

Highly Efficient



AUDIT FINDINGS BASED IN THE FINAL MANAGEMENT LETTER: 2007-08 FINANCIAL YEAR CATEGORISED (2/3)

No.	Finding	GAAP / Technical Skills	Policies and Procedures	Regulations & Controls	Systems	Capacity	Housekeeping
16	Management corrective steps not taken- prior year	√	√	√		√	
17	Receivables: Bad debt estimation	√	√		√	√	
18	Revenue: Delivery Notes/Inv separate			√			√
19	Creditors age analyses: Compliance to TR 8.2.3		√	√		√	
20	Supply Chain Management: Tenders		√	√		√	√
21	Value Added Tax (VAT) transactions wrongly accounted	√		√		√	
22	Payables: Difference between age analyses and the Trial Balance	√	√	√	√	√	
23	Inventory: Stock system- status 2		√	√	√		
24	Value added Tax (VAT) reconciliations	√		√		√	
25	PPE: control weakness			√			√
26	PPE: asset management	√					√
27	Inventory: Fruitless and Wasteful Expenditure	√	√	√		√	
28	No advertisement for the post			√			√
29	PPE: Discrepancy between accounting policy in the financial statements and policies & procedures of the GPW	√	√				



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

No.	Finding	GAAP / Technical Skills	Policies and Procedures	Regulations & Controls	Systems	Capacity	Housekeeping
30	PPE: depreciation misstated and assets not classified on the component approach	√	√				
31	Inventory- Reconciliations	√		√		√	
32	Receivables- claims acc (597) overstated	√	√	√			
33	Inventory- replenishment advices			√			√
34	Inventory: Control regarding picking slips		√	√			√
35	PPE: Zero value assess still in use	√	√	√			
36	Payables: Account 339 outstanding orders not cleared		√	√		√	

Plan of action for the 2008/09 financial year end, based on weaknesses identified from the 2006/07 & 2007/08 Financial Year Ends. (1/8)

NR	Findings	Root cause	Recommended Solution	Responsible Person	Time frame
MANAGEMENT ARRANGEMENTS					
1	Organizational structure Internal audit (ML14) Vacant position: CFO (ML22)	Old establishment. Government structure for a manufacturing entity. The entity organizational structure regarding internal audit is not appropriate for its size and the nature of its operations. There has been excessive turnover in key functions, such as operations and programme management, accounting, or internal audit that would indicate a problem with the entity's emphasis on internal control.	<ul style="list-style-type: none"> • Re-design, new structure. • Revise delegations. • Reorganization of the Finance Branch. • Job profiling and grading/evaluation/ benchmarking. • Development programme. • Appointment of key personnel in Finance Branch. 	CFO	31 March 2009
			<ul style="list-style-type: none"> • Re-design, new structure. • Reorganization of the Internal Audit Branch. • Job profiling and grading/evaluation/ benchmarking. • Development programme. • Appointment of key personnel in Internal Audit Branch. • Internal Audit charter. • Acting CFO appointed. • CFO to be appointed as per new organizational structure. 	CEO	31 March 2009
2	Financial Management Performance information (ML25)	Lack of capacity and appropriate skills. Appropriate number of employees particularly in managerial positions, lacking	<ul style="list-style-type: none"> • Define roles and responsibilities. • Recruit skilled and experienced staff. • Appointment of MLS resources under the DHA turn-around project. • Development programme. (IDP) • Process re-engineering. 	CFO	Ongoing
			<ul style="list-style-type: none"> • New MIS system. • User requirement specification. • Develop organizational strategic plan based on government component business case. • Appoint Project Administrator/Coordinator. 	CFO CEO	31 March 2009 31 December 2008



Plan of action for the 2008/09 financial year end, based on weaknesses identified from the 2006/07 & 2007/08 Financial Year Ends. (2/8)

NR	Findings	Root cause	Recommended Solution	Responsible Person	Time frame
3	Policies and procedures (ML19)	Non-compliance to and/or inadequate policies and documented processes	<ul style="list-style-type: none"> Re-engineering of business processes and development of new policies: <p>Supply Chain Management Supply Chain Management framework for GPW, terms of reference for various committees, Standardization of quotation and tender procedures.</p> <p>Costing Approved Costing model and strategy.</p> <p>Pricing Strategy Approved pricing strategy.</p> <p>Financial Management Debtors, Creditors, Cash, Cash Flow, Inventory, Fixed Assets.</p> <ul style="list-style-type: none"> Establish a process culture that will unlock additional revenue potential or more improved and cost efficient processes; Assist in keeping the current operations going through addressing the numerous day-to-day issues including responding to issues and qualifications raised by the Auditor-General Managing and coordinating the various finance branch projects and initiatives being undertaking by GPW. 	<p>SCM Manager</p> <p>Management Accountant Financial Accountant</p> <p>CFO</p>	<p>31 March 2009</p> <p>31 March 2009 Done</p> <p>31 March 2009</p> <p>Ongoing</p>
4	Systems	Lack of capacity and appropriate skills	<ul style="list-style-type: none"> The implementation of a preferred ERP system to support our trading activities. Re-do a user requirement specification (URS) to enable us to do a tender for a new system. Implementation of an extensive ongoing training programme, which includes computer literacy, accrual accounting and the application of PECAS. 	<p>IT Manager</p> <p>IT Manager</p>	<p>31 March 2009</p> <p>31 March 2009</p>

Plan of action for the 2008/09 financial year end, based on weaknesses identified from the 2006/07 & 2007/08 Financial Year Ends. (3/8)

NR	Findings	Root cause	Recommended Solution	Responsible Person	Time frame
5	Reporting (ML16) Signing of the financial statements (ML16)	Lack of monitoring Pertinent information is not identified, captured, and distributed to the right people in sufficient detail, in the right form, and at the appropriate time to enable them to carry out their duties and responsibilities efficiently and effectively between the department of Home Affairs and the GPW.	<ul style="list-style-type: none"> Identify reporting requirements Comply with the reporting requirements Management to act on reporting. (e.g. variance reporting) The appointment of the CEO as the Accounting Officer of GPW. 	CFO	31 March 2009 Ongoing Ongoing Done
ASSET MANAGEMENT					
6	Property Plant and Equipment (ML11) PPE verification (ML11) PPE: Zero value assets still in use (ML12) PPE Depreciation misstated and assets not classified on component approach (ML13)	<ul style="list-style-type: none"> Consumable items have been recorded on the fixed asset register thus resulting in the asset register being overstated. Failure to reconcile actual assets with asset register and vice versa No appropriate policies, procedures, techniques, and mechanisms exist with respect to fixed assets in the GPW and the GPW does not have the appropriate number of employees, particularly in managerial positions. Within the entity, there are no mechanisms in place to monitor and review operations and programmes. 	<ul style="list-style-type: none"> Complete fixed asset register project. Reconciliation of fixed asset register with general ledger. Training of asset management personnel. PPE management should have sufficient SA GAAP knowledge to comply in all aspects of the accounting standards. Development of asset policies and procedures. Compliance to all relt legislation, regulations and guidelines. Development of asset policies and procedures. PPE management should have sufficient SA GAAP knowledge to comply in all aspects of the accounting standards. Proper control and authorization over all transactions of PPE Compliance to SA GAAP should be adhered to explanations should be provided for the differences in depreciation. Consider useful life, depreciation method and impairment at financial year end. 	Administration Manager Financial Accountant CFO Financial Accountant Financial Accountant	31 October 2008 30 November 2008 Ongoing 31 March 2009 31 March 2009



Plan of action for the 2008/09 financial year end, based on weaknesses identified from the 2006/07 & 2007/08 Financial Year Ends. (4/8)

NR	Findings	Root cause	Recommended Solution	Responsible Person	Time frame
		<ul style="list-style-type: none"> The entity does not have the appropriate number of employees, particularly in managerial positions. Also, there are no mechanisms in place to monitor and review operations and programmers'. 			
7	Intangible assets	<ul style="list-style-type: none"> Not treated according to SA GAAP in Annual Financial Statements. 	<ul style="list-style-type: none"> Identify intangible assets. Develop an appropriate accounting policy. 	Financial Accountant	31 March 2009
8	Leases	<ul style="list-style-type: none"> No accurate and complete listing of leases. Leases not treated in accordance with SA GAAP. Lack of skills. 	<ul style="list-style-type: none"> Identify leases and update register. Evaluation of lease register. Treatment of finance /operating lease in accordance with SA GAAP. Develop an appropriate accounting policy. 	Financial Accountant	31 March 2009
	REVENUE				
9	Debtors and bad debts Receivables: Management of Debtors (ML2) Receivables: Reconciliations are not performed (ML3)	<ul style="list-style-type: none"> Inadequate debtor's policy. Business policies and procedures. Unreliable data on the system. Billing process. <p>No appropriate policies, procedures, techniques, and mechanisms exist with respect to each of the entity's activities.</p>	<ul style="list-style-type: none"> Review debtor's policy, including bad debt provisions and write-offs. Capacity to do customer account maintenance. Data clean-up. Appoint personnel to manage key accounts administration Standard reconciliation template should be developed, communicated to staff and implemented. Investigate alternative methods available to enforce reference numbers on deposits. Reconciliations should be reviewed by senior person to ensure accuracy correctness and timeliness of work performed. 	Financial Account	31 March 2009



Plan of action for the 2008/09 financial year end, based on weaknesses identified from the 2006/07 & 2007/08 Financial Year Ends. (5/8)

NR	Findings	Root cause	Recommended Solution	Responsible Person	Time frame
	<p>Receivables: Debts not reported to the State Attorney (ML4)</p> <p>Receivables: Deficiency debtor's system (ML5)</p> <p>Delivery notes and separate invoices not obtained (ML6)</p> <p>Receivables: Debtors suspense accounts (ML7)</p> <p>Receivables: DRX and CRX credit and debit notes (ML8)</p> <p>Revenue & Receivables: Value Added Tax(Financial Services) (ML26)</p>		<ul style="list-style-type: none"> •Review by senior staff should include recalculation of summary totals on the reconciliation. •Segregation of duties. •All orders, signed delivery notes and invoices should be attached together and filed. •Monthly clearance of suspense accounts. •Suspense account reports should be submitted to the accounting officer on a monthly basis. •A control account could be opened and used to post journals on debtors regarding the correction of wrongly allocated payments (DRX and CRX journals). •Conduct appropriate training. <ul style="list-style-type: none"> •Interest transactions as far as debtors are concerned should be exemptive of Value Added Tax 		
10	Impairment of debtors	Non compliance with IAS 39 Financial instruments: Recognition and measurement. In addition the requirements of IAS 39 were not	<ul style="list-style-type: none"> • Review of policies. • Account maintenance. 	Financial Accountant	31 March 2009



action for the 2008/09 financial year end, based on weaknesses identified from the 2006/07 & 2007/08 Financial Year Ends. (6/8)

Issues	Root cause	Recommended Solution	Responsible Person	Time frame
	complied with during the year under review due to the fact that the recoverability of individual debtors was not assessed			
calculation	No policy guidelines in calculating of interest.	Review debtors policy. Freezing of interest charge until data clean-up project has been finalized.	Financial Accountant	31 March 2009
it price	<ul style="list-style-type: none"> Lack of integrated systems. Lack of skills. Lack of communication and supporting documentation. Inadequate internal control. 	Investigate electronic document management and workflow systems. Provide adequate training.	IT Manager	31 March 2009
FUTURE				
on and cation	<ul style="list-style-type: none"> Incorrect allocation. Classification between Capital and Current. 	Item mapping. Provide adequate training. Monitoring of actual to budgets. Investigate cost and profit centers.	Management Accountant	31 March 2009
FOR				
ry not ted for in f the ting policy ry: Stock	<ul style="list-style-type: none"> Lack of appropriate skills. Capacity. Access to and use of system software is not controlled and monitored. Within the entity, there are no adequate mechanisms in place to monitor and review operations and programs. 	Development of appropriate policies. Appropriate training. User requirement specification. Investigate integrated MIS solution. Explanations for the above needs to be provided. The stock system needs to be re-evaluated to ensure that it addresses all the issues above. Integration of the current stock system with the finance system to eliminate the manual journals processed or a new system should be considered.	Financial Manager	31 March 2009
ry: WIP			IT Manager	31 March 2009

Plan of action for the 2008/09 financial year end, based on weaknesses identified from the 2006/07 & 2007/08 Financial Year Ends. (8/8)

NR	Findings	Root cause	Recommended Solution	Responsible Person	Time frame
PRIOR YEAR FIGURES MISTATED					
17	Unresolved prior period figures. (ML1)	Inadequate accounting policies and procedures.	<ul style="list-style-type: none"> Development of appropriate policies. Recruitment of skilled personnel. 	Financial Accountant	31 March 2009
Year End Procedures					
18	Accruals	<ul style="list-style-type: none"> Lack of appropriate skills. Lack of capacity. 	<ul style="list-style-type: none"> Develop a manual for year-end reporting including templates and procedures. Compile an Audit Files. Provide adequate training. Communication to suppliers. 	Financial Accountant	31 March 2009
19	Payroll Liability for leave pay is not accurate.	•Leave register not accurate and updated.	•Process should be enhanced with electronic or instant process	IT Manager	31 March 2009
CONTROL ACTIVITIES					
20	Control activities over major general ledger accounts not exercised •Reconciliation between VAT control account and VAT 201 forms. (ML29) •VAT transaction wrongly accounted for (ML28) •VAT on capital goods (ML30)	<ul style="list-style-type: none"> Lack of skills. Inadequate policies and procedures. Skills audit not conducted. 	<ul style="list-style-type: none"> Monthly reconciliations. Appropriate training for employees. Review by senior personnel. Account 330 should be cleared at every month end. A file should be kept for VAT with all the invoice relating to Capital Goods for proof of these acquisitions. 	Financial, Management Accounting and SCM	31 March 2009

Going forward, GPW has set certain key priorities going forward, including the conversion of GPW into a GC (1/4)

- Financial Management
 - Accurate planning and forecasting
 - Maintain optimal cash flows and working capital
 - Manage financial risks
 - Develop new financial system for print environment
 - Reduce AG findings and qualifications

- Cost Management
 - Change/review in cost/product pricing system/strategy
 - Reduction in wastage

- Operations Management
 - Replacement of dated technology and machinery
 - Optimisation of production capacity and efficiencies
 - Achieve product/service excellence

Forward, GPW has set certain key priorities going forward, including the conversion of GPW into a GC (2/4)

Management

IT System Plan and ICT strategy

Develop Disaster Recovery Plan

Regular Compliance Testing for all new initiatives

Review and Update Policies

Upgrade and Integration of ICT Systems for printing environment

Supply Chain Management

Optimize Stock Levels

Remove Out Slow Moving Items and redundant stocks

Strategic supplier management

Identify and develop electronic Suppliers Database and Order Information

Contract and SLA management