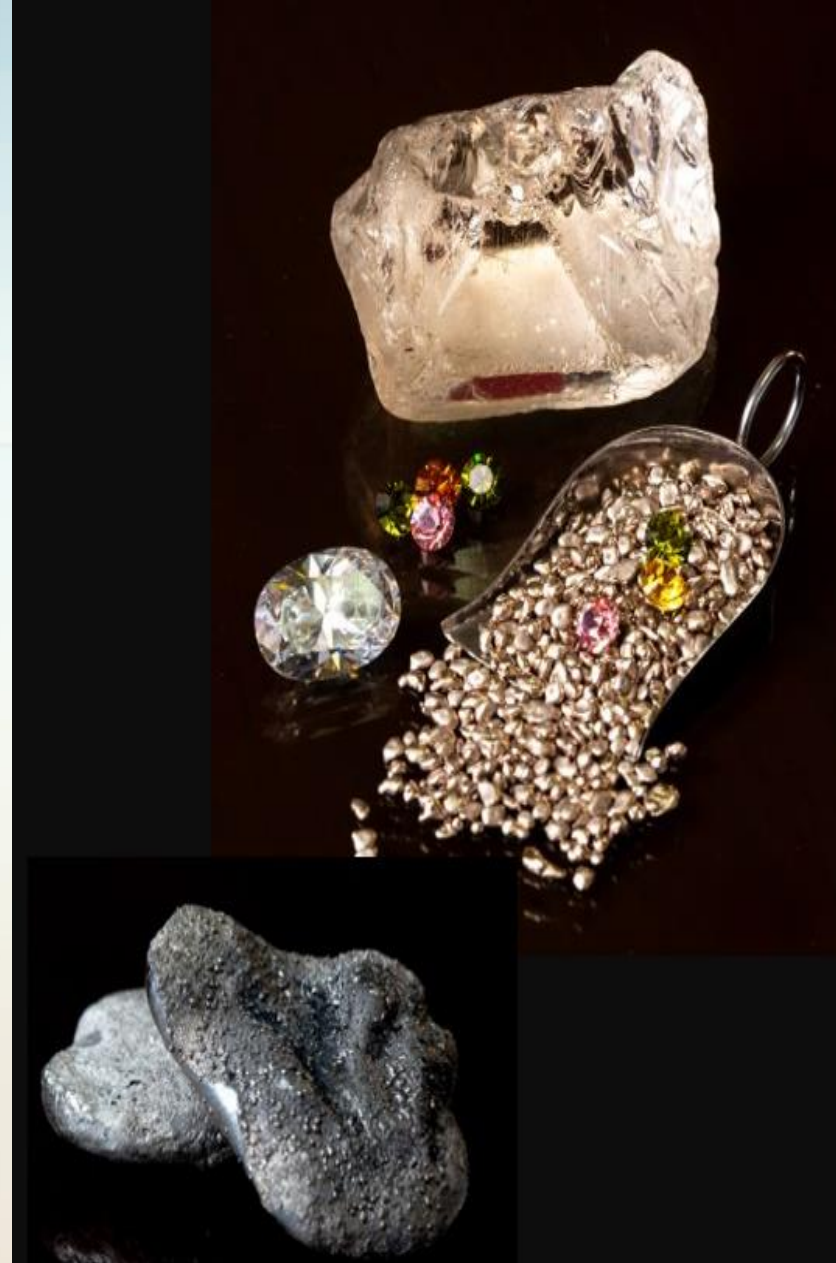


SOUTH AFRICAN DIAMOND AND PRECIOUS METALS REGULATOR (SADPMR)

**Portfolio Committee on Mineral Resources and
Energy**

2021/2022 Annual Report Presentation

11 October 2022



**SOUTH AFRICAN DIAMOND AND
PRECIOUS METALS REGULATOR**

PRESENTATION OUTLINE

- ❑ Legal Framework
- ❑ General Information
- ❑ Annual Performance Information
- ❑ Office Relocation
- ❑ Legal Matters
- ❑ Human Resources Information
- ❑ Audited Annual Financial Statements & Finance Highlights
- ❑ Audit outcome for 2021/2022 Financial Year
- ❑ Challenges and Interventions

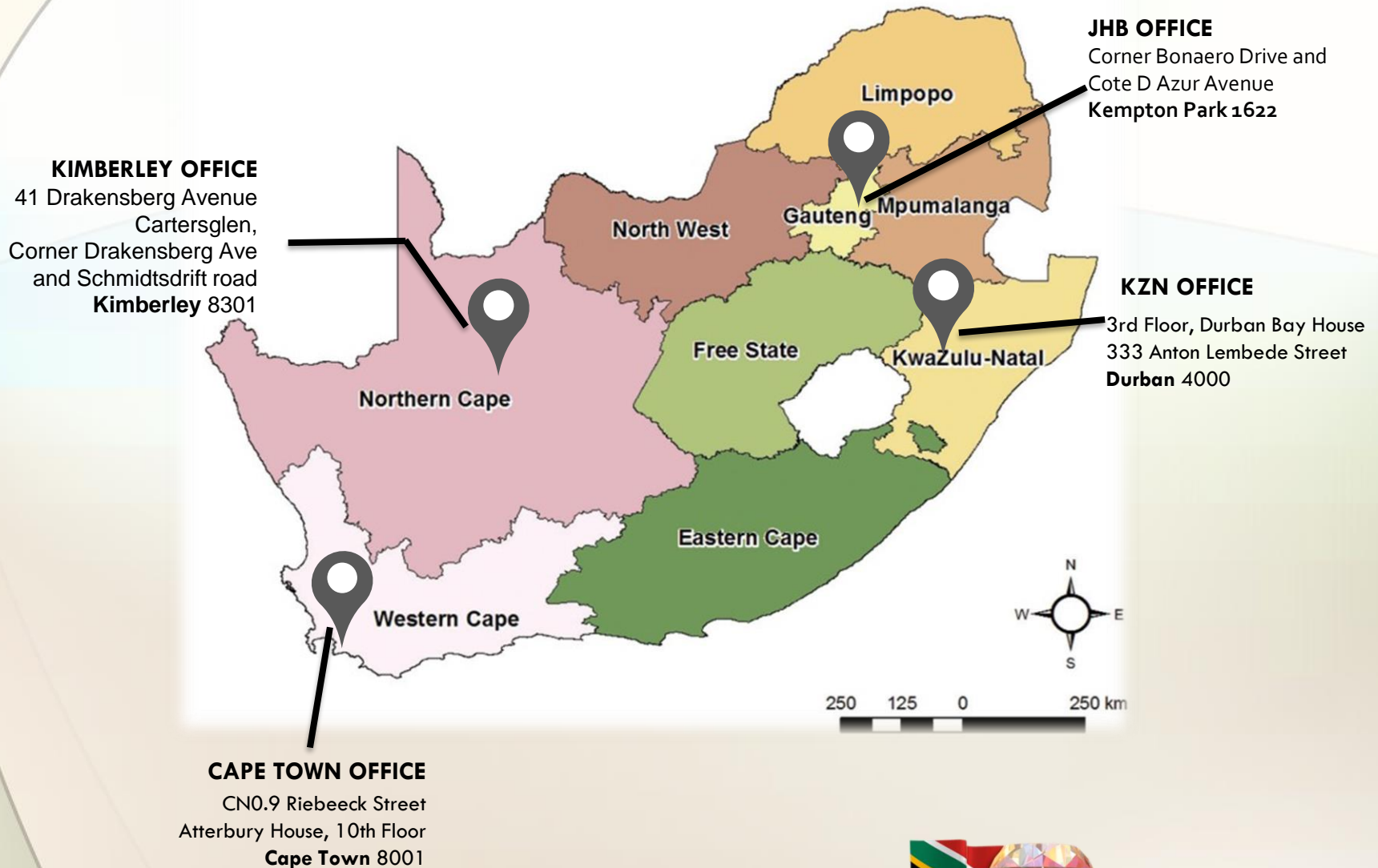


LEGAL FRAMEWORK

- ❑ The South African Diamond and Precious Metals Regulator is established by the Diamonds Amendment Act of 2005 (Act No. 29 of 2005)
- ❑ The Regulator is classified as a schedule 3A public entity in terms of Public Finance Management Act, 1999
- ❑ The mandate is to regulate the buying, selling, importing and exporting of diamonds and precious metals.
- ❑ The Regulator implements the following pieces of legislation:
 - The Diamond Act, 1986 (Act No 56 of 1986)
 - Diamond Export Levy (Administration) Act, 2007
 - Diamond Export Levy Act, 2007
 - Precious Metals Act, 2005 (Act No. 32 of 2005)



SADPMR HEAD AND REGIONAL OFFICES



THE TEAM



COMPANY SECRETARY/
GM GOVERNANCE



CHIEF EXECUTIVE
OFFICER



INTERNAL
AUDITOR



GM: REGULATORY
COMPLIANCE



GM: TRADE



ACTING CFO



GM: CORPORATE
SERVICES



PROGRAMMES

❑ CORE BUSINESS

- ✓ Regulatory Compliance
- ✓ Trade

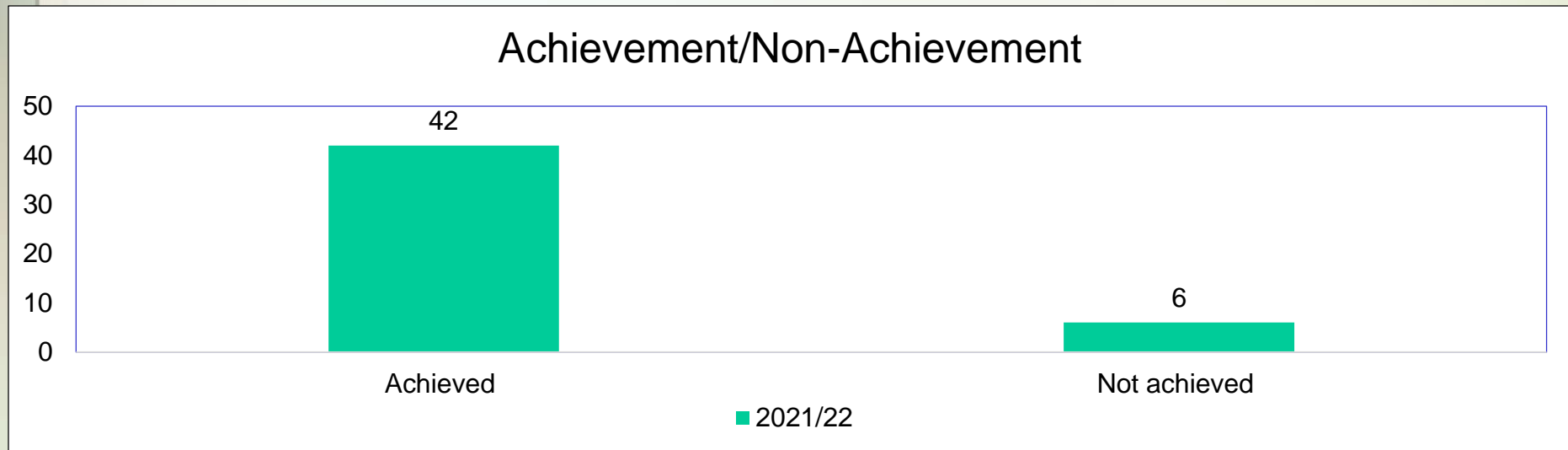
❑ SUPPORT SERVICES

- ✓ Corporate Services
- ✓ Governance
- ✓ Finance



Annual Performance Information Results

- ❑ **Over all Performance achieved was 88%**
 - ❑ **42 out of 48 performance targets were achieved**
 - ❑ **2 Performance targets not achieved were due to the High Court Judgment**
- ❑ **Management have put measures in place to address areas of non-achievement**



Annual Performance Information Results (Non- Achievements)

Outcome Indicator	Annual Target	Actual Performance	Reasons & Remedies
% Rand value Procurement spend awarded to HDI (level 1 and 2)	70%	61%	In Q1 & Q2 less procurement activities were undertaken as the focus was on finalisation of relocation to the GIDZ.
Number of instances of non-compliance with the PFMA	Nil	5	There was non-compliance to SCM policy and National Treasury Regulations. Training has now been provided by National Treasury and consequence management implemented as per National Treasury Guidelines.

Annual Performance Information Results (Non- Achievements)

Outcome Indicator	Annual Target	Actual Performance	Reasons & Remedies
Identify and implement application systems to optimise utilisation of Enterprise Resource Planning system	Implementation of the approved application	Approved application not implemented	Assets module available on the existing financial system was not compatible with unique needs of SADPMR. *The SADPMR is currently implementing a new and compatible module.
Percentage synthetic diamonds detected	100% undisclosed synthetic polished diamonds detected	99%	Failure to detect the undisclosed synthetic diamond in one melee (small diamonds) consignment. Procurement of a more advanced synthetic detecting equipment has now been concluded (delivery is awaited).

Annual Performance Information Results (Non- Achievements)

Outcome Indicator	Annual Target	Actual Performance	Reasons & Remedies
Number of licensees assessed against their commitments	120	73	
Percentage of enforcement actions undertaken	100%	0%	High Court Judgment set aside the applicability of the <u>Mining Charter</u> to licenses issued under the Diamonds Act and Precious Metals Act

OFFICE RELOCATION



NEW OFFICES - GIDZ



**SOUTH AFRICAN DIAMOND AND
PRECIOUS METALS REGULATOR**

LEGAL MATTERS

- ❑ The long outstanding lease agreement negotiation process was ultimately finalized between the SADPMR and the GIDZ.

- ❑ The SADPMR was involved in a number of litigation cases, all of which were ultimately finalized. As a result, the SADPMR remained a litigation free entity.
 - Minerals Council of SA v DMRE (Mining Charter)
 - NUM v SADPMR
 - Blue Cloud Investment (210) Pty) Ltd v SADPMR
 - 3 Senior Managers v SADPMR



HUMAN RESOURCES INFORMATION



HUMAN RESOURCES INFORMATION

STAFF COMPLEMENT AS AT END OF MARCH 2022

Total: The SADPMR had a total of 108 employees by the end of March 2022

Gender: Male: 45
Female: 63

Race: African: 100
Coloured: 3
Indian: 4
White: 1



HUMAN RESOURCES INFORMATION: EMPLOYMENT EQUITY STATISTICS

Number of males	Number of females	Number of people with disabilities
Senior Managers and Executive: 6	Senior Managers and Executive: 2	Senior Managers and Executive: 0
Professionals and skilled employees: 29	Professionals and skilled employees: 43	Professionals and skilled employees: 0
Semi-skilled employees: 8	Semi-skilled employees: 13	Semi-skilled employees: 1 (Male)
Unskilled employees: 1	Unskilled employees: 5	Unskilled employees: 0
Total : 44 male employees	Total: 63 female employees	Total: 1



HUMAN RESOURCES DEVELOPMENT

INTERNSHIP PROGRAMME	FEMALES	MALES
Number of Interns - 8	3	5
Feeder Province	1 Eastern Cape 1 Limpopo 1 Free State	4 Limpopo 1 North West
INTERNAL STAFF ON BURSARIES	MALES	FEMALES
7	5	2
Field of Study	2 x Master of Business Leadership 1 x PGD Accounting 1 x PGD Business 1 x BCom Law	2 x Bsc Hons in Computer Science

FINANCIAL STATEMENTS

2021/2022



**SOUTH AFRICAN DIAMOND AND
PRECIOUS METALS REGULATOR**

ANNUAL FINANCIAL STATEMENTS

FINANCIAL YEAR	2022 R 000	2021 R 000
Estimated Revenue	110 463	132 651
Transfer Payment	62 027	76 054
Sale of services	60 691	42 279
Total Actual Revenue	122 718	118 333
Total expenditure	111 006	104 408
Surplus	11 712	13 925



ANNUAL FINANCIAL STATEMENTS

❑ Overview

- The approved revenue budget for 2021/2022 was R111.7 million .
- This was adjusted by R1.3m resulting in final adjusted budget of R110.4
- The actual revenue recognised for the year is R122.7 million.

❑ Revenue

- The total revenue recognised was R122.7 million.
- Grants/Transfer revenue amounted to R62 million.
- The in-house revenue generated was R60.7 million compared to the budget of R47 million.
- The increase in revenue generated from sale of services results from increase in the dollar per carat value.
- The decrease in Revenue from non-exchange transactions compared to the previous financial period is due to the additional R14m funding allocated in the 2020/2021 financial year for the move to the GIDZ.
- The levying of penalties was also discontinued, the revenue in this regard was derecognised in the period under review and retrospectively.



ANNUAL FINANCIAL STATEMENTS

□ Expenditure

- The actual expenditure for the year under review was R111 million compared to a budget of R110.4 million.

- The expenditure trends were as follows:
 - Compensation of employees: R80.3 million;
 - Other operating expenditure: R26.4 million; and
 - Non-cash expenditure: R4.3 million;

- The actual expenditure against the budget is high mainly due to a labour matter regarding former employees taking longer than expected as well as the office relocation costs funded from reserves.

- In 2021/2022 the SADPMR reported a surplus of R11.7 million as compared to R13.2 million in the 2020/2021 financial year.



AUDIT OUTCOME

The South African Diamond and Precious Metals Regulator received *an Unqualified Audit Opinion with findings for the financial year under review*

FINANCIAL YEAR	AUDIT OUTCOME	FINDINGS
2021/22	Unqualified Audit	Material misstatement to the Annual Financial Statement and non-compliance with procurement prescripts.



HIGHLIGHTS

- ❑ The Diamond Exchange and Export Center (DEEC) realized an increase of diamonds traded in 2021/22 compared to 2020/21 financial year.
- ❑ The targets to issue license within the prescribed legislative time-frame was surpassed by 30%.
- ❑ Collaborations between the SADPMR and various license holders to foster enterprise development were created.
- ❑ During the year under review Jewellery fabrication showed signs of resurgence post Covid-19 as compared to the 2020/21 financial year
- ❑ Thirty (30) policies were approved by the SADPMR Board during the period under review, the purpose of which was to streamline and strengthen corporate governance within the SADPMR.
- ❑ Development of the Optimal Utilization of Human Resources project was approved by the Board for implementation. The project was to ensure that existing Human Resources are fully utilized to enable the entity to achieve its mandate.



CHALLENGES AND INTERVENTIONS

Challenges	Interventions
VAT exemption on imports for industry on to free up much-needed cash.	Propose to SARS for zero VAT on import of minerals (especially from SADC regions) destined to South Africa for beneficiation purposes.
High Court ruling setting aside part 4 of the Mining Charter pertaining to downstream mineral beneficiation and effective transformation goals	Proposed legislative interventions to the DMRE
The declining level of diamond and precious metals beneficiation.	Expansion of mandate with regards to minerals and metals in South Africa – Giving real effect to section 26 of the MPRDA in respect to beneficiation.
Access to minerals resources, funding and markets by smaller enterprises	Collaboration with industry partners, and engagement with financing institutions.



THANK YOU

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