sale of property, plant and equipment		104,375	-
Purchase of other intangible assets	7	3,146	(44,369)
<b>Net cash flows from investing activities</b>		<b>(5,663,325)</b>	<b>(691,708)</b>
<b>Cash flows from financing activities</b>			
Finance lease payments	9	(58,506)	(411,370)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(61,773,747)</b>	<b>92,516,561</b>
Cash and cash equivalents at the beginning of the year		103,123,881	10,607,320
<b>Cash and cash equivalents at the end of the year</b>	5	<b>41,350,134</b>	<b>103,123,881</b>

## GeP Annual Financial Statements

### Statement of Comparison of Budget And Actual Amounts for The Year ended March 2017

#### Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
<b>Revenue</b>						
Revenue from exchange transactions						
Receipts on loan book	-	10,000,000	10,000,000	12,716,911	2,716,911	A
Interest and other income	-	5,355,798	5,355,798	15,703,572	10,347,774	B
<b>Total revenue from exchange transactions</b>	<b>-</b>	<b>15,355,798</b>	<b>15,355,798</b>	<b>28,420,483</b>	<b>13,064,685</b>	
<b>Revenue from non-exchange transactions</b>						
Government grants and subsidies	176,418,000	39,300,000	215,718,000	215,718,000	-	
Rollover Income	-	86,733,908	86,733,908	86,733,908	-	
Grant: GEM	-	1,000,000	1,000,000	-	(1,000,000)	C
Grant: YPMO	-	20,000,000	20,000,000	19,754,593	(245,407)	D
Grant: Sun International Management LTD	-	700,000	700,000	-	(700,000)	E
Grant: Dinokeng	-	7,200,000	7,200,000	7,200,000	-	
Grant: Ekurhuleni Municipality	-	2,727,072	2,727,072	188,925	(2,538,147)	F
Grant: Old Mutual	-	250,000	250,000	-	(250,000)	G
Grant: Nedbank	-	250,000	250,000	-	(250,000)	H
Grant: GDARD	-	6,862,500	6,862,500	-	(6,862,500)	I
Grant: GLB	-	450,000	450,000	450,000	-	
Grant: GGB	-	4,676,380	4,676,380	4,215,919	(460,461)	J
<b>Total revenue from non-exchange transactions</b>	<b>176,418,000</b>	<b>170,149,860</b>	<b>346,567,860</b>	<b>334,261,345</b>	<b>(12,306,515)</b>	

**GeP Annual Financial Statements****Statement of Comparison of Budget and Actual Amounts  
FOR THE YEAR ENDED 31 MARCH 2017 (CONTINUED)****Budget on Cash Basis**

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Total revenue from exchange	-	15,355,798	<b>15,355,798</b>	28,420,483	<b>13,064,685</b>	
Total revenue from non-exchange transactions	176,418,000	170,149,860	<b>346,567,860</b>	334,261,345	(12,306,515)	
<b>Total revenue</b>	<b>176,418,000</b>	<b>185,505,658</b>	<b>361,923,658</b>	<b>362,681,828</b>	<b>758,170</b>	
<b>Expenditure</b>						
Personnel	(98,021,000)	3,145,495	<b>(94,875,505)</b>	(92,427,490)	<b>2,448,015</b>	K
Depreciation and amortisation	-	-	-	(2,142,272)	(2,142,272)	L
Finance costs	-	-	-	(1,378)	(1,378)	
Debt impairment	-	-	-	(12,139,527)	(12,139,527)	M
Repairs and maintenance	-	(1,325,013)	<b>(1,325,013)</b>	(1,457,566)	(132,553)	N
General expenses	(58,397,000)	(117,207,248)	<b>(175,604,248)</b>	(152,571,666)	<b>23,032,582</b>	O
Capital expenditure	-	(6,243,939)	<b>(6,243,939)</b>	(5,767,700)	<b>476,239</b>	P
Loans advanced	(20,000,000)	(63,874,953)	<b>(83,874,953)</b>	(74,958,507)	<b>8,916,446</b>	Q
<b>Total expenditure</b>	<b>(176,418,000)</b>	<b>(185,505,658)</b>	<b>(361,923,658)</b>	<b>(341,466,106)</b>	<b>20,457,552</b>	
<b>Operating surplus</b>	-	-	-	<b>21,215,722</b>	<b>21,215,722</b>	
Gain on disposal of assets and liabilities	-	-	-	50,909	50,909	
Adjustment for Capital Movements	-	-	-	(18,775,521)	(18,775,521)	
				(18,724,612)	(18,724,612)	
<b>Actual Amount on Comparable Basis</b>	-	-	-	<b>2,491,110</b>	<b>2,491,110</b>	

## GeP Annual Financial Statements

### 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.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand. A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below

#### 1.1 Going concern assumption

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

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

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

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

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, management makes judgments as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

an impairment of trade debtors is established when there is objective evidence that the entity will not be able to collect all amounts due according to the original terms of the loan. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial recognition, and default of delinquency in payments are considered indicators that the debtor should be impaired.

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

- where the debtor has not paid for one to three months, no amount should be provided against the loan balance and the debtor invoiced amounts.
- where the debtor has not paid for four to twelve months, the amount should be at least 20% of the loan balance and the debtors invoiced amounts.
- where the debtor has not paid for thirteen months to eighteen months, the amount should be at least 50% of the loan balance and the debtor's invoiced amounts.
- where the debtor has not paid for nineteen months to twenty four months, the amount should be at least 75% of the loan balance and the debtor's invoiced amounts.
- where the debtor has not paid for over twenty four months, the amount should be at least 90% of the loan balance and the debtor's invoiced amounts.

#### Debtors loan write-off

all loans that have not had any repayments in the past 12 months should be written off unless Post Investment has committed to supporting the debtor to profitability.

where the likelihood of a loan being repaid is remote, a motivation for write-off should be submitted to the debt management Committee by finance.

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

## GeP Annual Financial Statements

### ACCOUNTING POLICIES (CONTINUED)

where loans have been granted in line with a partnership agreement with a third party, the said agreement should be consulted for the approval of the write offs.

The motivation for the write-off should be tabled at the debt management Committee which will then recommend such to the Accounting Officer and/or Accounting Authority in terms of the Delegation of Authority.

#### Taxation

The entity has been exempted from income tax by South African Revenue Services in terms of Section 10(1)(cn)(i) of the Income Tax Act (Act No. 58 of 1962).

#### 1.3 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used 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. 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 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. The obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

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.

Property, plant and equipment is carried at cost, less accumulated depreciation, and any impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

## GeP Annual Financial Statements

### ACCOUNTING POLICIES (CONTINUED)

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Property, plant and equipment are depreciated on over their expected useful lives to their estimated residual value. Property, plant and equipment is carried at cost, less accumulated depreciation, and any impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus.

The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

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

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

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

## GeP Annual Financial Statements

### ACCOUNTING POLICIES (CONTINUED)

Item	Depreciation method	Average useful life
motor vehicles	Straight line	5-8 years
Office equipment and furniture	Straight line	6-20 years
IT equipment	Straight line	3-7 years
leasehold improvements	Straight line	lease period
leased assets	Straight line	lease period

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimates. Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimates.

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 charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset. Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

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

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

#### 1.4 Intangible assets

An intangible asset is recognised when:

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

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

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

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

An intangible asset carried at cost, less any accumulated amortisation, and any impairment losses.

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

## GeP Annual Financial Statement

### ACCOUNTING POLICIES (CONTINUED)

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

- Computer software 3 years.

#### 1.5 Financial instruments

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

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

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

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

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

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

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

A financial asset is:

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

A financial liability is any liability that has 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.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

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

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

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

## GeP Annual Financial Statements

### ACCOUNTING POLICIES (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 instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial support loans are categorised and are stated at their amortised cost using the effective interest rate method, less an 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 amounts 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, default or have delinquency in payments are considered indicators that the debtor is impaired. When the trade debtor is perceived to be uncollectable, it is written off. Subsequent recoveries of amounts previously written off are credited in the statement of financial performance as bad debts are recovered.

#### **Trade and other payables**

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

#### **Cash and cash equivalents**

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

#### **1.6 Leases**

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

When a lease includes both land and building 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.

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 on the remaining balance of the liability.

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

#### **Operating leases - lessor**

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

## GeP Annual Financial Statement

### ACCOUNTING POLICIES (CONTINUED)

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

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

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

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

Cash-generating assets are assets held with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-oriented entity, it generates a commercial return.

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).

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

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.

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

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.

#### **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.

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

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

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

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

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

## GeP Annual Financial Statements

### ACCOUNTING POLICIES (CONTINUED)

#### **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 reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the entity would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an 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 assets 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.

## GeP Annual Financial Statements

### ACCOUNTING POLICIES (CONTINUED)

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 a surplus or deficit. any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

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

### 1.9 Employee benefits

#### Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

### 1.10 Provisions and contingencies

Provisions are recognised when:

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

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

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

a provision is used only for expenditures for which the provision was originally recognised.  
Contingencies are disclosed in note 23.

### 1.11 Commitments

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

### 1.12 Revenue from exchange transactions

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

## GeP Annual Financial Statement

### ACCOUNTING POLICIES (CONTINUED)

an exchange transaction is one in which the municipality 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.

#### **Interest**

Interest income is accrued on a time proportion basis, taking into account the principal amount and the effective interest rate over the period to maturity.

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

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

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

#### **Measurement**

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

#### **1.14 Comparative figures**

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

#### **1.15 Fruitless and wasteful expenditure**

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

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

#### **1.16 Irregular expenditure**

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

- (a) This act; or
- (b) The State Tender board act, 1968 (act No. 86 of 1968), or any regulations made in terms of the act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

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

Irregular expenditure that was incurred and identified during the current financial year and which was condoned before year-end and/or before finalisation of the financial statements, must also be recorded appropriately in the irregular expenditure register.

## GeP Annual Financial Statements

### ACCOUNTING POLICIES (CONTINUED)

In such an instance, no further action is also required with the exception of updating the note to the financial statements.

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

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

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the Accounting Officer or 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 must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

#### 1.17 Budget information

The approved budget is prepared on a cash basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 01/04/2016 to 31/03/2017.

#### 1.18 Related parties

As a consequence of the constitutional independence of the three spheres of government in South Africa, all three spheres of government are considered to be related parties.

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

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

#### 1.19 Events After Reporting Date

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

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

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

The entity will disclose the nature of the event and an estimate of its financial effect or a statement that such an 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.

## GeP Annual Financial Statements

### Notes To The Annual Financial Statements

#### 2. New standards and interpretations

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

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 April 2017 or later periods:

<b>GRAP 20 Related Parties</b>	applicable related-party relationships and transactions are disclosed according to the Standard presented in note 25.
<b>GRAP 32 Service Concession Arrangements: Grantor</b>	Not applicable. The entity is not engaged in any service concession arrangements.
<b>GRAP 108 Statutory Receivables</b>	Not applicable. receivables of the entity arise from contracts or other agreements and not as a result of legislation, supporting regulations, or similar means.
<b>IGRAP 17 Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset</b>	Not applicable. The entity is not engaged in any service concession arrangements.



**GeP Annual Financial Statement****Notes To The Annual Financial Statement**

Figures in Rand	2017	2016
<b>3. Financial support loans at amortised cost</b>		
<b>At amortised cost</b>		
<b>Net amount outstanding at the end of the period</b>	<b>93,390,244</b>	<b>36,008,391</b>
Balance at 1 April	39,609,892	40,116,466
Amounts advanced	74,958,507	23,654,008
Bad debts written off	-	(10,177,024)
Transfer to receivables	(12,877,746)	(14,018,558)
Recapitalisation of interest and initiation fee	187,550	35,000
<b>Balance at 31 March</b>	<b>101,878,203</b>	<b>39,609,892</b>
Less: Impairments of loans	(8,487,960)	(3,601,501)
Balance at 1 April	(3,601,501)	(8,305,906)
Current year movements	(4,886,459)	4,704,405
<b>Net amount outstanding at 31 March</b>	<b>93,390,243</b>	<b>36,008,391</b>
Non-current assets	70,986,380	29,305,446
Current assets	22,403,864	6,702,945
	<b>93,390,244</b>	<b>36,008,391</b>
<b>4. Receivables from exchange transactions</b>		
Trade debtors	47,570,015	39,802,833
Impairment of trade receivables	(18,716,103)	(11,462,738)
Balance at 1 April	(11,462,738)	(27,413,323)
Current year movement	(7,253,365)	15,950,585
Net debtors	28,853,912	28,340,095
Deposits (leases) and prepayments (software licence)	405,026	555,026
	<b>29,258,938</b>	<b>28,895,121</b>
<b>5. Cash and cash equivalents</b>		
<b>Cash and cash equivalents consist of:</b>		
Cash on hand	43,001	43,001
Operating bank balances	31,574,302	41,561,836
Development Fund bank balance	503,407	10,417,994
Financial support bank balances	9,229,425	51,101,050
	<b>41,350,135</b>	<b>103,123,881</b>

**GeP Annual Financial Statements****Notes To The Annual Financial Statements****6. Property, plant and equipment**

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Leased assets	-	-	-	383,859	(330,461)	53,398
Motor vehicles	477,347	(435,989)	41,358	477,347	(409,881)	67,466
Office equipment	9,399,935	(5,701,131)	3,698,804	6,813,032	(5,296,662)	1,516,370
IT equipment	4,667,389	(2,154,866)	2,512,523	3,530,111	(2,464,633)	1,065,478
Leasehold improvements	1,252,038	(649,598)	602,440	675,511	(356,520)	318,991
<b>Total</b>	<b>15,796,709</b>	<b>(8,941,584)</b>	<b>6,855,125</b>	<b>11,879,860</b>	<b>(8,858,157)</b>	<b>3,021,703</b>

**Reconciliation of property, plant and equipment – 2017**

	Opening balance	Additions	Disposals	Depreciation	Total
Leased assets	53,398	-	-	(53,398)	-
Motor vehicles	67,466	-	-	(26,108)	41,358
Office equipment	1,516,370	2,842,316	(5,661)	(654,221)	3,698,804
IT equipment	1,065,478	2,345,711	(44,819)	(853,847)	2,512,523
Leasehold improvements	318,991	576,527	-	(293,078)	602,440
	<b>3,021,703</b>	<b>5,764,554</b>	<b>(50,480)</b>	<b>(1,880,652)</b>	<b>6,855,125</b>

**Reconciliation of property, plant and equipment – 2016**

	Opening balance	Additions	Disposals	Depreciation	Total
Leased assets	421,932	-	-	(368,534)	53,398
Motor vehicles	101,747	-	-	(34,281)	67,466
Office equipment	1,588,966	437,273	(138,918)	(370,951)	1,516,370
IT equipment	1,704,680	210,066	(113,930)	(735,338)	1,065,478
Leasehold improvements	544,162	-	-	(225,171)	318,991
	<b>4,361,487</b>	<b>647,339</b>	<b>(252,848)</b>	<b>(1,734,275)</b>	<b>3,021,703</b>

## GeP Annual Financial Statement

### Notes to the Annual Financial Statement

#### 7. Intangible assets

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Computer software	783,337	(558,748)	224,589	833,696	(350,852)	482,844

#### Reconciliation of intangible assets - 2017

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	482,844	3,146	(309)	(261,092)	224,589

#### Reconciliation of intangible assets - 2016

	Opening balance	Additions	Amortisation	Total
Computer software	692,914	44,369	(254,439)	482,844

#### 8. Other investments

Balance at 31 March 2017

Over the years, the Department of Economic Development ("the shareholder") transferred an investment to Gauteng Enterprise Propeller (GEP) in line with the mandate of GEP. The investment has devalued over the number of years to the value of R1 (for the purposes of disclosure). The investment is in the process of being liquidated. Hence the re-valuation value is unknown until the liquidation process is finalised.

#### Wakegem (Pty) LTD

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#### 9. Finance lease liability

##### Minimum lease payments due

less: future finance charges	-	59,884
Present value of minimum lease payments	-	(1,378)
<b>Present value of minimum lease payments due</b>	<b>-</b>	<b>58,506</b>
- within one year	-	58,506
	-	<b>58,506</b>

**GeP Annual Financial Statement****Notes To The Annual Financial Statement**

Finance lease liabilities relates to cell phone contracts. These contracts lapsed during the current financial year (2016/17), Hence the finance lease liability reduced to nil.

Figures in Rand	2017	2016
<b>10. Operating lease liability</b>		
Operating lease accrual	<b>3,796,971</b>	<b>2,487,393</b>
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.		
<b>11. Trade and other payables</b>		
Trade payables	2,502,257	3,150,831
Accrued leave pay	5,844,237	5,333,089
Accrued 13th Cheque	580,917	555,120
	<b>8,927,411</b>	<b>9,039,040</b>

**12. Unspent conditional grants****Unspent conditional grants comprises of:**

Ekurhuleni Municipality	2,538,147	3,813,598
Youth Programme (Vuthela)	245,408	-
Dinokeng	-	7,200,000
Gauteng Entrepreneurship Model	1,000,000	-
Nedbank	250,000	-
Sun International Management Ltd	700,000	700,000
Old Mutual	250,000	-
Gauteng Gambling Board	460,461	4,676,380
Gauteng Department of Agriculture and Rural Development (GDARD)	6,862,500	-
	<b>12,306,516</b>	<b>16,389,978</b>

## GeP Annual Financial Statement

### Notes To The Annual Financial Statement

GEP entered into an agreement with Ekurhuleni municipality on 24 July 2015 to provide Non-financial and financial Support to the Iungilemtshali Economic and Skills development Programme. In line with the agreement an amount of R9.7 million was transferred to GEP. The agency met the condition amounting to R7.2 million and R2.5 million remained unspent as at 31 March 2017.

In order to assist in reducing youth unemployment in Gauteng, GEP received in the 2016/17 financial year a conditional grant amounting to R20m from the department of Economic development. This grant was meant for Project vuthela which is spearheading youth acceleration and improving the sustainability of black owned enterprises. As at the end of the 2016/17 financial year, 99% of the R20 million allocation had been spent leaving a balance of R245 000.

GEP also entered into an agreement with Dinokeng to establish and create jobs and support the development of SMMEs in the tourism area. An amount of R7.2 million in the form of a conditional grant was transferred to GEP for financial and non-financial support to SMMEs. The allocation was spent and all conditions were met in the 2016/17 financial year.

A further R1 million conditional grant was received in the 2016/17 financial year from the Department of Economic development for the development of the Gauteng Entrepreneurship model (GEM) which is a framework that will seek to identify opportunities for the acceleration and growth of Gauteng based entrepreneurs. This amount remained unspent but is committed as at 31 March 2017.

In addition to the above, GEP received a conditional grant from Sun International management LTD to pay prizes to the SMME awards in the travel and tourism category. In line with the agreement an amount of R1 million was transferred to GEP in the year 2015/16. GEP met the conditions amounting to R300 000 and R700 000 remained unspent as at 31 March 2017. This amount will be spent in the year 2017/18 for the SMME awards.

Nedbank and Old Mutual each transferred R250 000 respectively to contribute the 2017/18 SMME awards. The conditional grant will be used in the year 2017/18.

In line with the mandate of the GEP, the entity entered into an agreement with Gauteng Gambling board to provide support to the SMMEs. An amount of R4.6 million remained unspent in the 2015/16 financial year and was carried over to the 2016/17 financial year. An amount of R4.2 million was spent in the 2016/17 financial year and only R460 000 remained as a balance in end of 2016/17 year.

The Gauteng department of agriculture and rural development (Gdard) and GEP have collaborated in areas of mutual interest in agricultural development and in cooperation with Gauteng province. This is to promote agriculture and agri-business as one of the vehicles for economic development and the promotion of township enterprises. An amount of R7 million was received from Gdard and R6.8 million remained unspent.

### 13. Revenue from non-exchange transactions

Provincial Grants	215,718,000	290,438,000
Conditional Grant - Sun International Management LTD	-	300,000
Conditional Grant - Youth Programme (Vuthela)	19,754,593	-
Conditional Grant - Dinokeng	7,200,000	-
Conditional Grant - Ekurhuleni Municipality	188,925	5,929,140
Conditional Grant - Gauteng Gambling Board	4,215,919	5,700,000
Conditional Grant - Gauteng Liquor Board	450,000	-
	<b>247,527,437</b>	<b>302,367,140</b>

**GeP Annual Financial Statement****Notes To The Annual Financial Statement**

<b>247,527,437</b>	<b>302,367,140</b>
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**14. Revenue from exchange transactions**

SETA subsidy	159,260	216,318
Sundry income	246,365	366,090
Training and management fees	1,360,426	2,300
Insurance claims received	7,193	25,953
Finance income - financial support loans	9,670,663	4,705,294
Bad debts recovered - financial support loans	252,835	330,205
Sponsorships - Telkom	-	1,000,000
Profit/(loss) on sale of property, plant and equipment	50,909	-
	<b>11,747,651</b>	<b>6,646,160</b>

**15. Programme and projects**

Research and development costs	-	79,314
SMME product development	37,200,342	23,329,554
SMME seminars and training	1,413,391	198,237
SMME sponsorships	1,295,000	2,600,985
SMME business development support	60,616,867	71,000,175
	<b>100,525,600</b>	<b>97,208,265</b>

**16. Employee related costs**

Basic Salaries	64,319,590	58,233,212
Performance bonuses	1,293,710	913,609
Medical aid - company contributions	2,663,460	2,361,616
Unemployment Insurance Fund	287,614	437,710
Workman's Compensation Assistance	-	170,310
Skills Development Levy	774,443	696,031
Leave pay provision charges	1,311,023	1,548,719
Employee care	-	15,331
Other short-term costs	1,659,027	1,379,255
Travel, motor car, accommodation, subsistence and other allowances	4,493,626	4,379,116
13th cheques	2,404,206	2,491,654
Acting allowances	1,481,768	590,254
Retirement benefits	11,739,023	10,990,095
	<b>92,427,490</b>	<b>84,206,912</b>

**GeP Annual Financial Statements****Notes To The Annual Financial Statements****17. Debt Impairment****Bad Debts Written-off**

Financial support loans	- 10,177,024
Trade and other receivables	- 28,397,064
	<b>- 38,574,088</b>

**Provision for Debt Impairment**

Financial support loans	(4,886,459)	(4,704,405)
Trade and other receivables	(7,253,365)	(15,950,585)
	<b>(12,139,824)</b>	<b>(20,654,990)</b>

**18. Finance Income**

Finance Income - Bank	<b>3,955,921</b>	<b>1,996,130</b>
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**19. Finance costs**

Interest paid - Finance Lease	<b>1,378</b>	<b>23,357</b>
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**20. Auditors' remuneration**

Internal and External Audit Fees	<b>3,051,021</b>	<b>2,902,92</b>
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**GeP Annual Financial Statement****notes To The Annual Financial Statement****21. Cash generated from operations**

Surplus	2,491,110	69,065,461
<b>Adjustments for:</b>		
Depreciation and amortisation	2,142,272	1,989,527
Profit(loss) on sale of Property, plant and equipment	(50,909)	76,811
Debt impairment	12,139,527	17,919,098
Other non-cash items	(2,907)	198,582
(Increase)/decrease in financial support loans	(62,268,312)	(9,670,450)
<b>Changes in working capital:</b>		
Receivables from exchange transactions	(7,617,182)	(11,459,236)
Receivables from non-exchange transactions	-	8,319,140
Trade and other payables	(111,631)	(1,475,880)
Unspent conditional grants	(4,083,462)	16,389,978
Operating lease liability	1,309,578	2,266,608
	<b>(56,051,916)</b>	<b>93,619,639</b>

**22. Commitments**

Certain contracts were entered into during the year for the provision of goods and/(or) services. As at 31 March 2017 the outstanding commitments for contracts in progress amounted to:

**Approved and contracted**

Financial Support loans approved but not yet paid out	16,997,628	39,072,173
Programmes and projects	9,566,904	22,078,557
Orders placed but goods or services not delivered	6,274,486	18,321,203
Various contracts currently in progress	80,367	1,748,584
Qondishishini Lakho projects	-	1,207,870
	<b>32,919,385</b>	<b>82,428,387</b>

## GeP Annual Financial Statement

### Notes to the Annual Financial Statement

#### Operating leases - as lessee

##### Minimum lease payments due

- within one year	16,161,548	12,237,983
- in second to fifth year inclusive	38,368,943	48,993,481
	<b>54,530,491</b>	<b>61,231,464</b>

Operating lease payments represent rentals payable for the use of office accommodation. Leases escalate at rates between 5% and 10% per annum.

#### 23. Contingencies

As at 31 March 2017, there was an ongoing litigation process against the Gauteng Enterprise Propeller (GEP) relating to a service provider, Batuka, who is suing GEP for an amount of R143 640. GEP's legal team and management consider the likelihood of the action against the entity being successful as unlikely, and the case should be resolved within the next two years.

#### 24. Related parties

##### Relationships

Department of Economic Development	Government Department
Department of Agriculture & Rural Development	Government Department
Dinokeng	State-owned entity
Gauteng Gambling Board	State-owned entity
Ekurhuleni Municipality	Government Municipality
Gauteng Liquor Board	State-owned entity

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.

Funding from Gauteng Provincial Department of Economic Development	215,718,000	290,438,000
Ekurhuleni Municipality	-	9,742,738
Gauteng Department of Agriculture and Rural Development	7,087,500	-
Gauteng Gambling Board (GGB)	-	10,376,380
Gauteng Liquor Board (GLB)	495,000	-
Dinokeng	-	7,200,000
Gauteng Provincial Department of Economic Development (Vuthela)	20,000,000	-
Gauteng Provincial Department of Economic Development (GEM)	1,000,000	-

**GeP AnnuAl fInAncIAI STATemenTS****noTeS To THe AnnuAl fInAncIAI STATemenTS**

<b>Figures in Rand</b>	<b>2017</b>	<b>2016</b>
<b>Dinokeng Conditional Grant</b>		
Grant Revenue	7,200,000	-
Expenditure	(7,200,000)	-
Grant Liability	-	7,200,000
<b>Gauteng Gambling Board (GGB)</b>		
Grant Revenue	4,215,919	5,700,000
Receivables from non-exchange transactions	-	(8,319,140)
Grant Liability	460,461	4,676,380
Expenditure	4,215,919)	8,319,140
<b>Ekurhuleni Municipality</b>		
Grant Revenue	188,925	5,929,140
Expenditure	(188,925)	(5,929,140)
Grant Liability	2,538,147	3,813,598
<b>Department of Agriculture and Rural Development</b>		
Grant Revenue	7,087,500	-
Expenditure	(225,000)	-
Grant Liability	6,862,500	-
<b>Gauteng Liquor Board (GLB)</b>		
Grant Revenue	495,000	-
Expenditure	(495,000)	-
Grant Liability	-	-
<b>Youth Programme (Vuthela)</b>		
Grant Revenue	20,000,000	-
Expenditure	(19,754,592)	-
Grant Liability	245,408	-
<b>Gauteng Entrepreneurship Model (GEM)</b>		
Grant Liability	1,000,000	-

**GeP Annual Financial Statement****Notes To The Annual Financial Statement**

Figures in Rand	2017	2016
<b>Remuneration of directors and key management</b>		
<b>Directors - Fees for attendance of Board and Board committee meetings</b>		
L. Magagane	250,576	198,191
T. Sithole	183,246	197,040
K. Matseke	-	36,730
M. Ramonyai	159,479	162,880
R. Kekane	169,721	166,353
K. Duba	141,726	163,233
M. Lehobye	159,479	173,300
M. Africa	152,519	159,215
C. Busetti	187,318	182,575
M. Maroga	159,479	159,216
M. Ramusi	152,684	173,135
T. Ratshitanga	141,685	138,567
I. Motau	179,371	142,023
L. Madavha	41,190	-
<b>Directors Total</b>	<b>2,078,473</b>	<b>2,052,458</b>

## GeP Annual Financial Statement

### Notes To The Annual Financial Statement

#### Senior management remuneration 2017

	Bonus	Salary	Other Benefits	Acting Allowance	Total
L. Manenzhe - Acting Chief Executive Officer	-	-	-	348,927	348,927
L. Maluleke - Chief Operational Officer	-	531,832	-	-	531,832
N. Genuka - Chief Financial Officer	2,097	474,625	-	134,025	610,747
L.H.S. Dube GM: Risk & Audit	-	365,531	-	-	365,531
K. Onuoka - Company Secretary	-	422,600	587,593	-	1,010,193
T.J. Guliwe - Acting Specialist : Strategy, Planning and M&E	-	-	-	122,081	122,081
V.B. Ntshoko - GM Strategy, M&E	-	476,227	-	-	476,227
L. Zabala GM: Corporate Services	26,212	1,606,008	888,526	-	2,520,746
P. Mosiathaga - Chief Information Officer	32,357	1,687,511	-	-	1,719,868
M. Valashya - Acting GM: Loans, Debt Recoveries and Bus Development	2,097	-	-	144,345	146,442
M. Ndebele - Specialist: Stakeholder, Partnerships and Resource Mobilisation	24,896	1,390,889	-	-	1,415,785
R. Mogatle - Specialist : Risk Management & Audit	22,048	173,316	-	-	195,364
M. Malokane - GM: Legal Services	28,834	1,631,496	-	-	1,660,330
<b>Total emoluments</b>	<b>138,541</b>	<b>8,760,035</b>	<b>1,476,119</b>	<b>749,378</b>	<b>11,124,073</b>

Included in senior management are seconded executive management employees from the Gauteng Department of Economic Development (controlling entity). These senior management employees were transferred on less favourable terms than those entered into with other employees. They are paid by way of an acting allowance by GEP and other remuneration costs are compensated by the Gauteng Department of Economic Development.

## GeP Annual Financial Statements

### Notes To The Annual Financial Statements

#### Director's attendance of Board and Board Committee Meetings

Members	Board	RAC	REMCO	BDC	CC	Joint BDC and CC	Special Board	Risk Management
L. Magagane	3/4	5/7	6/6	1/4	4/4	2/2	7/7	*
T. Sithole	3/4	6/7	*	4/4	*	2/2	5/7	*
M. Lehobye	2/4	6/7	*	*	*	*	6/7	*
K. Duba	4/4	*	2/6	*	*	*	1/7	1/1
R. Kekana	2/4	*	6/6	*	*	*	6/7	*
M. Ramonyai	4/4	*	*	3/4	*	2/2	2/7	0/1
M. Africa	2/4	*	*	*	4/4	2/2	2/7	*
C. Busetti	4/4	*	*	4/4	4/4	2/2	6/7	*
I. Motau	4/4	6/7	5/6	*	*	*	5/7	*
M. Ramusi	2/4	3/7	*	*	2/4	2/2	3/7	*
M. Maroga	3/4	*	*	1/4	*	2/2	5/7	1/1
T. Ratishitanga	3/4	*	*	*	2/4	1/2	2/7	*
* L. Madavha	*	5/7	*	*	*	*	*	*

Risk and Audit Committee (RAC)

Risk Management

Human Resource and Remuneration Committee (REMCO)

Business Development Committee (BDC)

Credit Committee (CC)

Joint BDC and CC

\* Co-opted Member of Committee

#### 25. Financial instruments disclosure categories of financial instruments 2016

##### Financial assets by class

Financial support loans	93,390,243	36,008,391
Receivables from exchange transactions	29,258,938	28,895,121
Cash and cash equivalents	41,350,135	103,123,881
	<b>163,999,316</b>	<b>168,027,393</b>

##### Financial liabilities by class - at carrying value and fair value

Finance lease liability	-	58,506
Trade and other payables	2,502,257	3,150,831
	<b>2,502,257</b>	<b>3,209,337</b>

## GeP Annual Financial Statements

### Notes to the Annual Financial Statements

#### 26. Risk management

##### Financial risk management

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 the Credit Committee and Debt Management Committee.

##### Liquidity risk

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

##### Financial Liabilities

	0 - 12 months	1 - 5 years	5 years	Total
Trade and other payables	2,502,257	-	-	2,502,257
Finance lease liability	-	-	-	-
	<b>2,502,257</b>	-	-	<b>2,502,257</b>

##### Credit risk

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

Trade receivables comprises a large number of customers dispersed across different industries and geographical areas. Credit evaluations are performed by Credit Committee depending on the threshold of the transaction on the financial condition of these receivables. Where appropriate, the necessary credit guarantees are arranged. Trade and other receivables are shown net of impairment.

The Debt Management Committee monitors the performance of receivables on a regular basis. At 31 March 2017, the entity did not consider there to be any significant concentration of credit risk which had not been insured or adequately provided for.

Product type	Current	30 days	60 days	90 days	120+ days	Total
Contract Finance	504,758	551,677	2,861,797	937,899	3,189,848	8,045,979
Expansion	302,799	248,656	247,558	246,055	9,441,976	10,487,045
Franchise	104,581	101,701	103,098	102,508	2,257,744	2,669,632
Micro	2,504	3,295	8,244	9,116	537,354	560,514
Start-up	71,705	73,377	70,924	70,398	742,317	1,028,721
Mafisa	14,161	17,476	17,757	17,705	542,333	609,431
TMR	80,891	16,123	16,123	16,123	16,123	145,383
Handover	64,923	105,159	128,392	364,981	4,643,799	5,307,254
<b>Total</b>	<b>1,146,322</b>	<b>1,117,464</b>	<b>3,453,893</b>	<b>1,764,785</b>	<b>21,361,494</b>	<b>28,853,912</b>

## GeP Annual Financial Statement

### Notes to the Annual Financial Statement

#### Market risk

##### Interest rate risk

Bank deposits are linked to the South African prime interest rate. The net interest income at 2017 was R3 955 921 (2016: R1 996 130). The sensitivity analysis below has been determined based on the exposure to interest rates on financial instruments at the balance sheet date. For floating rate instruments, the analysis is prepared assuming the amount of instruments outstanding at the balance sheet date was outstanding for the whole year. A 50% basis points increase is used and presents management's assessment of the reasonably possible change in interest rates.

Interest rates had been 50 basis points higher and all other variables were held constant the entity's surplus for the period ended 31 March 2017 which would have increased by R1 959 791 (2016: R515 619). For by 50 basis points, there would have been an equal and opposite impact on the surplus. 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 2017 is summarised as follows:

	0 - 12 months	Beyond one year	Total floating rate borrowings/investments
Financial support loans	22,403,864	-	22,403,864
Receivables from exchange transactions	29,258,938	-	29,258,938
Cash and cash equivalents	41,350,135	-	41,350,135
	<b>93,012,937</b>	-	<b>93,012,937</b>

#### 27. Going concern

The determination of whether the going concern assumption is appropriate was considered by management of GEP. The factors management considered to come to a conclusion on the appropriateness of the going concern assumption are:

After the reporting date, if there is an intention to liquidate the GEP or to cease operating, or that there is no realistic alternative but to do so.

The current and expected performance of the GEP, any announced and potential restructuring of organisational units, the likelihood to continue government funding and, if necessary, potential sources of replacement funding.

In the case of GEP whose operations are substantially budget-funded government, going concern issues will generally only arise if the provincial government announces its intention to cease funding the entity.

Any deterioration in operating results and financial position after the balance sheet date was considered. The financial position of the entity, its cash flows, and liquidity position and funding facilities as set out in the annual financial statements and future projections of funding requirements from the Provincial Government.

After considering the above, management of GEP has concluded that the Agency will be able to operate for the foreseeable future. For this reason, the entity continues to adopt the going concern basis in preparing its financial statements.

## GeP Annual Financial Statement

### Notes to the Annual Financial Statement

#### 28. Fruitless and wasteful expenditure

Current year

No fruitless and wasteful expenditure was incurred during the year.

#### 29. Irregular expenditure

Current year

No irregular expenditure was incurred during the year.

#### 30. 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 cost charge to the statement of financial performance of R11 739 023 (2016: R10 990 095) represents contributions payable to those schemes by the entity at rates specified in the rules of schemes. The entity had no post-retirement obligations for retirement benefits, at year-end.

## **GeP Annual Financial Statement**

### **Notes To The Annual Financial Statement**

#### **31. 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 the cash basis.

A) For the 2016/17 financial year, GEP collected revenue of R14.6 million which includes interest of R1.9 million. The projected revenue was R10 million which shows an over collection of R2.7 million from the collected revenue.

B) The entity received R15.6 million at year-end compared to the budget of R5.3 million. The positive variance of R10 million is due to the interest on the loan book of R9.5 million, interest earned from the bank account of R3.9 million and other income of R2 million which is SETA income, sundry income, training fees and bad debts recovered.

C) At year-end, GEP had met the conditions for an amount of R31.8 million for conditional grants and R12.3 million remains unspent as at year-end. The unspent grant is committed and will be spent in the 2017/18 financial year (refer to par. C,D,E,F,G,H,I,J). For additional details please refer to note12.

K) The total expenditure for personnel was R92.4 million resulting in a positive variance of R2.4 million.

L&M) These are non-cash items not budgeted for.

O) For general expenditure, the entity had an original budget of R58.3 million and adjustment of R117.9 million which was received to fund other priority areas and bringing our total budget to R176.3 million. The expenditure for the year amounted to R154.4 million with a positive variance of R28.3 million committed.

Q) GEP commenced the year with an original budget of R20 million at the beginning of the financial year and this was further adjusted by R63.8 million to R83.8 million. The actual financial support loans advanced for the year amounted to R74.9 million, leaving a positive variance of R8.9 million.

**GeP Annual Financial Statement****Notes To The Annual Financial Statement****32. General expenses**

Advertising	8,189,036	2,141,467
Auditor's remuneration	3,051,021	2,902,929
Bank charges	90,455	107,194
Consulting and professional fees	7,156,127	3,377,761
Catering	8,215	31,155
Fines and penalties	-	(248,347)
Community Fund	3,287,407	4,846,038
Office equipment rental	1,277,890	954,918
Insurance	324,068	303,864
IT expenses	1,912,046	1,906,132
Motor vehicle expenses	58,681	70,914
Printing and stationery	1,374,194	591,500
Library maintenance	28,478	341
Research and development costs	-	79,314
Maintenance of software	2,644,489	1,202,436
Telephone and fax	2,829,872	2,743,352
Training	441,394	148,586
Travel - local	97,785	76,135
Travel - overseas	846,306	180,975
Board meetings	6,474	5,148
Bursaries	320,929	366,529
Courier services	28,500	-
Severance packages	-	1,379,255
Travel reimbursements	952,575	1,049,927
Recruitment	526,026	108,909
SMME product development	37,200,342	23,329,554
SMME seminars and training	1,413,391	198,237
SMME sponsorships	1,295,000	2,600,985
SMME business development support	60,616,867	71,000,175
	<b>135,977,568</b>	<b>121,455,383</b>

**GeP Annual Financial Statement****Detailed Statement of Financial Performance**

<b>Figures in Rand</b>	<b>Notes</b>	<b>2017</b>	<b>2016</b>
<b>Revenue</b>			
Government grants and subsidies		243,122,593	290,438,000
Revenue - Sun International Management		-	300,000
Revenue - Ekurhuleni Municipality		188,925	5,929,140
Revenue - Gauteng Gambling Board		4,215,919	5,700,000
Interest received - Bank		3,955,921	1,996,130
Revenue from exchange transactions	14	11,696,742	6,646,160
<b>Total revenue</b>		<b>263,180,100</b>	<b>311,009,430</b>
<b>Expenditure</b>			
Employee related costs	16	(92,427,490)	(84,206,912)
Depreciation and amortisation		(2,142,272)	(1,989,527)
Finance costs	19	(1,378)	(23,357)
Operating lease and utilities		(16,594,098)	(16,563,515)
Debt Impairment	17	(12,139,527)	(17,919,098)
Repairs and maintenance		(1,457,566)	(1,088,621)
General expenses	32	(135,977,568)	(120,076,128)
<b>Total expenditure</b>		<b>(260,739,899)</b>	<b>(241,867,158)</b>
<b>Operating surplus</b>		<b>2,440,201</b>	<b>69,142,272</b>
Profit/(loss) on disposal on property, plant and equipment		(50,909)	(76,811)
<b>Surplus for the year</b>		<b>2,491,110</b>	<b>69,065,461</b>

Notes



**GAUTENG PROVINCE**

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