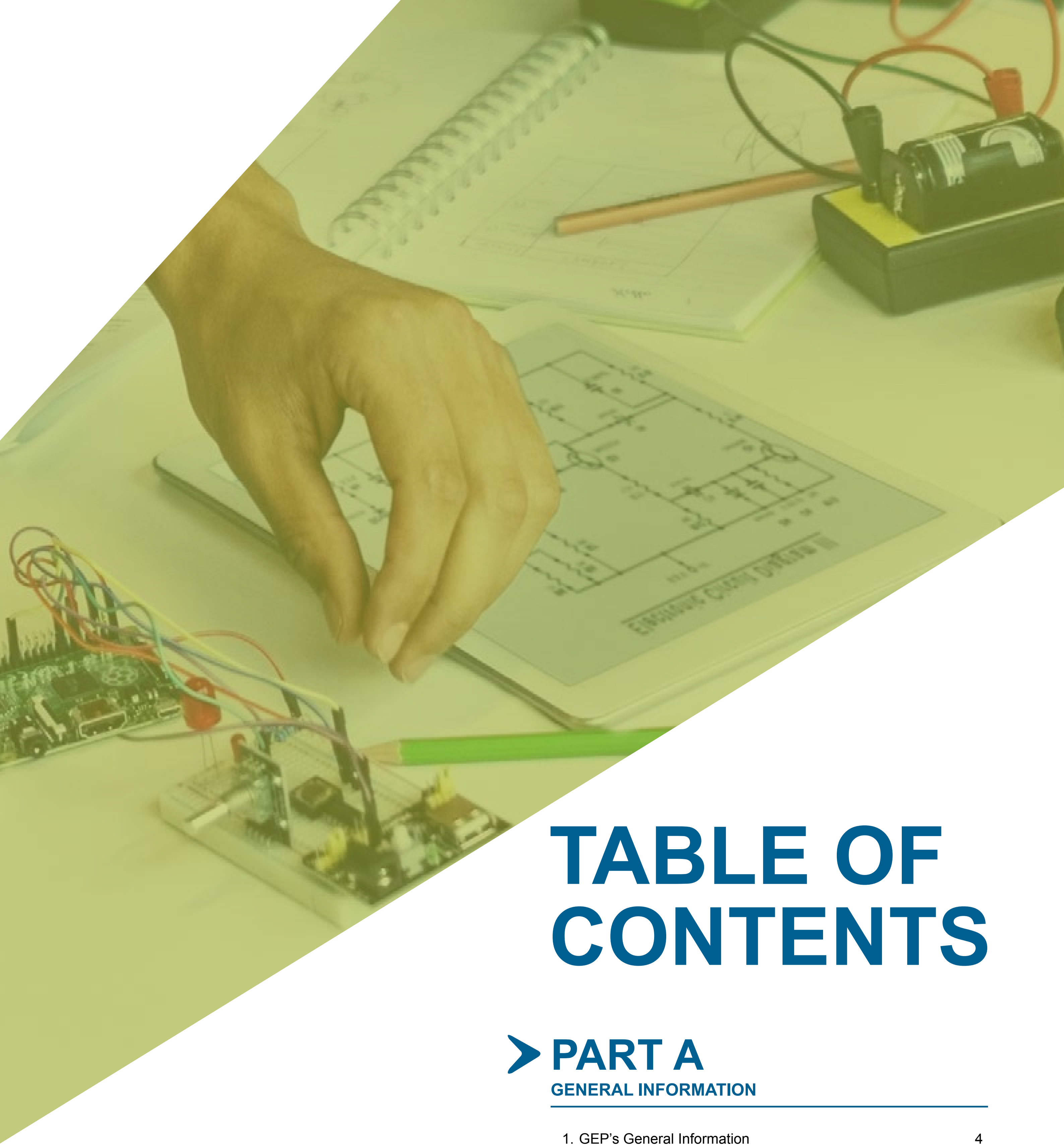
Gauteng Enterprise Propeller

ANNUAL REPORT
2023–2024

MOULDING ENTREPRENEURS



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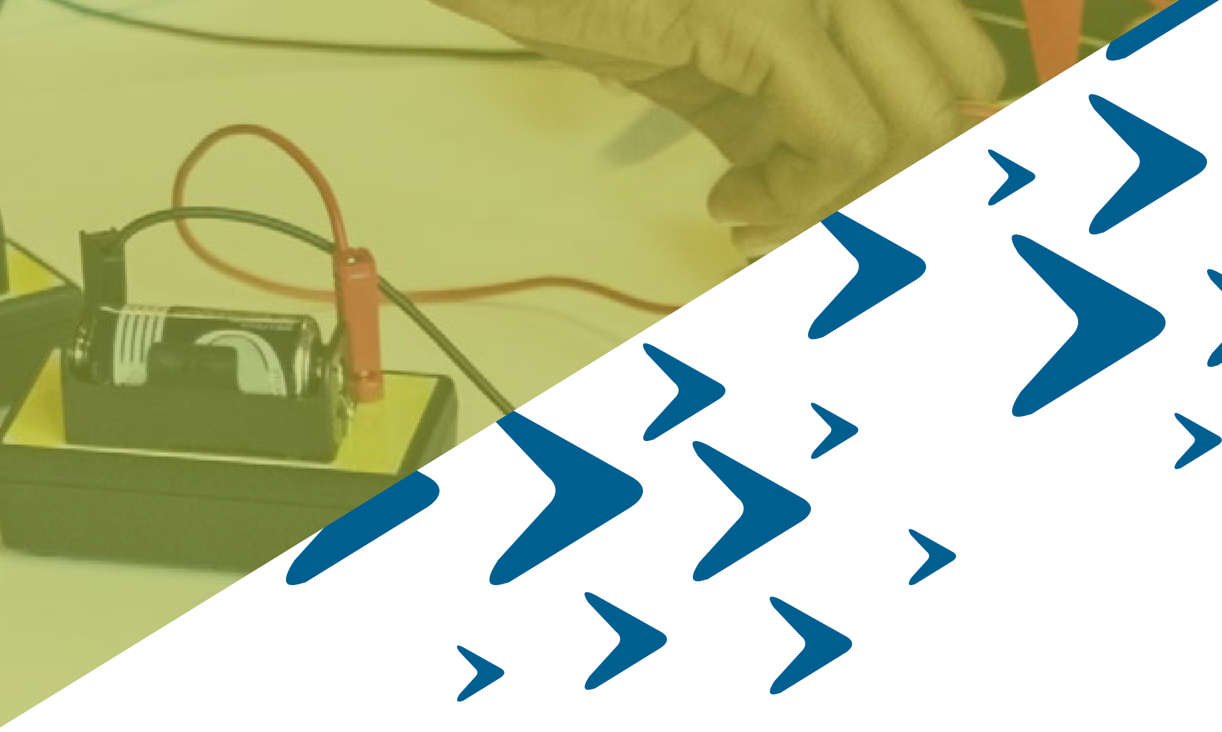

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PART A

GENERAL INFORMATION

1. THE GEP'S THE GENERAL INFORMATION

Registered Name	Gauteng Enterprise Propeller
Registered Number	2004/031868/08
Chairperson of the Board	Ms Lebogang Leshika
Chief Executive Officer	Mr Saki Zamxaka
Registered Address	6th Floor 124 Main Street Marshalltown Johannesburg 2001
Postal Address	P.O Box 61464 Marshalltown 2107
GEP Telephone Numbers	011 085 2001
Fax numbers	011 834 6702
GEP Contact Centre	087 057 2000 enquiries@gep.co.za
Website Address	www.gep.co.za
Bankers	First National Bank
Auditors	Auditor-General of South Africa
Company Secretary	Vacant

2. GEP REGIONAL AND SATELLITE OFFICES

REGIONAL OFFICES

JOHANNESBURG REGIONAL OFFICE

7th Floor,
124 Main Street
Johannesburg
Tel: 011 085 2002

EKURHULENI REGIONAL OFFICE

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

TSHWANE REGIONAL OFFICE

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

WEST RAND REGIONAL OFFICE

23 Eloff Street,
Krugersdorp
Tel: 011 950 9870

SEDIBENG REGIONAL OFFICE

36 Merriman Avenue,
Vereeniging
Tel: 016 910 1200

SATELLITE OFFICES

BRONKHORSTSPRUIT SATELLITE OFFICE

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

HEIDELBERG SATELLITE OFFICE

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

SOWETO SATELLITE OFFICE

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

MOHLAKENG SATELLITE OFFICE

3521 Ralerata Street,
Mohlakeng
Tel: 011 414 1753

3. LIST OF ABBREVIATIONS/ACRONYMS

AIDC	Automotive Industry Development Centre
APP	Annual Performance Plan
BCM	Business Continuity Management
BDS	Business Development Support
CAP	Co-operative Assistance Programme
CFO	Chief Financial Officer
CIPC	Companies and Intellectual Property Commission
Co-Ops	Co-operatives
COO	Chief Operations Officer
CRMP	Compliance Risk Management Plan
CSD	Central Supplier Database
DDM	District Development Model
ESD	Enterprise Supplier Development
GCR	Gauteng City Region
GDED	Gauteng Department of Economic Development
GDP	Gross Domestic Product
GEM	Gauteng Entrepreneurship Model
GEP	Gauteng Enterprise Propeller
GGT2030	Growing Gauteng Together
GIBUS	Gauteng Informal Business Upliftment Strategy
GM	General Manager
GPG	Gauteng Provincial Government
GPT	Gauteng Provincial Treasury

ICT	Information Communication and Technology
IDC	Industrial Development Corporation
IM	Investment Management
MEC	Member of Executive Council
MTEF	Medium Term Expenditure Framework
MTSF	Medium Term Strategic Framework
MV	Military Veterans
NDP	National Development Plan
PFMA	Public Finance Management Act
PMS	Performance Management System
PWD	Person with Disabilities
R&D	Research and Development
RO	Regional Operations
SEZ	Special Economic Zones
SCM	Supply Chain Management
SMME	Small, Medium and Micro Enterprises
TBR	Township Business Renewal
TEDA	Township Economy Development Act
TER	Township Economic Revitalisation
TEPF	Township Economy Partnership Fund
TMR	Transformation, Modernisation and Re-industrialisation
VUT	Vaal University of Technology

4. FOREWORD BY **MEC**

It is my pleasure to table the Annual Report of the Gauteng Enterprise Propeller (GEP) for the 2023/24 financial year. The Gauteng Province is the nerve-centre of the national and regional economy, contributing over a quarter of the country's gross domestic product (GDP). The province is crucial to the economic future of South Africa. Despite this, the provincial economy has been faced with internal and external shocks that include but are not limited to the effects of the COVID-19 global pandemic, a constrained fiscal environment in the country and region, and global market instabilities precipitated by slow growth. Following the moderate national GDP growth projections of 1.8% in 2022 and 1.3% in 2023, the Gauteng Provincial Government has made it a priority to facilitate, along key stakeholders, the recovery of the provincial economy.

The National Development Plan (NDP) asserts that there is need to prioritise the the development of the small, medium and micro enterprises (SMME) sector in South Africa. The NDP, which provides a shared long-term strategic framework within which more detailed planning can take place, has set a target of creating 11 million jobs by 2030 - 9 million of which are to be created by SMMEs. The SMME sector is an integral part of the transformation objectives of South Africa, especially in redressing historical economic disparities. They provide historically disenfranchised individuals with an opportunity to enter the formal economy, create employment opportunities for others and stimulate local economic activity. According to the Banking Association of South Africa (2024) SMMEs are responsible for the creation of 60% of jobs in the country, contributing roughly 34% to the national gross domestic product (GDP). While this is a significant contribution, it pales in comparison to comparable middle-income economies, where the sector is responsible for the creation of 95% of jobs and a GDP contribution of almost 70%. This indicates that a lot more effort is required to strengthen the performance of SMMEs in South Africa.

The provision of financial and non-financial support for the growth and sustainability of SMMEs and cooperatives is critical in improving the sector's performance and ensuring inclusive participation in the economy. GEP is well positioned to accelerate SMME development through a balanced approach which includes the development of a strong pipeline of small and micro enterprises and a focus on high impact businesses (ready for market and job creation). In the year under review, GEP supported SMMEs and informal traders with business development support and equipment to the value of R40 634 299.00, enabling these businesses to build capacity for investment readiness. The Gauteng Department of Economic Development continues to create an enabling environment for entrepreneurship and ensured the enactment of the Township Economy Development Act (TEDA). TEDA, which seeks to open up new procurement and market opportunities for township businesses, and create financing facilities for township-based enterprises, has been a crucial intervention in the advancement of the SMME sector. The GEP continues to play a critical role in the implementation of TEDA and led the establishment of a R400m Township Economy Partnership Fund (TEPF) with the Industrial Development Corporation (IDC). This was further leveraged to R700m through partnering with the private sector, which is an important stakeholder in the initiative to build a stronger provincial economy anchored on the SMME sector. During the year under review, the TEPF fund approved loan funding to SMMEs and cooperative enterprises to the value of R348 million. The total TEPF loan approvals since TEPF programme inception (2022/23) is at R569 million. The GEP direct loan funding support further contributed just over R94.5 million to this ecosystem during the year under review. It is through public private sector partnerships that we can attain meaningful impact in closing the SMME credit gap.

Mr Lebogang Maile

MEC for Gauteng Provincial Treasury (GPT) and Gauteng Department of Economic Development (GDED).

The year ahead will also see GEP contributing to the priorities of the 7th administration, which have been set out for the GDED group as:

- Revenue enhancement;
- Provision of suitable economic infrastructure;
- Development of SMMEs, with special emphasis on businesses owned by youth, women and persons with disabilities;
- Structural transformation; and
- Research and Development (R&D).

The GEP is an important tool in the quest to strengthen and develop the Gauteng provincial economy, which is a critical anchor for the national and regional economy. The GEP must strengthen its SMME support instruments and be at the forefront of facilitating structural transformation through the implementation of the Enterprise Supplier Development Programme which aims to create opportunities for small enterprises to grow and nurture their businesses. The entity must urgently attend to the two matters raised by the Auditor General, namely: revenue management and irregular expenditure. Addressing these issues is crucial as good governance is a key priority of the 7th administration.

I wish to thank the board of the GEP, led by Ms. Lebogang Leshika, for providing strategic direction and governance. I also wish to thank the management team, led by the CEO, Mr Saki Zamxaka, and the staff of the GEP for their contribution to the 100% performance achievement for the year.

Ms Lebogang Leshika
Board Chairperson

"GEP continues to make significant strides in providing both financial and non-financial support to enhance the growth and sustainability of SMMEs in Gauteng Province."

INTRODUCTION

I am pleased to share the Annual Report for the 2023/24 financial year. The Gauteng Enterprise Propeller (GEP) plays a crucial role in offering business development and financial support to small enterprises in Gauteng province. The year showcased exceptional dedication and drive despite facing significant budget constraints. The GEP Board of Directors, Management, and staff have worked tirelessly to provide essential support services to small businesses across the province.

5. FOREWORD BY THE **CHAIRPERSON**

In the second quarter of 2023, the number of SMMEs in South Africa increased by 6,1% (154 180) from 2 535 238 (Q2 2022) to 2 689 418 (Q2 2023). In Gauteng, the share of formal SMMEs increased to 36,3% (Q2 2023) from 31,2% (Q2 2022). Gauteng SMMEs who traded informally, declined from 67,1% (Q2 2022) to 62,5% (Q2 2023).

The province remains committed to fulfilling the Township Economic Development Act (TEDA) obligations, with a particular emphasis on enterprise development. GEP continues to concentrate on aiding small enterprises located in Special Economic Zones (SEZs), Industrial Hubs, and Townships, Informal Settlements, and Hostels (TISH), thereby contributing significantly to the goals of TEDA.

Reflecting on the financial year, the Reserve Bank reported that the economy performed worse than expected in the fourth quarter of 2023, with growth of only 0,1% and an annual growth rate of 0,6%. This sluggish performance was largely due to increased electricity loadshedding compared to previous years.

In the fourth quarter of 2023, South Africa's unemployment rate stood at 32,1%. Statistics South Africa noted the largest decreases in employment in Community and Social Services, Construction, Agriculture, and Trade, while increases were observed in Finance, Transport, Mining, Private Households, and Utilities. Informal sector employment rose by 124 000, whereas formal sector employment declined by 128 000. Gauteng experienced an increase in employment of 130 000.

Given the ongoing energy crises, rising cost of living, and high interest rates, fostering sustainable small businesses is increasingly vital to addressing the challenges of slow economic growth and high unemployment amid escalating resource constraints.

HIGH LEVEL OVERVIEW OF GEP'S STRATEGY AND PERFORMANCE

GEP continues to make significant strides in providing both financial and non-financial support to enhance the growth and sustainability of SMMEs in Gauteng Province. In the 2021/22 financial year, the Board approved key strategic pillars aimed at improving the balance sheet to support small enterprises, increasing their contribution to the provincial economy, ensuring their sustainability and job creation, fostering growth in Black-owned industrial enterprises, and maintaining a well-governed, high-performing organisation.

To ensure effective implementation, the Board introduced a turnaround strategy, which has proven successful, as evidenced by the organisation's positive performance trajectory. GEP has achieved 100% of its performance targets and has sustained an unqualified audit opinion from the Auditor General.

Notable improvements include an enhanced balance sheet position, increased resource leverage through strategic partnerships, and a rise in collection rates from 26% in the 2022/23 financial year to 47% in the current year.

The Township Economy Partnership fund strategy has effectively used government risk-tolerant capital to attract risk-averse private sector investment for Gauteng Township SMMEs by collaborating with non-bank lenders. This approach has created a multiplier effect, supporting a larger number of SMMEs than GEP funding alone could achieve.

GEP remains dedicated to helping Gauteng SMMEs make meaningful contributions to the economy. We have assisted SMMEs with limited growth capacity in securing substantial government and private sector procurement opportunities through GEP's contract financing instrument. Access to market remains a significant challenge for SMMEs nationwide, but this innovative funding tool has given SMMEs the confidence to pursue larger opportunities, knowing GEP will provide affordable funding. Additionally, we have expanded our Youth Fund this financial year, which now features a blended facility (50% grant and 50% loan) with a doubled budget allocation, thanks to our partnership with the NYDA.

STRATEGIC RELATIONSHIPS

GEP acknowledges the substantial credit gap for SMMEs in South Africa, estimated between R86 billion and R346 billion according to the inaugural Access to Finance report by Finfund and SASME Fund. This gap is compounded by the fact that Gauteng Province alone accounts for one-third of all SMMEs in South Africa. Given that GEP's budget alone is insufficient to meet the needs of all Gauteng SMMEs, the Board has prioritised establishing partnerships with like-minded organisations.

Notably, GEP has developed strategic relationships with various Development Finance Institutions (DFIs) in the province. During the review period, new partnerships were formed to enhance GEP's financial and business development support for SMMEs. Significant progress was made with SETAs, with strategic relationships established with INSETA and WRSETA this financial year. Additionally, the NYDA has become a key partner in scaling GEP's blended youth funding instrument.

In the private sector, GEP forged partnerships with Tender Capital and Sourcefin to help SMMEs access funding instruments not covered by GEP. Through these collaborations with other ecosystem players, GEP aims to achieve a meaningful impact and ensure coordinated support for Gauteng SMMEs.

FOREWORD BY THE **CHAIRPERSON** continued

CHALLENGES FACED BY GEP

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

CHALLENGES FACED BY BOARD

This year, the Board experienced changes in its composition as the terms of some members expired. However, the transition was effectively managed with support from the Shareholder, and two former Board members were retained to ensure continuity. The Board adeptly addressed challenges such as ongoing reductions in funding for GEP due to the strained fiscal environment and the moratorium on filling vacancies during the country's shift to the 7th administration. The organisation also faced difficulties closing the year without key positions being filled, including the Chief Financial Officer, Corporate Services Executive, and Company Secretary.

Efforts to enhance efficiency through technology were limited by budget constraints. Despite these obstacles, the Board and management successfully delivered positive performance results.

STRATEGIC FOCUS OVER THE MEDIUM TO LONG-TERM PERIOD

The organisation's governance has now stabilised, and the Board is concentrating on continuous improvement to achieve excellence. Key areas of focus moving forward include:

- Enhancing the debt collection rate;
- Enhancement of internal controls to guarantee clean administration;
- Establishing partnerships to preserve capital, leverage the delivery networks of established partners, and strengthen GEP's skill sets;
- Increasing interest earnings to offset declining grant income and exploring alternative sources of income;
- Strengthening the Marketing Department to boost GEP's visibility;
- Improving systems and automating processes to enhance efficiency and turnaround time; and
- Exploring innovative approaches to manage the cost-to-income ratio.

ACKNOWLEDGEMENTS

On behalf of the Board, I would like to express our deep appreciation to the Executive team and the broader GEP team for their dedication to fulfilling the organisation's mandate, and achieving outstanding results.

Additionally, I extend sincere gratitude to the former Board members whose terms concluded in September 2023; their contributions to GEP's work are greatly valued. I also wish to thank the current Board members for ensuring a smooth transition and strong finish.

Furthermore, I am grateful to the Member of the Executive Committee (MEC) of Economic Development and the Head of Department for their continued support of the Agency over the past financial year.

Ms Lebogang Leshika
Board Chairperson

Mr Saki Zamxaka
Chief Executive Officer

“The GEP demonstrated outstanding performance and made significant efforts to support its stakeholders and customers, particularly SMMEs.”

Over the past few years, businesses and society have faced significant changes and difficulties. In the face of such challenges the GEP has remained focused, and the review term has shown a solid performance. Recovering from the ripple effect of the COVID-19 pandemic, GEP has successfully implemented its mandate and positively contributed to the economic growth of the Gauteng Province. We have quickly adapted to help our clients navigate the disruptive economic environment, maintaining our focus on supporting SMMEs. In this review period, we made significant efforts to support our stakeholders and customers, with a strong focus on SMMEs. Our programmes addressed pressing issues such as inclusive growth, as well as youth and women participation.

As we worked to nurture, support, and play a developmental role for SMMEs in the Province, we completed several strategic objectives—these are expanded upon in this report. We overcame the year’s challenges through our commitment to responsible decision making, a clear purpose, strong values, and the ability to adapt quickly and efficiently.

6. CHIEF EXECUTIVE OFFICER'S OVERVIEW

GENERAL FINANCIAL REVIEW OF THE GEP

The GEP's funding requirement is primarily in the form of a grant provided by the GDED, our sole Shareholder. This funding assists with the operational activities of the GEP, including issuing loans to SMMEs and co-operatives, and providing financial and non-financial support to SMMEs.

During the period under review, GEP collected more than R45 million on its debt collection, marking the highest collection in our history. This achievement enables the entity to support more SMMEs and respond with increased agility to their growing demands and needs.

GEP demonstrated outstanding performance and made significant efforts to support our stakeholders and customers, particularly SMMEs. Our programmes for the financial year (FY) 2023/24 were tailored to address pressing issues of inclusive growth, youth participation, and women's participation. This is evidenced by increased financial support loans, BDS, and youth accelerator programmes compared to previous years. We worked tirelessly to ensure SMMEs were resuscitated, and jobs were created or retained.

SPENDING TRENDS OF THE GEP

During FY2023/24, GEP experienced an annual budget reduction from the Shareholder due to cost containment measures implemented by the Gauteng Provincial Treasury. Despite this reduction, GEP has not diminished its mandate of helping SMMEs in Gauteng, as the demand for SMME support continues to rise. This increased demand is largely due to macro-economic factors impacting the South African economy, and the world commodity price increases. These negatively affect SMMEs in the Province, especially with regards to interest rates, fuel prices, and general inflation.

CAPACITY CONSTRAINTS AND CHALLENGES FACING THE GEP

The entity faced capacity challenges as several critical positions remained unfilled for some time. This, despite being included in the budget. The National Treasury issued an instruction note during the year, imposing cost-cutting measures on various areas, including hiring. This moratorium led to the entity operating with a skeleton staff—especially in areas requiring specialised skills such as Supply Chain Management (SCM).

We have consistently done more with less, supporting our mandate by forming partnerships that provide skills development solutions and enhanced SMME support.

OVERVIEW OF THE GEP'S FINANCIAL RESULTS 2023/24

In the FY2023/24, the entity received a budget allocation of R221 million. We supplemented this amount through partnerships with various public and private sector companies. Key among these partnerships is the Township Economic Partnerships Fund (TEPF), which has made notable implementation progress and has committed loan approvals to the value of R569 million by close of this review period. The Fund has grown exponentially since its launch, reaching nearly R700 million and surpassing our expectations. These funds have enabled GEP to continue supporting SMMEs beyond our allocated budget. GEP also received R197 million in rollover funds from the Shareholder, from the FY2022/23. We also earned R17 million in interest from the bank and collected funds from clients, which were reinvested to finance more SMMEs.

Our Annual Financial Statements (AFS) include a provision for surplus retention funds of R87 million, which represents monies not remitted to projects and open contracts at the year end. We also have balances from interest earned on positive bank balances and from our financial support loans. The entire provision for surplus retention funds at year end has already been committed to programmes and projects that were under-funded throughout the year due to reduced Medium Term Expenditure Framework (MTEF) budget allocations over the years.

SUPPLY CHAIN MANAGEMENT OVERVIEW

SCM processes are underpinned by provisions in the Public Finance Management Act (PFMA), including compliance with regard to the framework for supply chain management. This is aligned with the SCM provisions that are timeously Gazetted and issued by Parliament, the National Treasury, and the Gauteng Province Treasury.

The GEP SCM sourcing aims to provide opportunities for Historically Disadvantaged Individuals or groups in line with the Reconstruction and Development Programme, which has outlined specific goals designed to properly implement equality. This commitment is evident in our spending and in meeting our set indicators of providing opportunities to businesses that are women-owned, youth owned, and owned by people with disabilities, as well as businesses in townships. The GEP aims to develop a commodity- and sector-specific procurement strategy to further advance procurement and economic participation from locally-based businesses in their respective municipalities.

CHIEF EXECUTIVE OFFICER'S OVERVIEW continued

Our greatest challenge in SCM remains budget constraints, as our MTEF yearly allocation has reduced over the years, and this affects our procurement of goods and services within tightening budget constraints. We do have cost containment measures in place, which are carefully monitored by management who ensure strict adherence to these.

I'm proud to report that the GEP observed the 15-day invoice payment period when supporting our SMMEs in disbursements and payments for goods and services—having overcome the challenging SCM effects.

CHALLENGES AND STRATEGIES FOR RESOLUTION

The budget allocation continues to decrease year-on-year. This poses a risk to the GEP, as we may not be able to fulfil our mandate of assisting SMMEs. GEP is responsible for co-ordinating all SMME-related functions in the Province, playing an important role in reducing unemployment and poverty. Through partnerships, we have been able to fund more SMMEs and, as such, prioritised our mandate.

We were greatly impacted when the National Treasury put the Cessions of Payments on hold. These are used as a buffer for Contract Finance for SMMEs with contracts from private and public sector institutions. This moratorium was later lifted, and we encouraged collaborative approaches to recoup much of the money owed to GEP, given that a large portion of our loan book is contract finance, and demand driven.

KEY EXTERNAL AUDIT MATTERS AND ACTION PLANS

The GEP received an unqualified audit opinion for the FY2023/24, with two key audit matters—irregular expenditure and revenue management . The GEP has been reducing irregular expenditure, implemented consequence management and improving policies to prevent it. Incidents identified in the reporting year are being investigated and appropriate action will be taken.

OUTLOOK FOR THE FUTURE

We look forward to fully implementing our turnaround strategy as part of our strategic direction, using it as a blueprint for the next FY. Through continued partnerships, GEP will identify new opportunities to support the growing needs of SMMEs. We aim to further diversify our investments to enhance BDS and funding offerings beyond our turnaround strategy.

GEP is committed to advancing technology in the coming year. We will enhance our digital tools, including online application processes, to provide an improved user experience. To achieve our goals, we will continue building high-performing teams and focusing on SMME partnership programmes—completing any pending partnerships while offering BDS.

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

The GEP will also continue to carefully manage the debt book and collect or recover debt to make funds available for supporting other SMMEs.

EVENTS AFTER THE REPORTING DATE

The GEP is considering a re-assessment of interest in SMME partnership value after the year end. We could not determine reliable estimates of the value before year end, as IDC manages this Fund. We are waiting for the TEPF financials to be audited and an independent valuation to be performed. As a consequence, we measured our interest in the SMME partnership at cost, and the value presented in the AFS may only change if the independent valuation indicates a material impairment of our asset interest in SMME partnerships.

ECONOMIC VIABILITY

During the FY2023/24, the GEP earned revenue from the exchange of R57 million, consisting mainly of interest from loans. We are in a net asset position of R95 million, and the shareholder remains committed to continue supporting GEP through transfers over the MTEF period. There has been a significant improvement in the collection of debt in the current year, which has assisted with the financial sustainability of the business.

ACKNOWLEDGEMENTS

On behalf of the GEP Management, I wish to express gratitude to the Shareholder and the GEP Board for their leadership and unwavering support for the management team and employees during the FY2023/24. A special acknowledgement is also extended to my fellow members of the Executive team and staff—this unqualified audit opinion is evidence of their commitment to the GEP and is invaluable not only to the GEP but to the DED group, the Province, and the country.

Mr Saki Zamxaka

Chief Executive Officer: Gauteng Enterprise Propeller

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

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

- All information and amounts disclosed in this annual report are consistent with the 2023/24 GEP AFS audited by the Auditor-General of South Africa.
- 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 AFS (Part F) have been prepared in accordance with the Generally Recognised Accounting Practice (GRAP) standards applicable to the Agency.
- The GEP Board, as the Accounting Authority, is responsible for ensuring that the Agency prepares AFS 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 controls designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the AFS.
- The external auditors (Auditor-General of South Africa) were engaged to express an independent opinion on the 2023/24 AFS of the GEP.
- In our opinion, the GEP Annual Report fairly reflects the operations, the performance information, the Human Resources (HR) information, and the financial affairs of the Agency for the FY ending 31 March 2024.

Yours faithfully,

Ms Lebogang Leshika
Board Chairperson
Date: 27 August, 2024

Mr Saki Zamxaka
Chief Executive Officer
Date: 27 August, 2024

8. STRATEGIC OVERVIEW

8.1. VISION

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

8.2. MISSION

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

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

8.3. VALUES

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

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

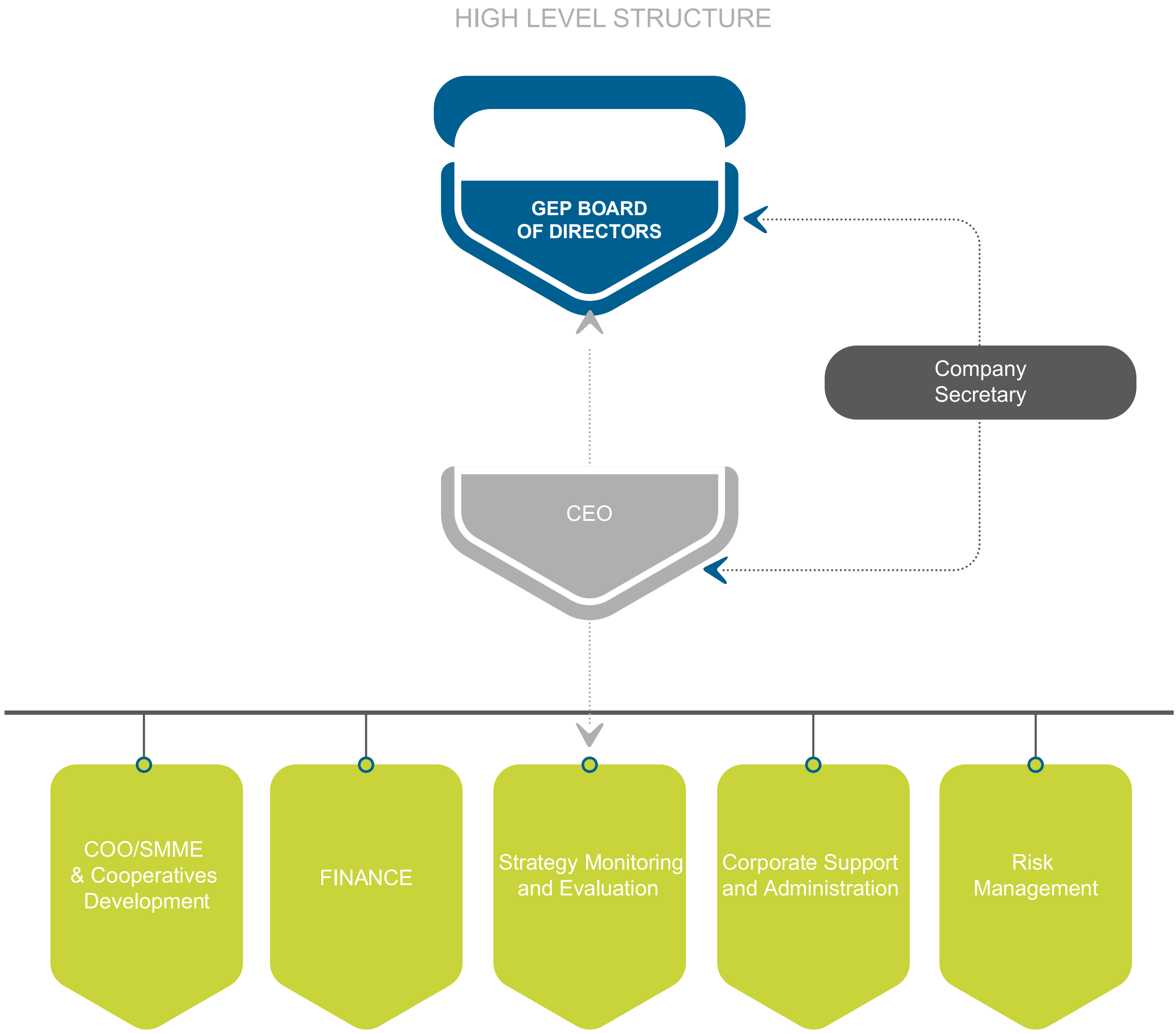
9. LEGISLATIVE AND **OTHER MANDATES**

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

- Constitution of South Africa Act (No. 108 of 1996)
- Gauteng Propeller Act (No. 5 of 2005) (GEP Act)
- Companies Act, 2008 (No. 71 of 2008)
- Public Finance Management Act (No. 1 of 1999), as amended (PFMA)
- The full suite of governance legislation, including, amongst others:
    - King IV Code on Corporate Governance in SA (2016)
    - Intergovernmental Relations Framework Act (No. 13 of 2005) (IRFA)
    - Consumer Protection Act, 2008 (No. 68 of 2008) (CPA)
    - National Credit Act, 2005 (No. 34 of 2005) (NCA)
    - Preferential Procurement Policy Framework Act, 2000 (No. 5 of 2000) (PPPFA)
    - Broad-Based Black Economic Empowerment Act, 2003 (No. 53 of 2003) (B-BBEE)
- National Development Plan, Vision 2030 – Chapter 8 (NDP)
- Sustainable Development Goals – Goals 5, 8 and 9 (SDGs)
- African Union 2063 – Aspirations 1, 6 and 7
- Medium-term Strategic Framework – Outcome 1 and 2 (MTSF 2019-2024)
- Ten Pillars of Transformation, Modernisation and Reindustrialisation (TMR)
- Growing Gauteng Together 2030 – Priority 1 and 5 (GGT2030)
- Other key Gauteng policies and strategies supporting GGT2030:
    - Township Economy Revitalisation Strategy (TERS)
    - Tshepo 1Million
    - Gauteng Entrepreneurship Model (GEM)
    - Gauteng Spatial Development Framework 2030 (GSDF)
    - The GCR Integrated Infrastructure Master Plan (GIIMP)
    - Gauteng City Region Economic Development Plan (GCREDP)
    - Gauteng Informal Business Upliftment Strategy (GIBUS)
    - GCR Governance and Planning Roadmap

10. ORGANISATIONAL **STRUCTURE**

The GEP organisational structure, shown below, is informed by the programme implementation for FY2023/24.




THIBA TLALA

11. GEP **BOARD OF DIRECTORS**

Ms Lebogang Leshika
Board Chairperson

Mr Phosane Mngqibisa
Deputy Chairperson

Ms Kanabo Skhosana
Board Member

Ms Cherity Morangwe - Diale
Board Member

Mr Abel Mawela
Board Member

Ms Bulela Mgobozi
Board Member

Ms Sheila Sekhitla
Board Member

Mr Sipho Mkhize
Board Member

Mr Des Van Rooyen
Board Member

Ms Refilwe Letwaba
Board Member

Ms Nomvula Mathenjwa
Board Member

Mr Amukelani Mashele
Board Member

12. GEP **EXECUTIVE MANAGEMENT**

Mr Saki Zamxaka

Chief Executive Officer

Mr Tinevimbo Gondo

Acting Chief Financial Officer

Mr Imraan Khan

Chief Operations Officer

Ms Nosipho Khonkwane

GM: Strategy, Monitoring and Evaluation

Ms Sibusisiwe Ntuli

GM: Risk and Audit Management

Mr Sello Manoto

Acting GM: Corporate Support and Administration

PART B

PERFORMANCE INFORMATION

PART B: **PERFORMANCE INFORMATION**

1. AUDITOR’S REPORT: PREDETERMINED OBJECTIVES

The Auditor-General South Africa (AGSA) performs the necessary audit procedures on the Agency’s performance information to provide reasonable assurance in the form of an audit conclusion. The audit conclusion on the performance against predetermined objectives is included in the report to management with no material findings reported under the pre-determined objectives heading in the Report in the Other legal and regulatory requirements section of the Auditor’s Report.

Refer to page 84 of the Auditors Report, published as Part F: Financial Information.

2. OVERVIEW OF PERFORMANCE

Ms Nosipho Khonkwane
GM: Strategy, Monitoring and Evaluation

2.1. SERVICE DELIVERY ENVIRONMENT

The GEP made great strides during the year under review and registered 100% achievement in all 16 Key Performance Indicators (KPIs) for the FY2023/24. The organisation has established a solid performance-driven culture thanks to the success of the turnaround strategy. The Investment Committees are committed to ensuring improved organisational efficiency, and the Management Investment Committee meets at least twice a week.

South Africa faced several economic challenges, including slow economic growth, high unemployment rates, inequality, and structural issues. In FY2023/24, the loadshedding challenge added further strain, causing major disruptions in the business environment—particularly for SMMEs. Some SMMEs experienced a decrease in production performance and an increase in operating costs as they sought alternative energy solutions, while others held back on expansion plans. The GEP support instrument helped SMMEs to become more resilient during this challenging time. Some SMMEs were provided with grant funding that assisted them to procure alternative energy.

The South African economy consists of an estimated 2,6 million SMMEs. Gauteng Province remains an economic powerhouse and has the greatest share of the country’s SMMEs; hosting 37,5% of the total. The GEP has, therefore, established strategic partnerships with both private and public sector SMME support entities. These partnerships seek to ensure improved co-ordination of SMME support to Gauteng SMMEs, leveraging co-funding opportunities and technical know-how. The vast GEP footprint in Gauteng has enabled collaboration with regional ecosystem players for improved service delivery.

2.2. ORGANISATIONAL ENVIRONMENT

The GEP continued to implement its turnaround strategy. Key achievements this FY included the financial model review to drive improved sustainability. The GEP continued to experience increased demand for its SMME support instruments even though its budget allocation decreased over the years. The organisation saw improvement on debt collection rates compared to the previous year, and this assisted with the reduction of the GEP's funding gap, thus scaling support to SMMEs. The entity intensified its efforts to establish value-adding partnerships for leveraging funding and technology. To ensure that the GEP is fit for purpose, an organisational realignment project was initiated. This project was completed in September 2023, resulting in the merging of certain functions and the better capacitation of the internal audit function. During the third quarter of the year a new Board was appointed, bringing an appropriate mix of skills, knowledge, experience, diversity, and independence. All these interventions have contributed to a healthy operating environment, which resulted in improved organisational performance.

2.3. KEY POLICY DEVELOPMENTS AND LEGISLATIVE CHANGES

The GEP continued to support the implementation of TEDA through the TEPF and that has seen loan approval commitments closing the year at R348 million. Our contribution to the Township, Informal Settlements and Hostels (TISH) strategy was largely through the provision of grants to informal traders located in the targeted areas. The various Business Development interventions, accessed through our regional offices, are also largely provided to small enterprises based in Townships and Informal Settlements. The GEP supports the District Development Model (DDM) by ensuring that our SMME support instruments are accessible across all five Gauteng regions. SMMEs have both physical and digital access to the GEP in all regions. The spread of the GEP footprint throughout Gauteng has made it possible for the GEP to collaborate with regional ecosystem players for improved service delivery.

2.4. PROGRESS TOWARDS ACHIEVEMENT OF INSTITUTIONAL IMPACTS AND OUTCOMES

The GEP scaled its support to SMMEs over the past three years, resulting in the following **highlights:**

- A 90% **increase** in the percentage of procurement spend on small enterprises owned by **women**.
- A 69% **increase** in the percentage of procurement spend on small enterprises owned by **youth**.
- A 67% **increase** in the percentage of procurement spend on small enterprises owned by **people with disabilities**.

Progress has been made to ensure that SMMEs remain sustainable and create jobs, through:

- Direct GEP loan funding support scaled to **R 94 547 572**.
- Loan funding through strategic implementing partnerships at **R 348 million**. Under TEPF, we saw major investments in Township real estate.
- Pre and post investment (Business Development) was provided to SMMEs to the value of **R 21 657 548**.

The GEP made good progress with its Youth Placement Programme and provided experiential learning opportunities to 101 unemployed graduates.

Section five of this report includes success stories that highlight the positive impact of GEP's support on individual SMMEs.

3. REPORT FROM THE ACTING CHIEF FINANCIAL OFFICER

Mr Tinevimbo Gondo
Acting Chief Financial Officer

OVERVIEW OF THE 2023/24 ANNUAL FINANCIAL STATEMENTS

During the FY2023/24, the GEP continued to implement economic recovery programmes to assist SMMEs. This is in response to challenging socio-economic conditions. We have signed with few strategic partnerships with like-minded organisations within the province to accelerate youth employment and funding of youth-owned businesses. The increase in approvals and disbursement of loans highlight an increase in youth- and women-owned businesses compared to previous years. GEP noted an increase in economic activity compared to the FY2022/23 period and this is presented below, indicating total disbursements per year and grant portion on yearly disbursements.

Loans of R89,6 million (FY2022/23: R87,9mmil) were advanced in FY2023/24 and we disbursed R42,7 million (FY 2022/23: R37,5 mil) in grants.

The analysis of the financial performance for the year ended 31 March 2024, focuses on key line-items in the financial statements. Therefore, the review should be read together with the AFS, the summary of the financial performance statement, the statement of financial position, and the cash flow statement.

ASSETS

The total assets as of 31 March 2024, were recorded at R455 million, a decrease, when compared to our total assets for the previous FY, of R529 million. This decrease is attributable to payments to loan disbursements from rollover funds.

LIABILITIES

The GEP's total liabilities as of 31 March 2024, were R167,1 million compared with R262,3 million in the previous financial period. This is mainly due to utilisation of ring-fenced funds.

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

When compared to the previous year, we noted a drastic reduction in the provision for surrender of surplus funds in 2024. The provision for the surrender of the surplus is calculated in accordance with National Treasury instruction no.12 of FY2020/21.

NET ASSETS VALUE STATEMENT

The Net Asset Value (NAV) increased in FY2023/24 from R266,5 million to R288,1 million. This is due to a surplus of R28 million for the current year.

REVENUE: EXCHANGE TRANSACTIONS

During the review period, the GEP earned revenue from the exchange of R39,5 million (FY2022/23 R27 million). This is largely made up of interest accrued on loans to the value of R27 million.

REVENUE: NON-EXCHANGE AND EXCHANGE

The provincial grant for the year was R221 million, a decrease of R2 million when compared to the previous year's R223 million. The reduction in grants is due to budget cuts that were applied across the board by the National Treasury.

LOAN BOOK PERFORMANCE AND CREDIT RISK

Financial support loans are currently valued at R91 million with a gross value of R235 million. Provision for impairment of R144 million was recorded in the current financial year. The current year's increase in the provision for doubtful debts is reflective of the broader difficult macro environment within which the SMMEs in the Province operate and the challenges they face. The GEP was able to collect R45 million from debtors compared to R31 million in the previous year.

IRREGULAR EXPENDITURE

The irregular expenditure relates to services that were utilised on expired contracts. No irregular expenditure was condoned in the year under review, but we have applied for condonation of R59 million after this year end.

FRUITLESS AND WASTEFUL EXPENDITURE

We have incurred fruitless and wasteful expenditure during the year due to late payments.

ACKNOWLEDGEMENTS

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

PART B: **PERFORMANCE INFORMATION** continued

4. REPORT BY THE CHIEF OPERATIONS OFFICER

OVERVIEW OF 2023/24

In the 2023/2024 FY, the Operations unit surpassed all performance targets. The total annual budget allocated for loans was R30 000 000, including R22 000 000 for BDS and Grant Funding.

The Investment Management unit fully delivered on the Annual Performance Plan (APP) and exceeded all targets set for FY2023/24. The unit provided loans to SMMEs in Gauteng totalling R84 351 907,20, which includes both our general funding programme and the youth loan fund. Regional Operations approved projects totalling R40 634 329,44 against the R20 128 000,00 annual budget. For BDS interventions, projects amounting to R18 757 728,95 were approved. Additionally, grant funding applications for SMMEs totalling R18 976 751,17 were approved, along with informal traders funding totalling R4 538 089,18 during the year under review. Through its Youth Placement Programme, GEP successfully provided on-the-job skills development for 101 youths.

FOCUS FOR THE COMING YEAR

The GEP will continue to support as many SMMEs as possible to help the Province reduce the unemployment rate, particularly among youth. As an organisation committed to promoting and supporting small businesses, GEP will partner with both the private and public sectors to leverage our budget allocation effectively.

Mr Imraan Khan
Chief Operations Officer

5. GEP SUCCESS STORIES

Maduwa Paint World (Pty) Ltd

MANUFACTURING AND DISTRIBUTION

Maduwa Paint World (Pty) Ltd is a youth-owned paint manufacturing, distribution, and retail company based in Pretoria, Gauteng. The business was founded in 2013 but began actively trading in 2019.

The business faced several challenges, particularly in manufacturing and distribution. Limited funds resulted in reduced production capacity, which led to lower output and delayed upgrades. This, in turn, compromised product quality and daily operations. Inadequate funding negatively impacted innovation and new product development. Distribution issues included logistical challenges, strained supplier relationships, inconsistent delivery, and limited expansion capabilities, all of which threatened the business's financial health and competitive edge.

GEP provided loan funding support, leading to several positive outcomes. The capital allowed for the purchase of new machinery and equipment, which expanded production capacity. The business also grew into new regions, including Mpumalanga. Investment in R&D fostered innovation and led to new product development, while advanced technologies improved operational efficiency.

Enhanced logistics and supply chain optimisation reduced costs and lead times, and improved inventory systems ensured better stock control. The business was able to hire skilled professionals and settle existing debts, providing financial stability. Boosted marketing efforts increased brand awareness and market share, while quality control measures improved product quality and customer satisfaction.

GEP funding enabled the hiring of additional permanent and temporary employees to support a new contract in Mogale City housing development, driving further growth and innovation within the company.

Mumbai Spices (Pty) Ltd

FOOD AND BEVERAGE

Mumbai Spices, established in 2020, is a 100% youth, black-women-owned business operating from a warehouse in Ekurhuleni. The location provides excellent access to major road, rail, and air infrastructure. The company imports pure and unblended spices, herbs, and dehydrated vegetables, primarily from India and China, to retain authentic flavours. Known for its milling and blending capabilities, Mumbai Spices produces custom spice blends to meet clients' unique needs.

The business' clientele includes many international companies with operations in South Africa, primarily placing wholesale orders in Gauteng. The South African spice market is relatively untapped, and Mumbai Spices aims to expand its reach across the country as it scales.

Facing challenges in operational, distribution, and logistical capabilities, the business approached GEP for expansion funding through the GEP Youth Fund. The funds were intended for purchasing a truck and an electric-powered forklift to improve warehousing efficiency, enhance stock movement and loading, and enable more effective distribution.

Following GEP's support under the youth loan fund, Mumbai Spices has thrived, exceeding its half-year revenue targets ahead of schedule. The logistical improvements funded by the GEP Youth Fund have allowed the business to diversify its stock and grow its clientele. Increased sales volumes and stock levels have necessitated the hiring of four additional employees to assist in daily operations. If the current growth pace continues, the business may soon need to expand beyond its current warehouse, creating more employment opportunities for both skilled and unskilled labour.

5. GEP SUCCESS STORIES continued

Splash Coatings Africa (Pty) Ltd

MANUFACTURING

Splash Coatings Africa, a black and youth-owned company based in Gauteng, specialises in the manufacturing, retail, and application of premium architectural coatings and paint. Founded in 2017, the company aimed to create a perfect balance between sustainability, durability, excellent quality finishes, and affordability using well-researched paint formulations.

The business faced challenges in meeting current demand and required funding for expansion. GEP provided a loan to support this growth and to procure raw materials for paint production. With this funding, Splash Coatings Africa expanded its business and established new distribution channels for direct client access. They set up operational stores in Midrand and Ga-Rankuwa, with construction underway for stores in Soweto and Dawn Park. The store in Ga-Rankuwa will move to Soshanguve upon completion of construction to be closer to its target market.

GEP funding also provided two months' worth of paint chemicals for the manufacturing facility, painting consumables for the stores, branded buckets, and quality control equipment. GEP also assisted with the refurbishment of stores in Soweto and Soshanguve.

These interventions led to the creation of twelve new jobs and the retention of seven staff members, including five management and two general workers. Splash Coatings Africa continues to grow, meeting demand and expanding its market presence.

Thiba Tlala Agricultural Produce Primary Co operative Limited

PIGGERY AND VEGETABLE FARMING

Thiba Tlala Agricultural Produce Primary Co-operative, registered in 2018, operates in Brakpan, Ekurhuleniunder a five-year lease agreement. The business focuses on agriculture and piggery farming, including buying, breeding, growing, and selling pigs. It currently has five structures housing 42 pigs, that are equipped with drinkers and feeders. The co-operative supplies butcheries around Withok. The business also grows and sells various vegetables to the public and local hawkers. It is equipped with agricultural tools, including two forks, one pig head, two spades, and two hosepipes.

Despite their dedication, the co-operative faced significant challenges. They had insufficient equipment and lacked a financial management system, hindering their growth and efficiency. Recognising these challenges, the GEP stepped in with valuable assistance. The co-operative received support through the Community Fund Programme and marketing tools were developed with GEP's assistance.

With GEP's interventions, the business successfully expanded its operations into chicken farming, diversifying its agricultural portfolio and significantly increasing its turnover. This strategic move enhanced their revenue and led to all-important employment creation. Before GEP's assistance, the business had no employees. Now, it employs six casual workers, marking a substantial improvement in both business operations and community impact.

Go Create Media Communications t/a Skonoaf (Pty) Ltd

MANUFACTURING

Go Create Media Communications (Pty) Ltd, trading as Skonoaf, is a 100% black-owned manufacturing business based in Mohlakeng. The founder serves as the Managing Director and brings extensive experience in sales. The company was registered as a legal business entity in November 2014, and began operations in December 2017. Skonoaf manufactures a wide range of cleaning detergents—including car shampoos, dashboard creams, engine cleaners, tyre gels, oven cleaners, degreasers, dishwashers, tile cleaners, floor polish, pine gels, and bleaches. Operating daily from home, the business supplies its products to local retail stores, auto dealerships, and spare stores in and around Mohlakeng.

While the business enjoyed early success, Skonoaf later faced significant challenges. The business lacked the capital to procure industrial machines for its operations and needed marketing tools to raise market awareness and portray professionalism to its clients.

Recognising these challenges, GEP conducted a business assessment and implemented several interventions. In November 2021, through the MBDC programme, GEP supported the business in procuring equipment, which significantly improved its production capacity. Additionally, in March 2023, GEP provided marketing tools that enhanced the business's market awareness.

As a result of GEP's assistance, Skonoaf attracted more customers and improved its production capacity—ultimately increasing the business's annual turnover. Grateful for GEP's support, the client has successfully expanded its market footprint.

In terms of employment creation, when Skonoaf first started operating, it had no employees, and the owner was responsible for all aspects of operations. With GEP's assistance, however, the owner was able to hire one permanent employee and one casual employee, marking a significant milestone in the business's growth and development.

IV Bar with Phindi (Pty) Ltd

BEAUTY SERVICES

IV Bar with Phindi (Pty) Ltd is a beauty and wellness business fully owned and managed by its founder who holds a National Certificate in Occupational Directed Education Training and Development Practices and a Dermaplaning facial certificate. With five years of experience at Henley Business School and a year and six months at Trafalgar Properties, she transitioned into the beauty industry and fully involves herself in daily business operations.

IV Bar with Phindi offers a variety of beauty and wellness services, including massages, facials, nail services, paraffin waxing, weight loss treatments, Yoni herbal products, and vitamin IV drips administered by part-time nurses. The business also provides house calls for an additional fee, targeting women, men, children, pensioners, and events.

The owner initially invested in the business by purchasing essential equipment such as a massage bed, IV drip stand, gowns, towels, massage oils, facial products, and a gas heater. Over time, the company acquired additional equipment and stock of massage equipment and accessories.

The business markets itself through social media platforms like Facebook, Instagram, and TikTok, as well as pop-up stands and word-of-mouth referrals. The business operates with a small team of two full-time and four part-time employees. It maintains an account with FNB, uses an invoicing app, and keeps manual records of transactions. In the fiscal year 2022/2023, the company saw significant growth in its turnover and profit.

The business did, however, face challenges—particularly in acquiring updated beauty equipment and developing new marketing strategies. Recognising these challenges, GEP conducted a business assessment and provided several interventions. Through the Township Business Renewal programme, the business received support to purchase beauty equipment, including additional massage beds, a therapist chair, a professional facial steamer, trolleys, a cavitation machine, a weight loss blanket, and professional massage hot stones. Additionally, the business received marketing tools, including a branded gazebo, wall banner, pull-up banners, branded towels, and bathrobe gowns used during treatments.

With GEP's assistance, the business attracted significantly more customers. The company's revenue and profit increased substantially. The new marketing tools allowed the business to attend various events with high-quality materials that enhanced its market presence.

As a result of GEP's interventions, the business also expanded its workforce, hiring two additional part-time Massage Therapists. This growth not only improved the operational capacity of the business but also contributed to the local economy by creating more employment opportunities.

6. INSTITUTIONAL PROGRAMME PERFOMANCE INFORMATION

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

6.1. PROGRAMME 1: ADMINISTRATION

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

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

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

6.2. PROGRAMME 2: INVESTMENT MANAGEMENT

The programme ensures the optimal deployment of available loan and grant funding, supporting the development, growth, and sustainability of qualifying small enterprises. The Programme is tasked with managing the loan book effectively through the approval of loans, the disbursement of approved loans, and the timeous recovery of loans.

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

Outcome 3: Sustainable enterprises that create and maintain jobs.

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

6.3. PROGRAMME 3: REGIONAL OPERATIONS AND ENTERPRISE SUPPORT

Programme 3 provides tailor-made BDS for the development and growth of small enterprises. This is achieved through the GEM stages of ideation, start-up, and early growth. A referral system ensures investment-ready small enterprises receive the required financial support through GEP loans or through loans provided by other Development Finance Institutions (DFIs) or co-founders.

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

Outcome 3: Sustainable small enterprises that are creating jobs.

6.4. PROGRAMME 4: RESOURCE MOBILISATION AND INDUSTRIAL FINANCING

Under Programme 4, the GEP is responsible for actively promoting entrepreneurship, mobilising resources through strategic partnerships, and facilitating an integrated approach among DFIs and other role-players for entrepreneurial development and support in the Province. The programme supports the industrial development drive of the Province by facilitating investment in high-impact business enterprises that weaken monopolies and stimulate high rates of employment.

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

Outcome 1: Improved balance sheet to support small enterprises.

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

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

PROGRAMME 1: ADMINISTRATION

Outcome	Output	Output Indicator	Audited Actual Perfo-mance FY21/22	Audited Actual Perfo-mance FY22/23	Planned Annual Target FY23/24	Actual Achievement FY23/24	Deviation from planned target to Actual Achievement FY23/24	Reasons for deviations
Increased contribution of Small Enterprises in the Gauteng economy	GEP procurement set-asides to benefit target groups	Percentage of procurement spend on small enterprises owned by women	41%	55%	50%	90%	+40%	R1 415 066,48 was spent on women-owned service providers against a budget of R1 568 276,48 Target exceeded due to existing contracts
		Percentage of procurement spend on small enterprises owned by youth	38%	50%	45%	69%	+24%	R993 356,99 was spent on youth-owned service providers against a budget of R1 439 996,30 Target exceeded due to existing contracts
		Percentage of procurement spend on small enterprises owned by persons with disabilities	7%	9%	7%	67%	+60%	R177 944,36 was spent on Persons with disabilities-owned service providers against a budget of R266 371,68 Target exceeded due to existing contracts
		Percentage of valid procurement Invoices paid within 15 days	100%	100%	100%	100%	0%	None
		Percentage of Sponsorship Budget spent on LGBQI-owned small enterprises	N/A	N/A	2%	25%	+23%	R250,000 was approved for sponsorship against a budget of R1,000, 000 The sponsorship needs of the LGBQI-owned small enterprise was above the 2% target
Well governed and high-performing organisation	Unqualified Audit Opinion	Annual Audit Opinion	N/A	GEP received an Unqualified audit opinion for 2021/2022	Unqualified audit opinion for 2022/2023	Unqualified audit opinion for 2022/2023	None.	None

PART B: **PERFORMANCE INFORMATION** continued

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

PROGRAMME 2: INVESTMENT MANAGEMENT

Outcome	**Output**	**Output Indicator**	**Audited Actual Perfo-mance FY21/22**	**Audited Actual Perfo-mance FY22/23**	**Planned Annual Target FY23/24**	**Actual Achieve-ment FY23/24**	**Deviation from planned target to Actual Achievement FY23/24**	**Reasons for deviations**
Sustainable enterprises that create and maintain jobs	Financially supported small enterprises creating jobs	Percentage of loans committed from the Investment Management Programme	N/A	297%	100%	281%	+181%	R84 351 907,20 was committed to loans against a budget of R30 000 000 Target exceeded due to budget adjustments and rollover re-allocation
		Percentage rate of committed loans disbursed	91%	96%	85%	100%	+15%	R84 209 911,76 was disbursed for loans against a total approval of R84 351 907,20 Target exceeded due to commitment to ensuring that the approved deals were successfully implemented and disbursed
		Percentage of blended funding committed to youth-owned small enterprises disbursed	N/A	97%	85%	99%	+14%	R10 117 941,18 was disbursed for loans against a total approval of R10 195 665,18 Target exceeded due to commitment to ensuring that approved deals were successfully implemented and disbursed
	Grant funding for small enterprises	Percentage of grants committed	N/A	170%	100%	182%	+82%	Grants to the value of R18 976 751,17 were approved against a budget of R10 428 000. Target exceeded due to additional budget allocated to implement grant programmes
		Percentage rate of committed grants disbursed	94%	100%	90%	99%	+9%	R18 757 728,95 was disbursed against a total grant approval of R18 976 751,17. Commitment to ensuring that all projects approved were disbursed within the FY of implementation.
	Grant funding for informal traders	Percentage of grants committed to informal traders	N/A	154%	100%	206%	+106%	Informal Trader Grants to the value of R4 538 089,18 were approved against a budget of R2 200 000. Target exceeded due to additional budget allocated to implement grant programmes.

PROGRAMME 3: REGIONAL OPERATIONS AND ENTERPRISE SUPPORT

Outcome	Output	Output Indicator	Audited Actual Perfo-mance FY21/22	Audited Actual Perfo-mance FY22/23	Planned Annual Target FY23/24	Actual Achieve-ment FY23/24	Deviation from planned target to Actual Achievement FY23/24	Reasons for deviations
Increased number of supported small enterprises that are sustainable and creating jobs	Business Development Support Interventions for small enterprises in all economic sectors	Percentage of Business Development interventions committed for small enterprises	N/A	199%	100%	228%	+128%	R17 119 459,09 was committed to BDS interventions against a budget of R7 500 000 Target exceeded due to additional budget allocated to implement Business Development Support interventions
	Youth supported through the Youth Accelerator Programme	Number of youths that benefitted from the Youth Accelerator Programme	109	94	100	101	+1	None

PROGRAMME 4: RESOURCES MOBILISATION AND INDUSTRIAL FINANCING

Outcome	Output	Output Indicator	Audited Actual Perfo-mance FY21/22	Audited Actual Perfo-mance FY22/23	Planned Annual Target FY23/24	Actual Achieve-ment FY23/24	Deviation from planned target to Actual Achievement FY23/24	Reasons for deviations
Improved Balance Sheet to support small enterprises	Collections from the loan book	Collection rate of the Loan Book	15%	26%	20%	47%	+27%	Out of R95 191 252 collections due, the GEP collected a total of R45 068 261 Maintaining the momentum to collect even higher numbers.
Increased number of supported small enterprises that are sustainable and creating jobs	Financially supported small enterprises creating jobs	Percentage of loans committed from the Township Economic Partnership Fund	N/A	100%	100%	174%	+74%	R348 million was committed to the period under review against a TEPF budget of R200 million. On the SA SME Fund, some of their intermediaries have disbursed all their funds, achieved good collections and recycled the funds again

PART B: **PERFORMANCE INFORMATION** continued

7. OUTCOMES, OUTPUTS, OUTPUT INDICATORS, TARGETS AND ACTUAL ACHIEVEMENT continued

LINKING GEP PERFORMANCE WITH PROGRAMME BUDGETS

	FY2022/23			FY2023/24		
Programme/activity/ objective	**Budget**	**Actual Expenditure**	**(Over)/ Under Expenditure**	**Budget**	**Actual Expenditure**	**(Over)/ Under Expenditure**
	R'000	R'000	R'000	R'000	R'000	R'000
COE	121 690	119 125	2 565	122 882	122 187	695
Goods and services	102 186	102 186	0	98 451	98 451	0
Total	223 876	221 311	2 565	221 333	220 638	695

8. REVENUE COLLECTION

	FY2022/23			FY2023/24		
Sources of revenue	**Estimate**	**Actual Amount Collected**	**(Over)/ Under Collection**	**Estimate**	**Actual Amount Collected**	**(Over)/ Under Collection**
	R'000	R'000	R'000	R'000	R'000	R'000
DED Allocation	223 876	223 876	0	221 333	221 333	0
Receipts on Loan Book	20 000	27 688	7 688	45 000	44 930	70
Interest and other income	20 000	48 165	-28 165	15 700	40 423	- 34 723
Total	263 876	299 729	-20477	282 033	306 686	-34 653

The entity's debt collection target was R44 930 million in the year under review. The GEP has reached and exceeded the annual collection target, making the FY2023/24 the best-performing year when compared to the previous three FYs.

9. CAPITAL INVESTMENT

GEP's capital investments are presented, at a high level, on Note 6 of the financial statements. Material carrying amounts of our Capital Investments represent IT Equipment (Laptops and servers), being our tools of trade. All these assets are insured for all risks throughout the year. Additional Laptops were purchased during the year under review, and this ensured that employees were equipped with industry standard tools of trade. The Company plans to upgrade the servers in the upcoming financial year to ensure that high standards of IT backup solutions are in place.

GEP had no investments in infrastructure improvements during the year, as there were no changes to our operating office lease addresses. It is anticipated that some of the Regional Offices will change business premises in the next financial year.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FRIDAY
ONLY
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Menu
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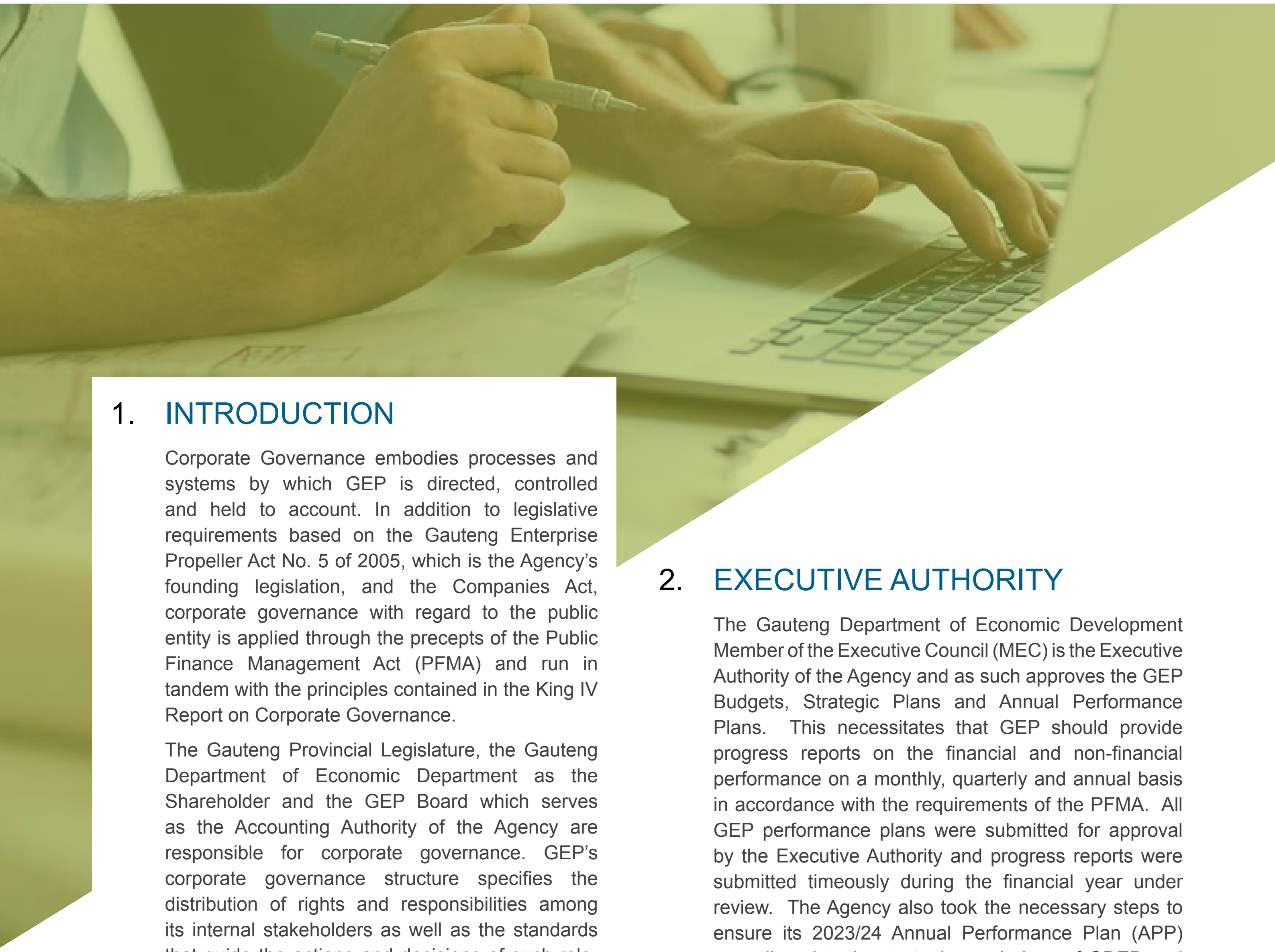
RICE | PAP AND STEAK
RICE | PAP AND CHICKEN
KOTA MINCE
SOFT DRINKS
TEA/COFFEE

PART C
GOVERNANCE

GOVERNANCE



1. INTRODUCTION

Corporate Governance embodies processes and systems by which GEP is directed, controlled and held to account. In addition to legislative requirements based on the Gauteng Enterprise Propeller Act No. 5 of 2005, which is the Agency's founding legislation, and the Companies Act, corporate governance with regard to the public entity is applied through the precepts of the Public Finance Management Act (PFMA) and run in tandem with the 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.

2. EXECUTIVE AUTHORITY

The Gauteng Department of Economic Development Member of the Executive Council (MEC) is the Executive Authority of the Agency and as such approves the GEP Budgets, Strategic Plans and Annual Performance Plans. This necessitates that GEP should provide progress reports on 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 2023/24 Annual Performance Plan (APP) was aligned to the strategies and plans of GDED and the Gauteng Provincial Government.

3. THE BOARD AS THE ACCOUNTING AUTHORITY

The GEP Board is regarded as the Accounting Authority in terms of Section 49 of the Public Finance Management Act (PFMA). The term of the current Board started from the 1st October 2023.

THE ROLE OF THE BOARD

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

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

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

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

3. THE BOARD AS THE ACCOUNTING AUTHORITY continued

COMPOSITION OF THE BOARD

Name	Designation	Date appointed	Date resigned	Qualifications	Area of Expertise	Board Directorships	Other Committees or Task Teams	No. of Meetings attended
Ms Lebogang Leshika	Chairperson	01 October 2020	N/A	University of Pretoria: BCom Accounting Sciences University of South Africa: BCompt Honours; PGD Applied Accounting Sciences SAICA: Initial Test of Competence (ITC); Assessment of Professional Competence (APC) University of Cape Town: Assessment of Professional Competence (APC)	Financial Management, Auditing, Accounting	N/A	Board Chairperson Member of the Risk and Governance Committee	5 of 7
Mr Phosane Mngqibisa	Deputy Chairperson	01 October 2023	N/A	IMM Diploma (Damelin College) Master of Business Administration (MBA) (Demont Fort University, Leister, UK) PHD Candidate - DBA (The University of Northampton UK) 2022 Post Graduate Researcher (The University of Northampton UK)	Marketing	Linfin Holdings Ltd – CEO Global Emergency Medical Services (Pty) Ltd – Director	Chairperson of the Credit, Investment and Business Development Committee	7 of 7
Mr Abel Mawela	Member	01 October 2023	N/A	De Monforte University: Master of Business Administration (MBA) University of South Africa: BCom Hons (Accounting); BCom (Accounting) IoDSA: Certified Director Institute of Government Finance, Audit and Risk Officers: Train the Trainer mSCOA	Financial Management	Accelerate Property Fund Ltd which is a listed property (REIT) company. member of the Audit Committee, Social and Ethics Committee and REMCO. - Mpumalanga Department of Agriculture, Rural Development, Land and Environmental Affairs (DARDLEA). Audit Committee Chairperson	Member of the Credit, Investment and Business Development Committee	7 of 7

Name	Designation	Date appointed	Date resigned	Qualifications	Area of Expertise	Board Directorships	Other Committees or Task Teams	No. of Meetings attended
Mr Amukelani Mashele	Member	01 October 2023	N/A	University of South Africa: Master in Accounting Science (in-progress); Advanced Diploma in Accounting Science; Postgraduate Diploma in Accounting Science (CTA) University of Johannesburg: BCom Economics and Econometrics; National Diploma in Banking	Financial Management	Charlotte Maxeke Academic Hospital Board Member July 2022 – Present	Member of the Audit, Risk and Governance Committee; Member of the Human Resources, Remuneration and Social and Ethics Committee	7 of 7
Ms Kanabo Skhosana	Member	01 October 2023	N/A	University of Pretoria: Bachelor of Laws; Baccalaures Commercial Law (Certificate). Admitted Attorney of the High Court BCOM Law-Business Management and Public Administration LLB Tax Practice; ADR; Wits University: Post Graduate Certificate, Mining Tax Law; Post Graduate Certificate, Prospecting and Mining Law Law Society of South Africa: Practice Management and Training.	Law	N/A	Member of the Credit, Investment and Business Development Committee	7 of 7
Mr Des Van Rooyen	Member	01 October 2023	01 July 2024	University of London: MSc in Finance (Economic Policy) Wits University: Master in Public Development and Management; Certificate in Municipal Finance; Professional Certificate in Public Management Cannabis University: Master Certificate in Cannabis University of South Africa: Certificate in Investment Analysis and Portfolio Management University of South Africa: Economics and Public Finance Tshwane University of Technology: The Role of Leaders in the improvement of the lives of communities North-West University: Councillor Development Certificate University of Pretoria: Municipal Management Development Programme; Potchefstroom University: Basic Disaster Management Carletonville Technical College: Computer Practice N4 SANDF: Defence and Development Certificate of Language; Proficiency English Intermediate Course; SANDF School of Signal: Signal Course; SANDF Formative Training for Non-Commissioned Officers	Financial Management	N/A	Chairperson of the Audit, Risk and Governance Committe	7 of 7

3. THE BOARD AS THE ACCOUNTING AUTHORITY continued

Name	Designation	Date appointed	Date resigned	Qualifications	Area of Expertise	Board Directorships	Other Committees or Task Teams	No. of Meetings attended
Ms Sheila Sekhitla	Member	01 October 2023	N/A	Diploma in Professional Nursing Diploma in Midwifery Diploma in Business Development (Rand Afrikaans University "RAU") Cum Laude Certificate in Business Sector Development (RAU) Certificate in Personal Development (RAU) Certificate in Executive Development Program Woman in Tourism, Graduate School of business leadership (UNISA) Certificate in Board Leadership, Gordon Institute of Business Science (University of Pretoria) Certificate in Capacity Building for Tourism Practitioners at Local Government (University of Pretoria) Certificate in Corporate Governance & Kind IV (IODSA) Certificate in Corporate Governance and Board Effectiveness (IODSA) Certificate in Real Estate (Academy of Real Estates)	Nursing	N/A	Member of the Credit, Investment and Business Development Committee	7 of 7
Ms Refilwe Letwaba	Member	01 October 2023	N/A	Wits University B Juris LLB qualification	Law	Board Member of Gauteng Growth and Development Agency (GGDA) Member of Human Settlements Advisory Panel	Chairperson of the Human Resources, Remuneration and Social and Ethics Committee	7 of 7
Ms Nomvula Mathenjwa	Member	01 October 2023	N/A	Tshwane University of Technology: Executive Leadership development Certificate of Competence Programme for Municipal Political Functionaries/ Senior Management Zithobeni Computer Training Centre Microsoft Computer Basic Literacy	Leadership	N/A	Member of the Audit, Risk and Governance Committee; Member of the Human Resources, Remuneration and Social and Ethics	7 of 7

Name	Designation	Date appointed	Date resigned	Qualifications	Area of Expertise	Board Directorships	Other Committees or Task Teams	No. of Meetings attended
Mr Sipho Mkhize	Member	01 October 2023	N/A	Regenysis Business School: Honours in Public Management and Development; Executive Certificate in Public Management and Development University of Pretoria: Executive Certificate in Public Management and Development; Project Management Wits University: Professional Certificate in Public management; Housing Policy Management Stellenbosch University: Policy Writing and Development	Public Management and Development	N/A	Member of the Credit, Investment and Business Development Committee; Member of the Human Resources, Remuneration and Social and Ethics Committee	6 of 7
Ms Bulela Mgobozi	Member	01 October 2023	N/A	University of Pretoria: BCom Accounting Science University of KwaZulu-Natal: BCom Accounting, Honours SAICA: Chartered Accountant (SA)	Finance and Audit	N/A	Member of the Audit, Risk and Governance Committee	7 of 7
Ms Cherity Morangwe-Diale	Member	01 October 2023	N/A	University of Johannesburg: BTech Degree in Human Resource Management Institute of People Development: National Certificate OD-ETDP Ekurhuleni East College: National Diploma in Human Resource Management Rosebank College: Business Management and Administration	Human Resource Management	N/A	Member of the Audit, Risk and Governance Committee; Member of the Human Resources, Remuneration and Social and Ethics Committee	7 of 7

3. THE BOARD AS THE ACCOUNTING AUTHORITY continued

PREVIOUS BOARD MEMBERS

Name	Designation	Date appointed	Date resigned	Qualifications	Area of Expertise	Board Directorships	Other Committees or Task Teams	No. of Meetings attended
Ms Lebogang Leshika	Chairperson	01 October 2020	N/A	University of Pretoria: BCom Accounting Sciences University of South Africa: BCompt Hons; PGD – Applied Accounting Sciences SAICA: Initial Test of Competence (ITC); University of Cape Town: Assessment of Professional Competence (APC); SAICA: Assessment of Professional Competence (APC)	Financial Management, Auditing, Accounting	N/A	Board Chairperson Member of the Risk and Governance Committee	5 of 7
Ms Phumeza Mangcu	Deputy Chairperson	01 October 2020	N/A	Entrepreneurship in Emerging Economies Management School of South: MBA Damelin College: Higher Diploma – Business Management; Certificate Train The Trainer; Drum Beat Accreditation and Training: Assessor training Nelson Mandela University: Diploma – Marketing Management Joshua West Strategic: Project Management for Engineers Certificate National Productivity Institute: Productive Capacity Building Programme	Overall Management of the company's operations and resources; Women empowerment and women emancipation	N/A	Deputy Chairperson Chair of Risk and Governance Committee	5 of 7
Ms Dineo Maithufi		September 2017	N/A	University of Johannesburg: Bachelor of Commerce (Accounting) University of Natal: BCom Hons Accounting; Certificate of Theory in Accounting; Chartered Accountant(SA	Auditing Accounting Financial Management Compliance Risk Management	N/A	Chairperson of the Audit Committee; Member of the Risk and Governance Committee	6 of 7
Mr Leon Marincowitz		September 2017	N/A	University of Johannesburg: Masters – Philosophy; University of Pretoria BA Hons Philosophy; BA General	Strategic programme development, project coordination, policy advocacy, fundraising and media liaison; Entrepreneurship and business development	N/A	Chairperson of the Business Development Committee; Member of the Risk and Governance Committee; Member of the Audit Committee	6 of 7
Mr Kgosi Mokgotsi	Member	01 October 2020	N/A	Henley Business School Africa: PGDip Management Wits Business School: Management Advanced Programme Sasseta Johannesburg: Certificate in Customer Management University of Johannesburg: National Diploma Retail Business Management	Monitoring and evaluation of business practices and performance at the regional level.	N/A	Member of the Business Development Committee Member of the Credit and Investment Committee	7 of 7

Name	Designation	Date appointed	Date resigned	Qualifications	Area of Expertise	Board Directorships	Other Committees or Task Teams	No. of Meetings attended
Ms Bukeka Mahlutshana	Member	01 October 2020	N/A	University of South Africa: MCom in Business Management (In Progress) University of South Africa: BCom Hons in Business Management specialisation in Financial Management University of Johannesburg: Diploma Municipal Governance University of Fort Hare: BCom in Business Management IODSA: Being a Director Parts 1-4 EuroMoney: Advanced Investment Analysis and Valuation Brit Training Institute: Applied Private Equity GIBSISAVCA: Private Equity and Venture Capital Foundation Course; Advanced Programme International Private and Venture Capital Valuation Guidelines	Developing strategic and operational plans; Business planning; Financial Management and Reporting; Operations Management; Human Resource Management and Development	N/A	Member of the Business Development Committee; Member of the Credit and Investment Committee	4 of 7
Mr Thabo Daniel Rasenyalo	Member	01 October 2020	N/A	Regenesys, South Africa: MBA Candidate (In Progress) Tshwane University of Technology: Bachelor of Technology Degree Electrical (Power) Engineering; National Higher Diploma: Mechanical Engineering; Bachelor of Technology Degree: Electrical (Power) Engineering Mancosa, South Africa: PgdIP Project Management	Operations management; Transformational leadership and management; Project planning and management	N/A	Member of the Business Development Committee; Member of the Credit and Investment Committee – Chairperson since July 2022	7 of 7
Ms Dineo Maphanzela	Member	01 October 2020	N/A	Wits University Graduate School of Business: Master of Management in Entrepreneurship and New Venture Creation; PGDip Management (Business Administration) University of Oxford Sai'd Business School: Entrepreneurship – Venture Finance Programme. Directors Association: Advanced Director Training Programme London School of Trends: Luxury Brand Management The University of Virginia and BCG: Certificate in Digital Transformation; University of Cape Town: Bachelor of Social Sciences	Corporate social responsibility strategy development and implementation; Property development and management; Operations management	N/A	Member of the Risk and Governance Committee; Member of the Human Resources and Remuneration Committee – Chairperson since July 2022	2 of 7
Mr Sipho Mkhize		01 October 2020	N/A	Regenesys Business School: Masters: Public Management; Regenesys School of Public Management: Hons Public Development and Management University of Pretoria: Executive Certificate in Public Management and Development; Wits University: Professional Certificate in Public Management (P&DM); Housing Policy Management (P&DM); Regenesys: Project Management University of Stellenbosch: Policy Writing and Development; University of Durban Westville: Capacity Building	Human resource development; Social development; Public accounts	N/A	Member of the Audit Committee; Member of the Risk and Governance Committee	6 of 7

4. BOARD COMMITTEES

Section 13(1) of the GEP Act No. 5 of 2005 states that the Board may appoint one or more Committee members to address any matters referred by the Board and report back on them. The establishment of the Board Committee also finds expression in Section 72 of the Companies Act, 2008 and the King IV Report on Corporate Governance™. The Board of GEP established the following Committees to assist in discharging its responsibilities, although these Committees do not relieve the Board of its duties. The Committees reviewed and adopted their Charters, which were approved by the Board during the period under review.

COMMITTEES (CURRENT BOARD)

Committee	No. of meetings held	No. of members	Name of members
Audit, Risk and Governance Committee	3	5	Mr Des Van Rooyen (Chairperson)* Ms Bulela Mgobozi (Member) Ms Nomvula Mathenjwa (Member) Ms Cherity Morongwe Diale (Member) Mr Amukelani Mashele (Member)
Credit, Investment and Business Development Committee	3	5	Mr Phosane Mngqibisa (Chairperson) Ms Sheila Sekhitla (Member) Ms Kanabo Skhosana (Member) Mr Abel Mawela (Member) Mr Sipho Mkhize (Member)
Human Resources, Remuneration and Social and Ethics Committee	2	5	Ms Refilwe Letwaba (Chairperson) Ms Nomvula Mathenjwa (Member) Mr Amukelani Mashele (Member) Mr Sipho Mkhize (Member) Ms Cherity Morongwe Diale (Member)

* Member resigned from the Board on 01 July 2024 and Mr Abel Mawela assumed the duties of ARGC Chairperson on 08 July 2024.

COMMITTEES (PREVIOUS BOARD)

Committee	No. of meetings held	No. of members	Name of members
Audit, Risk and Governance and Social and Ethics Committee	3	3	Ms Dineo Maithufi (Chairperson) Mr Sipho Mkhize Mr Leon Marincowitz
Credit and Investment Committee	7	3	Mr Thabo Rasenyalo (Chairperson) Ms Bukeka Mahlutshana Mr Kgosi Mogotsi
Business Development Committee	5	5	Mr Leon Marincowitz (Chairperson) Mr Kgosi Mogotsi Mr Desmond Golding [Resigned 9 May 2022] Ms Bukeka Mahlutshana Mr Thabo Rasenyalo
Human Resources and Remuneration Committee	6	3	Mr Dineo Maphanzela (Chairperson) Mr Thabo Rasenyalo Ms Bukeka Mahlutshana

AUDIT, RISK AND GOVERNANCE COMMITTEE:

The Committee is regulated by its Charter, which was approved by the Board and which details its responsibilities. Key among those responsibilities are listed below.

- Review the risk management, control and governance processes;
- Consider and assess the independence and performance of the external and internal auditors;
- Discuss and review with the external auditors before the audit commences;
- Discuss and review the auditor engagement letter, the terms, the nature and scope of the audit function, procedure and engagement, the audit fee and ensure the co-ordination and maintenance of a professional relationship;
- Review the external auditor's Management Letter and management's responses;
- Review and approve the internal audit plan and ensure that the internal audit function is adequately resourced and has appropriate standing within the entity;
- Review the co-operation between the internal and external audit functions and co-ordinate the formal internal work plan with external auditors to avoid the duplication of work;
- Review the effectiveness of the entity's systems of internal control, including internal financial control, business risk management, Information Technology (IT) and fraud risks, and maintaining effective internal control systems; and
- Review the risk management strategy of the entity.

CREDIT AND INVESTMENT COMMITTEE:

The Credit and Investment Committee was established to deliberate on financial applications. This Committee has adopted a Charter which outlines its roles and responsibilities. The Committee plays an important role in approving financial and non-financial requests. The Committee's responsibilities, among others, are listed hereafter.

- Consider financial support requests with a value of up to R1,5 million per project, and to recommend any application of R1,5 million and above to the Board for approval;
- Advise the Board on the best strategy for financing and BDS provided to SMMEs and other investments, taking into consideration the dynamics of the SMME development sector;
- Provide inputs and recommendations for the Financing Policy for both loans and BDS to the Board for final ratification;
- Approve any partnership proposals for interest-bearing loans and interest-free non-refundable capital grants between R1,5 and R3,5 million and recommend to the Board proposals of above R3.5 million to R10 million; and
- Recommend the SMME Financing Policy to the Board for approval.

BUSINESS DEVELOPMENT COMMITTEE:

The Committee is regulated by a Charter that was approved by the Board and which details its responsibilities. Key among those responsibilities are provided below

- Develop, review and recommend Business Development strategies;
- Advise the Board on best practice in respect of non-financial support to SMMEs;
- Approve policies in relation to Business Development;
- Oversee the achievement of business objectives and performance under normal, as well as adverse, operating conditions;
- Oversee the reliability and integrity of operational information and responsible behaviour towards the stakeholders in the organisation; and
- Initiate research to evaluate the effectiveness of small business support.

CREDIT AND INVESTMENT COMMITTEE:

**The Credit and Investment Committee and the Business Development Committee were merged into a single Committee at the end of the term of the previous Board, whose term ceased in September 2023. The new Board was ushered in on 01 October 2023. The Committee resolved to amend Management's approval thresholds to ensure much-needed impact and fast-tracking of applications, thus reducing the time lag between the Management Investment Committee and the Board's Credit, Investment and Business Development Committee.*

The Credit, Investment and Business Development Committee was established to deliberate on financial and non-financial applications. This Committee has adopted a Charter which outlines its roles and responsibilities. The Committee plays an important role in approving financial and non-financial requests. The following are the responsibilities of the Committee:

- Consider financial and BDS programmes with a value up to R3,5 million per project, and recommend any application of R3,5 million and above to the Board for approval;
- Advise the Board on the best strategy for financing and BDS provided to SMMEs and other investments, taking into consideration the dynamics of the SMME development sector;
- Provide inputs and recommend the Financing Policy for both loans and BDS to the Board for final ratification;
- Approve any partnership proposals for interest-bearing loans and interest-free non-refundable capital grants between R1,5 and R3,5 million and recommend to the Board proposals above R3.5 million to R10 million; and
- Recommend the SMME Financing Policy to the Board for approval.

HUMAN RESOURCES AND REMUNERATION COMMITTEE:

**The Board resolved to merge the Human Resources and Remuneration Committee with the Social and Ethics Committee.*

- The Human Resources and Remuneration Committee is regulated by a Charter approved by the Board, which details its responsibilities. Key among those responsibilities are included in the list below.
- Ensure compliance with legislation, policy, and procedures in the selection and recruitment of staff;
- Review the HR policies and procedures of the GEP and recommend revisions for submission to the Board;
- Consider and determine any proposed amendments to grading, or terms of conditions of staff, and recommend these to the Board;
- Review and measure annual bonuses against individual and entity performance targets, both financial- and sustainability-related, and which targets must be reviewed annually to remain appropriate;
- Recommend and report to the Board the percentage of annual salary increase to be awarded to staff, and the parameters for performance increases for all staff below General Managers;
- Advise the Board on performance-related increases for General Managers, Regional Managers and the Chief Executive Officer, Chief Operations Officer and staff in general;
- Monitor staff training and development programmes; and
- Ensure that the performance and training needs of staff are reviewed on an annual basis.

COMMITTEES: CURRENT BOARD:

Committee	No. of meetings held	No. of members	Name of members
Audit, Risk and Governance Committee	3	5	Mr Des Van Rooyen (Chairperson) Ms Bulela Mgobozi (Member) Ms Nomvula Mathenjwa (Member) Ms Cherity Morongwe Diale (Member) Mr Amukelani Mashele (Member)
Credit, Investment and Business Development Committee	7	5	Mr Phosane Mngqibisa (Chairperson) Ms Sheila Sekhitla (Member) Ms Kanabo Skhosana (Member) Mr Abel Mawela (Member) Mr Sipho Mkhize (Member)
Human Resources, Remuneration and Social and Ethics Committee	2	5	Ms Refilwe Letwaba (Chairperson) Ms Nomvula Mathenjwa (Member) Mr Amukelani Mashele (Member) Mr Sipho Mkhize (Member) Ms Cherity Morongwe Diale (Member)

AD-HOC COMMITTEES:

Committee	No. of meetings held	No. of members	Name of members
Joint Credit, Investment and Business Development and Audit, Risk and Governance Committee	1	10	Mr Phosane Mngqibisa (Chairperson) Ms Bulela Mgobozi (Member) Ms Nomvula Mathenjwa (Member) Ms Cherity Morongwe Diale (Member) Mr Amukelani Mashele (Member) Ms Sheila Sekhitla (Member) Ms Kanabo Skhosana (Member) Mr Abel Mawela (Member) Mr Sipho Mkhize (Member)

COMMITTEES (PREVIOUS BOARD):

Committee	No. of meetings held	No. of members	Name of members
Audit, Risk and Governance and Social & Ethics Committee	6	3	Ms Dineo Maithufi (Chairperson) Mr Sipho Mkhize (Member) Mr Leon Marincowitz (Member)
Credit and Investment Committee	7	3	Mr Thabo Rasenyalo (Chairperson) Ms Bukeka Mahlutshana (Member) Mr Kgosi Mogotsi (Member)
Business Development Committee	5	5	Mr Leon Marincowitz (Chairperson) Mr Kgosi Mogotsi (Member) Mr Desmond Golding [Resigned 9 May 2022] Ms Bukeka Mahlutshana (Member) Mr Thabo Rasenyalo (Member)
Human Resources and Remuneration Committee	6	3	Mr Dineo Maphanzela (Chairperson) Mr Thabo Rasenyalo (Member) Ms Bukeka Mahlutshana (Member)

5. REMUNERATION OF BOARD MEMBERS

How remuneration of Board members is determined:
• The Board members remuneration is determined by the MEC based on the directive from the National Treasury

Those members that are not remunerated
• The Chairperson of the Board is not remunerated Other expenses e.g., Travel, reimbursed by the public entity:
• None The amount of remuneration paid to each Board member:
• The previous Board members were paid a sitting allowance of R3,879.00 for each meeting attended. The Board fees were subsequently increased to R3,995.37, which is a three percent increase on the previous sitting allowance. This is, as per the increase by the Minister of Finance's approval, a 3% cost of living adjustment on the service benefit packages for accounting authorities of public entities.

Refer to page 123 of the AFS for further details of Board member remuneration

6. RISK MANAGEMENT

The GEP's Risk and Audit Division is established in accordance with the provisions of the GEP Act, PFMA, Treasury Regulations, King IV Report on Corporate Governance, ISO 31000 Risk Management Standards, and the Public Sector Risk Management Framework. The Committee conforms to all such provisions and legislative requirements. It operates in line with requirements of the Public Sector Risk Management Framework, and the Risk Management Function is defined as a disciplined approach for implementation, monitoring, and maintenance of good risk management practices—propelling the organisation towards achieving the objectives of the Risk Management Policy Framework. The unit is positioned as a strategic enabler, risk and audit management expert advisor, and a value-adding function intended to assist GEP in achieving its mandate, strategic objectives, and to satisfy its stakeholders within the prescribed regulatory framework. It is thus empowered to, amongst other functions, (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 to the Chief Executive Officer (CEO) and functionally to the Board, Audit, Risk and Governance Committees for purposes of risk and assurance oversight on various risk categories in the organisation.

GEP'S RISK PHILOSOPHY

GEP's Risk Philosophy acknowledges that risk is inherent in any business, especially when propelling high-risk SMMEs and co-operatives into the mainstream economy through financial and BDS. This approach aims to reduce poverty, unemployment, and inequality. Risk management is an important element of the organisational strategy and operations that impact on organisational performance (i.e., APP Targets), financial results, and future organisational plans. GEP believes that risk management should be the responsibility of every employee in the organisation.

It should be practiced daily and integrated into all operations, business processes, and policies. This approach aims to convert risks into opportunities, protect the organisation against unforeseen losses, improve investment returns, and establish GEP as a reliable and sustainable service delivery Agency. Business decisions must be informed and underpinned by appropriate analysis to reduce incidents of fraud and corruption, minimise irregular, fruitless, and wasteful expenditure, and improve the efficient use of resources in project rollout.

RISK MATURITY

The Risk and Audit Division's vision is to propel GEP to be "risk intelligent/matured" by using a hybrid of ISO 31000 and the Public Sector Risk Management Framework. The entity has a functioning Risk Management Policy Framework in place, amongst others. Key achievements over the reporting period include:

- Implementation of the Risk Management Policy Framework;
- Implementation of the BCM Policy Framework;
- Approval of the Risk Appetite Framework;
- Linking the organisational strategy to the strategic risk profile;
- Embedding risk discussions in strategic planning;
- Implementing the five-year BCM Maturity Strategy;
- Implementation of the Risk Management Methodology;
- Review of the Risk Management Guide;
- Review of the Risk Champions Strategy;
- Review of the Risk Management Function by external assurance providers (external auditors) as a provider of ''full assurance''; and
- Procuring Governance Risk and Compliance (GRC) solution.

2023/2024 ASSURANCE PLANS

The Risk Management Function is responsible for the implementation of the annual RM Plan and Business Continuity Implementation Plan. The targets for both assurance plans for FY2023/2024 were 80% and the targets were all achieved.

STRATEGIC RISK PROFILE:

For the reporting period, the Board and EXCO undertook an annual Board risk assessment to identify risks and opportunities from the 2020/2025 organisational strategy and annual performance targets for FY2023/24. During the year under review, management implemented 74% of approved risk mitigations, the partially resolved mitigations have been carried over to FY2024/25 for implementation. The seven strategic risk exposures identified with key mitigations were ranked and approved by the Board. Risk mitigations are monitored and reported monthly to EXCO. Quarterly reports are provided to the Audit and Risk Governance Committee.

In its intention to reach a level 6 risk maturity, the organisation will undertake the following activities:

- Co-ordinated risk management activities across silos (Combined Assurance);
- Monitoring risk appetite at a product level;
- Enable and implementation of technology;
- Application of contingency plans and escalation procedures;
- Risk management training;
- Undertake a transversal risk analysis;
- Consolidate and quantify risk;
- Undergo a risk consultation;
- Embark on Risk Management (RM), BCM, Ethics, Compliance, and Anti-fraud Training;
- Improve "tone at the top";
- Ensure that risk discussion is embedded in strategic planning;
- Ensure capital allocation for risk;
- Implement product development;
- Link risk to performance measures and incentives;
- Regularly conduct and use industry benchmarking;
- Integrate GRC (IGRC); and
- Undertake an independent evaluation of the Risk and Governance Committee in relation to RM and its effectiveness.

Other value-added services include reviewing financial support deals and partnerships to identify risks and ensure they are properly mitigated to aid in the collection and debt recovery processes.

Risk Name and Description		Risk Mitigation
HUMAN CAPITAL	Failure to recruit, develop, and retain the best talent and succession planning to create a conducive working culture that enables a high-performing organisation, including consequence management	• Benchmark, develop, and implement an organisation-wide HR strategy linked to the 2021/2025 organisational and re-configuration strategies • Development and implementation of a skills development plan/ framework to guide annual performance development plans for employees • Conduct skills audit (must be conducted every five years). Confirmation of availability of financial resources to first be obtained • Review Performance Management Policy to address gaps identified • Review leave policy to ensure compliance with Sections 9 and 10 of the Constitution (2023) (Van Wyk and others Vs Minister of Employment and Labour)
FINANCIAL SUSTAINABILITY	Inability to maintain or generate sufficient cash resources to meet payment obligations and fund business operations	• Savings on 10% on its current lease costs by sharing offices with Municipalities in its regional offices • Legally pursuing and litigating on behalf of the GEP against investees defaulting on their credit obligations to ensure all possible avenues to collect or recover debts are exhausted • Review materiality and significance framework • Review of Impairment Methodology • Request Treasury's condonation of unwanted expenditures • Re-introduce cession agreements for contract finance loans • Benchmarking with other financial institutions for loan security
ASSET QUALITY	Possibility of inadequate and ineffective well defined lending policies and processes for originating quality loans and collection of invested funds thus leading to high rate of impairments and write-off	• Automation of the enhanced due diligence business processes/ models • In consultation with Legal Services develop stringent obligation clauses which are punitive to the client should a misrepresentation/ collusion be identified which disadvantages GEP • A process of registering security (GBN, SNB) must be defined by Legal Services which will inform Investment Management on what needs to be implemented post approvals, but prior disbursement of loans • Capacitate Post Investment through training and development to provide ongoing post-investment monitoring. This will support investees in addressing emerging operational risks and ensure timely interventions and collections • Appointment of SM: Investment Management • Obtain approval and appoint two Paralegals (Action Owner: Legal Services)
REGULATORY FRAMEWORK	Identification of non-adherence to good corporate governance practices, policies, and legislative requirements pertaining to governance, RM, internal control, and compliance.	• Policy trainings sessions for all staff (approved policies) • Ongoing monitoring and tracking on non-compliance to policies • Implementation of compliance roadmap • Creation of a policy universe • Review risk appetite framework (regulatory risk) • Capacitate Compliance Function • Finalisation of Regulatory Universe

Risk Name and Description		Risk Mitigation
ICT	Identify inadequate ICT systems and processes to support business operations including cyber security, ICT Governance, Data Governance, IT Architecture (design), and capacity to support operations	• Resourcing/budget for, and implementation of, ICT Governance Strategy • Implementation of the ICT Governance maturity strategy development of ICT SOPs • Implementation and prioritised ICT Governance standards • Purchase and implementation of Enterprise Resource Planning (ERP) • Develop and implement the Records Management Strategy • Content management (ERP) • Develop, implement and identify critical deliverables Cyber Security strategy, including implementation of high-tech security tools. Migrate critical service to Microsoft Azure • Define the ICT infrastructure and application roadmap in line with the Business Strategy • Review and implement DRP to include latest industry and audit recommendations • System enhancement to improve efficiencies while ensuring compliance with legislative requirements, regulations, and procedures • Implement ITIL, COBIT, ISOs and Project Management Framework/ Methodology/best practices standards for GEP • Migrate DR site to 124 Main Street • Develop cyber security strategy • Establish an ICT Steering Committee • Capacitate the ICT unit consisting of a permanent ICT Manager, Records Management Officer, and one Information Security Officer • Review all ICT outstanding and inadequate policies (ICT Project Management Framework and policy, Anti- virus, Incident Management, Firewall, Backup and Recovery procedures, Patch Management procedures, Physical and Environmental procedures) • Establish and perform network vulnerability assessment procedures
FRAUD AND CORRUPTION	Identify inadequate systems/ processes to prevent, detect, investigate, and report fraudulent activities and corruption	• Capacitate Compliance Function to implement Fraud Management Plan • Publish the ethics programme which encompasses the Declaration of Interest and Ethics Commitment Forms, to support the Code of Ethics • Track implementation of the revised Fraud and Corruption Prevention policy to conclude all investigations and referrals within 90 days • Estimated timelines for investigator to be made as part of the Instruction Letter for both complex and non-complex matters of investigation • Fraud awareness and training • Procure system to verify employee declarations • Apply Protected Disclosure Act to promote anonymous reporting on Fraud Hotline
STAKEHOLDER MANAGEMENT	Identify potential or actual damage to the GEP's image (reputational risk) through factors that may impair the sustainability of the business, including identification and management of key stakeholders	• Strengthen external communication by implementing marketing strategy (PR strategy included in marketing strategy) • Integration of partnership implementation to work plans of IM and Regional Operations.

Risk mitigations are monitored and reported to Board and the Risk and Governance Committee for independent oversight purposes on a regular basis, mitigations are tracked monthly through Strategic and Operational Risk registers.

The Risk and Audit Division continuously identifies operational risks using various methods, such as operational risk assessments, monthly and quarterly management reports, and audit reports. These risks are confirmed with management, and mitigation plans are developed to address them.

INTERNAL CONTROL UNIT

Amongst other items, the Audit and Risk Governance Committee reviewed (a) the effectiveness of the internal control systems, (b) the effectiveness of internal audit, (c) the risk areas of the entity's operations to be covered in the scope of internal and external audits, (d) the adequacy, reliability, and accuracy of financial information provided to management and other users of such information, (e) any accounting and auditing concerns identified as a result of internal and external audits, (f) the entity's compliance with legal and regulatory provisions, and (g) the activities of the internal audit function—including its annual work programme, co-ordination with the external auditors, the reports of significant investigations and the responses of management to specific recommendations, (h) where relevant, the independence and objectivity of the external auditors, (i) investigate matters within its powers, as identified in the written Terms of Reference, (j) reports and make recommendations to the Accounting Authority, (k) reports on the effectiveness of internal controls in the annual report of the institution, and (l) the financial statements in the annual report.

INTERNAL AUDIT/CONTROL UNIT

The internal audit function within the Risk and Audit Division operates in accordance with the PFMA, Treasury Regulations, the International Standards for the Professional Practice of Internal Audit (IIA Standards), the Public Sector Internal Audit Framework, the Audit, Risk and Governance Committee Charter, the Internal Audit Charter, the Internal Audit Methodology, and the King IV Report on Corporate Governance. It serves as an independent internal assurance provider, expert advisor, strategic enabler, and value-adding activity. By independently evaluating RM practices, the control environment, and governance processes, the internal audit function contributes positively to the achievement of organisational objectives. The internal audit function reports administratively to the CEO and functionally to the Audit and Risk 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.

INTERNAL AUDIT AND AUDIT COMMITTEES

The Audit and Risk Governance Committee is chaired by Mr Des Van Rooyen, and consists of three independent Board members. Standing invitations to Committee meetings are extended to the CEO and the Chief Financial Officer, General Manager: Risk and Audit, General Manager: Strategy, Monitoring and Evaluation, and the external auditors. On a quarterly basis, the Audit And Risk Governance Committee Chairperson reports the Committee's activities, decisions, and recommendations to the Board.

The Committee is mandated to provide oversight of risk governance, focusing on the opportunities and associated risks that must be considered when developing the organisational strategy. It also evaluates the potential positive and negative effects of these risks and opportunities on achieving the strategy. The Audit And Risk Governance Committee oversees the implementation of the fraud and corruption prevention strategy and ensures compliance governance, which includes identifying, developing, assessing, and monitoring the regulatory environment, as well as policy development and assurance.

KEY INTERNAL AUDIT ACTIVITIES

The internal audit function provided reasonable assurance to management and the Board on the adequacy and effectiveness of RM, controls, and governance processes, based on the risk-based annual audit plan approved by the Audit and Risk Governance Committee. Guided by this approved plan for FY2023/24, the internal audit determined that the organisation's control environment was adequate and effective, except for certain areas needing improvement, which were highlighted to management and the Board through internal audit reports for enhancement and resolution. The internal audit function exceeded its target of 80% for the FY2023/24 Annual Internal Audit Plan. It was independently assessed by external auditors and the Audit and Risk Governance Committee, who provided full assurance and commended the function for its outstanding performance.

Name	Qualifications	Internal or external	If internal, position in the public entity	Date appointed	Date Resigned	No. of Meetings attended
Mr Des van Rooyen	University of London: MSc in Finance (Economic Policy) Wits University: Master in Public Development and Management; Certificate in Municipal Finance; Professional Certificate in Public Management Cannabis University: Master Certificate in Cannabis University of South Africa: Certificate in Investment Analysis and Portfolio Management University of South Africa: Economics and Public Finance Tshwane University of Technology: The Role of Leaders in the improvement of the lives of communities North-West University: Councillor Development Certificate University of Pretoria: Municipal Management Development Programme; Potchefstroom University: Basic Disaster Management Carletonville Technical College: Computer Practice N4 SANDF: Defence and Development Certificate of Language; Proficiency English Intermediate Course; SANDF School of Signal: Signal Course; SANDF Formative Training for Non-Commissioned Officers	External	N/A	01 October 2023	01 July 2024	3 of 3
Ms Bulela Mgobozi	University of Pretoria: BCom Accounting Science University of KwaZulu-Natal: BCom Accounting, Honours SAICA: Chartered Accountant (SA)	External	N/A	01 October 2023	N/A	3 of 3
Ms Nomvula Mathenjwa	Tshwane University of Technology: Executive Leadership development Certificate of Competence Programme for Municipal Political Functionaries/ Senior Management Zithobeni Computer Training Centre Microsoft Computer Basic Literacy	External	N/A	01 October 2023	N/A	3 of 3
Ms Cherity Morongwe Diale	University of Johannesburg: BTech Degree in Human Resource Management Institute of People Development: National Certificate OD-ETDP Ekurhuleni East College: National Diploma in Human Resource Management Rosebank College: Business Management and Administration	External	N/A	01 October 2023	N/A	3 of 3

Name	Qualifications	Internal or external	If internal, position in the public entity	Date appointed	Date Resigned	No. of Meetings attended
Mr Amukelani Mashele (Member)	University of South Africa: Master in Accounting Science (in-process) ; Advanced Diploma in Accounting Science; Postgraduate Diploma in Accounting Science (CTA) University of Johannesburg: BCom Economics and Econometrics; National Diploma in Banking	External	N/A	01 October 2023	N/A	3 of 3

COMPLIANCE WITH LAWS AND REGULATIONS

To improve the compliance culture as part of RM practices, the Compliance Function is mandated to conduct its activities in line with the Compliance Management Policy Framework, which aligns with the Generally Accepted Compliance Framework. During the period under review, the compliance management plan was developed and implemented. The compliance unit will continue to review compliance with laws and regulations to prevent the recurrence of unauthorised, irregular, fruitless, and wasteful expenditure.

During the year under review, the entity complied with all relevant laws and regulations, except for certain sections of the PFMA related to irregular expenditure and revenue management. Despite this, the compliance management plan, as approved by the Audit and Risk Governance Committee, was successfully achieved.

FRAUD AND CORRUPTION

The fraud and corruption prevention and ethics policy frameworks are guided by the PFMA, the King Code on Corporate Governance™, the Protected Disclosures Act, and the Combating of Corrupt Activities Act. These frameworks are generally adhered to, except for instances reported in the assurance reports and communicated to the Audit and Risk Governance Committee, the Board, and the Shareholder. The policy framework in place comprises the Fraud and Corruption Prevention policy, Staff Ethics Policy, Code of Conduct, RM Policy, Compliance Management Policy, the Delegation of Authority Framework, and the five-year fraud prevention roadmap.The roadmap gives effect to the fraud prevention and ethics policy frameworks by emphasising and rolling out the key principles and elements of fraud prevention, fraud detection, fraud investigation, and fraud resolution, including the zero-tolerance statement and whistleblowing mechanisms—thus stressing the matters of ethics, accountability, and consequence management.

With a view to improving our fraud control environment holistically, GEP has in place the Board Ethics Policy and Politically Exposed Persons Policy. The entity revised the Fraud and Corruption Prevention policy to include the mechanisms for protected disclosures in line with the Protected Disclosures Act and Prevention and Combating of Corrupt Activities Act, known as the PRRECA.

MECHANISMS IN PLACE TO REPORT FRAUD, CORRUPTION AND UNETHICAL BEHAVIOUR

Guided by the fraud and corruption prevention and ethics policy frameworks, GEP has established a whistleblowing facility managed by an independent external service provider. This facility is available to all internal and external stakeholders, including employees and external clients, to confidentially report matters of fraud, corruption, and unethical behaviour.

For the period under review, one fraud and corruption case was reported under the fraud hotline. The investigation was concluded, and recommendations are currently being implemented. This indicates that fraud and corruption within the entity has been minimised. No fraud risk indicators were identified by the external auditors for the year under review. Furthermore, the fraud risk was assessed as 'LOW' by the Board during the year under review.

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

Matters reported are investigated, and the outcomes of the investigation reports are tabled with relevant governance structures. During the period under review, investigations relating to irregular, fruitless and wasteful expenditure were conducted and reported to the relevant structures. These transactions will be condoned post implementation of consequence management. The Fraud Prevention plan was developed and implemented and, for the period under review, the target to implement the plan was achieved.

7. MINIMISING CONFLICT OF INTEREST

GEP utilises the below methods to minimise and manage conflict of interest.

- Transparent Procurement Processes: Ensure that all procurement processes are transparent, clearly documented, and open to scrutiny. This includes advertising tenders widely, maintaining clear evaluation criteria, and documenting the decision-making process.
- Disclosure Requirements: Mandate that all employees and officials involved in procurement disclose any potential conflicts of interest. This should include any financial interests, relationships, or affiliations that could influence their decision-making.
- Independent Oversight: GPT and our internal audit function, review procurement processes and ensure compliance with policies and regulations.
- Rotation of Duties: Implement a rotation of duties policy to reduce the risk of individuals becoming too closely involved in specific procurement processes, thereby minimizing the opportunity for conflicts of interest to develop.
- Recusal Procedures: In bid committees employees are required to recuse themselves from procurement decisions where a conflict of interest exists. This may involve removing themselves from decision-making processes or seeking approval from a higher authority to ensure impartiality.
- Monitoring and Enforcement: Regularly monitor procurement activities to identify any potential conflicts of interest and take appropriate disciplinary action against employees found to be in breach of conflict of interest policies.
- Supplier Management: GEP utilises the CSD to offer opportunity and to limit exposure to recurring service providers and limit supplier relation building. Each process we conduct due diligence to identify any potential conflicts of interest, such as relationships between vendors and employees involved in the procurement process

8. CODE OF CONDUCT

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

9. HEALTH SAFETY AND ENVIRONMENTAL ISSUES

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

10. COMPANY /BOARD SECRETARY

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

- Ensuring minutes for all stakeholder 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 notice 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.

11. SOCIAL RESPONSIBILITY

GEP has in FY2023/24 sponsored 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 LGBTQI, women and youth.

12. AUDIT AND RISK GOVERNANCE COMMITTEE REPORT

We are pleased to present our report for the financial year ended 31 March 2024.

AUDIT AND RISK GOVERNANCE COMMITTEE RESPONSIBILITY

The Audit and Risk Governance Committee reports that it has complied with its responsibilities arising from Section 38(1) (ii), 76(4) (d) and 77 (a), (b) and (c) of the Public Finance Management Act and Treasury Regulation 3.1.13. The Audit and Risk Governance Committee also reports that it has adopted appropriate formal terms of reference as its Audit and Risk Governance Committee Charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein, except that we have not reviewed changes in accounting policies and practices.

EFFECTIVENESS OF INTERNAL CONTROLS

Our review of the findings of the Internal Audit work, which was based on the risk assessments conducted in the public entity revealed certain weaknesses, which were then raised with the public entity.

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

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

GOVERNANCE OF RISK

The PFMA requires the Board to ensure that a public entity has and maintains effective, efficient and transparent systems of financial, risk management and internal control. The Committee is responsible for overseeing risk management and reviewing internal controls. During the financial year ended 31 March 2024, several reviews were conducted on the effectiveness of internal controls. In the main, the overall control environment is satisfactory however there is room for improvement particularly in adherence to Information Technology (IT) controls. The Committee conducted a Risk Assessment Workshop during the year. Risk reports have been reviewed and the committee believes the entity is on a path towards risk maturity. Areas of weakness have been identified and are being addressed by management. The Committee will ensure that follow up reviews are conducted on such areas.

Mr Abel Mawela
Chairperson of the Audit and Risk Governance Committee (08 July 2024)

EVALUATION OF INTERNAL AUDIT

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

12. AUDIT AND RISK GOVERNANCE COMMITTEE REPORT continued

The Committee is satisfied that GEP's Risk and Audit Unit operated effectively in terms of identifying and addressing key risks pertinent to the entity in its audits. The work of Internal Audit was guided by the approved 2023/24 Annual Audit Plan with meetings taking place during the year to ensure that the function is executed effectively and objectively

The following were areas of concern:

- Irregular Expenditure
- Bad Debts Write-offs

GEP has been facing some challenges regarding regarding the effectiveness of the current controls i.e. Cessions and Jointly controlled accounts. The organization is tightening these controls through the implementation of debit order check with FNB and the process is at final stages. Debit order check is a control that avoid unsuccessful debit order collections, debit order will only be executed when the beneficiary account has funds more than our debit order request.

IN-YEAR MANAGEMENT AND MONTHLY/ QUARTERLY REPORT

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

EVALUATION OF FINANCIAL STATEMENTS

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

The AFS were reviewed paying specific attention to:

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

GOING CONCERN

The Committee has reviewed management's documented going concern assessment and agrees with the appropriateness of the going concern assumption as a basis of preparing GEP's Annual Financial Statements and concurs that the entity is equipped to continue in the foreseeable future.

EXTERNAL AUDIT

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

REMEDIATION OF PRIOR YEAR AUDIT FINDINGS

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

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

Management is in the process of remediating the above.

EXTERNAL AUDIT OPINION

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

CONCLUSION

The Audit and Risk Governance Committee has executed its rules in line with the Board approved Terms of Reference. The Committee concurs with and accepts the audit opinion of the Auditor General of South Africa on the 2023/2024 Annual Financial Statements and is of the view that the audited Annual Financial Statements be accepted and read together with the report of the Auditor General of South Africa.

AMawela.

Mr Abel Mawela

Chairperson of the Audit and Risk Governance Committee

Gauteng Enterprise Propeller

Date: 27 August, 2024

13. B-BBEE COMPLIANCE PERFORMANCE INFORMATION

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

Criteria	Response Yes/No	Discussion
Determining qualification criteria for the issuing of licences, concessions or other authorisations in respect of economic activity in terms of any law	No	Not applicable
Developing and implementing a preferential procurement policy	Yes	SCM policy, which states that the entity will target groups that include women, youth, people with disabilities, and Township-based businesses
Determining qualification criteria for the sale of state-owned enterprises	No	Not applicable
Developing criteria for entering partnerships with the private sector	Yes	GEP designed the Partnership Governance Framework to assist with the criteria for entering partnerships with the public and private sector
Determining criteria for the awarding of incentives, grants and investment schemes in support of Broad-Based Black Economic Empowerment	Yes	GEP qualification criteria for financial and non-financial support is 51% black shareholding

PART D

HUMAN RESOURCE MANAGEMENT

PART D: **HUMAN RESOURCE MANAGEMENT**

1. CORPORATE SUPPORT AND ADMINISTRATION REPORT

Mr Sello Manoto
Acting GM: Corporate Support & Administration

OVERVIEW OF THE GEP HUMAN RESOURCES MATTERS

"HR Professionals play a strategic partner role when they have the ability to translate business strategy into action." - Dave Ulrich.

Aligning with business strategy gives HR a strategic focus and helps prioritise goals. Good talent is always valuable, but it is important to invest in different skillsets or roles at different times. To this end, the GEP HR team needs to understand the business of the organisation or run the risk of becoming a hindrance, potentially derailing the implementation of the strategy. HR remains a key component and integral part of the success of any business. The GEP HR team must adopt new technologies and have a deeper understanding of the business. Modern HR departments manage much more than hiring, onboarding, and benefits; so aligning HR with business strategy can boost employee satisfaction and performance, ensure that teams are aligned, and help the business achieve its strategic objectives while increasing their influence and decision-making power across the organisation.

The GEP has assisted the organisation in retaining its focus on its plans to execute the mandate given by nurturing its talent.

"There is no excuse for not making any organisation of any size in any business a great place to work." - Tom Peters

The organisation needs to evolve with times. It is quite critical that an organisation like GEP play a greater role in the development of its personnel. To that end, various engagements and partnerships with like-minded institutions such as SAICA, IBASA, SABPP, Service SETA, and others, continue to play a meaningful role in the continuous development of our staff. It also provides opportunities for the unemployed youth.

HR transformation is important as talent becomes an even greater driver of our competitive advantage. It's critical for success in a world with new cost pressures, hybrid work models and ever-evolving employee expectations. HR transformation does not have to be a wholesale restructuring or massive change. It's about evolving, even if incrementally, the HR function to better align people, strategy, processes, and technology with business goals to deliver more impact for all stakeholders.

The following are essential to achieving these goals:

- Build a strategy for the HR function and adapt it as the business and operating environment change;
- Provide key inputs to business strategy development;
- Position the HR function (operating model, structure and staffing) to meet business needs; and
- Optimise the HR function's budget.

During the year underway, the GEP sought to address all of these. The organisational structure needs to support the strategy and its execution. When possible, management must ensure that the organisational structure is clear, decentralised, and formalised. In the year under review, the Board of GEP has approved an organisational structure that is lean, cost-effective, and strategic to the business. The implementation is currently underway, and we endeavour to execute that with all stakeholders on board.

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

"The secret of my success is that we have gone to exceptional lengths to hire the best people in the world" - Steve Jobs

Devising a people strategy that maps to business needs in an uncertain world requires the Human Resource Unit to identify strategic priorities, analyse emerging trends, translate priorities and trends into workforce capability needs, and prioritise those capabilities—all based on solid labour market intelligence and workforce analytics.

The GEP must recognise the limits of HR's expertise and ability to react to novel talent demands as they arise. World-class organisations recognise HR's role as a convener and catalyser in the organisation—bringing stakeholders together, orchestrating frameworks for them to make decisions, and inspiring a flow of new ideas for the workforce. As previously stated, our relations with various institutions are an asset to the organisation.

EMPLOYEE PERFORMANCE MANAGEMENT FRAMEWORK

In the year under review, GEP focused on becoming a performance-driven organisation. The Organisational Efficiencies function emphasised aligning annual targets derived from the APP into KPIs and translating them into SMART KPIs. This process helps the organisation monitor individual performances and enables GEP to deliver on its mandate. The FY2023/24 Performance Contracts and mid-year performance assessments were concluded in line with the Performance Management Policy.

The GEP continues to encourage high performance from its employees and has put in place a reward system governed by the Performance Management Policy. In terms of the Policy, a process of rewarding employees resumed with the year-end assessment in the months of May and June 2023. This process was evaluated by the moderation Committee and finally approved by the governance structures of the organisation.

GEP EMPLOYEE WELLNESS PROGRAMMES

Mental health and wellness are crucial aspects of overall well-being, significantly impacting employee performance, productivity, and organisational success. In response to the identified challenges related to mental health and wellness within our organisation, a range of interventions has been implemented to support employees and create a healthy work environment. Regular workshops and seminars on stress management, resilience building, mindfulness, and work-life balance are conducted to equip employees with practical tools and strategies for managing mental health challenges.

POLICY DEVELOPMENT

There are several policies that need to be reviewed and the HR Unit is working with these. Policies should not be an obstacle to the business, but tools that assist with matters of compliance and adherence to relevant legislations. We are on course to completion in the current FY.

CORPORATE SUPPORT AND ADMINISTRATION ACHIEVEMENTS

During the year under review, the HR Unit successfully completed the following:

- Cost of Living adjustments with Organised Labour;
- Implemented performance rewards to qualifying employees in line with performance management policy;
- Obtained Board approval on the organisational structure; and
- Through the Legal Unit, had Loan Book debtors written off by the Board.

CHALLENGES FACED BY THE PUBLIC ENTITY

Like any other public entity, GEP faces various challenges. While the organisation continues to improve the lives of many SMMEs, this creates a security risk for employees as many people seek assistance that the organisation is simply unable to fulfil.

Another set of challenges relates to the transition toward the 4th Industrial Revolution, which affects service delivery as organisations move away from traditional working methods. Remote work poses a significant challenge, particularly in terms of employee accessibility and, at times, non-availability. This issue affects many organisations and must be addressed directly. Some employees perceive remote work as additional leave, which can negatively impact productivity. Managers are encouraged to actively address this to maintain productivity levels within the company.

FUTURE HR PLANS/GOALS

The GEP HR Unit should improve, adapt, and focus on technological improvements. HR must digitise to enable a better understanding of technology and provide better service delivery to various units in the organisation. With radical flexibility and hybrid work environments being the norm, it is imperative to leverage technology to provide a seamless employee experience. Virtual and technology-enabled processes can create both positive and negative impacts, and research shows that employees who are dissatisfied with workplace technology are twice as likely to look for external opportunities.

The improvement of the HR Unit will be achieved through various means that include, but are not limited, to:

- Streamlining processes, reducing administrative costs, and providing real-time metrics that help HR manage the workforce more effectively;
- Drive HR process innovation using a digital-first, location-independent strategy by creating a roadmap to move from ad-hoc, task-based automation projects to end-to-end process transformations;
- Generate workforce insights through robust data and analytical capabilities, to shape business decisions;
- Move from VIP to SAGE 300;
- Implement online dashboards to gauge organisational performance for unit and individual performances;
- Create a more secure remote operations environment by enhancing employee data privacy and adopting adaptive access management strategies; and
- Equip the recruiter with artificial intelligence (AI) and cognitive solutions that enable them to work faster and limit administrative tasks while ensuring that the organisation attracts the best talent in the market.

2. Human Resource Oversight Statistics

PERSONNEL COST BY PROGRAMME/ACTIVITY/OBJECTIVE

Programme/activity /objective	Total Expenditure for the entity (R'000)	Personnel Expenditure (R'000)	Personnel Expenditure as a % of total expenditure (R'000)	No. of employees	Average personnel cost per employee (R'000)
Programme 1: Administration	95 230 027	52 283 594	55%	77	679 008
Programme 2: Investment Management	118 717 894	16 572 990	14%	20	828 650
Programme 3: Regional Operations and Enterprise Support	19 480 128	43 466 089	39%	59	736 713
Programme 4: Resource Mobilisation and Industrial Financing	5 558 582	3 966 892	71%	4	991 723
Total	328 986 631	116 289 565	35%	160	3 236 094

PERFORMANCE REWARDS

Programme//activity/objective	Performance rewards	Personnel Expenditure (R'000)	% of performance rewards to total personnel cost (R'000)
Top Management	378 868	12 608 572	0,3%
Senior Management	1 507 779	34 672 511	1,3%
Professional qualified	1 554 411	42 965 480	1,3%
Skilled	602 040	18 962 255	0,5%
Semi-skilled	85 526	7 080 747	0,1%
Unskilled	-	-	-
TOTAL	4 128 624	116 289 565	3,5%

TRAINING COSTS

GEP Budget Programme	Personnel Expenditure (R'000)	Training Expenditure (R'000)	Training Expenditure as a % of Personnel Cost	No. of employees trained	Average training cost per employee
GEP employee training costs	122 187 331	1 048 441	0,9%	72	14 168,12

EMPLOYMENT AND VACANCIES

Programme/activity/ objective	2023/24 No. of Employees	2023/24 Approved Posts	2023/24 No. of Employees	2023/24 Vacancies	% of vacancies
Programme 1: Administration	60	67	60	20	77*
Programme 2: Investment Management	19	21	19	2	8%
Programme 3: Regional Operations and Enterprise Support	59	54	58	4	15%
Programme 4: Resource Mobilisation and Industrial Financing	4	4	4	0	0
Total	142	155	142	26	100%

Note: Two employees in administration are affected by the new structure and their roles have been incorporated into new positions. The positions are deemed vacant until the finalisation of placing employees into the new structure.

Programme/activity/ objective	2023/24 No. of Employees	2023/24 Approved Posts	2023/24 No. of Employees	2023/24 Vacancies	% of vacancies
Top Management	4*	7	4	3	12%
Senior Management	21	29	21	9	34%
Professional qualified	50	56	50	7	27%
Skilled	38	41	38	3	12%
Semi-skilled	29**	22	29	4	15%
Unskilled					
TOTAL	142	155	142	26	100%

**One employee under Senior Management was affected by the new structure when the roles were incorporated into new positions and the position is deemed unnecessary. The other affected role was already a vacant position from the previous year and will remain vacant until the finalisation of placing employees into the new structure.*

***One employee under semi-skilled was affected by the structure and semi-skilled current employees include 10 interns not on the approved structure.*

EMPLOYMENT CHANGES

Salary Band	Employment at beginning of period	Appointments	Terminations	Employment at end of the period
Top Management	6	1	3	4
Senior Management	23	1	3	21
Professional qualified	51	2	3	50
Skilled	40	-	2	38
Semi-skilled	29	5	5	29
Unskilled				
Total	149	9	16	142

2. Human Resource Oversight Statistics continued

REASONS FOR STAFF LEAVING

Reason	Number	% of total no. of staff leaving
Death	NIL	NIL
Resignation	7	44%
Dismissal	NIL	NIL
Retirement	2	12%
Ill health	NIL	NIL
Expiry of contract	7	44%
Other	NIL	NIL
Total	16	100%

LABOUR RELATIONS: MISCONDUCT AND DISCIPLINARY ACTION

Nature of disciplinary Action	Number
Verbal Warning	1
Written Warning	Nil
Final Written warning	Nil
Dismissal	Nil

EQUITY TARGET AND EMPLOYMENT EQUITY STATUS

The organisation finalised a structural review process during the review period. This sought to inform the direction of the organisation when filling positions, including the matching and placing of employees affected by the revised structure. The GEP has not advertised most vacant positions since the approval of the structure.

Levels	MALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	1	0	0	0	0	0	0	0
Senior Management	1	0	0	1	1	1	0	0
Professional qualified	26	25	0	1	1	1	1	1
Skilled	14	11	1	1	0	1	0	1
Semi-skilled	4	0	0	0	0	0	0	0
No Grade								
TOTAL	46	36	1	3	2	3	1	2

Levels	FEMALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	0	1	0	0	0	0	0	0
Senior Management	3	1	0	0	0	0	0	1
Professional qualified	26	26	1	1	1	1	1	1
Skilled	34	34	3	3	1	1	1	1
Semi-skilled	31	30	0	0	0	0	0	0
No Grade								
TOTAL	94	92	4	4	2	2	2	3

Levels	DISABLED STAFF			
	Male		Female	
	Current	Target	Current	Target
Top Management	0	0	0	0
Senior Management	0	0	0	0
Professional qualified	1	1	0	1
Skilled	0	0	0	0
Semi-skilled	0	1	0	0
No Grade	0	0	0	0
TOTAL	1	2	0	1

PART E

PFMA COMPLIANCE REPORT

PART E: **PFMA COMPLIANCE REPORT**

1. IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE AND MATERIAL LOSSES

1.1 IRREGULAR EXPENDITURE

(a) Reconciliation of irregular expenditure

Description	2023/2024	2022/2023
	R'000	R'000
Opening balance	149 413	159 451
Add: Irregular expenditure confirmed	3 931	4 324
Less: Irregular expenditure condoned	0	0
Less: Irregular expenditure not condoned and removed	0	14 362
Less: Irregular expenditure recoverable	52 344	0
Less: Irregular expenditure not recovered and written off	0	0
Closing balance	101 000	149 413

Included in the amount removed: GEP previously included in the opening balance of R159.4 million is an amount of R14,362 695.83 million, lease payments for 12 Main Head Office building. The procuring institution is GDED, and the contract is not identified to be Irregular by GDED.

A decision to accommodate GDED and its agencies in one office facility was approved by provincial EXCO 2009 with the objective to promote easy access to service delivery for the public and to reduce escalating cost on office. The contract was renewed in 2019 for 5 years.

This amount was erroneously included in the Irregular expenditure in the previous year (2021/2022).

Reconciling notes

Description	2023/2024	2022/2023
	R'000	R'000
Irregular expenditure that was under assessment in 2023/2024	0	0
Irregular expenditure that relates to 2022/2023 and identified in 2023/2024	0	0
Irregular expenditure for the current year	3 931	4 324
Total	3 931	4 324

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

Description	2023/2024	2022/2023
	R'000	R'000
Irregular expenditure under assessment	4 040	4 040
Irregular expenditure under determination		0
Irregular expenditure under investigation	59 236	0
Total	63 276	4 040

- A transaction of R453k processed in 2018 was investigated by SIU, and they consider the matter to be Irregular Expenditure. The matter is still under assessment by the entity, to identify possible irregularities in transactions processed and to confirm the allegations of irregular expenditure.
- An amount of R3,587million (2022/2023) detected to be irregular, is still under assessment to confirm irregularities.
- Amount of R59.236mil was investigated and reported to the Board for condonation approval.

(c) Details of current and previous year irregular expenditure condoned

None

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

Description	2023/2024 R'000	2022/2023 R'000
Irregular expenditure NOT condoned and removed	0	14 363
Total	0	14 363

Included in the amount removed: GEP previously included in the opening balance of R159,4 million is an amount of R14,362 695.83 million, lease payments for 12 Main Head Office building. The procuring institution is GDED, and the contract is not identified to be Irregular by GDED.

A decision to accommodate GDED and its agencies in one office facility was approved by provincial EXCO 2009 with the objective to promote easy access to service delivery for the public and to reduce escalating cost on office. The contract was renewed in 2019 for 5 years.

This amount was erroneously included in the Irregular expenditure in the previous year (2021/2022).

(e) Details of current and previous year irregular expenditure recovered

Consequence management process in progress.

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

Consequence management process in progress.

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

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

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

Disciplinary steps taken
GEP procured the services of external service providers (attorneys) to perform assessment and determination of Irregular expenditure. Charge sheets were prepared for officials implicated in the irregular expenditure. Disciplinary processes have started and not finalised yet.
The material matters that were investigated by SIU some of matters are in the court

1. IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE AND MATERIAL LOSSES continued

1.2 FRUITLESS AND WASTEFUL EXPENDITURE continued

(a) **Reconciliation of fruitless and wasteful expenditure**

Description	2023/2024 R'000	2022/2023 R'000
Opening balance	20 033	20 023
Add: Fruitless and wasteful expenditure confirmed	39	10
Less: Fruitless and wasteful expenditure written off	0	0
Less: Fruitless and wasteful expenditure recoverable	0	0
Closing balance	20 072	20 033

Reconciling notes

Description	2023/2024 R'000	2022/2023 R'000
Fruitless and wasteful expenditure that was under assessment in 2022/2023	0	0
Fruitless and wasteful expenditure that relates to 2022/2023 and identified in 2023/2023	0	0
Fruitless and wasteful expenditure for the current year	39	10
Total	39	10

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

Description	2023/2024 R'000	2022/2023 R'000
Fruitless and wasteful expenditure under assessment	0	0
Fruitless and wasteful expenditure under determination	0	0
Fruitless and wasteful expenditure under investigation	0	0
Total*	0	0

(c) **Details of current and previous year irregular expenditure recovered**

Description	2023/2024 R'000	2022/2023 R'000
Fruitless and wasteful expenditure recovered	0	0
Total	0	0

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

Description	2023/2024 R'000	2022/2023 R'000
Fruitless and wasteful expenditure written off	0	0
Total	0	0

(e) **Details of current and previous year disciplinary or criminal steps taken as a result of fruitless and wasteful expenditure**

Disciplinary steps taken
Disciplinary process not finalised yet

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

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

Material losses through criminal conduct	2023/2024	2022/2023
	R'000	R'000
Theft		
Other material losses		
Less: Recovered		
Less: Not recovered and written off		
Total	0	0

(b) **Details of other material losses**

Nature of other material losses	2023/2024	2022/2023
	R'000	R'000
(Group major categories, but list material items)		
Total	0	0

Include discussion here where deemed relevant and criminal or disciplinary steps taken by the institution.

(c) **Other material losses recovered**

Nature of other material losses	2023/2024	2022/2023
	R'000	R'000
(Group major categories, but list material items)		
Total	0	0

None

(d) **Other material losses written off**

Nature of other material losses	2023/2024	2022/2023
	R'000	R'000
(Group major categories, but list material items)		
Total	0	0

None

2. LATE AND/OR NON-PAYMENT OF SUPPLIERS

Description	Number of invoices	Consolidated Value R'000
Valid invoices received	2711	154 372
Invoices paid within 30 days or agreed period	2711	154 372
Invoices paid after 30 days or agreed period	0	0
Invoices older than 30 days or agreed period (unpaid and without dispute)	0	0
Invoices older than 30 days or agreed period (unpaid and in dispute)	0	0

**GEP always strive to pay all valid invoices within 15 days*

3. SUPPLY CHAIN MANAGEMENT

3.1 PROCUREMENT BY OTHER MEANS

Project description	Name of supplier	Type of procurement by other means	Contract number	Value of contract R'000
Back-Up Solution	BreakPoint	Single source	**N/A**	R177 298.39
Technical opinion on accounting treatment of the transaction of partnership between GEP and IDC.	SNG Grant Thornton	Less than three quotation received, 2 quotes received	**01/2023/ Technical opinion**	R84 083.06
Catering for GEP board meeting	Khayelimnandi Catering and Events	Recommended service provider 1 and 2 were tax non-compliant and there was insufficient time to comply with the 7 days period, RFQ was awarded to 3rd recommended.	**N/A**	R6 082.00
Caseware Solution	ADAPT IT	Sole source	**N/A**	R 417955.34
Total				**R685 418.79**

3.2 CONTRACT VARIATIONS AND EXPANSIONS

Project description	Name of supplier	Contract modification type (Expansion or Variation)	Contract number	Original contract value	Value of previous contract expansion/s or variation/s (if applicable)	Value of current contract expansion or variation
				R'000	R'000	R'000
Rendering of support and maintenance services for SAGE Pastel solution	Finware	Extension	01/2023/Finware	R 331 200,00		
Business analysis services	80Concept	Expansion	02/2023/80Concept	R 519 500,00	R 132 000,00	R 80 000,00
Financial analysis services	Reliable Accountants	Variation	03/2023/Reliable Accountants	R 294 750,00		R 98 250,00
GEP company secretariat	Huruma Bantfu	Variation	04/2023/Huruma Bantfu	R 391 000,00	R 553 192,75	R 55 500,00
Cleaning service	Muuele Supply and trade	Variation	05/2024/Muuele Supply	R 396 000,00	R -	R 49 500,00
Cleaning service	Mahlaro trading	Variation	06/2024/Mahlaro Trading	R 355 200,00		R 44 400,00
Financial analysis services	Esto Quod Es	Variation	06/2024/Esto Quod Es	R 67 200,00		R 38 220,00
Total				R 4 733 100,00	R 365 870,00	R 685 192,75

PART F

FINANCIAL INFORMATION

PART F: **FINANCIAL INFORMATION**

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

Report on the audit of the financial statements

Opinion

1 I have audited the financial statements of the Gauteng Enterprise Propeller set out on pages 90 to 125, which comprise the statement of financial position as at 31 March 2024, statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget information with actual amounts for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.

2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Gauteng Enterprise Propeller as at 31 March 2024, and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the responsibilities of the auditor-general for the audit of the financial statements section of my report.

4. I am independent of the public entity in accordance with the International Ethics Standards Board for Accountants' *International code of ethics for professional accountants (including International Independence Standards)* (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matters

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

Material impairments – financial support loans at amortised cost

7. As disclosed in note 3 to the financial statements, material impairments of R143 816 982 were incurred as a result of irrecoverable financial support loans.

Material losses – financial support loans at amortised cost

8. As disclosed in note 3 to the financial statements, material losses of R182 869 025 was incurred as a result of a write-off of irrecoverable financial support loans.

Material uncertainties relating to contingent liabilities

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

Responsibilities of the accounting authority for the financial statements

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

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

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

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

13. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report. This description, which is located at page 88, forms part of our auditor's report.

Report on the annual performance report

14. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance information against predetermined objectives for the selected material performance indicators presented in the annual performance report. The accounting authority is responsible for the preparation of the annual performance report.

15. I selected the following material performance indicators related to investment management presented in the annual performance report for the year ended 31 March 2024. I selected those indicators that measure the public entity's performance on its primary mandated functions and that are of significant national, community or public interest:
    - Percentage of loans committed from the investment management programme
    - Percentage rate of committed loans disbursed
    - Percentage of blended funding committed for youth-owned small enterprises disbursed
    - Percentage of grants committed
    - Percentage rate of committed grants disbursed
    - Percentage of grants committed for informal traders.

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

17. I performed procedures to test whether:
    - the indicators used for planning and reporting on performance can be linked directly to the public entity's mandate and the achievement of its planned objectives
    - all the indicators relevant for measuring the public entity's performance against its primary mandated and prioritised functions and planned objectives are included
    - the indicators are well defined to ensure that they are easy to understand and can be applied consistently, as well as verifiable so that I can confirm the methods and processes to be used for measuring achievements
    - the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated
    - the indicators and targets reported on in the annual performance report are the same as those committed to in the approved initial or revised planning documents
    - the reported performance information is presented in the annual performance report in the prescribed manner
    - there is adequate supporting evidence for the achievements reported and for the reasons provided for any over- or underachievement of targets.

18. I performed the procedures to report material findings only; and not to express an assurance opinion or conclusion.

19. I did not identify any material findings on the reported performance information for the selected indicators.

Report on compliance with legislation

20. In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The accounting authority is responsible for the public entity's compliance with legislation.
21. I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.
22. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the public entity, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.
23. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

Expenditure management

24. Effective and appropriate steps were not taken to prevent irregular expenditure, as disclosed in note 38 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA. The majority of the irregular expenditure was caused by the utilisation of services on expired contracts.

Revenue management

25. Effective and appropriate steps were not taken to collect all revenue due, as required by section 51(1)(b)(i) of the PFMA.

Other information in the annual report

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

Internal control deficiencies

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

Other reports

33. I draw attention to the following engagements conducted by various parties. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.
34. The Special Investigating Unit (SIU) is investigating the 2017 Township Entrepreneur Awards (TEA) tender and the 2018 project management services for the pitching booster initiative in the Sedibeng region. The investigation for the TEA was concluded and resulted in disciplinary referrals for the employees still employed by the public entity. The disciplinary proceedings for the TEA tender ruled in favour of the Gauteng Enterprise Propeller, and the employees implicated are no longer in the employ of GEP and were terminated as a result. The SIU has referred the cases for the employees who are no longer in the employ of the Gauteng Enterprise Propeller, however still employed by the state, to the Special Tribunal. The disciplinary proceeding for Sedibeng Pitching Booster for one employee still employed by the Gauteng Enterprise Propeller is on hold, due to the employee being on extended sick leave.
35. An independent panel of attorneys, at the request of the public entity, investigated allegations of maladministration, corruption and fraud in the TMR deals. The investigation was concluded and resulted in criminal proceedings and pursuance of recovery of loans. These proceedings and recoveries were in progress at the date of this auditor’s report.
36. An independent panel of attorneys, at the request of the public entity, investigated sponsorships that were allegedly not in line with the sponsorship framework. The investigation was concluded and resulted in disciplinary processes and pursuance of recovery of funds. These disciplinary processes and recoveries were in progress at the date of this auditor’s report.
37. An independent panel of attorneys, at the request of the public entity, investigated alleged misuse, overcharging and poor allocation of instructions to the panel of attorneys for the 2017-18, 2018-19 and 2019-20 financial years. The investigation was concluded and resulted in suspensions, disciplinary processes and pursuance of recovery of funds. These disciplinary processes were concluded in favour of the Gauteng Enterprise Propeller and the employees implicated were terminated and are no longer in the employ of the Gauteng Enterprise Propeller.
38. An independent panel of attorneys, at the request of the public entity, investigated alleged procurement irregularities in awarding of the tender for the Project Vuthela initiative for youth unemployment to create 75 000 job opportunities. The investigation was concluded and resulted in pursuance of recovery of funds. A court judgement was issued in favour of the Gauteng Enterprise Propeller by the High Court to recover the R52 million in December 2023. The recoveries were in progress at the date of this auditor’s report.

Auditor-General

Johannesburg

31 July 2024

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure to the auditor's report

The annexure includes the following:

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

Auditor-general's responsibility for the audit

Professional judgement and professional scepticism

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

Financial statements

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

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

Communication with those charged with governance

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

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

Compliance with legislation – selected legislative requirements

The selected legislative requirements are as follows:

Legislation	Sections or regulations
Public Finance Management Act 1 of 1999	Section 51(1)(b)(i); 51(1)(b)(ii); 51(1)(e)(iii); 53(4); Section 54(2)(c); 54(2)(d); 55(1)(a); 55(1)(b); Section 55(1)(c)(i); 56(1); 57(b); 66(4)
Treasury Regulations, 2005	Regulation 8.2.1; 8.2.2; 16A3.2; 16A3.2(a); Regulation 16A6.1; 16A6.2(a) 16A6.2(b); Regulation 16A6.3(a); 16A6.3(b); 16A6.3(c); Regulation 16A6.3(e); 16A6.4; 16A6.5; 16A6.6; Regulation 16A7.1; 16A7.3; 16A7.6; 16A7.7; Regulation 16A8.3; 16A8.4; 16A9.1(b)(ii); Regulation 16A9.1(d); 16A9.1(e); 16A9.1(f); Regulation 16A9.2; 16A9.2(a)(ii); 30.1.1; Regulation 30.1.3(a); 30.1.3(b); 30.1.3(d); 30.2.1; Regulation 31.1.2(c); 31.2.1; 31.2.5; 31.2.7(a); Regulation 33.1.1; 33.1.3
Second amendment National Treasury Instruction No. 5 of 202/21	Paragraph 1
Erratum National Treasury Instruction No. 5 of 202/21	Paragraph 2
National Treasury instruction No 5 of 2020/21	Paragraph 4.8; 4.9; 5.3
National Treasury Instruction No. 1 of 2021/22	Paragraph 4.1
National Treasury Instruction No. 4 of 2015/16	Paragraph 3.4
National Treasury SCM Instruction No. 4A of 2016/17	Paragraph 6
National Treasury SCM Instruction No. 03 of 2021/22	Paragraph 4.1; 4.2 (b); 4.3; 4.4(a); 4.17; 7.2; 7.6
National Treasury SCM Instruction No. 11 of 2020/21	Paragraph 3.4(a); 3.4(b); 3.9
National Treasury SCM Instruction No. 2 of 2021/22	Paragraph 3.2.1; 3.2.4; 3.2.4(a); 3.3.1
Practice Note 11 of 2008/9	Paragraph 2.1; 3.1(b)
Practice Note 5 of 2009/10	Paragraph 3.3
Practice Note 7 of 2009/10	Paragraph 4.1.2
Preferential Procurement Policy Framework Act 5 of 2000	Section 1; 2.1(a); 2.1(f)
Preferential Procurement Regulations, 2022	Paragraph 4.1; 4.2; 4.3; 4.4; 5.1; 5.2; 5.3; 5.4
Preferential Procurement Regulations, 2017	Paragraph 4.1; 4.2; 5.1; 5.3; 5.6; 5.7; 6.1; 6.2; Paragraph 6.3; 6.5; 6.6; 6.8; 7.1; 7.2; 7.3; 7.5; Paragraph 7.6; 7.8; 8.2; 8.5; 9.1; 10.1; 10.2; Paragraph 11.1; 11.2
Prevention and Combating of Corrupt Activities Act 12 of 2004	Section 34(1)

STATEMENT **OF FINANCIAL POSITION**
as at 31 March 2024

Figures in Rand	Note(s)	2024	2023
Assets			
Current Assets			
Financial support loans at amortised cost	3	**63 632 620**	48 506 019
Receivables from exchange transactions	4	**1 456 540**	1 627 104
Cash and cash equivalents	5	**159 189 333**	260 732 372
		224 278 493	**310 865 495**
Non-Current Assets			
Property, plant and equipment	6	**3 493 806**	4 318 477
Financial support loans at amortised cost	3	**27 514 196**	38 636 472
Interest in SMME Partnership Fund	7	**200 000 000**	175 000 000
		231 008 002	**217 954 949**
Total Assets		**455 286 495**	**528 820 444**
Liabilities			
Current Liabilities			
Finance lease obligation	8	**352 529**	315 184
Operating lease liability	9	**12 652**	34 979
Payables from exchange transactions	10	**11 466 243**	12 168 308
Payables from non-exchange transactions	11	**3 683 945**	60 000 000
Provisions	12	**144 838 957**	189 196 934
		160 354 326	**261 715 405**
Non-Current Liabilities			
Finance lease obligation	8	**291 547**	644 076
Total Liabilities		**160 645 873**	**262 359 481**
Net Assets		**294 640 622**	**266 460 963**
Accumulated surplus		**294 640 622**	266 460 963
Total Net Assets		**294 640 622**	**266 460 963**

STATEMENT **OF FINANCIAL PERFORMANCE** for the year 31 March 2024

Figures in Rand	Note(s)	2024	2023
Revenue from non-exchange transactions	13	**222 649 055**	223 876 000
Revenue from exchange transaction	14	**39 544 021**	27 881 250
Other income	15	**879 449**	392 259
Programme and projects	16	**(59 066 296)**	(42 661 446)
Operating expenses	17	**(242 464 021)**	(214 439 901)
Provision for surplus expense	18	**49 763 157**	202 651 637
Operating surplus/(deficit)		**11 305 365**	**197 699 799**
FINANCE INCOME	21	**17 131 764**	19 892 103
Finance costs	22	**(91 994)**	(31 172)
Surplus/(Deficit) before loss on disposal		**28 345 135**	**217 560 730**
Loss on disposal of assets	23	**(165 476)**	(94 394)
Surplus for the year	19	**28 179 659**	**217 466 336**

STATEMENT **OF CHANGES IN NET ASSETS** for the year 31 March 2024

Figures in Rand	Accumulated surplus	Total net assets
Balance at 1 April 2022	**48 994 627**	48 994 627
Changes in net assets		
Surplus for the year	**217 466 336**	217 466 336
Total changes	**217 466 336**	217 466 336
Balance at 1 April 2023	**266 460 963**	**266 460 963**
Changes in net assets		
Surplus for the year	**28 179 659**	28 179 659
Total changes	**28 179 659**	**28 179 659**
Balance at 31 March 2024	**294 640 622**	**294 640 622**

STATEMENT OF CASH FLOW for the year 31 March 2024

Figures in Rand	Note(s)	2024	2023
Cash flows from operating activities			
Receipts			
Cash receipts from non-exchange transactions		**226 333 000**	223 876 000
Cash received from exchange transaction		**4 778 050**	3 360 759
Cash receipt from financial support loans		**40 152 555**	27 688 571
Interest income		**17 131 764**	19 892 103
Other income		**879 449**	342 544
		289 274 818	275 159 977
Payments			
Employee costs and suppliers		**(214 522 197)**	(212 509 620)
Cash paid as financial support loans		**(89 582 210)**	(87 959 205)
Amount Refunded to GGB		**(10 000 000)**	–
Other cash item		**(643 596)**	–
		(314 748 003)	(300 468 825)
Net cash flows from operating activities	**24**	**(25 473 185)**	**(25 308 848)**
Cash flows from investing activities			
Purchase of property, plant and equipment	6	**(662 676)**	(220 235)
Interest in SMME Partnership Fund		**(75 000 000)**	(125 000 000)
Net cash flows from investing activities		**(75 662 676)**	**(125 220 235)**
Cash flows from financing activities			
Finance lease payments		**(407 178)**	(323 786)
Net increase/(decrease) in cash and cash equivalents		**(101 543 039)**	**(150 852 869)**
Cash and cash equivalents at the beginning of the year		**260 732 372**	411 585 241
Cash and cash equivalents at the end of the year	5	**159 189 333**	**260 732 372**

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

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Receipts on loan book	20 000 000	25 000 000	**45 000 000**	44 930 605	(69 395)	A
Interest and other income	–	15 700 000	**15 700 000**	57 555 234	41 855 234	B
Total revenue from exchange transactions	**20 000 000**	**40 700 000**	**60 700 000**	**102 485 839**	**41 785 839**	
Revenue from non-exchange transactions						
Rollover income	–	197 068 014	**197 068 014**	197 068 014	**–**	
Transfer revenue						
Government grants and subsidies	202 710 000	23 623 000	**423 401 014**	222 649 055	(3 683 945)	C
Total revenue from non-exchange transactions	**202 710 000**	220 691 014	**226 333 000**	**419 717 069**	**(3 683 945)**	
Total revenue	**202 710 000**	261 391 014	**484 101 014**	**522 202 908**	**38 101 894**	
Expenditure						
Employee costs	(125 382 000)	2 500 000	**(122 882 000)**	(122 059 732)	822 268	D
Depreciation and amortisation	–	–	**–**	(1 321 869)	(1 321 869)	E
Debt impairment	–	–	**–**	(75 256 396)	(75 256 396)	F
Bad debts written off	–	–	**–**	(5 088 046)	(5 088 046)	
Programme and projects	(37 328 000)	(75 179 409)	**(112 507 409)**	(69 066 296)	43 441 113	G
Operating expenses		(53 841 246)	**(53 841 246)**	(39 381 574)	14 459 672	H
Financial support loans	(35 000 000)	(79 770 359)	**(114 770 359)**	(89 582 210)	25 188 149	K
Capital expenditure	–	(5 100 000)	**(5 100 000)**	(662 676)	4 437 324	L
SMME Partnership Fund	–	(75 000 000)	**(75 000 000)**	(75 000 000)		
Provision for surplus expense	–	–	**–**	49 763 157	49 763 157	I
Total expenditure	**(197 710 000)**	(286 391 014)	**(484 101 014)**	**(427 655 642)**	**56 445 372**	
Operating surplus	25 000 000	(25 000 000)		94 547 266	94 547 266	
Loss on disposal of assets	–	–	**–**	(165 476)	(165 476)	
Finance costs movements	–	–	**–**	(91 994)	(91 994)	
Adjustment for capital movements	–	**–**	**–**	(66 110 137)	(66 110 137)	
Actual amount on comparable basis as presented in the budget and actual comparative statement	**25 000 000**	(25 000 000)	**–**	**28 179 659**	**28 179 659**	

ACCOUNTING
POLICIES

1. Presentation of annual financial statements

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

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

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

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

1.1. Going concern assumption

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

1.2. Significant judgements and sources of estimation uncertainty

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

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

Impairment of trade debtors and financial support loans

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

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

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

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

ACCOUNTING
POLICIES (continued)

1. Presentation of annual financial statements (continued)

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

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

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

Debtors loans write off

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

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

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

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

Taxation

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

1.3. Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

Initial recognition

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

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

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

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

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

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

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

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

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

Subsequent measurement

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

Depreciation

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

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

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

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

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

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

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

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

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

ACCOUNTING
POLICIES (continued)

1. Presentation of annual financial statements (continued)

1.3. Property, plant and equipment (continued)

Derecognition

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

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

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

1.4. Financial instruments

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

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

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

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

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

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

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

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

A financial asset is:

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

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

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

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

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

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

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

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities.

A residual interest includes contributions from owners, which may be shown as:

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

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

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

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

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

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

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

Classification

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

Class	Category
Financial support loans at amortised cost	Financial asset measured at amortised cost
Financial Instruments (Residual interest)	Financial asset measured at amortised cost

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

Trade and other receivables

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

Trade and other payables

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

Cash and cash equivalents

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

ACCOUNTING POLICIES (continued)

1. Presentation of annual financial statements (continued)

1.5. Leases

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

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

Finance leases – lessee

Initial recognition

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

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

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

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

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

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

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

Operating leases – lessor

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

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

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

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

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

Operating leases – lessee

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

1.6. Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

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

Identification

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

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

Value-in-use

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

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

Depreciated replacement cost approach

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Reversal of an impairment loss

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

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

1. Presentation of Annual Financial Statements (continued)

1.6. Impairment of non-cash-generating assets (continued)

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

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

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

1.7. Employee benefits

Short-term employee benefits

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

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled with 12 months after the end of the period in which the employees render the related service.

Short–term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled with 12 months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance-related payments payable within 12 months after the end of reporting period in which the employees rendered the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cell phones) for current employees.

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

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the group recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

Defined contribution plans

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

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

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

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

1.8. Provision and contingencies

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

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

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

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

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

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

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

1.9. Commitments

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

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

1.10. Revenue from exchange transactions

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

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

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

Measurement

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

Initial recognition

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

1.11. Revenue from non-exchange transactions

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

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

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

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

Unspent grant/surplus

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

Recognition

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

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

ACCOUNTING **POLICIES** (continued)

1. Presentation of annual financial statements (continued)

1.11. Revenue from non-exchange transactions (continued)

Measurement

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

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

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

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

1.12. Comparative figures

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

1.13. Fruitless and wasteful expenditure

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

Discovery

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

Assessment and determination

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

The assessment also collects information on:

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

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

Confirmation

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

Investigation and recovery

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

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

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

1.14. Irregular expenditure

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

(a) the PFMA; or

(b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or

(c) any provincial legislation providing for procurement procedures in that provincial government, including internal policies and procedures.

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

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

Assessment

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

Confirmation

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

Determination and investigation

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

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

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

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

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

Recovery

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

1. Presentation of annual financial statements (continued)

1.14. Irregular expenditure (continued)

Condonation

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

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

1.15. Deviations

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

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

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

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

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

1.16. Related parties

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

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

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

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

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

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

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

- married or live together in a relationship similar to a marriage; or
- separated by no more than two degrees of natural or legal consanguinity or affinity;
- dependents of that person or that person's spouse or domestic partner;

- a grandparent, grandchild, parent, brother or sister, and
- a parent-in-law, brother-in-law or sister-in-law.

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

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

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

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

1.17. 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.

1.18. Loan commitments

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

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

1.19. Accounting policies, estimates and errors

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

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

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

1. Presentation of annual financial statements (continued)

1.19. Accounting policies, estimates and errors (continued)

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

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

Change in accounting estimate

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

Prior period errors

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

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

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

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

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

1.20. Presentation currency

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

1.21. Other Investments

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

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

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

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

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

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

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

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

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

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

1.22. General expenses

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

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

Expenses incurred during the reporting period are recognised in surplus.

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

2. New standards and interpretations

2.1. Standards and interpretations issued, but not yet effective

The following standards have been approved but not yet effective as at 31 March 2024. The impact that these standards will have on the entity is detailed below.

2.2. Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the entity's accounting periods beginning on or after 1 April 2024 or later periods, but are not relevant to its operations:

Standard/ Interpretation:	Effective date:	Expected impact:
GRAP 104: Financial Instruments	Years beginning on or after 1st April 2024	Not expected to impact results but may result in additional disclosure
GRAP 1: Presentation on Financial Statements		Not expected to impact results but may result in additional disclosure

3. Financial support loans at amortised cost

Figures in Rand	2024	2023
At amortised cost		
Net amount outstanding	**91 146 816**	87 142 491
Opening balance	**333 484 054**	275 740 329
Amounts advanced	**89 582 210**	87 959 205
Bad debts written-off	**(182 869 025)**	(27 102 476)
Initiation fees	**260 500**	290 031
Interest on financial support loans	**39 283 520**	27 591 219
Provision for financial support loans credit balance adjustment	**18 955**	27 730
Refund	**134 189**	27 346
Payment received	**(44 930 605)**	(31 049 330)
Subtotal	**234 963 798**	333 484 054
FSS loan impairment	**(143 816 982)**	**(246 341 563)**
Opening balance	**(246 341 563)**	(225 342 127)
Impairment amount written-off	**177 780 980**	26 480 700
Current movement	**(75 256 399)**	(47 480 136)
	91 146 816	87 142 491
Financial support loans at amortised cost		
Current assets	**63 632 620**	48 506 019
Non-current assets	**27 514 196**	38 636 472
	91 146 816	87 142 491

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

ACCOUNTING POLICIES (continued)

4. Receivables from exchange transactions

Figures in Rand	2024	2023
Deposits, other debtors and prepayments	**1 456 540**	1 627 104

5. Cash and cash equivalents

Cash and cash equivalents consist of:

Figures in Rand	2024	2023
Cash on hand	**31 833**	39 001
Main bank balances	**17 723 237**	82 874 960
SA Reserve Bank CPD	**137 703 315**	173 771 503
Development fund bank balance	**1 878 356**	1 780 324
Financial support bank balance	**1 852 592**	2 266 584
	159 189 333	**260 732 372**

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

6. Property, plant and equipment

	2024			2023		
	Cost/ Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost/ Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Motor vehicles	**122 000**	**(121 999)**	**1**	122 000	(121 999)	1
Office equipment	**6 827 588**	**(5 809 735)**	**1 017 853**	6 981 200	(5 814 163)	1 167 037
IT equipment	**7 824 863**	**(6 026 006)**	**1 798 857**	7 488 708	(5 401 276)	2 087 432
Leasehold improvements	**1 252 038**	**(1 252 038)**	**–**	1 252 038	(1 252 038)	–
Leased assets	**1 160 735**	**(483 640)**	**677 095**	1 160 735	(96 728)	1 064 007
Total	**17 187 224**	**(13 693 418)**	**3 493 806**	**17 004 681**	**(12 686 204)**	**4 318 477**

Reconciliation of property, plant and equipment – March 2024

	Opening balance	Additions	Disposals	Depreciation	Total
Motor vehicles	**1**	**–**	**–**	**–**	**1**
Office equipment	**1 167 037**	**–**	**(1 180)**	**(148 004)**	**1 017 853**
IT equipment	**2 087 432**	**662 676**	**(164 296)**	**(786 955)**	**1 798 857**
Leased assets	**1 064 007**	**–**	**–**	**(386 912)**	**677 095**
	4 318 477	**662 676**	**(165 476)**	**(1 321 871)**	**3 493 806**

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

Reconciliation of property, plant and equipment – March 2023

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

Assets subject to finance lease (net carrying amount)

Figures in Rand	2024	2023
Leased assets	**677 095**	1 064 007

7. Interest in SMME Partnership Fund

Figures in Rand	2024	2023
Interest in SMME Partnership Fund	**200 000 000**	175 000 000

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

The GEP, on the instructions of the Gauteng Department of Economic Development as per MEC’s instruction letter, will make a capital commitment (GEP Commitment) of R200 million to the TEP to be deployed by the TEP into stimulating SMMEs in the township economy.

GEP has a residual interest in the net assets of the TEP. Therefore, the contribution made by the GEP to the TEP is a financial asset of the GEP.

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

8. Finance lease obligation

Figures in Rand	2024	2023
Minimum lease payments due		
- within one year	**407 178**	407 178
- in second to fifth year inclusive	**305 383**	712 561
	712 561	1 119 739
Less: future finance charges	**(68 485)**	(160 479)
Present value of minimum lease payments	**644 076**	**959 260**
Present value of minimum lease payments due		
- within one year	**352 529**	315 184
- in second to fifth year inclusive	**291 547**	644 076
	644 076	**959 260**
Non-current liabilities	**291 547**	644 076
Current liabilities	**352 529**	315 184
	644 076	**959 260**

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

ACCOUNTING POLICIES (continued)

9. Operating lease liability

Figures in Rand	2024	2023
Current liabilities	**12 652**	34 979

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. Payables from exchange transactions

Figures in Rand	2024	2023
Trade payables	**4 168 961**	4 519 191
Accrued leave pay	**6 583 356**	6 907 349
Accrued 13th cheque	**713 926**	741 768
	11 466 243	**12 168 308**

The trade payables of R4.2 million relates to invoices to be paid by the entity within the next 30 days. Leave of R6.6 million is provided for employees in line with the entity's leave policy, the leave will be utilised in the next six months.

11. Payables from non-exchange transactions

Figures in Rand	2024	2023
SMME Partnership Fund	**–**	50 000 000
Unspent grants ESD	**3 683 945**	–
GGB CSI Projects funds	**–**	10 000 000
	3 683 945	60 000 000

The unspent ESD Grant amounts to R3.7million as at 31 March 2024 and relates to ongoing project. All funds are committed to ESD Projects.

SMME Partnership Fund obligation to TEPF was paid on the 31 March 2023, however, it was cleared by the Bank on 1 April 2023.

The R10million was received from GGB in March 2022 are for contribution towards the Township Economy Recovery (TER).

12. Provisions

Reconciliation of provisions – March 2024

	Opening balance	Additions	Utilised during the year	Reversed during the year	Total
Provision for SMME Partnership Fund	**75 000 000**	**–**	**(26 018 401)**	**–**	**48 981 599**
Provision for performance bonus	**–**	**6 500 000**	**–**	**–**	**6 500 000**
Maponya Mall	**2 088 914**	**337 621**	**–**	**(807 797)**	**1 618 738**
Provision for surrender of surplus funds	**112 068 014**	**87 679 662**	**(643 596)**	**(111 424 418)**	**87 679 662**
Provisions for financial support loans	**40 006**	**58 958**	**–**	**(40 006)**	**58 958**
	189 196 934	**94 576 241**	**(26 661 997)**	**(112 272 221)**	**144 838 957**

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

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

Reconciliation of property, plant and equipment – March 2023

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Provision for SMME Partnership Fund	250 000 000	–	(175 000 000)	–	75 000 000
Maponya Mall	1 749 954	338 960	–	–	2 088 914
Provision for surrender of surplus funds	139 719 651	112 068 014	–	(139 719 651)	112 068 014
Provisions for financial Support Loans	12 660	40 006	(12 660)	–	40 006
	391 482 265	**112 446 980**	**(175 012 660)**	**(139 719 651)**	**189 196 934**

13. Revenue from non-exchange transactions

Figures in Rand	2024	2023
Government grants	**222 649 055**	223 876 000

14. Revenue from exchange transactions

Figures in Rand	2024	2023
Sundry Income (Initiation fees)	**260 500**	290 031
*Finance Income: (financial support loans)	**39 283 521**	27 591 219
	39 544 021	**27 881 250**

*Finance Income: Financial Support Loans comprises of non-cash interest of R34.5 million and cash interest of R4.8 million.

15. Other Income

Figures in Rand	2024	2023
SETA claims	**227 095**	259 487
Insurance claims	**–**	80 772
Bad debts recovered: financial support loans	**652 354**	52 000
	879 449	**392 259**

16. Programmes and projects

Figures in Rand	2024	2023
SMME product development	**186 507**	186 507
SMME seminars and training	**1 764 530**	2 041 890
Community grant funding	**1 338 768**	2 094 588
SMME business development support	**41 486 142**	29 536 964
Marketing sponsorships	**753 000**	1 822 800
Youth Accelerator Programme	**13 537 349**	6 978 697
	59 066 296	**42 661 446**

*Included in the Youth Accelerator Programme amounts to R5 million for blended finance grant portion.

ACCOUNTING POLICIES (continued)

17. Operating expenses

Figures in Rand		2024	2023
Employee costs	26	**122 059 732**	119 005 656
Depreciation, amortisation and impairments	27	**1 321 869**	1 274 539
Bad debts	28	**5 088 046**	621 778
Lease rentals on operating lease	20	**14 625 770**	14 029 478
Debt impairment	28	**75 256 396**	47 480 136
Repairs and maintenance		**1 921 794**	1 810 893
General expenses	29	**22 190 414**	30 217 421
		242 464 021	**214 439 901**

18. Provision for surplus expense

Figures in Rand	2024	2023
Provision for surplus expense	**(49 763 157)**	(202 651 637)

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

19. Operating surplus/(deficit)

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

Figures in Rand	2024	2023
Surplus for the year	**28 179 659**	217 466 336

20. Lease rentals on operating lease

Figures in Rand	2024	2023
Premises		
Contractual amounts	**14 625 770**	14 029 478

21. Finance income

Figures in Rand	2024	2023
Interest revenue		
Finance income – Bank	**17 131 764**	19 892 103

22. Finance costs

Figures in Rand	2024	2023
Finance leases	**91 994**	31 172

GEP incurred interest cost on finance lease for printers.

23. Loss on disposal of assets

Figures in Rand	2024	2023
Current		
Loss on disposal of assets	**165 476**	94 394
Loss on disposal of assets	**165 476**	94 394

24. Cash used in operations

Figures in Rand	2024	2023
Surplus	**28 179 659**	217 466 336
Adjustments for:		
Depreciation and amortisation	**1 321 869**	1 274 539
Profit/(Loss) on write-off assets	**165 476**	94 394
Finance costs – Finance leases	**91 994**	31 172
Debt impairment	**75 256 396**	47 480 136
Bad debts written off	**5 088 046**	621 778
Movements in operating lease assets and accruals	**(22 327)**	(6 845)
Other non-cash items	**–**	(128 037)
Provision for surplus expense	**(49 763 157)**	–
(Increase)/Decrease in financial support loans	**(84 348 768)**	(84 846 202)
Changes in working capital:		
Receivables from exchange transactions	**170 565**	182 368
Payables from exchange transactions	**(702 064)**	(5 193 157)
Payables from non-exchange transactions	**(6 316 055)**	–
Movement in provisions	**5 405 181**	(202 285 330)
	(25 473 185)	**(25 308 848)**

25. Government grants and subsidies

Figures in Rand	2024	2023
Operating grants		
Government grant	**222 649 055**	223 876 000

26. Employee-related costs

Figures in Rand	2024	2023
Basic	**82 807 460**	84 835 482
Performance bonus	**10 628 624**	–
Ex gratia	**–**	5 706 754
Medical aid – company contributions	**3 729 838**	3 648 256
UIF	**300 064**	309 961
SDL	**994 483**	1 019 382
Leave pay provision charge	**872 322**	308 821
Employee wellness	**116 138**	93 540
Other short–term costs	**462 504**	405 785
Travel, motor car, accommodation, subsistence and other allowances	**2 154 263**	2 425 340
13th cheques	**2 641 097**	2 511 946
Acting allowances	**1 367 885**	832 512
Retirement benefits (Contribution to retirement fund)	**14 844 694**	15 705 520
Cell phone allowance	**1 140 360**	1 202 357
	122 059 732	**119 005 656**

ACCOUNTING POLICIES (continued)

27. Depreciation and amortisation

Figures in Rand	2024	2023
Property, plant and equipment	**1 321 869**	1 274 539

28. Debt impairment and bad Debts

Figures in Rand	2024	2023
Provision for debt impairment	**75 256 396**	47 480 136
Bad debts written off	**5 088 046**	621 778
	80 344 442	**48 101 914**
	–	**–**
Reconciliation of net debtors written Off		
Financial support loans	**182 869 025**	27 102 478
Debt impairment	**(177 780 979)**	(26 480 700)
Bad debt written off	**5 088 046**	**621 778**

The total value of R182 869 025 was written off during the financial year 2023/24. This represents loans that were considered irrecoverable as per GEP Debt Management Policy.

29. General expenses

Figures in Rand	2024	2023
Advertising	**476 430**	662 856
Auditors remuneration	**3 121 049**	3 331 444
Bank charges	**79 770**	78 003
Cleaning	**1 933 823**	1 581 129
Board fees	**1 015 679**	1 195 444
Consulting and professional fees	**6 133 306**	14 638 189
Catering	**40 323**	24 538
Fines and penalties	**5 459**	–
Office equipment rental	**203 657**	20 764
Insurance	**203 194**	305 623
IT expenses	**669 328**	1 038 765
Cellphone and data costs	**111 617**	601 125
Motor vehicle expenses	**179 338**	16 280
Printing, stationery and office supplies	**211 962**	12 343
Security	**1 547 270**	1 175 658
Maintenance of software	**4 596 541**	4 112 425
Telephone and fax	**413 786**	241 384
Training	**15 300**	445 876
Travel – local	**–**	59 999
Board meetings	**39 717**	8 926
Bursaries	**812 276**	336 692
Travel reimbursement	**301 069**	241 841
Recruitment	**79 520**	88 117
	22 190 414	**30 217 421**

30. Auditors' remuneration

Figures in Rand	2024	2023
Auditors' remuneration	**3 121 049**	3 331 444

31. Retirement benefit information

It is the policy of the entity to encourage, facilitate and contribute to the provision of retirements for all permanent employees. To this end the entity's permanent employees are required to be members of an independently administered provident fund. The total charge to the statement of financial performance as at 31 March 2024: R14 844 694 (2023: R15 705 520) 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.

32. Commitments

Operating leases – as lessee/(expense)

Figures in Rand	2024	2023
Minimum lease payments due		
- within one year	**90 433**	209 001
- in second to fifth year inclusive	**–**	**90 433**
	90 433	**299 434**

Operating lease payments represent rentals payable for the use of office accommodation for regional offices.

Leases escalate at rates between 5% and 9% per annum.

33. Contingencies

Contingent assets

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

After the GEP investigations, it was recommended that GEP should recover irregular expenditure paid to Amahlo Consulting. Dispute resolution was done through the courts and the Gauteng High Court ruled in favor of GEP on 28 December 2023, that GEP should recover an amount of R52 343 964 from Amahla Consulting Services CC.

Contingent liabilities

GEP received the following litigations which were not resolved:

- 2019/20 – Litigation matter against the entity, namely ARDHI CONCEPTS CC//GEP under case number: 1123/2019 in the High Court of South Africa (Gauteng Division, Johannesburg). The matter relates to a loan applicant who has issued summons against the entity for the loan amount of R2.5 million that was not approved. The matter is currently not yet concluded and is under way.
- 2020/21 – GEP received an amplified letter of demand from the Township Entrepreneurship Awards (TEA) nominees, through their attorney's records,demanding R1,075 million from GEP, as she claimed to unduly disqualified The participant stated that the adjudication process was unfair as the rules were constantly changed. The matter is currently not yet concluded and is under way.

34. Related parties

Relationships	Refer to members' report note
Members of Accounting Authority	Government Department – Controlling Entity
Gauteng Department of Economic Development (GDED)	Public Entity – Controlled by GDED
Gauteng Gambling Board (GGB)	Public Entity – Controlled by GDED
Gauteng Growth Development Agency (GGDA)	Public Entity – Controlled by GDED
Gauteng Liquor Board (GLB)	Public Entity – Controlled by GDED
Gauteng Tourism Authority (GTA)	Public Entity – Controlled by GDED
Cradle of Humankind World Heritage Site	Public Entity – Controlled by GDED
Dinokeng	Public Entity – Controlled by GDED

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

Related party transactions

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

Amounts included in statement of profit and loss regarding related parties

Figures in Rand	2024	2023
Government grants	**222 649 055**	223 876 000
Operating lease and utilities	**14 263 999**	13 225 705

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

Figures in Rand	2024	2023
Gauteng Gambling Board		
Payable from non-exchange transactions	–	10 000 000

The funds for R10million was received from GGB in March 2022 as a contribution towards the Township Economy Recovery (TER).

Figures in Rand	2024	2023
Gauteng Department of Economic Development (GDED)		
Payable from exchange transactions	**161 501**	1 078 000

Non-executive management remuneration

Figures in Rand	2024	2023
Remuneration of non-executive directors		
P Mangcu*	**3 879**	22 395
D Maithufi*	**88 217**	176 676
L Marincowitz*	**77 580**	207 708
N Mufamadi	**–**	17 516
D Golding	**–**	48 548
K Mogotsi*	**46 548**	123 491
S Mkhize**	**123 110**	155 523
T Rasenyalo*	**85 338**	195 014
B Mahlutshana*	**54 306**	139 886
D Maphanzela*	**27 153**	166 890
P Mngqibisa**	**78 443**	–
K Skhosana**	**47 944**	–
C Morangwe-Diale**	**47 944**	–
B Mgobozi**	**27 968**	–
N Mathenjwa**	**47 944**	–
S Sekhitla**	**63 926**	–
D Van Rooyen**	**47 944**	–
R Letwaba**	**35 958**	–
A Mawela**	**59 930**	–
A Mashele**	**47 944**	–
L Leshika**	**3 600**	–
	1 015 676	**1 253 647**

* Term ended 30 Sept 2023

** Appointed 1 October 2023

ACCOUNTING
POLICIES (continued)

34. Related parties (continued)

March 2024

	Board	RGC	Remco	CC	BDC	ARGC	Special Board Meetings	Miscellaneous Meeting	BDC & CC
L Leshika	2/3	3/3					3/4	4/4	0/1
P Mangcu	3/3	3/3					2/4		0/1
K Mogotsi	3/3			7/7	4/5		4/4		1/1
S Mkhize	2/3	2/3					4/4	4/4	
D Golding	3/3			2/2					
D Maithufi	3/3	1/3			1/1		3/4	10/10	0/1
D Maphanzela	1/3		6/6			8/8	1/4	4/4	0/1
B Mahlutshana	2/3		6/6	7/7	3/5	8/8	2/4	1/1	1/1
N Mufamadi	3/3	1/3	1/1						
T Rasenyalo	3/3		6/6	7/7	5/5		4/4	5/5	1/1
L Marincowitz	3/3	3/3			5/5		3/4	2/2	0/1
P Mngqibisa	1/1						6/6	7/7	
K Skhosana	1/1						6/6		
R Letwaba	1/1					7/8	6/6	2/2	
N Mathenjwa	1/1						6/6		
C Morangwe-Diale	1/1	–	–	–	–		6/6	–	–
B Mgobozi	1/1	–	–	–	–		6/6	–	–
A Mawela	1/1	–	–	–	–	3/3	6/6	–	–
A Mashele	1/1	–	–	–	–	–	6/6	–	–
S Sekhitla	1/1	–	–	–	–	3/3	6/6	4/4	–
D Van Rooyen	1/1	–	–	–	–	3/3	6/6	2/2	–

March 2023

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

Senior management remuneration

March 2024

Name	Basic salary	Bonuses and performance related payments	Acting allowance	Total
S Zamxaka – Chief Executive Officer	2 820 296	159 732	–	2 980 028
I Khan- Chief Operations Officer	2 060 197	114 785	–	2 174 982
YBB Damoyi – Chief Financial Officer*	1 494 246	–	–	1 494 246
S Ntuli - GM: Risk & Audit	1 878 784	104 350	–	1 983 134
NV. Mulaudzi – GM: Corporate Support & Administration**	1 493 266	–	–	1 493 266
SL Manoto – Acting GM: Corporate Support & Administration***	–	–	93 776	93 776
N Khonkwane – GM: Strategic Partnerships and Revenue Generation	1 842 055	–	–	1 842 055
T Msomi – Acting GM: Corporate Support & Administration****	–	–	115 203	115 203
X Matyila – Acting Chief Financial Officer*****	–	–	41 740	41 740
K Cele – GM: Strategy, Planning and M&E******	636 840	–	–	636 840
	12 225 684	**378 867**	**250 719**	**12 855 270**

* Appointed 17 July 2023 and resigned 20 March 2024

** Contract ended 30 November 2023

*** Appointed on 26 October 2023

**** Acted from April 2023 to 11 October 2023

***** Acted from April 2023 to 14 July 2023

****** Resigned 30 June 2023

March 2023

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

* Since April 2022

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

*** Currently on suspension from October 2022

ACCOUNTING POLICIES (continued)

35. Risk management

Financial risk management

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

Liquidity risk

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

Financial liabilities	0–12 months	1–5 years	5 years	5 years
Trade and other payables	11 466 243	–	–	–

Credit risk

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

- Potential concentration of credit risk consists mainly of trade receivables and financial support debtors.
- Trade and other receivables comprise of customers dispersed across different industries and geographical areas. Credit evaluations are performed through Management by the Credit Committee and 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 2024, the entity did not consider there to be any significant concentration of credit risk which had not been insured or adequately provided for.

Product type	Current	30 days	60 days	90 days	120 days Plus	Total arrears	Impairment amount	Net amount
Contract Finance	2 094 466	5 120 824	3 559 438	2 993 748	26 507 674	40 276 151	15 052 504	25 223 647
Expansion	433 280	385 315	361 891	303 593	2 031 822	3 515 901	2 155 082	1 360 818
Franchise	651	–	–	–	–	651	33	618
Handover	2 013 318	2 036 287	2 074 893	2 063 531	82 878 313	91 066 342	90 155 679	910 663
Mafisa	2 615	2 577	2 736	2 726	374 071	384 725	384 725	–
Micro finance	45	41	44	43	4 335	4 508	4 508	–
Start-up	385 998	4 308 820	209 088	207 671	999 842	6 111 418	1 546 722	4 564 697
TMR Finance	103 059	57 511	–	–	–	160 569	24 085	136 484
Youth Hybrid Fund	132 640	89 366	77 472	68 816	178 819	547 114	150 364	396 750
Total	**5 166 072**	**12 000 741**	**6 285 562**	**5 640 128**	**112 974 876**	**142 067 379**	**109 473 702**	**32 593 677**

Interest rate risk

Bank deposits are linked to the South African prime interest rate. The net interest income at 31 March 2024 is R56 415 285 (2023: R47 483 322). The sensitivity analysis below has been determined based on the exposure to interest rate on financial instruments at the balance sheet date. For the floating rate instruments, the analysis is prepared assuming the number of instruments outstanding at the balance sheet date as 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 the 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 2024 is summarised as follows:

	0–12 months	Beyond one year	Total floating rate
Financial support loans	63 632 620	27 514 196	91 146 816
Receivables from exchange transactions	1 456 540	–	1 456 540
Cash & cash equivalents	159 189 333	–	159 189 333
	224 278 493	**27 514 196**	**251 792 689**

36. Going concern

We draw attention to the fact that at 31 March 2024, the entity had an accumulated a surplus of R294 640 622 and that the entity's total assets exceeds its liabilities by R294 640 622.

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

- After the reporting date, there is no intention to liquidate GEP or to cease operating, nor is there a realistic alternative to do so.
- Further, the Grant funding from the provincial government remains in place, therefore GEP is confident that it will be able to fund it's operations going forward, for at least the coming financial year.
- After considering the above, management has concluded that the entity will be able to operate for the next 12 months, and therefore is a going concern.

37. Events after the reporting date

Adjusting events after the reporting date:

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

38. Irregular, fruitless and wasteful expenditure

Figures in Rand	2024	2023
Description		
Irregular expenditure	**3 931 249**	4 324 220
Fruitless and wasteful expenditure	**39 396**	10 731
Total	**3 970 645**	**4 334 951**

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

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

Amounts recoverable

After the GEP investigations it was recommended that GEP should recover irregular expenditure paid to Amahlo Consulting. Dispute resolution was done through the courts and the Gauteng High Court, ruling in favour of GEP on 28 December 2023, that GEP should recover an amount of R52 343 964 from Amahla Consulting Services CC.

Amounts written-off

Management has applied for condonation of irregular expenditure of R59.2 million from Provincial Treasury after year end.

39. Reconciliation between budget and statement of financial performance

Reconciliation of budget surplus/deficit with the surplus/deficit in the statement of financial performance:

Figures in Rand	2024	2023
Net surplus per the statement of financial performance	**28 179 659**	217 466 336

40. Budget differences

Material differences between budget and actual amounts

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

(a) The initial budget setup for loan collection was R20 million and subsequently adjusted to R45 million. This target was obtained with 99.8% collection for the year. Exceeding the prior year collection.

(b) Included in this line item is non-cash interest for R39 million for loans. The entity budgets for collection as explained above.

(c) Unspent ESD grant.

(d) Employee cost is within budget for the year.

(e) The entity budget for capital assets or PPE on purchase of these assets. Depreciation is therefore a non-cash item.

(f) The entity budget for loan collection and advances in cash. Please refer to collection and advance line.

(g) Programmes and projects committed and not concluded by year-end.

(h) Goods and services committed and not concluded by year-end.

(i) This is in line with the treasury instruction No.12 of 2020/2021.

(j) The entity had a number of applications for financial support loans that are in the process of being funded.

(k) Capital expenditure on procurement to replace old and obsolete assets. Some of the items are delivered after-year end.

41. Deviation from supply chain management regulations

Treasury Regulations:16A6.4

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

The below table reflects the approved deviations:

Responsible office	Name of projects	Reason for deviation	Amount	Total
Office of CFO	AFS Compilation Software	Single source	417 955	417 955
Office of CFO	Technical opinion on accounting treatment of the transaction of partnership	Exceptional circumstances	84 083	84 083
Office of CEO	Catering for GEP board meeting	Exceptional circumstances	6 082	6 082
ICT	Back-up solution	Single Source	177 299	177 299
			685 419	**685 419**

42. Segment information

Information about geographical areas

The entity's operations are in Gauteng Province.

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

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

Detailed Statement of Financial Performance

Figures in Rand	Notes(s)	2024	2023
Revenue			
Government grants and subsidies	13	**222 649 055**	223 876 000
SETA claims	15	**227 095**	259 487
Insurance claims	15	**–**	80 772
Bad debts recovered: financial support loans	15	**652 354**	52 000
Sundry income (Initiation fees)	14	**260 500**	290 031
Finance income: financial support loans	14	**39 283 521**	27 591 219
Interest received – Bank	21	**17 131 764**	19 892 103
Total revenue		**280 204 289**	**272 041 612**
Expenditure			
Employee–related costs	26	**(122 059 732)**	(119 005 656)
Depreciation and amortisation	27	**(1 321 869)**	(1 274 539)
Finance costs	22	**(91 994)**	(31 172)
Lease rentals on operating lease	20	**(14 625 770)**	(14 029 478)
Debt impairment	28	**(75 256 396)**	(47 480 136)
Bad debts written off	28	**(5 088 046)**	(621 778)
Repairs and maintenance		**(1 921 794)**	(1 810 893)
General expenses	29	**(22 190 414)**	(30 217 421)
Provision for surplus	18	**49 763 157**	202 651 637
Programmes and projects	16	**(59 066 295)**	(42 661 446)
Total expenditure		**(251 859 153)**	**(54 480 882)**
Surplus/(Deficit) before loss on disposal		**28 345 136**	**217 560 730**
Loss on disposal of assets	23	**165 476**	94 394
Surplus for the year	19	**28 179 660**	**217 466 336**

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