



home affairs

Department:
Home Affairs
REPUBLIC OF SOUTH AFRICA

Building a New Home Affairs

GOVERNMENT PRINT WORKS

PRESENTATION TO PORTFOLIO COMMITTEE – AUDIT OUTCOMES 2007/08 & STRATEGIC PLAN

22 October 2008

The objective of our presentation is as follows...

- Firstly, we would like to thank Portfolio Committee for the opportunity and hope that we can give the Committee an insight into the progress and developments at GPW for the 2007/08 financial year and beyond
- Provide insight into the key audit issues and proposed actions plans to address these issues.
- Provide an update on the conversion processes to date, noting that this matter is still highly confidential
- Provide the Portfolio Committee with a high level overview of the funding requirements going forward
- We must emphasise that the success of GPW is also key to the turnaround of DHA and the sanctity of the State as GPW is the mandated security printer.



The background and discussions to date indicate whilst a lot has to be done, the sustainability of GPW still remains a challenge (1/2)

- GPW was established in 1888 as the Government Printer but asset stripping has occurred over many years due to Governments lack of investment
- In 1976 GPW was established as a Trading Entity under DHA but has been unable to secure adequate revenues to capitalise and invest in modern facilities and equipment required of a state-of-the-art security printer
- A business case was prepared and presented to NT and DPSA in May 2007 for conversion but NT and DPSA raised several issues and the business case was never finalised to date
- GPW is key to the delivery of security printing to DHA (and other National Departments) and therefore the efficient, secure functioning of GPW is critical to RSA's external image, performance and commitment to its Stakeholders
- Whilst the conversion received attention, the organisation was bleeding operationally and at the heart has been the loss of skills due to uncompetitive salaries, poor working conditions and restructuring fatigue
- GPW facilities are not conducive to a "manufacturing" type environment and hence inefficient and costly production processes – no capital initially available for proper and modern facilities and equipment



The background and discussions to date indicate whilst a lot has to be done, the sustainability of GPW still remains a challenge (2/2)

- The AG raised various qualifications issues and these have not been fully addressed to date
- DHA charged public for printing of documents but funds flow to national fiscus and not GPW
- “Profits” could not be retained for future investment in the assets and infrastructure of GPW – therefore resulted in asset stripping
- Opportunities presented itself for printing services outside RSA but could not be maximised and capitalised on due to capacity and other constraints
- Although some funds has been provided in the MTEF, GPW still requires additional government funding but this is inadequate to meet its capitalisation requirements and there is uncertainty on future allocations
- GPW therefore ventured into other printing areas to remain viable but these are non-core to its mandate
- There is no proper governance structure in place to guide and advise GPW and it's Shareholders on the print environment, operations and best practices

DHA now fully understands these issues and is committed to implement a turnaround strategy that meets all stakeholder aspirations, while ensuring a logical and phased process and sustainable GPW



However, despite these challenges service delivery continued and the key financial outcomes and issues for 2007/08 can be summarised as follows (1/3)

Revenue (R'000)

DESCRIPTION	ACTUAL 2006/07	BUDGET 2007/08	ACTUAL 2007/08	VARIANCE (%)	REMARKS
Printing	159 528	135 8763	181 137	33%	Additional examinations paper printing
Contract Printing	75 534	95 000	111 540	17%	Limited internal GPW capacity
Publications	51 030	46 193	57 877	25%	More advertisements placed in government and provincial gazettes
Warehousing	268 870	282 460	238 624	-15%	Departments buying outside of GPW and therefore reduced warehousing requirement
Total	554 962	559 526	589 178	5%	



However, despite these challenges service delivery continued and the key financial outcomes and issues for 2007/08 can be summarised as follows (2/3)

Expenditure (R'000)

DESCRIPTION	ACTUAL 2006/07	BUDGET 2007/08	ACTUAL 2007/08	VARIANCE (%)	REMARKS
Personnel	69 255	87 471	80 315	-8%	Vacant posts not filled
Administration	22 897	35176	27 424	-22%	Promotional Material, Staff Development
Production & Stores	352 531	342 537	347 277	1%	
Equipment	1 004	1 630	1 102	-32%	Hiring fewer printing equipment
Professional Services	20 178	21 376	27 760	30%	Transformation of GPW
Sundry	13 064	13 705	11 100	-19%	Depreciation – change in useful life
Total	478 929	501895	494 978	-1%	

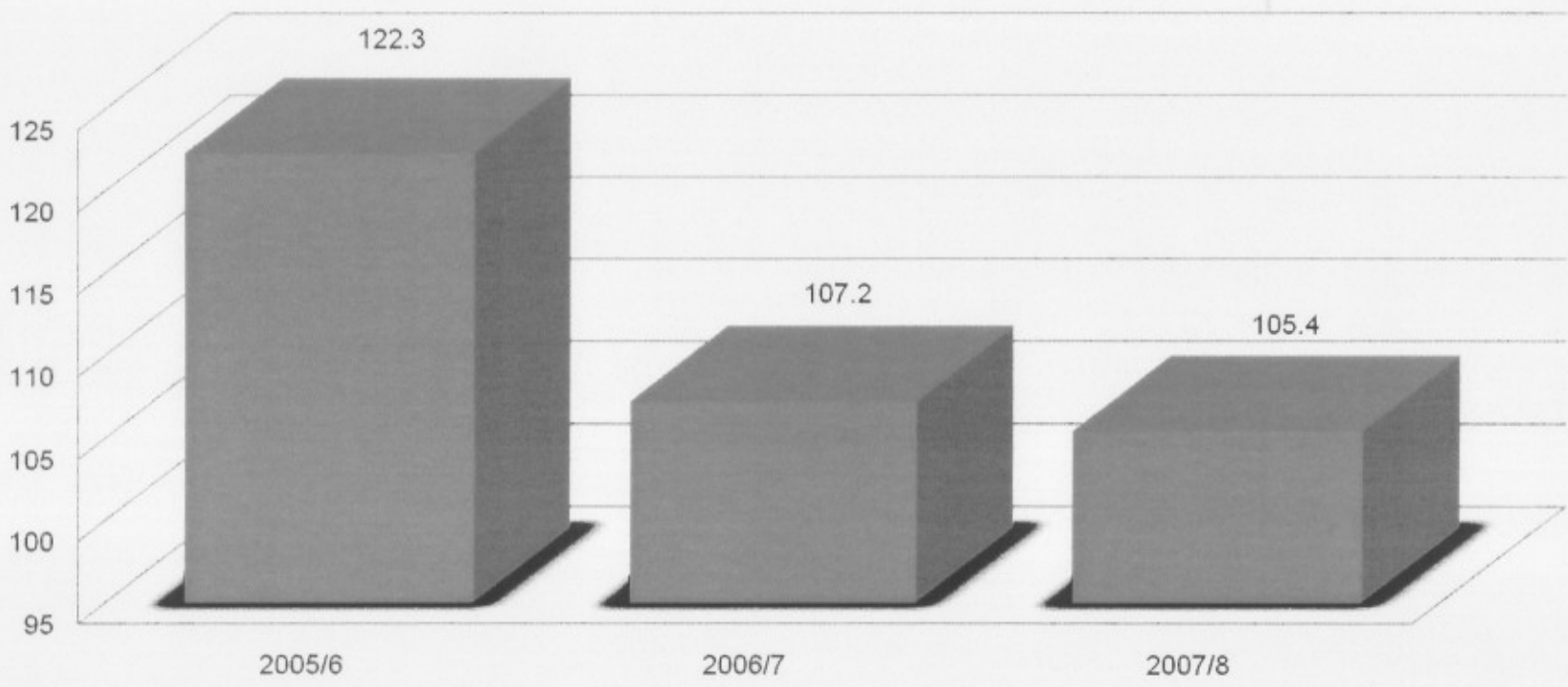
However, despite these challenges service delivery continued and the key financial outcomes and issues for 2007/08 can be summarised as follows (3/3)

Balance Sheet (R'000)

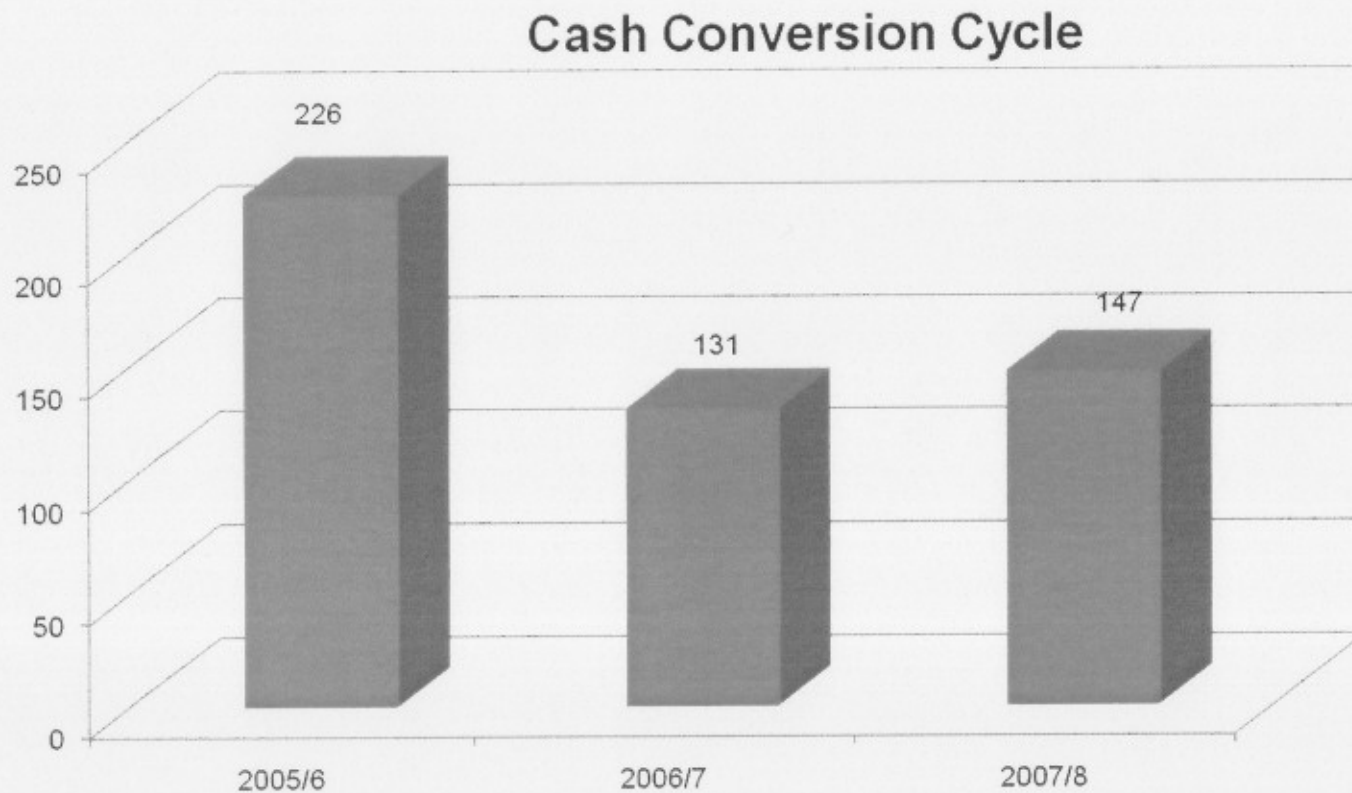
DESCRIPTION	ACTUAL 2006/07	ACTUAL 2007/08	CHANGE (%)	REMARKS
Inventories	96 022	104 659	9%	The valuation of inventories is under investigation as we need to develop a proper costing system
Receivables	117 472	124 784	6%	
Cash & Bank	161 200	274 400	70%	Includes transfer for passport machine
Fixed Assets	25 521	50 532	98%	Deposit for passport machine
Payables	83 290	92 106	11%	

Our debtors still remains a challenge and we have dedicated resources to focus on this as GPW should ideally have minimal debtors and provision has been made for bad debts/write-offs

Debtors Days



The cash conversion cycle is also concerning and will impact actual cash available if this is not addressed, the ideal should be less than 100 days





Audit Outcome 2007/08

- Adverse Opinion

Basis Of Adverse Opinion

- Provision for doubtful debt: Corresponding figures
- Receivables (Clearing of suspense accounts)
- Value-added tax (Unexplained errors and overpayments)
- Inventory (Valuation)
- Property, plant and equipment (Existence and completeness)
- Payables



AUDIT FINDINGS BASED IN THE FINAL MANAGEMENT LETTER: 2007-08 FINANCIAL YEAR CATEGORISED (1/3)

No.	Finding	GAAP / Technical Skills	Policies and Procedures	Regulations & Controls	Systems	Capacity	Housekeeping
	Final Communication Letter						
1	Corresponding figures: Opening balances	√	√				
2	Inventory: Work in Progress		√	√	√		
3	No formal policies and procedures in place	√	√			√	
4	Revenue & receivables: Value added Tax (Financial Services)	√	√				
5	Receivables: Management of Debtors	√	√	√	√	√	
6	Internal Audit	√	√	√		√	
7	Performance information		√	√	√	√	
8	Vacant Position: CFO	√		√		√	
9	Risk assessment/Fraud Prevention Plan	√		√	√	√	
10	Payables: No reconciliations			√		√	
11	Budget and cash flow control			√		√	
12	Receivables: Debtors suspense accounts			√		√	
13	Receivables: Debts reported to the State Attorney		√	√		√	
14	Receivables: Deficiency Debtor's System		√	√	√		
15	Receivables: DRX and CRX credit and debit notes (Value for money)	√	√	√			