



REPUBLIC OF NAMIBIA



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
DIAMOND VALUATION FUND
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

REPUBLIC OF NAMIBIA



TO THE HONOURABLE SPEAKER OF THE NATIONAL ASSEMBLY

I have the honour to submit herewith my report on the accounts of the Diamond Valuation Fund for the financial year ended 31 December 2018 in terms of Article 127(2) of the Namibian Constitution. The report is transmitted to the Honourable Minister of Finance in terms of Section 27(1) of the State Finance Act, 1991, (Act 31 of 1991) to be laid upon the Table of the National Assembly in terms of Section 27(4) of the Act.

A handwritten signature in black ink, appearing to read 'Junias Etuna Kandjeke'.

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

WINDHOEK, March 2020

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF
THE DIAMOND VALUATION FUND
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

1. UNQUALIFIED AUDIT OPINION

I have audited the financial statements of the Diamond Valuation Fund for the financial year ended 31 December 2018. These financial statements comprise the Statement of financial position, Statement of Income and other comprehensive Income, Statements of Changes in Equity and Statement of Cash Flow for the year then ended and a summary of significant accounting policies.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Diamond Valuation Fund as at 31 December 2018 and its financial performance and its cash flows for the year then ended in accordance with statement of International Public Sector Accounting Standard.

2. BASIS FOR AUDIT OPINION

I conducted my audit in accordance with International Standards for Supreme Audit Institutions. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the entity in accordance with the code of ethics for Supreme Audit Institutions together with the ethical requirements that are relevant to my audit of the financial statements in Namibia, and I have fulfilled my other ethical responsibilities in accordance with these requirements and the code of ethics.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

3. KEY AUDIT MATTERS

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters. No key audit matter to be reported in this regard.

4. OTHER INFORMATION

Management is responsible for the other information. The auditor's opinion on the financial statements does not cover the other information and, accordingly, the auditor does not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

5. RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Section 63(7) of the Diamond Valuation Act, 1999, such internal control as management determines it necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

6. AUDITOR IS RESPONSIBILITY FOR THE AUDIT OF THE FINANCIAL STATEMENTS.

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 and auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs), will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the International Standards for Supreme Audit Institutions, I exercise professional scepticism throughout the audit, 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 controls.
- 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 Entity's internal control.
- Evaluate the appropriateness of accounting policies uses and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence, obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity'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 or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Entity to cease to continue 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.

- I communicate with those charged with governance 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.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

POWERS AND DUTIES

Section 25(1) (c) of the State Finance Act, 1991, provides that the Auditor-General should satisfy himself that:

- (a) All reasonable precautions have been taken to ensure that all monies due to the State are collected, and that the laws relating to the collection of such monies have been complied with;
- (b) All reasonable precautions have been taken to safeguard the receipt, custody and issue of and accounting for, the State's assets, such as stores, equipment, securities and movable goods; and
- (c) The expenditure has taken place under proper authority and is supported by adequate vouchers or other proof.

In addition, Section 26(1) (b)(iv) of the State Finance Act, 1991, empowers the Auditor-General to investigate and report on the economy, efficiency and effectiveness of the use of the State's resources.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control.

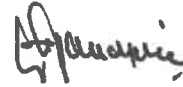
An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

7. REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The financial statements were submitted late than required by the Accounting Officer to the Auditor-General on the 5th June 2019 in terms of Section 63 (7) sub-Section (8) and (9) of the Diamond Valuation Act, 1999.

8. ACKNOWLEDGEMENT

The assistance and co-operation by the staff of the Diamond Valuation Fund during the audit is appreciated.



WINDHOEK, March 2020

**JUNIAS ETUNA KANDJEKE
AUDITOR- GENERAL**

DIAMOND VALUATION FUND
STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER

	Note	2018	2017
		N\$	N\$
Assets			
Non-current assets		10 019 666	-
Intangible assets	3	10 019 666	-
Current Assets			
Cash on hand and Bank		39 612 947	70 078 414
Trade and other receivables	4	32 636 366	59 369 674
		6 976 581	10 708 740
Total Assets		49 632 614	70 078 414
Equity and Liabilities			
Retained income		40 953 733	64 593 286
Accumulated Surplus/(Deficit)		70 078 415	59 371 550
Prior year adjustment		(23 639 554)	5 221 736
		(5 485 128)	-
Current liabilities			
Trade and other payables	5	8 678 881	5 485 128
		8 678 881	5 485 128
Total funds and Liabilities		49 632 614	70 078 414

DIAMOND VALUATION FUND
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31
DECEMBER

	Note	2018	2017
		N\$	N\$
Revenue			
Levies received		108 405 421	96 351 414
Gross income		108 405 421	96 351 414
Investment income		1 385 278	1 848 096
Administrative Expenses	6	(133 430 252)	(92 977 775)
Operating Profit/Loss		(23 639 553)	5 221 735

DIAMOND VALUATION FUND
STATEMENT OF CHANGES IN RESERVE FOR THE YEAR ENDED 31 DECEMBER

	Accumulated Surplus	Total
	N\$	N\$
Balance at 01 January 2017	59 371 550	59 371 550
Profit for the prior year	5 221 736	5 221 736
Total Comprehensive profit at 31 December 2017	64 593 286	64 593 286
Loss for the year	(23 639 554)	(23 639 554)
Balance at 31 December 2018	40 953 732	40 953 732

DIAMOND VALUATION FUND
CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER

	2018	2017
Note	N\$	N\$
Cash flows from operating activities		
Profit before taxation	(23 639 554)	5 221 736
<i>Adjustments for:</i>		
Investment Income	(1 385 278)	(1 848 096)
<i>Working capital changes</i>		
(Increase)/ Decrease in trade and other receivables	3 732 159	(10 708 740)
Increase /(Decrease) in trade and other payables	3 193 753	5 485 128
Cash utilised in operating activities	(18 098 920)	(1 849 972)
Increase in investment income	1 385 278	1 848 096
Net cash from operating activities	(16 713 642)	(1 876)
Cash flows from investing activities		
Property, plant and equipment acquired	(10 019 665)	(1 876)
Net cash generated by investing activities	(10 019 665)	(1 876)
Decrease in cash and cash equivalents	(26 733 308)	(1 876)
Cash and cash equivalents at beginning of the year	59 369 674	59 371 550
Cash and cash equivalents at end of the year of the year	32 636 366	59 369 674

**DIAMOND VALUATION FUND
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2018**

1. General Information

The Diamond Valuation Fund was established by the Diamond Act 13 of 1999 and it operating under the mandate of Diamond Affairs, Ministry of Mines and Energy.

2. Basis Of Preparation

The Financial statements have been prepared in accordance with statement of International Public Sector Accounting Reporting Standard (IPSAS) and those applicable to a going concern. The basis presumes that funds will be available to finance future operation and that the realization of assets and settlement of liabilities, contingents obligations and commitments will occur in the ordinary courses of business. The financial statements incorporates the following principle of accounting policies, which have been applied on a basis consistent with that of prior year and used by the Management.

The Ministry of Mines and Energy is currently in the process of developing Accounting policy and Procedures for its Diamond Act Funds namely: Diamond Board and Diamond Fund. IPSAS framework was applied because the nature of the Fund's operations meets the requirements to report in terms of IPSAS. The adoption of IPSAS is in the line with the new development that requires Public Entities to start applying IPSAS or Full International Reporting Standard (IFRS). It is envisaged that the accounting policy and procedures currently being developed will clarify the applicable standards and its relevancy thereof in more details.

These financial statements have been prepared under the Historical cost convention and are presented in Namibian Dollars (NAD/N\$)

2.1 Revenue Recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary courses of the organisation's activities. Revenue is shown net of value added tax, returns and discounts.

The organisation recognise revenue with the amount of revenue can be relatively measured; it is probable that future economic benefit will follow to the entity; and specific criteria have been met for each of the organization's activities as described below.

DIAMOND VALUATION FUND
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER (Continued)

2.1.1 Service revenue

The service rendered is recognised as revenue by reference to the stage of completion of the transaction at the balance sheet date.

2.1.3 Royalties and production levies

Royalties and production levies are recognised on the accrual basis accordance with the substances of the relevant agreements.

2.1.3 Interest Income

Interest income is recognised using the effective interest method.

2.2 Property, Plant and Equipment

Items of property, plant and Equipment are measured at cost-accumulated amortization and any accumulated impairment losses.

2.2.1 Property, Plant and Equipment (Continued)

All property, plant and equipment are initially recorded at cost. Costs include costs incurred initially to acquire or construct an item of property, plant and equipment costs incurred subsequently to add to, replace part, or services. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

2.2.2 Intangible Assets

An intangible asset is a class of property, plant and equipment and it is defined as an identifiable non-monetary asset without a physical substance. Accounting for an intangible asset is based on its useful life. An intangible asset with a finite useful life is amortized and an infinite useful life is not amortized.

2.3 Trade and other receivables

Trade receivable are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivable is established when there is objective evidence that the

DIAMOND VALUATION FUND
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER (continued)

Organisation will not be able to collect all amounts due according to the original terms of the receivables.

Bank overdraft are shown within borrowings in current liabilities on the statement of financial position.

2.4 Cash and Equivalents

Cash and cash equivalents include cash on hand, demand, deposit, and other short-term liquid investments with original maturities of six months or less.

2.5 Employees Benefit Obligation

Short- term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the services is rendered, such as paid vacation leave and sick leave, bonuses. These benefits are recognised in the period in which the service is rendered and are not discounted.

2.6 Trade payable

Trade payable are recognised initially at the transaction price and subsequently measured at amortized cost using the effective interest the effective interest method.

2.7 Provisions

Provision are measured at the present value of the amount to be required to settle the obligation using a pre-tax rate that reflects market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

3. Intangible Assets

	2018	2017	Carrying value at the end pf the year	
	Costs	Amortisation		
Development of a Database system(Landfolio)	2 364 661	-	2 364 661	-
Security System	7 655 005	-	7 655 005	-
	10 019 666	-	10 019 666	-

DIAMOND VALUATION FUND
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER (continued)

The property, plant and equipment are recognised at cost, no amortisation value was written off because the assets have an infinite useful life. After analysing all the relevant factors, there is no foreseeable limit to the period over which the asset is expected to provide service potential to the organisation. The organisation will perform assessment annually to determine if there is any change in the accounting estimate as a result of change in an asset useful life from infinite to finite.

	2018	2017
	N\$	N\$
4. Levies	6 976 581	10 708 740
Diamond Board of Namibia	3 729 979	7 462 138
Namdeb	3 246 602	3 246 602
5. Trade and Other Payables	8 678 880	5 485 128
Blueberry Travel	-	212 166
C-Sixty	3 550 757	-
Global Diamond Valuers	4 302 554	4 798 300
Receiver of Revenue	825 569	474 663
6. Expenditures	133 430 252	92 977 775
African Diamond Producers Association	3 261 364	2 686 842
Accounting fees(Licences and Secretarial)	1 926	-
Advertisement	5 633	4 981
Bank Charges	34 648	25 113
Beneficiation Support Services	9 875 000	7 589 500
Overtime, Danger, Air and Standby allowance	3 274 132	1 898 556
Subsistence, Travel and Accommodation	915 548	1 596 205
Valuation Services	116 062 001	79 023 411
Entertainment	-	134 943
Vehicle Maintenance	-	705
Printing and Stationery	-	17 519