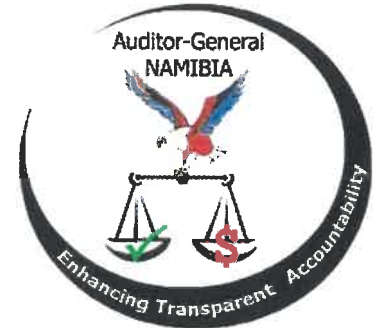




REPUBLIC OF NAMIBIA



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
DIAMOND BOARD OF NAMIBIA
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

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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 2017 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.

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

WINDHOEK, October 2018

**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 2017**

1. QUALIFIED AUDIT OPINION

I certify that I have audited the financial statements of the Diamond Board of Namibia for the financial year ended 31 December 2017. These financial statements comprise the statement of financial position, statement of comprehensive income, statement of changes in reserves, statement of cash flows and notes to the annual financial statements.

In my opinion, except for the 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 2017 and its financial performance and their cash flow for the year then ended.

2. BASIS FOR QUALIFIED 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. A qualified audit opinion is being expressed due to the following:

- Subsistence and travelling allowance of N\$ 198 383 claimed by the Ministry of Mines & Energy employees; and
- No approved accounting policies.

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 matters were observed during the year under review and in such I have nothing to report in this regard.

4. OTHER MATTERS

Attention is drawn to the management on matters that relate to my responsibility in the audit of the financial statements and excluding matters already disclosed by the Diamond Board of Namibia in the financial statements.

4.1 Board of directors

It was discovered that the Diamond Board of Namibia did not have an active Board of Directors in place to carry out its objectives during the financial year ended 31 December 2017.

The Board is mandated to:

- to advise the Minister on any matter relating to the diamond industry in, and the control and protection of the diamond resources of Namibia;
- to advise the Minister on any such matter referred to it by the Minister for investigation or advice;

- to facilitate by financial or other means the promotion and protection of such diamond industry and diamond resources; and

- to perform such other functions in relation to the protection and control of such diamond industry and diamond resources as the Minister, after consultation with the Board, may prescribe.

5. OTHER INFORMATION

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with the 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 the knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information; I am required to report that fact. I have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 in preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible of overseeing the entity's financial reporting process.

7. AUDITOR'S 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 a 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, 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.

- 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 used 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.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my report unless law or regulation precludes public disclosure about the matter or, when in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

8. REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS (COMPLIANCE)

I have nothing to report in this regard.

9. ACKNOWLEDGEMENT

The co-operation and assistance by the management and staff of the Diamond Board of Namibia during the audit is appreciated.

WINDHOEK, October 2018



**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

ANNEXURE A

DIAMOND BOARD OF NAMIBIA

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER

	Note	2017 N\$	2016 N\$
Assets			
Non - current assets			
Property, plant and Equipment	3	35 508	200 883
Current Assets			
Cash and Cash equivalents	4	10 928 763	2 982 151
Fixed Deposit	5	1 520 094	-
Trade and other receivables	6	33 449	27 995
Total Assets		12 517 814	3 211 029
Equity and Liabilities			
Equity			
Retained income		3 211 029	1 721 876
Accumulated Surplus/(Deficit)		1 856 692	1 489 153
Prior year adjustment	6	(12 225)	-
Current liabilities			
Trade and other payables		7 462 318	-
Total funds and Liabilities		12 517 814	3 211 029

ANNEXURE B

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

		2017	2016
	Note	N\$	N\$
Revenue			
Sales		18 110	33 300
Levies	7	5 239 964	4 936 402
Gross surplus		5 258 074	4 969 702
Other income			
Donation	8	-	520 000
Operating costs	10	3 580 405	(4 060 941)
Operating profit		3 580 405	(3 540 941)
Finance Income			
Finance costs	9	179 023	60 392
Profit before taxation		3 759 428	(3 480 549)
Retained income at 1 January 2017		3 211 029	1 721 876
Prior year adjustments		(12 225)	-
Profit for the year		1 856 692	1 489 153
Retained income at 31 December 2017		5 055 496	3 211 029

ANNEXURE C

DIAMOND BOARD OF NAMIBIA

STATEMENT OF CHANGES IN RESERVE FOR THE YEAR ENDED 31 DECEMBER

	Note	N\$	N\$
		Accumulated Surplus	Total
Balance at 31 December 2016		3 211 029	3 211 029
Total comprehensive income for the year			
Profit/Deficit for the year		1 856 692	1 856 692
Total comprehensive income for the year		1 856 692	1 856 692
Balance at 31 December 2017		5 067 721	5 067 721
Balance at 1 January 2016		3 211 029	3 211 029
Adjustments	6	(12 225)	(27 995)
Balance at 31 December 2016		3 198 804	3 183 034
Balance at 01 January 2017		3 198 804	3 198 804
Total comprehensive income for the year:			
Surplus for the year		1 856 692	1 856 692
Total comprehensive income for the year		1 856 692	1 856 692
Balance at 31 December 2017		5 055 496	5 055 496

ANNEXURE D

DIAMOND BOARD OF NAMIBIA

STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 DECEMBER

	Note	2017 N\$	2016 N\$
Cash flows from operating activities			
Surplus for the year		1 856 692	1 489 153
<i>Adjustments for:</i>			
Depreciation of Tangible assets		165 375	213 605
Investment income	6	(179 023)	(60 392)
		1 843 044	1 642 366
Operating cash flow before working capital changes			
Working capital changes			
Increase in trade and other receivables	4	(33 449)	(27 995)
prior year adjustment	4	15 780	16 962
increase in trade and other payables	4	7 462 318	-
		9 287 693	1 631 334
Cash utilised in operating activities		179 023	60 392
Investment income			
Net cash from operating activities		9 466 716	1 691 726
Cash flows from investing activities			
Property plant and equipment acquired		-	(56 320)
Net cash generated by investing activities		9 466 716	1 635 406
Decrease in cash and cash equivalents		9 466 716	1 635 406
Cash and cash equivalents at beginning of the year		2 982 150	1 346 744
Cash and cash equivalents at end of the year of the year		12 448 866	2 982 150

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

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 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 course of the organization’s activities. Revenue is shown net of value added tax, returns and discounts.

The organization recognizes 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’s activities as described below:

2.1.1 Service revenue

The service rendered is recognized 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 recognized using the effective interest method.

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

2.2 Property, Plant and Equipment

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

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 service. If a replacement cost is recognized in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognized.

Depreciation is charged so as to allocate the costs of 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%
Office equipment	33%
IT Equipment	33%

2.3 Trade and other receivables

Trade receivables are recognized initially at the transaction price. They are subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the organization will not be able to collect all amounts due according to the original terms of the receivables.

Bank overdrafts 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 deposits and other short-term highly liquid investments with original maturities of three months or less.

2.5 Employee benefit obligations

Short-term employee benefits.

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

The cost of short-term employee benefits, (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 payables

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

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

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

3. Property plant and equipment

	Accumulated Depreciation	31 December 2017 Carrying value	Cost	Accumulated depreciation	2016 Carrying value at the end of the year
	N\$	N\$	N\$	N\$	N\$
Owned assets					
Motor vehicles	1 151 613	9 876	1 161 489	1 033 101	128 388
IT equipment	435 773	25 632	461 405	388 911	72 494
	1 587 386	35 508	1 622 894	1 422 012	200 882

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

	Carrying value at beginning of year	Additions	Disposals	Depreciation	2017 Carrying value at end of the year
	N\$	N\$	N\$	N\$	N\$
Owned assets					
Motor vehicles	128 388	-	-	118 513	9 875
IT equipment	72 494	-	-	46 862	25 632
	200 882	-	-	165 375	35 508

DIAMOND BOARD OF NAMIBIA

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

	Carrying value	Disposals	Depreciation	2016 Carrying
	at beginning of			value at the end of
	the year	the year	the year	the year
	N\$	N\$	N\$	N\$
<i>Owned assets</i>				
Motor vehicles	128 388	-	118 513	9 875
IT equipment	72 494	-	46 862	25 632
	200 882	-	165 375	35 507

2017	2016
N\$	N\$

4. Cash and Cash equivalents

Cash on hand	12 448 858	2 982 151
Bank balances	3 534	2 556
Fixed Deposit	10 925 229	2 979 595
	1 520 094	-

5. Investments

Fixed Deposit - Opening balance	1 462 673	-
Accrued interest	57 420	-
Period year-end balance re-invested for six(6) months at 7.83%	1 520 094	-

All investment are recognized at a cost being the fair value of the consideration given including acquisition charges associated with investments.

ANNEXURE E

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

	2017	2016
	N\$	N\$
6. Trade and other receivables		
6.1 Items included in trade and other receivables not classified as financial instruments		
Pre-payment expenses	528	15 386
License fee and Secretarial	528	3 171
Advertisement	-	4 981
Entertainment	-	7 234
S&T Owed and Others		
Board sitting fees:	3 000	4 500
S. Ndjaba	1 500	1 500
Debmarine (B.Bock)	1 500	1 500
A. Canto	-	1 500
Board sitting fees:	29 921	-
Martha Haindongo	19 239	-
Miina Gahutu	6 096	-
Monika Maletsky	4 586	-
	-	8 100
Namibia Diamond Trading Company	-	6 300
Goethe- institute	-	450
Osino resources	-	450
Adrian Mejer jewellers	-	900

ANNEXURE E

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

	<u>2017</u>	<u>2016</u>
	N\$	N\$
Correction of invoices of 2015 invoices-JMAC (N\$ 247-238)	-	9
Total trade and other receivables	<u>33 449</u>	<u>27 995</u>
Adjustment:		
Refunds from Valuation fund		(12 215)
Entertainment		7 234
Advertisement		4 981
Increase in trade receivable and payable		<u>15 780</u>
7. Revenue	5 239 964	4 936 402
Levies: Producers Levy - 0.045%	12 702 282	4 936 402
Incorrect payment	(7 462 318)	-
8. Other income	-	520 000
Donations received	-	520 000

The donations were made in respect of the 2nd International Diamond Omugongo festival by companies

ANNEXURE E

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

	2017	2016
	N\$	N\$
9. Finance Income	179 023	162 165
Interest income	121 603	162 165
Fixed deposit's interest	57 420	-

10. Operating Expenses

Operating cost is arrived at after taking into account the following items:

	3 580 405	4 060 941
Expenditures		
Accounting fees	5 934	8 430
Advertisement and promotions	180 944	1 170 098
Audit fees	-	89 002
Bank Charges	7 232	12 759
Consultancy fees	-	492 824
Depreciation - Tangible assets	165 375	213 605
Directors emoluments	6 587	97 650
Entertainment	(7 234)	22 056
General expenses	-	3 169
Insurance	119 741	115 601
License and Secretarial	4 670	2 936
Motor vehicle expenses	6 215	16 311
Printing and stationery	27 438	13 797
PRU expenses	515 635	451 222
Salaries and wages	441 695	474 183
Telephone and fax	388 040	642 751
Travel and accommodation	218 134	234 548
Government medical aid	1 500 000	-