



**government
printing**

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Department:
Government Printing Works
REPUBLIC OF SOUTH AFRICA

Building a New Government Printing Works

**ANNUAL REPORT
2009/10**

PRESENTATION TO PORTFOLIO COMMITTEE

12 October 2010



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 2009/10 financial year and beyond,
- Provide an overview of the key outcomes and achievements for 2009/10
- Provide insight into the key audit issues
- Provide insight into the key priorities going forward

The success of GPW 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

- GPW is key to the delivery of security printing to Government Departments and therefore the efficient, secure functioning of GPW is critical to RSA's external image, performance and commitment to its Stakeholders
- GPW must be run on purely business principles, involving amongst others, prompt decision making governed by market forces
- GPW operates within the public service milieu - against the need for the application of business principles across all spheres of its activities, from staff recruitment through service conditions, procurement policies to business relationship with clientele
- Whilst the conversion was finally approved in October 2009, service delivery has been adversely affected in the past by problems emanating from its human and material resources as well the depleted state of production equipment.
- During that time, the AG raised various qualifications issues over a number of years and these qualifications couldn't be addressed in time.
- Although some funds has been provided in the MTEF, GPW still requires additional government funding as this is inadequate to meet its capitalisation requirements and there is uncertainty on future allocations.



Annual Report 2009/10 – Key Outcomes (1/3)

■ Establishment as a Government Component

- On 9th of October 2009, a proclamation was published in the Government Gazette, giving effect to the establishment of GPW as Government Component.
- Significant impact on how the organisation relates to itself and strategic partners.

■ Technological Upgrading & Modernisation

- Passport production facility completed early April 2009
- New South African passport launched on 8 April 2009
- Invested R495m in passport facility
- GPW embarked on a strategy to develop a card personalisation facility
- Pillar for all card based security printing projects in the country and the region & enhance the GPW profile
- GPW was tasked by DHA to print the Crew Member Certificate
- This process will act as a pilot to the major smart card project once Home Affairs is ready
- Plans to spend R396m to complete the process of modernisation over the MTEF period

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



Annual Report 2009/10 – Key Outcomes (2/3)

- To ensure growth and a financially viable organisation, GPW embarked on the implementation of an ERP system to replace it's fragmented IT systems
 - ✓ Hiflex – Production System
 - ✓ Microsoft Dynamics AX – Financial
 - ✓ Microsoft Sharepoint
 - ✓ Intranet & Internet
- Marketing
 - Primary focus on the South African Government Departments
 - GPW was awarded large printing contracts or orders with the Departments of Home Affairs, Education, Police, Health, Justice, International Relations and Cooperation
 - Security printing contract by the Department of Transport and Communication for the Government of the **Republic of Mozambique** for their Vehicle Inspection Certificates
 - Also printed examinations for the Malawi National Examination Board (MANEB) for the **Republic of Malawi**
- 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



Annual Report 2009/10 – Key Outcomes (3/3)

■ Challenges

- Recruit experienced and qualified staff
- Outdated equipment
- Facilities, specifically the production environment
- Funding requirements

■ Successes

- New top management structure has been approved
- Appointment of two General Managers
- Successful launch of the new passport
- Finalisation of Phase 1 of the new facility – Passport facility
- Started with Pavilion 2 – To be finalised during 2010/11
- Progress with the re-capitalisation programme
- Developed a plan of action in order to address all the major issues raised by the AG and SCOPA. Plan was implemented and led to clean audit report



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
- 2009/10 - Fair Presentation

■ Although GPW received a 'clean' audit report there are still areas of concern that remain:

- Further reduction in audit findings
- Sustainability of current environment



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

Qualification Description	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
Receivables	Disclaimer	Disclaimer	Adverse	Adverse	Other Matters	Other Matters	Other Matters
Payables	Emphasis of Matter	Disclaimer	Adverse	Adverse	Adverse	Qualification	
Inventory	Disclaimer	Disclaimer	Adverse	Adverse	Adverse	Qualification	
Purchases				Other Matters	Other Matters	Other Matters	
Revenue		Disclaimer					
Cost of Sales			Adverse				
Service Bonus Provisions		Disclaimer					
Property, Plant & Equipment		Disclaimer	Adverse	Other Matters	Adverse		
Land & Buildings		Disclaimer					
Internal Audit	Emphasis of Matter	Emphasis of Matter	Emphasis of Matter	Other Matters			Other Matters
Vacant Positions					Other Matters		
BCEA				Other Matters	Other Matters		Other Matters
Public Service Act – Non adherence							Other Matters
Budgetary Process		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	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
Special Investigation				Adverse			
Fruitless & Wasteful Expenditure				Other Matters	Other Matters		Emphasis of Matter
Compliance Matters	Emphasis of Matter	Emphasis of Matter	Emphasis of Matter	Other Matters	Other Matters	Other Matters	
Report of Performance against Predetermined Objectives			Emphasis of Matter				Other Matters
Computer Audit of General Controls Surrounding IT Environment	Disclaimer		Emphasis of Matter	Other Matters			
Late Finalisation of Audit /Re-submission of AFS/Material Corrections made to AFS		Emphasis of Matter	Emphasis of Matter	Other Matters	Other Matters	Other Matters	
Restatement of corresponding figures							Emphasis of Matter
Basis of Accounting			Emphasis of Matter				
Approved Policies & Procedures – Various Business Processes		Emphasis of Matter		Emphasis of Matter		Other Matters	



Management Letters Categorised (1/3)

AUDIT FINDINGS BASED IN THE FINAL MANAGEMENT LETTER: REGULARITY AUDIT PERFORMED FOR THE 2009-10 FINANCIAL YEAR CATEGORISED UNDER THE FOLLOWING ISSUES:

No.	Finding	GAAP / Technical Skills	Policies and Procedures	Regulations & Controls	Systems	Capacity	Housekeeping
Final Communication Letter							
Annexure A: Matters Affecting the Auditor's Report							
	Receivables						
1.	Long outstanding debtors			✓		✓	✓
	Employee Costs						
2.	HR: Non compliance with basic conditions of employment					✓	
3.	HR: Overtime exceeding 30% of employee salary					✓	
	Internal Audit						
4.	No functioning internal audit					✓	
	Supply Chain management						
5.	No declarations of interests by employees			✓	✓		
Annexure B: Other Important Matters							
	Property plant and equipment						
1.	Fixed asset register not updated and assets in fixed asset register not located	✓				✓	✓
2.	Zero value assets included in the fixed asset register						✓



Management Letters Categorised (2/3)

No.	Finding	GAAP / Technical Skills	Policies and Procedures	Regulations & Controls	Systems	Capacity	Housekeeping
	Employee Costs						
3.	HR- Policies and procedures not entity specific		✓			✓	
4.	Vacant positions			✓			
	Audit Committee						
5.	Audit Committee Charter					✓	✓
	Inventory						
6.	No supporting documentation	✓				✓	
7.	Monthly reconciliations not reviewed					✓	
8.	Tally cards could not be obtained			✓			✓
	Revenue						
9.	Credit limit exceeded				✓		
10.	Lack of controls over Sale of waste paper						✓
	Payables						
11.	Creditors reconciliations not performed for all creditors					✓	✓
12.	Creditors paid 30 days after receipt of invoices				✓		✓
13.	Account 339 not cleared				✓		
14.	Debtors Suspense account not cleared				✓		