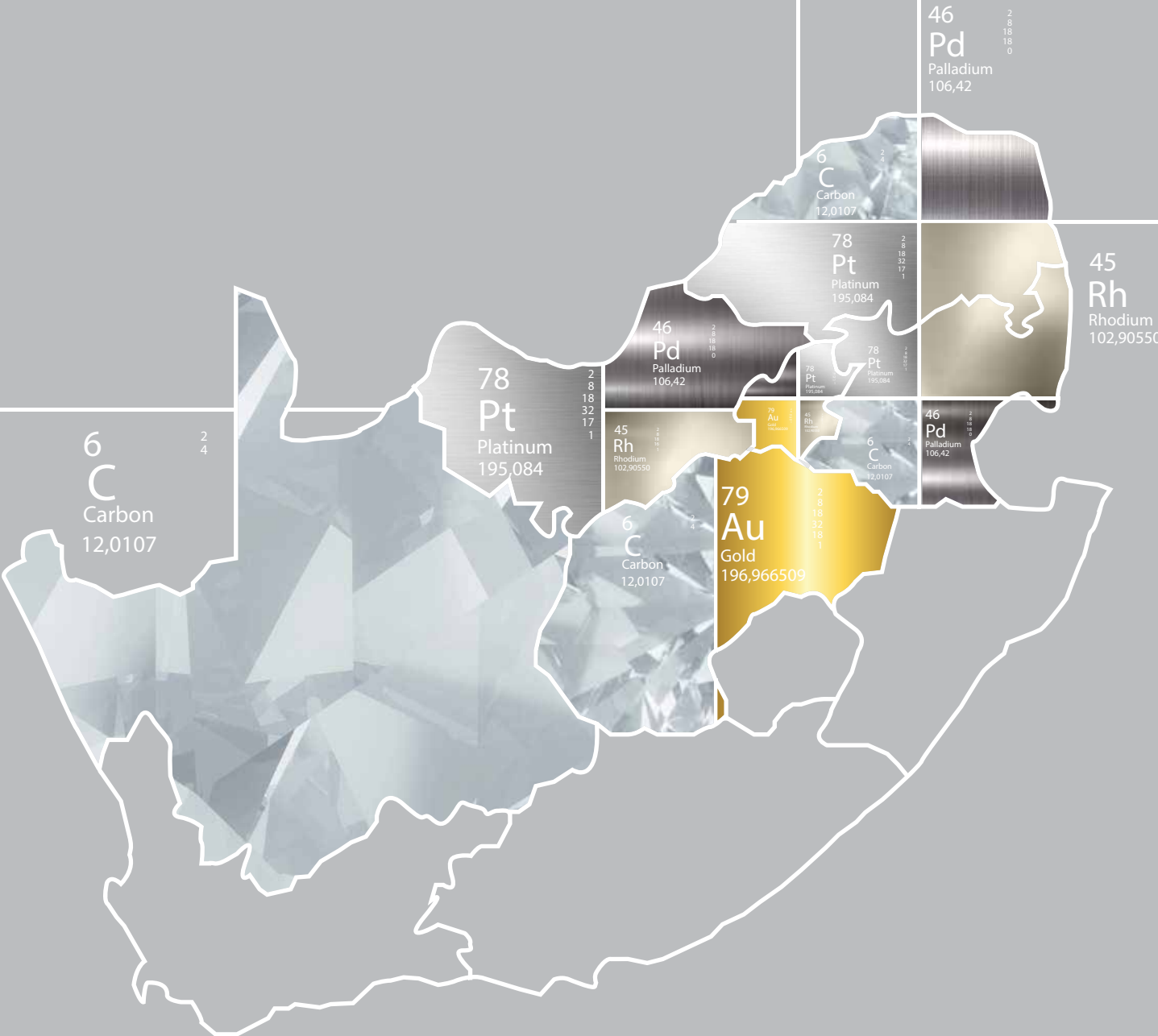


# ANNUAL REPORT

2017 | 2018





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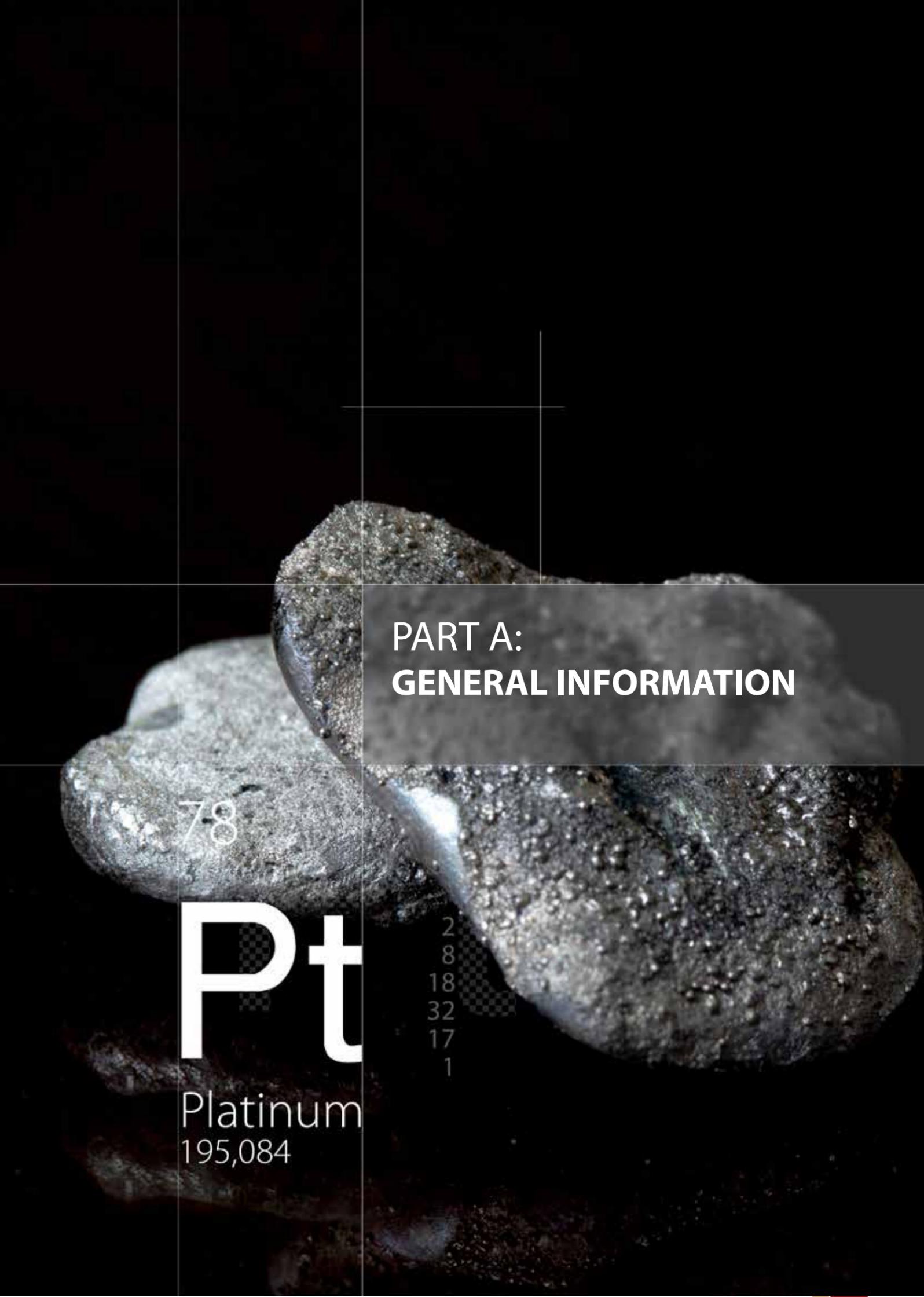
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PART A:  
**GENERAL INFORMATION**

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<b>Bankers Information</b>	Nedbank Ltd SA Jewel Centre 225 Main & Phillip streets Johannesburg, 2001
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<b>Company Secretary</b>	Ms Karabo Sibanyoni
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# ABBREVIATIONS AND ACRONYMS

AGSA	Auditor-General of South Africa
APP	Annual Performance Plan
B-BBEE	Broad-Based Black Economic Empowerment
B-BSEEC	Broad-Based Socio-Economic Empowerment Charter
CEO	Chief Executive Officer
DEEC	Diamond Exchange and Export Centre
DMR	Department of Mineral Resources
EU	European Union
FY	Financial Year
GDV	Government Diamond Valuator
HDSA	Historically Disadvantaged South Africans
HR	Human Resources
ICT	Information and Communication Technology
KP	Kimberley Process
KPCS	Kimberley Process Certification Scheme
KPC	Kimberley Process Certificate
MISS	Minimum Information Security Standards
MPSS	Minimum Physical Security Standards
MSP	Master Systems Plan
NACH	National Anti-Corruption Hotline
NVS	National Vetting Strategy
OHSA	Occupational Health and Safety Act
PFMA	Public Finance Management Act
PMDS	Performance Management and Development System
PPC	Parliamentary Portfolio Committee
PPPFA	Preferential Procurement Policy Framework Act
SADPMR	South African Diamond and Precious Metals Regulator
SDT	State Diamond Trader
WSP	Workplace Skills Plan
\$	US Dollar (unless otherwise specified)
UAE	United Arab Emirates
USA	United States of America
ZAR	South African Rand
SAPS	South African Police Service
WGM	Working Group on Monitoring





## FOREWORD BY THE CHAIRPERSON

The 2017/2018 financial year has been highly successful for the Board of the South African Diamond and Precious Metals Regulator (SADPMR). The Board remains committed towards achieving all the goals it had set for itself to address the decline in the beneficiation in the diamond and precious metals industry, as outlined in the SADPMR Strategic Plan for the FY2017/2018.

The Board, upon its appointment in November 2016, identified a glaring gap of not having an approved strategy to implement the national government policy on beneficiation, even though the SADPMR is legislatively mandated to promote beneficiation. The Board, therefore, oversaw the development and approval of the SADPMR Beneficiation Strategy. The strategy is currently being implemented by the SADPMR and monitored by the Board's Technical Committee. In addition to the strategy, the Board conceptualised three (3) projects that are geared towards the promotion of beneficiation and the facilitation of job-creation. These are:

- Streamlining Diamond and Precious Metals Beneficiation Licences process;
- Promotion of beneficiation and job-creation in near-mining communities; and
- Promotion of Intra-Africa Diamond Trade.

The above-mentioned projects have gained significant traction. The great news is, our partnership with the Department of Mineral Resources (DMR) will ensure the sustainability of the project. The success of these efforts is closely linked to the Board's goal to, firstly, contribute towards the creation of employment opportunities

in South Africa, and secondly, to fulfil the objective of transforming the industry, one project at a time.

The SADPMR, through its Board's Licensing Committee, monitored the enforcement of BEE requirements as stipulated in the Mining Charter. It has worked closely with Management in developing proposals to the DMR's Mining Charter.

The Board, through the Finance and Audit and Risk Committees, oversaw the finalisation of the SADPMR's Annual Performance Plan and the Annual Financial Statements for the 2017/2018 financial year. The SADPMR concluded the financial year on a high note, with 23 of 25 annual targets being achieved and an unqualified audit opinion was received from the Auditor-General of South Africa.

South Africa continued to chair the Kimberly Process Working Group on Monitoring (WGM) during the period under review. As the Chair of the WGM, South Africa facilitated the acceptance of Gabon into the Kimberley Process (KP), facilitated and monitored peer-review compliance visits to nine member states of the KP. The Chair also facilitated and monitored the submission of Annual Reports from its 54-member states.

It facilitated the assessment of the Annual Reports submitted for the year 2016, as well as monitored and reported 15 fraudulent KP Certificates, which were circulating in the mainstream diamond industry. In addition, the WGM made significant strides in supporting and providing technical assistance to the Central African

Republic (CAR).

Through South Africa's intervention, nine (9) zones in the CAR were declared compliant with the KP's minimum requirements, and 15 diamond shipments that have been conducted under the supervision of the WGM were declared conflict-free. The CAR authorities, through South Africa's intervention, are intent on making the entire western region of the CAR to be KP-compliant by the end of the year 2018. Further interventions in 2019 are to extend compliance to the east, and prioritise eight zones of Abba, Bimbo, Bour, Boganangone, Boganda, Bozuom, Dede Mokubo and Sosso Nakombo. This is a remarkable development for the CAR after the country was suspended from trading in rough diamonds back in 2014.

Moreover, South Africa played a pivotal role in the implementation of reforms of the KP. This after it proposed amendments to the framework of the Peer Review Mechanism that encourage equal participation of all countries, fairness and objectivity in handling country-specific issues and accountability of non-compliant member states. It has, indeed, been a successful and productive year for the WGM. We look forward to continue implementing the principles that are enshrined in the National Development Plan (NDP). South Africa has to consider all existing alignments, affiliations and establish strategic relationships among individual partners, based on strategic political and economic priorities. This will ensure that a significant impact is also made to South Africa's national interests through chairing the WGM.

We remain guided by the principles entrenched in the NDP to continue deepening South Africa's integration in sub-Saharan Africa and continentally. This should be entrenched in the context of Africa's progression towards political and economic unity. Globally, we need to strengthen relations within BRICS, and ensure that Africa remains an important part of global production and value chains, thus preventing remarginalisation of the continent. We continue to find ways to contribute in promoting more intra-Africa trade and industrialisation through the creation of large markets. In essence, our mission is to continue playing a critical role in ensuring that all aspects of South Africa's economic planning include regional focus.

Our attention is spiked by the growing presence of synthetic diamonds in the industry. Currently, the Diamond Act only requires the disclosure of synthetic diamonds to a third party, and that traders be identified and regulated depending on the amount of synthetic diamonds produced by a company at any given time. It is our observation that the strong presence of synthetic diamonds in the market is because of the misguided notion that synthetics are somehow related to natural

diamonds, when, in actual fact, they are not. Synthetic diamonds are, simply, lab-manufactured objects that look like diamonds – they are produced through an artificial process.

***“The SADPMR concluded the financial year on a high note, with 23 of 25 annual targets being achieved and an unqualified audit opinion was received from the Auditor-General of South Africa.”***

An interest in synthetic diamonds is because, in most cases:


- Their “quality” is at times better than that of natural diamonds due to the use of today's advanced technology.
- They cost about a third less than natural diamonds, which are likely to get cheaper in the near future as technology gets more advanced.
- They are primarily marketed as “green” or “eco-friendly” and “conflict-free”, a strategy that finds favour as an alternative to the mining of diamonds with civil society organisations that are able to influence views and opinions.

This development calls upon us to start engaging on the regulation of the production of synthetic diamonds and formulating strategies to promote natural diamonds. We can achieve this through, for instance, introducing incentives for mining and marketing of natural diamonds and driving campaigns that encourage more explorations of natural diamond reserves in South Africa.

As the SADPMR Board, we wish to welcome Honourable Gwede Mantashe (MP) as the Minister of Mineral Resources. The Board pledges its commitment to work closely with the Ministry as the Executive Authority of the SADPMR.

On behalf of the Board, I would like to thank the SADPMR Management for supporting the Board in its role of oversight and ensuring the implementation of the strategic objectives of the SADPMR.

Finally, I wish to extend my gratitude to the Chairs of the Board Committees and Members of the Board for their unwavering support, resilience and commitment in carrying out their fiduciary duties towards the SADPMR. We commit to continue carrying out our role as the Accounting Authority through applying the principles of fairness, objectivity and accountability.



**Dr Siphon Manese**  
Chairperson of the Board



## OVERVIEW BY ACTING CHIEF EXECUTIVE OFFICER

The performance of the South African Diamond and Precious Metals Regulator (SADPMR) during the financial year 2017/2018 on key result areas and finances improved compared with the performance of financial year 2016/2017. While employee costs and operating expenses increased, this was offset by higher revenue generated from services.

The SADPMR Annual Financial Statements are in line with the implementation of the approved Strategic Plan of 2017/2018. Both the report on the Annual Performance Plan and financial results have been reported to the Department of Mineral Resources (DMR), the Auditor-General, National Treasury and, subsequently, tabled in Parliament.

The total revenue for the year was R106-million, and this figure was derived from the Grant Received from the DMR, which amounted to R59-million, as well as the sale of services, which amounted to R47-million. These services include licence fees, and penalty and service fees that are charged to SADPMR clients. The main cost drivers were employee costs at R74-million and operating expenses at R25-million, while the entity reported a surplus of R4-million.

The R47-million from the sale of services covered the budget shortfall on the Grant Received, which served as risk mitigation to ensure continuity of SADPMR's ability to deliver its Annual Performance Plan (APP). In addition, the reserve of R54-million was approved by National Treasury to be used on current and capital expenditures.

The SADPMR refined its supply chain management

processes in line with the Preferential Procurement Regulation 2017, which stipulates procurement thresholds and BEE compliance status. The refinement of supply chain management processes includes payment of 98% of creditors within a 30-day period upon receipt of all relevant and required documentation.

The remaining 2% represents incomplete and disputed invoices, which were subsequently resolved. Over R20-million worth of goods and services were procured in the year under review, which assisted the organisation to deliver on its Strategic Plan.

***"The total revenue was R106-million, and this figure was derived from the Grant Received from the DMR, which amounted to R59-million, as well as the sale of services, which amounted to R47-million."***

The SADPMR has once again achieved an unqualified audit and this bears testimony to compliance and effective internal control systems. The previous audit findings were addressed and reports thereof were submitted to both the accounting and executive authorities.

Moving to the core operations of the SADPMR, the diamond trade-related services recorded mixed results. Rough diamond exports and imports significantly decreased with the majority of diamonds traded with Botswana, United Arab Emirates and Belgium. However, the Diamond Exchange and Export Centre (DEEC) has experienced an increase in the number of clients using its services, but the number of diamond beneficiaries accessing DEEC services significantly decreased.

In this regard, the SADPMR is embarking on a marketing programme to reach out and attract more small diamond producers to the DEEC in order to provide them with an opportunity to gain more value for their diamonds and increase access to rough diamonds via the DEEC.

The services of the Government Diamond Valuator (GDV) are of importance as they ensure fair market value of diamonds for the benefit of local buyers. The GDV evaluated all rough diamonds presented to it during the period under review, without any dispute. Rough diamond prices dropped an average 2% in FY2017/2018 due to stagnant polished diamonds prices.

Local beneficiation of both diamonds and precious metals remain a challenge in the country, however, in FY2017/2018 a significant improvement in the quantity (in carats) of diamonds beneficiated was recorded due to higher sales to diamond producers. Also encouraging was the moderately higher gold jewellery fabrication during this period.

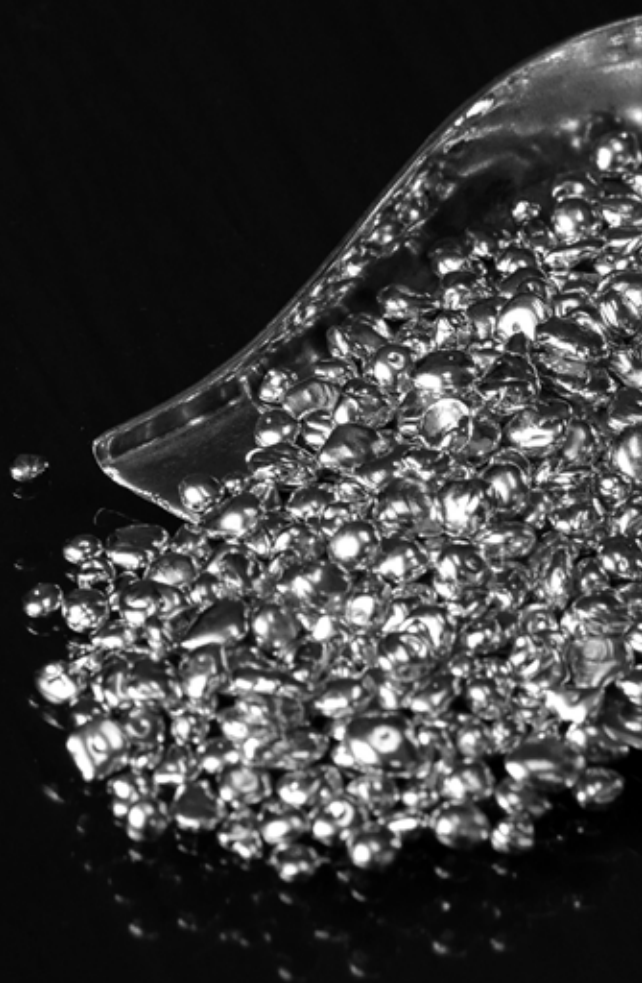
***“The R47-million from the sale of services covered the budget shortfall on the Grant Received, which served as risk mitigation to ensure continuity of SADPMR’s ability to deliver its APP.”***

During the year, the SADPMR also implemented its Promotion of Equitable Access and Local Beneficiation Strategy Implementation Plan, which aims to streamline and coordinate beneficiation-supporting activities of the SADPMR. Transformation of the diamond and precious metals industries remains a focus of the SADPMR. It is in this regard that the entity conducts compliance audits on licensees to verify compliance with the commitments made during licence application, which include skills development and BEE. These efforts have positively influenced the level of transformation as more companies implement their licence commitments.

In conclusion, I would like to extend my sincere gratitude to the Minister of Mineral Resources for providing the SADPMR with the support and resources to carry out its responsibilities. I also extend my appreciation to the SADPMR Board for providing sterling oversight that ensured that the entity remained committed to the implementation of internal controls and the delivery of its mandate. I am also thankful to Management and staff for assisting the SADPMR achieve its mandate and goals.



**Xolile Mbonambi**  
Acting Chief Executive Officer



# STATEMENT OF RESPONSIBILITY FOR THE PERFORMANCE INFORMATION FOR THE YEAR ENDED 31 MARCH 2018

To the best of my knowledge and belief, I confirm the following:

All information and amounts disclosed throughout the annual report are consistent.

- The annual report is complete, accurate and free from any omissions.
- The annual report has been prepared in accordance with the guidelines on the annual report as issued by National Treasury.
- The Annual Financial Statements (Part E) have been prepared in accordance with the Modified Cash Standard and the relevant frameworks and guidelines issued by National Treasury.

The Chief Executive Officer is responsible for the preparation of the public entity's performance information and for the judgements made in this information.

The Chief Executive Officer is responsible for establishing and implementing a system of internal controls designed to provide reasonable assurance as to the integrity and reliability of performance information.

In my opinion, the performance information fairly reflects the operations of the public entity for the financial year ended 31 March 2018.



.....  
**Xolile Mbonambi**  
Acting Chief Executive Officer



.....  
**Dr Sipho Manese**  
Chairperson of the Board



## 5. STRATEGIC OVERVIEW

### Vision

To be a leading regulator for business excellence, transformation and economic empowerment in the diamond and precious metals sectors.

### Mission

#### 1. To render regulatory services by ensuring and promoting:

- Compliance with legislation;
- Skills development and knowledge sharing;
- Business development support and growth; and
- Equitable access to diamond and precious metals resources for local beneficiation.

#### 2. To collaborate and facilitate the establishment of the State Bourse for South Africa.

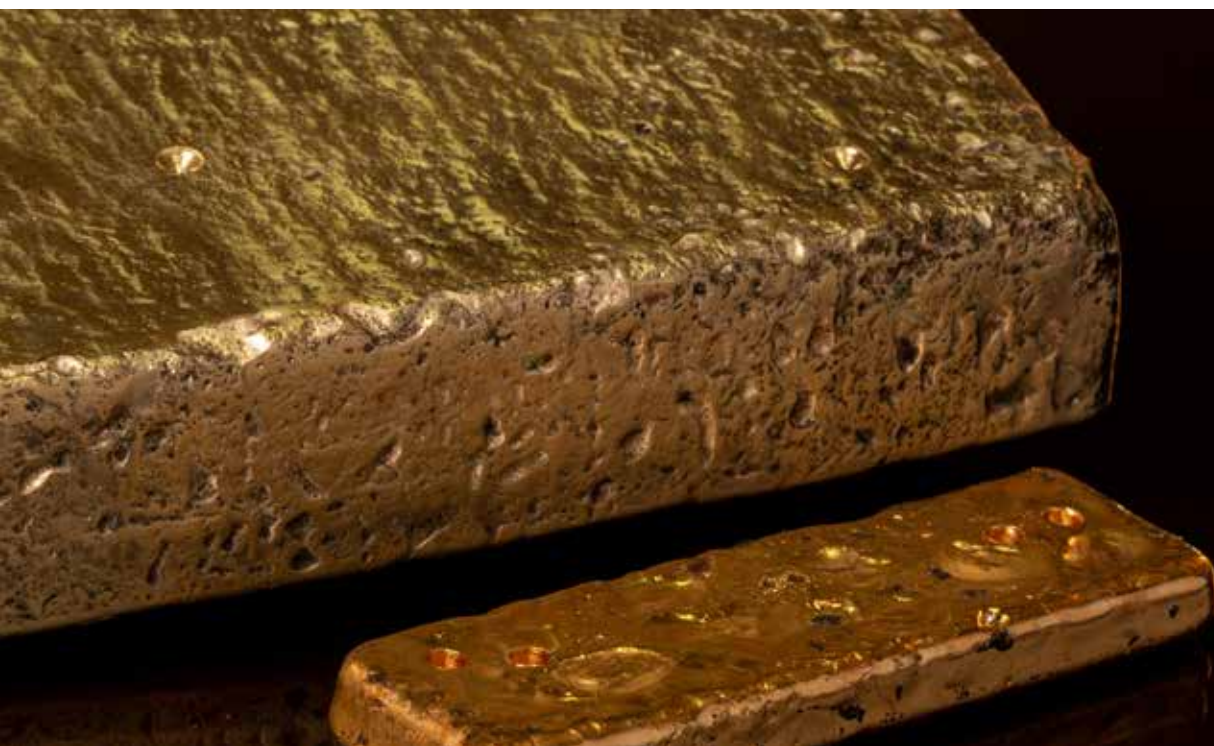
### Values

- Integrity
- Respect
- Time management
- Accuracy
- Consistency

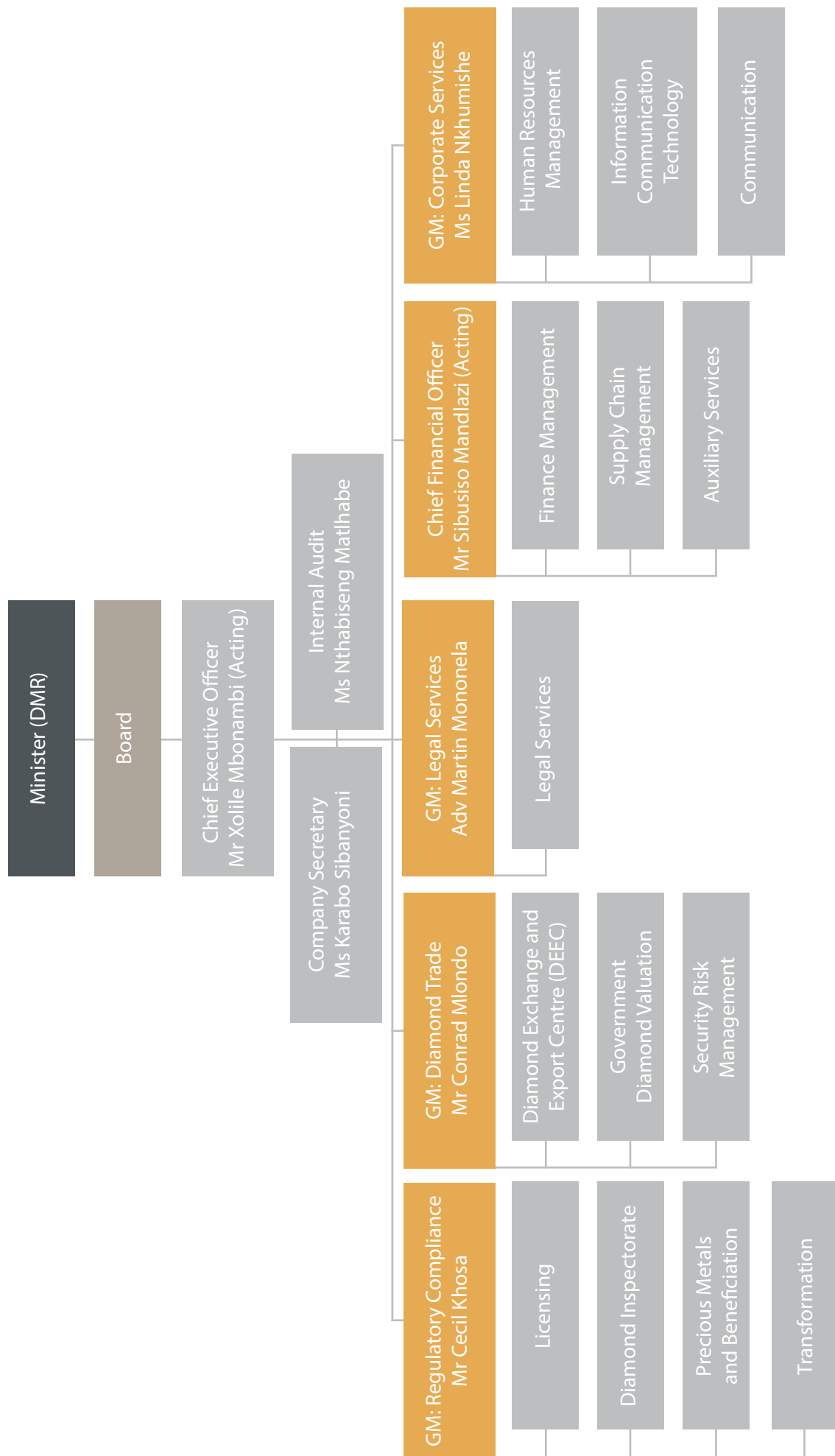
## 6. LEGISLATIVE MANDATE OF SADPMR

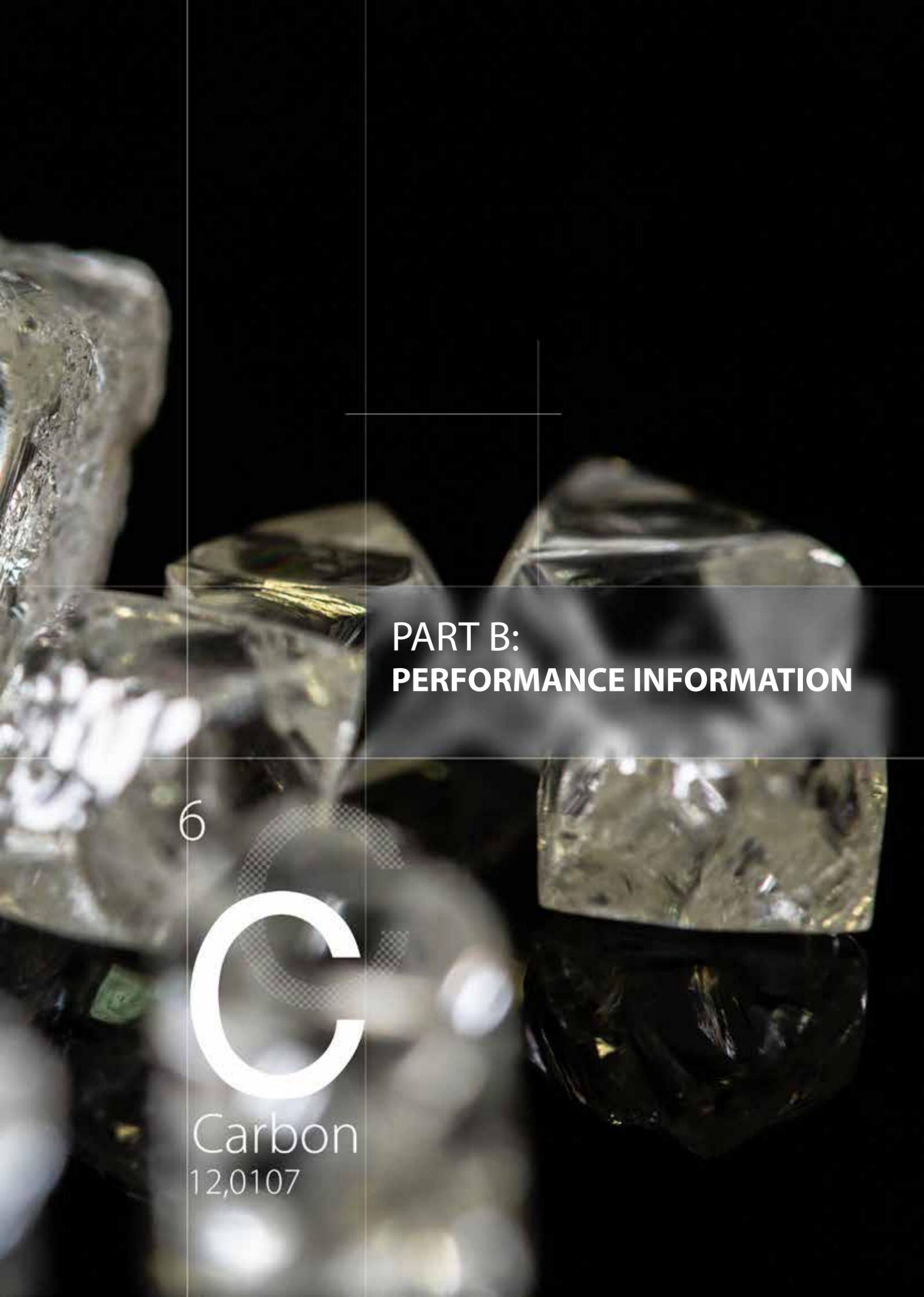
The South African Diamond and Precious Metals Regulator (SADPMR) is classified as a Schedule 3A Public Entity in accordance with the Public Finance Management Act (PFMA) (Act No.1 of 1999). The entity was established in terms of Section 3 of the Diamonds Act (Act No. 56 of 1986), as amended.

The SADPMR's mandate is to implement and enforce the provisions of the Diamonds Act and Precious Metals Act (No.37 of 2005), the Diamond Export Levy (Administration) Act (No.14 of 2007) and the Diamond Export Levy Act (No.15 of 2007). The above-mentioned legislation is implemented in conjunction with other legal framework that directly and indirectly affect the role and mandate of the organisation.



## 7. ORGANISATIONAL STRUCTURE





**PART B:  
PERFORMANCE INFORMATION**

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## **1. AUDITOR-GENERAL'S REPORT: PREDETERMINED OBJECTIVES**

The Auditor-General (AG) currently performs the necessary audit procedures on performance information to provide reasonable assurance in the form of an audit conclusion. The audit conclusion on the performance against predetermined objectives is included in the report to management, with material findings being reported under the Predetermined Objectives heading in the report on other legal and regulatory requirements section of the AG's report.

The AG's report is included with the Annual Financial Statements. The findings of the work performed by the AG and the performance information will be more useful and relevant if it is read with the reporting of the performance information in the annual report commencing on page 19.

## **2. SITUATIONAL ANALYSIS**

### **2.1 Service delivery environment**

The SADPMR annual target relating to new licences/permits issued to enable legitimate diamond and precious metals trade was exceeded, particularly with regards to Beneficiation licences. However, the number of applications for licence renewals was less than anticipated.

The number of inspections relating to new applications and existing licensees continued its steady increase during the period rising from 2,071 to 2,166, the aim being to ensure compliance with legislation.

Transformation of the industry remained the focus of the SADPMR, with increase from 75 to 81 of compliance audits conducted on licensees.

The number of clients accessing the Diamond Exchange and Export Centre (DEEC) service increased from 2,873 to 2,937 in line with the SADPMR's objective of promoting equitable access to diamond resources. The organisation continues to ensure compliance with the Kimberley Process Certification Scheme's (KPCS's) minimum requirements and remains South Africa's focal point for the Kimberley Process (KP).

The SADPMR recorded an increase in the amount of diamonds purchased by diamond beneficiaries, and this is linked to an increase in the local beneficiation of diamonds.

The Government Diamond Valuator (GDV) successfully valued 100% of all rough diamonds presented by diamond producers with no disputes on the valuation for fair market value confirmation.

The SADPMR registered a decrease in the number of diamond beneficiaries accessing DEEC services from 103 to 77 clients. In addition, a number of licensees did not renew their licences within the prescribed time frame. In response, the organisation formulated a Marketing Strategy and the Promotion of Equitable Access and Local Beneficiation Strategy.

## 2.2 Organisational environment

The positions of Chief Executive Officer and Chief Financial Officer remain vacant, however, the process of appointment is under way.

The current precinct that the SADPMR has been operating from since its inception has been sold, leading to the relocation of a significant number of clients to the new hubs in Bedfordview and Rosebank. The SADPMR had to realign its services accordingly.

## 2.3 Key policy developments and legislative changes

Preferential Procurement Regulations 2017 stipulate procurement thresholds and B-BBEE compliance status.

## 3. STRATEGIC OUTCOME ORIENTED GOALS

Strategic outcome	Achievement to date towards five-year targets (FY2014/2015 - FY2017/2018)
1. Job creation, skill development, and value addition to the precious metals and diamonds	<p>The SADPMR issued 718 licences/permits and 191 licence renewals were processed since the beginning of the FY2014/2015 to date, in order to allow legitimate possession and trade of diamond and precious metals in the country. To date, 246 Beneficiation licences have been issued with the aim of promoting local beneficiation and creating jobs within the domestic diamond and precious metals industries. Thirty-seven (37) new entrepreneurs were assisted to start or develop their businesses.</p> <p>The organisation has facilitated skills development initiatives, including the introduction of Sarine Diamond Planning machines as well as diamond valuation. This provided five new diamond licensees with relevant knowledge and skill that will enable them to actively participate in the beneficiation and trade of diamonds.</p> <p>The SADPMR explored the establishment of a State Bourse and consulted relevant stakeholders in this regard.</p>
2. Transformed diamond and precious metals industries	<p>Transformation of the industry remains a priority for the SADPMR and, as a result, 156 licence commitments were verified since the FY2016/2017 to confirm the status of transformation in the diamond and precious metals industries.</p> <p>The SADPMR held eight (8) workshops and information sessions from FY2016/2017 to date to facilitate skills development and to promote participation of Historically Disadvantaged South Africans (HDSA) in the diamond and precious metals industries.</p>
3. Enhance local beneficiation and trade	<p>The SADPMR offers a number of services to its clients that enable them, for example, to view rough diamonds on tender and place their bids. The number of clients that accessed services of the Diamond Exchange and Export Centre (DEEC) totalled 12,177 from the 2014/2015 financial year to date.</p> <p>The number of diamond beneficiation licensees that accessed the DEEC was 598 in the period from FY2014/2015 to date.</p>

#### 4. Compliance to legislation

The Government Diamond Valuator (GDV) continues to ensure that fair market value of diamonds is upheld to ensure that South Africans derive benefits from diamond resources. The GDV has conducted valuation on all diamonds offered by diamond producers in line with Section 59 of the Diamond Act, without the registration of valuation disputes by all affected parties.

The SADPMR, as the appointed focal point of South Africa to implement the Kimberley Process Certification Scheme (KPCS), remains committed to the compliance with KP's minimum requirements, and this includes the submission of reports and issuing of KP certificates.

A total of 6,206 business premises inspections on existing licensees and inspections relating to new licence applications have been conducted. The purpose was to ensure that such premises meet the requirements and correctness thereof.

A total of 1,633 compliance audits have been conducted to date, and the aim was to ensure that licensees comply with the requirements of the Broad-Based Socio-Economic Empowerment Charter (B-BBEE).

The SADPMR made efforts to assist licensees whose operations remain dormant since the beginning of their licence validity. The organisation facilitated in-house training conducted by licensees. The training assisted 116 Historically Disadvantaged South Africans (HDSA) recruits to gain practical skills in the beneficiation and manufacturing sector.

#### 5. Effective, efficient and development-oriented regulator

Sound administration and the implementation of the Public Finance Management Act (PFMA) and other relevant legislation remain the focus of the SADPMR. The organisation received unqualified reports in the past four years and has intensified its stakeholder engagements to ensure that its needs and interests are taken into consideration.

Good corporate governance best practices are being implemented and we are continuously implementing risk management measures to ensure that the organisation's services are rendered efficiently and effectively.

The WebAdmin System was developed to assist with the provision of efficient and effective service at the DEEC. The system allows automated competitive bidding, which is linked to both regulatory compliance and diamond trade business units. The aim is to ensure that only licensed individuals are able to participate during the facilitation of diamond tenders.

## 4. PERFORMANCE INFORMATION BY PROGRAMME

### 4.1 PROGRAMME 1: ADMINISTRATION

#### Purpose

To provide strategic management, support services and capacity building to the South African Diamond and Precious Metals Regulator.

#### Strategic objectives relating to Programme

- To ensure compliance with legislative requirements; and
- To improve organisational capacity for maximum execution of excellence.



Sub-programmes:	Performance measure
Finance Management	• Reduction in the number of repeat audit findings
Human Resource Management	• Number of HR pillars implemented
Communication	• Number of engagements with internal and external stakeholders
Information and Communication Technology	• Number of Master Systems Plan (MSP) programmes implemented
Security and Risk Management	• Risk mitigation measures implemented
Legal Services	• % of matters referred for legal advice and addressed within 30 days • % of contracts and SLAs vetted within 30 days

#### 4.1.1 Strategic objectives, performance indicators, planned targets and actual achievements

##### PROGRAMME: ADMINISTRATION

Performance indicator	Actual achievement FY2014/2015	Actual achievement FY2015/2016	Actual achievement FY2016/2017	Planned target FY2017/2018	Actual achievement FY2017/2018	Deviation from planned target to Actual Achievement for FY2017/2018	Comment on deviations
<b>Strategic objective: to ensure compliance with legislative requirements</b>							
Reduction in a number of repeated findings	Less than 5	Less than 5	Less than 5	Less than 5	Less than 5	No deviation	
<b>Strategic objective: To improve organisational capacity for maximum execution of excellence</b>							
Number of HR pillars implemented	5	5	5	5	5	No deviation	
Number of engagements with internal and external stakeholders	12	12	13	12	20	Variance: +8	An increased number of stakeholder engagements is attributed to the invitations by other stakeholders.
Number of MSP programmes implemented	3	3	3	3	3	No deviation	
Risk mitigation measures implemented	3	3	3	3	3	No deviation	
% of matters referred for legal advice and addressed within 30 days	100%	100%	100%	100%	100%	No deviation	
% of contracts and SLAs vetted within 30 days	100%	100%	100%	100%	100%	No deviation	

## **i. Sub-programme: Security and Risk Management**

During the period under review, all external shortlisted applicants for positions within the SADPMR underwent Personnel Suitability Checks (PSC) and obtained positive results relating to their South African citizenship, financial worthiness and criminal records. The PSC process is meant to determine the candidate's suitability to be considered for employment by the State.

Security screening/vetting is a systematic process of investigation followed in order to determine a person's security competence. Security screening processes were conducted on two new employees.

Furthermore, the SADPMR continued to implement its Physical Security Business Continuity Programme in the form of bi-annual evacuation practices. The programme is meant to ensure that the SADPMR and visitors are prepared to respond to emergency situations.

The SADPMR has not experienced any loss related to security breaches.

## **ii. Sub-programme: Information and Communication Technology**

Information and Communication Technology (ICT) Disaster Recovery (DR) tests were implemented to ensure that there is no data loss and that there is business continuity in the event of a system outage or disaster affecting critical ICT operations of the SADPMR. There has not been any reported incidents of data theft or loss at the SADPMR thus far.

Since the development and the implementation of the WebAdmin System, there has been continuous maintenance to ensure that data captured within the SADPMR is centralised. The system also facilitates and automates the diamond tendering process at the DEEC.

## **iii. Sub-programme: Communications**

A Communication and Marketing Strategy was developed and approved in order to inform the target audience about the SADPMR and its services. In the year under review, the SADPMR facilitated and participated in 20 stakeholder activities intended to improve relations with stakeholders. The SADPMR participated in a number of stakeholder engagement workshops, information sessions and roadshows in response to an increase in illegal mining.

## **iv. Sub-programme: Finance**

Matters of emphasis and other matters emanating from the FY2016/2017 Auditor-General report were followed up and addressed during the year under review. The procurement and spending plans were prudently monitored to ensure alignment with the approved budget. This was complemented by the completion of quarterly reports, supporting the link between the budget and the Annual Performance Plan (APP).

## **v. Sub-programme: Legal Services**

During the period under review, the SADPMR obtained a favourable judgment from the Constitutional Court in the matter of SADPMR v SADPO (the South African Diamond Producers Organisation) and others. The Constitutional Court in this matter found that Section 20A of the Diamonds Act of 1986, as amended, did not infringe upon the constitutional right to free trade and does not constitute an expropriation of property by the State.

The landmark case has confirmed the intention of the legislation to ensure equitable access to diamonds in South Africa. The SADPMR will continue to implement and enforce the provisions of the Diamonds Act of 1986 and all related pieces of legislation.

### **4.1.2 Strategy to overcome areas of underperformance**

All targets were achieved under this programme.

#### 4.1.3 Changes to planned targets

There were no changes to the planned targets.

#### 4.1.4 Linking performance with budgets

During the year under review, the SADPMR focused on implementing the five pillars relating to the Human Resources Plan, the Masters Systems Plan, Stakeholder Engagement and Risk Mitigation Measures, which were aimed at improving organisational capacity for maximum execution of excellence.

Programme	FY2017/2018			FY2016/2017		
	Budget	Actual expenditure	Under expenditure	Budget	Actual expenditure	Over expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Programme 1: Administration	64,776	59,720	5,056	61,119	60,949	170



#### 4.2 PROGRAMME 2: DIAMOND TRADE

##### Purpose

The Diamond Trade Programme is responsible for the facilitation of local trade, exports and imports of diamonds in accordance with the Kimberley Process Certification Scheme (KPCS), and to ensure that diamonds are traded at fair market value.

##### Strategic objectives:

- To improve competitiveness, sustainable development and job creation in the diamond and precious metals industries.
- To improve equitable access to resources for local beneficiation.
- To ensure compliance with legislative requirements.

Sub-programme	Performance measure
<b>i. Diamond Exchange and Export Centre (DEEC)</b>	<ul style="list-style-type: none"> <li>• Number of beneficiators accessing the DEEC</li> <li>• Number of clients accessing the DEEC</li> <li>• Percentage of compliance to KPC requirements</li> </ul>
<b>ii. Government Diamond Valuator (GDV)</b>	<ul style="list-style-type: none"> <li>• Number of skills initiatives facilitated for industries</li> <li>• Percentage of valuation conducted regarding the fair market value lodged</li> <li>• Percentage of disputes regarding fair market value lodged</li> </ul>

#### 4.2.1 Strategic objectives, performance indicators, planned targets and actual achievements

##### PROGRAMME: DIAMOND TRADE

Performance indicator	Actual achievement FY2014/2015	Actual achievement FY2015/2016	Actual achievement FY2016/2017	Planned target FY2017/2018	Actual achievement FY2017/2018	Deviation from planned target to Actual Achievement for FY2017/2018	Comment on deviations
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Strategic objective: To improve competitiveness, sustainable development and job creation in the diamond and precious metals industries

Number of skills initiatives facilitated for the industries	2	2	2	2	2	No deviation	
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Strategic objective: To improve equitable access to resources for local beneficiation

Number of beneficiaries accessing the DEEC	287	131	103	103	77	Variance: -26	<p><b>Constraints</b></p> <p>Decrease in the number of beneficiaries participating during tenders at the DEEC.</p> <p>Beneficiaries are competing with Diamond dealers regarding the parcels that are placed at the DEEC.</p> <p><b>Remedy</b></p> <p>Special tenders for beneficiaries will be initiated. Producers will be asked to assist by providing small packages suitable for beneficiaries.</p> <p>The DEEC continues to give diamond-viewing booking preference to beneficiaries.</p>
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## PROGRAMME: DIAMOND TRADE

Performance indicator	Actual achievement FY2014/2015	Actual achievement FY2015/2016	Actual achievement FY2016/2017	Planned target FY2017/2018	Actual achievement FY2017/2018	Deviation from planned target to Actual Achievement for FY2017/2018	Comment on deviations
Number of clients accessing the DEEC	3,522	2,845	2,873	2,873	2,937	Variance: +64	Reason for the increase of clients accessing the DEEC is due to an increase in the extended services by the DEEC.

### Strategic objective: To ensure compliance with legislative requirements

% of valuations conducted regarding the fair market value lodged	100%	100%	100%	100%	100%	No deviation	
% compliance to KPCS requirements	100%	100%	100%	100%	100%	No deviation	



## i. Sub-programme: Diamond Exchange and Export Centre (DEEC)

The table below indicates rough diamond tender activities facilitated at the DEEC during the 2017/2018 financial year. The DEEC received 3 829 176 carats valued at approximately S\$723-million, which reflects a significant decrease in volume (in carats) but an increase in the value of diamonds offered locally at the DEEC when compared to the previous financial year.

**Table 1: Rough diamonds offered for local sale by diamond producers, dealers and beneficiaries**

Rough diamonds	FY2017/2018		FY2016/2017	
	Carats	Value (\$)	Carats	Value (\$)
Rough diamond received	3,829,176	723,441,953	5,639,302	689,353,671
Total carats sold & qualified for export	3,809,092	811,917,737	5,639,301	902,882,145
Total carats withdrawn	20,085	-	135	-

### Rough diamond exports

During calendar year 2017, South Africa exported approximately 9.8 million carats of rough diamonds valued at about \$1.3-billion. This represents a significant decrease of over 700 000 carats from the 10.6 million carats valued at \$1.5-billion reported during the 2016 calendar year. Rough diamonds exported to Botswana in 2017 totalled 4.6 million carats compared to 4.9 million carats recorded in 2016. It was observed that the quality of rough diamonds exported comprised approximately 60% gem quality and 40% mixed quality. Botswana, United Arab Emirates (UAE) and the European Union (EU) are South Africa's top three trading partners. The table below represents rough diamond exports in 2017 between South Africa and other KP Participants.

**Table 2: Rough diamond exports: 2016 vs 2017 (calendar years)**

Participant	2017		2016	
	Carats	Value (\$)	Carats	Value (\$)
Botswana	4,689,932	440,303,476	4,935,448	554,257,019
Canada	-	-	0.01	50
China	7,170	3,114,556	4,440	5,596,628
DR Congo	108	85,286	-	-
EU	2,237,290	276,993,241	3,180,068	411,693,709
India	126,655	28,599,570	99,140	28,769,858
Israel	269,427	117,298,051	240,317	92,941,196
Mauritius	-	-	20	10 250
Namibia	80	350,385	-	-
Switzerland	139,918	97,079,517	179,613	160,220,945
Thailand	249	401,839	220	2,221,805
Turkey	-	-	13	11 275
UAE	2,424,852	329,582,790	1,978,957	267,074,332
USA	1,568	10,891 209	507	5,926,925
<b>Total</b>	<b>9,897, 249</b>	<b>1,304,699,920</b>	<b>10,618,743</b>	<b>1,528,723,992</b>

## Rough diamond imports

During calendar year 2017, South Africa imported 390,657 carats of rough diamonds valued at about \$387-million, a decrease of 26% in carats and 10% in value compared to 2016. The 2017 import trade data shows that the UAE continues to be South Africa's top-trading partner, with rough diamonds imports of about 126 thousand carats valued at about \$43-million recorded compared with about 173 thousand carats, valued at about US\$73-million, recorded in 2016.

Trade between South Africa and the European Union increased in carats imported during the 2017 calendar year when compared to 2016. Despite a recorded decrease in the carats traded with the UAE and Botswana, both countries still remain South Africa's top three trading partners. The table below represents rough diamond imports in calendar 2017 between South Africa and other KP Participants.

**Table 3: Rough diamond imports: 2016 vs 2017 (calendar years)**

Participant	2017		2016	
	Carats	Value (\$)	Carats	Value (\$)
Botswana	122,008	157,492,871	145,613	188,354,382
Canada	1	100	0	0
China	32	324,440	0	0
Congo, DR	108	85,196	2,873	197,463
EU	71,720	19,063,508	39,288	13,329,659
India	2,561	25,422,965	984	1,611,524
Israel	9,977	29,837,118	22,675	16,721,075
Namibia	2,214	7,379,414	264	52,169
Sierra Leone	31	138,610	0	52,390
Singapore	0	0	23	117 088 402
Switzerland	52,267	95,408,483	108,937	120,501
Tanzania	0	0	135	1,611,524
UAE	126,553	43,028,988	173,847	73,617,740
USA	1,833	6,956,517	903	19,257,275
Zimbabwe	1,352	1,557,859	0	0
<b>Total</b>	<b>390,657</b>	<b>386,696,069</b>	<b>495,542</b>	<b>430,402,580</b>

## KP Certificates issued

During the 2017 calendar year, 1,771 KP certificates were issued for exports to 11 Kimberley Process Participants, while 273 KP certificates were received for imports. This shows an increase of 88 in the number of KP certificates issued for exports and a decrease of 43 in the number of certificates received during 2017.

## Polished Diamond Exports

During the period under review, South Africa exported a total of 121,862 carats of polished diamonds, valued at approximately \$847-million. There was an increase of 5,148 carats declared during this period when compared to the previous financial year. Part of these diamonds were imported by local laboratories for certification purposes. The diamonds were then re-exported. Most of the polished diamonds exported were destined for India, Belgium, the United States of America, China and Israel.

**Table 4: Polished diamond exports**

FY2017/2018				FY2016/2017		
	Carats	Value (US\$)	Rand value (ZAR)	Carats	Value (US\$)	Rand value (ZAR)
<b>Total</b>	<b>121,862</b>	<b>842,310,232</b>	<b>11,069,109,307</b>	<b>116,714</b>	<b>797,585,055</b>	<b>11,521,624,750</b>

**Polished diamond imports**

During the period under review, the DEEC received and cleared a total of 158,057 carats of polished diamond imports valued at approximately \$395-million. There was an increase of 11.768 carats of diamonds declared during this period when compared to the previous financial year. Some of these polished diamonds were imported into South Africa for consultation and certification purposes at local laboratories and were then re-exported to their countries of origin. Most of the polished diamonds were imported from India, Belgium, the United States of America, China and Israel.

**Table 5: Polished diamond imports FY2017/2018 vs FY2016/2017**

FY2017/2018				FY2016/2017		
	Carats	Value (\$)	Rand value (ZAR)	Carats	Value (\$)	Rand value (ZAR)
<b>Total</b>	<b>158,057</b>	<b>395,280,945</b>	<b>2,962,093,149</b>	<b>146,289</b>	<b>37,207,301</b>	<b>5,272,777,411</b>

**Synthetic diamond powder imports**

The DEEC received and cleared over 157 million of carats of synthetic diamond powder valued at approximately \$7-million. The synthetic diamond powder was imported for industrial purposes.

**Table 6: Synthetic diamond imports FY2017/2018 vs FY2016/2017**

FY2017-2018				FY2016-2017		
	Carats	Value (US\$)	Rand value (ZAR)	Carats	Value (US\$)	Rand value (ZAR)
<b>Total</b>	<b>157,253,050</b>	<b>7,874,001</b>	<b>103,455,661</b>	<b>124,108,000</b>	<b>6,075,285</b>	<b>86,713,219</b>

**Government Diamond Valuator (GDV)**

The GDV provides valuation services related to diamond exports, imports and diamond production offered to the State Diamond Trader (SDT) by diamond producers in terms of the Diamond Acts of 1986. It ensures that diamonds are traded at fair market value and provides technical and expert opinion on diamonds in criminal investigations and judicial proceedings.



**Table 7: Producer summary (in carats) of all unpolished diamonds verified by the GDV in terms of Section 59B-2017/2018 vs 2016/2017**

	FY2017/2018		FY2016/2017	
	Carats	Value(\$)	Carats	Value(\$)
Diamond Production presented to the SDT	10,011,920	1,216,563,142	9,026,994	1,126,442,851
10% purchased by the SDT	115,742	130,659,072	177,889	50,768,701

Diamond production offered to the SDT, in terms of Section 59B of the Diamonds Act of 1986 increased by 9.83% (in carat terms) from the previous year (FY2017/2018). The quantity of diamonds (in carats) purchased by the SDT decreased moderately compared with the previous year, but the value of purchases increased by 61% compared to FY2016/2017.

### Diamond valuation services rendered to South African Police Service

The GDV provides a service to the South African Police Service (SAPS) for all objects (suspected to be diamonds) confiscated for the purpose of seeking expert opinion. The table below represents exhibits presented for valuation to the GDV by SAPS.

**Table 8: Objects confiscated by the SAPS**

Province	2017/ 2018	Exhibits		Totals		2016/ 2017	Exhibits		Totals	
		Diamonds	Non-diamond	Carats	Value (ZAR)		Diamonds	Non-diamonds	Carats	Value (ZAR)
Gauteng	30	22	8	9.84	120,945	294	27	267	28.64	60,747
Free State	14	6	8	7.69	9,070	230	21	209	52.38	42,352
Northern Cape	236	81	155	19.19	79,398	1043	121	922	53.99	98,995
Eastern Cape	1	0	1	0	0	0	0	0	0	0
North West	37	9	28	13.9	156,232	181	5	176	2.13	2,706
Mpumalanga	0	0	0	0	0	11	0	11	0	0
KwaZulu-Natal	0	0	0	0	0	0	0	0	0	0
Western Cape	50	21	29	48.07	74,998	80	3	77	4.63	32,874
Limpopo	0	0	0	0	0.00	3	3	0	6.42	3,180
<b>Total</b>	<b>368</b>	<b>139</b>	<b>229</b>	<b>98.69</b>	<b>440,643</b>	<b>1,842</b>	<b>180</b>	<b>1,662</b>	<b>148.19</b>	<b>240,853</b>

During the FY2017/2018, a total of 368 objects were presented to the GDV for valuation, compared to 1,842 objects during the FY2016/2017 financial year. The amount of diamond content confiscated decreased to 98.69 carats in the FY2017/2018 compared to 148.19 carats confiscated in FY2016/2017. Most of the confiscated goods came from Northern Cape and Western Cape provinces.

#### 4.2.2 Strategy to overcome areas of underperformance

In line with the SADPMR's Promotion of Equitable Access and Local Beneficiation Strategy, diamond tenders will be restructured in order to promote greater participation by diamond beneficiaries.

#### 4.2.3 Changes to planned targets

There were no changes to planned targets.



#### 4.2.4 Linking performance with budgets

The year under review focused on the administration of the Kimberley Process Certification Scheme (KPCS) to increase access to the DEEC services and to conduct valuation in order to ensure fair market value for diamonds declared for exports and imports.

The overall spending was R16.8-million compared to the budget of R17.1-million. Variance was a relatively small under expenditure (see table below):

Programme	FY2017/2018			FY2016/2017		
	Budget	Actual expenditure	Under expenditure	Budget	Actual expenditure	Under expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
<b>Programme 2: Diamond Trade</b>	17,130	16,847	283	13,582	12,835	747

### 4.3 PROGRAMME 3: REGULATORY COMPLIANCE

#### Purpose

To regulate both diamond and precious metals industries.

#### Strategic objectives

- To improve competitiveness, sustainable development and job creation in the diamond and precious metals industries.
- To ensure compliance with legislative requirements.
- To transform the diamond and precious metals industries.

Sub-programme	Performance measure
<b>Licensing</b>	<ul style="list-style-type: none"><li>• Number of new licences issued within 60 working days based on completeness of applications.</li><li>• Number of licences renewal processed within 60 working days based on completeness of applications.</li><li>• Number of beneficiation licences issued.</li><li>• Number of B-BBEE compliance audits conducted.</li><li>• Number of workshops/information sessions conducted.</li></ul>
<b>Diamond Inspectorate</b>	<ul style="list-style-type: none"><li>• Number of inspections conducted.</li><li>• Number of inactive businesses assisted.</li><li>• Number of skills initiatives facilitated for diamonds and precious metals industries.</li></ul>
<b>Precious Metals and Beneficiation</b>	<ul style="list-style-type: none"><li>• Number of new entrepreneurs assisted.</li><li>• Number of inspections conducted.</li><li>• Number of inactive businesses assisted.</li><li>• Number of skills initiatives facilitated for diamond and precious metals industries.</li></ul>
<b>Transformation</b>	<ul style="list-style-type: none"><li>• Number of licences verified against their commitment.</li><li>• Business case document developed.</li></ul>

#### 4.3.1 Strategic objectives, performance indicators, planned targets and actual achievements

##### PROGRAMME: REGULATORY COMPLIANCE

Performance indicator	Actual achievement FY2014/2015	Actual achievement FY2015/2016	Actual achievement FY2016/2017	Planned target FY2017/2018	Actual achievement FY2017/2018	Deviation from planned target to Actual Achievement for FY2017/2018	Comment on deviations
<b>Strategic objective: To improve competitiveness, sustainable development and job creation in the diamond and precious metals industries</b>							
Number of licences issued within 60 working days based on the completion of the applications	136	195	180	196	207	Variance: +11	The increase in the number of licences issued within 60 working days was due to the late renewals received, which by default get treated as new applications in terms of legislation.
Number of licence renewals processed within 60 working days based on completion of the applications	N/A	90	75	91	26	Variance: -65	<b>Constraint</b> Received less renewal applications for this financial year. All renewal licences were issued within the legislated time frame.  Application for renewal of a licence lodged at least 30 days before the licence expires remains in force until such a time such an application has been granted or refused. If such renewal application is received after the licence has expired, by default, it is treated as a new application in terms of legislation.

#### 4.3.1 Strategic objectives, performance indicators, planned targets and actual achievements

##### PROGRAMME: REGULATORY COMPLIANCE

Performance indicator	Actual achievement FY2014/2015	Actual achievement FY2015/2016	Actual achievement FY2016/2017	Planned target FY2017/2018	Actual achievement FY2017/2018	Deviation from planned target to Actual Achievement for FY2017/2018	Comment on deviations
<b>Strategic objective: To improve competitiveness, sustainable development and job creation in the diamond and precious metals industries</b>							
							<b>Remedy</b>
							Continuously send reminders to licence holders and also encourage them to renew their licences within a stipulated time frame.
							To change the measure in the next strategic planning process.
							Conduct workshops and client assistance.

#### 4.3.1 Strategic objectives, performance indicators, planned targets and actual achievements

##### PROGRAMME: REGULATORY COMPLIANCE

Performance indicator	Actual achievement FY2014/2015	Actual achievement FY2015/2016	Actual achievement FY2016/2017	Planned target FY2017/2018	Actual achievement FY2017/2018	Deviation from planned target to Actual Achievement for FY2017/2018	Comment on deviations
Number of new entrepreneurs assisted	8	9	10	9	10	Variance: +1	The reason for the over-achievement was due to the workshop held in Rustenburg, which allowed for greater interaction with entrepreneurs.
<b>Strategic objective: To enforce compliance with legislative requirements</b>							
Number of BBSEEC compliance inspection/ audits conducted	272	408	461	409	492	Variance: +83	The reason for the over-achievement in the number of compliance audit inspections, was because the function was extended to the Kimberley regional office in the year under review.
<b>Strategic objective: To improve competitiveness, sustainable development and job creation in the diamond and precious metals industries</b>							
Number of Beneficiation licences issued	63	66	56	67	61	Variance: -6	The non-achievement of the target is because the SADPMR received fewer applications for Beneficiation licences than anticipated.
<b>Remedy</b>							
We will continuously hold workshops and roadshows to promote beneficiation licences.							

#### 4.3.1 Strategic objectives, performance indicators, planned targets and actual achievements

##### PROGRAMME: REGULATORY COMPLIANCE

Performance indicator	Actual achievement FY2014/2015	Actual achievement FY2015/2016	Actual achievement FY2016/2017	Planned target FY2017/2018	Actual achievement FY2017/2018	Deviation from planned target to Actual Achievement for FY2017/2018	Comment on deviations
<b>Strategic objective: To enforce compliance with legislative requirements</b>							
Number of inspections conducted	1,444	1,478	1,610	1,479	1,674	Variance: +195	The reason for an increase in the number of inspections is the high number of inspections of new premises due to the relocation of licence holders to new hubs/centres in Rosebank and Bedfordview.
Business Case Document Developed (State Bourse)	N/A	N/A	Consultation with stakeholders	Consultation with stakeholders	Consultation with stakeholders	No deviation	
Workshops and information conducted	N/A	N/A	4	4	4	No deviation	
Number of inactive businesses engaged	22	31	31	32	32	No deviation	
Number of skills initiatives facilitated for the diamond and precious metals industries	3	3	3	3	3	No deviation	
<b>To transform diamond and precious metals industry</b>							
Number of licensees verified against their commitments	N/A	N/A	70	75	81	Variance: +6	Over-achieved due to increased monitoring of licence and verifying compliance with terms and conditions issued.

## i. Sub-programme: Licensing

There was a marginal decrease in the number of precious metals licences issued in the 2017/2018 financial year compared to the previous corresponding period, and this is attributable to the fewer number of jewellers' permit applications received.

During the year under review, a total of 598 diamond and precious metals licences, permits and certificates were issued. Of these, 414 were diamond licences and 184 were precious metals licences, compared to 599 overall diamond and precious metals licences issued in the previous year.

**Table 9: Diamond licences/permits issued**

Diamond licences/permits Licence type	FY2017/2018		FY2016/2017	
	Applications received	Licences issued	Applications received	Licences issued
Diamond Beneficiation	14	14	20	20
Diamond Dealer	122	122	103	103
Diamond Trading House	2	2	0	0
Diamond Research	0	0	1	1
Temporary Buyers Permit	0	0	0	0
Diamond Certificate	0	0	0	0
Authorised Representative Certificate	141	141	192	192
Diamond Permit	25	25	29	29
Diamond Endorsements	110	110	29	29
<b>Total</b>	<b>414</b>	<b>414</b>	<b>374</b>	<b>374</b>

During the year under review, there was an increase in the number of Diamond Dealer's licences issued, and a decline in the number of Diamond Beneficiation licences issued as well as a decline in the number of authorised representatives applications received in FY2017-2018 when compared to the previous financial year. The overall increase in other types of licences and permits issued is attributable to the number of diamond endorsements granted. Most of these endorsements relate to the change of address from the Jewel City precinct to the newly-developed diamond centres in Bedfordview and Rosebank, both of which are in the Johannesburg area.

**Table 10: Precious metals licences/permits issued**

Licence type	FY2017/2018		FY2016/2017	
	Applications received	Licences issued	Applications received	Licences issued
Precious Metals Refining	6	6	3	3
Precious Metals Beneficiation	0	0	0	0
Jeweller's Permit	70	70	122	122
Special Permit	8	8	12	12
Permit to Import	15	15	13	13
Export Approval	18	18	20	20
Precious Metal Certificate	0	0	1	1
Precious Metals endorsement	67	67	53	53
<b>Total</b>	<b>184</b>	<b>184</b>	<b>224</b>	<b>224</b>

During the period under review, the number of precious metals licences, permits and certificates issued decreased to 184 when compared to 224 in the previous year. The significant decrease is attributable to a fewer number of jewellers' permits applications received.

**Table 11: Diamond and precious metals licences issued based on HDSA ownership for 2017/2018**

Type of licence	No. of licences	100% HDSA ownership		26% HDSA shareholding	
		Male	Female	Male	Female
Diamond Dealers	122	59	9	2	5
Diamond Beneficiation	14	4	3	0	2
Jeweller's Permit	70	10		0	
Precious Metals Beneficiation	0	0	0	0	0
Precious Metals Refining	3	1	0	0	0
<b>Total</b>	<b>209</b>	<b>74</b>	<b>13</b>	<b>2</b>	<b>7</b>

**Note:** Historically Disadvantaged South Africans (HDSA) are South Africans from Black, Coloured, Indian and Chinese (resident or born in South Africa before 1994) communities.

During the period under review, of the 209 principal licences that were issued, a total of 87 licences were granted to 100% HDSA-owned businesses in the form of juristic and natural persons, of which 13 were females and 74 were males.

**Table 12: B-BSEEC compliance inspections conducted by licence type in FY2017/2018**

Licence/permit type	No. of licensees inspected
Diamond Dealer Licence	118
Diamond Beneficiation Licence	66
Jeweller's Permit	281
Precious Metals Beneficiation Licence	15
Precious Metals Refining Licence	12
<b>Total</b>	<b>492</b>

In the 2017/2018 financial year, 492 Broad-Based Socio-Economic Empowerment Charter (B-BSEEC) compliance inspections were conducted. The focus areas in terms of B-BSEEC compliance relate to Ownership, Human Resources Development, Employment Equity and procurement.

## ii. Sub-programme: Diamond Inspectorate

**Table 13: Breakdown of the inspections conducted by licence/permit type**

Licence/permit type	Number of inspections FY2017/2018		Number of inspections FY2016/2017	
	New premises inspections	Follow-up inspections	New premises inspections	Follow-up inspections
Dealing Licence	159	214	135	239
Beneficiation Licence	53	166	34	88
Trading House Licence	1	96	2	88
Research Licence	0	47	2	35
Producer Permit	0	75	0	96
Import/Export Comfort Letters	0	36	0	25
<b>Total</b>	<b>213</b>	<b>634</b>	<b>173</b>	<b>571</b>

The table above indicates that a total of 847 inspections were conducted during the period under review. Of these inspections, 213 were related to new diamond licence applications, while 634 were follow-up inspections on existing licences. Added together, the number of inspections conducted represents an 8.8% increase, compared to the previous year's achievement of 744 inspections.

During the period under review, joint inspections with the South African Police Service (SAPS) were conducted in all diamond trading houses to enforce the Constitutional Court judgment of 23 July 2017, which confirmed the constitutionality of Section 20A of the Diamonds Act of 1986 (as amended). To date, no contraventions have been observed.

## Diamond beneficiation

South Africa's diamond beneficiation in the FY2017-2018 stood at 284,212 carats, and this was significantly higher than the 234,743 carats benefited in the previous financial year. The increase is attributed to the higher purchases of rough diamonds by beneficiaries.

**Table 14: Diamond beneficiation trend (financial years)**

Year	Diamond purchases by beneficiaries (carats)	Diamonds benefited (carats)
FY2011/2012	230,000	200,000
FY2012/2013	480,000	231,000
FY2013/2014	850,000	244,000
FY2014/2015	880,000	224,000
FY2015/2016	659,516	212,392
FY2016/2017	739,265	234,743
FY2017/2018	881,072	284,212

### iii. Sub-programme: Precious Metals and Beneficiation

The number of precious metals inspections conducted on the premises of refining licence holders increased significantly from 49 to 60 in FY2017/2018 relative to FY2016/2017. This is due to the enhanced focus on these licensees.

#### Precious metals inspections

During the year under review, a total of 831 inspections were conducted, of which 123 were related to new precious metals licence/permit applications, while the remaining 708 were follow-up inspections conducted on the premises of existing licence/permit holders.

The number of inspections conducted represented a 4% decrease compared with the previous year (866 inspections, of which 187 were for new applications, and 679 were related to existing licences/permits). New premises inspections are dependent on new applications received. The decrease in new premises inspections was due to the decline in the amount of new precious metals licence and permit applications during the period.

Most inspections that were conducted related to applications for jeweller's permits (78 inspections – mainly renewals) and existing jeweller's permits, totalling 593, followed by inspections related to refining licences and beneficiation licences. Jeweller's permit follow-up inspections dominate inspections as these are the principal permits issued by far. Jewellery manufacturing is the main activity relating to precious metals in terms of the number of participants in the domestic industry.

During the year, several joint inspections were conducted with SAPS on licence holders and irregularities were either reported or identified in the registers of transactions. While inspecting premises, a few minor register-related transgressions were identified and dealt with in accordance with the provisions of the Precious Metals Act of 2005, hence an increase in follow-up inspections.

Every holder of a precious metals licence or permit must keep a true and correct register in the prescribed format and for the prescribed period, of all unwrought or semi-fabricated precious metals they have deposited, received, dispatched or otherwise disposed of. Such registers of transactions must be submitted to the SADPMR periodically (quarterly, bi-annually or annually).

**Table 15: Breakdown of inspections conducted by licence/permit type**

Licence/permit type	No. of inspections FY2017/2018		No. of inspections FY2016/2017	
	New premises inspections	Follow-up inspections	New premises inspections	Follow-up inspections
Refining Licence	33	60	10	49
Beneficiation Licence	3	55	0	67
Jeweller's Permit	78	593	165	550
Special Permit	9	0	12	1
<b>Total</b>	<b>123</b>	<b>708</b>	<b>187</b>	<b>679</b>

**Precious metals beneficiation**

The SADPMR estimates South Africa's total gold jewellery fabrication at 1104kg in the FY2017/2018, which was marginally higher considering that 893kg was recorded last year. The use of platinum in jewellery remained in the 50kg margin compared to the previous year.

Platinum Group Metal (PGM) fabrication is dominated by the fabrication of catalytic converters. The SADPMR estimates PGM fabrication at some 27 tons in FY2017/2018, a similar estimate in FY2016/2017. This sector is stagnant due to excess supply in the market.

**Table 16: Precious metals fabrication – FY2017/2018 and FY2016/2017**

Financial Year	Gold jewellery fabrication (kg)	PGM fabrication (tons)
2017/2018	1 104	27
2016/2017	893	27

*NB: ° Means estimates to be finalised*

**iv. Sub-programme: Transformation**

A total of 81 monitoring and verification compliance audits were conducted on licensees with respect to their compliance with commitments made in their business plans to effect transformation within their operations. Of these audits, 14 were conducted in respect of Diamond Dealers, 20 for Diamond Beneficiation Licences, 31 for Precious Metals Jeweller's Permits, and eight (8) Precious Metal Refining Licences. The number of audits conducted increased to 81, compared with 75 conducted in the previous year. The increase has contributed to an improvement in terms of compliance with the Mining Charter.

**Table 17: Breakdown of licensees verified against their commitments**

Licence/permit type	No. of licensees verified FY2017/2018	No. of licensees verified FY2016/2017
Diamond Dealer's	14	17
Diamond Beneficiation	26	26
Jeweller's Permit	31	20
Precious Metals Beneficiation	2	0
Precious Metals Refining	8	12
<b>Total</b>	<b>81</b>	<b>75</b>

Over and above compliance inspections, in-depth verification of commitments to Broad-Based Socio-Economic Empowerment Charter (B-BSEEC) are conducted in order to determine the level of transformation in the diamond and precious metals industries.

#### 4.3.2 Strategy to overcome areas of underperformance

The SADPMR will encourage and remind licence holders to renew their licences well in advance.

#### 4.3.3 Changes to planned targets

There were not changes to planned targets.

#### 4.3.4 Linking performance with budgets

The expenditure figures indicated below relate to issuing licences, conducting diamond and precious metals inspections and carrying out compliance audits. These activities ensured competitiveness, sustainable development and job creation in the diamond and precious metals industries. In performing the key activities, the organisation spent R23.4-million, which was R3.2-million above the approved programme budget of R20.2-million. The overspending variance emanates from the increase in inspections conducted for change in premises as well as new applications received.

Programme	FY2017/2018			FY2016/2017		
	Budget	Actual expenditure	Over expenditure	Budget	Actual expenditure	Over expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Programme 3: Regulatory compliance	20,195	23,415	-3,220	18,634	21,562	-2,927



## 4.5 Revenue collection

The total revenue of R105.9-million for FY2017/2018 was higher than that of FY2016-2017, which was R103-million. The total revenue realised includes licence fees, penalties and service fees. The increase is attributable to the increase in the grant received from National Treasury, which was R59.2-million compared to R53.2-million for the 2016-2017 financial year.

Sources of revenue	FY2017/2018			FY2016/2017		
	Estimate	Actual amount collected	(Over)/under collection	Estimate	Actual amount collected	(Over)/under collection
	R'000	R'000	R'000	R'000	R'000	R'000
Licence, penalty and service fees	42,490	42,154	336	39,653	44,525	(4,872)
Interest received	3,223	4,198	(975)	1,500	4,028	(2,528)
Other income	354	378	(24)	245	371	126
Grant received	59,198	59,198	-	53,205	54,038	-
<b>Total</b>	<b>105,266</b>	<b>105,929</b>	<b>(662)</b>	<b>94,603</b>	<b>102,963</b>	<b>7,274</b>

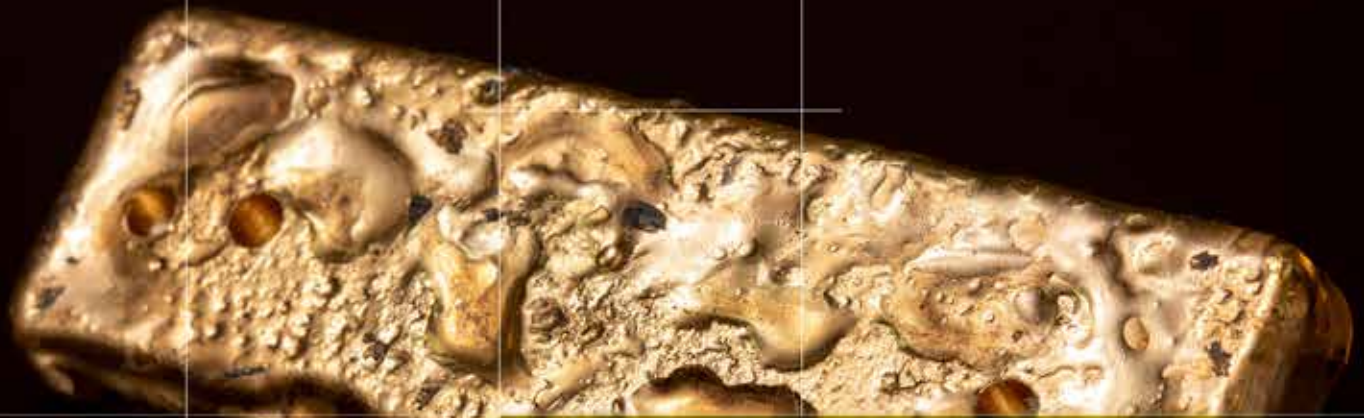
## 4.6 Capital investment

### Asset Management Plan

In alignment with National Treasury Instruction Note 2 of 2016-2017 on cost containment, warranties on motor vehicles and computer equipment were extended, hence there was no major procurement of computers and motor vehicles during the year under review. New purchases were only limited to replacing obsolete and beyond-economical-to-repair computers and office equipment.

Two physical asset verifications were conducted to ensure the effectiveness of assets when compared to the re-assessment values.

Infrastructure programme	FY2017/2018			FY2016/2017		
	Estimate	Actual amount collected	(Over)/under collection	Estimate	Actual amount collected	(Over)/under collection
	R'000	R'000	R'000	R'000	R'000	R'000
Computer equipment	129	128	1	80	78	(2)
Furniture and fitting	50	48	2	29	29	-
Leasehold improvements	98	95	3	28	29	(1)
Office equipment	64	63	1	65	64	1
Security systems, machinery and safes	-	-	-	27	26	1
<b>Total</b>	<b>341</b>	<b>334</b>	<b>7</b>	<b>229</b>	<b>226</b>	<b>3</b>



## PART C: CORPORATE GOVERNANCE

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## 1. Introduction

The SADPMR was established in terms of Section 3 of the Diamonds Amendment Act 29 of 2005 and is classified in terms of the Public Finance Management Act (PFMA), 1999 as a Schedule 3A State entity.

*Diamonds Act of 1986, as amended*

As the enabling legislation of the SADPMR, this Act provides for the objectives, functions and role of the SADPMR. The Diamonds Act further makes provision for the appointment and composition of the Board of the SADPMR and the Chief Executive Officer as the Accounting Officer.

*Public Finance Management Act of 1999, as amended*

As a Schedule 3A State entity, the SADPMR's corporate governance is achieved through the application of the provisions contained in the Public Finance Management Act (PFMA) read together with the King Report IV on Corporate Governance.

## 2. Portfolio Committees

Parliament has an oversight role on the overall performance of the SADPMR. The Parliamentary Portfolio Committee (PPC) on Mineral Resources reviews and oversees all functions and duties of the SADPMR, including financial matters.

The SADPMR presented its annual report for the FY2016/2017 to the PPC on 4 October 2017. Furthermore, the PPC conducted an oversight visit to the SADPMR on 1 February 2018. The following key issues were raised during both interactions:

- The SADPMR was encouraged to ensure that its strategy is aligned to the National Employment Equity standards and that where shortfalls are identified, plans should be devised to address them. The organisation was lauded on its achievement on skills development initiatives and transformation of the industry and was also encouraged to focus on the impact of such initiatives.
- The promotion of local beneficiation should receive more attention to ensure that unpolished diamonds are available for cutting and polishing in the country. The SADPMR should explore ways to promote trade within the African continent as well as take advantage of South Africa's BRICS membership to attract investment and trade.
- The SADPMR was commended on its consistent good performance, which is reflected in its audit record over the years.

## 3. Executive authority

The SADPMR accounts to the Minister of Mineral Resources as the Executive Authority of the entity. Quarterly performance information and financial results are submitted to the Honourable Minister at the end of each financial year, as required by the PFMA. The following quarterly reports were submitted by the SADPMR:



2017/2018	Documents submitted	Due date for submission	Date submitted by SADPMR	Status
Quarter 1	Performance and Financial Results	31 July 2017	31 July 2017	Finalised
Quarter 2	2018/2019 Budget and Strategic Plan	30 September 2017	30 September 2017	Finalised
	2016/2017 Annual Report	31 August 2017	31 August 2017	Finalised
	Performance and Financial Results	31 October 2017	30 October 2017	Finalised
Quarter 3	Performance and Financial Results	31 January 2017	29 January 2017	Finalised
Quarter 4	Performance and Financial Results	30 April 2018	30 April 2018	Finalised

All of the above reports were received in order by the Minister of Mineral Resources.

#### 4. The Accounting Authority/The Board

The SADPMR Board is duly appointed by the Minister of Mineral Resources in terms of Section 6 of the Diamonds Act, 56 of 1986, as amended. The Board serves as the Accounting Authority of the entity.

The Board comprises non-executive members and the Chief Executive Officer of the SADPMR, who serves as an *ex officio* member of the Board. In terms of Section 6 (1) of the Diamonds Act, the Board must ensure that the functions of the SADPMR are performed and that, in so doing, the objects of the SADPMR are achieved. The Board is responsible for the strategic direction and for the financial management of the SADPMR in terms of the PFMA.

##### 4.1 Board Charter

The SADPMR Board is governed by a Charter, which is reviewed annually. The Board Charter outlines the Board's responsibilities towards the SADPMR as stipulated in the Diamonds Act (as amended), Public Finance Management Act, and King Report IV on Corporate Governance. The Board oversees the Strategic Plan, Annual Performance Plan and Quarterly Performance Plans of the SADPMR, and ensures that the entity achieves all its strategic objectives as outlined in all these plans.

##### 4.2 Composition of the Board

All members of the SADPMR Board are non-executive directors, with the exception of the CEO, who serves on the Board as *ex officio* member. The Board is appointed by the Minister of Mineral Resources in accordance with the provisions stipulated in Section 6 of the Diamonds Act of 1986, as amended. The current Board was appointed on 1 November 2016.



# MEMBERS OF THE BOARD

---



**Dr Siphon Manese**  
Chairperson



**Ms Ntombifuthi Monedi-Noko**  
Deputy Chairperson



**Mr Xolile Mbonambi**  
Acting Chief Executive Officer



**Mr Peter Bailey**  
Member



**Mr Mochele Noge**  
Member



**Mr Bernard Stern**  
Member



**Adv Nik Van Rooyen**  
Member



**Mr Tembani Ngqeza**  
Member



**Mr Bothwell Deka**  
Member



**Mr Mandla Mnguni**  
Member



**Ms Mpho Mosing**  
Member



**Mr Charles Nevhutanda**  
Member



**Ms Maletlatsa Ledingwane**  
Member



**Ms Mamodupi Mohlala-Mulaudzi**  
Member



**Mr Kagiso Menoe**  
Member



**Ms Karabo Sibanyoni**  
Company Secretary

#### **Absent members:**

1. Maj. Gen. Ntombizodwa Mokoena
2. Maj. Gen. Peter Arendse
3. Mr Meshark Maile
4. Mr Raymond Paola

Name	Designation (in terms of the Board structure)	Date appointed	Date resigned	Qualifications	Area of expertise	Board directorship	Other committees or task teams	No. of meetings attended
<b>1. Dr S Manese</b>	Board (Chairperson)	1 Nov 2016	-	PhD: Psychopedalogy	Psychopedalogy	1. SADPMR 2. SDIMM Trading & Projects 3. SDIMM Security Services 4. Mane-Dukoa 5. Taita the Slave	Executive Committee	66
<b>2. Ms N Monedi-Noko</b>	Board (Deputy Chairperson) Technical Committee (Chairperson)	1 Nov 2016		BSc (Hons) Geology MBA	Geology	SADPMR	Executive Committee Technical Committee Audit and Risk Committee	34
<b>3. Mr X Mbonambi</b>	Acting CEO of SADPMR	1 Feb 2017	17 June 2018	MSc. Eng (Mining)	Mining	SADPMR	All Committees	41
<b>4. Mr T Ngqeza</b>	Audit and Risk Committee (Chairperson)	1 Nov 2016	-	BCom	Finance and Banking	1. SADPMR 2. Yukoza Enterprise	Executive Committee Audit and Risk Committee	35
<b>5. Maj. Gen. P Arendse</b>	Board Member	1 Nov 2016	-		Legal Enforcement	SADPMR	Licensing Committee	0
<b>6. Maj. Gen. N Mokoena</b>	Board Alternate Member (SAPS)	1 Nov 2016	-		Legal Enforcement	SADPMR	Licensing Committee	0

Name	Designation (in terms of the Board structure)	Date appointed	Date resigned	Qualifications	Area of expertise	Board directorship	Other committees or task teams	No. of meetings attended
<b>7. Mr M Noge</b>	Finance Committee (Chairperson)	1 Nov 2016	-	BCom (Hons) Acc CA (SA)	Finance	1. SADPMR 2. Mcom Rentals 3. Serlaff Primary Co-operative 4. Noge Watson & Partners 5. Molekhe Investment 6. VKB Milling 7. Emfuleni Voerkrale 8. MJN Liquidators 9. Triplev Animal feed 10. VKB Agri Processing 11. The Lamb Shack 12. VKB Seed 13. Gioberti Investments 1 14. Nu-Pro Commodities 15. Nu-Pro Voere 16. 8 Mile Investments 314 17. Tswelopele Fish & Chips 18. Bexlor 19. Free State Oil 20. Photo Alternative Risk Services 21. Arl Technologies	Executive Committee, Finance Committee	29
<b>8. Mr P Bailey</b>	Board Member	1 Nov 2016	-	Matric	Labour	1. SADPMR & 2. De Beers Trustee	Licensing Committee Executive Committee (Adhoc member)	8

Name	Designation (in terms of the Board structure)	Date appointed	Date resigned	Qualifications	Area of expertise	Board directorship	Other committees or task teams	No. of meetings attended
<b>9. Ms M Ledingwane</b>	Licensing Committee (Chairperson)	1 Nov 2016	-	LLB	Legal	1. SADPMR 2. The 8th Group Investment 3. Sixth Group Investment 4. Gold Fields 5. Thusano Share Trust 6. Consumer Advisory Panel, 7. Department of Health (DOH)	Executive Committee & Licensing Committee	25
<b>10. Ms M Mohlala Mulaudzi</b>	Board (HR Coordinator)	1 Nov 2016	-	LLB LLM	Legal	SADPMR	Executive Committee & Licensing Committee	0
<b>11. Ms M Mosing</b>	Board Member	1 Nov 2016	-	LLB LLM	Legal	SADPMR	Technical Committee, Finance Committee & Executive Committee (Adhoc Member)	37
<b>12. Mr M Mnguni</b>	Board Member	1 Feb 2018	-	B Admin (Hons) CPMD-MF	Governance	1. SADPMR 2. SAFCOL	Audit and Risk Committee	0
<b>13. Adv N Van Rooyen</b>	Board Member	1 Nov 2016	-	LLB	Legal	1. SADPMR 2. Sanlam	Audit and Risk Committee	12

Name	Designation (in terms of the Board structure)	Date appointed	Date resigned	Qualifications	Area of expertise	Board directorship	Other committees or task teams	No. of meetings attended
<b>14. Mr B Deka</b>	Board Member	1 Nov 2016	-	LLB M.Com (Economics)	Finance and Legal	1.SADPMR 2.R H Engineering Group	Finance Committee	9
<b>15. Mr C Nevhutanda</b>	Board Member	1 Nov 2016	-	BBusSc(Hon) Economics CAIB	Finance	SADPMR	Finance Committee Licensing Committee	19
<b>16. Mr R Paola</b>	Board Alternate Member (SARB)	1 Nov 2016	-	B.Com (Acc)	Finance	SADPMR	Finance Committee Licensing Committee	0
<b>17. Mr K Menoe</b>	Board Member	1 Nov 2016	-	BSC. Eng (Chemical)	Mineral Economics	SADPMR	Technical Committee	14
<b>18. Mr M Malie</b>	Board Alternate Member (DMR)	1 Oct 2017	-	B Com (Hon) Bus Management	Mineral Economics	SADPMR	Technical Committee	0
<b>19. Mr B Stern</b>	Board Member	1 Nov 2016	-	NDip: Physical Metallurgy	Metallurgy	1.SADPMR 2.Stern Family Trust (Mauritius) 3.Stern Family Trust(South Africa) 4.Foreign Trust 5.Sterns casting & Refining (Mauritius)	Technical Committee	8
<b>20. Ms N Zikalala</b>	Board Member	1 Nov 2016	30 June 2017	LLB B Proc	Legal	1.SADPMR 2.SEDA Limpopo Jewellery Incubator	Audit & Risk Committee	4

### 4.3 Committees

Committee	No. of meetings held	No. of members	Names of members
Technical Committee	4	4	Ntombifuthi Monedi-Noko, Mpho Mosing, Kagiso Menoe, Bernard Stern
Finance Committee	9	4	Mochele Noge, Bothwell Deka, Charles Nevhutanda, Mpho Mosing
Audit & Risk Committee	8	4	Tembani Ngqeza, Nick Van Rooyen, Mandla Mnguni, Ntombifuthi Monedi-Noko, Ntombifuthi Zikalala*
Licensing Committee	4	4	Monica Ledingwane, Mamodupi Mohlala-Mulaudzi, Peter Bailey, Charles Nevhutanda

\*Resigned 30 June 2017

#### 4.3.1. Technical Committee

It provides technical advice to the SADPMR Board regarding the diamond and precious metals industries at local and global levels. It also provides technical assistance and advice to other Committees of the SADPMR Board upon request. Moreover, it makes recommendations to the Board on technical policy issues, such as the Kimberley Process Certification Scheme (KPCS), the DEEC, insurance, etc., taking cognisance of the statutory conditions, budgetary and financial constraints applicable to the SADPMR.

#### 4.3.2. Finance Committee

It supports the functions of the SADPMR as described in the Public Finance Management Act (PFMA) of 1999 (Act No.1), as amended. The Committee's function is to ensure an alignment between the activities of the SADPMR to the provisions of the PFMA. In addition, it has oversight over the SADPMR financial affairs, including operational planning and budgeting of the entity.

#### 4.3.3. Licensing Committee

It advises the Board on all matters relating to the licensing framework of the diamond and precious metals industries. It also oversees the functions of the SADPMR in terms of the following pieces of legislation:

- The Diamond Act (Act 56 of 1986), as amended
- Precious Metals Act (Act 37 of 2005)
- Diamond Export Levy Act (Act 15 of 2007)
- Diamond Export Levy Administration Act (Act 14 2007)

#### 4.3.4. Audit and Risk Committee

Its overall objective is to assist management with the creation and maintenance of effective control of the environment within the SADPMR. This includes financial control, accounting systems and reporting as well as identifying material risks and giving them the entity's management the attention it requires. The Audit Committee Charter is drawn in terms of paragraph 3.1.8 of the Treasury Regulations read with Section 77 of the PFMA.

#### 4.4 Remuneration of board members

Name	Remuneration	Other allowance	Other re-imbursement	Total
	(R)	(R)	(R)	(R)
Dr S Manese	536,241	173,779	-	710,020
M Noge #	163,014	10,479	-	173,493
T Ngqeza	201,224	13,972	-	215,196
M Ledingwane #	156,910	-	-	156,796
N Monedi-Noko #	204,416	16,992	-	221,408
M Mohlala-Mulaudzi	59,276	18,665	-	77,941
B Stern	51,748	-	-	51,748
M Mosing #	218,130	-	-	218,130
N Van Rooyen	71,612	-	-	71,612
S Mokoena##	-	-	-	-
B Deka ##	-	-	-	-
C Nevhutanda ##	-	-	-	-
P Bailey	46,940	-	-	46,940
K Menoe ##	-	-	-	-
N Zikalala##	-	-	-	-
M Mnguni ##	-	-	-	-
<b>Total</b>	<b>1,709,511</b>	<b>233,887</b>	<b>-</b>	<b>1,943,398</b>

# Paid to Board Member's Employer

## Employed by the State

#### 5. Risk Management

The Board of the SADPMR, through its Audit and Risk Committee, has the overall responsibility to ensure that the SADPMR has and maintains effective, efficient and transparent systems of risk management and internal controls. The Committee has an oversight role that is independent and objective in this regard. Furthermore, the Risk Steering Committee, which comprises senior management, must ensure that the entity's risk management and internal control systems remain adequate and effective at all times.

The Risk Steering Committee continually reviews risk management processes, internal controls and significant risks facing the organisation and reports to the Audit and Risk Committee quarterly.

The duties of the Risk Management Committee are to:

- Reviews the risk management policy and strategy as well as recommends any changes to the Audit and Risk Committee;
- Develops plans to implement the Risk Management Policy and any other instructions of the Audit and Risk Committee;
- Provides assurance to the Risk and Audit Committee that all risk-mitigation plans are implemented correctly; and,
- Identifies, records and notifies the Audit and Risk Committee of any new risks that might arise, and reviews the risk registers of all departments.

#### 6. Internal Audit and Audit Committees

Key activities of the Internal Audit are:

- Assists management to accomplish objectives through assessing internal controls;
- Provides an assessment of the organisation's level of risk management, ensuring that controls and governance processes are operating effectively and efficiently;
- Examines and evaluates the adequacy and effectiveness of the organisation's internal control systems;
- Identifies and recommends changes that add value;
- Provides sufficient, relevant and useful information that will assist management to ensure the organisation complies with policies, procedures, laws and regulations.

### Objective of Internal Audit:

The objective of the internal audit is to ensure that the SADPMR has effective and efficient internal controls in place and that these controls are properly implemented as required by Section 51 and 77 of the Public Finance Management Act, under the guidance of the Audit and Risk Committee.

No.	Audit plan engagements	Status
1	<b>Human Resources</b>	Quarter 2: Complete
2	<b>Regulatory Compliance</b> <ul style="list-style-type: none"><li>• Licensing</li><li>• Diamond inspectorate</li><li>• Precious metals and beneficiation</li></ul>	Quarter 1: Complete
3	<b>Diamond Trade</b> <ul style="list-style-type: none"><li>• Diamond Exchange and Export Centre</li><li>• The Government Diamond Valuation</li><li>• Security Risk Management</li></ul>	Quarter 4: Complete
4	<b>Finance</b> <ul style="list-style-type: none"><li>• Supply chain management</li><li>• Asset management,</li><li>• Revenue and expenditure</li></ul>	Quarter 4: Complete
5	<b>Performance Information:</b> Quarterly review	Quarter 4: Complete
6	<b>Action plan on Auditor-General findings and queries</b> (FY2016/2017)	Quarter 4: Complete

### Key activities of the Audit and Risk Committee are:

Reviews of financial statements for completeness, accuracy and to ensure they comply with disclosure requirements;

- Reviews the risk management framework for identifying, assessing, monitoring and managing significant risks;
- Assesses the steps management has taken to minimise significant risks and to ensure that a risk management module is developed and maintained;
- Monitors the effectiveness and adequacy of internal controls systems of the SADPMR;
- Monitors the effectiveness and independence of the internal audit function; and,
- Reviews significant findings, recommendations and corrective actions recommended by Internal Audit, together with the responses of management.

### Objective of the Audit Committee

The overall objective of the Audit Committee is to assist management with the creation and maintenance of an effective control environment within the SADPMR. This includes financial control, accounting systems and reporting, identifying material risks and giving management the attention it requires.

## Audit Committee

Name	Designation (in terms of the Board structure)	Date appointed	Date resigned	Qualifications	Area of expertise	Board directorship	Other committees or task teams	No. of meetings attended
<b>Ms N Monedi-Noko</b>	<ul style="list-style-type: none"> <li>Deputy Chairperson of the Board</li> <li>Chairperson of Technical Committee</li> </ul>	1 Nov 2016	-	<ul style="list-style-type: none"> <li>BSc (Hons) Geology</li> <li>MBA</li> </ul>	Geology	1. SADPMR 2. Luhlaza Integrated Change and Sustainability	Executive Committee, Technical Committee, Audit and Risk Committee	5
<b>Mr T Ngqeza</b>	Chairperson of the Audit and Risk Committee	1 Nov 2016	-	<ul style="list-style-type: none"> <li>B Com</li> </ul>	Finance and Banking	1. SADPMR 2. Yukoza Enterprise	Executive Committee, Audit and Risk Committee	9
<b>Mr M Mnguni</b>	Board Member	1 Feb 2018	-	<ul style="list-style-type: none"> <li>B Admin (Hons)</li> <li>CPMD-MF</li> </ul>	Governance	1. SADPMR 2. SAFCOL	Audit and Risk Committee	0
<b>Adv N Van Rooyen</b>	Board Member	1 Nov 2016	-	<ul style="list-style-type: none"> <li>LLB</li> </ul>	Legal	1. SADPMR 2. Sanlam	Audit and Risk Committee	5
<b>Ms N Zikalala</b>	Board Member	1 Nov 2016	30 June 2017	LLB B Proc	Legal	1. SADPMR 2. SEDA Limpopo Jewellery Incubator	Audit and Risk Committee	3

## **6. Compliance with laws and regulations**

The SADPMR provides quarterly reports to the Department of Mineral Resources (DMR) on compliance with the provisions of the Public Finance Management Act (Act No.1 of 1999) as well as Treasury Regulations.

Internal Audit conducts regular audits to ensure compliance with legislation, policies and all the compliance frameworks to maintain good corporate governance systems, which are reported to the Audit and Risk Committee. Quarterly audit and risk meetings are held to monitor and mitigate risks with the aim of ensuring that the organisation remains operational and minimises risk occurrence and impact thereof.

## **7. Fraud and corruption**

The SADPMR has aligned itself with government's initiative to fight corruption and encourage employees to make use of the services of the National Anti-Corruption Hotline (NACH). The NACH is an initiative arising out of the government's national anti-corruption strategy to combat and prevent corruption.

Induction courses were conducted to increase employees' awareness during the year under review. Employees are encouraged to call the toll-free number 0800-701-701 and report any acts or intentions to commit acts of corruption. It may also be any act of corruption involving SADPMR employees, services, clients and stakeholders. Similarly, SADPMR clients and employees may make anonymous calls to the NACH number. The number is managed by the Office of the Public Service Commission.

The emerging fraud and corruption-related crimes are contained in the risk management plans and the organisation's internal controls regarding the issue are improved accordingly. Fraud and related cases are investigated internally, and pending the outcomes of internal investigations, the matters are reported to law enforcement agencies for further action.

In the year under review, there were two cases of fraud. In one case, an employee was dismissed and in the other case the guilty employee received a final written warning.

## **8. Minimising conflict of interest**

The SADPMR employees declare their financial interests to identify and manage potential conflict of interests for the sake of ensuring transparency and accountability.

- A code of conduct outlines the expected conduct from employees, and any employee found to have breached the code of conduct is subjected to disciplinary measures.
- The SADPMR requires disclosure of financial interests and requires staff members to withdraw from pursuing business interests that are in conflict with those of the organisation.
- Board members are also compelled to register any conflict of interests.

## **9. Code of conduct**

The SADPMR endorses and applies the principles of good corporate governance and management. The code promotes ethical conduct and a high standard of professional ethics. It is a solid foundation on which the organisation is built.

The code of conduct fosters a culture of supreme integrity and organisational identity. It is intended to guide ethical decision-making within the SADPMR, while ensuring that employees contribute to a conducive working environment. Non-compliance or violation of the code will lead management to take disciplinary action against transgressors, upon which relevant sanctions will be applied in accordance with disciplinary policy.

## **10. Health, safety and environmental issues**

The entity complies with the Occupational Health and Safety Act and implements bi-annual emergency evacuation drills as part of the contingency plan.

The Health and Safety Committee meets four (4) times a year to monitor any hazards as well as strategies to make the work environment healthier and safer. First Aid and fire-fighting training is provided for interventions during emergency situations.



## 11. Company Secretary

The Board of the SADPMR is appointed in terms of Section 6 of the Diamonds Act of 1993, as amended, and is assisted by the Company Secretary of the SADPMR. The Company Secretary facilitates the administration of the Board's annual schedule, meetings and governance training.

The Company Secretary also provides legal support with regards to the Board's compliance in terms of the Diamonds Act, Public Finance Management Act and King Report IV on Corporate Governance.

The Company Secretary ensures that the Board reviews and approves all quarterly performance reports, annual performance reports, financial results, Five-Year Strategic Plans and the Annual Report. It is the responsibility of the Company Secretary to ensure that all documents are properly lodged with the Executive Authority within the prescribed time frames.

## 12. Social Responsibility

In the year under review, the SADPMR celebrated Mandela Day on 18 July 2017. The day was spent with children living with disabilities at the Precious Place of Hope, in the south of Johannesburg. The SADPMR and staff contributed

# REPORT OF THE AUDIT AND RISK COMMITTEE

We are pleased to present our report for the financial year ended 31 March 2018.

## AUDIT AND RISK COMMITTEE'S RESPONSIBILITY

The Audit and Risk Committee is a committee of the Board and has discharged its responsibilities accordingly in terms of Section 51 (1) A (ii) of the Public Finance Management Act (PFMA) and 27.1.8 of the Treasury Regulations. The Audit and Risk Committee adopted a formal terms of reference, its Audit and Risk Committee charter.

The Committee has conducted its affairs in compliance with these terms of reference for the year ended 31 March 2018 and has discharged its responsibilities contained therein. The Committee is satisfied that it has complied with its legal, regulatory, and other responsibilities.

## STATUTORY DUTIES

The Committee has performed the following statutory duties:

### External auditor

The Committee has satisfied itself that the external auditor, the Auditor-General, was independent of the Regulator as set out in the PFMA, which includes consideration of compliance with criteria relating to independence or conflicts of interest as prescribed by the Independent Regulatory Board of Auditors. The Committee, in consultation with Executive Management, agreed to the engagement letter, terms, audit plan and budgeted audit fees for the 2017-2018 financial year.

### Effectiveness of internal controls

During the year, various reports of the Internal Auditors as well as the audit report on the Annual Financial Statements and Management Letter of the Auditor-General, indicated that the system of internal control has shortcomings in limited areas. The Audit and Risk Committee has noted these shortcomings and, based on the outcome of such reviews and the information provided by Management, the Audit and Risk Committee is of the opinion that the internal controls of the Regulator operated effectively throughout the year under review. The SADPMR has achieved an unqualified audit report.

## Financial statements and accounting practices

The Committee reviewed the Annual Financial Statements as well as the accounting policies and practices of the Regulator, and is satisfied that they comply with the relevant provisions of the PFMA and the Generally Recognised Accounting Practice Standards. The Committee recommended the Annual Financial Statements of the Regulator to the Board for approval.

## Going concern

The Audit and Risk Committee agrees that the adoption of the going concern premise is appropriate in preparing the Annual Financial Statements.

## DUTIES ASSIGNED BY THE BOARD

The Committee has performed the following duties assigned to it by the Board:

### Internal Audit

The Regulator has an in-house Internal Audit function. The Committee has an oversight responsibility for the Internal Audit function. As delegated by the Board, the Committee reviews and approves the Internal Audit Charter annually. The Internal Audit function has the responsibility of reviewing and providing assurance on the adequacy of internal controls across the Regulator's operations. It, therefore, plays an integral role in the governance of risk.

The Audit and Risk Committee reviewed the activities of the Internal Audit function and has concluded the following:

- The function is effective and that there were no unjustified restrictions or limitations;
- The Internal Audit reports were reviewed at Audit and Risk Committee meetings, including its annual work programme, co-ordination with the external auditors, the reports of significant audit investigations and the responses of management to issues raised therein.

The 2017-2018 Internal Audit plan and budget were approved by the Committee timeously. The Committee is satisfied with the three-year rolling internal audit plan in that there is a clear alignment with major risks, adequate information systems coverage and a good balance between different categories of audits, i.e. risk-based audits, mandatory and follow-up audits.

## Risk management and governance

The Board has assigned the oversight of the SADPMR's risk management function to the Committee. The Committee fulfils an oversight function regarding risks in all areas of the entity. A risk management framework and policy has been adopted and approved by the Board.

A process of risk management was implemented by the SADPMR wherein risk assessments are conducted on a quarterly basis by management and updated on an annual basis by the Internal Audit function, at both senior management and Board level.

During the year, the Regulator adopted and approved various policies and procedures to strengthen the control environment.

Based on this assessment and the ongoing oversight of the Committee nothing came to the attention of the Committee that would suggest that the prevailing system of risk management is not, in all material respects, effective.

#### **The quality of in-year management and monthly/quarterly reports submitted in terms of the PFMA.**

The Committee has noted and is satisfied with the content and quality of quarterly financial reports prepared and issued by the SADPMR during the year under review, in compliance with the statutory reporting framework.

#### **Meeting with Internal and External Audit**

During the year under review, the Audit and Risk Committee had no committee meetings with the internal or external auditors.

On behalf of the Audit and Risk Committee

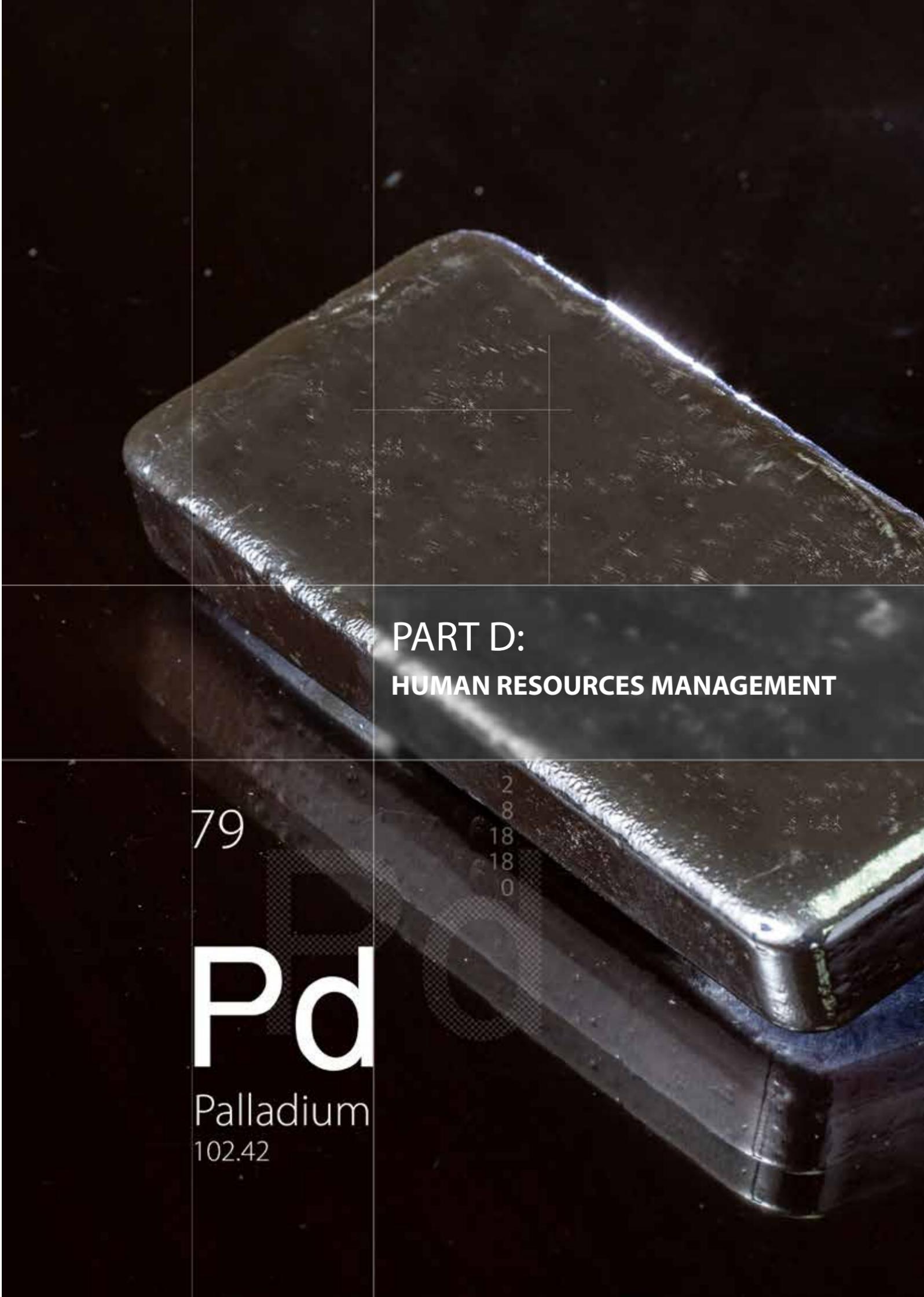


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#### **Tembani Ngqeza**

Chairperson of the Audit and Risk Committee  
South African Diamonds and Precious Metals Regulator





**PART D:**  
**HUMAN RESOURCES MANAGEMENT**

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## 1. Introduction

The SADPMR staff compliment is 120 in total, with 70 females and 50 males. In addition, the Regulator recruited nine (9) interns, comprising five (5) males and four (4) females to acquire experience in the Licensing, Diamond Export and Exchange Centre (DEEC), Diamonds, Precious Metals, Finance and Information Communication Technology divisions.

The SADPMR continues to make strides in developing its employees' skills levels. During the period under review, 10 bursaries in various study fields were awarded to deserving employees. In addition, employees attended short courses to address gaps identified in the Personal Development Plans (PDP).

## 2. Human Resources oversight statistics

### 2.1 Personnel cost by Programme

Programme	Total Expenditure for the entity (R'000)	Personnel Expenditure (R'000)	Personnel Exp. as a % of total exp. (R'000)	No. of employees	Average personnel cost per employee (R'000)
Administration	59,719,737	39,897,967	66.8%	55	725,417.58
Diamond Trade	16,846,749	11,386,477	67.6%	27	421,721.37
Regulatory Compliance	23,415,400	22,272,702	95.1%	37	601,964.92

### 2.2 Personnel cost by Salary Band

Level	Personnel Expenditure	Personnel Expenditure as a % of total cost	No. of employees	Average personnel cost per employee
Top Management	8,145,705	11%	5	1,629,141
Senior Management	11,061,685	15%	8	1,382,711
Professional/Qualified	23,667,299	32%	31	763,461
Skilled	19,091,812	26%	47	406,209
Semi- Skilled	8,050,669	11%	33	243,960
Unskilled	3,539,976	5%	8	442,497
<b>Total</b>	<b>73,557,146</b>	<b>100%</b>	<b>132</b>	<b>4,867,978</b>

### 2.3 Performance Rewards

Level	Performance Rewards	Personnel Expenditure (R'000)	% of performance rewards to total personnel cost (R'000)
Top Management	436,300	8,145,705	5%
Senior Management	825,755	11,061,685	7%
Professional/Qualified	1,763,755	23,667,299	7%
Skilled	1,641,865	19,091,812	9%
Semi- Skilled	470,982	8,050,669	6%
Unskilled	115,393	3,539,976	3%
<b>Total</b>	<b>5,254,050</b>	<b>73,557,146</b>	

## 2.4 Training Cost

Programme	Personnel Expenditure	Training Expenditure	Training Expenditure as a % of Personnel Cost	No. of employees trained	Average Training cost per employee
Administration	39,897,967	315,068	0.8%	33	9,548
Diamond Trade	11,386,477	80,425	0.7%	8	10,053
Regulatory Compliance	22,272,702	157,394	0.7%	20	7,870

### Internship Programme

Internship Programme	Male				Female						Total
	A	C	I	W	A	C	I	W	Male	Female	
No. of interns	5	0	0	0	4	0	0	0	0	0	9



## 2.5 Employment and vacancies

Programme	FY2017/2018 No. of employees	FY2017/2018 Approved posts	FY2017/2018 No. of employees	FY2017/2018 vacancies	% of vacancies
Administration	58	60	55	5	8.3%
Diamond Trade	26	28	27	1	3.6%
Regulatory Compliance	37	40	37	3	8.1%

The posts were advertised internally and externally. Interviews were conducted for Executive Management and highly skilled supervision posts. The preferred external candidates for both Executive Management and highly skilled supervision posts declined the offers due to counter offers they received from their companies.

### Workforce profile

As of 31 March 2018, the employment equity comparative staffing complement stood at 98.3% blacks versus 1.7% whites, 58.3% females versus 41.7% males, and 52% core-function staff versus 48% support function staff. The SADPMR headcount is 120 employees, as indicated in the table below.

Occupational levels	Male				Female				Foreigners		Total
	A	C	I	W	A	C	I	W	Male	Fe- male	
Top management	3	0	0	0	1	0	0	0	0	0	4
Senior management	3	0	1	0	4	0	0	0	0	0	8
Professionally qualified	14	0	1	0	13	1	0	1	0	0	30
Skilled	13	0	0	1	27	2	2	0	0	0	45
Semi-skilled	11	0	0	0	13	1	0	0	0	0	25
Unskilled	2	0	0	0	5	0	0	0	0	0	7
Total permanent	46	0	2	1	63	4	2	1	0	0	119
Temporary employees	1*	0	0	0	0	0	0	0	0	0	1
<b>Grand total</b>	<b>47</b>	<b>0</b>	<b>2</b>	<b>1</b>	<b>63</b>	<b>4</b>	<b>2</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>120</b>

\*Seconded employees

A = African C = Coloured I = Indian W = White

## 2.6 Employment changes

Salary band	Employment at beginning of period	Appointments	Terminations	Employment at end of period
Top management	4	0	0	4
Senior management	8	0	0	8
Professional/qualified	30	1	1	30
Skilled	47	0	2	45
Semi-skilled	25	0	0	25
Unskilled	7	0	0	7
<b>Total</b>	<b>121</b>	<b>1</b>	<b>3</b>	<b>119</b>

## 2.7 Reasons for staff leaving

Reason	Number
Death	0
Resignation	2
Dismissal	1
Retirement	0
Ill-health	0
Expiry of contract	0
Other	0
<b>Total</b>	<b>3</b>

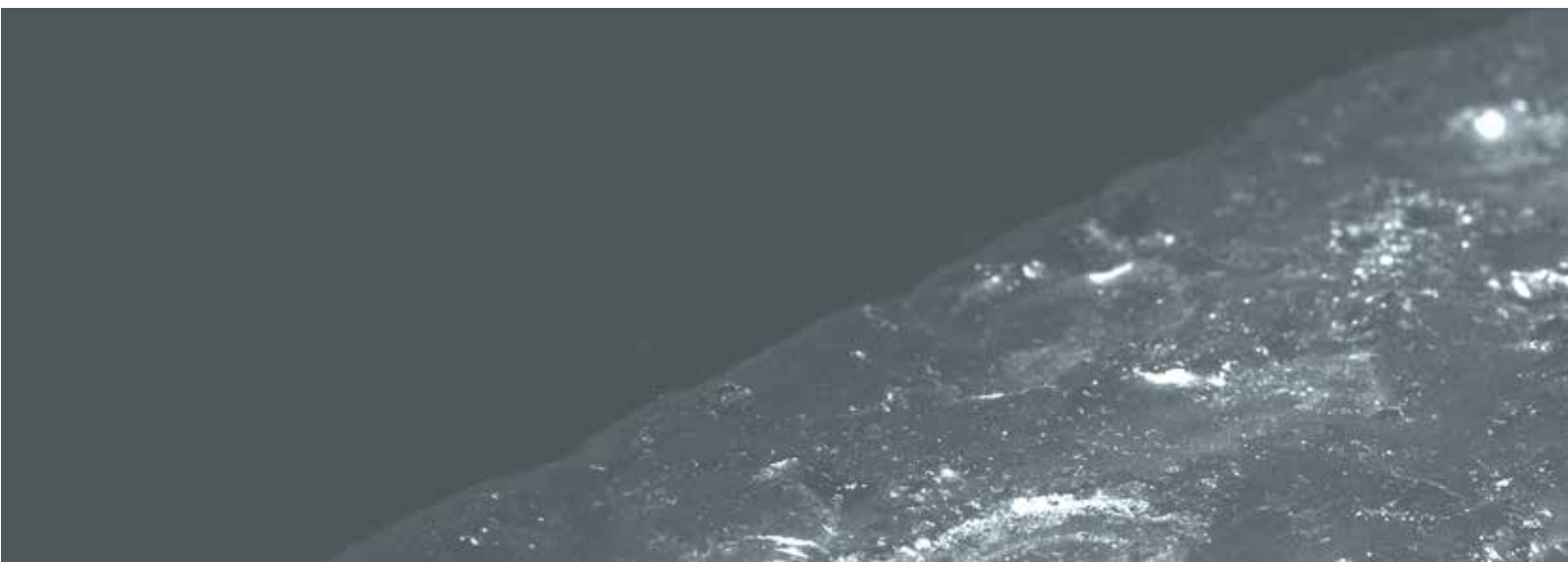
The a forementioned three staff members left the SADPMR due to resignations (two) and dismissal (one), respectively. One post was filled in March 2018 and the remaining two posts will be filled in the new financial year.

## 2.8 Labour Relations: misconduct and disciplinary action

Nature of disciplinary action	Number
Verbal warning	2
Written warning	2
Final written warning	1
Dismissal	1
<b>Total</b>	<b>6</b>

## 2.9 Equity target and employment equity status (female)

Levels	Female							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top management	1	0	0	0	0	0	0	0
Senior management	4	0	0	0	0	0	0	0
Professional/qualified	14	0	1	0	1	0	0	0
Skilled	27	0	2	0	0	0	0	0
Semi-skilled	13	0	1	0	1	0	0	0
Unskilled	5	0	0	0	0	0	0	0
<b>Total</b>	<b>64</b>	<b>0</b>	<b>4</b>	<b>0</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>0</b>



### Equity target and employment equity status (male)

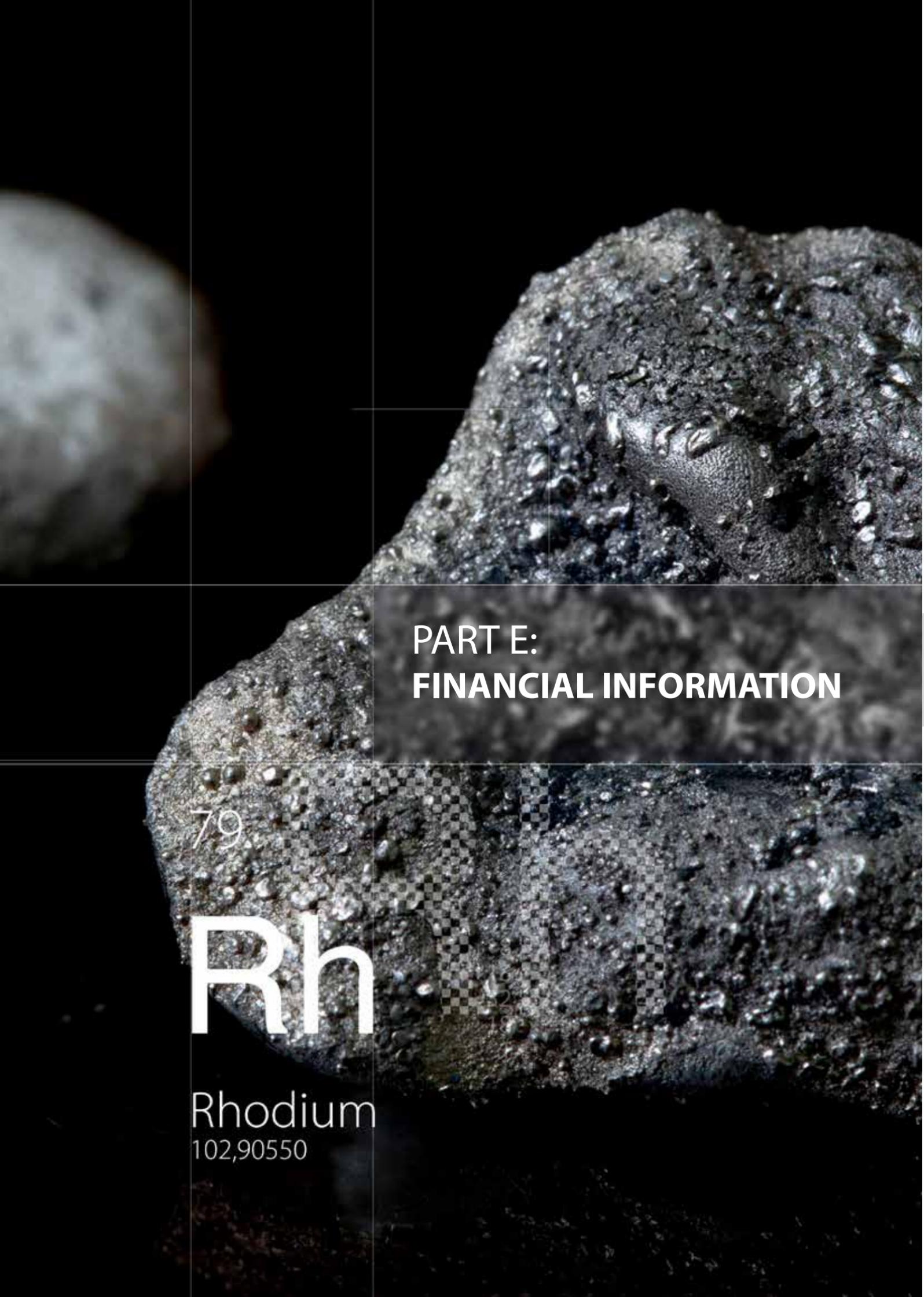
Levels	Male							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	3	0	0	0	0	0	0	0
Senior Management	3	0	0	0	1	0	0	0
Professional Qualified	14	0	0	0	1	0	0	0
Skilled	13	0	0	0	0	0	0	0
Semi-skilled	12	0	0	0	0	0	1	0
Unskilled	2	0	0	0	0	0	0	0
<b>Total</b>	<b>47</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>0</b>	<b>1</b>	<b>0</b>

### Equity target and employment equity status (employees with disability)

#### Employees with disability

Levels	Male		Female	
	Current	Target	Current	Target
Top management	0	0	0	0
Senior management	0	0	0	0
Professional/qualified	0	0	0	0
Skilled	0	0	0	0
Semi-skilled	1	0	0	1
Unskilled	0	0	0	0
<b>Total</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>1</b>

The SADPMR is targeting the appointment of people living with disabilities. Currently there is only one physically challenged male official appointed in the core business. The SADPMR uses employment agencies and the Department of Labour employment database for assistance to scout for and attract potential candidates.



**PART E:**  
**FINANCIAL INFORMATION**

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# Accounting authority's responsibilities and approval

The Members of the Board are required by the Public Finance Management Act (Act No.1 of 1999), as amended, to maintain adequate accounting records and are responsible for the content and integrity of the Annual Financial Statements and related financial information included in this report. It is the responsibility of the accounting authority to ensure that the Annual Financial Statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors were engaged to express an independent opinion on the Annual Financial Statements and were given unrestricted access to all financial records and related data.

The Annual Financial Statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP). The Annual Financial Statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates. The members of the Board acknowledge that they are ultimately responsible for the system of internal financial control established by the entity and place considerable importance on maintaining a strong control environment. To enable the members to meet these responsibilities, the accounting authority sets standards for internal control aimed at reducing the risk of error or deficit in a cost-effective manner.

The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the entity and all employees are required to maintain the highest ethical standards in ensuring the entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known forms of risk across the entity. While operating risk cannot be fully eliminated, the entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The members of the Board are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the reasonable, and not absolute, assurance against material misstatement or deficit. The members of the Board have reviewed the entity's cash flow forecast for the year to 31 March 2019 and in the light of this review and the current financial position, they are satisfied that the entity has access to adequate resources to continue in operational existence for the foreseeable future.

The SADPMR is dependent on the government grants, license, penalties and service fees for the continued funding of its operations. The Annual Financial Statements are prepared on the basis that the Regulator is a going concern and that the Board is primarily responsible for the financial affairs of the entity. The Regulator is supported by the entity's internal auditors. The Auditor-General of South Africa is responsible for independently auditing and reporting on the entity's Annual Financial Statements. The Annual Financial Statements have been examined by the Auditor-General of South Africa.

The Annual Financial Statements set out on pages 73 to 106, which were prepared on the going concern basis, were approved by the accounting authority on 26 July 2018 and signed on its behalf by:



Acting Chief Executive Officer  
**Mr C Khosa\***



Chairperson of the Board  
**Dr Sipho Manese**

\* Mr Khosa acted as CEO from 19 June 2018

# REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON SOUTH AFRICAN DIAMOND AND PRECIOUS METALS REGULATOR

## Report on the audit of the financial statements

1. I have audited the financial statements of the South African Diamond and Precious Metals Regulator (SADPMR) set out on pages 73 to 106, which comprise the statement of financial position as at 31 March 2018, the statement of financial performance, statement of changes in net assets and statement of cash flows and budget statement for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the South African Diamond and Precious Metals Regulator as at 31 March 2018, and its financial performance and cash flows for the year then ended in accordance with Standards of Generally Recognised Accounting Practice (Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No.1 of 1999) (PFMA).

## Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the Auditor-General's responsibilities for the audit of the financial statements section of the Auditor's report.
4. I am independent of the public entity in accordance with the International Ethics Standards Board for Accountants' Code of ethics for professional accountants (IESBA code) and the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

## Emphasis of matters

6. I draw attention to the matters below. My opinion is not modified in respect of these matters.

## Restatement of corresponding figures

7. As disclosed in note 25 to the financial statements, the corresponding figures for 31 March 2017 were restated as a result of an error in the financial statements of the public entity for the year ended 31 March 2018.

## Material losses – criminal conduct

8. As disclosed in note 24 to the financial statements, material losses of R206,897 were incurred as a result of criminal conduct.

## Responsibilities of accounting authority for the financial statements

9. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with Standards of GRAP and the requirements of the PFMA, and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statement that are free from material misstatement, whether due to fraud or error.
10. In preparing the financial statements, the accounting authority is responsible for assessing the SADPMR's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the ongoing concern basis of accounting unless the accounting authority either intends to liquidate the public entity or to cease operations, or has no realistic alternative but to do.

## Auditor-General's responsibilities for the audit of the financial statements

11. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
12. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this Auditor's report.

## Report on the audit of the annual performance report

13. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
14. My procedures address the reported performance information, which must be based on the approved performance planning documents of the public entity. I have not evaluated the completeness and appropriateness of the performance measures included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
15. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programmes presented in the annual performance report of the public entity for the year ended 31 March 2018:

Programme	Pages in the annual performance report
Programme 2 – Diamond Trade	Page 22
Programme 3 – Regulatory Compliance	Page 31

16. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance whether it was valid, accurate and complete.
17. did not raise any material findings on the usefulness and reliability of the reported performance information for the following programmes:
  - Programme 2: Diamond Trade
  - Programme 3: Regulatory Compliance

## Other matters

18. I draw attention the matters below.

## Achievement of planned targets

19. Refer to the annual performance report on page 19 to 42 for the information on the achievement of planned targets for the year and explanations provided of the under/over achievement of a number of targets.

## **Adjustment of material misstatements**

20. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of diamond trade and regulatory compliance. As management subsequently corrected the misstatement, I did not raise any material findings on the usefulness and reliability of the reported performance information.

## **REPORT ON THE AUDIT OF COMPLIANCE WITH LEGISLATION**

### **Introduction and scope**

21. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings in compliance of the public entity with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
22. The material findings on compliance on specific matters in key legislations are as follows:

### **Annual Financial Statements, performance and annual report**

23. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework, as required by section 55(1)(b) of PFMA.
24. Material misstatements of current assets and liabilities identified by the auditors in the submitted financial statements were corrected resulting in the financial statements receiving an unqualified audit opinion.

## **OTHER INFORMATION**

25. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include financial statements, the Auditor's report and those selected programmes presented in the annual performance report that have been specifically reported in this auditor's report.
26. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover other information and I do not express an audit opinion or any form of assurance conclusion thereon.
27. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programmes presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
28. If, based on the work I have performed, I conclude that there is a material misstatement in this other information, I am required to report the fact. I have nothing to report in this regard.

## **INTERNAL CONTROL DEFICIENCIES**

29. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on compliance with legislation included in this report.

## Financial and performance management

### Regular, accurate and complete financial and performance reports

30. Management did not adequately review the financial statements submitted for audit.

### OTHER REPORTS

31. I draw attention to the following engagements conducted by various parties that had, or could have, an impact on the matters reported in the public entity's financial statement, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.

32. The SADPMR incurred financial loss as a result of a misconduct (theft/fraud) for upgrading and requesting new cellphone contracts without authorisation. The official was subjected to disciplinary tribunal and she was subsequently dismissed from the employment of the entity. The misconduct was deemed a criminal offense and was reported to the South African Police Services. The matter is currently under investigation by the law enforcement agencies.

*Auditor - General*  
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Pretoria

31 July 2018



AUDITOR - GENERAL  
SOUTH AFRICA

## ANNEXURE: AUDITOR-GENERAL'S RESPONSIBILITY FOR THE AUDIT

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements, and the procedures performed on reported performance information for selected programmes and on the public entity's compliance with respect to the selected subject matters.

### Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:

- identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the public entity's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting authority
- conclude on the appropriateness of the accounting authority's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the SADPMR's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a public entity to cease continuing as a going concern
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

### Communication with those charged with governance

3. I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

4. I also confirm to the accounting authority that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, related safeguards.

A collage of various diamonds and rough diamonds. At the top, two large pear-shaped brilliant-cut diamonds are shown. Below them are several rough, uncut diamonds of various shapes and sizes. At the bottom, there are smaller brilliant-cut diamonds, including a round one and a yellowish-green one. The background is black, and the diamonds are arranged in a way that suggests a journey from rough to refined.

**ANNUAL FINANCIAL STATEMENTS**  
for the year ended 31 March 2018

# Statement of Financial Position

	Notes	2018 R	Restated 2017 R
<b>Assets</b>			
<b>Non-current Assets</b>			
Property, plant and equipment	2	7,577,409	8,523,668
Intangible assets	3	1,033,373	1,530,111
<b>Total Non-current Assets</b>		<b>8,610,782</b>	<b>10,053,779</b>
<b>Current Assets</b>			
Inventory	4	567,834	489,974
Receivables from exchange transactions	5	5,184,696	6,543,816
Cash and cash equivalents	6	40,470,843	33,572,591
Financial instruments	7	26,852,632	24,834,019
<b>Total Current Assets</b>		<b>73,076,005</b>	<b>65,440,400</b>
<b>Total Assets</b>		<b>81,686,787</b>	<b>75,494,179</b>
<b>Net Assets and Liabilities</b>			
Accumulated surplus		60,045,542	54,410,909
		<b>60,045,542</b>	<b>54,410,909</b>
<b>Non-current Liabilities</b>			
Post-retirement medical aid	9	1,327,000	1,427,651
		<b>1,327,000</b>	<b>1,427,651</b>
<b>Current Liabilities</b>			
Payables from exchange transactions	10	6,587,392	8,520,152
Provisions	11	7,362,140	10,661,469
Finance lease obligations	8	-	5,889
Deferred income	13	5,833,333	-
Operating lease liability	12	531,380	468,109
<b>Total Current Liabilities</b>		<b>20,314,245</b>	<b>19,655,619</b>
<b>Total Net Assets and Liabilities</b>		<b>81,686,787</b>	<b>75,494,179</b>

# Statement of Financial Performance

	Notes	2018 R	Restated 2017 R
<b>Revenue from exchange transactions</b>			
Licence, penalty and service fees		42,154,031	44,524,571
Interest income		4,198,280	4,028,558
Other income	14	378,235	371,198
<b>Revenue from non-exchange transactions</b>			
Transfer payment (grant)		59,198,334	54,038,333
<b>Total operating revenue</b>		<b>105,928,880</b>	<b>102,962,660</b>
<b>Expenditure</b>			
Finance costs		27	2,447
Debtors impairment		357,184	1,480,664
Debtors written off		1,767	15,250
Employee costs	18	73,883,429	69,614,392
Depreciation and amortisation		1,750,425	2,675,357
Other operating expenses	17	24,348,005	23,053,806
<b>Total expenditure</b>		<b>100,340,837</b>	<b>96,841,916</b>
Fair value gain		73,485	136,964
Loss on disposal of property, plant and equipment		(26,895)	-
<b>Total other income</b>		<b>46,590</b>	<b>136,964</b>
<b>Surplus for the year</b>		<b>5,634,633</b>	<b>6,257,708</b>

# Statement of Changes in Net Assets

Figures in R	Accumulated surplus	Total
<b>Balance at 1 April 2016</b>	<b>48,153,201</b>	<b>48,153,201</b>
Restated surplus for the year	<b>6,257,708</b>	<b>6,257,708</b>
Surplus for the year	5,424,375	5,424,375
Correction of error	833,333	833,333
<b>Balance at 31 March 2017</b>	<b>54,410,909</b>	<b>54,410,909</b>
<b>Balance at 1 April 2017</b>	<b>54,410,909</b>	<b>54,410,909</b>
Surplus for the year	5,634,633	5,634,633
<b>Balance at 31 March 2018</b>	<b>60,045,542</b>	<b>60,045,542</b>

# Statement of Cash Flows

	Notes	2018 R	Restated 2017 R
<b>Cash flows from operating activities</b>			
<b>Cash receipts from customers, government and others</b>		103,089,714	100,724,909
Transfer payment (grant)		59,198,334	54,038,333
Other receipts		43,891,380	46,686,576
<b>Cash paid to suppliers and employees</b>		(97,782,755)	(89,934,678)
<b>Cash generated from operations</b>	20	5,306,959	10,790,231
Interest received		3,977,311	3,896,190
Finance costs		(27)	(2,447)
<b>Net cash from operating activities</b>		9,284,243	14,683,974
<b>Cash flows from investing activities</b>			
Property, plant and equipment acquired	2	(334,323)	(226,026)
Intangible assets acquired	3	-	(49,442)
Re-investment of cash surplus	7	-	(8,800,000)
Re-investment of interest	7	(1,945,128)	(1,323,286)
<b>Net cash flows from investing activities</b>		(2,279,451)	(10,398,754)
<b>Cash flows from financing activities</b>			
Decrease/increase in defined benefits obligations		(100,651)	(8,349)
Decrease in finance lease obligations		(5,889)	(51,275)
<b>Cash flows from financing activities</b>		(106,540)	(59,624)
<b>Increase in cash and cash equivalents</b>		6,898,252	4,225,596
Cash and cash equivalents at beginning of the period		33,572,591	29,346,995
<b>Cash and cash equivalents at end of the period</b>		40,470,843	33,572,591

# Budget Statement

Figures in R	Actual	Budget	Variance	Variance %
<b>Revenue from exchange transactions</b>				
Licence, penalty and service fees	42,154,031	42,490,271	(336,240)	-1 %
Interest received	4,198,280	3,223,298	974,982	30 %
Other income	378,235	354 485	23,750	7 %
<b>Total revenue from exchange transaction</b>	<b>46,730,546</b>	<b>46,068,054</b>	<b>662,492</b>	
<b>Revenue from non exchange transactions</b>				
Grant received	59,198,334	59,198,334	-	0 %
<b>Total revenue</b>	<b>105,928,880</b>	<b>105,266,388</b>	<b>662,492</b>	
<b>Expenditure</b>				
Administration expenses	143,500	143,590	90	0 %
Advertising	16,917	20,000	3,083	15 %
Audit fees	1,560,726	1,569,624	8,898	1 %
Board fees	1,659,195	1,570,113	(89,082)	-6 %
CSR programmes	14,600	14,634	34	0 %
Domestic travel	2,477,870	2,487,970	10,100	0 %
Finance costs	27	30	3	11 %
Hospitality	63,783	63,883	100	0 %
Inspection costs	477,148	477,204	56	0 %
Insurance	1,423,765	1,424,188	423	0 %
International travel	2,100,409	2,103,376	2,967	0 %
Inventory costs	849,739	923,612	73,873	8 %
Kimberley Process	4,357,821	4,358,921	1,100	0 %
Licences	777,672	777,800	128	0 %
Medical expenses-retired staff	33,727	32,000	(1,727)	-5 %
Motor vehicle expenses	191,852	190,000	(1,852)	-1 %
Office lease - space and parking	2,565,641	2,565,641	-	0 %
Office lease - municipal services	1,048,463	1,048,463	-	0 %
Postage and courier	33,552	33,271	(281)	-1 %
Public relations	768,630	756,983	(11,647)	-2 %
Recruitment and selection costs	256,143	256,599	456	0 %
Repairs and maintenance	653,339	594,473	(58,866)	-10 %
Security	901,100	878,003	(23,097)	-3 %
Staff remuneration	73,557,148	73,518,304	(38,844)	0 %
Staff welfare	22,685	23,173	488	2 %
Subscriptions and membership fees	46,304	63,467	17,163	27 %
System support fees	107,730	130,000	22,270	17 %
Telecommunication	2,100,060	2,101,313	1,253	0 %
Training and development	552,887	592,677	39,790	7 %
Venue and facilities	203,513	202,983	(530)	0 %
Warehousing	78,090	80,071	1,981	2 %
<b>Total expenditure excluding non cash items</b>	<b>99,044,036</b>	<b>99,002,366</b>	<b>(41,670)</b>	
<b>Surplus for the year before non-cash items</b>	<b>6,884,844</b>	<b>6,264,022</b>	<b>620,822</b>	

# Budget Statement

Figures in R	Actual	Budget	Variance	Variance %
<b>Less non cash expenditure:</b>				
Debtors impairment adjustment	357,184	350,000	(7,184)	-2 %
Debtors written off	1,767	-	(1,767)	-100 %
Depreciation and amortisation	1,750,425	2,007,459	257,034	15 %
Fair value adjustment	(73,485)	-	73,485	-100 %
Leave pay provision	326,281	741,392	415,111	127 %
Loss on disposal of assets	26,895	-	(26,895)	-100 %
<b>Total non-cash expenditure</b>	<b>2,389,067</b>	<b>3,098,851</b>	<b>709,784</b>	
<b>Surplus for the year including non-cash expenditure</b>	<b>4,495,777</b>	<b>3,165,171</b>	<b>1,330,606</b>	
Less abnormal expenditure:				
Legal fees	(1,138,856)	-	1,138,856	
<b>Net surplus for the year</b>	<b>5,634,633</b>	<b>3,165,171</b>	<b>2,469,462</b>	

## Segment reporting

Figures in R	Diamond trade	Regulatory compliance	Other	Total
<b>For the year ended 31 March 2018</b>				
<b>Revenue</b>				
Revenue from non-exchange transactions		-	59,198,334	59,198,334
Revenue from exchange transactions	38,392,241	3,854,190	4,484,115	46,730,546
<b>Total segment revenue</b>	<b>38,392,241</b>	<b>3,854,190</b>	<b>63,682,449</b>	<b>105,928,880</b>
<b>Expenses</b>				
Salaries and wages	11,439,531	22,272,702	40,171,195	73,883,429
Depreciation and amortisation	-	-	1,750,425	1,750,425
Other expenses	5,407,217	1,142,697	17,798,117	24,348,032
<b>Total segment expenses</b>	<b>16,846,749</b>	<b>23,415,400</b>	<b>59,719,737</b>	<b>99,981,886</b>
<b>Assets</b>				
Segmental assets	1,816,272	376,382	79,494,133	81,686,787
<b>Liabilities</b>				
	-	-	81,686,787	81,686,787
Capital expenditure	-	-	334,323	334,323
Non-cash items excluding depreciation	-	-	358,951	358,951

# Segment Reporting

Figures in R

**Diamond  
trade**

**Regulatory  
compliance**

**Other**

**Total**

## For the year ended 31 March 2017

### Revenue

Revenue from non-exchange transactions	-	-	54,038,333	54,038,333
Revenue from exchange transactions	40,672,146	3,946,623	4,305,558	48,924,327
<b>Total segment revenue</b>	<b>40,672,146</b>	<b>3,946,623</b>	<b>58,343,891</b>	<b>102,962,660</b>

### Expenses

Salaries and wages	10,449,105	20,538,408	38,626,879	69,614,392
Depreciation and amortisation	-	-	2,675,357	2,675,357
Other expenses	2,385,728	1,023,347	19,647,178	23,056,253
<b>Total segment expenses</b>	<b>12,834,833</b>	<b>21,561,755</b>	<b>60,949,414</b>	<b>95,346,002</b>

### Assets

Segmental assets	2,038,367	362,355	73,093,457	75,494,179
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### Liabilities

	-	-	75,494,179	75,494,179
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Capital expenditure	42,871	65,007	167,590	275,468
Non-cash items excluding depreciation	-	-	1,495,914	1,495,914

# Notes to the Annual Financial Statements

## **1. Accounting Policies**

### **1.1 Basis of preparation**

The financial statements have been prepared in accordance with the South African Standards of Generally Recognised Accounting Practice (GRAP), as issued by the Accounting Standards Board in accordance with Section 91(1) of the Public Finance Management Act, (Act No 1 of 1999).

The annual financial statements have been prepared on an accrual basis of accounting and incorporate the historical cost conventions as the basis of measurement, except where specified otherwise. The principal accounting policies, applied in the preparation of these annual financial statements, are set out below. These accounting policies are consistent with those applied in the preparation of the prior year annual financial statements, unless specified otherwise.

### **1.2 Presentation currency and functional currency**

These annual financial statements are presented in South African Rand, which is the functional currency of the entity.

#### **Going concern assumption**

These annual financial statements were prepared based on the expectation that the entity will continue to operate as a going concern in the foreseeable future.

#### **Use of estimates and judgements**

Preparation of financial statements in conformity with GRAP requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenditure. Actual results may differ from estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

### **1.3 Recognition and measurement**

#### **Revenue recognition**

##### **Revenue from exchange transactions**

Revenue from the sale of diamond books and registers is recognised at the date of sale.

Revenue from licence fees is recognised upon receipt of applications.

Revenue from service fees is recognised when services are completed and billed.

##### **Revenue from non-exchange transactions**

Transfer payments from the Department of Mineral Resources (DMR) are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate.

#### **Interest received**

Interest received is recognised on a time proportionate basis using the effective interest rate method.

#### **Property, plant and equipment**

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

# Notes to the Annual Financial Statements

Depreciation is charged to surplus/deficit so as to write off the cost or valuation of assets over their estimated useful lives, using the straight line method.

## **Useful lives and residual values are assessed on an annual basis.**

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted to arrive at the cost. Where an asset is acquired at no or nominal cost, its costs is its fair value as at the date of acquisition.

### **The estimated useful lives of property, plant and equipment are currently as follows:**

Item	Years
Furniture and fittings	20 years
Motor vehicles	10 years
Office equipment	10 years
Computer equipment	5 years
Security equipment - safes	50 years
Security systems - other	10 years
Leased office equipment	Shorter of the lease term or useful life
Leasehold improvements	Shorter of the lease term or useful life

The residual value, as well as the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

A gain or a loss arising from the derecognition of an item of property, plant and equipment is included in the surplus or deficit when the item is derecognised. A gain or a loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Subsequent expenditure incurred on items of property, plant and equipment is only capitalised to the extent that such expenditure enhances the value or previous capacity of those assets. Repairs and maintenance not deemed to enhance the economic benefit or service potential of items of property, plant and equipment are expensed as incurred.

## **Intangible assets**

Intangible assets are stated at cost less accumulated amortisation.

Amortisation is charged to surplus/deficit so as to write off the cost or valuation of intangible assets over their estimated useful lives, using the straight line method.

The amortisation period and the amortisation method for intangible assets are reviewed on an annual basis. The cost of an item of intangible assets is the purchase price and other costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Trade discounts and rebates are deducted in arriving at the cost. Where an asset is acquired at no or nominal cost, its costs is its fair value as at the date of acquisition.

# Notes to the Annual Financial Statements

An intangible asset shall be derecognised on disposal or when no future economic benefits or service potential are expected from its use or disposal.

A gain or a loss arising from the derecognition of an intangible asset is included in the surplus or deficit when the item is derecognised. A gain or a loss arising from the derecognition of an intangible asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Item	Years
Software owned	3 years
Leased software	Shorter of the lease term or useful life

## Leases

### Finance leases – lessee

Finance leases are recognised as assets in the statement of financial position at amounts equal to the lower of fair value of the leased property and the present value of the minimum lease payments. The corresponding lease commitments are recognised in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the leases.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability.

### Operating leases lessee

Operating lease payments are recognised as an expense in the statement of financial performance on a straight line basis over the lease term. The difference between the actual amounts and straight-lined amounts is recognised as an operating lease asset or liability in the statement of financial position.

## Provisions and contingencies

### Provisions

Provisions are recognised when the SADPMR has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits or service potential will be required to settle the obligation, and a reliable estimate can be made of the obligation. All provisions of the SADPMR are short term in nature and thus ignore the effect of discounting.

### Contingent liabilities

These are liabilities that will only become payable by the SADPMR should some other event occur.

Due to the uncertainty of the occurrence or non-occurrence of such events, (the actual amount of the liability may not have been established), these are not accounted for in the statement of financial position and they are disclosed in the notes to the financial statements.

### Contingent assets

These are possible assets that arise from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

# Notes to the Annual Financial Statements

Due to the uncertainty of the occurrence or non-occurrence of such events, they are not accounted for in the statement of financial position and they are only disclosed in the notes to the financial statements.

## **Inventory**

Inventory consists of broker's notes, certificates and registers held for resale and consumables held for office use.

## **Subsequent measurement**

Inventories shall be measured at the lower of cost or current replacement cost where they are held for distribution at no charge or for a nominal charge.

## **Cost is determined on the following basis:**

Broker's notes, certificates, registers and consumables are valued using the first in, first out basis.

## **Cost of sales**

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down, adjustments and all deficits of inventories are recognised in the surplus or deficit.

### **1.3.1 Financial instruments**

#### **Initial recognition and measurement**

All financial instruments are initially recognised at fair value, including transaction costs, with the exception of financial instruments measured at fair value through surplus or deficit, which are valued at fair value excluding transaction costs.

- **Trade and other receivables from exchange transactions**

Trade and other receivables from exchange transactions are stated at amortised cost, which, due to their short-term nature, closely approximate their fair value. Other receivables consist of deposits relating to the leasing of premises and legal fees recoverable.

- **Trade and other payables from exchange transactions**

Trade and other payables from exchange transactions are stated at amortised cost, which, due to their short-term nature, closely approximate their fair value. Other payables consist of export levy payable to the South African Revenue Services (SARS). These payables are stated at cost.

- **Financial instruments at fair value**

Financial instruments at fair value are subsequently measured at fair value and the fair value adjustments are recognised in the surplus or deficit.

- **Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank, cash on hand and deposits held on call. Cash and cash equivalents are stated at amortised cost, which, due to their short-term nature, closely approximate their fair value.

## **Financial liabilities**

- **Offsetting**

Financial assets and financial liabilities have not been offset in the Statement of Financial Position.

# Notes to the Annual Financial Statements

## • **Impairment of financial assets**

At the end of each reporting period the entity assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired. The carrying amount of the receivable is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as irrecoverable.

For amounts due to the entity, significant financial difficulties of the debtor e.g. defaulting on payment terms are all considered indicators of impairment. As the indicators are subject to uncertainty and as such may change in future financial periods. Such changes in estimates may have the effect of decreasing impairment losses recognised. Impairment losses are recognised in surplus or deficit.

## • **Derecognition**

A financial asset (or, where applicable, a part of a financial asset) is derecognised when:

- The rights to receive cash flow from the asset have expired;
- The entity retains the right to receive cash flow from the asset, but has assumed the obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; or
- The entity has transferred its right to receive cash flows from the asset and either
  - Has transferred substantially all the risks and rewards of the assets, or
  - Has neither transferred nor retained substantially all the risks and rewards of the assets, has transferred control of the asset,

A financial liability is derecognised when an obligation under the liability is discharged, cancelled or expires. On derecognition, the difference between the carrying amount of the financial assets and the sum of the proceeds receivable and any prior adjustment to reflect the fair value of the asset that had been reported in net assets, is included in the surplus or deficit for the period.

## **Accruals**

Accruals are recognised as liabilities when the entity has taken receipt of the related goods or services without a corresponding payment.

The amount of accruals is the present value of the expenditure required to settle the obligation. Accruals are not recognised for future operating deficits.

## **Employee benefits**

Employee benefits are all forms of consideration given by the SADPMR in exchange for service rendered.

## **Post-employment benefits**

Post-employment benefits are benefits payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which the SADPMR provides post-employment benefits for employees.

The SADPMR uses the cost to company remuneration policy and expects its employees to make their own provisions for post-retirement benefits under this policy. Only three retired employees receive post-employment medical contributions and this is disclosed under note 9 the financial statements.

## **Valuation method**

The actuarial valuation method used to value liabilities is the Projected Unit Credit Method prescribed by the accounting standards.

The most significant assumptions used for the current valuation are outlined below.

# Notes to the Annual Financial Statements

	2018	2017
Consumer price inflation	5.75 %	6.34 %
Healthcare cost inflation	7.25 %	7.84 %
Discount rate	8.09 %	8.84 %
<b>Real discount</b>	<b>0.78 %</b>	<b>0.98 %</b>

## Budgets

Budget information in accordance with GRAP 1 and 24, has been provided in a separate statement of comparison of budget and actual performance. The operational budget is monitored against actual expenditure incurred.

## Standards and Pronouncements comprising the GRAP Financial Reporting Framework

The following standards have been approved but are not yet effective as at 31 March 2018. The impact that these standards will have on the entity is detailed below. A list of these standards is provided below:

Grap	Standards	Impact	Effective date
GRAP 20	Related party disclosures	The SADPMR complies with the standard requirements.	1-Apr-19
GRAP 32	Service Concession Arrangements: Grantor	This standard will have no impact as the SADPMR does not engage in service concession arrangements.	1-Apr-19
GRAP 34	Separate financial statements	This standard will have no impact as SADPMR does not engage in service concession arrangements.	To be determined
GRAP 35	Consolidated financial statements	This standard will have no impact as SADPMR does not engage in service concession arrangements.	To be determined
GRAP 36	Investments associates and joint ventures	This standard will have no impact as SADPMR does not engage in service concession arrangements.	To be determined
GRAP 37	Joint arrangements	This standard will have no impact as SADPMR does not engage in service concession arrangements.	To be determined
GRAP 38	Disclosure of interests in other entities	This standard will have no impact as SADPMR does not engage in service concession arrangements.	To be determined
GRAP 108	Statutory receivables	This standard will have no impact as SADPMR does not engage in service concession arrangements.	1-Apr-19
GRAP 109	Accounting by principals and agents	This standard will have no impact as SADPMR does not engage in service concession arrangements.	1-Apr-19
GRAP 110	Living and non-living resources	This standard will have no impact as SADPMR does not engage in service concession arrangements.	1-Apr-20

# Notes to the Annual Financial Statements

## Segment reporting

The entity is organised and reports to management on the basis of three functional areas: Diamond Trade, Regulatory Compliance and other services. The segments were organised around the type of service delivered. Management uses these same segments to determine strategic objectives. Segments were not aggregated for reporting purposes.

Information reported on these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

Segment results reported include items directly attributable to the segments as well as those that can be allocated on a reasonable basis.

## Measurement

The accounting policies of the segments are the same as those described in the summary of significant accounting policies

## 2. Property, plant and equipment

Owned and leased assets	Cost	Accumulated depreciation	31 March 2018 Carrying value	Cost	Accumulated depreciation	Restated 31 March 2017 Carrying value
	R	R	R	R	R	R
Computer equipment	6,590,027	(5,284,030)	1,305,997	6,509,424	(5,018,763)	1,490,661
Furniture and fittings	3,970,221	(1,815,269)	2,154,952	3,933,607	(1,683,589)	2,250,018
Leased office equipment	346,986	(346,986)	-	346,986	(341,913)	5,073
Leasehold improvements	2,189,487	(1,855,074)	334,413	2,094,618	(1,653,608)	441,010
Motor vehicles	1,962,786	(1,412,443)	550,343	1,962,786	(1,303,564)	659,222
Office equipment	4,007,734	(2,056,632)	1,951,102	3,982,027	(1,781,468)	2,200,559
Security systems, machinery and safes.	4,374,521	(3,093,919)	1,280,602	4,388,506	(2,911,381)	1,477,125
	23,441,762	(15,864,353)	7,577,409	23,217,954	(14,694,286)	8,523,668

# Notes to the Annual Financial Statements

The carrying amounts of property, plant and equipment can be reconciled as follows:

Owned and leased assets	Carrying value at beginning of year	Additions	Disposals	Depreciation	31 March 2018 Carrying value
	R	R	R	R	R
Computer equipment	1,490,661	127,992	(4,272)	(308,384)	1,305,997
Furniture and fittings	2,250,018	48,213	(4,250)	(139,029)	2,154,952
Leased office equipment	5,073	-	-	(5,073)	-
Leasehold improvements	441,010	94,868	-	(201,465)	334,413
Motor vehicles	659,222	-	-	(108,879)	550,343
Office equipment	2,200,559	63,250	(11,330)	(301,377)	1,951,102
Security systems, machinery and safes	1,477,125	-	(7,133)	(189,390)	1,280,602
	<b>8,523,668</b>	<b>334,323</b>	<b>(26,984)</b>	<b>(1,253,598)</b>	<b>7,577,409</b>

Owned and leased assets	Carrying value at beginning of year	Additions	Disposals	Depreciation	31 March 2017 Carrying value
	R	R	R	R	R
Computer equipment	1,707,739	78,239	-	(295,317)	1,490,661
Furniture and fittings	2,359,233	29,070	-	(138,285)	2,250,018
Leased office equipment	49,703	-	-	(44,630)	5,073
Leasehold improvements	592,694	28,900	-	(180,584)	441,010
Motor vehicles	855,500	-	-	(196,278)	659,222
Office equipment	2,431,032	64,229	-	(294,702)	2,200,559
Security systems, machinery and safes	1,641,625	25,588	-	(190,088)	1,477,125
	<b>9,637,526</b>	<b>226,026</b>	<b>-</b>	<b>(1,339,884)</b>	<b>8,523,668</b>

Obligations under finance leases are secured by the lessors' title to the leased assets. Carrying value of assets pledged as security:

# Notes to the Annual Financial Statements

## 3. Intangible assets

Owned and leased assets	Cost	Accumulated amortisation	31 March 2018 Carrying value	Cost	Accumulated amortisation	Restated 31 March 2017 Carrying value
	R	R	R	R	R	R
Computer software-owned	4,066,976	(3,033,603)	1,033,373	4,066,976	(2,536,865)	1,530,111
	<b>4,066,976</b>	<b>(3,033,603)</b>	<b>1,033,373</b>	<b>4,066,976</b>	<b>(2,536,865)</b>	<b>1,530,111</b>

The carrying amounts of intangible assets can be reconciled as follows:

Owned and leased assets	Carrying value at beginning of year	Additions	Amortisation	Disposals	31 March 2018 Carrying value
	R	R	R	R	R
Computer software-owned	1,530,111	-	(496,738)	-	1,033,373
	<b>1,530,111</b>	<b>-</b>	<b>(496,738)</b>	<b>-</b>	<b>1,033,373</b>

Owned and leased assets	Carrying value at beginning of year	Additions	Amortisation	Disposals	Restated 31 March 2017 Carrying value
	R	R	R	R	R
Computer software-owned	2,816,138	49,442	(1,335,469)	-	1,530,111
	<b>2,816,138</b>	<b>49,442</b>	<b>(1,335,469)</b>	<b>-</b>	<b>1,530,111</b>

# Notes to the Annual Financial Statements

2018  
R

Restated  
2017  
R

## 4. Inventory

Inventory comprises:

Broker's notes, certificates and registers	74,483	44,367
Office stationery and cartridges	152,201	170,951
Tamper proof stationery	341,150	274,656
	<b>567,834</b>	<b>489,974</b>

Inventory consists of items on hand as at the end of the reporting year. The cost of inventory recognised as an expense is included under other operating expenses.

## 5. Receivables from exchange transactions

Receivables	5,053,141	6,429,971
Receivables impairment	(859,001)	(2,413,317)
Interest receivable	220,969	132,368
Other receivables	199,208	1,101,314
Prepaid expenses	456,967	1,212,731
Staff debtors	113,412	80,749
	<b>5,184,696</b>	<b>6,543,816</b>

Staff debtors consists of unpaid leave days, study fees and telecommunication costs.

## Reconciliation for debtors impairment

Opening balance	2,413,317	2,571,860
Raised/(reversed) during the period	358,951	1,495,914
Amounts written off	(1,913,267)	(1,654,457)
<b>Closing balance</b>	<b>859,001</b>	<b>2,413,317</b>

## 6. Cash and cash equivalents

Cash on hand	9,894	13,618
Call accounts	39,642,910	32,904,083
Current accounts	818,039	654,890
	<b>40,470,843</b>	<b>33,572,591</b>

# Notes to the Annual Financial Statements

2018  
R

Restated  
2017  
R

## 7. Financial instruments at fair value

### Type: Financial instruments held for trading

Opening balance	24,834,019	14,573,769
Interest received	1,945,128	1,323,286
Re-investment of cash surplus	-	8,800,000
Fair value adjustment	73,485	136,964
<b>Closing balance</b>	<b>26,852,632</b>	<b>24,834,019</b>

## 8. Finance lease obligations

Lease of photocopiers from Pinnacle Solutions (Pty) Ltd

Repayable within two to five years	-	-
Repayable within one year, transferred to current liabilities	-	5,889
	-	<b>5,889</b>

Reconciliation between the total of the minimum lease payments and the present value of lease payments:

Minimum lease payments	-	<b>5,916</b>
- No later than 1 year	-	5,916
- Later than 1 year and no later than 5 years	-	-
Future finance charges on finance leases	-	(27)
	-	<b>5,889</b>

It is the practice of the SADPMR to lease certain items of office equipment and related software under finance lease.

# Notes to the Annual Financial Statements

2018  
R

Restated  
2017  
R

## 9. Post retirement medical aid

The SADPMR has an obligation to provide medical benefits to certain pensioners and dependents. These liabilities have been provided for in full, calculated on an actuarial basis. These liabilities are unfunded. Periodic valuation of this obligation is carried out by an independent actuary, the latest being 31 March 2018.

The amounts recognised in the statement of financial position arising from the obligation in respect of the post-retirement medical plan is as follows:

Post-retirement benefit obligations	2,754,651	1,427,651
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## Reconciliation of the liability

Opening balance	1,427,651	1,436,000
Interest cost	119,000	121,000
Actuarial cost	(85,273)	-
Contribution payments	(134,378)	(129,349)
	<b>1,327,000</b>	<b>1,427,651</b>

<b>Net expenses recognised in statement of financial performance</b>	119,000	121,000
Interest cost	(85,273)	-
Actuarial gain	<b>33,727</b>	<b>121,000</b>

Contributions paid	(134,378)	(129,349)
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## 10. Payables from exchange transactions

Trade creditors	427,495	950,390
Accruals	5,810,145	7,367,327
Other payables	341,339	175,214
Payroll third party payables	8,413	27,221
	<b>6,587,392</b>	<b>8,520,152</b>

All payables are paid within 30 days, where possible and where there are no disputes. Payables are not secured.

# Notes to the Annual Financial Statements

2018  
R

Restated  
2017  
R

## 11. Provisions

Legal fees	2,059,950	5,208,408
Performance bonus	5,302,190	5,453,061
	<b>7,362,140</b>	<b>10,661,469</b>

### Reconciliation of legal fees provision:

Carrying amount at the beginning of the year	5,208,408	3,561,387
Provision raised/(reversed)	(1,138,856)	3,000,000
Payments	(2,009,602)	(1,352,979)
<b>Carrying amount at end of the year</b>	<b>2,059,950</b>	<b>5,208,408</b>

### Reconciliation of provision for performance bonus:

Carrying amount at the beginning of the year	5,453,061	5,120,821
Amounts incurred and charged against the provision	(5,254,050)	(4,892,646)
Additions	5,103,179	5,224,886
<b>Carrying amount at end of the year</b>	<b>5,302,190</b>	<b>5,453,061</b>

# Notes to the Annual Financial Statements

2018  
R

Restated  
2017  
R

## 12. Obligations under operating leases

12.1 At the statement of financial position date, the company has outstanding commitments under non-cancellable operating leases that fall due as follows:

### Johannesburg Office

- Not later than one year
- Greater than one year, less than five

5,884,741	8,026,300
2,312,883	2,141,559
3,571,858	5,884,741

The SADPMR entered into a five-year lease agreement with Redefine Properties Ltd for the rental of office space in Jewel City, Johannesburg. The lease commenced on 01 September 2011 and was meant to end on 31 August 2016. The initial lease payment was R112 731, with additional charges for parking at R26 791 and security at R3 420 a month. The lease agreement was amended, resulting in the reduction in rental charges from September 2015. It was extended to 31 August 2020. The lease provides for an escalation of 8% per annum on rental, parking and security charges.

### Kimberley Office:

- Not later than one year
- Greater than one year, less than five

213,401	709,755
213,401	496,354
-	213,401

The SADPMR entered into a three-year lease agreement with Providence Family Trust for the rental of Kimberley office. The lease commenced on 01 September 2015 and terminates on 31 August 2018 and provides for an escalation of rental of 8% per annum. The lease payment is R36 061 per month and with additional parking charges of R180.00 per bay.

### Total lease obligations:

- Not later than one year
- Greater than one year, less than five

2,526,284	2,637,913
3,571,858	6,098,142
<b>6,098,142</b>	<b>8,736,055</b>

12.2 Payables from operating leases reflect the difference between the actual lease payments and the straight-lined amounts.

### Lease liability

531,380

468,109

## 13. Deferred income

Grant received (WGM)

5,833,333

-

Deferred income relates to the payment received from the Department of Mineral Resources for chairing the Kimberly Process Certification Scheme (KPCS ) Working Group on Monitoring. An amount of R 10-million was allocated for three (3) years i.e. 2017 to 2019.

# Notes to the Annual Financial Statements

**2018**  
**R**

**Restated**  
**2017**  
**R**

## 14. Other income

Administration fee (client fees)	11,160	16,007
Bad debts recovered	118,784	89,117
Discount received	62,285	108,609
Other income	63,106	39,265
Sale of diamond books and registers	92,400	94,200
Sale of tender documents	30,500	24,000
	<b>378,235</b>	<b>371,198</b>

## 15. Auditors' fees

External audit	1,560,726	2,387,745
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## 16. Board expenses

Meeting fees	1,709,511	972,722
Other fees	233,887	-
	<b>1,943,398</b>	<b>972,722</b>

Other fees relates to WGM activities and remuneration other than Board activities.

# Notes to the Annual Financial Statements

	2018 R	Restated 2017 R
<b>17. Other operating expenses</b>		
Administration expenses	143,500	101,076
Advertising	16,917	-
Audit fees	1,560,726	2,387,745
Board fees	1,659,195	972,722
CSR programmes	14,600	13,000
Domestic travel	2,477,870	1,642,132
Hospitality	63,783	61,462
Inspection costs	477,148	421,892
Insurance	1,423,765	1,499,465
International travel	2,100,409	641,405
Inventory costs	849,739	917,170
Kimberley Process	4,357,821	1,063,415
Legal fees	(1,138,856)	3,000,000
Licences	777,672	775,971
Medical expenses-retired staff	33,727	121,000
Motor vehicle expenses	191,852	-
Office lease	2,565,641	2,380,375
Office lease municipal services	1,048,463	1,012,204
Postage and courier	33,552	71,006
Public relations	768,630	466,039
Recruitment and selection costs	256,143	191,878
Repairs and maintenance	653,339	1,027,086
Security	901,100	872,513
Staff welfare	22,685	383,791
Subscriptions and membership fees	46,304	55,182
System support fees	107,730	257,628
Telecommunication	2,100,060	2,003,555
Training and development	552,887	548,380
Venue and facilities	203,513	115,236
Warehousing	78,090	50,478
	<b>24,348,005</b>	<b>23,053,806</b>

# Notes to the Annual Financial Statements

2018  
R

Restated  
2017  
R

## 18. Employee costs

Basic salaries	57,516,835	52,868,724
Bonus -13th cheque	1,952,001	1,994,992
Compensation of injury and disease - COID	194,287	85,427
Disability cover	796,828	733,292
Housing allowance	100,000	154,000
Leave pay provision	326,281	907,375
Medical aid - entity contributions	2,212,558	2,079,116
Performance bonus	5,103,160	5,475,535
Employment benefits-Pension	4,724,903	4,397,221
Skills Development Levy (SDL)	643,204	603,242
Travel allowance	96,000	96,000
Unemployment Insurance Fund (UIF)	217,372	219,468
	<b>73,883,429</b>	<b>69,614,392</b>

## 19. Executive and non- executive members' remuneration

X Mbonambi - Acting Chief Executive Officer

Acting allowance	654,407	65,622
	<b>654,407</b>	<b>65,622</b>

### L Nkhumishe - GM: Corporate Services

Acting allowance	-	65,551
Basic salary	1,470,645	1,370,750
Bonus - 13th cheque	82,618	79,152
Disability cover	18,374	17,287
Performance bonus	156,716	142,292
UIF, SDL, medical and pension fund	177,603	161,712
	<b>1,905,956</b>	<b>1,836,744</b>

### M Mononela - GM: Legal and Compliance

Basic salary	1,500,135	1,399,510
Bonus - 13th cheque	82,618	79,152
Disability cover	18,374	17,287
UIF, SDL, medical and pension fund	146,808	131,137
	<b>1,747,936</b>	<b>1,627,086</b>

# Notes to the Annual Financial Statements

	2018 R	Restated 2017 R
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## NC Khosa - GM: Regulatory Compliance

Acting allowance	53,262	69,238
Basic salary	1,460,797	1,349,161
Bonus - 13th cheque	82,618	79,152
Disability cover	18,374	17,287
Performance bonus	156,716	155,571
UIF, SDL, medical and pension fund	188,246	183,733
	<b>1,960,013</b>	<b>1,854,142</b>

## C Mlondo - GM: Diamond Trade

Basic Salary	1,511,142	1,411,252
Disability cover	18,409	17,320
Performance bonus	122,868	112,350
UIF, SDL, medical and pension fund	224,973	202,770
	<b>1,877,393</b>	<b>1,743,692</b>

## K Sibanyoni - Company Secretary

Basic salary	997,900	927,833
Bonus - 13th cheque	55,914	53,568
Disability cover	12,487	11,424
Performance bonus	108,649	108,917
UIF, SDL, medical and pension fund	118,379	28,671
	<b>1,293,328</b>	<b>1,130,413</b>

## A Damarupurshad - Manager: Precious Metals & Beneficiation

Basic salary	1,016,290	939,552
Car allowance	96,000	96,000
Disability cover	13,396	12,608
Performance bonus	113,882	113,050
UIF, SDL, medical and pension fund	147,439	135,693
	<b>1,387,007</b>	<b>1,296,903</b>

## J Lenka - Manager: Diamonds

Basic salary	1,155,600	1,063,510
Disability cover	13,396	12,608
Housing allowance	-	11,000
Performance bonus	115,271	114,445
UIF, SDL, medical and pension fund	104,335	96,896
	<b>1,388,601</b>	<b>1,298,459</b>

# Notes to the Annual Financial Statements

	2018 R	Restated 2017 R
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## **M Babu - Manager: Licencing (Compliance)**

Basic salary	1,007,343	938,204
Bonus - 13th cheque	58,989	56,514
Disability cover	13,165	12,391
Performance bonus	111,895	97,470
UIF, SDL, medical and pension fund	170,205	156,164
	<b>1,361,598</b>	<b>1,260,743</b>

## **S Mandlazi - Manager: Finance**

Acting allowance	212,290	100,514
Basic salary	1,206,510	1,121,847
Disability cover	13,979	13,156
Performance bonus	95,457	118,030
UIF, SDL, medical and pension fund	110,639	102,035
	<b>1,638,875</b>	<b>1,455,582</b>

## **P Maka - Manager: Information and Communications Technology**

Basic salary	1,053,633	980,505
Bonus - 13th cheque	60,248	57,720
Disability cover	13,442	12,651
Performance bonus	115,676	114,847
UIF, SDL, medical and pension fund	149,007	137,320
	<b>1,392,006</b>	<b>1,303,043</b>

# Notes to the Annual Financial Statements

	2018 R	Restated 2017 R
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## **O Thulare - Manager: Human Resources**

Basic salary	1,135,441	1,055,766
Disability cover	13,165	12,391
Performance bonus	111,895	115,191
UIF, SDL, medical and pension fund	102,533	95,308
	<b>1,363,034</b>	<b>1,278,656</b>

## **A Pholoha - Manager: Government Diamond Valuator**

Basic salary	951,676	855,141
Bonus - 13th cheque	55,914	52,003
Disability cover	12,544	7,953
Housing allowance	12,000	12,000
Performance bonus	53,054	62,171
UIF, SDL, medical and pension fund	152,047	137,609
	<b>1,237,236</b>	<b>1,126,877</b>

## **Chief Executive Officer, General Managers and Managers**

### **L Rapoo - Chief Executive Officer #**

Basic Salary	-	349,611
Disability cover	-	7,365
UIF, SDL, medical and pension fund	-	9,272
Leave payout	-	75,928
	-	<b>442,176</b>

### **I Tshifura - Chief Financial Officer ##**

Basic salary	-	163,864
Bonus - 13th cheque	-	6,156
Disability cover	-	2,970
UIF, SDL, medical and pension fund	-	28,288
Leave payout	-	98,268
	-	<b>299,546</b>

## **TOTAL EXECUTIVE REMUNERATION**

	<b>19,207,389</b>	<b>18,019,684</b>
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This represents the total cost to company. The choice of salary structure is that of the employee.

# Notes to the Annual Financial Statements

2018  
R

Restated  
2017  
R

## Non-executive members of the Board and Other Committees Meeting fees

	No. of meetings	Paid to members	Paid to employers	2018	2017
Dr S Manese	66	536,241	-	536,241	130,688
M Noge	29	-	163,014	163,014	79,454
T Ngqeza	35	201,224	-	201,224	73,350
M Ledingwane	25	-	156,910	156,910	59,232
N Monedi-Noko	34	-	204,416	204,416	73,350
M Mohlala-Mulaudzi	10	59,276	-	59,276	28,090
B Stern	8	51,748	-	51,748	25,664
M Mosing	37	-	218,130	218,130	60,886
N Van Rooyen	12	71,612	-	71,612	25,664
B Deka	9	-	-	-	-
C Nevhutanda	19	-	-	-	-
S Mokoena	-	-	-	-	18,678
P Bailey	8	46,940	-	46,940	70,152
K Menoe	14	-	-	-	-
N Mkhumane ##	-	-	-	-	34,312
S Phiri #	-	-	-	-	35,952
RJ Paola #	-	-	-	-	57,680
L Delport #	-	-	-	-	56,806
N Xaba #	-	-	-	-	63,166
P Bersiks (Independent member) #	-	-	-	-	14,118
S Ngcobo #	-	-	-	-	46,658
S Vilakazi (Independent member) #	-	-	-	-	18,822
<b>Total non-executive remuneration</b>		<b>967,041</b>	<b>742,470</b>	<b>1,709,511</b>	<b>972,722</b>

## Resigned

# Term ended

## Fees for other board activities

	No of days	Paid to members	Paid to employers	2018	2017
Dr S Manese	9	173,779	-	173,779	-
N Monedi-Noko	4	-	16,992	16,992	-
M Mohlala-Mulaudzi	4	18,665	-	18,665	-
M Noge	3	-	10,479	10,479	-
T Ngqeza	3	13,972	-	13,972	-
		<b>206,416</b>	<b>27,471</b>	<b>233,887</b>	-

# Notes to the Annual Financial Statements

	2018 R	Restated 2017 R
<b>20. Cash generated from operations</b>		
Surplus/(deficit) per statement of financial performance	<b>5,634,633</b>	<b>6,257,708</b>
Adjustment for:		
Depreciation and amortisation	(2,494,418)	(1,487,718)
Interest income	1,750,425	2,675,357
Finance costs	(4,198,280)	(4,028,558)
Deficit on disposal of assets	27	2,447
Fair value adjustment - financial instruments at fair value	26,895	-
	(73,485)	(136,964)
	<b>3,140,215</b>	<b>4,769,990</b>
<b>Movements in working capital</b>	<b>2,166,744</b>	<b>6,020,241</b>
Decrease/(increase) in inventory	(77,860)	(171,629)
Increase/(decrease) in deferred income	5,833,333	-
Increase/(decrease) in operating lease liability	63,271	247,348
Increase/(decrease) in trade and other payables	(1,932,760)	3,731,047
Increase/(decrease) in provisions	(3,299,329)	1,979,261
(Increase)/decrease in trade and other receivables	1,580,089	234,214
<b>Cash generated from operations</b>	<b>5,306,959</b>	<b>10,790,231</b>

## 21. Related party transactions

During the year under review the entity entered into the following transaction:

Name and nature of services	Amounts received/paid to related party	
	2018	2017
Department of Mineral Resources	<b>59,198,334</b>	<b>54,038,333</b>

The transactions relate to the transfer payment (grant) from the Department of Mineral Resources and there were no balances owed by or due to DMR at the end of the year under review.

# Notes to the Annual Financial Statements

	2018 R	Restated 2017 R
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## 22. Irregular expenditure

Opening balance	-	-
Irregular expenditure - Current period	70,821	-
Less: Expenditure condoned	-	-
<b>Irregular expenditure awaiting condonation</b>	<b>70,821</b>	<b>-</b>

A printing bid was finalised during the transitional period of the previous and current Board, however, the current Board requested management to re-advertise the bid. Therefore an approval to extend the contract was granted on a month-to-month basis.

The application of Paragraph 8.1 of the Instruction note 3 of 2016/17 was effected due to an emergency created by the need to continue with the printing services while the cancellation and re-advertisement of this contract was in progress. Paragraph 8.1 was erroneously applied instead of paragraph 9.2 due to the misinterpretation of the circumstances since the contract had expired. The irregular amount of R70 821 does not include the cost of variable amount per unit: Cost for black and white was R0.06 and colour print was R0.40.

## 23. Fruitless and wasteful expenditure

Management did not detect any fruitless and wasteful expenditure during the year under review.

## 24. Material losses through criminal conduct

Financial misconduct by an ex-employee	201,897	-
Misappropriation of funds by an employee	5,000	-
	<b>206,897</b>	<b>-</b>

The SADPMR incurred a loss estimated at R201,897.46 as a result of the misconduct (theft/fraud) for upgrading and requesting new cellphone contracts without authorisation. The official was subjected to the disciplinary tribunal and was subsequently dismissed from the employment of the SADPMR. The misconduct was deemed a criminal offence and was thus reported to the South African Police Services. The matter is currently under investigation by the law enforcement agencies.

Another misconduct of R5,000 relates to the theft/fraud on the part of an employee who accepted client's money (paid as licence application fees in cash) without approval for her own benefit. This compromised the financial management and internal control system of the SADPMR. The employee was subjected to the disciplinary hearing. Sanction was applied according to the recommendations of the presiding officer.

# Notes to the Annual Financial Statements

2018  
R

Restated  
2017  
R

## 25. Correction of an error

The comparatives have been restated as follows:

Increase in revenue	-	833,333
Increase in assets	-	833,333
Increase in surplus for the year	-	833,333

The error relates to the working Group on Monitoring Grant which was not recognised for three (3) months in the previous year.

## 26. Financial risk management

The SADPMR has limited exposure to the financial risks in the course of normal operations and attempts to manage the following financial risks:

### Liquidity risks

The entity manages liquidity risk through proper management of working capital, capital expenditure and actual versus forecasted cash flows. Adequate reserves and liquid recourses are also maintained.

The maturity analysis of trade payables at reporting date were as follows:

### Payables

Current (0 – 30 days)	477,364	809,936
31-60 days	19,671	137,266
61-90 days	(10,063)	-
91-120 days	(37,550)	(684)
121 + days	(97,027)	3,872
	<b>427,495</b>	<b>950,390</b>

The following are the entity's other liabilities, including interest payments:

### - Not later than one year

Finance lease obligations	-	5,889
Provisions	7,362,140	10,661,469
	<b>7,362,140</b>	<b>10,667,358</b>

# Notes to the Annual Financial Statements

2018  
R

Restated  
2017  
R

## Market Risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in commodity prices, interest rates and equity prices.

A significant part of the market risk encountered arises from financial instruments that are managed by other financial institutions.

The objective of the market risk management policy is to protect and enhance the statement of financial position and surplus or a deficit by managing and controlling market risk exposures and to optimise the funding of business operations and facilitate capital expansion.

## Interest Rate Risk

Deposits and call accounts attract interest rates that vary from prime. The SADPMR's policy is to manage interest rate risk by investing in a range of balanced portfolios so that fluctuations in variable rates do not have a material impact on the surplus or (deficit). At the end of the year, financial instruments exposed to interest rate risk were as follows:

(i) Balances with banks, current and call accounts.

## Credit Risk

Credit risk is a risk of financial loss to the entity if a customer or other counterparty (including government and financial institutions) to a financial instrument fails to meet its contractual obligations. Credit risk arises primarily from the sale of goods and services in the ordinary course of business.

Credit risk includes counterparty risk and delivery or settlement risk. Counterparty risk is the risk that a counterparty is unable to meet its financial and/or contractual obligations during the year of a transaction. Credit risk consists mainly of call deposits, cash equivalents and trade receivables. The SADPMR only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party. Trade receivables are presented net of allowance for doubtful receivables.

The maximum exposure to credit risk of financial assets is:

Loans and receivables	5,586,730	7,744,402
Financial instruments at fair value	26,852,632	24,834,019
Cash and cash equivalents	40,470,843	33,572,591
	<b>72,910,205</b>	<b>66,151,012</b>

# Notes to the Annual Financial Statements

2018  
R

Restated  
2017  
R

The ageing of the entity's receivables is as follows:

	2018		2017	
	Gross	Impaired	Gross	Impaired
Current (0 – 30 days)				
31-60 days	340,420	-	628,517	-
61-90 days	174,644	-	324,565	-
91-120 days	158,565	-	210,385	-
121 + days	4,379,512	859,001	5,266,504	2,413,317
	<b>5,053,141</b>	<b>859,001</b>	<b>6,429,971</b>	<b>2,413,317</b>

The impairment of debtors consists of cancelled licences with outstanding balances, expired licences, expired licences not renewed and non-responsive licensees who failed to make payment arrangements.

## Cash and cash equivalents

Cash and deposits are regarded as having insignificant credit risk. The balances of cash and cash equivalents were as follows:

Bank	Type	Balance at 31 March 2018	Balance at 31 March 2017
Investec Ltd	Investment	10,950,236	10,256,733
Nedbank Ltd	Current	818,039	654,890
Nedbank Ltd	Call	28,691,576	22,646,320
Nedbank Ltd	Call (salary savings)	1,098	1,030
Petty cash	On hand	9,894	13,618
		<b>40,470,843</b>	<b>33,572,591</b>

## 27. Capital commitments

### Development of WebAdmin System

- 615,495

This relates to capital commitment made towards the procurement of capital expenditure, which is still work in progress.

# Notes to the Annual Financial Statements

	2018 R	Restated 2017 R
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## 28. Unrecognised Contractual Commitments

AFC Technology Service (Pty) Ltd	105,835	-
Aramex	187,448	-
Bidvest Steiner	81,862	-
Fidelity Security Services	874,291	1,747,248
Finware Enterprise Systems	168,264	56,088
Freshive New Media Replay	-	6,156
Gunnebo Security SA (Pty) Ltd	-	9,137
Microsep (Pty) Ltd	180,592	9,747
Microsoft	1,688,923	-
National Safe Co (Pty)Ltd	9,576	-
Omega Fire and Security	123,816	29,758
Pest Control	17,000	-
SITA	720,629	1,864,202
Tracker Connect Pty Ltd	98,423	-
	<b>4,256,659</b>	<b>3,722,336</b>

