

ANNUAL REPORT

2018/2019



Moulding Entrepreneurs





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PART A

GENERAL INFORMATION

GEP'S GENERAL INFORMATION

Registered Name
Registered Number
Chairperson of the Board
Acting Chief Executive Officer

Gauteng Enterprise Propeller
Not applicable
Mr. Khehla Mthembu
Ms. Leah Manenzhe

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Bankers

First National Bank

Auditors

Auditor-General of South Africa

Company Secretary

First Corporate Secretaries



GEP REGIONAL AND SATELLITE OFFICES

REGIONAL OFFICES

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EKURHULENI REGIONAL OFFICE

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Corner Victoria & Spilsbury,
Germiston
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TSHWANE REGIONAL OFFICE

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Hatfield Gardens,
Hatfield
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WEST RAND REGIONAL OFFICE

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SEDIBENG REGIONAL OFFICE

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Vanderbijlpark
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SATELLITE OFFICES

BRONKHORSTSPRUIT SATELLITE OFFICE

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Bronkhorstspuit
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HEIDELBERG SATELLITE OFFICE

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SOWETO SATELLITE OFFICE

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

MOHLAKENG SATELLITE OFFICE

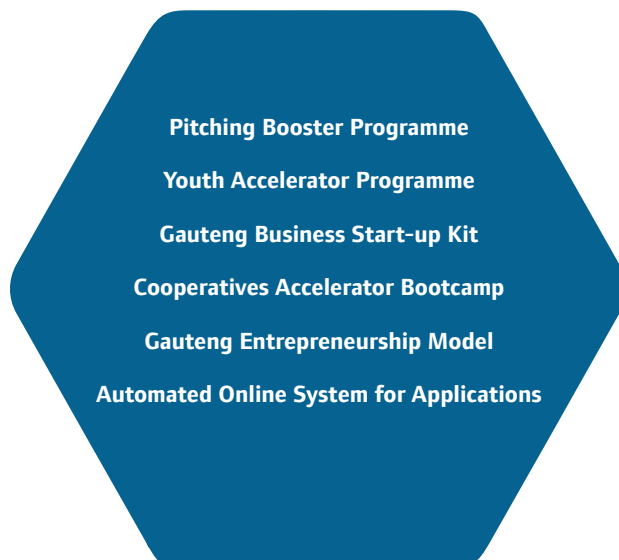
3521 Ralerata Street,
Mohlakeng
Tel: 011 414 1753

LIST OF ABBREVIATIONS / ACRONYMS

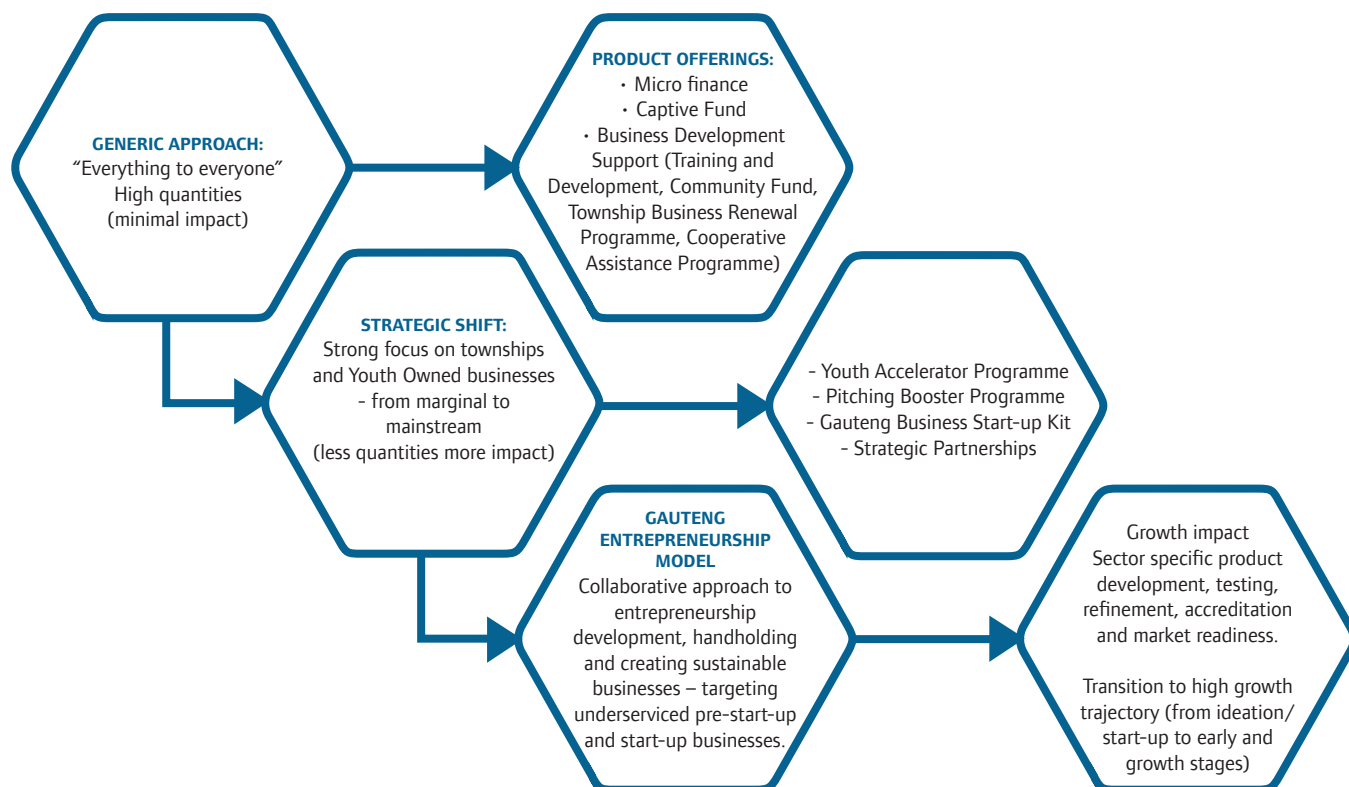
AGSA	Auditor-General of South Africa
APP	Annual Performance Plan
BCM	Business Continuity Management
BBBEE	Broad-Based Black Economic Empowerment
CAP	Cooperative Assistance Programme
Co-Ops	Cooperatives
DFI	Development Finance Institution
ESD	Enterprise Supplier Development
ES	Enterprise Support
GCR	Gauteng City Region
GDED	Gauteng Department of Economic Development
GDP	Gross Domestic Product
GEM	Gauteng Entrepreneurship Model
GEP	Gauteng Enterprise Propeller
GGDA	Gauteng Growth and Development Agency
GIBUS	Gauteng Informal Business Upliftment Strategy
GM	General Manager
GPG	Gauteng Provincial Government
GRAP	Generally Recognised Accounting Practice
GTA	Gauteng Tourism Authority
ICT	Information and Communications Technology
IM	Investment Management
MEC	Member of the Executive Council
MTSF	Medium Term Strategic Framework
NDP	National Development Plan
PFMA	Public Finance Management Act
SETA	Sector Education and Training Authority
SMME	Small, Medium and Micro Enterprises
TBR	Township Business Renewal
TER	Township Economic Revitalisation
TMR	Transformation, Modernisation and Re-industrialisation
TR	Treasury Regulation
SM	Senior Manager

GAUTENG ENTERPRISE PROPELLER ROADMAP

MAJOR HIGHLIGHTS:



EVOLVEMENT OF GEP:





FOREWORD BY THE CHAIRPERSON

Mr. Khehla Mthembu

Board Chairperson

INTRODUCTION

As Chairperson, I am honoured to have led the GEP Board in steering the Agency's towards the achievement of its strategic goals and objectives during the year under review. Noticeable improvements in GEP's governance and internal controls for 2018/19 make me proud to have been part of the Agency's journey during this period.

THE SOUTH AFRICAN ECONOMIC OUTLOOK

The International Monetary Fund (IMF) has lowered South Africa's projected Gross Domestic Product (GDP) growth rate for 2019 from 1.4% to 1.2%, putting the country among the worst performers in Sub-Saharan Africa alongside Angola which has just come out of the recession¹. Projected GDP expansion for 2020 has also been lowered from 1.7% to 1.5% while the South African Reserve Bank expected South Africa's GDP growth for 2019 to average 1.3%, down from the bank's January projection of 1.7%. The economic slowdown, both domestic and globally, puts pressure on efforts to address social challenges, such as high levels of poverty.

The South African economy was reported to have declined sharply in the first quarter of 2019, contracting by 3,2%. Seven of the labour-intensive industries took a knock, with manufacturing, mining and trade being the biggest contributors to the economic decline, while construction, mining and trade are also in a recession. The 3,2% decline is said to be the largest quarterly reduction in economic activity experience by the country since 2009, when the economy was negatively affected by the global financial crisis and declined by 6,1%².

The fourth industrial revolution is also likely to exacerbate the current economic challenges considering that the future of South Africa, which has a largely low-skilled population is likely to be impacted by the automation, artificial intelligence and robotics that have begun to permeate across the labour-intensive sectors³.

These seismic-technological changes stand to disrupt our labour market and change the types of jobs required. The case in point is the banking sector which continues to experience reduced levels of employment due to advancements brought by the digital revolution. Other critical sectors of the economy such as agriculture, mining, construction and manufacturing are also likely to be disrupted.

This is in sharp contrast with the National Development Plan's envisaged 5% growth to achieve the country's social objectives of eliminating poverty and inequality⁴. To address this decline, high economic growth is required to stimulate job creation and provide resources that will eliminate poverty and inequality. The recent increased investment in South Africa could, however, boost the ailing economy and accelerate the required job creation to change the current economic landscape.

The Job Summit Framework developed in 2018, recognises that South Africa's economy has not created sufficient jobs to sustainably reduce unemployment. This is mainly attributed to factors such as, the slow growth of key sectors that include agriculture, mining and manufacturing in comparison to South Africa's services sectors. GEP's response to the economic meltdown and persistent high levels of youth unemployment in the province included the introduction of the Start-up Kit Programme as a vehicle to provide township youth with skills development, employment and entrepreneurship opportunities. It seeks to identify unemployed youth from the Province, with or without academic qualifications, whose business ideas have a potential to be sustainable and create much-needed employment opportunities for the youth in Gauteng's townships.

1 International Monetary Fund, 2019: <https://www.imf.org>

2 Statistics South Africa, 2019: <http://www.statssa.gov.za>

3 Mail and Guardian, 04/10/2018

4 Gauteng Provincial Government, 2017:35

According to the 2019 State of the Nation Address, South Africa needs to aggressively pursue interventions that will stimulate economic growth, build sustainable businesses, create employment opportunities and open new and larger markets for local goods and services.

As a strategy to unlock economic opportunities, there is a strong focus on the establishment of economic zones, dedicated to produce specific types of products, such as clothing and textiles. Developing small business capacities through the roll-out of incubation programmes is envisaged to provide budding entrepreneurs with physical space, infrastructure, access to specialised knowledge, market linkages and training. This has a potential to unlock new opportunities, increase exports and reduce the high import of goods ⁵.

The President has further called on all South Africans to find solutions to the rising unemployment, and identify solutions to job retention, job creation blockages and opportunities that each social partner (government, business, labour, community) can work on to stimulate greater participation in the economy. It is in accordance with this call, that GEP has continued to focus on the rollout of its Youth Accelerator Programme during the period under review, as a means of stimulating job creation and entrepreneurship opportunities for Gauteng's unemployed youth.

The launch of the Gauteng Township Manufacturing Platform in March 2019, can also be counted amongst GEP's highlights for 2018/19 as it aimed at promoting the growth and sustainability of township-based manufacturing SMMEs and Cooperatives with a view to enhance their level of participation in the Gauteng mainstream economy. GEP continues to leverage on strategic partnerships with government departments, Developmental Finance Institutions (DFIs) and the private sector to rollout programmes that will create skills development, incubation and mentorship, access to markets and enterprise supplier development opportunities for small township manufacturers. Such interventions would ensure township manufacturers are ready and able to take advantage of both public and private sector market opportunities.

2018/19 CHALLENGES

The prevailing low growth environment experienced by Gauteng and South Africa at large during 2018/19 negatively impacted SMMEs and cooperatives, due to factors such as decreased consumer confidence and reduced market demands. The negative economic climate further contributed to GEP's challenges in relation to securing additional funds through strategic partnerships and collecting on outstanding debt during the financial year.

The need for hand-holding and investment readiness support has thus become more critical as a means of ensuring that SMMEs and cooperatives are prepared to benefit from government programmes to support their growth and development.

GEP has thus taken an approach to shift from quantitative approaches to ensure a rollout of more sustainable interventions and aims to lead the coordination of integrated support to small businesses as part of measures to achieve greater impact and address the prevailing budget constraints. This integrated approach seeks to position GEP at the centre of enterprise development in the Province and to ensure the advancement of sustainable entrepreneurship and job creation as envisioned by the Gauteng Entrepreneurship Model.

REVIEW OF THE 2018/19 FINANCIAL YEAR

Compounding the Agency's strategic shift, has been consistency of the entity's programmes in terms of positively contributing towards enhancing the formalisation and productive capacity of township-based small business, the provision of employment opportunities for youth and the stimulation of youth owned- businesses.

Through constant endurance and collective efforts, the organisation has become stable compared to the earlier years of the 2015-2019 strategic term. This is indicative of an entity that is characterised by an appetite for growth, and well positioned to transform the township economy bedevilled by the low levels of economic participation and the high levels of informalisation.

GEP continues to support township enterprises through, amongst others, mentoring and coaching, skills development training, investment management, business development support and township business renewal programmes in support of Pillar 2 (Entrepreneurship Development) of Gauteng's TER Strategy. To this end the Agency provided financial and non-financial support to about 2600 SMMEs, 1565 informal businesses and 246 cooperatives during 2018/19.

At least 747-young people also benefited from programmes aimed at reducing youth unemployment through skills development support interventions, targeting key priority sectors such as construction, manufacturing, information and communications technology and agro-processing.

THE YEAR AHEAD

Continued support to SMMEs and Cooperatives in the priority sectors will remain a key area of focus for the Agency going forward. During the 2014/15 to 2018/19 period, more than 20 000 enterprises were supported through targeted financial and non-financial support services aimed at propelling enterprises into the mainstream economy, revitalise township economies and grow the key economic sectors.

⁵ State of the Nation Address: February 2019

In the 2019/20 financial year, GEPs priorities will include:

- The provision of financial support to SMMEs. This will be in the form of loans, grants to township start-up and existing SMMEs through the Community Fund and Township Business Renewal programmes, as well as, the Cooperative Assistance Programme for cooperatives.
- Non-financial support to township – based small businesses. The Agency has shifted from its historical pursuit of quantity towards more high impact interventions and intends to conduct more regular follow-ups with beneficiaries following the provision of financial and business development support.


GAUTENG ENTREPRENEURSHIP MODEL

The major highlight for 2018-2019 has been a gradual strategic shift through the development of a Gauteng Entrepreneurship Model (GEM), to serve as a high impact strategic framework envisaged to be a major game changer for entrepreneurship within the Gauteng City Region.


In response to the TER Strategy's pillar on the promotion of entrepreneurship development, the Gauteng Department of Economic Development, has through GEP as its implementation vehicle for SMME's and Cooperative support, developed GEM to address the glaring challenges that continue to face township entrepreneurs. It is an overarching model for entrepreneurship development in the entire Gauteng City Region which seeks to ensure coordination and integration among different stakeholders such as Provincial Departments, State Owned Enterprises, Development Finance Institutions and private sector in the province, towards the empowerment and growth of entrepreneurs.

The endorsement of this model by the GEP Board and the Provincial Cabinet in the final quarter of 2018/19 marked a historic milestone for the Agency and Gauteng at large, as it seeks to ensure all efforts geared towards entrepreneurship development in the province are maximised for greater efficiency in relation to the utilisation of limited resources.

It is worth noting that the realisation of the 2030 NDP targets through small businesses and cooperatives hinges on adequate investment in pre-start up and start-up businesses which are generally perceived to be high risk by business support providers. We firmly believe that investment in this riskier market of start-up and pre-start up is likely to stimulate the local economy, increase participation to the mainstream economy, reduce poverty and unemployment. For Gauteng to become the fastest growing economy, there is a need to impact on the riskier market of start-up to complement the stagnated formal economy and enhance the capacity, growth and job creation potential of these small enterprises.



As a strategy to unlock economic opportunities, there is a strong focus on the establishment of economic zones, dedicated to produce specific types of products, such as clothing and textiles. Developing small business capacities through the roll-out of incubation programmes is envisaged to provide budding entrepreneurs with physical space, infrastructure, access to specialised knowledge, market linkages and training. This has a potential to unlock new opportunities, increase exports and reduce the high import of goods



Through the newly adopted Gauteng Entrepreneurship Model, the entity has identified its niche and developed strategies earmarked to mobilise resources for the benefit of ideation and start-up businesses; and increase the economic potential of the province. Considering this model, the year ahead calls for collaboration, integration, renewed and joint commitment amongst government and private sector stakeholder to place the economy of Gauteng on the right pedestal.

ACKNOWLEDGEMENTS

As we move towards the new 5-year Medium Term Strategic Framework, I would like to thank all Board members for their contribution in steering GEP's strategic shift, their continued commitment and support during the 2018/19 financial year.

Acknowledgement goes to the GEP executive management team under the leadership of Acting Chief Executive Officer, Ms. Leah Manenzhe for their resilience. I further wish to say thank you to all GEP employees for your service and contribution towards supporting Gauteng's small enterprises in accordance with the Agency's mandate.

On behalf of the Board, I wish to convey appreciation to the former Member of the Executive Council (MEC) for Economic Development and Agriculture and Rural Development, Mr. Lebogang Maile, the GDED Head of Department, Ms. Pumla Ncapayi and the entire management of the Department for their ongoing support.



Mr. Khehla Mthembu
Board Chairperson

ACTING CHIEF EXECUTIVE OFFICER'S OVERVIEW

Ms. Leah Manenzhe

Acting Chief Executive Officer: Gauteng Enterprise Propeller



INTRODUCTION

I am pleased to present this 2018/19 Annual Report reflecting the Agency's achievements and challenges over the final year of the 2015-2019 Medium-Term Strategic Framework period.

In the period under review GEP, with strategic leadership from the Board, remained steadfast on its path towards ensuring the realisation of the Agency's vision of "Sustainable SMMEs and Cooperatives propelled into the mainstream economy of Gauteng" through the provision of tailored financial and non-financial support to township-based SMMEs and Cooperatives.

During the 2018/19 financial year, the Agency has made significant strides in relation to improving its governance structures and with support from the Audit, Risk and Governance Committee, management was able to enhance due diligence processes, fraud prevention and awareness whilst at the same time promoting a culture of high performance, collective responsibility and high ethical standards among GEP employees and key stakeholders.

AN OVERVIEW OF 2018/19 PERFORMANCE OUTCOMES

Over the past few years, the country's economy experienced a sluggish growth characterised by a technical recession, downgrade, contraction in tax collection and reduced budget allocation dedicated to stimulate economic growth through support to small enterprises; and cooperatives in line with the National Development Plan which advocates for the creation of 11 million jobs by 2030. While the country experience a budget squeeze and slow economic growth, the demand for small business and cooperative development support increased.

Notably, for GEP, this has called for a strategic shift to focus more on capacity building and investment readiness to township-based small enterprises; and establishing strategic partnerships that promote the creation of viable small businesses that can take advantage of financial support opportunities, thus enabling the recapitalisation of GEP to do more with less in the face of budgetary constraints.

During the 2018/19 financial year, GEP's contribution towards supporting Gauteng's small enterprises included the following:

- Financial support to 374 small enterprises across the 11 priority sectors through the provision of Loans, Community Fund Grants and the Township Business Renewal Programme;
- Non-financial support to 2183 SMMEs through the provision of training and capacity building opportunities, mentorship and business development support;
- Support to 1565 township-based informal businesses, with a view to formalise them and improve their investment readiness;
- Non-financial support to 137 township manufacturers aimed at improving their capacity to produce goods for local consumers and an additional 199 township-based construction enterprises, in accordance with the Gauteng City Region Economic Development Plan; and
- A total of 246 cooperatives granted support through financial and non-financial interventions aimed at capacitating and enabling them to operate their businesses optimally and secure readiness for investment. This achievement was partly attributable to GEP's Cooperative Bootcamps and in-house training workshops. Going forward, the Agency intends to focus on assessing the bankability of cooperatives, post the pre-investment readiness support interventions.

Other key achievements during the year, which would not have been possible without the strategic leadership of the Business Development Committee (BDC), included pioneering the development of Gauteng Entrepreneurship Model which was endorsed by the Board and Province in the 4th quarter of 2018/19 to serve as a roadmap for promoting sustainable entrepreneurs, through collaborative efforts by government and private sector role-players.

In line with the 4th Industrial Revolution, the Agency has also realised that innovative approaches are required if GEP is to succeed in implementing its mandate, and to this end 2018/19 priorities for the BDC included the rollout of accredited programmes, piloting of GEP's very first Massive Open Online Course for SMMEs and Cooperatives, the development of an interactive GEP website and shared innovative platforms that will improve access to information for small township enterprises.

YOUTH ACCELERATOR PROGRAMME

The continued implementation of the Youth Accelerator Programme in 2018/19 served as GEP's response to the provincial Tshepo 1 Million youth empowerment programme led by the Gauteng Department of Economic Development to address the serious challenges of youth unemployment.

The programme seeks to enhance job creation opportunities for unemployed youth, reduce poverty and increase the potential of youth to become active participants in the Gauteng economy. It is aimed at reducing youth unemployment through skills development and the provision of job opportunities in sectors such as Manufacturing, Transport and Logistics, Information and Communications Technology, Automotive, Construction and Agro-processing. The total budgeted amount for this programme was R60 million spread over a three-year period from 2016/17 with 2018/19 being the final financial year of the initial rollout, which led to an allocated amount of R20 million expended during the period under review.

As at the end of 2018/19 a total of 747 young people benefitted from the programme with 605 of them being provided with job placement opportunities through GEP interventions while a further 142 were provided with training and skills development support to enhance their employability and entrepreneurship readiness.

PITCHING BOOSTER PROGRAMME

The rollout of GEP's Pitching Booster Programme in 2018/19 continued with a view to ensure that SMMEs, Youth - Owned and Managed Enterprises are supported to be investment ready, and thereby assisted to grow their ideas to sustainable enterprises.

Key objectives of the programmes are:

- To ensure that youth and women in townships benefit from opportunities provided by GEP;
- To provide entrepreneurs with innovative ideas opportunities that will boost their businesses to be sustainable;
- To give basic training on costing, financial management, tendering, networking and business management;
- To provide a platform that facilitates access to business coaching, mentoring, potential funding and business development support for township-based entrepreneurs; and

- To expose entrepreneurs to partners that provide business support aimed at capacitating them for creating job opportunities.

GEP's footprint across the 5 GCR corridors enabled the Agency to support some 419 beneficiaries against an annual target of 250 through pitching booster sessions coordinated for youth in labour intensive sectors such as Construction and Manufacturing, while also contributing to the development of innovative sectors such as ICT, Pharmaceutical and Creative Industries.

The GEP Pitching Campaign, under the theme of: "My Business. My Township. Our Future" has been supported by big corporates, with many entrepreneurs having taken the stage to pitch innovative business ideas to a panel of business experts, an audience of other township entrepreneurs, small business owners and potential investors. Given the success of the GEP campaign, the Ekurhuleni Municipality has also adopted it as one of its municipal programmes due to the high interest it has generated, particularly from the Gauteng youth. The regional pitches, have enabled GEP to fulfil its mandate of providing support to previously marginalised groupings such as Coloured Communities, Lesbian, Gay, Bisexual, Transsexual, Intersex Queer (LGBTIQ), Youth and Women. The Agency will continue to prioritise the programme in the 2019/20 financial year.

BUSINESS START-UP KIT PROGRAMME

The purpose of this campaign is to assist young people in the townships to identify business opportunities based on their skills sets, that will help them improve their livelihood, break the unemployment cycle, grow sustainable economic businesses and create jobs. Through the Business Start-Up Kit programme launched in the final quarter of 2018/19, GEP seeks to unlock latent opportunities, jumpstart existing youth-owned businesses that are under-supported, promote entrepreneurship and create much-needed sustainable jobs for the youth.

In line with the proposed GEM Model, the Start-Up Kit programme focuses on entrepreneurs in the pre-idea and start up stages since they are generally considered as being risky with limited chances of attracting investment opportunities and entering the mainstream economy. Continuation of this programme in the 2019/20 financial year will promote the inculcation of an entrepreneurship culture within the discouraged and desperate unemployed youth of the province.

GAUTENG TOWNSHIP MANUFACTURERS PLATFORM

Manufacturing is known to be one of the critical labour-intensive sectors with great potential in terms of employment creation and stimulating economic growth, yet small township businesses in this sector continue to be marginalised and face challenges such as:

a) Access to Markets; b) Lack of entrepreneurial skills; c) Lack of funding; d) Technical skills shortage; and e) Product testing and accreditation barriers.

In response to the above-mentioned challenges, GEP launched the Gauteng Township Manufacturers Platform (GTMP) on the 19th of March 2019 with the aim of facilitating market access for local manufacturing SMMEs and contributing towards the re-industrialisation of townships.

The platform will bring together big manufacturing players and partners to promote a collaborative approach for stimulating ailing local economies by supporting township manufacturers to develop productive skills required by the mainstream market and become capacitate to take advantage of procurement and market access opportunities. This will in turn change the current economic landscape of townships characterised by consumption – driven business patterns into becoming manufacturing industrial hubs in line with the comparative advantages of the Gauteng City Region.

2018/19 DEBT COLLECTION OUTCOMES

Due to the tough economic climate, GEP's debt collection efforts resulted in R10.2m of the targeted R15m for the 2018/19 financial year, having been collected by the end of the financial year, reflecting a 33% decline against the R15.2m collected in 2017/18. Similar, to 2017/18, challenges met by the Agency in the 2018/19 financial year relating to the collection of outstanding debt due to GEP included:

- Lower volumes of SMMEs qualifying for and being granted loan funding;
- Time lags from time of loan disbursement to debt repayments (grace period granted to SMMEs prior to debt repayment);
- Debtors defaulting on payments;
- Debtors changing bank accounts after receiving loans from GEP, hindering the entity's ability to collect outstanding loans; and
- A high failure rate of township businesses.

GEP continues to blacklist defaulting clients with the Credit Bureau of South Africa, conduct client visits as part of efforts to recover outstanding debt; and cessions are being effected on loans granted to reduce the risk of non-payment and improve recoverability. Strengthened due diligence measures relating to the analysis of funding applications is also assisting the Agency in terms of its debt recoverability.

The current focus on GEP's active loan book and prior year short-term loan disbursements capital, will improve GEP's capability to provide tailored support to Gauteng SMMEs and Cooperatives as the collection of this debt will recapitalise programme delivery for the benefit of small township enterprises.

AUTOMATION OF GEP PROCESSES

To streamline the application processes for financial and non-financial support, GEP introduced automated application processes through the GEP Online System during the 2017/18 financial year. The system enables customers to track loan application turnaround times and assists in providing customised reports, which are required by management for decision making and continuous planning.

As part of the continuing efforts to improve customer services and build the reputation of the organisation, there has been a concerted focus on improving overall customer services, communication (transparency), enhanced controls and governance. Monitoring of the effectiveness of the new end-to-end online application processes continues to be a prime area of focus to improve the Agency's efficiency in relation to client interactions, with further system improvements planned for 2019/20 as part of second phase system updates.

It must however, be noted that the availability of sufficient financial resources is critical for the Agency to be able to develop and implement robust, technology-based, efficient and effective systems and processes to facilitate speedy delivery and implementation. In the 2019/20 financial year, GEP will invest in the automation of 3 business processes (Monitoring and Evaluation; Investment Management and Business Development Support) to enhance the Agency's level of efficiency.

HUMAN CAPACITY CHALLENGES AND MITIGATION ACTIONS

Following the review of GEP's organisational structure in the 2016/17 financial year, the Agency's focus has shifted towards greater alignment of the new organisational structure with the mandate and strategy of GEP, to ensure the Agency's human capital is geared towards the achievement of its strategic goals and objectives. Further work was undertaken in 2018/19 to ensure greater strategy alignment and improved efficiency through a skills audit conducted in the 3rd quarter of the financial year, due to the robust approach of the Human Resources and Remuneration Committee towards ensuring the GEP human capital machinery is well-oiled; and more aligned to the strategic shift of the Agency.

Future steps are to include addressing identified skills gaps, customised leadership and management development programmes, individual training to align GEP employee skills levels and job profiles with best practice, as well as, the introduction of change management interventions to build the necessary cohesion for service delivery.

KEY EXTERNAL AUDIT MATTERS AND ACTION PLANS

GEP has experienced a regression in terms of the 2018/19 financial year, with the Auditor General having expressed an unqualified audit opinion with material findings relating to financial and performance information, as well as, internal control and compliance matters requiring urgent management intervention. The Agency will develop appropriate mitigation plans to ensure all identified deficiencies are adequately addressed in the 2019/20 financial year for the Agency to once again reclaim and maintain its clean audit status from the 2016/17 and 2017/18 financial periods.

OUTLOOK FOR THE FUTURE

GEP acknowledges the ongoing constraints on the fiscus and will pilot GEM as a means for leveraging on key strategic partnerships to ensure delivery on the following key GEP projects for the 2019/20 financial year:

- Financial support to 250 SMME's in the priority sectors; support to 1000 township-based informal businesses; provide non-financial support for 125 township manufacturers to produce goods for local consumers; non-financial support to 125 township-based construction enterprises; and ensuring 350 youth benefit from skills development and job placement opportunities to be provided through the Agency's Youth Accelerator Programme.

The endorsement of GEM by the Board and Province requires that GEP shifts from short-term business support approaches towards higher impact solutions that promote the growth and sustainability of township – based SMMEs and Cooperatives.

Sector-specific mentorship and incubation programmes provided in collaboration with key GEP strategic partners, will also be reinstated as a necessary tool to afford entrepreneurs the necessary hand-holding support to grow their enterprises into sustainable businesses that actively participate in key value chains and contribute to employment creation.

ACKNOWLEDGEMENTS

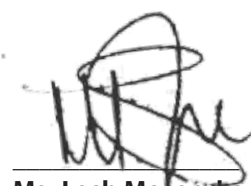
There can be no prouder moment than to witness the hardwork and efforts of an organisational team turning into a reality, and the finalisation and endorsement of the Gauteng Entrepreneurship Model as a framework to chart the path for entrepreneurship development by the Gauteng Province in the 2018/19 financial year is one such example. It is not only a remarkable milestone for the Gauteng provincial administration, but also reflects what GDED and GEP can achieve through teamwork and collaboration with internal and external stakeholders.

I would like to extend a word of appreciation to the Shareholder and GEP Board for their continued support during the 2018/19 financial year, the Agency is indeed on a much better footing than the GEP of yesteryear and continues to strive for improved performance outcomes.

To the management and employees of GEP, you have once again demonstrated your commitment and capability to face challenges within the internal and external environment head-on and our SMMEs and Cooperatives continue to reap the benefits of your efforts.

It is not only a remarkable milestone for the Gauteng provincial administration, but also reflects what GDED and GEP can achieve through team work and collaboration with internal and external stakeholders.

The financial year ahead provides a new opportunity for us to positively contribute to the development of Gauteng's township-based enterprises and I am confident we shall exceed expectations.



Ms. Leah Manenzhe
Acting Chief Executive Officer

STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ANNUAL REPORT ACCURACY

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 2018/19 GEP annual financial statements audited by the Auditor General.

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

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

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

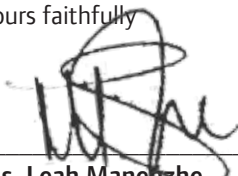
The GEP Board, as the Accounting Authority, is responsible for ensuring that the Agency prepares Annual Financial Statements and for the judgements made on this information.

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

The external auditors (Auditor – General of South Africa) were engaged to express an independent opinion on the 2018/19 annual financial statements of GEP.

In our opinion, the GEP Annual Report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the Agency for the financial year ended 31 March 2019.

Yours faithfully



Ms. Leah Manenzhe
Acting Chief Executive Officer



Mr. Khehla Mthembu
Board Chairperson



GEP VISION, MISSION AND VALUES



Excellence	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.
Leadership	We will lead in reshaping the role and position of SMMEs and Cooperatives away from the marginal to the mainstream economy.
Equality	We will facilitate equity, redress and access to economic opportunities and decent employment.
Innovation	We will foster, and practice, high levels of innovation and efficiency.
Partnerships	We will forge long term and sustainable strategic partnerships that will contribute to achieving GEP's goals and objectives.
Good Governance	We will consistently act with integrity and ensure accountability and good governance.
Professionalism	We will provide speedy, responsive and relevant professional services in accordance with the Batho Pele principles.



LEGISLATIVE AND OTHER MANDATES

LEGISLATIVE MANDATES

GEP is a Schedule 3C public entity established in terms of the Public Finance Management Act (PFMA), No. 1 of 1999. The Gauteng Enterprise Propeller, No. 5 of 2005 (the GEP Act) provides the Agency's core mandate of promoting, fostering and developing Gauteng's small enterprises in accordance with the Gauteng Provincial Government (GPG) small enterprise development policies and strategies.

The priorities pursued by GEP in 2018/19 were informed by the provincial Transformation, Modernisation and Re-industrialisation (TMR) and Township Economy Revitalisation (TER) Strategies which require GEP to deliver programmes that support the revitalisation of township economies; promote the participation of SMMEs and Cooperatives in the Province's mainstream economy; and support the identified priority sectors (i.e. agro-processing, automotive, manufacturing, information and communications technology (ICT), tourism, pharmaceuticals, creative industries, construction, real estate, finance and mineral beneficiation).

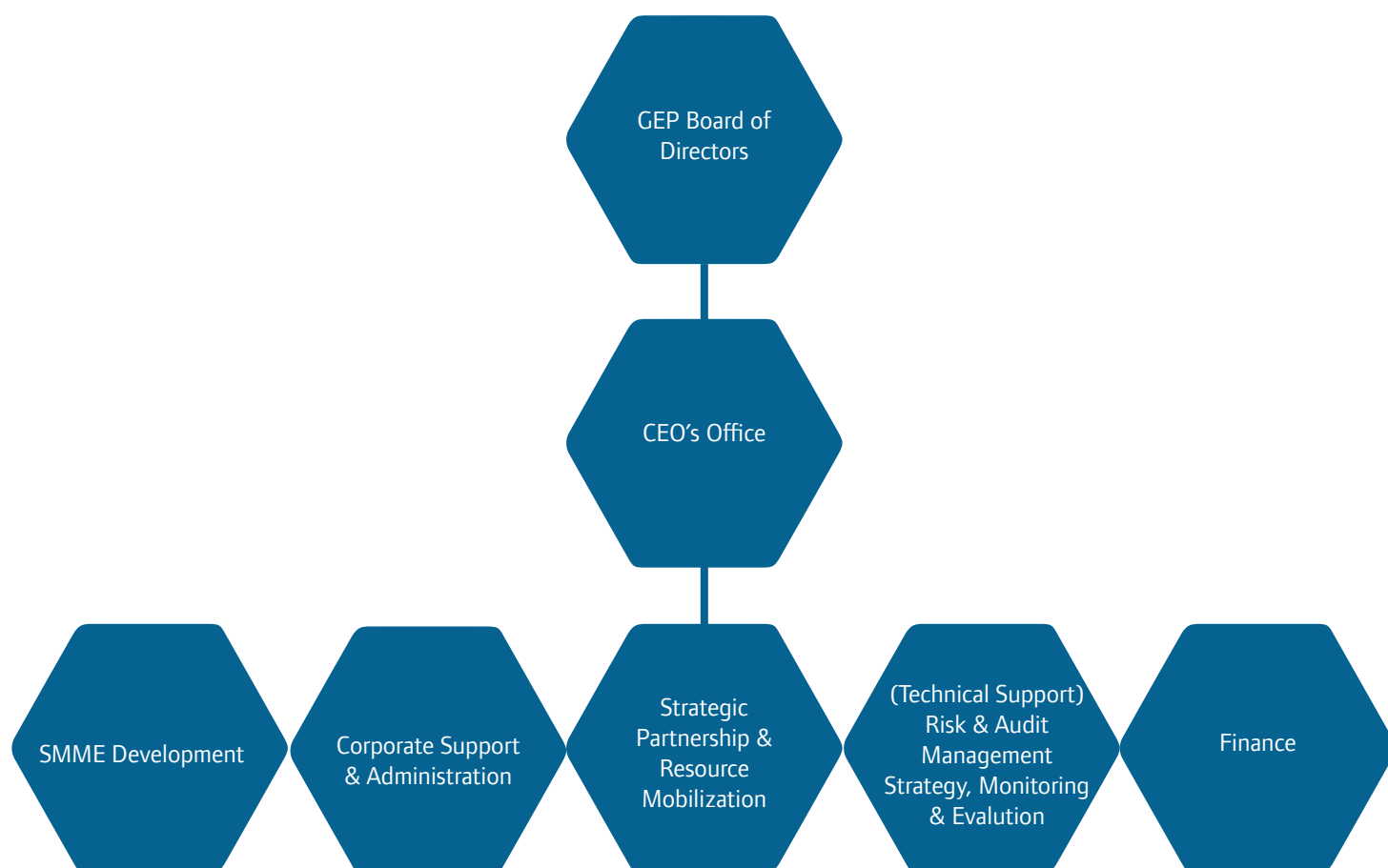
POLICY MANDATES

Key government priorities as outlined by the Medium – Term Strategic Framework (MTSF) that guided delivery on GEP programmes for the year under review are outlined below:

- Radical economic transformation, rapid economic growth and job creation;
- Rural development, land and agrarian reform and food security;
- Fighting corruption and crime;
- Contributing to a better Africa and a better world; and
- Social cohesion and nation building.

ORGANISATIONAL STRUCTURE

The organisational structure that informed GEP's programme implementation for 2018/19 is depicted below:



GEP BOARD OF DIRECTORS



Mr. Khehla Mthembu
Board Chairperson



Ms. Margaret-Ann Diedricks
Deputy Chairperson



Mr. Clive Kneale
Board Member



Mr. Thendo Ratshitanga
Board Member



Mr. Dumisani Dakile
Board Member



Ms. Christine Walters
Board Member



Mr. Leon Marincowitz
Board Member



Ms. Dineo Maithufi
Board Member



Dr. Osmond Mlonyeni
Board Member



Ms. Mbali Hlophe
Board Member



Mr. Sisa Njikelana
Board Member



Ms. Thobile Magerman
Board Member

GEP EXECUTIVE MANAGEMENT



Ms. Leah Manenzhe
Acting Chief Executive Officer



Ms. Nomfanelo Genuka
Chief Financial Officer



Ms. Roleta Lebelo
Acting Chief Operations Officer



Ms. Vuyo Ntshoko
GM: Strategy, Monitoring & Evaluation



Mr. Brian Letsogo
SM: Revenue Generation and
Partnerships



Mr. Vincent Mulaudzi
GM: Corporate Support and
Administration



Mr. Lamlani Dube
GM: Risk and Audit Management



PART B

PERFORMANCE INFORMATION



STRATEGIC OVERVIEW

Ms. Vuyo Ntshoko

GM: Strategy, Monitoring & Evaluation

The financial year under review is of great significance as it marks the end of government's Medium-Term Strategic Framework (MTSF) for the 2015-2019 electoral term. Over the MTSF strategic period, GEP has aligned its vision and mission to the National Development Plan (NDP), policy priorities of both national and provincial government, the Gauteng City Region Economic Development Plan, as well as, Gauteng's Township Economy Revitalisation and Transformation, Modernisation and Re-Industrialisation strategies.

As an entity of the Gauteng Department of Economic Development, GEP is responsible for small business development, addressing economic inequalities perpetuated by spatial divisions and increasing levels of competitiveness and productivity to reposition and propel SMMEs and Cooperatives to be the engines of economic growth. This annual report reflects the Agency's contribution towards the achievement of its strategic goals and objectives, as well as, addressing provincial challenges related to poverty, inequality and unemployment through the implementation of support programmes for the benefit of SMMEs and Cooperatives.

KEY GEP OBJECTIVES:

Priorities for the 2018/19 financial year were thus informed by key objectives which included the following:

- Providing targeted financial and non-financial support services that propel small enterprises into the mainstream economy, revitalise township economies and grow the 11 key priority sectors;
- Co-ordinating stakeholders to support the transition of SMMEs and Cooperatives from being perpetual distributors and consumers of goods and services to becoming productive centres that actively contribute to Gauteng's economic growth;
- Establishing and promoting support networks to increase the contribution of small enterprises to the Gauteng economy through GEP strategic partnerships;

- Creating an enabling environment that fosters the growth and development of small enterprises in the Gauteng City Region and coordinating government-funded small enterprise support agencies and other stakeholders for the benefit of Gauteng entrepreneurs. The piloting of the Gauteng Entrepreneurship Model in the 2019/20 financial year will assist GEP to lay a solid foundation in this regard;
- Implementing policies and strategies of the Gauteng Provincial Government for small enterprise development. Key provincial strategies that guided GEP's 2018/19 activities included the TER and TMR which seek to revitalise township economies and enhance the re-industrialisation of townships to enable SMMEs and Cooperatives to play a more significant role in productive value chains; and
- Strengthening the capacity of supported enterprises in successfully accessing new markets.

PERFORMANCE OVERVIEW:

Overall, the Agency's performance against its Annual Performance Plans since 2014/15 has progressively improved, from a 72% achievement in 2014/15 to an 80% overall performance level as at the end of the 2018/19 financial year.

	Annual Performance Plan 2014/15	Annual Performance Plan 2015/16	Annual Performance Plan 2016/17	Annual Performance Plan 2017/18	Annual Performance Plan 2018/19
Gauteng Enterprise Propeller (GEP)					
Total number of indicators	43	44	19	16	15
Number of indicators achieved	31	30	14	13	12
Number of indicators not achieved	12	14	5	3	3
Percentage of achievement	72%	68%	74%	81%	80%

Key lessons over the term included a need for greater coordination of efforts within GEP, other GDED agencies, DFIs and Provincial Government Departments to eliminate silo efforts to SMME and Cooperative development; and promote an integrated service delivery approach that will mobilise resources towards the achievement of high impact outcomes.

During the 2018/19 financial year, GEP continued to focus on this critical aspect of SMMEs and Cooperative support with some 30 enterprises having benefited from GEP access to market interventions. Key priorities going forward, however, will include targeted support to strengthen the capacity of township small businesses to deliver on major contracts and increase their participation in the mainstream economy, for a greater number of SMMEs and Cooperatives to benefit from the 30% government set-aside; and access to private sector market opportunities.

GEM will serve as a vehicle for achieving the required collaboration and ensuring entrepreneurs thrive and graduate to become sustainable businesses that are capable of competing in the highly and vertically-controlled sectors of the economy and access new markets. The model covers key aspects, such as the value chain of entrepreneurship, enablers for successful entrepreneurship, the growth trajectory of entrepreneurs in Gauteng, as well as the levels of development of entrepreneurs; and will enhance local production in line with the TER and TMR strategies.

NEXT CRITICAL STEPS:

Annually, in line with the National Treasury Framework for Strategic Plans and Annual Performance Plans, GEP conducts a strategic review and planning process for the development of strategic and operational priorities aligned to the Medium-Term Expenditure budgets. The following are to form part of the agency's considerations for the 2021-2025 strategic planning cycle:

- Critical reflection on GEP's past performance to guide the development and rollout of targeted sector interventions that promote the growth and sustainability of township SMMEs and Cooperatives;
- Alignment of the GEP strategy and programmes to the priorities of the 6th Administration to ensure the Agency takes its rightful place as a leader and custodian of SMME and Cooperative development in the province; and
- Implementation of the Gauteng Entrepreneurship Model to promote an integrated, focused and sustainable approach to SMME / Cooperative development that provides more meaningful outcomes and achieves a greater impact in terms of small business development and employment creation.

AUDITOR'S REPORT: PREDETERMINED OBJECTIVES

The Auditor – General South Africa (AGSA) performs the necessary audit procedures on the Agency's performance information to provide reasonable assurance in the form of an audit conclusion.

The audit conclusion on the performance against predetermined objectives is included in the report to management, with material findings being reported under the Predetermined Objectives heading in the Report on other legal and regulatory requirements section of the auditor's report. Refer to page 75 of the Report of the Auditors Report, published as Part E: Financial Information.

SITUATIONAL ANALYSIS

The National Development Plan, Vision 2030, as adopted by the National Executive in 2012, remains the blueprint of government and continues to inform the strategic direction of the Gauteng Provincial Government and the Gauteng Enterprise Propeller in 2018/19. GEP supports township enterprises through Mentoring and Coaching, Skills Development Training, Investment Management, Business Development Support and Township Business Renewal programmes among other interventions in support of the Entrepreneurship Development Pillar (i.e. Pillar 2) of Gauteng's Township Economy Revitalisation Strategy.

SERVICE DELIVERY ENVIRONMENT

The revitalisation of township economies and the development of SMMEs and cooperatives are central to the implementation of this provincial economic agenda, characterised by the TMR, the GCR Economic Development Plan and the Township Economy Revitalisation strategies. Focus during the 2018/19 financial year remained on the rollout of interventions that would stimulate the development of SMMEs and Cooperatives across the 11 priority sectors of the Gauteng economy, and to promote the creation of a conducive environment for entrepreneurial development through collaboration with key government and private sector stakeholders.

The need for a collaborative approach to entrepreneurship led to the development of the Gauteng Entrepreneurship Model during the 2018/19 financial year which was endorsed by the GEP Board and province as a vehicle for promoting entrepreneurship and increasing the impact of the SMMEs and Cooperatives in the province through provincial coordination, deepening integration, resource mobilisation and promotion of a common understanding around entrepreneurship development in the province.

GEM is intended to be an overarching model for entrepreneurship development in the entire Gauteng City Region and aims to provide an adequate business ecosystem (capital, infrastructure, policies, strategies, legislations and procedures) and to encourage entrepreneurship (product development and innovation).

The model is an entrepreneurial development framework to assist Gauteng Province in eliminating wastage of public resources through double-dipping by entrepreneurs and to reduce failure rates of supported enterprises. Benefits of the model thus include reduced wastage of resources, job creation, eliminating double-dipping and developing sustainable businesses that can contribute to the economic growth of the province.

Most small businesses in South Africa continue to remain informal with less or no prospects to become big players in the formal economy and GEM would be instrumental in fast-tracking the transitioning of small enterprises from marginal to the mainstream economy.

GEP seeks to target Ideation and Start-Up entrepreneurs through GEM development stages with a view to facilitate their transition to the Early and Growth stages of development, whilst also pursuing collaborations for high impact projects that will stimulate the growth of key labour intensive sectors.

ORGANISATIONAL ENVIRONMENT

GEP recognises the fact that its employees are the Agency's most valuable asset, without whom delivery on the GEP mandate would not be possible. To this end, priorities during the 2018/19 financial year included the filling of critical vacant positions to enhance GEP's capability to achieve strategic goals, objectives and targets as set in the 2015-2019 Strategic Plan and 2018/19 Annual Performance Plan. Enhancing working relations between management and labour also remained high on the Agency's priority radar to boost productivity and employee morale.

Going forward, GEP will continue to drive initiatives relating to employee wellness, change management and promoting the development of a high-performance organisational culture for the benefit of Gauteng's small enterprises.

KEY POLICY DEVELOPMENTS AND LEGISLATIVE CHANGES

The founding legislation of GEP, the Gauteng Enterprise Propeller Act, (No. 5 of 2005) was under review in the 2017/18 financial year. The review process was aimed at enabling amendments that would align the Act to changes in the political, governance and economic environment that impact on the service delivery of GEP.

This review would further ensure greater alignment of the GEP Act to Provincial and National economic developmental goals and priorities. Such process was yet to be concluded as at the end of the 2018/19 financial year.

STRATEGIC OUTCOME ORIENTED GOALS

There were no adjustments to the 2015-2019 GEP strategic goals outlined below during the period under review:

- Gauteng's revitalised township economies contributing to shared economic growth and development;
- Gauteng's SMMEs and Co-operatives actively participating in the province's mainstream economy, including in key economic sectors; and
- GEP be efficiently and effectively managed and governed.

As part of the maturing of GEP planning and reporting framework, through the 2018/19 planning cycle, the following adjustments were made to the Agency's strategic objectives:

- **Strategic Objective 1:** Sound internal controls and good governance (new).
- **Strategic Objective 2:** Unique and tailored financial support products and services that propel SMME's and co-operatives into the mainstream economy and revitalise township economies (revised).
- **Strategic Objective 3:** Unique and tailored non-financial support products and services that propel SMME's and co-operatives into the mainstream economy and revitalise township economies (revised).

OVERVIEW OF GEP'S PERFORMANCE FOR 2018/19

In the 2018/19 financial year, 2592 SMMEs benefited from financial and non-financial support interventions provided by GEP. A total of 2183 of the supported SMMEs were provided with non-financial support interventions against the targeted 1500 for the year. Non-financial support was in the form of the development of business management skills, marketing support interventions, tools, equipment, training and business registration support.

In addition to this, 419 SMMEs were supported through the Pitching Booster Programme against a target of 250 for 2018/19. The programme provides opportunities to SMMEs from all sectors of the economy, as well as, unemployed youth in the Gauteng Province to present innovative ideas to a panel of industry experts with a goal of securing resources and funding necessary to start an enterprise, grow or sustain an existing small business. Support to township-based informal businesses across the 5 corridors of the Gauteng City Region benefitted 1565 informal traders in support of the Gauteng Informal Business Upliftment Strategy (GIBUS).

Some 142 unemployed youth benefited from skills development training provided through the GEP Youth Accelerator Programme, with an additional 605 being provided with job placement opportunities. The total number of 747 youth beneficiaries has exceeded the 2018/19 annual target of 600 by 147.

A total of 246 Cooperatives also benefitted from GEP financial and non-financial support that seeks to improve their investment readiness against the planned target of 100. GEP further provided in-house training to assist in capacitating cooperatives with basic business skills required to operate their businesses efficiently and improve their investment readiness.

Access to markets continues to be a major hindrance to small enterprises growth and sustainability as small township enterprises generally struggle to access established formal markets due to factors such as capacity challenges, resource limitations, compliance and accreditation challenges among others.



REPORT BY ACTING CHIEF OPERATIONS OFFICER

Ms. Roleta Lebelo
Acting Chief Operations Officer



OVERVIEW OF 2018/19

The 2018/2019 Financial Year was a year in which the entire GEP Operations team intended to shift gears to a more robust approach. We executed all the tasks and targets as defined in our Annual Performance Plan for the 2018/2019 Financial Year. This can be attributed to a combination of factors, not least of which was to ensure the continued delivery of services and achievement of targets during the high activity and reporting period that characterised the last quarter of the Financial Year. Despite this, we have been able to embrace our challenges and improvement on success stories. GEP has in earnest continued to support SMMEs and Cooperatives in the province in its quest to reduce unemployment, thus ensuring participation of some businesses in the mainstream economy.

Despite several challenges experienced in the 2018/2019 financial year, we have seen an improved performance in most areas within the Operations Unit through our cautious, yet balanced aggressive approach. Our Operations unit is composed of 4 sub-units, namely: the Investment Management, Business Development and Support, Transactional Advisory Services and Post Investment units.

- 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, institutional sustainability through enhanced due diligence to ensure return on investment.

The focused key projects that GEP undertook in the financial year under review included the following:

COOPERATIVE SUPPORT

As part of ensuring investment readiness of our Cooperatives, we have introduced the Cooperatives Accelerator Bootcamp Programme which aimed at assisting Cooperatives become sustainable and contribute meaningfully towards the province's economy. The main objective of the programme is to provide Cooperatives with the following:

- Innovative ideas and opportunities that would help boost their businesses to be sustainable, providing cooperatives with basic training on costing, financial management, tendering networking, business management, sales and marketing;
- A platform which will facilitate access to business coaching, mentoring, potential funding and business development support; and
- Exposure to partners that provide business support to create job opportunities.

A total 100 Cooperatives participated in the boot camps which led to the formation and establishment of 2 Primary Cooperatives in the Ekurhuleni and Tshwane regions. The remaining 3 will be established in the remaining regions (Johannesburg, Sedibeng and West Rand) in the 2019/20 financial year.

The 100 Cooperatives supported were provided with interventions aimed at enhancing their levels of pre-investment readiness and capability to take advantage of financial support opportunities provided by GEP and other DFIs. The Cooperatives would be provided with other business interventions through an Incubation Programme over a period of 6 to 12 months in the 2019/20 financial year, in alignment to the Gauteng Entrepreneurship Model.

In addition to this, a further 146 Cooperatives benefited from GEP financial and non-financial support interventions aimed at improving their investment readiness.

SMME DEVELOPMENT

The Operations Division has succeeded in surpassing set targets for the 2018/2019 financial year in the main this was achieved through strategic partnerships that enabled the agency to support a higher number of SMMEs and Cooperatives than planned for the financial year under review.

Some 374 SMMEs were provided with financial support interventions against an annual target of 250 SMMEs, thus surpassing the target by 124 SMMEs. In addition to this, a total of 2183 SMMEs were provided with non-financial support interventions against a target of 1500. All other applications for GEP support received through the Agency's online system will continue to be processed in the new financial year, however, GEP continues to face a higher demand for its services in comparison to the available resources.

YOUTH DEVELOPMENT INITIATIVES

During the latter part of the financial year under review, GEP launched the Start Up Kit Campaign aimed at reducing youth unemployment in Gauteng. The campaign sought to assist aspiring young entrepreneurs by providing equipment and other critical business tools which would assist them in realising their business goals and providing employment opportunities to job seekers. The campaign was rolled out across all the 5 regions of the Gauteng City Region with each region having 40 beneficiaries.

The year under review saw a total 419 youth being supported through the Pitching Booster Programme; as well as 747 youth supported through the Youth Accelerator Programme with 605 youth benefited from job placement as part of GEP's efforts to curb youth unemployment.

The Business Development Committee of the Board resolved to pilot Massive Online Open Courses (MOOCs) as part of the business development support services to entrepreneurs during the financial year under review. MOOC pilot was rolled out through a GEP partnership with Google SA, to provide online digital marketing skills training to SMMEs and Cooperatives. Google SA's training is offered in two phases (i.e. Offline training and Online training) and upon completion of training, SMMEs and Cooperatives receive certificates of competence. The second phase of the programme is to be implemented in the 2019/20 financial year.

THE PITCHING BOOSTER PROGRAMME

The Pitching Booster programme is a provincial programme aimed at unearthing township entrepreneurs and manufacturers with viable business ideas that can boost employment creation and promote growth of the township economy.

The programme provides township-based SMMEs and Cooperatives in key sectors an opportunity to pitch business ideas / concepts to a panel of industry experts that assist with mentorship, coaching and other forms of business development support. The campaign has continued to be a great success during the 2018/19 financial year with the following recorded achievements:

- Young people impacted: Youth in all townships, businesses in Coloured communities and the LGBTI community;
- Project reach: 416 youth - owned businesses across the 5 regions of Gauteng; and
- Sectors impacted through Regional Pitching Booster sessions hosted across the 5 regions included the furniture, manufacturing, construction, creative industries and pharmaceutical sectors.

CHALLENGES

In the financial year under review, GEP encountered the following challenges:

- Challenges experienced in securing sessions with other government departments for contract finance clients and continued engagements with provincial government departments will assist in resolving this challenge to avert a negative impact on the GEP debtors book; and
- Limited number of bankable financial support applications: on assessment it was established that businesses were not investment ready, hence the GEP focus on pre-investment support.

FOCUS FOR THE COMING YEAR

GEP will continue to focus on the priority sectors of the economy in its implementation of the Province's Township Economy Revitalisation and Transformation, Modernisation and Re-Industrialization Strategies. Coupled with this, will be the piloting of the Gauteng Entrepreneurship Model to promote entrepreneurship development in the province and create sustainable and profitable enterprises with long lasting impact on job creation and economic growth.

As part of the piloting and implementation phases of GEM, the Agency will focus on both the ideation and start-up phases of entrepreneurship. Collaboration with other provincial entrepreneurship development support providers to coordinate support and the introduction of sector specific incubation and mentorship programmes as targeted strategies for addressing sector decline; and the resultant increase in the unemployment rate will be critical to the successful implementation of GEM.

In the coming year, there will be renewed attention on Construction, Furniture, Clothing and Textile and the Manufacturing sectors in accordance with the Gauteng City Region Economic Development Plan.



STAKEHOLDER MANAGEMENT & REVENUE GENERATION OVERVIEW

Mr. Brian Letsogo

SM: Revenue Generation and Partnerships

The Stakeholder Management and Revenue Generation Unit continues to focus on fostering strategic partnerships with local and international partners in 2018/19, with a view to unlock both financial and non-financial resources to enable GEP to deliver on its legislated mandate. GEP has developed a resource mobilisation and stakeholder relations strategy to guide partnerships with different partners. The strategy focuses on strategic partnerships through internal and external activities. As a result, the strategy places emphasis on (1) strategic partnerships for internal (operational) activities and includes cost-cutting measures; and (2) strategic partnerships for external activities such as project preparation as a way of facilitating access to market for financial and non-financial benefits.

The Agency has managed to forge partnerships with different partners and continued to implement partnership agreements with the existing ones. Partnerships assist GEP to maximise its impact in the development of SMMEs and Cooperatives as part of the Transformation, Modernisation and Re-Industrialisation agenda of the province. These partnerships also assisted GEP to facilitate the provision of support to small businesses.

GEP analysed the needs of its clients and identified elements of Enterprise Supplier Development (ESD) that could be of benefit. GEP's Enterprise Supplier Development comprises of different elements as outlined below:

- Preferential Procurement in line with the national policy that encourages government departments and agencies to buy goods and services from previously disadvantaged individuals or businesses. In this case, GEP's clients would be prepared to benefit from the 30% set aside spend by government.
- In this regard, GEP's clients will be given an opportunity to supply private businesses. It will be the Agency's responsibility to link its clients with these private companies.

- Supplier Development is the process of working with certain suppliers on a one-to-one basis to improve their performance for the benefit of the buying organisation, leading to improvements in the total added value from the supplier in question in terms of B-BBEE rating, product or service offering, business processes and performance, improvements in lead times and delivery. Since GEP is responsible for SMMEs and Cooperatives, it has become important to empower these clients so that they are capacitated to supply big businesses. In partnership with other stakeholders, GEP will be able to capacitate its clients to supply with products of other services.

To this end, GEP's plans to forge and sustain partnerships are largely informed by the above elements of the scorecard, the newly developed resource mobilisation strategy and the Gauteng Entrepreneurship Model. The private sector plays a huge role in stimulating the economy. The economic environment has been tough in the year under review and many businesses did not have enough resources at their disposal to help stimulate the economy. It is interesting though, to notice that most organisations are beginning to intensify their Enterprise Development Programmes and this creates a great opportunity for small businesses. GEP continues to forge relations with private sector so that its clients can benefit from such programmes.

The different spheres of government also play a critical role in assisting GEP to deliver its mandate. Municipalities are GEP critical stakeholders in stimulating the local economy and promoting entrepreneurship, hence the need to strengthen collaboration.

The Development Finance Institutions will become critical partners of GEP. According to the new Gauteng Entrepreneurship Model, GEP will be focusing mainly on the early stages of the business.

This will ensure that businesses are eventually ready for the market. The partnerships with DFI's will ensure that there is an exit platform for the SMME's.

The international community continues to be a strategic stakeholder of GEP. As the focus of the economy is moving towards manufacturing, it becomes important to identify international market to which South African products can be supplied. It is also imperative to create a solid environment for international investors to invest in small businesses in the province. GEP, thus, continues to be the link between small businesses and the international community.

The Revenue Generation Unit plays a co-ordination role in mobilising resources from a plethora of partners in order to develop sustainable SMMEs and Cooperatives. GEP will enhance its relations with sector departments in the province. The relations with sector departments will assist with the implementation of the 30% set aside spend for township businesses. GEP will facilitate access for township businesses including capacitating them to apply.

In the period under review, GEP engaged and partnered with different stakeholders in the following manner:

2018/19 GEP PARTNERSHIPS

- The partnership with Gauteng Department of Human Settlements in the year under review aimed at developing and capacitating small constructors. This programme aims to ensure that there is transformation in the construction sector by assisting these small contractors to improve their CIDB levels.
- GEP signed an agreement with Productivity SA to capacitate SMME's and Cooperatives in terms of reducing waste, improving utilisation of resources, improving efficiency and quality. This is in conjunction with the Transnet ESD programme.
- The partnership with GOOGLE continued in the period under review and over 100 SMME's were trained to use Google to enhance their business skills, online marketing and visibility.
- The agreement with Manchu Group, through their subsidiary ANSWERTHECALL, will see 30 SMME's and 30 unemployed youth go through the MICTSETA training, while training they will earn stipends and get accredited certificates at the end (NQF5).

- GEP continues to work with Transnet which provided tailor-made training, Business and compliance training to selected SMMEs.
- Technology Innovation Agency - a principle agreement is in place and an incubation programme for 5 SMMEs will be established to the value of R1 million.

FACILITATION OF ACCESS TO MARKETS

GEP partnered with ABSA to facilitate training of Cooperatives around Governance and Compliance. Group dynamics. This assisted the Cooperatives by capacitating them to acquire tendering skills; and two of these Cooperatives managed to secure tenders from the Department of Social Development.

GEP further established a pipeline of Cooperatives to benefit from a support partnership with the department of Health. These Cooperatives were trained to take advantage of procurement opportunities provided through the 30% set aside spend at this department.

GEP together with GDED and Coca Cola, partnered for an ESD Programme for the provision of training by Coca-Cola focusing on 220 SMMEs and Cooperatives in the townships. The training comprises of workshops on Entrepreneurship and Small Business Management.

INTERNATIONAL RELATIONS PARTNERSHIP PROGRAMME

Further to mobilising resources locally, GEP continues to reach out to the international community and this has called for financial resources mobilisation from Direct Foreign Investors as well as International Donors. Key to this agenda, is the quest to create markets for local SMMEs and Cooperatives who are ready to export. The year under review saw engagements with various international stakeholders.

GEP sent officials to benefit from the Strategic Investment Promotion Course in Dublin, Ireland from 16 – 20 April 2018. The engagements were with entities such as Optimum Results with a view to intensify GEP's online offerings. GEP also sent officials to Trinidad and Tobago from 05 – 12 May 2018 to engage with counterparts in view of mobilising resources and creating access to markets for Gauteng SMMEs.



GEP

SUCCESS STORIES

Makwande Primary Cooperative Limited

Location: Plot 49, Tweefontein, Cullinan,
Corridor: Tshwane
Sector: Agriculture (Poultry)

BUSINESS PROFILE / BACKGROUND

Makwande Primary Cooperative Limited was established in Cullinan, by 5 members with a common goal of farming broiler chickens. All members are active in the day to day running of the business and the cooperative farms broiler chickens which are sold or slaughtered for different customers including retailers such as Pick 'n Pay among others and individual community members.

BUSINESS CHALLENGES

- The cooperative lacked equipment; and
- High levels of crime around the community led to break-ins that resulted in the loss of farming equipment.

GEP INTERVENTIONS

The Agency assisted the business by providing the following support:

- Grant funding through the GEP Cooperative Assistance Programme (CAP) for the purchase of equipment.

THE OUTCOME

- The turnover for the business increased by R50 000 per annum following GEP support; and
- The business has since managed to expand its client base.

EMPLOYMENT CREATION

The Cooperative's 5 members are actively involved in its day-to-day operations



Toekomsrus Bread Pitt Bakery

Location: 1517 Shop 1, Clinic Street, Toekomsrus
Corridor: West Rand
Sector: Manufacturing

BUSINESS PROFILE / BACKGROUND

Toekomsrus Bread Pitt Bakery (Pty) Ltd is a start-up bakery business based in Randfontein. The business was established and registered as a legal business entity in March 2018 and offers a wide range of quality bakery and confectionary products such as, white and brown bread, soft rolls, cheese rolls, garlic rolls, plain and brown rolls. Its target market consists of households, restaurants and local retailers.

BUSINESS CHALLENGES

- Toekomsrus Bread Pitt Bakery lacked marketing tools to promote its services to prospective clients.

GEP INTERVENTIONS

The business applied for GEP non-financial support in March 2018 and it was assisted with development of marketing materials. The business received a signage board, flyers, vehicle magnets, price lists and business cards which assisted in terms of enhanced visibility and marketing campaigns.

THE OUTCOME

- The business managed to grow its clientele in and around Randfontein;
- Following GEP's support, the business turnover increased significantly; and
- GEP's assistance also enabled it to increase its foot print and access new markets.

EMPLOYMENT CREATION

The business has 16 permanent employees.



Mabizwa Fitment Centre

Location: 5897 ZONE 12, Sebokeng, 1983
Corridor: Sedibeng
Sector: Automotive

BUSINESS PROFILE / BACKGROUND

Mabizwa Fitment Centre is a cooperative which operates from own premises in 5897 ZONE 12, Sebokeng. The business provides Wheel Alignment, Wheel Balancing, Shocks and Brake Pad fitting and replacement services. The target market for the business are motorists who require motor spare part fitment services around Sebokeng and nearby areas.

BUSINESS CHALLENGES

- Business growth was hampered by a lack of equipment and tools.

GEP INTERVENTIONS

In 2018/19 financial year, the entity benefited from the GEP Township Business Renewal Programme and purchased the required business equipment and tools.

THE OUTCOME

The business is in the process of obtaining assistance with development of a business plan which would outline its short and medium term goals and would assist its application for Retail Motor Industry accreditation.

EMPLOYMENT CREATION

The business employs 6 people including 2 owners and 4 permanent employees.





PERFORMANCE INFORMATION: 2018/19 GEP
PROGRAMMES

PROGRAMME 1: ADMINISTRATION

This programme is responsible to provide strategic leadership and transversal support services required by the GEP's core functional Programmes, to ensure the successful implementation of the agency's mandate through sustainable and integrated support and services that are customer driven. It supports the following Strategic Goal outlined in the 2015–2019 GEP Strategic Plan:

Goal 3: GEP efficiently and effectively managed and governed.

Specific Strategic Objectives for Programme 1 are defined as follows:

Strategic Objective 1: Sound internal controls and good governance.

PROGRAMME 2: INVESTMENT MANAGEMENT

The Investment Management programme is responsible for providing funding and investment management services for GEP in support of delivery against the following Strategic Goals outlined in the Strategic Plan:

Goal 1: Gauteng's revitalised township economies contributing to shared economic growth and development.

Goal 2: Gauteng's SMME's and Cooperatives actively participating in the province's mainstream economy, including in key economic sectors.

The specific programme Strategic Objective for Programme 2 is defined as follows:

Strategic Objective 2: Unique and tailored financial support products and services that propel SMMEs and Cooperatives into the mainstream economy and revitalise township economies.



PROGRAMME 3: ENTERPRISE SUPPORT

The Enterprise Support Programme is responsible for the provision of non-financial support to Gauteng SMMEs and Cooperatives. It supports delivery against the following Strategic Goals outlined in the Strategic Plan:

Goal 1: Gauteng's revitalised township economies contributing to shared economic growth and development.

Goal 2: Gauteng's SMME's and Cooperatives actively participating in the province's mainstream economy, including in key economic sectors.

The specific programme Strategic Objective for Programme 3 is defined as follows:

Strategic Objective 3: Unique and tailored non – financial support products and services that propel SMMEs and Cooperatives into the mainstream economy and revitalises township economies and grows the key economic sectors.

PROGRAMME 4: REGIONAL OPERATIONS

The Regional Operations Programme provides business development interventions to SMMEs, Cooperatives and Informal Businesses in support of the following Strategic Goals outlined in the Strategic Plan:

Goal 1: Gauteng's revitalised township economies contributing to shared economic growth and development.

Goal 2: Gauteng's SMME's and Cooperatives actively participating in the province's mainstream economy, including in key economic sectors.

The specific programme Strategic Objective for Programme 4 is defined as follows:

Strategic Objective 4: Targeted regional non-financial support services that propel enterprises into the mainstream economy, revitalise township economies and grow the key economic sectors.

The Annual Performance Report in the section that follows outlines the 2018/19 performance outcomes for each of the GEP Programmes.



CEP 2018/19 ANNUAL PERFORMANCE REPORT

PROGRAMME 1: ADMINISTRATION

Strategic Objective	Strategic Indicator	Objective	Annual Target	Annual Achievement	Annual Deviation	Reason/s for deviation	Mitigation Actions
Sound internal controls and good governance	Clean audit outcome on previous year's financial and nonfinancial performance information	Clean AG audit outcome for the 2017/2018 financial year	Clean AG audit outcome achieved: Unqualified financial statements with no material findings on the quality of the performance report or compliance with key legislation.	Clean 2017/18 AG audit outcome achieved: Unqualified financial statements with no material findings on the quality of the performance report or compliance with key legislation.	Not Applicable	Not Applicable	Not Applicable

Strategic Objective	Performance Indicator	Annual Target	Annual Achievement	Annual Deviation	Reason/s for deviation	Mitigation Actions
Sound internal controls and good governance	CEP enterprise risk maturity level improved	CEP 2018/19 risk maturity improved by 1 level	2.91	(0.09)	Acquisition of the Data Analytics Tools was not completed as at the end of Q4 following management approval on 29 March 2019.	Risk, Audit and Governance Committee final approval to be sought in quarter 2 of 2019/20 for procurement of the Data Analytics tool to be concluded.
	Percentage improvement in ICT governance maturity levels (including information security and integrity)	5%	5%	Not Applicable	N/A - Information Security Framework was formalised in March	N/A - Annual target for 2018/19 has been met.

PROGRAMME 2: INVESTMENT MANAGEMENT

Strategic Objective	Strategic Objective Indicator	Annual Target	Annual Achievement	Annual Deviation	Reason/s for deviation	Mitigation Actions
Unique and tailored financial support products and services that propel SMME's and Co-operatives into the mainstream economy and revitalise township economies	Rand value of financial support provided to SMME's and Co-operatives	R23m	R5.1m	R17.9m	Reported financial support is based on approved and disbursed amounts for the 2018/19 financial year in accordance with the APP technical indicator descriptors. As reflected in note 31 of the 2018/19 Annual Financial Statements GEP commenced the year with an original budget of R23m at the beginning of the financial year. The actual financial support loans advanced for the year amounted to R5.1m.	The 2018/19 financial support budget variance R17m will be disbursed in the financial year 2019/20.

Strategic Objective	Performance Indicator	Annual Target	Annual Achievement	Annual Deviation	Reason/s for deviation	Mitigation Actions
Unique and tailored financial support products and services that propel SMME's and Co-operatives into the mainstream economy and revitalise township economies	Number of SMME's financially supported in the prioritised sectors	250	374	+124	Since the inception of the online application system, GEP received high volumes of applications for financial support.	N/A - Annual target for 2018/19 has been met.
	Rand value of GEP loans collected	R15m	R10.2m	(R4.8m)	GEP struggled to collect outstanding debts due to the negative economic climate. Low volumes of approved deals in the current financial year, also contributed to the recovery on outstanding debts.	R10.2m of the targeted R15m for 2018/19 was collected as at the end of March 2019 (68%) and GEP continues to follow - up on debt collection. Given the external dependencies this indicator has been reviewed in the GEP 2019/20 Annual Performance Plan.

PROGRAMME 3: ENTERPRISE SUPPORT

Strategic Objective	Strategic Objective Indicator	Annual Target	Annual Achievement	Annual Deviation	Reason/s for deviation	Mitigation Actions
Unique and tailored nonfinancial support products and services that propel SMME's and Cooperatives into the mainstream economy and revitalise township economies	Number of enterprises supported with non-financial products and services	1075	1567	+492	Target was exceeded due to positive SMME, Cooperative and Youth responses to GEP support interventions and targeted support for key sectors such as Manufacturing and Construction.	N/A- Annual target for 2018/19 has been met.

Strategic Objective	Performance Indicator	Annual Target	Annual Achievement	Annual Deviation	Reason/s for deviation	Mitigation Actions
Unique and tailored nonfinancial support products and services that propel SMME's and Cooperatives into the mainstream economy and revitalise township economies	Number of township manufacturers supported to produce goods for local consumers, in the 5 GCR Corridors (Central, Eastern, Northern, Western and Southern Corridors)	100	137	+37	Annual target was exceeded due to open days and manufacturing workshops held during the year.	N/A- Annual target for 2018/19 has been met.
	Number of Township based construction enterprises-non financially supported	100	199	+99	Annual target was exceeded due to SMMEs who responded positively to construction sector workshops held during the year.	N/A- Annual target for 2018/19 has been met.
	Number of SMME's supported with access to markets	10	25	+15	Annual target was exceeded due to GEP collaborations with partners such as Milpark Business School and the Gauteng Department of Human Settlements.	N/A- Annual target for 2018/19 has been met.
	Number of Co-operatives supported with access to markets	5	5	0	N/A- Annual target for 2018/19 has been met.	N/A- Annual target for 2018/19 has been met.

PROGRAMME 3: ENTERPRISE SUPPORT

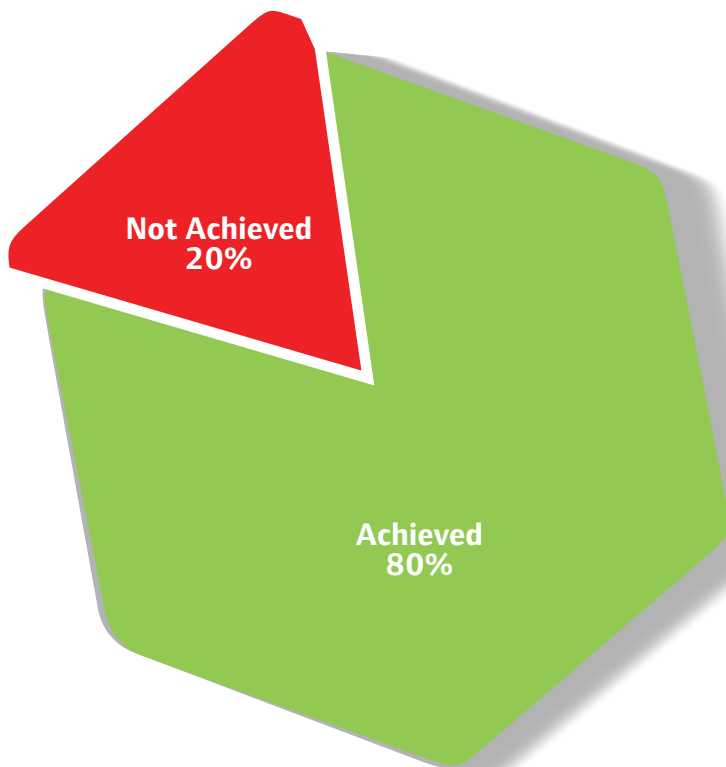
Strategic Objective	Performance Indicator	Annual Target	Annual Achievement	Annual Deviation	Reason/s for deviation	Mitigation Actions
Unique and tailored nonfinancial support products and services that propel SMME's and Cooperatives into the mainstream economy and revitalise township economies	Number of SMME's supported through the Pitching Booster Programme	250	419	+169	Target was exceeded due to positive SMME responses to pitching booster sessions coordinated for Youth, Construction, ICT, Manufacturing, Pharmaceutical and Creative Industries small enterprises during the year.	N/A - Annual target for 2018/19 has been met.
	Number of youth benefitted from the Youth Accelerator Programme	600	747	+147	Annual target for 2018/19 was exceeded due to positive responses to GEP youth support interventions. A total of 747 youth has benefitted year-to-date with 142 having been trained and 605 benefitting from job placement.	N/A - annual target for 2018/19 has been met.
	Number of SMME's supported through non-financial interventions in the priority districts of West Rand and Sedibeng	10	35	+25	Target was exceeded due to targeted business development support interventions provided in the Westrand and Sedibeng Regions.	N/A - annual target for 2018/19 has been met.
	Percentage value of support secured through partnerships (as a proportion of total Shareholder allocation)	25%	4.2%	(20.8%)	Delays in relation to finalisation of partnership agreements due factors such as the negative economic climate.	GEP continues to engage stakeholders to secure partnerships for the benefit of Gauteng's small township enterprises. Given the external dependencies, however, this indicator has been reviewed in the final 2019/20 Annual Performance Plan.

PROGRAMME 4: REGIONAL OPERATIONS

Strategic Objective	Strategic Objective Indicator	Annual Target	Annual Achievement	Annual Deviation	Reason/s for deviation	Mitigation Actions
Targeted regional non-financial support services that propel enterprises into the mainstream economy, revitalise township economies and grow the key economic sectors	Number of enterprises supported by the regions with non-financial products and services	1500	2183	+683	Target has been exceeded due to a high influx of applications for SMMEs non-financial support through the GEP Online System.	N/A - annual target for 2018/19 has been met.

Strategic Objective	Performance Indicator	Annual Target	Annual Achievement	Annual Deviation	Reason/s for deviation	Mitigation Actions
Targeted regional non-financial support services that propel enterprises into the mainstream economy, revitalise township economies and grow the key economic sectors	Number of SMMEs supported non-financially in the prioritised sectors	1500	2183	+683	Target has been exceeded due to a high influx of applications for SMMEs non-financial support through the GEP Online System. Strategic partnerships also enabled GEP to provide non-financial support interventions such as training to several entrepreneurs at no cost thus reaching a higher number of SMMEs than initially planned for 2018/19.	N/A - annual target for 2018/19 has been met.
	Number of Informal Businesses supported non-financially to formalise	750	1565	+815	Annual target was exceeded due to volumes of applications received by GEP regions, which exceeded the planned targets for the year.	N/A - annual target for 2018/19 has been met.
	Number of Co-operatives supported to improve their investment readiness	100	246	+146	Target was exceeded due to positive responses to Co-operative boot camp sessions coordinated during the year. GEP also established in-house training workshops that assisted in capacitating co-operatives with the basic business skills required to operate their businesses efficiently and improve their investment readiness.	N/A - annual target for 2018/19 has been met.

Twelve (12) of the planned targets were achieved, being 80% of the total planned targets, and only three (3) of the planned targets remained unmet at year-end, being 20% of the planned targets. The below graphs depict GEP's achieved annual targets against the planned targets in the 2018/19 approved Annual Performance Plan:



2018-2019 ACHIEVEMENTS VS. ANNUAL PERFORMANCE PLAN

- Not Achieved:
 - 1. Enterprise Risk Maturity Level.
 - 2. GEP Loans Collected.
 - 3. Partnership Support.
- Achieved:

LINKING GEP PERFORMANCE WITH PROGRAMME BUDGETS

Programme	2017 / 18 Financial Year (R'000)			2018 / 19 Financial Year (R'000)		
	Budget	Actual	(Over) / Under Expenditure	Budget	Actual	(Over) / Under Expenditure
Programme 1: Administration	73 607	74 528	(921)	96 710	92 225	4 485
Programme 2: Investment Management	40 531	74 954	(34 423)	36 787	22 643	14 144
Programme 3: Enterprise Support	15 246	25 225	(9 979)	72 070	40 320	31 750
Programme 4: Regional Operations	107 334	62 011	45 323	51 722	43 356	8 366
Total (R'000)	236 718	236 718	0	257 289	198 545	58 745



REVENUE COLLECTION

The entity's set collection target of R15 million for the 2018/19 financial year was not achieved. The entity managed to collect R10.2 million which shows under achievement as a result of non-repayments from debtor's as well as the low rate of loan approvals due to the committees not receiving enough applications.

Revenue Sources	2017 / 18 Financial Year (R'000)			2018 / 19 Financial Year (R'000)		
	Budget	Actual Amount	(Over) / Under Collection	Budget	Actual Amount	(Over) / Under Collection
Debtor's Collections	10 000	14 590	(4 590)	15 000	10 200	4 800
Other Income (Bank Interest, Training Fees, Insurance claims)	8 000	10 031	(2 031)	9 000	9 408	(408)
Total (R'000)	18 000	24 621	(6 621)	24 000	19 608	4 392

CAPITAL INVESTMENT

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

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



PART C

GOVERNANCE

INTRODUCTION

The Gauteng Enterprise Propeller Act No. 5 of 2005, is the Agency's founding legislation and Corporate Governance relating to GEP continues to be guided by this Act, the Companies Act, the Public Finance Management Act (PFMA) and principles contained in the King IV Report on Corporate Governance.

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

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 2018/19 Annual Performance Plan (APP) was aligned to the strategies and plans of GDED and the Gauteng Provincial Government.

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. The term of the former GEP Board ended on 30th September 2017 and this was followed by the appointment of the current Board with effect from 1st October 2017 on a three-year term.

THE ROLE OF THE GEP BOARD:

1. Provide strategic leadership and support to the organisational vision, mission and objectives as outlined the organisational strategy.
2. Provide oversight support for the implementation of GEP's strategic programmes to ensure the achievement of agreed goals and objectives.
3. Assess the integrity and effectiveness of financial and performance management systems, internal controls and systems of risk management.

The Board continues to play 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 BOARD CHARTER

THE KEY ROLES AND RESPONSIBILITIES OF THE BOARD AS OUTLINED IN THE APPROVED BOARD CHARTER INCLUDE THE FOLLOWING:

- Provision of strategic direction to GEP;
- Promoting the development SMMEs in Gauteng;
- Promoting the establishment of a support network for increasing the contribution of SMMEs to the Gauteng economy;
- Promoting economic growth, job creation and equity;
- Integrating all government-funded SMMEs support agencies in Gauteng;
- Exercising fiduciary and general duties and responsibilities of an accounting authority in accordance with the provisions of the PFMA;
- Ensuring the responsibilities of GEP as per the Act are performed and objectives of GEP achieved;
- Exercising leadership, integrity and judgement, based on fairness, transparency and accountability;
- Ensuring a succession plan for critical positions (key capabilities as identified by the Board) is in place;
- Ensuring compliance GEP with the relevant laws, regulations and codes of best practice;
- Identifying strategic risk areas and performance indicators and monitoring performance of the entity in these respects; and
- Acquiring or disposing of any right to property, provided that ownership in immovable property may be acquired or disposed of with the consent of the Executive Authority.

All Board activities and decisions taken during the 2018/19 financial year were in accordance with the responsibilities of the Board as provided by the charter.

AUDIT, RISK AND GOVERNANCE COMMITTEE (ARGC):

The key roles and responsibilities of this committee as outlined in the approved ARGC Charter include the following:

- Assess GEP's financial information, accounting practices, performance information, and the effectiveness of internal financial controls;
- Ensure the combined assurance model is adopted and implemented and monitor relationships with all assurance providers;
- Review the expertise, resources and experience of the Finance Function, and disclose results of such review in the integrated annual report;
- Assess risk management reports for monitoring and engagement on: Financial reporting risks, Operational risks as they relate to the general control environment, fraud risks as they relate to financial reporting and IT risks as they relate to financial reporting; and
- Ensure all material risks and breaches are disclosed comprehensively and timeously to stakeholders and outlined in the annual report.

HUMAN RESOURCES AND REMUNERATION COMMITTEE (REMCO)

THE KEY ROLES AND RESPONSIBILITIES OF THIS COMMITTEE AS OUTLINED IN THE APPROVED REMCO CHARTER INCLUDE:

- Ensure compliance with legislation, policy and procedures in the selection and recruitment of employees and best practice requirements relating to labour relations management;
- Ensure timely review of GEP's human resource policies and procedures and recommendation of revisions for Board approval;
- Ensure effective implementation of the agency's Performance Management Systems in alignment with the GEP performance policies, annual performance targets and financial sustainability;
- Ensure that GEP has adequate policies in place for the recruitment, development and retention of employees; and
- Ensure alignment of GEP's human resources strategies and policies with the entity's strategy, needs and desired organisational culture.

CREDIT COMMITTEE (CC):

The key roles and responsibilities of the Credit Committee as outlined in this committee's Charter include:

- Ensuring compliance with statutory regulations and the framework of operating policies laid down by GEP;
- Determining funding scale limits and overseeing the approval of SMME loan financing in accordance with the determined funding scales;
- Considering and approving recommendations from the Management Credit Committee for finance applications with a value exceeding R1.5 million and limited to R2.5 million;
- Recommendation of credit deals in excess of R2.5 million to the Board for approval; and
- Ensuring the review of GEP's credit policies and procedures and recommending revisions for submission to the Board.

BUSINESS DEVELOPMENT COMMITTEE (BDC):

The key roles and responsibilities of the BDC committee as outlined in the approved BDC Charter include:

- Developing, reviewing and recommending business development strategies;
- Review tactical plans developed to achieve business development goals set out in the agency's Strategic Plan;
- Consideration of business development research to keep GEP abreast of developments in the SMME and Cooperative market and accordingly advise the Board on business strategies;
- Oversee the practicalisation of key strategies and frameworks such as the Gauteng Entrepreneurship Model (GEM); and
- Ensure the exercise of strict compliance with applicable legislation in the rollout of business develop support interventions.

COMPOSITION OF THE BOARD

Name	Designation (In terms of the Public Entity Board structure)	Date appointed	Date resigned / Term ended	Qualifications	Area of Expertise	Other Committees or Task Teams	No. of Board Meetings attended
Mr Samuel Khehla Mthembu	Independent Non-Executive Board Chairperson	01 October 2017	N/A	BCom (Unisa); Management Advancement Programme (Wits); Management Development Diploma Programme (London, UK)	Leadership Development, Stakeholder Relations, Strategic Development, Business Development, Corporate Governance, Human Capital Management, Entrepreneurship Development	Member of Credit Committee	7 of 8
Ms Margaret-Ann Diedricks	Independent Non-Executive Deputy Chairperson	01 October 2017	N/A	MBA (UWC); BA Honours (Wits); H-Dip Ed (Wits), BA Arts (Cum Laude) (UWC); Advanced Executive Programme (UNISA)	Strategic Leadership and Management, Corporate Governance, Stakeholder Management and Cooperative Management	Chairperson of Human Resources & Remuneration, Social and Ethics Committee and member of Business Development Committee	7 of 8
Mr Thendo Ratshitanga	Independent Non-Executive Board Member	01 October 2017	N/A	Masters in Public and Development Management (Wits); Post Grad Dip Public Policy and Development Management (Wits); Certificate in Programme for Management Development (GIBS); Mastering Entrepreneurship (Wits); Social Entrepreneurship Certificate (GIBS)	Business Management, Public Sector Management, Marketing, Change Management, Business and Entrepreneurship Development, Planning Monitoring and Evaluation, Capacity Building, Information Management	Chairperson of Credit Committee and member of Business Development Committee	8 of 8
Ms Dineo Maithufi	Independent Non-Executive Board Member	01 October 2017	N/A	CA, BCom; Hons Acc	Finance, Audit, Compliance, Risk Management, Credit Risk Management, Business Development, Risk Assurance, Customer Portfolio Analysis, Automation, Loan Management, Banking, Budgeting and Forecasting, Accounting Frameworks IFRS, US GAAP	Chairperson of Risk, Audit and Governance Committee and member of Credit Committee.	8 of 8

COMPOSITION OF THE BOARD

Name	Designation (in terms of the Public Entity Board structure)	Date appointed	Date resigned / Term ended	Qualifications	Area of Expertise	Other Committees or Task Teams	No. of Board Meetings attended
Mr Leon Marincowitz	Independent Non-Executive Board Member	01 October 2017	N/A	Masters in Philosophy (UJ); Prince 2 Project Management Practitioner (ILX Group); BA Hon. Philosophy (University of Pretoria)	Entrepreneurship Development, Property Development, Corporate Governance, Legislative Framework, Strategic Programme Development, Project Coordination, Policy Advocacy, Media Liaison, Finance, Energy, Leadership, Economics	Chairperson of Business Development Committee and member of Audit Risk and Governance Committee	8 of 8
Mr Clive Kneale	Independent Non-Executive Board Member	01 October 2017	N/A	FCIS; FSACSA; FCIBM; AIIA; DTM; F.Inst.D; FIRM	Corporate Governance, Corporate Compliance, Taxation, Risk Management and Insurance, Retirement Funding, Accountancy, Investment Administration	Member of Audit Risk and Governance Committee.	8 of 8
Ms Christine Walters	Independent Non-Executive Board Member	01 October 2017	N/A	Diploma in Social Studies (Oxford); Theology and Statistic Certificate (Platter); Extra Mural studies Certificate in Small Business (Cape Town); Certificate in Local Government (Technicon) Senior Executive Programme (Harvard & Wits); National Diploma in Public Management (Technicon)	Transportation Policy and Infrastructure Development, Political Management, Legislative Programme, Human Resources, Corporate Administration, Facility Management and Administration, Occupational Health and Safety, Labour Relations, Social Development, Arts, Culture and Heritage, Sports and Recreation	Member of Audit Risk and Governance Committee	8 of 8
Mr Sisa Njikelana	Independent Non-Executive Board Member	01 October 2017	N/A	Diploma in Applied Social Studies (Ruskin College, UK), Cert. Leadership Communication (Rhodes University)		Member of Audit Risk and Governance Committee and Human Resources and Remuneration, Social Ethics Committees	7 of 8
Dr Osmond Mlonyeni	Independent Non-Executive Board Member	01 October 2017	N/A	PhD in Genetics (University of Pretoria); M.Sc. (Cum Laude) B.Sc.(Hons); B.Sc. Genetics	Leadership Development, Mentorship, Research and Development	Member of Audit Risk and Governance Committee and Human Resources and Remuneration,	7 of 8

COMPOSITION OF THE BOARD

Name	Designation (In terms of the Public Entity Board structure)	Date appointed	Date resigned / Term ended	Qualifications	Area of Expertise	Other Committees or Task Teams	No. of Board Meetings attended
Mr Dumisani Dakile	Independent Non-Executive Board Member	01 October 2017	N/A	Masters in Public Management and Development (Pending) (Wits); Dip. Human Resources Management (UNISA); Dip Industrial Relation (Wits); Cert. Economics and Development; Project Management and Development (Wits); Post Grad Public Management and Development	Business Management, Development and Economics, Policy Development, Stakeholder Relations, Bargaining processes, Project Management and Development	Member of Audit Risk and Governance Committee and Human Resources and Remuneration, Social Ethics Committees	7 of 8
Ms Mbali Hlophe	Independent Non-Executive Board Member	01 October 2017	N/A	BA - Human and Social Studies (UNISA), Cert. Property Investment and Practise (Wits)	Strategy Development, Property Investment, Business Development	Member of Business Development and Human Resources and Remuneration, Social Ethics Committees	1 of 8
Ms Thobile Magerman	Independent Non-Executive Board Member	01 October 2017	N/A	BEd (KZN); Dip in Ministry (Rhema College), MBA (Pending) (Regenessys)	Strategy Development, Leadership, Corporate Governance, Municipal Finance Management Act, Public Finance Management Acts, Municipal Systems Act & Legislative Frameworks PFMA, MSA, MFMA, King 1-IV, Policy Formulation, Implementation, Monitoring and Evaluation, Project Management, Risk Management, Stakeholder Relationships, Budgets	Member of Credit and Business Development Committees	8 of 8

The GEP Board is currently comprised of twelve (12) independent, non-executive members constituted by the Member of Executive Council (The MEC) of Gauteng Department of Economic Development in terms of Section 7 of the GEP Act.

- Mr K Mthembu was appointed the Chairperson of the Board with effect from the 1st October 2017.
- Ms M Diedricks was appointed as Deputy Chairperson of the Board effective from the 1st October 2017.

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

THE TABLE BELOW DEPICT BOARD MEETINGS
HELD IN 2018/19:

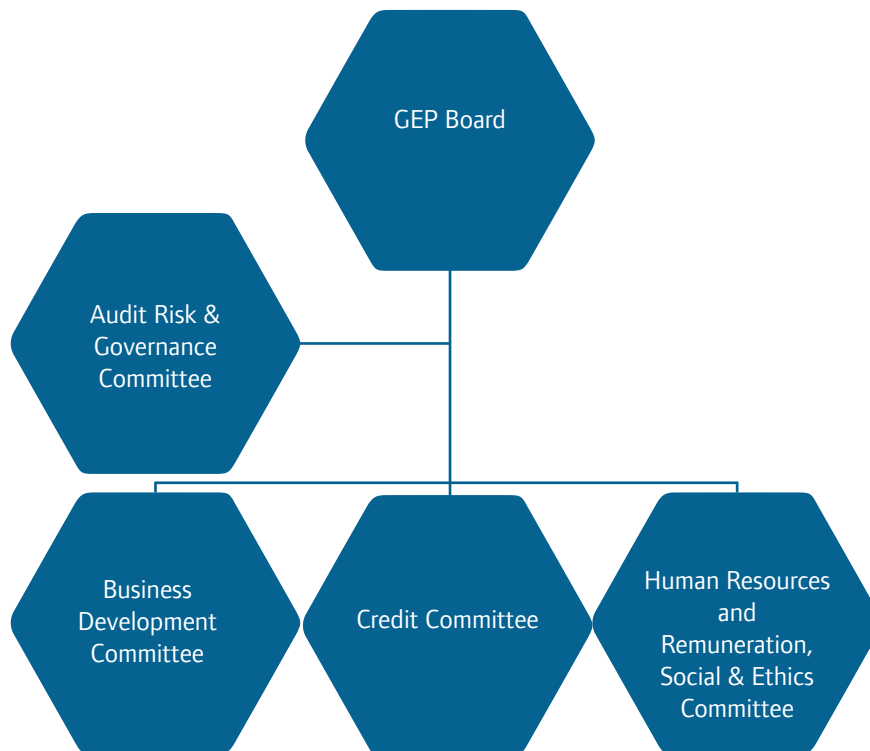
No.	Member	Position	Meeting Attendance	Board Meetings	* Board Miscellaneous
1.	Mr Samuel Khehla Mthembu	Chairperson	7 of 8	4 of 4	3 of 4
2.	Ms Margaret-Ann Diedricks	Deputy Chairperson	7 of 8	3 of 4	4 of 4
3.	Mr Thendo Ratshitanga	Board Member	8 of 8	4 of 4	4 of 4
4.	Ms Dineo Maithufi	Board Member	8 of 8	4 of 4	4 of 4
5.	Mr Leon G Marincowitz	Board Member	8 of 8	4 of 4	4 of 4
6.	Mr Clive Kneale	Board Member	8 of 8	4 of 4	4 of 4
7.	Ms Christine Walters	Board Member	8 of 8	4 of 4	4 of 4
8.	Mr Sisa Njikelana	Board Member	7 of 8	3 of 4	4 of 4
9.	Dr Osmond Mlonyeni	Board Member	8 of 8	4 of 4	3 of 4
10.	Mr Dumisani Dakile	Board Member	7 of 8	4 of 4	3 of 4
11.	Ms Mbali Hlophe	Board Member	1 of 8	0 of 4	1 of 4
12.	Ms Thobile Magerman	Board Member	8 of 8	4 of 4	4 of 4

*** NOTE:**

Miscellaneous meetings include shareholder engagements, strategic sessions, as well as, training and development workshops.

GEP BOARD COMMITTEES

THE AGENCY'S BOARD WAS SUPPORTED BY FOUR BOARD COMMITTEES IN 2018/19 AS DEPICTED BELOW:



Committee	No. of meetings held in 208/19		No. of members	Names of members
Audit Risk & Governance Committee	<i>Pre-Meeting</i> 3	15	7	Ms Dineo Maithufi (Chairperson) Mr Clive Kneale (Member) Ms Christine Walters (Member) Dr Osmond Mlonyeni (Member) Mr Leon G. Marincowitz (Member) Mr Dumisani Dakile (Member) Mr Sisa Njikelana (Member)
Human Resources and Remuneration, Social and Ethics Committee.	<i>Pre-Meeting</i> 1	5	5	Ms Margaret-Ann Diedricks (Chairperson) Mr Dumisani Dakile (Member) Mr Sisa Njikelana (Member) Dr Osmond Mlonyeni (Member) Ms Mbali Hlophe (Member)
Credit Committee	<i>Pre-Meeting</i> 1	6	4	Mr Thendo Ratshitanga (Chairperson) Ms Dineo Maithufi (Member) Ms Thobile Magerman (Member) Mr Khehla Mthembu (Member)
Business Development Committee	<i>Pre-Meeting</i> 3	8	5	Mr Leon G. Marincowitz (Chairperson) Mr Thendo Ratshitanga (Member) Ms Mbali Hlophe (Member) Ms Thobile Magerman (Member) Ms Margaret-Ann Diedricks (Member)

HUMAN RESOURCES AND REMUNERATION COMMITTEE MEETINGS*

No.	Member	Position	Meeting Attendance	Special Meeting	Pre-Meeting
1.	Ms M Diedricks	Committee Chairperson	6 of 6	1 of 1	1 of 1
2.	Mr D Dakile	Committee Member	5 of 5	1 of 1	-
3.	Mr S Njikelana	Committee Member	5 of 5	1 of 1	-
4.	Dr O Mlonyeni	Committee Member	5 of 5	1 of 1	-
5.	Ms M Hlophe	Committee Member	1 of 5	0 of 1	-
6.	Ms L Manenzhe	Ex - Officio Member	6 of 6	1 of 1	1 of 1

AUDIT, RISK AND GOVERNANCE COMMITTEE*

No.	Member	Position	Meeting Attendance	*Special Meeting	Pre-Meeting
1.	Ms D Maithufi	Committee Chairperson	11 of 11	4 of 4	3 of 3
2.	Mr C Kneale	Committee Member	9 of 11	3 of 3	-
3.	Ms C Walters	Committee Member	11 of 11	3 of 3	-
4.	Dr O Mlonyeni	Committee Member	10 of 11	2 of 3	-
5.	Mr L Marincowitz	Committee Member	9 of 11	2 of 3	-
6.	Mr D Dakile	Committee Member	7 of 9	2 of 2	-
7.	Mr S Njikelana	Committee Member	6 of 9	2 of 2	-
8.	Ms L Manenzhe	Ex - Officio Member	7 of 11	0 of 4	3 of 3

CREDIT COMMITTEE

No.	Member	Position	Meeting Attendance	*Special Meeting	Pre Meeting -
1.	Mr T Ratshitanga	Committee Chairperson	4 of 4	2 of 2	1 of 1
2.	Ms T Magerman	Committee Member	4 of 4	1 of 1	-
3.	Ms D Maithufi	Committee Member	4 of 4	1 of 1	-
4.	Mr K Mthembu	Committee Member	4 of 4	2 of 2	-
5.	Ms L Manenzhe	Ex -Officio Member	3 of 4	1 of 1	1 of 1

BUSINESS DEVELOPMENT COMMITTEE

No.	Member	Position	Meeting Attendance	*Special Meetings	Pre-Meeting
1.	Mr L Marincowitz	Committee Chairperson	4 of 4	5 of 5	3 of 3
2.	Ms M Diedricks	Committee Member	2 of 4	2 of 3	-
3.	Ms T Magerman	Committee Member	3 of 4	3 of 3	-
4.	Ms M Hlophe	Committee Member	1 of 4	0 of 3	-
5.	Mr T Ratshitanga	Committee Member	3 of 4	2 of 3	-
6.	Ms L Manenzhe	Ex - Officio Member	3 of 4	5 of 5	3 of 3

JOINT CREDIT COMMITTEE AND BUSINESS DEVELOPMENT COMMITTEE*

No.	Member	Position	Meeting Attendance
1.	Mr K Mthembu	Committee Chairperson	2 of 2
2.	Mr T Ratshitanga	Committee Chairperson	1 of 2
3.	Ms T Magerman	Committee Member	2 of 2
4.	Ms D Maithufi	Committee Member	0 of 2
5.	Mr L Marincowitz	Committee Member	2 of 2
6.	Ms M Diedricks	Committee Member	1 of 2
7.	Ms M Hlope	Committee Member	0 of 2
6.	Ms L Manenzhe	Ex - Officio Member	1 of 3

*** NOTE:**

- i) GEP Board Resolved: That the Risk Governance, Social and Ethics Committee would be dissolved, with its risk governance responsibilities moved to the Audit, Risk and Governance Committee and the social and ethics responsibilities moved to REMCO.
- ii) A submission would be tabled at the August 2019 Board meeting for the dissolution of the Joint BDC and CC committee.

REMUNERATION OF BOARD MEMBERS

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

BOARD MEMBER ARE REMUNERATED AS FOLLOWS:

Board Meetings	Remuneration Levels	Monthly Retainer Fee
Chairperson	R5 260.23	R0
Deputy Chairperson	R4 463.70	R0
Members	R4 092.34	R0



OVERVIEW: RISK AND AUDIT MANAGEMENT

Mr. Lamlani Dube

GM: Risk and Audit Management

The Risk and Audit unit, within GEP, was established in conformance with the provisions of the GEP Act, PFMA, Treasury Regulations, King IV Report on Corporate Governance, COSO Risk Management Model, ISO 31000 Risk Management Standards and the Public-Sector Risk Management Framework. In line with the requirements of the Public-Sector Risk Management Framework, the Risk and Audit unit has a Board-approved Roadmap to Risk Maturity and a Risk Management Plan in place which articulate a defined and disciplined approach for implementing, monitoring and maintaining good risk management practices to propel the organization towards achieving objectives of the Risk Management Policy Framework.

Within GEP, the unit is positioned as a strategic enabler, risk and audit management expert advisor and a value-add function intended to assist GEP in achieving its mandate, strategic objectives and satisfy its stakeholders within the prescribed regulatory framework. It is thus empowered amongst other functions, to (a) facilitate risk and opportunity identification, risk mitigation, risk reporting and risk monitoring at both strategic and operational levels, (b) implement the Business Continuity Management (BCM) programme, (c) implement the Fraud Prevention Strategy and Ethics Programme, (d) provide assurance on Policy Development, (e) implement a Combined Assurance Model and (f) implement the Internal Audit Programme.

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

RISK BELIEF AT GEP ("RISK PHILOSOPHY")

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

Risk management is an important element of the organizational strategy and daily operations that impacts on organizational performance (i.e. APP Targets), financial results and future organisational plans.

It is upon this basis that GEP believes risk management should be the responsibility of every employee in the organization, practiced daily and infused into daily operations, business processes and policies with a view of converting risks into opportunities, protecting the organization against unforeseen losses, improving investment returns, being a reliable and sustainable service delivery agency. Taking business decisions must therefore be informed and underpinned by appropriate rigour and analysis, reducing incidents of fraud and corruption, reducing incidents of irregular, fruitless and wasteful expenditure and improving efficient use of resources in the rollout of projects.

RISK MATURITY

The Risk and Audit unit's vision is to propel GEP to be "risk intelligent / matured" by 31 March 2021. Using a hybrid of ISO 31000 and the Public-Sector Risk Management Framework, a risk maturity self-assessment was undertaken and the results confirmed GEP's risk management practices in the organization to be at level 2.99 out of level 5 of the risk maturity scale. As part of instilling and embedding a good risk management culture in the organization, the gaps and 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 2.99 risk maturity level, the key achievements over the reporting period include:

- a) implementation of the Risk Management and Business Continuity Management Policy Framework
- b) implementation of the risk appetite framework,
- c) implementation of the Combined Assurance Framework,

- d) linking the organizational strategy to the strategic risk profile,
- e) quantification of materialized, emerged, avoided and accepted risks controls and tasks (Total Cost of the actual Risk),
- f) conducting a Board strategic risk assessment,
- g) mapping of the King III to King IV for identification of gaps and improvements,
- e) development of the 5 year BCM Maturity Strategy,
- f) scenario analysis testing and
- g) development of the risk management methodology .

In its intention to reach a level 5 risk maturity, the organization will in future undertake the following activities: Coordinated risk management activities across silos (Combined Assurance), Risk appetite monitored at product level, technology implementation and enablement, contingency plans and escalation procedures, risk management training, risk modelling, transversal risk analysis, risk consolidation and quantification, risk consultation, RM /BCM / Ethics / Compliance / Anti-fraud Training, improve “tone at the top”, Risk discussion is embedded in strategic planning, capital allocation, product development, linkage to performance measures and incentives, industry benchmarking used regularly, integrated GRC (IGRC), data analytics, evaluation of Audit, Risk and Governance Committee in relation to risk management and risk management effectiveness independently and a risk culture survey.

STRATEGIC RISK PROFILE

For the reporting period, the Board and EXCO undertook an annual risk assessment to identify risks and opportunities from the 2015/2019 organizational strategy and annual performance targets for 2018/2019 financial year, and seven strategic risk exposures were identified, relating to:

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

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

INTERNAL AUDIT AND AUDIT COMMITTEES

Amongst other things, the Audit, Risk and Governance Committee successfully

- a)monitored the effectiveness of internal audit and external audit,
- b)approved the internal audit charter and Audit, Risk and Governance Committee charter,
- c)monitored the effectiveness of the Finance Function,
- d)approved the combined assurance roadmap and encouraged internal and external audit to co-operate

- e)reviewed internal and external audit reports and assessed management responses to findings,
- f)satisfied itself that the internal audit function has necessary resources, budgets, organizational independence/authority within GEP to perform its functions and
- g) reviewed quarterly progress reports on the performance of the audit.

INTERNAL AUDIT UNIT

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

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 the Audit, Risk and Governance Committee.

Guided by the approved risk based annual audit plan for 2018/2019, the control environment of the organization was adequate and effective, except for areas of improvements highlighted to management for enhancement and resolution.

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 has facilitated management of compliance risks throughout the organization. Through its mandate, it has identified, evaluated, monitored, reported issues of non-compliance with a view of applying compliance remedies. The plan of the function is to develop a formal compliance framework with a view of formalising the compliance function to operate in line with the Generally Accepted Compliance Framework.

FRAUD AND CORRUPTION

Guided, amongst others, by PFMA, Protected Disclosures Act and Combating of Corrupt Activities Act, the Risk and Audit unit has revised the GEP Fraud Prevention Policy Framework to reflect on fraud prevention, fraud detection, fraud investigation and fraud resolution.

As part of risk management practice, GEP zero tolerance approach towards fraud and corruption, which entails strong policy framework, stating the organisational stance on the prevention and investigation of fraud and corruption incidents, accountability and consequence management. 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 organization, although the Compliance Management Framework has not yet been developed to guide the organization on issues of Code of Ethics, infusing ethics standards and practices into GEP policies and Ethics performance review / ethics maturity. The state of reducing fraud and corruption incidents is satisfactory, except in instances communicated to management and Board, including the Shareholder.

REPORTING MECHANISMS: 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 behaviour. Matters reported are investigated and the outcomes of the investigation reports are tabled with relevant governance structures. During the period under review, a total of 10 cases were reported and investigated. Of the 10 matters reported, 8 were resolved with interventions such as disciplinary action, registration of criminal cases and possible recovery of losses undertaken by the organization. Identified conflict of interest matters were also reported to the National Treasury.

MINIMISING CONFLICT OF INTEREST

As part of processes aimed at minimising conflict of interest, the Supply Chain Management unit provides all employees participating in GEP procurement committees with a declaration of interest form and a code of conduct which is signed on an annual basis. Should an official be found to be conflicted in any way, they are expected to declare such conflict of interest and recuse themselves from procurement process.

All GEP officials sign a declaration of interest form listing companies that they and / or their relatives have interests in to promote a greater level of transparency in engagements with potential service providers. This list is updated annually or as and when new service providers falling in this category have been identified.

CODE OF CONDUCT

The code of conduct and fraud prevention policy was adhered to by employees, except in instances where investigation matters were registered for investigation.

HEALTH SAFETY AND ENVIRONMENTAL ISSUES

The Agency conducts regular health and safety, inspections across the various GEP office premises (Head Office, Regional and Satellite Offices) to assess their level of compliance with the Occupational Health and Safety Act, No. 85 of 1993 as amended which sets out the rights and duties of all parties in the workplace, as well as, procedures for dealing with workplace hazards. Status updates are submitted quarterly to the Executive Management Committee, the Human Resources and Remuneration Committee and the Board.

Several non-compliance areas to the Occupational Health and Safety Act were identified within the Head Office and some of the Regional Offices in the financial year under review. Key issues identified included but were not limited to the following:

- Poor ventilation due to inadequacies relating to windows and mechanical ventilation. Air-conditioning challenges resulting in inconsistent temperature changes and the recycling of airborne particles such as dust and carpet fibres which may lead to absenteeism due to ill health.
- Security gaps such a dysfunctional boom gate, security scanners, conveyer belt, turnstiles, access doors and elevators. Physical security gaps related to the registration and signing out of visitors. Such challenges would be likely to negatively impact emergency evacuation efforts by management.
- Rising dampness on the parking area walls causes secondary damage to the building and enables the growth of fungi or mould that might lead to employee health issues.
- The Head Office building (124 Main Street), is also not suitable for People with Disabilities and poses a serious risk in terms of accessibility and evacuation processes.

The Agency, in conjunction with the shareholder and landlords, continues to monitor interventions aimed at addressing the identified non-compliances. During the year under review, GEP in partnership with the Gauteng Department of Agriculture, Gauteng Liquor Board and Gauteng Department of Economic Development (Consumer Services) initiated a process of procuring shared office space. The Shareholder also set up a shared auxiliary service steering committee for 124 Main Street to address all health safety and environmental issue.

COMPANY SECRETARY

The Company Secretary is responsible for convening governance meetings, administrative support to committees and providing a central source of guidance and advice to the Board.

The Company Secretary is accountable to the Board and administratively reports to the CEO and has the responsibility of:

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

SOCIAL RESPONSIBILITY

GEP has in the 2018/19 financial year sponsored 25 events across various sectors. These events were supported based on their alignment to the GEP mandate and government priorities. Some of the sponsored beneficiaries included the Lesbian, Gay, Bisexual, Transsexual, Intersex, Queer (LGBTIQ), Persons with Disabilities, Women and Youth.





AUDIT, RISK AND GOVERNANCE COMMITTEE REPORT

Ms. Christine Walters

Acting Chairperson: Audit, Risk and Governance Committee

For the year ended 31 March 2019, the Audit, Risk and Governance Committee (ARGC) as an independent statutory committee appointed by the Board of GEP, discharged its duties and responsibilities as delegated by this committee's charter.

AUDIT, RISK AND GOVERNANCE COMMITTEE

The Audit, Risk and Governance Committee consists of seven independent Non-Executive Directors and its meetings are held at least four times per year, as specified in terms of its Charter. The Board Chairperson, Chief Executive Officer, Chief Financial Officer, GM Risk and Audit, external auditors and other assurance providers attend meetings by invitation. The composition of the ARGC and details relating to the attendance of meetings by members during the period under review are listed under the Governance section of this Annual Report.

STATUTORY DUTIES

The main responsibilities of this committee as set out in the ARGC Charter included reviewing the following:

- The Internal Audit Charter and Internal Audit Plan;
- Effectiveness of GEP's internal control systems;
- Key strategic and operational risk areas as covered in the scope of internal and external audits;
- GEP's compliance with legal and regulatory provisions such as the GEP Act, PFMA, as well as, Treasury Regulations;
- Activities of the Risk and Audit Unit, including its work programmes, coordination with external auditors, reports of significant investigations and management responses to key recommendations; and
- Annual Financial Statements with specific attention to the adequacy, reliability and accuracy of financial information provided by management, underlying accounting policies, compliance with effective South African Standards of Generally Recognised Accounting Practice (GRAP), the PFMA and other statutory prescripts.

The activities of the Audit, Risk and Governance Committee during 2018/19 were guided by this committee's workplan that sets out key issues to be considered by the ARGC during the financial year with relevant investigations also having been conducted within its Terms of Reference.

EXTERNAL AUDITORS

The ARGC independently engaged the Auditor-General of South Africa (AG) as GEP's external Auditors, as well as, the GM Risk and Audit and is satisfied that it has adequately discharged its legal and regulatory responsibilities. The committee has reviewed and accepted the AG's final management report and audit opinion relating the Annual Financial Statements and Audit of Performance Information and audit findings issued by the AG during the 2018/19 external audit are to be addressed in accordance with the mitigation action plans as agreed between GEP and the AG in line with the risk tolerance of the Agency.

ANNUAL FINANCIAL STATEMENTS AND ACCOUNTING POLICIES

The Audit, Risk and Governance Committee has evaluated GEP's Accounting Policies and Financial Statements and concluded that these comply, in all material respects, with requirements of the PFMA, and were prepared in accordance with effective South African Standards of GRAP issued by the Accounting Standards Board (ASB). The Committee has reviewed and accepted the audited Annual Financial Statements and related Accounting Policies for inclusion in this Annual Report.

IRREGULAR AND FRUITLESS AND WASTEFUL EXPENDITURE

The Audit, Risk and Governance 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, Risk and Governance Committee's assessment of the internal financial controls in the organisation is that systems, although enhanced, require improvement.

GEP's system of internal financial control is considered to be effective and forms a sound basis for the preparation of reliable Financial Statements.

WHISTLE-BLOWING

The Audit, Risk and Governance Committee receives and considers internal and external complaints relating to the Agency's accounting practices, risk and audit matters, content or auditing of the Annual Financial Statements, internal financial controls of GEP and any other related matters.

DUTIES ASSIGNED BY THE BOARD

In addition to the statutory duties of the Audit, Risk and Governance Committee, as reported above, the Board assigned further functions to this Committee which include the following:

A. INTEGRATED REPORTING AND COMBINED ASSURANCE

The Audit, Risk and Governance Committee fulfils an oversight role regarding GEP's Integrated Report and reporting processes, including systems of internal financial control. A Combined Assurance Forum has been formed which is chaired by the General Manager: Risk and Audit and reports to the Committee on a quarterly basis.

The Audit, Risk and Governance Committee considered the Agency's sustainability information as disclosed in the Integrated Report and has assessed its consistency with operational and other information, and for consistency with the Annual Financial Statements.

B. GOING CONCERN

This Committee has reviewed the going concern assessment of GEP as at the end of the 2018/19 financial year, and is satisfied that the adoption of the going concern premise was appropriate for preparing the Annual Financial Statements.

C. GOVERNANCE OF RISK

The Board has assigned oversight of risk management to the Risk and Audit Unit. The Audit, Risk and Governance Committee fulfils an oversight role regarding financial reporting risks, business risks, fraud risk as it relates to financial reporting.

D. INTERNAL AUDIT

The Audit, Risk and Governance Committee is responsible for ensuring that GEP's Risk and Audit Unit is independent, objective 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 to the Board, and further approved the Internal Audit Plan for 2018/19.

E. EVALUATION OF EXPERTISE: FINANCE FUNCTION

The Audit, Risk and Governance Committee has satisfied itself that GEP's Chief Financial Officer has appropriate expertise and experience. The Committee has considered, and has satisfied itself with the appropriateness of resources, expertise and experience of managers responsible for the finance function.

CONCLUSION

The Audit, Risk and Governance Committee concurs and accepts the conclusions of the Auditor-General on the Annual Financial Statements and is of the view that they should be accepted and read together with the report of the Auditor-General.

This committee recommended at its meeting held on 30th July 2019, the approval of the audited 2018/19 Annual Financial Statements to the Board, and these financial statements were duly approved by the GEP Board together with the Agency's Annual Report.



Ms Christine Walters

Acting Chairperson: Audit, Risk and Governance Committee

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, this committee believes internal financial controls are adequate to ensure financial records are relied upon for preparing the Annual Financial Statements, and accountability for assets.



PART D

HUMAN RESOURCE MANAGEMENT



CORPORATE SUPPORT AND ADMINISTRATION

Mr. Vincent Mulaudzi

GM: Corporate Support and Administration

OVERVIEW OF GEP CORPORATE SUPPORT AND ADMINISTRATION

The division is made up of five business units, namely: Human Resources, Information and Communications Technology (ICT), Legal Services, Facilities Management and Marketing and Communications. The division was managed by an acting incumbent during the initial three quarters of the period under review and a fulltime incumbent was appointed towards the end of the third quarter.

The primary objective of the division is to partner with core business units by providing strategic support in the functional areas mentioned above.

CORPORATE SUPPORT AND ADMINISTRATION PRIORITIES

Key areas of focus during the 2018/19 financial year included:

- Filling critical vacancies which impact on GEP's operations and performance;
- Enhancing relations between management and labour to boost employee morale;
- Conducting a Skills Audit to ensure greater alignment between employees and the GEP strategic shift as informed by the Agency's mandate, key provincial strategies and the Gauteng Entrepreneurship Model;
- Ongoing change management to appraise stakeholders on issues that might impact on the culture of the organization; and
- Appointment of Occupational Health and Safety (OHS) representatives for the GEP Head Office, Regions and Satellite offices in compliance with Occupational Health and Safety Act.

EMPLOYEE PERFORMANCE MANAGEMENT FRAMEWORK

GEP has an approved Performance Management Policy in place and employees' performance is managed in line with provisions of the policy.

Employee performance assessments were conducted in accordance with provisions of this policy during the period under review, however, management was required to address some deficiencies noted by the Human Resources and Remuneration Committee.

The entity did not pay any performance bonuses to employees due to budgetary constraints and a concerted management effort to enhance levels of organisational compliance with the Performance Management Policy.

GEP EMPLOYEE WELLNESS PROGRAMMES

GEP appointed Careways as the preferred service provider for Employee Health and Wellness in the 2018/19 financial year. Twenty four percent (24%) of employees utilised the service during the year, which reflects a 15% utilisation improvement in comparison to the previous financial year. The area of employee wellness will continue to be one of key priorities for the organisation in the coming year to ensure a healthy and productive workforce that is committed to the achievement of GEP strategic objectives.

POLICY DEVELOPMENT

A total of six Human Resources policies were reviewed in consultation with organised labour during the period under review and these policies are envisaged to be approved by the Board in the 2019/20 financial year. The division is continuously monitoring the policy environment and where there are changes, the respective policies will be updated accordingly.

HUMAN RESOURCES ACHIEVEMENTS

During the period under review, the agency completed the skills audit of its workforce, and successfully signed a collective agreement with the recognised union regarding salary adjustments and other benefits. The agency also managed to enter a pension-backed housing loan agreement with one financial institution, in terms of which employees have access to their provident fund for housing purposes.

GEP has also strengthened partnership with various institutions of higher learning which participate annually in the GEP Career Open day. The agency is currently represented in the Provincial Skills Development Forum facilitated by the Gauteng City Region Academy (GCRA). During the year under review, the GCRA, in collaboration with Regenesys Business School, trained four GEP employees on Foundational Management Development Programme and they are expected to graduate during the 2019/20 financial year.

It is also worth mentioning that the agency exceeded its employment equity target of fifty (50) by six (6) percent in terms of the employment of female senior managers.

Finally, the business unit concluded recruitment processes for the appointment of a General Manager: Corporate Support and Administration as part of continuing efforts to ensure funded critical positions are filled.

2018/19 SKILLS AUDIT

The organisational Skills Audit was conducted and completed towards the end of the financial year. The recommendations will be implemented in 2019/20 in line with the current strategy and objectives of the Agency. The outcomes and recommendations of the 2018/19 skills audit will assist the Human Resources Unit in updating employee skills inventory, inform career guidance and career management and counselling. They will also serve as a basis for developing an organisational workplace skills plan, as well as, group and individual development plans.

FILLING OF CRITICAL GEP POSITIONS

The position of Chief Operations Officer became vacant during the last quarter of the financial year and is anticipated to be filled in the new financial year. The vacant Chief Executive Officer position was also advertised during the financial period under review and is envisaged to be finalised in the 2019/20 financial year.

Several key positions could not be filled during this period, pending the finalisation of the 2018/19 skills audit. Based on the recommendations of the skills audit findings, certain critical positions were advertised internally during the last quarter of the financial year.

CHALLENGES FACED BY AGENCY

Due to the fiscal constraints of the provincial and national governments, the agency is not able to secure the necessary funds to employ sufficient staff relative to its mandate. In addition, the relationship between management and labour was at its lowest during this period. Various interventions were, however, introduced to mitigate this undesirable state of affairs, and we are pleased to report that the relationships are steadily normalising.

FUTURE CORPORATE SUPPORT AND ADMINISTRATION PLANS

Going forward the unit will focus on the areas listed below:

- To leverage on the improved relations between management and employee representatives, it is envisaged that a relationship building exercise between management and labour will be held in the 2019/20 financial year;
- The review and finalisation of all policies that expired in the recent past also remain a critical area of focus for management;
- Implementation of the skills audit recommendations: the skills audit has assisted in identifying key capacity challenges, and based on the availability of funds, a concerted skills development programme will be embarked upon in the next financial year with a view to capacitate GEP employees;
- Review and evaluate all job profiles in accordance with skills audit recommendations;
- Development of a Records Management System and File Plan in line with National Archives and Record Service Act; and
- Securing office accommodation through partnership with municipalities and other agencies as part of the GEP cost – containment measures.



HUMAN RESOURCE OVERSIGHT STATISTICS

PERSONNEL COST BY PROGRAMME

GEP Programmes	Total Expenditure (R'000)	Personnel Expenditure (R'0)	Personnel Expenditure as a % of Total Expenditure (R'000)	No. of Employees	Average Personnel Cost Per Employee (R'000)
Programme 1: Administration	92 225 276	45 274 778	49%	75	603 664
Programme 2: Investment	22 643 153	13 777 825	61%	24	574076
Programme 3: Enterprise Support	40 320 193	9 624 655	24%	18	534 703
Programme 4: Regional Operations	43 355 927	27 719 820	64%	55	503 998
Total	198 544 549	96 397 078	49%	172	2 216 441

PERSONNEL COST BY SALARY BAND

Level	Personnel Expenditure (R'0)	% of Personnel Expenditure to Total Personnel Cost	No. of Employees	Average Personnel Cost Per Employee (R'0)
Top Management	8 409 834	9%	7	1 201 405
Senior Management	34 741 051	36%	34	1 021 796
Professional qualified	32 927 865	34%	55	598 688
Skilled	17 958 898	19%	54	332 572
Semi-skilled	2 359 430	2%	22	107 247
Unskilled	-	-	-	-
TOTAL	96 397 078	100%	172	3 261 708

PERFORMANCE REWARDS

No performance rewards were paid to GEP employees during the financial year under review.

TRAINING COSTS

GEP Budget Programme	Personnel Expenditure (R'O)	Training Expenditure (R'O)	Training Expenditure as a % of Personnel Cost	No. of Employees Trained	Average Training Cost per Employee
GEP employee training costs	96 397 078	694 814.42	0.7%	90	7 720.16

EMPLOYMENT AND VACANCIES

GEP Programmes	2017/2018 No. of Employees	2018/2019 Approved Posts	*2018/2019 No. of Employees	2018/2019 Vacancies	% of vacancies
Programme 1: Administration	67	87	61	30	60%
Programme 2: Investment	21	28	18	10	20%
Programme 3: Enterprise Support	20	17	20	3	6 %
Programme 4: Regional Operations	45	56	49	7	14 %
Total	153	188	148	50	100%

* Number of employees is inclusive of 10 interns who were in the organisation as at the end of the financial year.

Employee Levels	2017/2018 No. of Employees	2018/2019 Approved Posts	2018/2019 No. of Employees	2018/2019 Vacancies	% of vacancies
Top Management	5	7	4	3	6%
Senior Management	29	37	27	10	20%
Professional qualified	44	63	47	16	32%
Skilled	52	72	53	19	38%
Semi-skilled	23	9	17	2	4 %
Unskilled	0	0	0	0	0%
TOTAL	153	188	148	50	100%

EMPLOYMENT CHANGES

Employee Levels	Em ployment at B eginning of Period	Ap pointments	Ter minations	* E mployment at E n d Period
Top Management	4	1	1	4
Senior Management	29	4	6	27
Professional qualified	44	10	7	47
Skilled	52	3	2	53
Semi-skilled	22	1	6	17
Unskilled	–	–	–	–
TOTAL	151	19	22	148

* Number of employees is inclusive of 10 interns as at the end of the year which falls under semi – skilled level employees. Employment changes and vacancies exclude seconded employees from the Department (i.e. Acting Chief Executive Office and Acting Chief Operations Officer).

REASONS FOR TERMINATIONS

Reason	Number	% of Total Terminations
Death	-	-
Resignation	9	41%
Dismissal	7	32%
Retirement	-	-
Ill health	-	-
Expiry of contract	5	23%
Other	1	4%
T o t a l	22	100%

LABOUR RELATIONS: MISCONDUCT AND DISCIPLINARY ACTION

Nature of disciplinary Action	Number
Verbal Warning	11
Written Warning	-
Final Written warning	-
Dismissals	7
T o t a l	18

EMPLOYMENT EQUITY STATISTICS

It must be noted that employees are reported as per their substantive positions and GEP employees are not obliged to report their disabilities.

Employee Levels	MALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target				Target
Top Management	2	0	0	0	0	0	0	0
Senior Management	11	2	0	0	1	1	0	0
Professional qualified	19	30	0	0	0	1	0	0
Skilled	7	11	1	2	0	1	0	1
Semi-skilled	4	2	0	1	0	1	0	1
TOTAL	43	45	1	3	1	4	0	2

Employee Levels	FEMALE							
	AFRICAN		COLOURED		INDIAN		WHITE	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	2	2	0	0	0	0	0	0
Senior Management	12	3	2	0	0	0	1	0
Professional qualified	27	33	0	1	1	1	0	1
Skilled	39	34	3	4	1	0	1	1
Semi-skilled	14	25	0	1	0	1	0	1
TOTAL	94	97	5	6	2	2	2	3

Employee Levels	Disabled Employees			
	Male		Female	
Top Management	0	0	0	0
Senior Management	0	0	0	0
Professional qualified	1	1	0	0
Skilled	1	1	0	0
Semi-skilled	0	0	0	1
Unskilled	0	0	0	0
TOTAL	2	2	0	1

INFORMATION AND SYSTEMS MANAGEMENT OVERVIEW

Information and Systems Management (ISM) is a unit within the Corporate Support and Administration division whose main objectives are to:

- Provide available and scalable computing infrastructure to improve productivity, security, end-user satisfaction and support business agility;
- Implement technologies and services to improve GEP interactions with stakeholders; and
- Provide innovative IT solutions and services to improve the speed and quality of processing customer applications, including enablement of Administration, Investment Management, Enterprise Support and Regional Operations business objectives.

ISM PRIORITIES FOR THE YEAR UNDER REVIEW

Key ISM priorities for 2018/19 included:

- Improvement in the ICT governance maturity levels (including information security and integrity) focusing on ICT security as it relates to Confidentiality, Integrity and Availability of GEP information.

GEP systems were assessed and reviewed for vulnerabilities which led to the establishment of a roadmap to close identified gaps as follows:

- ICT policies were reviewed with awareness and training sessions conducted to inculcate a positive culture in relation to usage, management and governance of information resources; and
- ICT Security Strategy and Framework was established to align GEP with international standards for ICT security which will improve maturity levels.
- Uptime of system and network availability: GEP depends on services like emails, web services, telephones and business applications such as GEP Online and PASTEL to collaborate with clients and partners. These services require sustainable network connectivity and systems availability which was maintained to acceptable levels under the reporting period.

ISM also forms part of the corporate governance processes of the GEP and is required to report to Board Committees on a quarterly basis. ISM managed to fulfil the reporting requirements and Board Committees were thus able to exercise their oversight responsibilities. ISM reporting included progress updates on implementation of risk mitigation plans as per Auditor General recommendation and ICT Risk Register which forms part of the ICT governance.

ISM also directed and managed projects such as: the review of ICT policies; Integration of GEP Online with customer credit validation and verification solution; development and implementation of new GEP Website projects. All these projects were implemented within budget and with the required functionality.



INFORMATION AND SYSTEMS MANAGEMENT POLICY DEVELOPMENT

ISM policies were reviewed, merged and categorised into two as follows: Information and Communications Technology Users Management Policy and ICT Governance and Management Policy Framework. All reviewed ICT policies were approved by the Board by the end of the period under the review.

INFORMATION AND SYSTEMS MANAGEMENT CHALLENGES

Due to the fiscal constraints of the provincial and national governments, the agency was unable to secure the necessary funds to implement all ICT initiatives and programs identified during the financial year. Efforts have been made to prioritise ICT investments in the new financial to achieve the ISM performance targets. ICT capacity constraints also present a huge challenge in relation to the achievement of ICT mandates and initiatives aimed at improving GEP business. GEP, like any other financial institution, is faced with digital economy challenges which present demands for business improvements enabled by technology. The ISM unit, as a strategic business partner, must prepare GEP to ensure its relevancy and competitiveness.

FUTURE INFORMATION AND SYSTEMS MANAGEMENT PLANS

- Review of the ICT Strategy to focus on the GEP Digital Transformation and Automation plans so as to reduce costs of doing business with GEP;
- Review GEP Business Processes and automate the newly approved ones focusing on customer value streams;
- Integration of systems to ensure seamless information flow to enable planning and decision making. This will include GEP Online system improvements and development of the SMME and Cooperative index which is a core requirement for the successful implementation of the Gauteng Entrepreneurship Model (GEM) and is subject to budget availability (estimated at about R10 million);
- Development of the digital information File Plan in line with National Archives and Record Service Act to safeguard historical business records while ensuring that access is made easy and integrity is maintained;
- Implementation of the ICT Security Strategy and Framework in line with the international standards and industry development. This is a critical component of digitalisation and automation as cyber security is most challenging sphere for online (web-based) business transactions; and
- To respond and align to the technological requirements and expectation for the new targeted operating model for the province which is still at a concept phase and being championed by GEP (i.e. Gauteng Entrepreneurship Model). GEM will require an integrated and technology - enabled solution or platform to realise its objectives.



PART E

FINANCIAL INFORMATION



REPORT BY CHIEF FINANCIAL OFFICER

Ms. Nomfanelo Genuka
Chief Financial Officer (CFO)

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

GEP's funding requirements are sourced mainly from operational and conditional grants received from the Gauteng Department of Economic Development (GDED) which is its sole shareholder. This funding is mainly to assist the operational activities of GEP, including issuing of loans to SMME's and Co-operatives, and providing financial and non-financial support to SMME's.

During the 2018/19 financial year, GEP paid out R5.1million in financial support (FSS) loans compared to R15 million paid out in the previous financial year. The decrease of R9.9 million in the approval and payment of FSS loans can be attributed to the streamlining of the GEP application processes through an automated online system launched in September 2017 and the application of stricter due diligence measures. The more stringent compliance management mechanisms led to a lower number of SMMEs qualifying for loans in the 2018/19 financial year and a higher number of Community Fund and Township Business Renewal grants being provided to small township based enterprises.

Over the same period, GEP collected R10.2 million from outstanding debtors which was R4.8 million below the R15 million budgeted to be collected. During the 2017/18 financial year, GEP collected R15 million from outstanding debtors. This decrease in collections can mainly be attributable to the tough economic climate small businesses find themselves in; and the fact that GEP issued a lesser number of FSS loans in comparison to grants.

Further, debtor collections were also affected by the Provincial announcement that GEP may be converted into a state bank long. With all the challenges that GEP encountered during the period under review, it has managed to maintain and improve its internal systems, processes and controls. By way of illustration, payment of service providers has improved: it is now sitting at 100% of payments to suppliers under five (5) days. This is an improvement when compared to 89% reported in the previous financial year. This shows that GEP met its target of ensuring that the turnaround period for payment of creditors is under five (5) days.

The speedy payment of service providers and SMMEs alleviates their cashflow pressures and reduces the high death levels of enterprises, which usually emanates from long payment turnaround times. Timely payment turnaround times also builds trust and confidence in our Agency, by the SMMEs and service providers.

ASSETS

The total assets at 31 March 2019 were R179.6 million, which demonstrates a decrease when compared to our total assets for the previous financial year of R187.8 million. This decrease is mainly attributed to the decrease in FSS loans issued in the year under review.

The current assets at 31 March 2019 were R130.5 million, compared with R129.5 million for the previous year. This shows an increase of R1m from the previous financial year. This is mainly due to the increase in cash and cash equivalents when compared to the previous financial year.

LIABILITIES

GEP total liabilities as at 31st March 2019 were R45.4 million, compared with R42.2 million in the previous financial year. This R3.2 million increase in total liabilities is mainly attributed to the R2.6 million increase in unspent conditional grants, R31.7 million in the year under review from R29.1 million in the previous financial year.

Trade and other payables increased by R1.2 million year on year, at R9.7 million in the current financial year compared with R8.5m in the prior financial year.

The increase is attributable to the improved internal controls within the Agency around identification and accounting for accruals at year end.

NET ASSETS VALUE STATEMENT

The net asset value (NAV) of the Agency has decreased in the period from R145.5 million, to R135.1 million. The decrease in NAV is due to the deficit of R11.3 million incurred in the current financial year.

REVENUE: NON-EXCHANGE TRANSACTIONS

The provincial grant for the year was R241 million, which has increased by R12 million when compared to the previous financial years provincial grant of R229 million. During the year, additional conditional grant revenue of R37 million was recognised during the year, compared with only R9 million in the previous year.

REVENUE: EXCHANGE TRANSACTIONS

During the current financial year, GEP earned exchange revenue of R5.7 million, which is mainly made up of R4.7 million in debtor interest earned. Prior year exchange revenue was R10.3 million, also mainly made up of debtor interest. This has resulted in a R4.7 million decrease in revenue from exchange. The decrease in debtor interest is due to the decrease in FSS loans advanced in the current year.

The total revenue: non-exchange revenue, exchange revenue and finance income, for the Agency was R250 million for the current financial year against R242.2 million in the previous financial year. This represents a R7.8 million increase, year on year.

LOAN BOOK PERFORMANCE AND CREDIT RISK

The total GEP loan book is valued at R158 million. During the financial year, GEP, did not write off any bad debts. The entity did, however, provide for debtors to the value of R71.4 million, compared with a provision for Doubtful debts of R52m in the previous financial year. The R71.4 million consists of R35.5 million for trade debtors and R35.9 million for FSS Loans.

The current year provision for doubtful debts adjustment (affecting the statement of financial position) is R18.8 million, compared with the previous year's doubtful debts adjustment of R25.3 million. The current year increase in the Provision for Doubtful debts is reflective of the broader difficult macro environment that SMMs in the province operate in and the challenges faced by them. In spite of the difficult macro-economic environment, GEP was still able to collect R10.2 million from debtors. The debtor collections budget for the year was R15 million, therefore the under collection was R4.8 million.

The provision for doubtful debts is an indication that GEP may write off 45% of its total loan book, which is an increase from 33% in the previous financial year.

Furthermore, the current year increase in the provision for doubtful debts is a reflection that GEP is struggling, for a variety of reasons, to collect funds owed to it by defaulting clients, this notwithstanding GEP's best endeavours to collect.

IRREGULAR EXPENDITURE

An irregular expenditure of R4.4 million has been identified by AGSA. The transaction relates to month to month expired contracts and non-compliance with supply chain laws and regulations.

APPRECIATION

I would like to extend words of gratitude to the Senior Management team, the former ACEO and the entire GEP employee complement who contributed to the attainment of an unqualified audit opinion outcome for the 2018/19 financial year. It was a difficult year that came with several challenges but through determination and hard work, GEP will implement the Auditor General recommendations to ensure that the entity achieves improved audit outcomes.

A final word of appreciation also goes to the Audit, Risk and Governance Committee (ARGC) and the Board of Directors for their unwavering support and demonstrating good leadership.



Ms. Nomfanelo Genuka
Chief Financial Officer



GENERAL INFORMATION

Country of incorporation and domicile

South Africa

Nature of business and principal activities

The Agency is a public body established in terms of the Schedule 3C listing of provincial public entities as provided in the Public Finance Management Act (PFMA), No.1 of 1999. The existence, functions, duties of the Agency are governed by the Gauteng Enterprise Propeller, No 5 of 2005 (the GEP Act) and delivery on its mandate is primarily driven by the provincial Transformation, Modernisation and Re-industrialisation (TMR) and Township Economy Re-vitalisation (TER) Strategies which requires GEP to drive: the revitalisation of township economies; enhanced participation of SMMEs and Co-ops in the Province's mainstream economy; and the growth and development of the 11 identified sectors, i.e. the agro-processing, automotive, manufacturing, information and communications technology (ICT), tourism, pharmaceuticals, creative industries, construction, real estate, finance and mineral beneficiation.

Board Members

K. Mthembu (Chairperson)
M. Diedricks (Deputy Chairperson)
L. Manenzhe (Acting Chief Executive Officer)
C. Kneale
D. Dakile
L. Marincowitz
T. Ratshitanga
C. Walters
T. Magerman
D. Maithufi
M. Hlophe
S. Njikelana
O. Mlonyeni

Registered office

GEP Head Office
6th Floor, 124 Main Street
Marshalltown
Johannesburg
2001

Postal address

P O Box 61464
Marshalltown
2107

Bankers

First National Bank Limited
Registration number 1929/001225/06
ABSA Bank Limited
Registration number 1986/004794/06

Auditors

Auditor-General of South Africa (AGSA)

Company Secretary

First Corporate Secretaries (Pty) Ltd



INDEX

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

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REPORT OF THE AUDITOR-GENERAL TO THE GAUTENG PROVINCIAL LEGISLATURE ON GAUTENG ENTERPRISE PROPELLER

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

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of Gauteng Enterprise Propeller set out on pages 82 to 119, which comprise the statement of financial position as at 31 March 2019, the statement of financial performance, statement of changes in net assets, cash flow statement, statement of comparison of budget and actual amounts and detailed statement of financial performance 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 Gauteng Enterprise Propeller as at 31 March 2019, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 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 this auditor's report.
4. I am independent of the public entity in accordance with sections 290 and 291 of the International Ethics Standards Board for Accountants' Code of ethics for professional accountants and parts 1 and 3 of the International Ethics Standards Board for Accountants' International code of ethics for professional accountants (including International Independence Standards) (IESBA codes) as well as the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA codes.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matters

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

Material impairments

7. As disclosed in notes 3 and 4 to the financial statements, the receivables balance (current and non-current) was significantly impaired. The impairment provision of receivables amounted to R71 449 716 (2018: R52 582 384), which represents 45% (2018: 33%) of the total balance for receivables.

Restatement of corresponding figures

8. As disclosed in note 26 to the financial statements, the corresponding figures for 31 March 2018 were restated as a result of an error in the financial statements of the public entity at, and for the year ended, 31 March 2019.

Responsibilities of the accounting authority for the financial statements

9. The board of directors, which constitutes the accounting authority, is responsible for the preparation and fair presentation of the financial statements in accordance with the SA Standards of GRAP and the requirements of the PFMA, and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
10. In preparing the financial statements, the accounting authority is responsible for assessing 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 the appropriate governance structure either intends to liquidate the public entity or to cease operations, or has no realistic alternative but to do so.

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

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

Report on the audit of the annual performance report

Introduction and scope

13. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
14. 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/measures 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.
15. 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 public entity for the year ended 31 March 2019:

Programmes	Pages in the annual performance report
Programme 2 – investment management	37
Programme 3 – enterprise support	38
Programme 4 – regional operations	40

16. 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.

17. The material findings in respect of the usefulness and reliability of the selected programmes are as follows:
Programme 3 – enterprise support

Number of township based construction enterprises non-financially supported

18. I was unable to obtain sufficient appropriate audit evidence for the reported achievement of the target of 100. This was due to a lack of supporting documentation to confirm that the reported target comprised enterprises based in townships and was also construction related. I was unable to confirm the reported achievement by alternative means. Consequently, I was unable to determine whether any adjustments were required to the achievement of 199 as reported in the annual performance report.

19. I did not raise any material findings on the usefulness and reliability of the reported performance information for these programmes:

- Programme 2 – investment management
- Programme 4 – regional operations

Other matters

20. I draw attention to the matters below.

Achievement of planned targets

21. Refer to the annual performance report on pages 37 to 40 for information on the achievement of planned targets for the year and explanations provided for the under- or overachievement of a significant number of targets. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraph 18 of this report.

Adjustment of material misstatements

22. 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, programme 3 – enterprise support, and programme 4 – regional operations. As management subsequently corrected only some of the misstatements, I raised material findings on the usefulness and reliability of the reported performance information. Those that were not corrected are reported above.

Report on the audit of compliance with legislation

Introduction and scope

23. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the 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.

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

Annual financial statements

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

Procurement and contract management

26. Some of the goods and services with a transaction value above R500 000 were procured without inviting competitive bids, and deviations were approved by the accounting authority when it was practical to invite competitive bids, contrary to treasury regulations 16A6.1 and 16A6.4.

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

28. Some of the quotations were accepted from prospective suppliers who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, which is prescribed in order to comply with treasury regulation 16A8.3.

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

Consequence management

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

31. Allegations of theft, fraud, extortion, forgery and uttering a forged document that exceeded R100 000 were not reported to the South African Police Service, as required by section 34(1) of the Prevention and Combating of Corrupt Activities Act of South Africa, 2004 (Act No. 12 of 2004).

Other information

32. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report, which includes the directors' report and the audit committee's report. The other information does not include the financial statements, the auditor's report and those selected programmes presented in the annual performance report that have been specifically reported in this auditor's report.

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

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

35. 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

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

37. There was a lack of adequate oversight by the accounting authority regarding financial and performance reporting and non-compliance with applicable laws and regulations.

38. Senior management did not always implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information was accessible and available to support performance reporting.

Other reports

40. I draw attention to the following engagements conducted by various parties that had, or could have, an impact on the matters reported in the public entity's financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.

Investigation

41. An investigation into allegations of irregularities in the township modernisation and revitalisation programme was commissioned by the executive authority, and the report on the investigation was issued to the executive authority on 15 November 2017. At the date of the audit report, the executive authority was still in the process of analysing the outcomes and recommendations of the investigation with a view to implement consequence management thereafter.

Auditor-General

Johannesburg
23 August 2019



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure – Auditor-general’s responsibility for the audit

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

Financial statements

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

Communication with those charged with governance

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

Gauteng Enterprise Propeller

Annual Financial Statements for the year ended 31 March 2019

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2019

Figures in Rand	Note(s)	2019	2018
Assets			
Current Assets			
Financial support loans at amortised costs	3	5 344 313	9 535 231
Receivables from exchange transactions	4	39 383 610	45 953 510
Cash and cash equivalents	5	85 801 664	74 111 198
		130 529 587	129 599 939
Non-Current Assets			
Property, plant and equipment	6	5 104 765	6 771 736
Intangible assets	7	744 338	14 335
Financial support loans at amortised costs	3	43 248 864	51 436 695
Other investments	8	1	1
		49 097 968	58 222 767
Total Assets		179 627 555	187 822 706
Liabilities			
Current Liabilities			
Operating lease liability	9	3 951 197	4 549 177
Trade and other payables	10	9 700 262	8 552 248
Unspent conditional grants	11	31 749 807	29 173 455
Total Liabilities		45 401 266	42 274 880
Net Assets		134 226 289	145 547 826
Accumulated surplus		134 226 289	145 547 826

Gauteng Enterprise Propeller

Annual Financial Statements for the year ended 31 March 2019

STATEMENT OF FINANCIAL PERFORMANCE

Figures in Rand	Note(s)	2019	2018
Revenue from non- exchange transactions	12	241 112 650	229 117 860
Revenue from exchange transactions	13	5 665 411	10 325 517
Programs and projects	14	(96 321 629)	(67 096 672)
Operating expenses	33	(165 520 958)	(175 611 310)
Operating deficit		(15 064 526)	(3 264 605)
Finance Income	17	3 742 990	2 764 291
Surplus (deficit) for the year		(11 321 536)	(500 314)

STATEMENT OF CHANGES IN NET ASSETS

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 April 2017	146 048 140	146 048 140
Changes in net assets		
Surplus/(Deficit) for the year	(500 314)	(500 314)
Total changes	(500 314)	(500 314)
Balance at 01 April 2018	145 547 826	145 547 826
Changes in net assets		
Surplus/(Deficit) for the year	(11 321 536)	(11 321 536)
Total changes	(11 321 536)	(11 321 536)
Balance at 31 March 2019	134 226 290	134 226 290

Gauteng Enterprise Propeller

Annual Financial Statements for the year ended 31 March 2019

CASH FLOW STATEMENT

Figures in Rand	Note(s)	2019	2018
Cash flows from operating activities			
Receipts			
Cash receipts from non-exchange transactions		243 689 000	251 430 100
Cash received from exchange transaction		2 425 128	2 427 344
Cash receipt from financial support loans		8 658 139	13 756 506
Finance income	17	3 742 990	2 764 291
		258 515 257	270 378 241
Payments			
Employee costs and Suppliers		(240 376 752)	(220 455 633)
Cash paid as financial support loans	3	(5 167 282)	(15 044 198)
		(245 544 034)	(235 499 831)
Net cash flows from operating activities	19	12 971 223	34 878 410
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(881 027)	(2 202 048)
Proceeds from sale of property, plant and equipment		-	84 701
Purchase of other intangible assets	7	(399 730)	-
Net cash flows from investing activities		(1 280 757)	(2 117 347)
Net increase/(decrease) in cash and cash equivalents		11 690 466	32 761 063
Cash and cash equivalents at the beginning of the year		74 111 198	41 350 135
Cash and cash equivalents at the end of the year	5	85 801 664	74 111 198

Gauteng Enterprise Propeller

Annual Financial Statements for the year ended 31 March 2019

BUDGET ON CASH BASIS

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference to Note 31
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Figures in Rand

Statement of Comparison of Budget and Actual Amounts

Revenue

Revenue from exchange transactions

Receipts on loan book	15 000 000	-	15 000 000	8 658 139	(6 341 861)	A
Interest and other income	-	3 600 000	3 600 000	9 408 401	5 808 401	B
Total revenue from exchange transactions	15 000 000	3 600 000	18 600 000	18 066 540	(533 460)	

Revenue from non-exchange transactions

Transfer revenue

Government grants & subsidies	188 068 000	10 000 000	198 068 000	198 068 000	-	C
Grant - Youth Accelerator Program	25 000 000	241 410	25 241 410	20 003 989	(5 237 421)	C
Rollover Income	-	44 937 743	44 937 743	44 937 743	-	
Grant: Mohlakeng	-	2 000 000	2 000 000	1 871 527	(128 473)	
Grant - Ekurhuleni Municipality	-	2 538 147	2 538 147	2 038 549	(499 598)	C
Grant - Gauteng Gambling Board (GGB)	-	1 075 129	1 075 129	1 075 129	-	C
Grant - Deliverology	8 503 000	13 037 000	21 540 000	15 793 337	(5 746 663)	C
Grant - Gauteng Entrepreneurship Model (GEM)	-	681 769	681 769	681 769	-	C
Grant - Gauteng Liquor Board (GLB)	-	1 000 000	1 000 000	900 000	(100 000)	C
Grant Business Start-up Kit	-	4 000 000	4 000 000	680 350	(3 319 650)	C
Grant - Project Evaluation	3 323 000	-	3 323 000	-	(3 323 000)	C
Grant - Spaza Shop Verification	-	13 395 000	13 395 000	-	(13 395 000)	C
Grant: BIO Park	40 800 000	(40 800 000)	-	-	-	C
Grant: Jewellery Manufacturing Precinct (JMP) Top Structure	40 000 000	(40 000 000)	-	-	-	
Total revenue from non-exchange transactions	305 694 000	12 106 198	317 800 198	286 050 393	(31 749 805)	
Total revenue	320 694 000	15 706 198	336 400 198	304 116 933	(32 283 265)	

Gauteng Enterprise Propeller

Annual Financial Statements for the year ended 31 March 2019

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference to Note 31
Figures in Rand						
Expenditure						
Personnel	(110 948 000)	10 000 000	(100 948 000)	(94 768 297)	6 179 703	
Depreciation and amortisation	-	-	-	(2 500 526)	(2 500 526)	D
Debts impairment	-	-	-	(18 867 333)	(18 867 333)	E
Repairs and maintenance	-	(6 081 232)	(6 081 232)	(5 737 101)	344 131	
General expenses	(165 373 000)	(34 213 700)	(199 586 700)	(139 840 756)	59 745 944	G
Capital expenditure	(1 053 000)	(1 100 000)	(2 153 000)	(1 692 112)	460 888	
Financial support loans	(23 320 000)	688 734	(22 631 266)	(5 167 282)	17 463 984	H
Total expenditure	(300 694 000)	(30 706 198)	(331 400 198)	(268 573 407)	62 826 791	
Operating surplus	15 000 000	(10 000 000)	5 000 000	35 543 526	30 543 526	
Loss On disposal of Assets	-	-	-	(128 574)	(128 574)	
Adjustment for Capital Movements	-	-	-	(46 736 488)	(46 736 488)	
Actual Amount on Comparable Basis	15 000 000	(10 000 000)	5 000 000	(11 321 536)	(16 321 536)	

ACCOUNTING POLICIES

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

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

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

1.1 GOING CONCERN ASSUMPTION

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

1.2 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of 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 debtors 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 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 debtors invoiced amounts. Accounting Policies

Debtors loan write off

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, the Credit Controller may submit a motivation for writing off the debtor's loan account.

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 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)(can)(l) of the Income Tax Act. (Act No. 58 of 1962)

ACCOUNTING POLICIES (continued)

1.3 PROPERTY, PLANT AND EQUIPMENT

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

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

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

Property, plant and equipment is initially measured at cost.

Initial Recognition

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

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

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

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.



ACCOUNTING POLICIES (continued)

Subsequent Measurement

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

Depreciation

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

Item	Depreciation method	Average useful life
Motor vehicles	Straight line	5-10 years
Office equipment and Furniture	Straight line	6-20 years
IT equipment	Straight line	3-7 years
Leasehold improvements	Straight line	Lease period

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

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

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

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

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

Derecognition

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

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

ACCOUNTING POLICIES (continued)

1.4 INTANGIBLE ASSETS

An intangible asset is recognised when:

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

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

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

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

Development phase

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

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

Subsequent Measure

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.

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

Computer software, other 3 - 5 years

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.

ACCOUNTING POLICIES (continued)

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

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

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

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

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

A financial asset is:

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

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

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

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

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

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

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

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. Transaction costs are capitalised to the loan amount and are recognised as revenue from exchange transactions - initiation costs. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

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

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

Financial Support loans are categorised and are stated at their amortised cost using the effective interest rate method less and allowance for impairment. An estimate of impairment is made on a review of all outstanding amounts at statement of financial position date. Bad debts are written off during the year in which they are identified. Due to the short term nature of the entity's receivables, amortised cost approximates its fair value.

ACCOUNTING POLICIES (continued)

Trade and other receivables

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

Trade and other payables

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

Cash and cash equivalents

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

1.6 LEASES

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

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

Operating leases - lessee

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

1.7 IMPAIRMENT OF CASH-GENERATING ASSETS

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

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

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

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

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

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life. Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

ACCOUNTING POLICIES (continued)

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

Useful life is either:

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

1.8 IMPAIRMENT OF NON-CASH-GENERATING ASSETS

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

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

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

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

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

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

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

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

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

Useful life is either:

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

Identification

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

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

Value in use

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

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

ACCOUNTING POLICIES (continued)

Depreciated replacement cost approach

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Reversal of an impairment loss

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

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

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

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

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

ACCOUNTING POLICIES (continued)

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 as expenses, employee related costs, in the period in which the service is rendered.

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.

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

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

1.11 COMMITMENTS

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

1.12 REVENUE FROM EXCHANGE TRANSACTIONS

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners. An exchange transaction is one in which the entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

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

Measurement

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

ACCOUNTING POLICIES (continued)

Initial Recognition

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

Interest

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

1.13 REVENUE FROM NON-EXCHANGE TRANSACTIONS

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange. Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

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

ACCOUNTING POLICIES (continued)

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 program/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 2018/04/01 to 2019/03/31.

1.18 RELATED PARTIES

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

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

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

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged. Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

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

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

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

ACCOUNTING POLICIES (continued)

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

1.19 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 estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.20 LOAN COMMITMENTS

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

1.21 ACCOUNTING POLICIES, ESTIMATES AND ERRORS

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

The following are however, not consider to be changes in accounting policies:

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

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

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

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
GRAP 20: Related parties	01 April 2017	Applicable Related-party Relationships and transactions are disclosed according to this Standard, Presented in Note 23
GRAP 108: Statutory Receivables	01 April 2016	Not applicable. Receivables of the entity arise from contracts or other agreements and not as a result of legislation, supporting regulations, or similar means.
GRAP 32: Service Concession Arrangements: Grantor	01 April 2016	Not applicable. The entity is not engaged in any service concession arrangements.
GRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2016	Not applicable. The entity is not engaged in any service concession arrangements.

GRAP 32: Service Concession Arrangements: Grantor

The objective of this Standard is: to prescribe the accounting for service concession arrangements by the grantor, a public sector entity.

It furthermore covers: Definitions, recognition and measurement of a service concession asset, recognition and measurement of liabilities, other liabilities, contingent liabilities, and contingent assets, other revenues, presentation and disclosure, transitional provisions, as well as the effective date.

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

The entity expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

Gauteng Enterprise Propeller

Annual Financial Statements for the year ended 31 March 2019

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

Figures in Rand	2019	2018
3. Financial support loans at amortised costs		
At amortised cost		
Net amount outstanding as at the 31 March 2018	48 593 177	60 971 926
Balance at 1 April	88 131 152	101 878 203
Amounts advanced	5 167 282	15 044 198
Bad debts written-off	-	(4 132)
Transfer to receivables	(8 793 442)	(28 867 117)
Recapitalization of interest and initiation fees	29 000	80 000
Other loans and receivables	84 533 992	88 131 152
Less: Impairment on Loans	(35 940 815)	(27 159 227)
Opening balance at April	(27 159 227)	(8 487 960)
Current movement	(8 781 588)	(18 671 266)
	48 593 177	60 971 925
Non-current assets		
At amortised cost		
Non-current assets	43 248 864	51 436 695
Current assets	5 344 313	9 535 231
	48 593 177	60 971 926
4. Receivables from exchange transactions		
Trade debtors	73 535 955	70 137 496
Impairment of trade receivables	(35 508 901)	(25 423 157)
Balance at 1 April	(25 423 157)	(18 716 103)
Current year movement	(10 085 744)	(6 707 054)
Net debtors	38 027 054	44 714 339
Deposits and prepayments	1 356 556	1 239 171
	39 383 610	45 953 510

The details around the ageing of the loans, refer to note 24 for risk management.

Gauteng Enterprise Propeller

Annual Financial Statements for the year ended 31 March 2019

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

Figures in Rand	2019	2018
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5. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	43 001	43 001
Bank balances	73 906 936	66 757 765
Development fund bank balance	1 818 166	341 737
Financial support bank balances	10 033 561	6 968 695
	85 801 664	74 111 198

6. Property, plant and equipment

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carry ing value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Motor vehicles	122 000	(120 780)	1 220	122 000	(106 750)	15 250
Office equipment	8 293 204	(5 944 711)	2 348 493	8 700 789	(5 754 251)	2 946 538
IT equipment	5 974 083	(3 450 221)	2 523 862	5 954 208	(2 514 165)	3 440 043
Leasehold improvements	1 252 038	(1 020 848)	231 190	1 252 038	(882 133)	369 905
Total	15 641 325	(10 536 560)	5 104 765	16 029 035	(9 257 299)	6 771 736

Reconciliation of property, plant and equipment - 31 March 2019

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

The disposals amount of (R128 261) is due to the scrapping of GEP assets in the current financial year.

Reconciliation of property, plant and equipment - 31 March 2018

	Opening balance	Additions	Disposals	Depreciation	Total
Motor vehicles	41 358	-	-	(26 108)	15 250
Office equipment	3 698 804	-	(7 427)	(744 839)	2 946 538
IT equipment	2 512 523	2 202 048	(41 558)	(1 232 970)	3 440 043
Leasehold improvements	602 440	-	-	(232 535)	369 905
	6 855 125	2 202 048	(48 985)	(2 236 452)	6 771 736

The disposals amount of (R48 985) is due to the scrapping of GEP Assets in the current financial year.

Gauteng Enterprise Propeller

Annual Financial Statements for the year ended 31 March 2019

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

Figures in Rand	2019	2018
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7. Intangible assets

	2019			2018		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carry ing value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carry ing value
Computer software	814 251	(69 913)	744 338	47 515	(33 180)	14 335

Reconciliation of intangible assets - 31 March 2019

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

Reconciliation of intangible assets - 31 March 2018

	Opening balance	Disposals	Amortisation	Total
Computer software	224 589	(36)	(210 218)	14 335

8. Other investments

Balance at 31 March 2019

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

Wakegem (Pty) LTD

1 1

9. Operating lease liability

Operating lease accrual	3 951 197	4 549 177
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The straight-line accrual relates to office accommodation lease contracts with escalation clause. The amounts payable under the contract are charged to the statement of financial performance on a straight-line basis over the term of the contract.

10. Trade and other payables

Trade payables	5 002 609	2 687 972
Accrued leave pay	4 086 348	5 308 229
Accrued 13th Cheque	611 305	556 048
	9 700 262	8 552 248

Gauteng Enterprise Propeller

Annual Financial Statements for the year ended 31 March 2019

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

Figures in Rand	2019	2018
11. Unspent conditional grants		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
Ekurhuleni Municipality	499 598	2 538 147
Jewellery Manufacturing Precinct (JMP) Top Structure	-	14 600 000
Project Evaluation	3 323 000	-
Gauteng Entrepreneurship Model (GEM)	-	681 769
DED: Deliverology	5 746 664	8 037 000
Youth Accelerator Program (including Job Placements)	5 237 422	241 410
Business Start up Klt	3 319 650	-
Spaza Shop Verification	13 395 000	-
Gauteng Liquor Board (GLB)	100 000	-
Gauteng Gambling Board (GGB)	-	1 075 129
Mohlakeng Hub	128 473	2 000 000
	31 749 807	29 173 455

In line with the agreement entered into between GEP and Ekurhuleni Municipality, an amount of R9.7m was transferred to GEP during the 2015/16 financial year. The Agency met the conditions related to the amount of R7.2m, between 2015/16 and 2016/17. The remaining balance of R2.5m was not spent in the prior year financial years due to lack of commitment from participants (some of their reasons were: failed to attend training, cooperatives collapsed due to relationship issues, and some opted for permanent employment). In the current financial year, a new agreement was entered into with the Ekurhuleni Municipality which allowed GEP to spend the funds relating to Ekurhuleni SMME's support to the value of R2m. In the year under review R499k remained unspent.

In order to reduce the high number of unemployed youth in Gauteng, GEP entered into a three (3) year agreement (2016/17 to 2018/19) with Amahlo Consulting services. The contract commenced in the 2016/17 financial year following a successful three month pilot that was delivered in June 2016. Based on the success of the pilot, GEP submitted a proposal to the shareholder to redirect their three (3) year R60m Youth Accelerator funds towards the GEP youth program. The key objectives of the program include the provision of accredited training (waste management, security, plumbing and ICT); establish SMME's and cooperatives, provides job readiness training and placement. At the end of March 2017, 99% of the R20m allocated towards the project was spent. The 245k balance was spent during 2017/18 financial year, with 99% total expenditure against the R20m allocation achieved. For the period ending 31 March 2018, R241K has been carried over to the 2018/19 financial year. An amount of R20m was allocated initially in the year under review towards this project, a further R5m was allocated to Job Placements which merged with Youth Accelerator Program. Furthermore, an amount of R20m was spent towards this project, leaving an amount of R5.2m unspent grant as at 31 March 2019.

A conditional grant of R1m was received from the Department of Economic Development in the 2016/17 financial year for the development of the Gauteng Entrepreneurship Model (GEM). This model is a framework that seeks to develop a common understanding and approach for enterprise development across the Province and to identify opportunities for accelerating growth for Gauteng - based entrepreneurs. As at 31 March 2018, 32% of the R1m allocation had been spent, leaving a balance of R682K, which was related to outstanding project phases that were yet to be finalized at year-end (i.e. consultations with key stakeholders such as Gauteng Provincial Departments and Development Finance Institutions and incorporation of final inputs into the model). The remaining R682k was spent during year under review.

In line with mandate of GEP, the entity entered into a sponsorship agreement with the Gauteng Gambling Board (GGB) to fund prize monies towards Township Entrepreneurship Awards (TEA) nominees and winners in the 2017/18 financial year. An amount of R6.5m was transferred by the GGB towards the awards, 85% had been spent by 31 March 2018. The unspent GGB opening balance of R1m was spent during the year under review, in line with conditions being met.

In line with the Provincial mandate Gauteng Department of Economic Development identified areas that have potential to create Labour intensive jobs within the 11 key sectors. In this regard, GEP has been tasked with championing the Furniture, Construction, Clothing and Textile and Wholesale and Retail sub sectors. A total amount of R8m was transferred to GEP during the 2017/18 financial year. Projects were partly implemented in March 2018 and the payments were effected in the 2018/19 financial year. A further R13.5m was allocated to this project during the year under review. GEP utilised R15.7m of this project, leaving an unspent grant of R5.75m as at 31 March 2019.

The Gauteng Department of Economic Development transferred R2m in the prior year for renovations and refurbishment of Mohlakang Hub. The implementation of the project took place during the year under review. GEP has utilised R1.9m of the project allocated funds. The remaining unspent grant is R128k as at 31 March 2019. In the third quarter of the 2017/18 financial year, the Shareholder transferred an amount of R14.6m to GEP for the establishment of the Jewellery Manufacturing Precinct (JMP). The precinct was aimed to attract investors within the agro-processing sectors both locally and internationally. The entire R14.6m was transferred back to the Shareholder in the 2018/19 financial year. No further funding was received for this project in the year under review.

In line with its mandate, Gauteng Department of Economic Development transferred an amount of R13.4m to GEP in the year under review. The aim of the project is to perform a physical verification of all spaza shops and produce quality and reliable data to assist GEP and Gauteng Department of Economic Development (GDED) to make informed decisions pertaining to legal and illegal spaza shops. As at 31 March 2019, GEP had not spent the allocated budget.

In the year under review, GEP received Business Start Up Kit funding to the value of R4m. The project is aimed at empowering unemployed youth based in townships who has business ideas to have potential to create jobs for the youth. This will further help with improving their livelihood, break the unemployment challenges and assist them in contributing to the mainstream economy of Gauteng. The Business Start Up Kit was launched by the Member Executive Council (MEC) on the 12th of February 2019. Due to the launch of the project being towards year end, GEP had only utilised R680k and therefore an amount of R3.3m is unspent as at 31 March 2019.



Gauteng Enterprise Propeller

Annual Financial Statements for the year ended 31 March 2019

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

Figures in Rand	2019	2018
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12. Revenue from non-exchange transactions

The amount included in revenue arising from non-exchange transactions is as follows:

Provincial grants	198 068 000	200 293 100
Conditional Grant - Sun International Management LTD	-	700 000
Conditional Grant - Youth Accelerator Program	20 003 989	20 003 997
Conditional Grant - Mohlakeng	1 871 527	-
Conditional Grant - Nedbank	-	500 000
Conditional Grant - Ekurhuleni Municipality	2 038 549	-
Conditional Grant - Old Mutual	-	250 000
Conditional Grant - Gauteng Gambling Board (GGB)	1 075 129	5 885 332
Conditional Grant - Deliverology	15 793 337	1 167 200
Conditional Grant - Gauteng Entrepreneurship Model (GEM)	681 769	318 231
Conditional Grant - Gauteng Liquor Board (GLB)	900 000	-
Conditional Grant - Business Start up Kit	680 350	-
	241 112 650	229 117 860

13. Revenue from Exchange Transactions

SETA Claims	108 246	279 602
Sundry Income (Initiation fees)	29 000	343 991
Management fees	100 000	-
Insurance claims	90 258	84 701
*Finance Income: financial support loans	4 750 407	8 987 723
Bad debts recovered: financial support loans	587 500	629 500
	5 665 411	10 325 517

*Finance Income: Financial Support Loans comprises of non-cash interest of R3.2m and cash interest of R1.5m.

The remaining revenue from exchange transactions are cash items.

14. Programs and project

SMME product development	11 792 317	10 783 274
SMME seminars and training	385 844	1 206 842
SMME sponsorships	4 650 431	1 232 540
SMME business development support	75 885 235	53 874 016
Community Grant Funding	3 607 802	-
	96 321 629	67 096 672

Gauteng Enterprise Propeller

Annual Financial Statements for the year ended 31 March 2019

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

Figures in Rand	2019	2018
15. Employee related costs		
Basic Salary	69 420 269	66 291 863
Performance bonus (Goodwill/Ex-gratia)	27 082	2 334 979
Medical aid - company contributions	3 182 309	2 914 585
Unemployment Insurance Fund	296 251	258 436
Workman's Compensation Assistance	61 818	58 939
Skills Development Levy	803 030	788 767
Leave pay provision charge	284 313	99 974
Employee Wellness	20 623	-
Labour Relations Awards - employee settlements	916 447	633 862
Travel, motor car, accommodation, subsistence and other allowances	3 611 791	4 150 791
13th cheques	2 226 949	2 149 872
Acting allowances	1 244 509	1 269 492
Retirement benefits (Contribution to retirement fund)	12 672 906	12 328 362
	94 768 297	93 279 922
16. Debt Impairment Adjustments		
Bad Debts Written-off		
Bad debts written-off	-	4 132
Provision for Debt Impairment Adjustments		
Financial support loans	8 781 588	18 671 266
Trade and other receivables	10 085 744	6 707 054
	18 867 332	25 378 320
17. Finance Income		
Finance Income - Bank	3 742 990	2 764 291
18. Auditors' remuneration		
Internal and External Audit Fees	2 061 755	2 230 635

Gauteng Enterprise Propeller

Annual Financial Statements for the year ended 31 March 2019

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

Figures in Rand	2019	2018
19. Cash generated from (used in) operations		
Deficit	(11 321 536)	(500 314)
Adjustments for:		
Depreciation and amortisation	2 500 526	2 446 670
Profit/(Loss) on write-off assets	128 574	49 020
Debt impairment	18 867 333	25 382 452
Movements in operating lease assets and accruals	(597 980)	752 206
Other non-cash items	(20)	(88 826)
(Increase)/decrease in financial support loans	3 597 160	13 747 051
Changes in working capital:		
Receivables from exchange transactions	(3 515 844)	(23 401 626)
Trade and other payables	736 658	(375 162)
Unspent conditional grants	2 576 352	16 866 939
	12 971 223	34 878 410

20. Commitments

Certain contracts were entered into during the year for the provision of goods and/(or) services. As at 31 March 2019, the outstanding commitments for contracts in progress amounted to:

Approved and contracted

• Financial support loans approved but not yet paid out	14 143 847	4 311 266
• Program and projects	4 484 724	22 190 587
• Orders placed but goods or services not delivered	8 366 073	4 693 704
• Multi Year Contracts	16 156 353	20 830 753
	43 150 997	52 026 310

Operating leases - as lessee

Minimum lease payments due

- within one year	11 811 618	10 836 347
- in second to fifth year inclusive	8 394 238	20 206 127
	20 205 856	31 042 474

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

21. Contingencies

As at 31 March 2019, there were no litigation cases against the Gauteng Enterprise Propeller (GEP).

Gauteng Enterprise Propeller

Annual Financial Statements for the year ended 31 March 2019

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

Figures in Rand	2019	2018
22. Related parties		
Relationships		
Gauteng Department of Economic Development	Government Department	
Gauteng Gambling Board (GGB)	Public Entity	
Gauteng Growth Development Agency (GGDA)	Public Entity	
Gauteng Liquor Board (GLB)	Public Entity	
Gauteng Tourism Authority (GTA)	Public Entity	
Cradle of Humankind World Heritage Site	Trading Entity	
Dinokeng	Trading Entity	
Gauteng Department of Agriculture and Rural Development Government Department The Gauteng Enterprise Propeller is a listed provincial public entity and therefore is also a related party to other provincial state-controlled entities and Departments.		
Related party transactions		
The management of the Gauteng Enterprise Propeller is not aware of any related party transactions with directors or any other parties, apart from those mentioned below, amounting to any significant value. If there were any such transactions, they were on terms which were no more or less favourable than those entered into with third parties.		
Gauteng Provincial Department of Economic Development	198 068 000	200 293 100
Gauteng Gambling Board (GGB)	-	6 500 000
Gauteng Liquor Board (GLB)	1 100 000	-
DED: Deliverology	13 503 000	8 037 000
Gauteng Provincial Department of Economic Development (Spaza Shop Verification)	13 395 000	-
Gauteng Provincial Department of Economic Development - Jewellery Manufacturing Precinct (JMP) Top Structure	-	14 600 000
Gauteng Provincial Department of Economic Development (Business Startup Kit)	4 000 000	-
Gauteng Provincial Department of Economic Development (Youth Accelerator Program)	25 000 000	20 000 000
Gauteng Provincial Department of Economic Development (Project Evaluation)	3 323 000	-
Gauteng Provincial Department of Economic Development (Mohlakeng Hub)	-	2 000 000
DED Deliverology		
Grant Revenue	15 793 337	1 167 200
Grant liability	5 746 664	8 037 000
Gauteng Gambling Board (GGB)		
Grant Revenue	1 075 129	5 885 332
Grant Liability	-	1 075 129
Spaza Shop Verification		
Grant Revenue	-	-
Grant Liability	13 395 000	-

Gauteng Enterprise Propeller

Annual Financial Statements for the year ended 31 March 2019

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

Figures in Rand	2019	2018
22. Related parties (continued)		
Youth Accelerator Program		
Grant Revenue	2 0 003 989	20 003 797
Grant Liability	5 237 422	241 611
Project Evaluation		
Grant Liability	3 323 000	-
Gauteng Entrepreneurship Model (GEM)		
Grant Revenue	681 769	318 231
Grant Liability	-	681 769
Gauteng Liquor Board (GLB)		
Grant Revenue	900 000	-
Grant Liability	100 000	-
Business Startup Kit		
Grant Revenue	680 350	-
Grant Liability	3 319 650	-
Jewellery Manufacturing Precinct (JMP) Top Structure		
Grant Liability	-	14 600 000
Bio Park		
Grant Liability	(24 480 000)	-
Refund	(24 480 000)	-
Mohlakeng Hub		
Grant Revenue	1 871 527	-
Grant Liability	128 473	2 000 000

GEP entered into an arms length lease agreement with the Gauteng Development of Economic Development (GDED) in 2015. The lease agreement terminates in 2020. The commitments relating to this lease agreement are disclosed under note 20 - minimum lease payment due.

Gauteng Enterprise Propeller

Annual Financial Statements for the year ended 31 March 2019

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

Figures in Rand	2019	2018
22. Related parties (continued)		
Remuneration of directors and key management		
Directors - Fees for attendance of Board and Board committee meetings		
Appointed up until 30 September 2017		
L. Magagane	-	133 132
T. Sithole	-	113 033
M. Ramonyai	-	112 820
R. Kekana	-	74 795
K. Duba	-	74 583
M. Lehobye	-	50 887
M. Africa	-	95 130
C. Buseti	-	105 829
M. Maroga	-	95 130
M. Ramusi	-	88 139
T. Ratshitanga	-	85 069
I. Motau	-	105 190
L. Madavha	-	82 504
	-	1 216 241
Directors : Appointed on 1 October 2017		
K. Mthembu	205 149	179,526
M. Diedricks	102 665	111 359
C. Kneale	88 235	76,126
D. Dakile	114 586	85,744
L. Marincowitz	147 324	70,211
T. Ratshitanga	77 755	89,818
C. Walters	106 401	91,594
T. Magerman	77 754	65,263
D. Maithufi	175 971	114,842
M. Hlophe	20 462	18,949
S. Njikelana	94 124	81,634
O. Mlonyeni	105 229	73,894
Directors Total	1 315 655	1 058 960

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
(continued)

22. Related parties (continued)

Senior management remuneration

2019

	Other benefits*	Salary	Acting Allowance	Total
L. Manenzhe - Acting Chief Executive Officer	-	-	325 048	325 048
L. Maluleke - Chief Operations Officer (until Feb 2019)	916 447	1 565 952	-	2 482 399
R. Lebelo- Acting Chief Operations Officer	-	-	192 203	192 203
N. Genuka - Chief Financial Officer	-	1 628 967	-	1 628 967
L. Dube - GM Risk & Audit	-	1 638 148	-	1 638 148
V. Ntshoko - GM Strategy , Monitoring & Evaluation	-	1 637 968	-	1 637 968
C. Mamabolo - Acting GM: Corporate Support & Administration (until Nov 18)	-	904 163	127 167	1 031 330
V. Mulaudzi GM: Corporate Support & Administration	-	505 100	-	505 100
	916 447	7 880 298	644 418	9 441 163

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

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

Gauteng Enterprise Propeller

Annual Financial Statements for the year ended 31 March 2019

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

Figures in Rand	2019	2018
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22. Related parties (continued)

2018

	Bonus (Exgratia)	Salary	Acting Allowance	Total
L. Manenzhe - Acting Chief Executive Officer	7 155	-	311 124	318 279
L. Maluleke - Chief Operations Officer	12 855	1 721 479	-	1 734 334
N. Genuka - Chief Financial Officer	14 491	1 543 575	-	1 558 066
LHS Dube - GM: Risk & Audit	8 765	1 569 737	-	1 578 502
VB. Ntshoko - GM Strategy, Monitoring and Evaluation	11 686	1 568 586	-	1 580 272
MC. Mamabolo - Acting GM: Corporate Support & Administration	33 441	1 281 084	188 038	1 502 563
M. Ndebele - Specialist Stakeholder, Partnerships and Resource Mobilisation	33 298	664 952	-	698 250
Total emoluments	121 691	8 349 413	499 162	8 970 266

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
(continued)

Figures in Rand	2019	2018
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23. Financial instruments disclosure

Categories of financial instruments 2019

Financial assets by class

Financial support loans	48 593 177	60 971 926
Trade and other receivables from exchange transactions	39 383 610	45 953 510
Cash and cash equivalents	85 801 664	74 111 198
	173 778 451	181 036 634

Financial liabilities by class - at carrying value and fair value

Trade and other payable	5 002 609	2 687 972
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24. 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 Audit, Risk and Governance Compliance Committee, Credit Committee and Debt Management Committee.

Liquidity risk

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

Financial Liabilities

	0 - 12 months	1 - 5 years	5 years	Total
Trade and other payables	5 002 609	-	-	5 002 609

Credit risk

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

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

The Debt Management Committee monitors the performance of receivables on a regular basis. At 31 March 2019, the entity did not consider there to be any significant concentration of credit risk which had not been insured or adequately provided for.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
(continued)

24. Risk management (continued)

Debtor type	Current	30 Days	60 Days	90 Days	120+	Total
Contract Finance	24 657	22 137	78 090	23 908	3 668 567	3 817 358
Expansion	337 138	320 573	326 514	324 295	11 600 179	12 908 700
Franchise	28 226	25 362	27 915	27 750	3 161 333	3 270 587
Handover	168 806	218 744	228 973	227 236	14 623 050	15 466 809
Mafisa	9 687	9 279	9 597	12 653	554 236	595 452
Micro Finance	21 712	21 238	21 431	21 293	591 729	677 403
Start up	19 794	16 354	39 458	39 193	700 588	815 387
TMR	106 010	105 520	105 441	104 622	53 764	475 357
Total	716 030	739 207	837 419	780 950	34 953 446	38 027 053

Interest rate risk

Bank deposits are linked to the South African prime interest rate.

The net interest income at 31 March 2019 is R3 742 990 (2018: R2 764 291)

The sensitivity analysis below has been determined based on the exposure to interest rate on financial instruments at the balance sheet date. For the floating rate instruments, the analysis is prepared assuming the amount of instruments outstanding at the balance sheet date was outstanding for the whole year. A 50 basis points increase is used and presents management's assessment of the reasonably possible change in interest rates.

The entity's interest rate profile consists of floating loan rate and bank balances which exposes the entity to fair value interest' risk and cash flow interest risk.

The interest rate re-pricing profile at 31 March 2019 is summarised as follows:

	0 -12 months	Beyond one year	Total floating rate
Financial support loans	5 344 313	-	5 344 313
Receivables from exchange transactions	39 383 610	-	39 383 610
Cash & cash equivalents	85 801 664	-	85 801 664
	130 529 587	-	130 529 587

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
(continued)

25. Going concern

We draw attention to the fact that as at 31 March 2019, the entity had an accumulated surplus of R 134 226 290 and that the entity's total assets exceed its Liabilities by R 134 226 290.

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

- After the reporting date there is an intention to liquidate 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 unannounced 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 government funded, Going Concern issues will generally only arise if the provincial government announces its intention to cease funding the entities.
- After considering the above, management of GEP has concluded that the Agency will be able to operate for the foreseeable, and therefore is a Going Concern.

26. Prior-year adjustments

Presented below are those items contained in the disclosures that have been affected by prior-year adjustments:

Detailed Statement of financial performance 2018

	Note	As previously reported	Correction of error	Restated
Repairs & Maintenance		2 778 431	2 191 614	4 970 045
General Expenditure		98 861 804	2 140 787	101 002 591
Operating Lease & Utilities		19 909 683	(4 332 401)	15 577 282
		-	-	-

Presented above is the correction of an error. This note indicates a reclassification of the cleaning, security and repairs and maintenance costs, which were previously included in Operating leases and utilities, to general expenditure and repairs and maintenance.

Errors

In the prior periods, minimum lease payments due under the operating lease commitments disclosure note included rental , security, cleaning and maintenance payments.

In order to rectify this, management has separated lease rental commitments from security, cleaning and maintenance commitments. The latter is still a commitments, however this is separately disclosed under multi year contracts.

2018 - Multi year Contracts

	Restated amount	Prior year Amount	Difference
Commitments	20 830 752	9 120 378	11 710 374

The following prior period errors adjustments occurred:

Gauteng Enterprise Propeller

Annual Financial Statements for the year ended 31 March 2019

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

26. Prior-year adjustments (continued)

2018 - Minimum Lease Payment Due

Within one Year
Due in second to two to fifth year

Restated amount	Prior year Amount	Difference
10 836 347	14 326 276	(3 489 929)
20 205 857	23 877 126	(3 671 269)
31 042 204	38 203 402	(7 161 198)

2018 - Related Parties Disclosure - Grant Liability

Ekurhuleni Municipality

Restated amount	Prior year Amount	Difference
-	2 538 147	2 538 147

2018 - Related Parties Disclosure - Expenditure

DED Deliverolgy
Youth Accelerator Programme
Gauteng Entrepreneurship Model
Gauteng Gambling Board

Restated amount	Prior year Amount	Difference
-	1 167 200	1 167 200
-	20 003 797	20 003 797
-	318 231	318 231
-	5 885 332	5 885 332
-	27 374 560	27 374 560

Presented above are the re-statements of the prior year GEP related parties disclosures. In the prior year the Ekurhuleni Municipality Grant Liability was incorrectly disclosed as a related party. In the prior year, the expenditures mentioned above were incorrectly included within the related parties note as related party expenditure.

27. Events after the reporting date

No events after the reporting date were identified by management that would affect the operation of GEP or the results of our operations significantly.

28. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure

No fruitless and wasteful expenditure was incurred during the year.

- -

29. Irregular expenditure

Opening balance

Add: Irregular Expenditure - current year

-	-
4 416 439	-
4 416 439	-

Details of irregular expenditure (Not condoned)

Month to Month expired contracts
Non compliance with supply chain laws and regulations

1 352 535
3 063 904
4 416 439

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 for 2019: R12 672 906 (2018: R12 328 362) 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.



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 year 2018/19 financial year, GEP collected revenue of R 10.2m which includes cash interest of R1.5m. The projected revenue was R15m which shows an under-collection of R4.8m from the collected revenue. The reason for under collection is attributed to few loan advances in the year which had an impact on the overall collection however a significant amount of collection emanates from the loans advanced in the prior years.
- B) The entity recognised R9.4m at year end compared to the budget of R3.6m. The positive variance of R5.8m is due to the interest on the loan book for R4.7m, interest earned from the bank account of R3.7m, and other income of R1m 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 R42m for conditional grants and R31.7m remains unspent as at year end. The unspent grant is committed and will be spent in the 2019/20 financial year. An additional amount of R5m was transferred by the Shareholder to Job Placements which merged with the Youth Accelerator Program. During the current financial year the Bio Park and Jewellery Manufacturing Precinct (JMP) Top Structure were transferred back to the Shareholder. For additional details please refer to note 11.
- D & E) These are non-cash items not budgeted for.
- G) For general expenditure, the entity had an original budget of R165m and adjustment of R34m which was received to fund other priority areas and bringing our total budget to R199m. The expenditure for the year amounted to R139m with a positive variance of R59m committed. Included in the R60m, R32.7m is for conditional grants unspent.
- H) GEP commenced the year with an original budget of R23m at the beginning of the financial year. The actual financial support loans advanced for the year amounted to R5.1m. This left a positive variance of R17m which will be disbursed in the financial year 2019/20.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
(continued)

32. General expenses

Advertising	1 174 509	2 076 824
Auditors remuneration	2 061 755	2 230 635
Bank charges	86 416	90 376
Cleaning	925 398	1 292 684
Consulting and professional fees	9 053 227	9 222 036
Catering	21 359	74 712
Community grant funding	3 724 223	4 258 961
Office equipment rental	1 512 678	1 450 885
Insurance	386 902	315 788
IT expenses	1 747 977	1 916 380
Motor vehicle expenses	27 406	29 081
Printing and stationery	1 623 169	1 847 587
Library maintenance	18 509	11 605
Security	932 423	848 103
Maintenance of Software	3 026 507	2 189 039
Telephone and fax	2 081 973	2 304 033
Training	305 696	574 283
Travel - local	42 184	60 400
Travel - overseas	1 077 138	870 707
Board meetings	63 839	37 627
Bursaries	514 587	606 989
Courier services	-	7 030
SMME Business Development Support	75 885 235	53 874 016
Travel Reimbursement	734 019	1 019 146
Recruitment	125 133	571 008
SMME Product Development	11 792 317	10 783 274
SMME seminars and training	385 844	1 206 842
SMME Sponsorships	4 650 431	1 232 540
	123 980 854	101 002 591

33. Operating expenses

Operating expenses			
Employee Costs	15	94 768 297	93 279 922
Depreciation and Amortisation	6 & 7	2 500 526	2 446 670
Operating Lease		15 859 900	15 577 282
Debt Impairment	16	18 867 334	25 382 452
Repairs and Maintenance		5 737 102	4 970 045
General Expenses	32	27 659 225	33 905 919
Loss on Disposal of Assets	6	128 574	49 020
		165 520 958	175 611 310

Gauteng Enterprise Propeller

Annual Financial Statements for the year ended 31 March 2019

DETAILED STATEMENT OF FINANCIAL PERFORMANCE

Figures in Rand	Note(s)	2019	2018
Revenue			
Revenue from exchange transactions			
Revenue from exchange transactions	13	5 665 411	10 325 517
Finance Income	17	3 742 990	2 764 291
Total revenue from exchange transactions		9 408 401	13 089 808
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidiaries		218 071 989	220 297 097
Revenue - Sun International Management LTD		-	700 000
Revenue - Nedbank		-	500 000
Revenue - Old Mutual		-	250 000
Revenue - Business Start up Kit		680 350	-
Revenue - Gauteng Liquor Board (GLB)		900 000	-
Revenue - Gauteng Entrepreneurship Model (GEM)		681 769	318 231
Revenue - Deliverology		15 793 337	1 167 200
Revenue - Ekurhuleni Municipality		2 038 549	-
Revenue - Mohlakeng		1 871 527	-
Revenue - Gauteng Gambling Board (GGB)		1 075 129	5 885 332
Total revenue from non-exchange transactions		241 112 650	229 117 860
Total revenue	12	250 521 051	242 207 668
Expenditure			
Em ployee related costs	15	(94 768 297)	(93 279 922)
Depreciation and amortisation		(2 500 526)	(2 446 670)
Operating leases		(15 859 900)	(15 577 282)
Debt impairment	16	(18 867 333)	(25 382 452)
Repairs and maintenance		(5 737 101)	(4 970 045)
General expenses	32	(123 980 854)	(101 002 591)
Total expenditure		(261 714 011)	(242 658 962)
Deficit before taxation		(11 192 962)	(451 294)
Loss on disposal of assets and liabilities		128 574	49 020
Deficit for the year		(11 321 536)	(500 314)







GAUTENG PROVINCE
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