



REPUBLIC OF NAMIBIA



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
DIAMOND BOARD OF NAMIBIA
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015**

Published by authority

Price (Vat excluded) N\$ 24.00
Report no: 2017/56

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 Board for the financial year ended 31 December 2015 in terms of Article 127(2) of the Namibian Constitution. My report is transmitted to the Board in terms of Section 12(4)(a) of the Diamond Act, 1999 (Act 13 of 1999) to be laid upon the Table of the National Assembly by the Minister of Mines and Energy in terms of Section 12(8) of the Act.

WINDHOEK, May 2017

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

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF
THE DIAMOND BOARD OF NAMIBIA
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015**

1. Report on the Financial Statements

1.1 INTRODUCTION

This report on the accounts of the Diamond Board of Namibia for the financial year ended 31 December 2015 is presented to the National Assembly in accordance with the provisions set out in Section 12(6) of the Diamond Act, 1999 (Act 13 of 1999).

Figures in this report are rounded off to the nearest Namibia dollar and deficits are indicated in (brackets).

I certify that I have audited the accompanying financial statements of the Diamond Board of Namibia for the financial year ended 31 December 2015. These financial statements comprise of the following:

Annexure A: Balance sheet;
Annexure B: Income statement;
Annexure C: Statement of changes in equity;
Annexure D: Statement of cash flow; and
Annexure E: Notes to the Financial Statements.

The financial statements were submitted to the Auditor-General by the Accounting Officer in compliance with Section 12(6) of the Diamond Act, (Act 13 of 1999), except that they were only submitted on 18 August 2016 instead of three months after the year end as required by the Act.

2. MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Board of the Fund is responsible for the preparation of the financial statements in accordance with Section 12(3) of the Diamond Act, 1999 (Act 13 of 1999), and relevant legislation, and for 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.

3. AUDITOR'S RESPONSIBILITY

My responsibility is to express an opinion on these financial statements based on the audit. I conducted the audit in accordance with International Standards for Supreme Audit Institutions (ISSAIs). These standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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.
- d) 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.

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

4. ACKNOWLEDGEMENT

The co-operation and assistance given to the auditors by the Diamond Board personnel during the audit is appreciated.

5. KEY AUDIT FINDINGS

5.1 DEBIT CARD

As reported in prior years Auditors once again discovered that Automated Teller Machine (ATM) withdrawals amounting to N\$ 11 000 from a debit card could not be confirmed with supporting documents.

RECOMMENDATION

The Board should ensure that an alternative petty cash mechanism is drafted, approved and implemented for the Board daily minor expenses.

MANAGEMENT COMMENTS

The Diamond Board Secretariat was provided with the Debit card facility with a withdrawal limit of N\$ 2 000 per day and N\$ 10 000 per transaction to defray the office minor expenses.

In line with the audit recommendations, the Board will be consulted to review the petty cash facility with a view to implement a minimum risk - free petty cash mechanism as from 2017 going forward.

5.2 FINANCE AND PROCUREMENT MANUAL

Auditors discovered that the Board does not have an approved and documented finance and procurement policy in place to guide the operations of the Board.

RECOMMENDATION

The Board should ensure that a finance and procurement policy is drafted, approved and implemented.

MANAGEMENT COMMENTS

The Diamond Board will ensure that the Finance and procurement policy is in place.

5.3 BUDGET

Auditors detected that the annual budget is not approved by the Board.

RECOMMENDATION

The Board should ensure that the budget is approved and adhered to.

MANAGEMENT COMMENTS

The Board has noted the audit recommendation on the budget. In future, the Board will ensure that the approved budget is endorsed by the representatives of the Board and such endorsement can be verified.

6. BASIS FOR QUALIFIED AUDIT OPINION

My opinion has been qualified due to:

- Unconfirmed ATM cash withdrawals from the Boards cheque account amounting to N\$ 11 000;
- Absence of finance and procurement manual guiding the operations of the Board; and
- The non-approval of the Board's annual budget.

7. QUALIFIED AUDIT OPINION

The accounts of the Diamond Board of Namibia for the financial year ended 31 December 2015, summarized in Annexure A and D, were audited in terms of the provisions of Section 12(6) of the Diamond Act, (Act 13 of 1999).

In my opinion, except for the possible effects of the matter described in the Basis for Qualified Audit Opinion paragraph, the financial statements present fairly, in all material respects the financial position of the Diamond Board of Namibia as at 31 December 2015 and that the financial performance and cash flows for the year then ended are in accordance with Generally Accepted Accounting Practices.



WINDHOEK, May 2017

JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL

DIAMOND BOARD OF NAMIBIA
BALANCE SHEET FOR THE YEAR ENDED 31 DECEMBER

	Note	2015 N\$	2014 N\$
ASSETS			
NON CURRENT ASSETS			
Property, Plant and Equipment	3	358 169	727 776
CURRENT ASSETS			
Cash and cash equivalent	5	1 346 745	7 553 237
Trade and Receivable	4	16 962	-
TOTAL ASSETS		1 721 877	8 281 013
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Retained Income		8 281 013	9 259 960
Surplus/Deficit for the year		(6 542 554)	(978 947)
Prior year Adjustment		(16 583)	
CURRENT LIABILITIES			
Trade Payables	8	1	-
TOTAL FUNDS AND LIABILITIES		1 721 877	8 281 013

DIAMOND BOARD OF NAMIBIA
INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER

	Notes	2015 N\$	2014 N\$
INCOME			
Royalties Received	9	5 146 416	4 894 352
Interest Received	11	162 165	162 794
Other Income	10	250 000	-
TOTAL INCOME		5 558 581	5 057 146
Less:			
Operating expenses	12	12 101 135	6 036 093
SURPLUS/(DEFICIT)		(6 542 554)	(978 947)

DIAMOND BOARD OF NAMIBIA
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER

Figures in N\$

	Accumulated Surplus	Total
Balance at 31 December 2013	9 259 960	9 259 960
Total comprehensive income for the year		
Deficit for the year	(978 947)	(978 947)
Balance at 31 December 2014	9281 013	9281 013
Balance at 01 January 2015	8 281 013	8 281 013
Total comprehensive income for the year		
Deficit for the year	(6 542 554)	(6 542 554)
Adjustments	(16 583)	(16 583)
Balance at 31 December 2015	1 721 876	1 721 876

DIAMOND BOARD OF NAMIBIA
STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 DECEMBER

	Notes	2015 N\$	2014 N\$
Cash flows from operating activities			
Deficit for the year		(6 542 554)	(978 947)
Depreciation	12	415 633	409 974
Investment Income	11	(162 165)	(162 794)
		(6 289 086)	(731 766)
Operating cash flow before working capital changes			
Working capital changes			
Increase in trade and other receivables	4	(16 962)	-
Adjustments		(16 584)	156
Increase in trade and other payables	8	1	
Cash utilised in operating activities		(6 322 631)	(731 610)
Investment Income		162 165	162 794
Net Cash from operating activities		(6 160 466)	(568 816)
Cash flow from Investing activities			
Property plant and equipment acquired	3	(46 026)	(534 209)
		(6 206 492)	(1 103 025)
Decrease in cash and cash equivalents		7 553 237	8 656 262
Cash and cash equivalent at beginning of the year	5		
Cash and cash equivalent at the end of the year		1 346 745	7 553 237

**DIAMOND BOARD OF NAMIBIA
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER (continued)**

Accounting Policies

1. General Information

Diamond Board of Namibia is a non-profit organisation.

2. Summary of Significant accounting policies

These financial statements have been prepared in accordance with the accounting policies as set out below.

These financial statements have been prepared under the historic cost convention and are presented in Namibian Dollar.

2.1 Revenue recognition

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

The organization recognises revenue when the amount of revenue can be relatively measured ; it is probable that future economic benefits will follow to the entity; and specific criteria have been met for each of the organization activities as described below:

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.

2.1.2 Royalties and production levies

Royalties and production levies are recognized on the accrual basis in accordance with the substance 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 less accumulated depreciation and any impairment losses.

DIAMOND BOARD OF NAMIBIA
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER (continued)

2.2 Property Plant and Equipment (continued)

Cost include cost incurred initially to acquire or construct an item of property, plant and equipment cost incurred subsequently to add to, replace part, or service. If a replacement cost is recognised in the carrying amount of an item in property, plant and equipment, the carrying amount of the replaced part is derecognized.

Depreciation is charged so as to allocate the cost of the assets less their residual values over their estimated useful lives, using the straight line method. The following rates are used for the depreciation of property, plant and equipment.

Motor Vehicles	25%
Furniture and fittings	33,33%
Office equipment	33,33%
IT equipment	33,33%

2.3 Trade and other receivables

Trade and receivable are recognized initially at transaction date price. They are subsequently measures at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade and receivable is established when there is objective evidence that the organisation will not be able to collect all amounts due according to the original terms of the receivable. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

2.4 Cash and cash equivalent

Cash and cash equivalent include cash on hand demand deposits and other short-term highly liquid investments with original maturities of three months or less.

2.5 Employee benefit

Short term employee benefits:

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

2.6 Trade and payables

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

DIAMOND BOARD OF NAMIBIA
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER (continued)

2.7 Provisions

Provisions 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 on the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

3. Property Plant and Equipment

			31 December 2015 Carrying value			31 December 2014 Carrying value
	Costs N\$	Accumulated Depreciation N\$	N\$	Cost N\$	Accumulated depreciation N\$	N\$
<i>Owned assets</i>						
Motor vehicles	1 161 489	900 267	261 223	2 549 870	1 998 275	551 595
IT equipment	401 085	308 139	96 946	1 660 098	1 483 917	176 181
	1 566 575	1 208 406	358 169	4 209 968	3 482 192	727 776

	Carrying value at beginning of year	Additions	Depreciation	31 December 20 15 Carrying value
	N\$	N\$	N\$	N\$
<i>Owned assets</i>				
Motor vehicles	551 595	-	(290 372)	261 223
IT equipment	176 181	46 026	(125 261)	96 946
	727 776	46 026	(415 633)	358 169

	2015 N\$	2014 N\$
4. Trade and receivable		
Prepaid expenses	16 962	-
Impairment losses	-	-
	16 962	-

5. Cash and cash equivalent

Cash on hand	3 300	503
Bank balance	1 343 445	7 552 734
	1 346 745	7 553 237

ANNEXURE E

DIAMOND BOARD OF NAMIBIA
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED
31 DECEMBER (continued)

	2015	2014
	N\$	N\$
8. Trade and payable		
Trade creditors	1	-
	1	-
9. Revenue		
Levies & Royalties	5 146 416	4 894 352
	5 146 416	4 894 352
10. Other income		
Donations received	250 000	-
	250 000	-
11. Finance Income		
Interest received	162 165	162 794
	162 165	162 794
12. Operating expenses		
Advertising and promotion	9 634 359	4 261 001
Accounting fees	14 778	-
Bank charges	12 035	6 988
Depreciation	415 633	409 974
Entertainment expenses	25 325	1 374
Printing and stationery	10 880	46 323
General expenses	1 240	20 652
Salaries and wages	485 201	417 749
Telephone expenses	543 149	353 019
Insurance	120 627	48 808
Motor vehicle expenses	7 575	-
Travel and accommodation	153 617	95 070
Namibia police services	603 901	332 270
Sitting fees	48 705	42 865
Consulting fees	2 489	-
Computer expenses	21 621	-
	12 101 135	6 036 093