



**government
printing**

Department:
Government Printing Works
REPUBLIC OF SOUTH AFRICA

Building a New Government Printing Works

Annual Report of the Government Printing Works 2008-09

**ANNUAL REPORT
2008/09**

PRESENTATION TO PORTFOLIO COMMITTEE

27 October 2009

The objective of our presentation is as follows...

- Firstly, we would like to thank the Portfolio Committee for the opportunity and hope that we can give the Committee an insight into the progress and developments at GPW for the 2008/09 financial year and beyond,
- Provide insight into the key priorities going forward
- Provide an overview of the key outcomes and achievements for 2008/09
- Provide insight into the key audit issues and proposed action plan to address these issues,
- Provide an update on the conversion processes to date
- Provide the Portfolio Committee with a high level overview of the funding requirements going forward

GPW success is 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

- Established in 1888, asset stripping has occurred over many years due to Governments lack of investment in the printing infrastructure.
- Operating 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.
- 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 process received attention, the organisation was bleeding operationally and at the heart has been the loss of skills due to poor facilities, uncompetitive salaries, poor working conditions and restructuring fatigue.
- The AG raised various qualifications issues over a number of years and these have not been addressed in full.
- 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.

Going forward, the GPW has set certain key priorities (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 the cost/product pricing system/strategy
- Reduction in wastage and spoilage

■ Operations Management

- Replacement of outdated technology and machinery
- Optimisation of production capacity and efficiencies
- Achieve product/service excellence

Going forward, GPW has set certain key priorities (2/4)

■ ICT Management

- Master System Plan and ICT strategy
- Develop Disaster Recovery Plan
- Ensure compliance testing for all new initiatives
- Review and update policies
- Upgrade and integration of ICT systems for printing environment (ERP System)

■ Supply Chain Management

- Reduce Stock Levels
- Phase out slow moving items and redundant stocks
- Strategic supplier management
- Update and develop electronic suppliers database and order information
- Contract and SLA management systems

Going forward, GPW has set certain key priorities (3/4)

■ HR, Strategy and Transformation

- Develop and Implement Human Capital Strategy
- Policy Development and Strategy alignment
- Align HRM Practices and Strategies
- IPC in place
- Trained, skilled and service oriented staff in place

■ Security

- Security risk assessment
- New and updated physical, personnel, production and documentation security systems in place
- Introduce vetting system for key personnel

Going forward, GPW has set certain key priorities (4/4)

■ Internal Audit

- Development of internal audit and risk management plans
- Monitor compliance with PFMA and related regulations

■ Marketing

- Develop GPW Brand
- Local Customer Retention
- Local Business Development
- Develop an aggressive regional marketing strategy on face value documents

However, key to the above is the turnaround and conversion of GPW in the MTEF period

Annual Report 2008/09 – Key Outcomes (1/3)

■ Technological Upgrading & Modernisation

- R293m spent in order to optimise and modernise
- Bulk on new passport facility & equipment
- Plans to spend R367 to complete the process over the MTEF period

■ New Security Printing Facility

- Relocation to new plant progressed steadily during the year
- Installation & commissioning of new machines commenced January 2009
- Planning to secure remainder of facility in consultation with DPW

■ Marketing

- Primary focus on the South African Government Departments
- As capacity improves over time, GPW will aggressively targets other Governments in the continent
- Expand the range and value of products that could fall within the security printing segment
- Governments within SADC
- R&D is the cornerstone of security printing organisations

Annual Report 2008/09 – Key Outcomes (2/3)

■ Government Copyright

- Imperative that all Government copyright issues be identified and resolved
- Government sole shareholder

■ Pricing Strategy

- Tariffs charged in terms of GPW policies after receiving approval from NT
- Full cost recovery basis
- GPW needs to remain sustainable in future

■ Challenges

- Continues to lose experienced and qualified staff
- Private sector offers more attractive remuneration packages
- Appointment of several strategic management and operation resources on contract
- New top management structure has been approved
- Favourable support from DPSA for an Occupational Specific Dispensation and consider a special remuneration dispensation for artisans – Should be finalised during 2009/10

Annual Report 2008/09 – Key Outcomes (3/3)

■ Successes

- Successful launch of the new passport 9 April
- Finalising Phase 1 of the new facility
- Progress with upgrading of re-capitalisation programme
- Developed a plan of action in order to address all the major issues raised by the AG and SCOPA.

■ Acknowledgement

- Support & assistance from the DHA re consultants to assist in addressing the capacity constraints



Annual Financial Statements - Audit Reports Summary

- History of Audit Reports
 - 2002/03 – Adverse
 - 2003/04 – Disclaimer
 - 2004/05 – Disclaimer
 - 2005/06 – Adverse
 - 2006/07 – Adverse
 - 2007/08 – Adverse
 - 2008/09 – Qualified Opinion

- Qualified Opinion for 2008/09 addresses three areas of concern that remain:
 - Inventory – WIP (Status 2) not included in the AFS (R2,7m)
 - Accounts Payable – Goods Received Control Account (R4m)
 - Accounts Receivable – Unidentified Deposits (R22m)



Annual Financial Statements - Audit Reports Comparison (1/2)

Qualification Description	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
Receivables	Adverse	Disclaimer	Disclaimer	Adverse	Adverse	Other Matters	Other Matters
Payables	Adverse	Emphasis of Matter	Disclaimer	Adverse	Adverse	Adverse	Qualification
Inventory	Adverse	Disclaimer	Disclaimer	Adverse	Adverse	Adverse	Qualification
Purchases	Adverse				Other Matters	Other Matters	Other Matters
Revenue			Disclaimer				
Cost of Sales				Adverse			
Service Bonus Provisions			Disclaimer				
Property, Plant & Equipment	Emphasis of Matter		Disclaimer	Adverse	Other Matters	Adverse	
Land & Buildings			Disclaimer				
Internal Audit	Emphasis of Matter	Emphasis of Matter	Emphasis of Matter	Emphasis of Matter	Other Matters		
Vacant Positions	Emphasis of Matter					Other Matters	
BCEA					Other Matters	Other Matters	
Budgetary Process	Emphasis of Matter		Emphasis of Matter	Emphasis of Matter	Other Matters		
Funds Distributable to National Revenue Fund					Adverse		



Annual Financial Statements - Audit Reports Comparison (2/2)

Qualification Description	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
Special Investigation					Adverse		
Financial Loss due to Fraudulent Activities	Emphasis of Matter						
Fruitless & Wasteful Expenditure					Other Matters	Other Matters	
Compliance Matters	Emphasis of Matter	Emphasis of Matter	Emphasis of Matter	Emphasis of Matter	Other Matters	Other Matters	Other Matters
Report of Performance against Predetermined Objectives				Emphasis of Matter			
Computer Audit of General Controls Surrounding IT Environment	Emphasis of Matter	Disclaimer		Emphasis of Matter	Other Matters		
Financial System Operated without License	Emphasis of Matter						
Late Finalisation of Audit /Re-submission of AFS/Material Corrections made to AFS	Emphasis of Matter		Emphasis of Matter	Emphasis of Matter	Other Matters	Other Matters	Other Matters
Basis of Accounting				Emphasis of Matter			
Approved Policies & Procedures – Various Business Processes			Emphasis of Matter		Emphasis of Matter		Other Matters



Management Letters Categorised (1/2)

No.	Finding	GAAP / Technical Skills	Policies and Procedures	Regulations & Controls	Systems	Capacity	Housekeeping
	Final Communication Letter						
Annexure A							
1.	Receivables: clearing of debtors' suspense accounts	√	√	√	√	√	
2.	Payables: other debtors suspense accounts	√	√	√	√	√	
3.	PPE: asset verification by GPW	√	√	√	√	√	
4.	Asset Verification (Pretoria)	√	√	√	√	√	
5.	Status 2: Journals processed	√	√	√	√	√	
6.	339 Clearing account	√	√	√	√	√	
7.	Lack of policies and procedures	√	√	√	√	√	
8.	Internal audit			√		√	
9.	Employee costs: overtime					√	
10.	Employee costs: policies not specific to GPW	√	√			√	
11.	Performance information		√	√	√	√	
12.	Creditors: no reconciliations performed	√	√	√		√	√
13.	Employee costs: vacant positions					√	
14.	Risk assessment process/fraud prevention plan	√	√	√		√	
15.	PPE: Fixed asset register	√	√	√	√	√	
16.	Employee costs: leave approval and capture timeframes		√	√		√	√
17.	Non compliance with PFMA 40(4)(c) – timeframe for monthly reports	√		√	√	√	√
18.	Opening balances/ corresponding figures	√	√	√	√	√	√
19.	Receivables: credit notes due to a price change		√	√	√		



Management Letters Categorised (2/2)

No.	Finding	GAAP / Technical Skills	Policies and Procedure s	Regulation s & Controls	Systems	Capacity	Housekeep ing
20.	PPE: asset verification- regional offices	√	√	√	√	√	
21.	Receivables: long outstanding debtors	√	√	√	√	√	
22.	Damaged and obsolete stock (write offs)	√	√	√	√		
23.	Receivables: non compliance with policies		√	√			
24.	Receivables: reconciliations	√	√	√		√	√
25.	Receivables: credit limits exceeded	√	√	√	√	√	√
26.	Receivables: CRX and DRX transactions		√	√	√		√
27.	VAT: Acc 330	√	√	√	√		
28.	Fixed assets register does not agree to the financial statements	√	√	√	√	√	
29.	Investigation at regional office		√	√		√	
Annexure B							
1.	Delivery notes that could not be obtained and those that are not authorised		√	√		√	√
2.	Receivables: unallocated credit notes		√	√		√	√
3.	Polokwane regional office – lack of internal control		√	√		√	
4.	Inventory: picking slips	√	√	√		√	√
5.	Receivables: study loan debtors						√
6.	Payables: payments	√	√	√	√	√	√
7.	Receivables: debtors age analysis	√	√	√	√	√	
8.	Inventory (passport factory)			√		√	√
9.	Subsistence and travel: VAT allocation	√	√	√		√	
10.	Payables: long outstanding credit notes	√	√	√		√	√
11.	Monthly inventory reconciliations	√	√	√		√	√



Plan of Action to Address Shortcomings (1/8)

NR	Findings	Root cause	Recommended Solution	Responsible Person	Time frame
1.	MANAGEMENT ARRANGEMENTS				
1.1	<ul style="list-style-type: none"> Organizational structure. Vacant positions. (ML22) (ML2009:A13) 	<p>Old establishment. Lack of appropriate structure for a manufacturing entity. 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.</p>	<ul style="list-style-type: none"> Re-design, new structure. Revise delegations. Reorganization of the Finance Branch (interim capacity). Job profiling and grading/evaluation/ benchmarking. Development program. Appointment of key personnel in Finance Branch (interim and long-term). 	<ul style="list-style-type: none"> GM HR CFO CFO GM: HR GM: HR CFO 	<ul style="list-style-type: none"> Done 31 March 2010 31 December 2009 31 March 2010 2010/11 Financial Year Interim 31 December 2009 Long-Term 31 March 2011
1.2	<ul style="list-style-type: none"> Internal audit. (ML14) (ML 2009: A8) 	<p>The entities organizational structure regarding internal audit is not appropriate for its size and the nature of its operations.</p>	<ul style="list-style-type: none"> Re-design, new structure. Reorganization of the Internal Audit Branch. Job profiling and grading/evaluation/ benchmarking. Development program. Appointment of key personnel in Internal Audit Branch. Internal Audit charter. 	<ul style="list-style-type: none"> GM HR Manager: IA Manager: IA GM HR GM HR Manager: IA 	<ul style="list-style-type: none"> Done 31 December 2009 31 March 2010 In 2010/11 Financial Year Interim 31 December 2009 Long-term 31 March 2011 30 June 2010
1.3	<ul style="list-style-type: none"> Regional offices – No internal control exists. (ML2009:A29) 	<p>Capacity constraints. Inappropriate structures.</p>	<ul style="list-style-type: none"> Strategic decision on regional offices. 	<ul style="list-style-type: none"> CEO & Exco 	<ul style="list-style-type: none"> 31 March 2010
1.4	<ul style="list-style-type: none"> Conduct Risk Assessment. (ML2009:A14) Lack of Fraud Prevention Plan. (ML2009:A14) 	<p>The risk assessment available within GPW is dating back to 17 May 2006. The entity has not the appropriate number of employees, particularly in managerial positions.</p>	<ul style="list-style-type: none"> Regular risk assessment. Development / revision of a fraud prevention plan. 	<ul style="list-style-type: none"> CFO Manager: IA 	<ul style="list-style-type: none"> Done in September 2009 30 June 2010
1.5	<ul style="list-style-type: none"> Financial Management. 	<p>Lack of capacity and appropriate skills.</p>	<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. Individual Development Plan (IDP). Technical Financial Training. Process re-engineering. User requirement specification. 	<ul style="list-style-type: none"> CFO 	<ul style="list-style-type: none"> Done Ongoing Done Ongoing Ongoing Ongoing Done



Plan of Action to Address Shortcomings (2/8)

NR	Findings	Root cause	Recommended Solution	Responsible Person	Time frame
1.6	<ul style="list-style-type: none"> Performance information. (ML25) (ML2009: A11) 	Inadequate performance information management system.	<ul style="list-style-type: none"> Develop / review organizational strategic plan. Develop and implement performance information management system. 	<ul style="list-style-type: none"> CEO GM: SM 	<ul style="list-style-type: none"> 31 December every year Objectives 31 March 2010 Report system 30 June 2010
1.7	<ul style="list-style-type: none"> Policies and procedures. Non-compliance to and/or inadequate policies and documented processes. (ML19) (ML 2009: A7) 	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: <ul style="list-style-type: none"> Supply Chain Management Supply Chain Management framework for GPW, terms of reference for various committees, Standardization of quotation and tender procedures. Costing Approved Costing model and strategy. Pricing Strategy Approved pricing strategy. Financial Management Debtors, Creditors, Cash, Cash Flow, Inventory, Fixed Assets. 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 undertaken by GPW. 	<ul style="list-style-type: none"> SCM Manager Man. Accountant CFO Fin. Accountant CFO CFO CFO 	<ul style="list-style-type: none"> 31 March 2010 31 May 2010 Done 31 May 2010 Ongoing Ongoing Ongoing
1.8	<ul style="list-style-type: none"> Employee Costs – Policies not specific to GPW. (ML 2009: A10) 	Policies and procedures are in place for hiring, orienting, training, evaluating, counselling, promoting, compensating, disciplining, and terminating employees, but these policies are not entity specific or tailored to the specific needs of the GPW as an organization.	<ul style="list-style-type: none"> Formal policies that address the entity specific needs of the GPW should be formulated, documented and approved. 	<ul style="list-style-type: none"> GM: HR 	<ul style="list-style-type: none"> 30 June 2010



Plan of Action to Address Shortcomings (3/8)

NR	Findings	Root cause	Recommended Solution	Responsible Person	Time frame
	<ul style="list-style-type: none"> Employee Costs: Leave approval and captured timeframes. (ML 2009:A16) 	Managers and supervisors do not have enough time to carry out their duties and responsibilities within stipulated timeframes and supervisory personnel do not ensure that staff is aware of their duties and responsibilities and management's expectations.	<ul style="list-style-type: none"> The GPW should ensure that all employees conform to the excepted policies, procedures and regulations as set out by the entity itself and the DPSA regulations. Leave should be approved and captured in the stipulated timeframes. 	<ul style="list-style-type: none"> GM: HR 	<ul style="list-style-type: none"> Ongoing
1.9	<ul style="list-style-type: none"> Systems. 	Lack of integrated systems.	<ul style="list-style-type: none"> User requirement specification (URS). Implementation of ERP system. Implementation of an extensive ongoing training program for computer literacy. Implementation of an extensive ongoing training program for accrual accounting and the application of PECAS. 	<ul style="list-style-type: none"> CFO CFO GM: SM CFO 	<ul style="list-style-type: none"> Done 31 March 2011 Ongoing Ongoing
1.10	<ul style="list-style-type: none"> Non compliance with PFMA Reporting requirements. (ML16) (ML 2009:A17) 	Lack of monitoring.	<ul style="list-style-type: none"> Identify all compliance requirements. 	<ul style="list-style-type: none"> CFO 	<ul style="list-style-type: none"> 31 March 2010
2.	ASSET MANAGEMENT				
2.1	<ul style="list-style-type: none"> PPE. (ML2009: A3,A4,A15, A20,A28) 	Inaccurate / incomplete FAR. Failure to reconcile actual assets with asset register and vice versa.	<ul style="list-style-type: none"> Review and verify fixed asset register. Reconciliation of fixed asset registers with general ledger. Consider useful life, depreciation method and impairment. 	<ul style="list-style-type: none"> Fin. Accountant Fin. Accountant Fin. Accountant 	<ul style="list-style-type: none"> 28 February every year Ongoing Ongoing
2.2	<ul style="list-style-type: none"> Intangible assets. 	Ensure compliance to SA GAAP in Annual Financial Statements.	<ul style="list-style-type: none"> Identify intangible assets. Develop an appropriate accounting policy. 	<ul style="list-style-type: none"> Fin. Accountant 	<ul style="list-style-type: none"> 31 March 2010
2.3	<ul style="list-style-type: none"> Leases. 	Ensure compliance to SA GAAP in Annual Financial Statements.	<ul style="list-style-type: none"> Identify leases and update register. Treatment of finance /operating lease in accordance with SA GAAP. Develop an appropriate accounting policy. 	<ul style="list-style-type: none"> Fin. Accountant 	<ul style="list-style-type: none"> 31 March 2010



Plan of Action to Address Shortcomings (4/8)

NR	Findings	Root cause	Recommended Solution	Responsible Person	Time frame
3.	REVENUE / RECEIVABLES				
3.1	<ul style="list-style-type: none"> Debtors and bad debts Receivables: Non compliance with policies: <ul style="list-style-type: none"> Debtor written off without referring to state attorney. Provision for doubtful debt not based on internal policy. (ML2009:A23) Receivables: Un-allocated credit notes. (ML 2009:B2) Receivables: DRX (debit) and CRX (credit) notes. (ML8) (ML 2009:A26) Receivables: Credit limits exceeded. (ML 2009:A25) 	<p>Inadequate debtor's policies and procedures. Unreliable data on the system. Billing process.</p>	<ul style="list-style-type: none"> Review debtor's policy, including bad debt provisions and write-offs. Business processing re-engineering. Re-designing roles and responsibilities. Data cleanup project. 	•Fin. Accountant	<ul style="list-style-type: none"> 31 December 2009 28 February 2010 31 October 2009 31 March 2010
	<ul style="list-style-type: none"> Interest calculation. 	No policy guidelines in calculating of interest.	<ul style="list-style-type: none"> Freezing of interest charge until data clean-up project has been finalized. 	• Fin. Accountant	• 31 March 2010
	<ul style="list-style-type: none"> Receivables: Reconciliations are not performed. (ML3) (ML2009:A24) Delivery notes not obtained/authorized. (ML6) (ML2009:B1) 	Lack of capacity.	<ul style="list-style-type: none"> Standard reconciliation template should be reviewed and ongoing communication to staff. Investigate alternative methods available to enforce reference numbers on deposits. All orders, signed delivery notes and invoices should be attached together and filed. 	• Fin. Accountant	• 31 March 2010
3.2	<ul style="list-style-type: none"> Receivables: Debtors suspense accounts. (ML7) (ML2009:A1) (ML2009:A2) 	<p>Lack of capacity. Lack of appropriate systems.</p>	<ul style="list-style-type: none"> Daily clearance of suspense accounts. Suspense account reports should be submitted to the accounting officer on a monthly basis. 	• Fin. Accountant	• Ongoing



Plan of Action to Address Shortcomings (5/8)

NR	Findings	Root cause	Recommended Solution	Responsible Person	Time frame
3.3	<ul style="list-style-type: none"> • Credit Notes due to price change. (ML2009:A19) • Credit Notes due to incorrect account numbers used. • Debtors' Age Analysis Differences between acc 236 and age analysis. (ML2009:B7) • Orders delivered are not invoiced until customer brings it to GPW's attention. 	Inadequate system.	<ul style="list-style-type: none"> • Implementation of ERP system. • Adherence to policies and procedures. 	<ul style="list-style-type: none"> • CFO • Fin. Accountant 	<ul style="list-style-type: none"> • 30 June 2010 • 31 March 2010
3.4	<ul style="list-style-type: none"> • Impairment of debtors. 	Non compliance with IAS 39 Financial instruments: Recognition and measurement.	<ul style="list-style-type: none"> • Development and implementation of impairment policy. 	<ul style="list-style-type: none"> • Fin. Accountant 	<ul style="list-style-type: none"> • 31 March 2010
3.5	<ul style="list-style-type: none"> • Incorrect tariffs/price. 	<ul style="list-style-type: none"> • Lack of integrated systems. • Lack of capacity. • Lack of communication. • Inadequate internal control. 	<ul style="list-style-type: none"> • Implementation of ERP system. 	<ul style="list-style-type: none"> • CFO 	<ul style="list-style-type: none"> • 30 June 2010
4.	EXPENDITURE				
4.1	<ul style="list-style-type: none"> • Allocation and Classification. 	<ul style="list-style-type: none"> • Incorrect allocation. • Classification between Capital and Current. 	<ul style="list-style-type: none"> • Item mapping. • Provide adequate training. • Monitoring of actual to budgets. • Investigate cost and profit centers. 	<ul style="list-style-type: none"> • Fin. Accountant • Man. Accountant 	<ul style="list-style-type: none"> • 31 March 2010 • 31 March 2010
	<ul style="list-style-type: none"> • Employee cost: Excessive overtime worked. (ML2009:A9) 	<ul style="list-style-type: none"> • Inappropriate structures. • Lack of capacity. • Outdated equipment. 	<ul style="list-style-type: none"> • Implementation of organizational structure. • Implementation of asset replacement program. • Upgrading of facilities. 	<ul style="list-style-type: none"> • CEO 	<ul style="list-style-type: none"> • 31 March 2011



Plan of Action to Address Shortcomings (6/8)

NR	Findings	Root cause	Recommended Solution	Responsible Person	Time frame
5.	INVENTORY				
5.1	<ul style="list-style-type: none"> • Damaged and obsolete stock (write offs). (ML2009:A22) • Transfer of Stock not properly done (Polokwane office) (ML2009:B3) • Stock verified at Passport factory but not recorded in stock system. (ML2009:B8) • Monthly reconciliation of the different stores and authorized. (MI2009:B11) • Picking slips not signed when goods are taken from store. (ML2009:B4) 	Lack of capacity. Inappropriate systems. Inadequate policies and procedures.	<ul style="list-style-type: none"> • Implementation of organizational structure. • Implementation of asset replacement program. • Upgrading of facilities. • Implementation of appropriate policies and procedures. 	<ul style="list-style-type: none"> • Fin. Accountant 	<ul style="list-style-type: none"> • 31 March 2010
5.2	<ul style="list-style-type: none"> • WIP Status incorrectly classified. (ML2009:A5) 	Inadequate system. Lack of capacity.	<ul style="list-style-type: none"> • Data cleanup project. • Appointment of additional resources. • Implementation of ERP system. 	<ul style="list-style-type: none"> • Man. Accountant • CFO 	<ul style="list-style-type: none"> • 31 March 2010 • 30 June 2010
6.	PAYABLES				
6.1	<ul style="list-style-type: none"> • Payables: Non compliance to PFMA 38(1) (f) and TR 8.2.3 – payment to be settled within 30 days from invoice. (ML15) (ML2009:A17) • Payables: No reconciliations (ML23) (ML2009:A12) • Payments made without verifying the existence of orders/ quotations could not be provided. (ML2009:B6) • Long outstanding credit notes on Payables. (ML2009:B10) 	Inadequate policies and procedures. Lack of capacity. Inadequate system.	<ul style="list-style-type: none"> • Perform creditor's reconciliation monthly. • Verification of vendors registered on Vendor Master. • Monthly Review Creditor's age analysis. • Monthly and quarterly reports for Accounts Payable. • Review creditors' policies and procedures. • Business processing re-engineering. • Re-designing roles and responsibilities. • Appointment of additional resources. • Data cleanup project. • Standard creditors' reconciliation template should be reviewed. • Implementation of ERP system 	<ul style="list-style-type: none"> • Fin. Accountant • CFO 	<ul style="list-style-type: none"> • 31 March 2010 • 30 June 2010



Plan of Action to Address Shortcomings (7/8)

NR	Findings	Root cause	Recommended Solution	Responsible Person	Time frame
6.2	<ul style="list-style-type: none"> Payables: Account 339 outstanding orders not cleared. (ML24) (ML2009:A6) 	Inadequate system Inadequate procedures. Lack of capacity.	<ul style="list-style-type: none"> Reconciliations of account 339 (Goods Received Note control account) and account 311 (Printing - clearing internal debtor) should be done on a monthly basis to clear these accounts and be reviewed by a senior person. Provide training Appointment of additional resources. Implementation of ERP system. 	<ul style="list-style-type: none"> Fin. Accountant CFO 	<ul style="list-style-type: none"> 31 March 2010 30 June 2010
6.3	<ul style="list-style-type: none"> Payables: VAT - Financial Services. (ML26) Reconciliation between VAT control account and VAT 201 forms. (ML29) (ML2009:A27) 	Inadequate system. Lack of capacity. Lack of knowledge.	<ul style="list-style-type: none"> Provide training Appointment of additional resources. Implementation of ERP system. 	<ul style="list-style-type: none"> Fin. Accountant CFO 	<ul style="list-style-type: none"> 31 March 2010 30 June 2010
7.	RELATED PARTIES				
7.1	<ul style="list-style-type: none"> Non-compliance with GAAP. 	Lack of an accounting policy.	<ul style="list-style-type: none"> Develop and implement policy to comply with GAAP. 	<ul style="list-style-type: none"> Fin. Accountant 	<ul style="list-style-type: none"> 31 March 2010
8.	PRIOR YEAR FIGURES MISTATED				
8.1	<ul style="list-style-type: none"> Unresolved prior period figures. (ML1) (ML 2009:A18) 	Inadequate accounting policies and procedures. Lack of capacity.	<ul style="list-style-type: none"> Development of appropriate policies. Recruitment of skilled personnel. 	<ul style="list-style-type: none"> Fin. Accountant 	<ul style="list-style-type: none"> 31 March 2010
9.	YEAR END PROCEDURES				
9.1	<ul style="list-style-type: none"> Accruals. 	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 File. Provide adequate training. Communication to suppliers. 	<ul style="list-style-type: none"> Fin. Accountant 	<ul style="list-style-type: none"> 31 March 2010



Plan of Action to Address Shortcomings (8/8)

NR	Findings	Root cause	Recommended Solution	Responsible Person	Time frame
10.	CONTROL ACTIVITIES				
10.1	<ul style="list-style-type: none"> ICT Control Activities: Weaknesses in general controls in information technology environment. 	Lack of policies: <ul style="list-style-type: none"> IS security policy and procedures Change control procedures were inadequately developed. No disaster recovery plan and a business continuity plan. The backup and restoration procedures were inadequate. IS strategic plan not reviewed. No physical and environmental controls in server rooms. Inadequate service level agreements with suppliers.	<ul style="list-style-type: none"> Development and implement policies. <ul style="list-style-type: none"> Information System Security. Electronic communication usage policy. Electronic mail policy. Internet policy. Ethics and acceptable usage policy. Asset and retirement of ICT equipment policy. Review IS strategic plan. Develop and implement disaster recovery and business continuity plans. Revise service level agreement with vendors. 	<ul style="list-style-type: none"> IT Manager IT Manager IT Manager 	<ul style="list-style-type: none"> Done 31 March 2010 31 December 2009 31 March 2010
11.	COMPLIANCE WITH APPLICABLE LEGISLATION				
11.1	<ul style="list-style-type: none"> PFMA, Treasury Regulations, GAAP and other legislation: Non compliance with: <ul style="list-style-type: none"> Basic conditions of employment act; Labor relations act; Public service regulations; Employment equity act; Occupational health and safety act; Skills Development act 	Non compliance to the relevant acts.	<ul style="list-style-type: none"> Develop compliance check list. Framework for policy development. 	<ul style="list-style-type: none"> GM: SM 	<ul style="list-style-type: none"> 30 June 2010
12.	COMPLIANCE WITH APPLICABLE LEGISLATION				
12.1	<ul style="list-style-type: none"> Budget Office. 	Non compliance with applicable legislation. Lack of capacity.	<ul style="list-style-type: none"> Development, implementation and managing of the budget. Managing of the financial systems. Managing of expenditure control and variances analysis. Ensuring of timeous financial reporting in terms of the PFMA requirements. Appointment of skilled staff. Implementation of ERP system. 	<ul style="list-style-type: none"> Man. Accountant CFO 	<ul style="list-style-type: none"> 30 June 2010 30 June 2010

Annual Financial Statements – Financial Reporting (1/3)

Income

Statement of Financial Performance (R million)	Audited Outcome 2006/07	Audited Outcome 2007/08	Audited Outcome 2008/09	Medium-Term Estimate 2009/10	Medium-Term Estimate 2010/11	Medium-Term Estimate 2011/12	Medium-Term Estimate 2012/13
Revenue	475.7	416.8	487.1	521.2	559.5	603.1	651.2
Other Income	6.9	15.3	38.8	84.3	99.0	114.1	114.1

Transfers from National Treasury	0.2	110.2	137.4	331.2	93.0	123.3	
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Annual Financial Statements – Financial Reporting (2/3) Expenditure

Statement of Financial Performance (R million)	Audited Outcome 2006/07	Audited Outcome 2007/08	Audited Outcome 2008/09	Medium-Term Estimate 2009/10	Medium-Term Estimate 2010/11	Medium-Term Estimate 2011/12	Medium-Term Estimate 2012/13
Employee Benefits	69.2	80.3	86.8	140.2	172.3	180.9	189.6
Administrative Expenditure	16.2	24.9	25.0	60.1	42.2	44.3	46.5
Production & Stores	364.9	238.5	306.9	308.5	273.5	307.2	326.5
Equipment	0.9	1.1	1.4	1.8	2.0	2.1	2.2
Depreciation & Provisions	12.0	37.7	57.2	64.6	112.5	91.9	91.9
Professional Services	14.9	24.5	26.8	30.3	28.4	29.8	31.3
Sundry Expenditure	0.1	2.3	-0.2	1.9	77.0	2.0	2.1



Annual Financial Statements 2008/09 – Financial Reporting (3/3)

Key Outcomes

- Debtors days outstanding reduced from 148 days (2007/08) to 87 days.
- Debt collection improved from an average of R35m to R50m per month
- Embarked on inventory clean up exercise. R15,5m was identified as obsolete or slow moving. (More than 400 tons)
- Asset verification exercise complete.
- Progress made with cleanup of suspense accounts, although not complete yet.
- Adjustments were made to prior year Financial Statements in order to correct comparative figures dintentified accounts?.

We have also made substantial progress with the conversion process despite delays and challenges, and a phased process is planned

- A business case was evaluated by a panel in September 2008, addressing the issues raised by NT and DPSA originally
- Consulted extensively with the Minister, Deputy Minister, NIA, SAPS, GCIS and Labour and received full support for the process and model
- A S36 (3) application has been approved by NT and has been implemented
- An application was made to the Minister (DHA) for delegations to the CEO and was granted
- The Ministers of Finance and DPSA have concurred with the conversion to a Government Component and the Notices and Presidential Minute were signed by the President on 12 August 2009 and published in the Government Gazette on the 11 September 2009
- The relevant Government and Establishment Notices were published in the Government Gazette on the 9 October 2009.
- The financial delegations as required by the PFMA have been prepared.

In addition GPW has also embarked on certain key projects, the new passport processes being one of them and the status is as follows

- The equipment has been delivered, commissioned and is currently fully operational. New SA Passport was launched on 8th April 2009.
- Employees have been trained on the passport machine.
- The equipment was installed at the new facilities at the “Old Mint”, which was refurbished and the site was finally handed over during April 2009
- A total capital investment of R307m has been paid to date towards the new passport facility
- Our attention is now focused on the roll-out of the rest of the asset modernisation programme

The above equipment will be the first in a series of upgrades to modernise and ensure a secure print environment

As previously reported, we have also identified the future “home” of GPW and negotiations are in progress for the second Pavilion

- The new site will be the “Old Mint” and we are finalising the plans and handover of this entire site to GPW
- The costs for Pavilion 1 was funded by DPW, but GPW will be funding some of the future expenses. Speed up of handover from DPW by August of venue not achieved
- GPW will enter into a concession of 20-30 years dependent on building costs funded by DPW and the monthly rentals
- The building development should commence shortly and pavilion 2 should be at the end of the current financial year
- The estimated renovation cost for pavilion 2 would be R44m and would be funded by GPW

The new facilities will be key to improvement in the production environment, production processes and should also boost employee morale and productivity

Finally, the transformation and modernisation will require additional capital injection by the State to ensure conversion and success of GPW

DETAILS	2010/11 R mil	2011/12 R mil	2012/13 R mil
Asset Replacement - Machinery	109,0	72,5	111,2
New IT System	37,5	37,5	nil
Transformation/Conversion Costs	56,8	93,7	nil

This excludes the cost of the new facility

There are challenges ahead but hope that this presentation also highlights the support/resources required from Government at this critical juncture

- We urge you to please provide us with the necessary advise and support
- Critically evaluate our plans going forward
- Support us by ensuring that the requisite funds are forthcoming, as this is always key to any turnaround initiative

WE THANK YOU KINDLY!